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Memorandum

MD&A

April 15, 2021

To: Members of the Board
From: Robin M. Gilliam, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: **MD&A Pilot & User Review Results** (Topic D)

INTRODUCTION

SFFAS 15, *Management's Discussions and Analysis*, states that each general purpose federal financial report should include a section devoted to management's discussion and analysis as required supplementary information. Management's discussion and analysis (MD&A) should provide users with a streamlined holistic story about a reporting entity's financial statements to help users better understand its financial condition and position. However, over the years—due to a number of various reporting requirements—MD&A has grown in size and become very dense with duplicative information making it difficult for users to read and understand.

To reduce preparer burden and provide users with easy to understand financial information, the Board drafted an MD&A vision framework (the framework) for agencies to pilot. The following analysis and attachments will explain how the MD&A pilot worked, findings, and resulting staff recommendation.

REQUEST FOR FEEDBACK BY April 22, 2021

Please review the attached staff recommendations and analyses and respond to the questions by April 22, 2021.

For additional information, questions, or suggestions, please contact as early as possible at gilliamr@fasab.gov with a cc to Monica Valentine at valentinem@fasab.gov.

SESSION AGENDA

9:30am - Introduction & overview of MD&A pilot

9:45am – Information Session (See Attachment 6 - *Presenter Bios*)

Three MD&A pilot agencies discuss the following questions:

1. Why did you want to participate in the MD&A pilot?
2. How was the draft MD&A vision framework helpful in preparing the sample MD&A?
3. What challenges, if any, did your team have in using the MD&A vision framework to streamline the MD&A?

Board member questions for pilot agencies

10:30am - Three User Reviewers discuss the following questions:

1. Why did you want to participate as a user reviewer for the MD&A pilot?
2. What did you find exceptional about the samples in relation to the MD&A vision framework?
3. What did you think needed improvement to meet the MD&A vision framework?

Board member questions for user reviewers

Break

11:15am – 12:30pm Review staff recommendations and analysis

NEXT STEPS

Present a draft exposure draft in June 2021 to streamline the MD&A according to the member approved timeline and roadmap.

ATTACHMENTS

1. Staff Analyses
2. Roadmap to Streamlining the MD&A
3. Agency Pilot Sample MD&As
4. Agency Pilot Survey Responses
5. User Review Survey Responses
6. Presenter Bios

Additional Information: After the April meeting staff will update the [MD&A project page](#) to include the welcome & training slides for MD&A pilot agencies and training slides for user reviewers.

Staff Analysis

MD&A

Attachment 1

April 15, 2021

CONTEXT

The Management's discussion and analysis (MD&A) project was approved in **June 2019**, merging from work completed by the Risk Reporting and Reporting Model-Phase I: MD&A and Stewardship Investments Improvements projects. The goals of the MD&A project are to streamline the MD&A, reduce preparer burden and provide users with easy to understand information about an agency's financial position and position. The following is a history of the MD&A project.

From August 2019 – June 2020: FASAB developed the following eleven objectives, based on the four reporting objectives in SFFAC 1, *Objectives of Federal Financial Reporting*: budgetary integrity, operating performance, stewardship, and systems and controls.

CATALOG OF MEMBER IDENTIFIED MD&A OBJECTIVES			
#	Code	MD&A Objective	Mtg
	Key:	G - General BI - Budgetary integrity OP - Operating performance ST - Stewardship S&C - Systems & controls	
1	G-1	MD&A should concisely explain—in plain language—any budget and financial terms used, such as but not limited to, unfunded, unobligated, and net cost of operations.	Aug 2019
2	BI-1	MD&A should concisely explain financing resources and the sources and status of budgetary resources.	Aug 2019
3	BI-2	MD&A should concisely explain why significant changes in budgetary and/or financing resources were needed during the reporting period.	Aug 2019
4	OP-1	MD&A should concisely explain if significant costs contributed to agency performance.	Oct 2019
5	OP-2	MD&A should concisely explain reasons for significant changes in net cost from the prior year and any significant cost trends over multiple years.	Oct 2019
6	OP-3	MD&A should provide an integrated discussion and analysis of the entity's mission, organization, budget, cost, and performance, for the entity's significant major program investments and the entity as a whole, including what types of resources the entity used and what the entity achieved during the reporting period.	Feb 2020
7	OP-4	MD&A should provide a concise/balanced discussion/summary of significant financial and non-financial operating performance information, including electronic references to legislative performance framework documents, such as GPRAMA reporting, for the entity's major program investments and the entity as a whole.	Feb 2020
8	ST-1	MD&A should concisely explain reasons for significant changes in assets, liabilities, costs, and/or revenues from the prior year and any significant trends.	June 2020

9	ST-2	MD&A should concisely describe planned agency actions to address current and prospective mission-related issues, challenges, and/or risks that could significantly affect assets, liabilities, costs, revenues, and budgetary resources.	June 2020
10	S&C-1	MD&A should concisely describe the conditions of data, systems, and controls that affect the ability to produce reliable financial information.	June 2020
11	S&C-NOTE	A number of members recommended that MD&A should also include a summary discussion about ongoing and planned actions to address non-compliance and control weaknesses that may be causing material weaknesses. This includes references to other sections that have a more in depth discussion of those items.	June 2020

August–December 2020: FASAB drafted the following MD&A vision framework (the framework) from the eleven objectives. It provided a cohesive vision of MD&A without the duplicative language found in the objectives. The Board then wanted to pilot the framework to determine if it streamlined the MD&A, reduced preparer burden, and provided users with information that was easier to understand.

MD&A Vision Statement: MD&A should summarize information about the financial position and condition of the reporting entity by discussing the entity's mission, organization, and key financial and performance results to inform users of its financial health and sustainability of major programs.

Therefore, MD&A should be an objective, concise, and easily readable summary analysis of

- I. the essential few matters causing significant changes to the entity's (1) financial statement amounts during the current reporting period and (2) financial, budgetary, and key performance trends over past reporting periods;
- II. the current and planned actions that will address the essential few opportunities, challenges, and risks that could significantly affect financial statement amounts and key performance results in the future; and
- III. the essential few conditions related to systems and controls that could affect the entity's ability to produce reliable financial information.

MD&A may also include references to websites or other areas of the agency financial report that provide additional information when applicable.

AN OVERVIEW OF THE MD&A PILOT AND USER REVIEW ACTIVITIES

MD&A PILOT AGENCIES:

Staff thanks the following 17 agencies that volunteered to participate in the MD&A Pilot (the pilot).

#	Pilot Agency
1.	Department of Commerce (Commerce)
2.	Defense Health Program (DHP)
3.	Department of Defense (DOD)
4.	Department of Homeland Security (DHS)
5.	Department of Education (Education)
6.	Federal Trade Commission (FTC)
7.	General Services Administration (GSA)
8.	Department of Health and Human Services (HHS)
9.	Department of Housing and Urban Development (HUD)
10.	Department of the Interior (Interior)
11.	Internal Revenue Service (IRS)
12.	National Labor Relations Board (NLRB)
13.	U.S. International Development Finance Corporation (DFC)
14.	Peace Corps
15.	USAID
16.	U.S. Department of Agriculture (USDA)
17.	Dept. of Veterans Affairs (VA)

MD&A Pilot

January 1st - February 26th: Staff provided training to the MD&A pilot agencies the first week of January 2021 and the following guidance for developing the MD&A samples:

Guidance for Developing MD&A Samples:

- Use only the FY2020 agency financial report and draft MD&A vision framework to prepare the MD&A sample
- Leave Out:

- Office of Management and Budget (OMB) Circular A-136 regulation reporting requirements
- Association of Government Accountants (AGA) Certificate of Excellence in Accountability Reporting (CEAR)[®] Program requirements
- GPRA-MA detail reports
- Keep any graphs and charts that help tell a holistic financial story
- Keep it simple and summarize
- Follow the Plain Writing Act of 2010 at [plainlanguage.gov](https://www.plainlanguage.gov)
- Include links to resources with more detail, such as organization charts, strategic planning, enterprise risk management etc.

Staff worked closely with agencies throughout the two months to help them draft their samples.

Pilot Success! All 17 agencies delivered streamlined MD&A samples! (See Attachment #3-*Pilot Survey Responses*) As a result, pilot agencies were able to streamline and reduce their MD&A footprint by approximately 50% to 80% by focusing only on the framework. For example:

Agency	Pages		% change
	FY20 MD&A	Sample MD&A	
USDA	77	12	84%
DOD	60	7	88%
HHS	53	23	56%
FTC	46	13	70%

March 15, 2021: MD&A pilot agencies completed the following questionnaire to help the Board understand what successes and challenges they had in developing a sample MD&A.

1. Please explain how the draft MD&A vision framework was helpful in preparing the sample MD&A?
2. Please explain what challenges, if any, you had using the MD&A Vision Framework to streamline the MD&A?

3. What terms or phrases in the framework would you like to see defined or described and why?
4. What changes could OMB-A-136 make to help streamline the MD&A?
5. What changes could AGA-CEAR make to help streamline the MD&A?
6. Please provide any additional information your agency wishes to share about your MD&A pilot experience.
7. Is your agency interested in joining the MD&A task force?
8. Please provide the date when you would need updated MD&A standards published to support reporting a streamlined MD&A for FY2022.

Please see attachment #2 – *Roadmap to Streamlining MD&A* for findings and related recommendations.

REVIEW BY MD&A USERS

Staff wishes to thank the Board members who nominated MD&A users to participate in the review process. As a result, we worked with the following experts and students who we thank for adding valuable information to this project.

#	User Reviewer	Position	Organization
1	Amanda Threlkeld	Student	Midwestern State University
2	Andres Vinelli	Vice President, Economic Policy	Center for American Progress
3	Bethany Ward	Student	Midwestern State University
4	Douglas Webster	Retired USAF – 1993; 2019 - federal civilian service [CFO of the US Dept. of Education]]	Works part-time as independent consultant
5	Eric Przybylski	Specialist Leader	Deloitte
6	Javier Negron	Director - Financial Reporting	National Archives and Records Administration
7	Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University
8	John Korbel	Management consultant	JJK Consulting
9	Montes Martinez	Student	Midwestern State University
10	Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG
11	Reem Samra	Managing Director	Deloitte
12	Tammy R. Waymire	Professor	Middle Tennessee State University

#	User Reviewer	Position	Organization
13	Tim Morgan	Retired audit partner	PWC
14	Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice & counsel to federal financial & IT senior executive
15	Danielle Pollock	Staff accountant & graduate student	Hess and Hess, LLP
16	Walt Fennell	Managing Director	Ernst & Young

March 5th – March 29th, 2021: Staff provided training to the MD&A user reviewers the first week of March 2021.

What users reviewed: Staff decided that approximately ¼ of the MD&A samples was a reasonable and manageable number for the users to review and staff to present findings to the Board. Staff made the MD&A sample selections based on the following four that were submitted first: USDA, DOD, HHS, and FTC.

Reviewers completed the following survey, with questions that mapped to the framework, for each of the four MD&A samples.

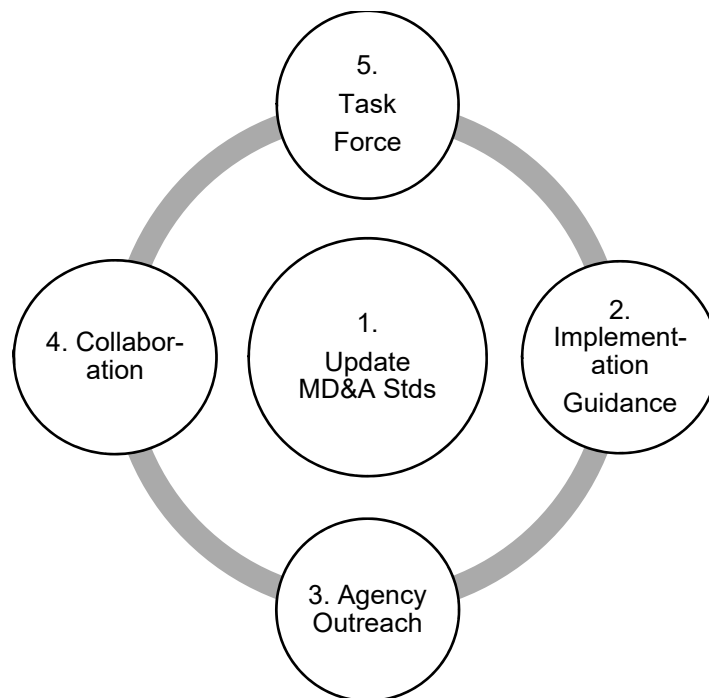
- 1) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition.
- 2) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs.
- 3) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period.
- 4) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting period.
- 5) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future.
- 6) On a scale of 1 to 5 with 5 being the highest, did the sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect its ability to produce reliable financial information.

- 7) Please provide any additional information about the sample MD&A that may help FASAB develop standards for streamlining MD&A that is useful and easy to understand.

Please see attachment #2 – *Roadmap to Streamlining MD&A* for findings and related recommendations.

RECOMMENDATIONS AND ANALYSES

The goals of the MD&A pilot and user review feedback were to 1) learn if the framework helped prepares to develop a streamlined sample MD&A; 2) determine if the sample MD&A provides users with a better understand of the agency's financial position and condition; and 3) decide if the framework can be used to update and streamline the MD&A standards. While the answers to all three questions are yes, there are five business processes that are recommended to streamline MD&A: 1) update MD&A standards, 2) implementation guidance, 3) agency outreach, 4) collaboration, and 5) task force.



1. **Updating MD&A Standards:** According to the pilot agencies, the framework is a good basis for updating the existing MD&A standards. Most of the pilot agencies were so excited about streamlining the MD&A that they wanted to implement the new vision framework for this fiscal year (FY). However, because of the Board's due process and comment period durations, implementation for FY21 is not possible. Therefore, staff surveyed the pilot agencies to determine when they would need the standards published to implement for FY22. The agency representatives stated June 2022 was the latest date

needed to support FY22 implementation. Therefore, staff developed the following roadmap and timeline, targeting June 2022 for publication.

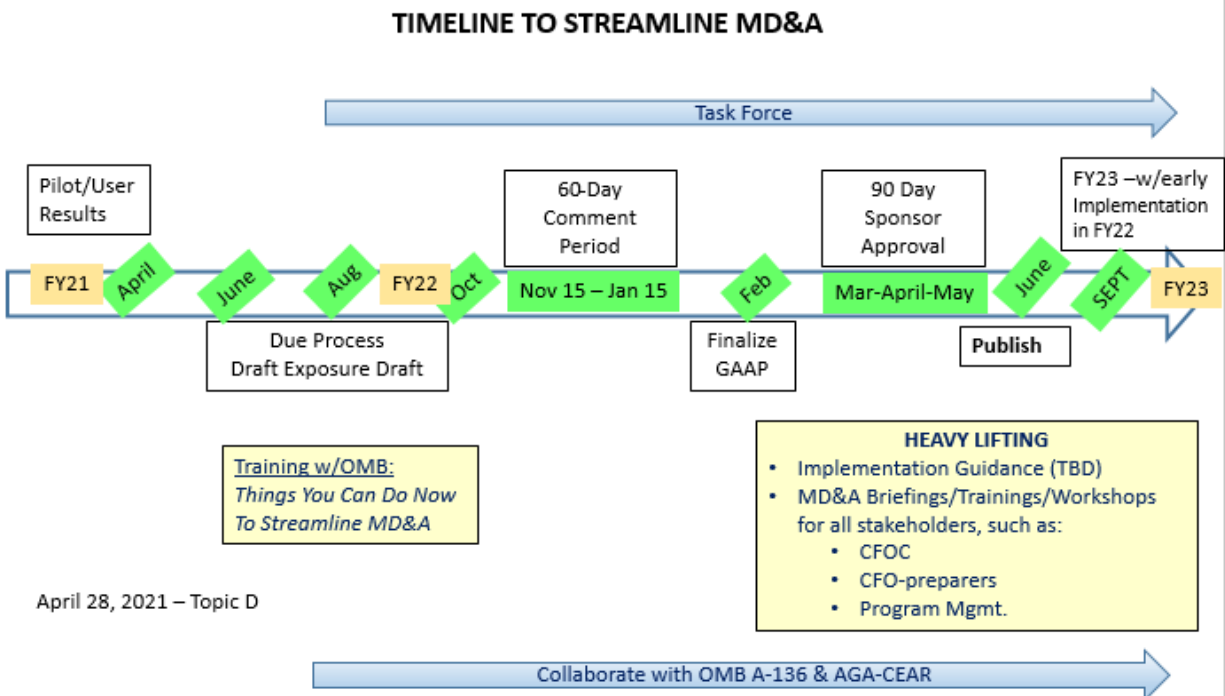
To help agencies implement in FY2022 the following milestones should be met:

- **June – Oct 2021:** three board meetings to develop the draft exposure draft
- **Oct Board meeting 2021:** ballot to approve exposure draft
- **Nov 15, 2021 – Jan 15, 2022:** 60 day comment period (30 days shorter than normal)
- **Jan 15 – Feb 28, 2022:** finalize standards.
- **March – May 2022:** Sponsor 90 day review period
- **June 2022 –** publish updated MD&A standards

Question for the Board:

1. Can the Board meet the June 2022 publication deadline?

The following is an illustrated timeline identifying the recommended milestones and other suggested business process activities to accomplish streamlining the MD&A.



Other Business Processes Recommended to Streamline MD&A:

2. Implementation Guidance:

Findings from agency pilots revealed that implementation guidance is needed to support updated MD&A standards. The specifics of the implementation guidance will be identified during the standard's early implementation period. The findings preliminarily recommended for implementation guidance are noted in Attachment 2: *Roadmap to Streamlining the MD&A*. Staff anticipates that implementation guidance will be available for full implementation in FY23.

3. Agency Outreach

Staff worked very closely with agencies throughout the pilot as they drafted their sample MD&As. As a result, it became apparent to staff that the key methods of agency outreach for streamlining the MD&A should include the following.

- a. **During the summer of 2021** - FASAB and OMB staff will collaborate to present a training entitled "*Things You Can Do Now to Streamline MD&A*." To our surprise, the MD&A pilot revealed that agencies are not as aware of the streamlining efforts already published in the OMB A-136. Therefore, this training will help to begin the MD&A streamlining process until the FASAB standards are updated.

- b. **During FY22** - staff also plans to present multiple briefings to the CFOC regarding FASAB's progress on streamlining the MD&A, training sessions, and agency specific workshops (as requested).

4. Collaboration

One of the MD&A pilot guidelines for developing their sample MD&A was to remove all A-136 regulation requirements, including GPRA-MA performance information, and additional AGA CEAR® requirements. This guideline allowed agencies to focus only on the vision framework when developing their sample MD&As. We also asked pilot agencies to identify any suggested changes OMB-A136 and AGA CEAR® could make to help streamline the MD&A. Anonymous responses are summarized in Attachment #2 – *Roadmap to Streamlining MD&A*. As a result of these findings, staff will reach out to both OMB A-136 and AGA CEAR® to collaborate on this streamlining effort.

According to the proposed timeline, collaboration should also **begin in the summer of 2021** to help streamlining efforts as soon as possible and is expected to be on-going as the standards are updated.

5. Task Force

Staff is excited to work with a task force comprised of subject matter experts to further help streamline the MD&A. As the timeline progresses, staff will identify task force members with the experience and expertise to address certain tasks. A number of pilot agencies and user reviewers have already volunteered to join the task force.

Question for the Board:

2. Does the Board agree with the approach outlined in Attachment 2: *Roadmap to Streamlining the MD&A*?

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
1.	The MD&A Vision Framework provided focus to identify information that best represented the financial condition for a more direct financial analysis.	Pilot Agencies	YES				Use the objectives and framework as basis to develop standards.
2.	The MD&A Vision Framework provided guidance on what information should be included and excluded from the MD&A to reduce non-essential information.	Pilot Agencies				YES	Identify information (narrative/pictures/graphics) that streamlines MD&A.
3.	The MD&A Vision Framework was very helpful in streamlining the MD&A to make the information more user friendly.	Pilot Agencies		YES	YES		
4.	Provide descriptions on financial position and condition and what are the key elements	Pilot Agencies	YES	YES	YES		
5.	The MD&A Vision Framework was challenging in understanding what <u>non-financial information to leave out</u> without hampering the ability to tell a holistic story, be transparent, and share other user centric data. What non-financial information to include?	Pilot Agencies	YES	YES	YES	YES	Provide examples for good balance between financial & non-financial information

¹ This attachment offers a summarized consolidation of the findings from both of the MD&A pilot agencies' and user reviewers' survey results. Agency best practices by are noted by (Agency name*). For detailed responses, please see Attachment 4 *MD&A Pilot Survey Responses* and Attachment 5: *User Review Survey Responses*.

² STDS = updating standards

³ IG = implementation guidance

⁴ AO = agency outreach

⁵ Coll = collaboration

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
6.	The MD&A Vision Framework was challenging in that it made it difficult to maintain a logical flow of information while removing non-essential charts, graphs, photos, etc.	Pilot Agencies		YES	YES	YES	Provide illustrations/best practice examples for logical flow of information.
7.	Define & provide examples of “ essential few ” “Essential few” is subjective for each agency	Pilot Agencies	YES	YES	YES		
8.	Provide guidance on what types of risks Provide examples of risks, opportunities , & challenges. Clarify what risk is in relation to financial statements; how does risk management fit in – use of ERM Use and define term as “financial risk”	Pilot Agencies	YES	YES	YES		Use industry standards for definitions, such as Enterprise Risk Management (ERM).
9.	Explain and provide examples of “significant changes”	Pilot Agencies	YES	YES	YES		
10.	Provide guidance on objectives OP-3; OP-4- St-2	Pilot Agencies	YES	YES	YES		
11.	Provide more guidance on performance trends	Pilot Agencies		YES	YES		
12.	Clearly define financial performance Identify performance information to include Provide real world examples for how to connect financial data to performance data to help agencies demonstrate financial position and what done with resources provided	Pilot Agencies	YES	YES	YES		Where possible, use industry standards such as GAO-21-404SP for definitions. Train agencies on how to track performance (GPRA-MA) as related to financial statements.

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
13.	Provide guidance on what performance metrics to include and how it links to the financial statements. Provide guidance on how to balance what performance (non-financial & financial) information to include. Provide more emphasis on combining financial & performance information	Pilot Agencies	YES	YES	YES		Standards should be principle based to address performance in relation to financial position and results accomplished.
14.	Share examples of best practices from sample MD&A that best reflect vision and what user reviewers were expecting	Pilot Agencies		YES	YES		
15.	Provide template and specific requirements for consistency across agencies	Pilot Agencies	YES	YES	YES		
16.	Be aware of varied sizes and complexity of agencies – a once size fits all framework might not work	Pilot Agencies	YES	YES			
17.	Request hands-on collaboration with in-depth assessments on each agency's content to help streamline MD&A	Pilot Agencies			YES		
18.	Develop a holistic approach to streamlining the entire AFR	Pilot Agencies					Address in Re-examination of standards project.
19.	Determine if framework wants performance or financial reliability as it relates to financial statements	Pilot Agencies	YES	YES	YES		
20.	Agencies need to shift their analytical focus to include expectations based on agency operations and explanations for unexpected results	Pilot Agencies		YES	YES		
21.	Provide descriptions of costs savings events/efficiencies on return on investments .	Pilot Agencies	YES	YES	YES	YES	Focus (teach about) “return on investments” in relation to how to balance and discuss performance and financial health.

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
22.	An effective MD&A should provide a consistent format throughout the document; graphs & fonts should be large enough for user to read.	User Reviewers		YES	YES	YES	Provide examples/best practices
23.	An effective MD&A should use headings (HHS*) to clearly label information.	User Reviewers		YES	YES	YES	Provide examples/best practices
24.	An effective MD&A should include professional, well formatted, well labelled, and easy to read charts, tables, and graphs that support the related narrative (USDA*,DOD*) (HHS*). For example, 1) donut graphs should be labeled directly instead of having a legend with multiple categories; and 2) a tabular comparison with a variance column, rather than a pie chart will allow the reader to focus on the line items with significant variances.	User Reviewers	YES	YES	YES	YES	Provide examples/best practices
25.	An effective MD&A should provide a clear high level discussion of its mission, organization structure, and key financial performance results, with references for more details. (DOD*)	User Reviewers	YES	YES	YES	YES	
26.	An effective MD&A should discuss major program missions and identify acronyms early in the document. (HHS*)	User Reviewers			YES	YES	
27.	An effective MD&A should provide specific details on each financial statement in discussing the financial position and condition.	User Reviewers	YES	YES	YES	YES	
28.	An effective MD&A should include information about the types of assets and liabilities and why they exist; how they are connected to achieving results; and include any explicit reasons and/or underlying events (such as COVID) for significant changes in assets and liabilities.	User Reviewers	YES	YES	YES	YES	

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
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			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
29.	An effective MD&A should discuss past efforts (trends), major initiatives, and plans to protect and improve the financial health and sustainability of major program performance as related to financial statement line items.	User Reviewers	YES	YES	YES	YES	
30.	An effective MD&A should explain the root causes that significantly impacted financial statement line items to provide a clear picture of the agency's financial position (DOD*)	User Reviewers	YES	YES	YES	YES	
31.	An effective MD&A should reveal matters causing significant changes to financial statement line items in order of importance (USDA*).	User Reviewers	YES	YES	YES	YES	
32.	An effective MD&A should explain how unusual variances, such as the pandemic significantly affected any financial statement line items (HHS*); explaining what challenges and/or opportunities were experienced and the related financial impact.	User Reviewers	YES	YES	YES	YES	
33.	An effective MD&A should concisely explain strategic goals and priorities so as not to disrupt the flow of the MD&A.	User Reviewers	YES	YES	YES	YES	
34.	An effective MD&A should identify and adequately explain financial and budgetary resources and trends.	User Reviewers	YES	YES	YES	YES	
35.	An effective MD&A should provide trend analysis over a number of years. (DOD*)	User Reviewers	YES	YES	YES	YES	
36.	An effective MD&A should discuss plans to mitigate significant risks and opportunities that could have significant implications in the future to key performance results and related financial statement line items. (HHS*)	User Reviewers		YES	YES		

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
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			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
37.	An effective MD&A should provide conditions and opportunities related to the systems and controls that could affect its ability to produce reliable financial statements.	User Reviewers	YES	YES	YES		
38.	An effective MD&A should avoid generic (boilerplate) discussions that provide little focus on systems and controls.	User Reviewers			YES	YES	Best practices
39.	An effective MD&A could be enhanced by referring to results of recent audits (independent of management) for an objective analysis of controls and how they could affect the ability to produce reliable financial information.	User Reviewers			YES	YES	
40.	An effective MD&A could separate the discussion of system/controls from the discussion of broader operational opportunities and challenges. (HHS* & FTC*)	User Reviewers			YES	YES	
41.	An effective MD&A could break out Statement of Net Cost by strategic goals for a compelling narrative about performance and financial results. (FTC*)	User Reviewers			YES	YES	
42.	What changes can OMB-A-136 make to streamline MD&A? 1. Recommend that OMB A-136 require the MD&A to explain the reporting entity's financial results, position, and condition in the context of major program goals, by <ol style="list-style-type: none"> discussing performance and results in light of the financial statements; pivoting from obtaining MD&A information in two parallel tracks (performance vs. financial) to providing guidance on explaining 	Pilot Agencies			YES	YES	This is an FYI for Board members. Staff will share with OMB-A136 TRAINING very important here: Staff notes that OMB-A136 has already been updated to reflect these agency recommendations. <u>Outreach and training are highly recommended in collaboration with OMB-A-136 this summer before stds are updated.</u> Suggested training title: <i>Things You Can Do Now to Streamline MD&A.</i>

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
	<p>significant changes, achievements, and challenges related to financial information;</p> <p>c. eliminating performance reporting requirements and other non-balance sheet related information;</p> <p>d. clarifying that some operational and non-financial information is sufficient to include to support and explain financial impacts; and</p> <p>e. discussing what major program goals contributed to significant changes in financial statement line items and why.</p> <p>2. Recommend that OMB A-136 remove repetitive and duplicative reporting requirements , such as:</p> <p>a. Performance Results are duplicative of the Annual Performance Plan.</p> <p>b. COVID-19 descriptions in the MD&A are duplicative of the COVID-19 footnote.</p> <p>c. Legal Compliance requirements are duplicative of the published Management Assurances.</p> <p>d. The Statement of Assurance provides similar information to the Management Representation Letter. Why is there a need for a formal and published document? (i.e., A-123 requirements)</p> <p>3. Recommend that OMB A-136 encourage use of web links to summary audit reports and the management and performance challenges to avoid duplication and consequentially remove</p>						Recommend meeting with A-136 & AGA CEAR® to synchronize streamlining according to updated standards.

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
	<p>numerous pages from AFRs (for example, this could help remove over 100 pages from a large agency's AFR)</p> <p>4. Recommend that OMB A-136 synchronize terms with FASAB, for example:</p> <p>a. update the term “threshold” to “essential few” (used in FASAB’s pilot framework). The term “threshold” causes agencies to provide detailed explanations in the MD&A which are duplicative of extensive coverage provided in the Financial Section of the AFR; and</p> <p>b. update the term “major” to “significant” (used in FASAB’s pilot framework)</p> <p>5. Recommend that OMB A-136 streamline requirements for systems and internal controls requirements to avoid repetitiveness from year-to-year.</p> <p>6. Recommend that OMB A-136 significantly reduce of the FFMIA & FMFIA reporting requirements in the MD&A.</p> <p>7. Recommend that OMB A-136 provide guidelines (a template) on “section” sizes to control the overall size of AFR presentations.</p> <p>8. Recommend that OMB A-136 clarify that MD&A follows FASAB guidance.</p>						
43.	What changes can AGA-CEAR® make to streamline MD&A?	Pilot Agencies				YES	<ul style="list-style-type: none"> This is an FYI for Board members.

ATTACHMENT #2 - ROADMAP TO STREAMLINING THE MD&A ¹							
MD&A Pilot - Survey Findings			Business Processes				
#	CONSOLIDATED FINDINGS	BY	5. Task Force				NOTES – RECOMMENDATIONS
			1. STDS ²	2. IG ³	3. AO ⁴	4. Coll ⁵	
	<ol style="list-style-type: none"> 1. Recommend that AGA CEAR® change emphasis from “more is better” to “streamlining is better.” 2. Recommend that AGA-CEAR® award agencies that meet reporting requirements according to A-136 and FASAB guidance while streamlining their financial reports rather than requiring additional elements or focus. 3. Recommend that AGA CEAR® support inclusion of illustrative requirements (photos, graphs, charts, etc.) <u>only tied to the financial analysis/statements</u>. 4. Recommend that AGA CEAR® considers developing a review component that tells how well an agency used the financial statements as a framework to tell the story of performance in the MD&A. 5. Recommend that AGA CEAR® commenters <u>restrict</u> comments asking for additional information within the report especially when links are included to external sources for information. 						<ul style="list-style-type: none"> • Staff will share with AGA-CEAR® • Recommend meeting with A-136 & AGA CEAR® to synchronize streamlining for FY21 reporting prior to publication of updated MD&A standards. <p>Recommend continuing to meet with OMB-A-136 and AGA CEAR® to synchronize streamlining according to updated standards.</p>

MD&A

TOPIC D

Attachment 3

Agency Pilot Sample MD&As

April 2021

TABLE of CONTENTS		
#	Pilot Agency	PDF PG# (top L hand corner)
	Reviewed Samples	
1.	U.S. Department of Agriculture (USDA)	2
2.	Department of Defense (DOD)	19
3.	Department of Health and Human Services (HHS)	32
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11.	Department of the Interior (Interior)	197
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13.	National Labor Relations Board (NLRB)	229

Reviewed Sample
Management's Discussion and Analysis (MD&A)

U.S. Department of Agriculture

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

About USDA

On May 15, 1862, President Abraham Lincoln signed legislation to establish the United States Department of Agriculture (USDA). Two and a half years later, in his final message to Congress, Lincoln called USDA “The People’s Department.” Through our work on food, agriculture, economic development, science, natural resource conservation, and other issues, USDA has impacted the lives of generations of Americans.

We would like you to learn more about USDA and the Agencies and Offices that touch every American every day. Information about the Department, our history, and our leaders can be found at www.usda.gov.

Mission Statement

Provide leadership on agriculture, food, natural resources, rural infrastructure, nutrition, and related issues through fact-based, data-driven, and customer-focused decisions.

Organization Chart

Visit this link for more information: <https://www.usda.gov/sites/default/files/documents/usda-organization-chart.pdf>

Financial Position, Condition, and Results

Financial statements are formal financial records that document USDA’s activities at the transaction level, where a "financial event" occurred. A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, and other potential liabilities; or other reportable financial activities.

USDA prepares three consolidated statements (a Balance Sheet, a Statement of Net Cost, and a Statement of Changes in Net Position), and one combined statement, the Statement of Budgetary Resources. Together, these statements with their accompanying notes provide the complete picture of USDA’s financial position, condition, and results.

USDA is committed to operating its programs and operations in an efficient and effective manner; and, therefore, is executing plans to improve the following conditions related to systems and controls that could significantly affect our financial statement balances:

- Natural Resources Conservation Service (NRCS) needs improved (1) controls over obligations and undelivered orders (UDO), (2) accounting and controls over expenses, and (3) entity-level controls. NRCS will continue ongoing process improvements to maintain, monitor, and certify unliquidated obligations to ensure the accuracy of reported balances and maintenance of sufficient documentation.
- Commodity Credit Corporation (CCC) needs to address material weaknesses related to accounting for budgetary transactions and accrued liabilities. CCC will continue to implement effective UDO monitoring controls at the program level throughout the organization.
- Risk Management Agency (RMA) needs to address material weaknesses related to estimated losses on insurance claims calculation. RMA will perform a risk assessment to identify critical data inputs within

The following is a summary of USDA's financial statements. The complete statements with accompanying notes, as well as the auditors' opinion, are available in Section II of this report.

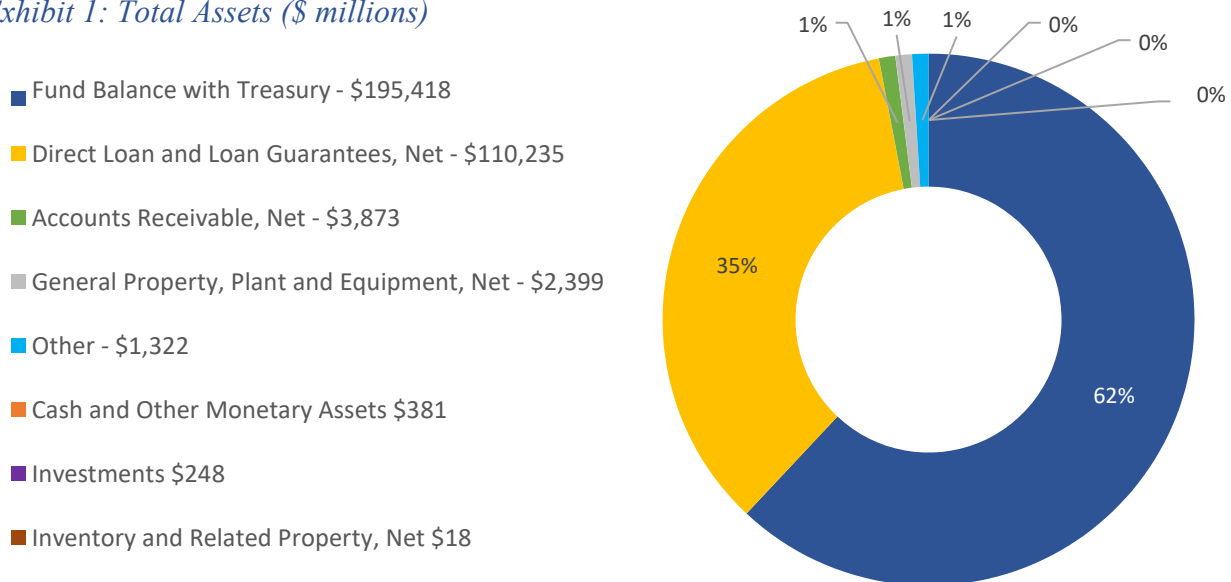
Financial Position and Condition

The following exhibits present total assets and significant changes in total assets:

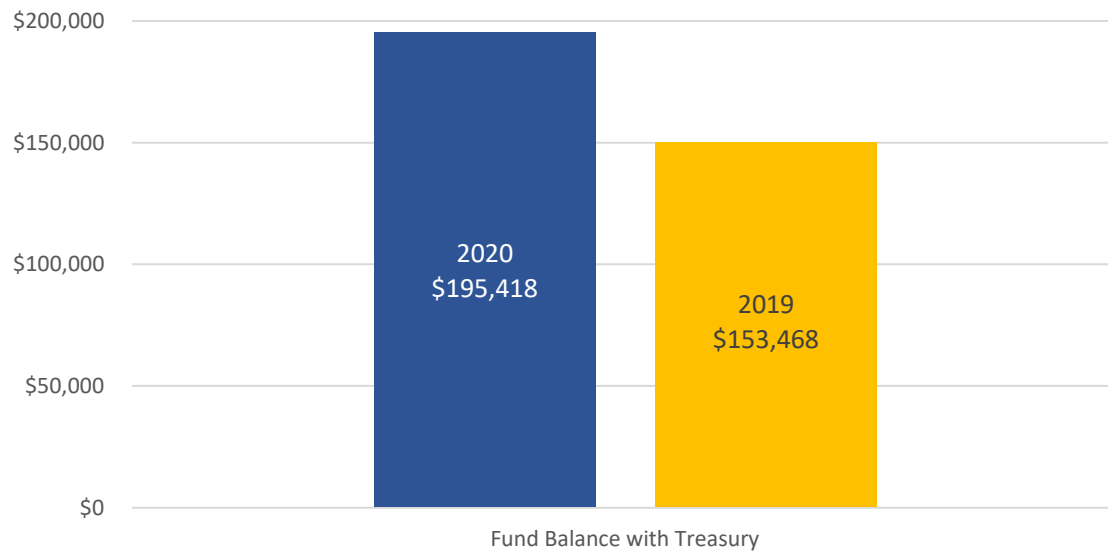
Total Assets

Total assets for FY 2020 were \$313,894 million, compared to \$265,095 million for FY 2019, an increase of \$48,799 million, or 18 percent. The following exhibit presents FY 2020 total assets.

Exhibit 1: Total Assets (\$ millions)



Direct Loan and Loan Guarantees, Net, is one of the largest assets on the USDA Balance Sheet. RD offers both direct and guaranteed loan products for rural housing and rural business infrastructure. These products represent 86 percent of the total Department loan programs. Loan programs administered by FSA represent 12 percent of the total. FSA supports farmers who are temporarily unable to obtain private, commercial credit. The remaining 2 percent represents commodity loans and credit programs administered by the CCC. These loans are used to improve economic stability and provide an adequate supply of agricultural commodities. CCC credit programs provide international food assistance, expand international markets, and provide domestic low-cost financing to protect farm income and prices.

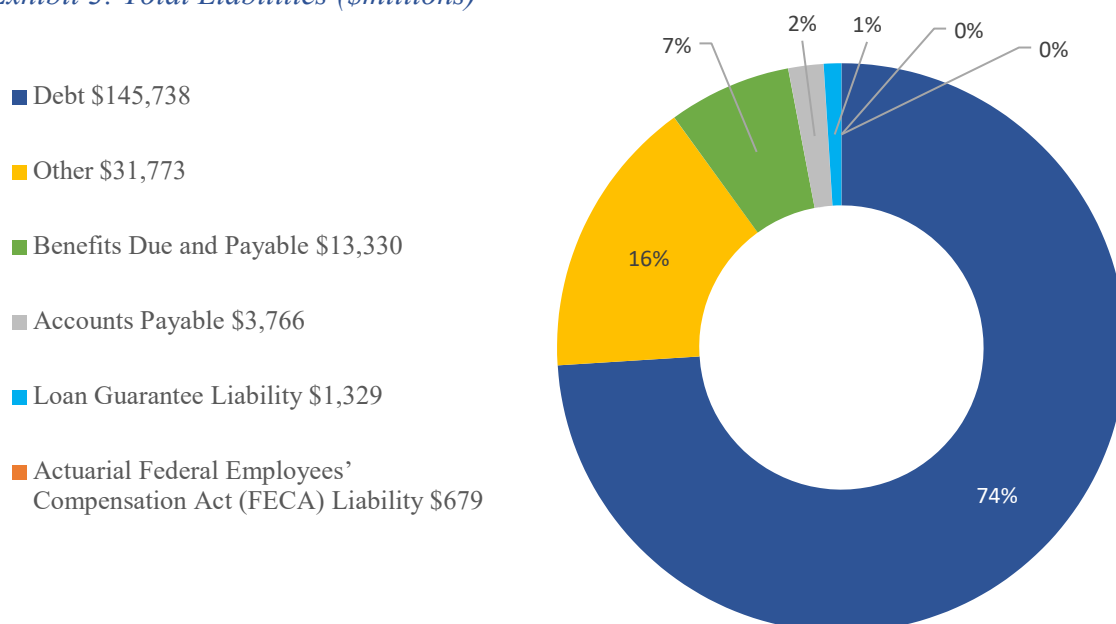
Exhibit 2: Significant Changes in Total Assets (\$ millions)

Increase in Fund Balance with Treasury of \$41,950 million mainly due to FSA Corona Virus Food Assistance Program (CFAP) and Wildfires and Hurricanes Indemnity Program (WHIP) of \$17,737 million; FNS supplemental funding for COVID-19 of \$16,313 million; AMS custom receipts from the Department of Homeland Security and COVID-19 Food Box Distribution Program of \$9,116 million; Forest Service Wildland Fire Suppression Operations Reserve Fund of \$1,598 million; NRCS transfer from CCC for Farm Bill funding of \$1,530 million; RD loans and grants of \$(2,280) million; and RMA underwriting gain and disaster relief of \$(2,069) million.

The following exhibits present total liabilities and significant changes in total liabilities:

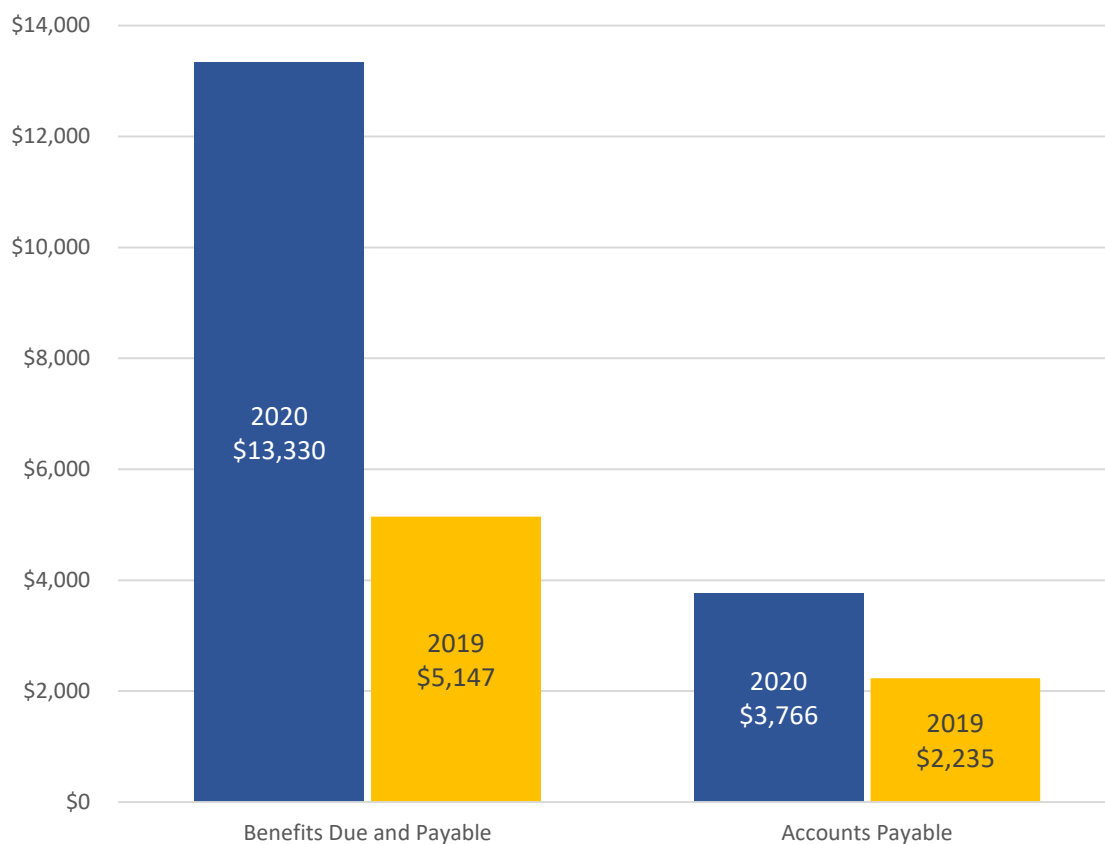
Total Liabilities

Total liabilities for FY 2020 were \$196,854 million, compared to \$178,981 million for FY 2019, an increase of \$17,873 million, or 10 percent. The following exhibit presents FY 2020 total liabilities.

Exhibit 3: Total Liabilities (\$millions)

Debt is the single largest liability on USDA's balance sheet. It represents amounts owed primarily to Treasury by CCC, FSA and RD. For RD, the debt primarily represents financing to support electric and housing loan programs which represent 68 percent of the total debt. For CCC, the debt primarily represents financing for price support, export credit guarantees, disaster programs and loans related to farm storage facilities which represent 20 percent of the total debt. For FSA, the debt primarily represents financing to support direct and guaranteed loan programs, with the majority supporting operating, ownership, and emergency loans which represent 12 percent of the total debt.

Exhibit 4: Significant Changes in Total Liabilities (\$ millions)



Increase in Benefits Due and Payable of \$8,183 million mainly due to FNS Child Nutrition (CN) and Supplemental Nutrition Assistance Program (SNAP) for COVID-19.

Increase in Accounts Payable of \$1,531 million mainly due to FSA CFAP and WHIP of \$1,596 million; and CCC Trade Mitigation and Market Facilitation Programs of \$(395) million.

The following exhibits present total budgetary resources by mission area and significant changes in total budgetary resources:

Budgetary Resources

USDA receives most of its funding from appropriations authorized by Congress and administered by the U.S. Department of the Treasury. Total budgetary resources consist of the balance at the beginning of the year, appropriations received during the year, spending authority from offsetting collections, and other budgetary resources.

Total budgetary resources were \$358,184 million for FY 2020 compared to \$271,914 million in FY 2019, an increase of \$86,270 million, or 32 percent. The following exhibit presents FY 2020 total budgetary resources by mission area.

Exhibit 5: Total Budgetary Resources by Mission Area (\$ millions)

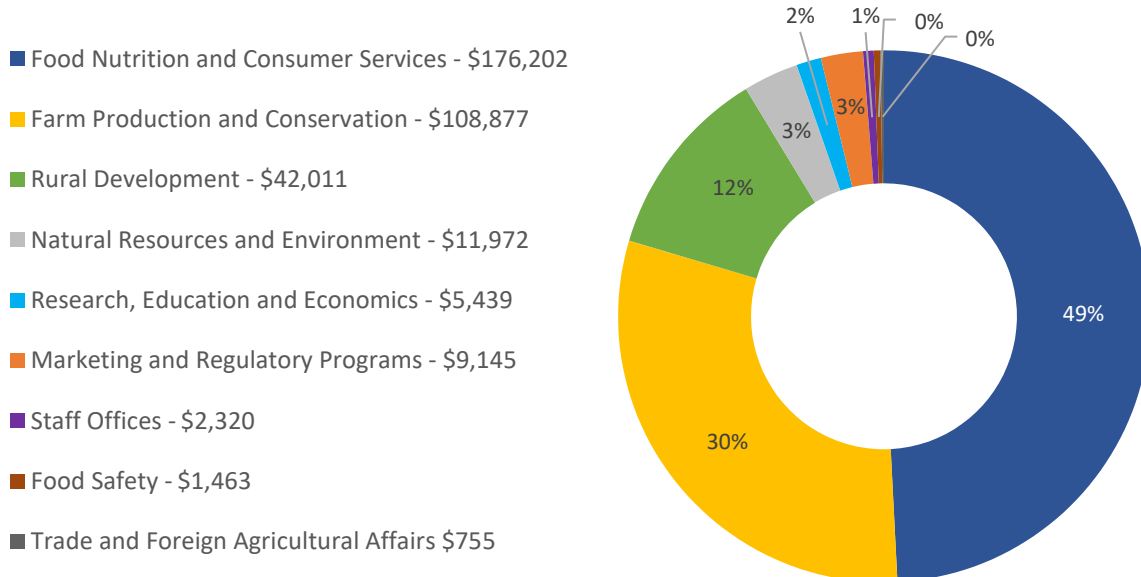
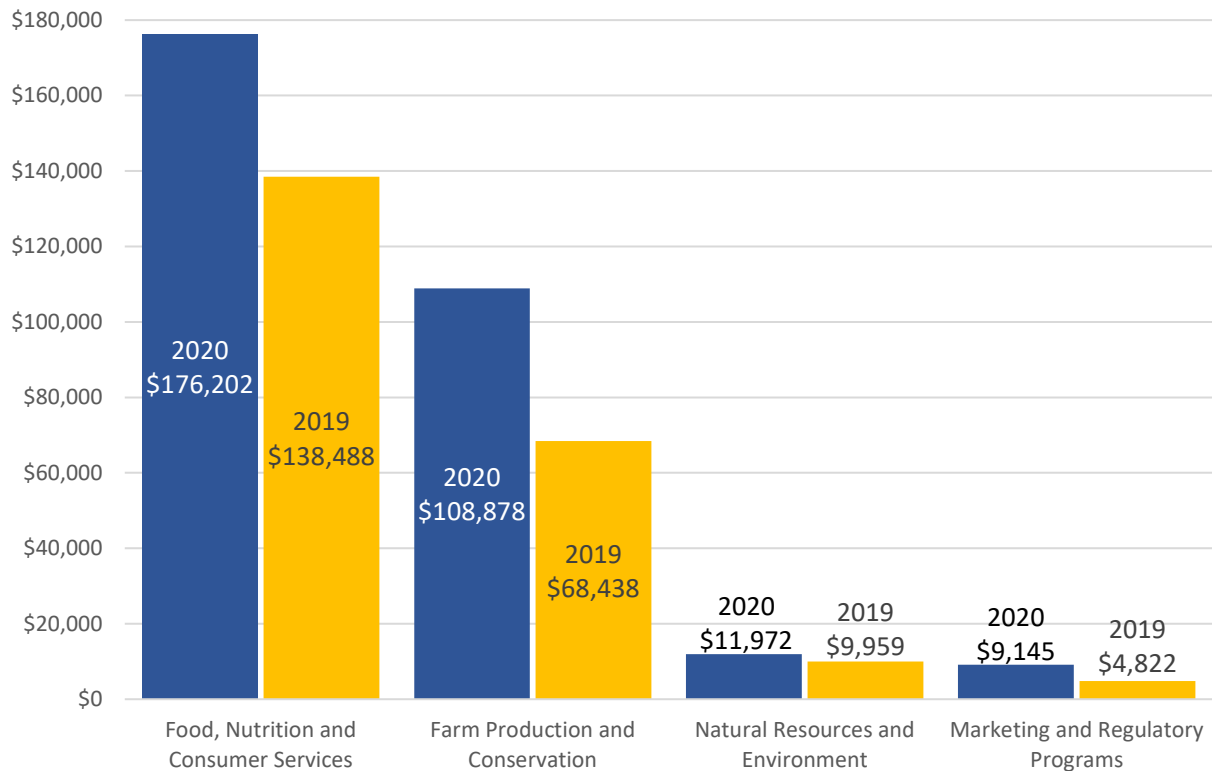


Exhibit 6: Significant Changes in Total Budgetary Resources (\$ millions)

Increase in Food, Nutrition and Consumer Services of \$37,714 million mainly due to SNAP.

Increase in Farm Production and Conservation of \$40,440 million mainly due to FSA CFAP and WHIP; RMA indemnities and deferred premium; and CCC ARC, PLC, Conservation Reserve Program, and Trade Mitigation Programs.

Increase in Natural Resources and Environment of \$2,013 million mainly due to Wildland Fire Suppression Operations Reserve Fund.

Increase in Marketing and Regulatory Programs of \$4,323 million mainly due to COVID-19 Food Box Distribution Program.

Financial Results

USDA accomplishes its mission through the following mission areas:

Farm Production and Conservation

Farm Production and Conservation (FPAC) is the Department's focal point for the Nation's farmers and ranchers and other stewards of private agricultural lands and non-industrial private forest lands. FPAC agencies implement programs designed to mitigate the significant risks of farming through crop insurance, conservation programs, farm safety net programs, lending, and disaster programs.

- [Farm Service Agency \(FSA\)](#)
- [Natural Resources Conservation Service \(NRCS\)](#)
- [Risk Management Agency \(RMA\)](#)

Food, Nutrition, and Consumer Services

Food, Nutrition, and Consumer Services works to harness the Nation's agricultural abundance to end hunger and improve health in the United States. Its operating agency, the Food and Nutrition Service, administers federal domestic nutrition assistance programs and includes the Center for Nutrition Policy and Promotion, which links scientific research to the nutrition needs of consumers through science-based dietary guidance, nutrition policy coordination, and nutrition education.

- [Food and Nutrition Service \(FNS\)](#)

Food Safety

Food Safety is the USDA public health agency responsible for protecting the public's health by ensuring the safety of the Nation's commercial supply of meat, poultry, and processed egg products. FSIS ensures food safety through the authorities of the Federal Meat Inspection Act (FMIA), the Poultry Products Inspection Act, and the Egg Products Inspection Act, as well as humane animal handling through the Humane Methods of Slaughter Act.

- [Food Safety and Inspection Service \(FSIS\)](#)

Marketing and Regulatory Programs

Marketing and Regulatory Programs (MRP) facilitates domestic and international marketing of U.S. agricultural products, protects U.S. plant and animal health, regulates genetically engineered organisms, administers the Animal Welfare Act, and carries out wildlife damage management activities. MRP agencies are active participants in setting national and international standards.

- [Agricultural Marketing Service \(AMS\)](#)
- [Animal and Plant Health Inspection Service \(APHIS\)](#)

Natural Resources and Environment

The mission of the Natural Resources and Environment is to sustain the health, diversity, and productivity of the Nation's forests and grasslands to meet the needs of present and future generations.

- [Forest Service \(FS\)](#)

Research, Education, and Economics

Research, Education, and Economics is dedicated to the creation of a safe, sustainable, competitive U.S. food, fuel, and fiber system, and to building strong communities, families, and youth through integrated research, analysis, and education.

- [Office of the Chief Scientist](#)
- [Agricultural Research Service \(ARS\)](#)
- [Economic Research Service \(ERS\)](#)
- [National Agricultural Statistics Service \(NASS\)](#)
- [National Institute of Food and Agriculture \(NIFA\)](#)

Rural Development

Rural Development fosters opportunity and economic security in rural America by investing in infrastructure, opening doors to better jobs, access to innovation, technology, and the promise of rural prosperity. The mission area is a catalyst for rural prosperity by improving high-speed internet access; providing affordable rural housing; connecting rural skill sets to jobs of the future; modernizing roads, bridges, and water systems; and ensuring communities have access to health care. Through loans, grants, and partnerships with local leaders, Rural Development provides tools and resources that ensure rural families, businesses, and communities have the help they need to prosper today and in the future.

- [Rural Business Service](#)
- [Rural Utilities Service](#)

Trade and Foreign Agricultural Affairs

Trade and Foreign Agricultural Affairs' (TFAA) role is to provide our farmers and ranchers with opportunities to compete in the global marketplace. TFAA is the Department's lead on trade policy with the primary responsibility of ensuring USDA speaks with a unified voice on international agricultural issues domestically and abroad. Within TFAA, the Foreign Agricultural Service is the lead U.S. agency tasked with promoting exports of U.S. agricultural products through market intelligence, trade policy, trade capacity building, and trade promotion programs. This work is carried out by staff in Washington, D.C., as well as a global network of 93 offices covering 171 countries. Also, within TFAA, the U.S. Codex Office coordinates U.S. participation in the Codex Alimentarius Commission, a United Nations body that sets international food standards while protecting consumer health and ensuring fair trade practices.

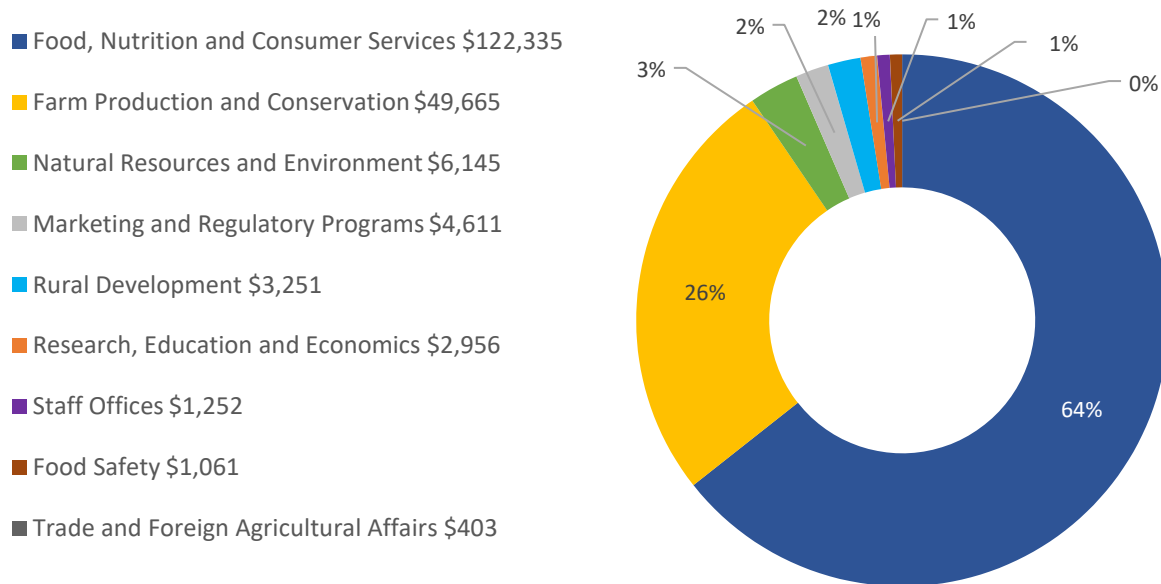
- [Foreign Agricultural Service](#)
- [U.S. Codex Program](#)

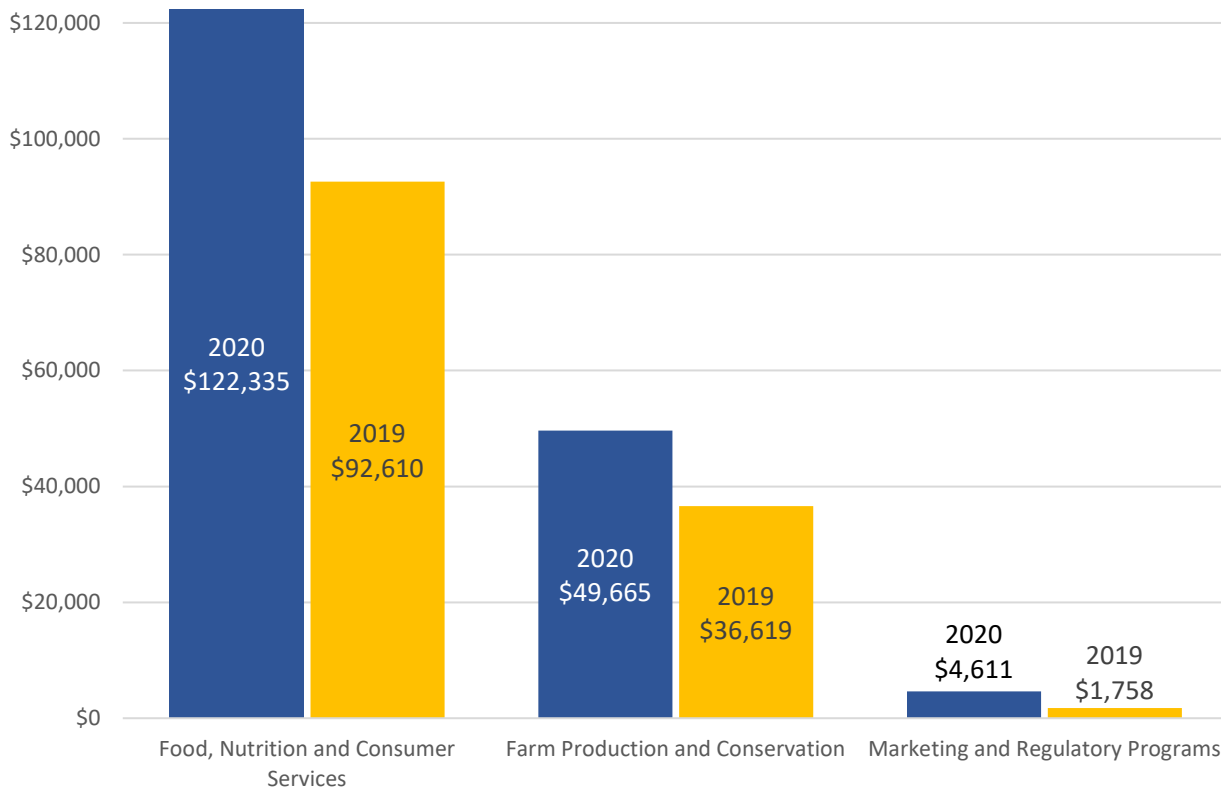
The following exhibits present net cost of operations by mission area and significant changes in the net cost of operations:

Net Cost of Operations

Net cost of operations for FY 2020 was \$191,679 million, compared to \$144,647 million for FY 2019, an increase of \$47,032 million, or 33 percent. The following exhibit presents FY 2020 net cost of operations by mission area.

Exhibit 7: Net Cost of Operations by Mission Area (\$millions)





Increase in Food, Nutrition and Consumer Services of \$29,725 million mainly due to COVID-19 for CN and SNAP.

Increase in Farm Production and Conservation of \$13,046 million mainly due to FSA CFAP and WHIP; RMA indemnities and disaster relief; and CCC Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and Marketing Assistance Loans.

Increase in Marketing and Regulatory Programs of \$2,853 million mainly due to COVID-19 Food Box Distribution Program.

■ Financial Statements

Consolidated Balance Sheets

As of September 30, 2020 and 2019 (\$ in millions)

	2020	2019
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 195,418	\$ 153,468
Investments (Note 5)	245	233
Accounts Receivable (Note 6)	61	79
Other (Note 11)	27	12
Total Intragovernmental	195,751	153,792
Cash and Other Monetary Assets (Note 4)	381	550
Investments (Note 5)	3	3
Accounts Receivable, Net (Note 6)	3,812	3,835
Direct Loan and Loan Guarantees, Net (Note 7)	110,235	104,255
Inventory and Related Property, Net (Note 8)	18	23
General Property, Plant, and Equipment, Net (Note 9)	2,399	2,249
Other (Note 11)	1,295	388
Total Assets	313,894	265,095
Stewardship PP&E (Note 10)		
Liabilities (Note 12):		
Intragovernmental		
Accounts Payable	28	1
Debt (Note 13)	145,738	139,678
Other (Note 15)	10,196	9,901
Total Intragovernmental	155,962	149,580
Accounts Payable	3,738	2,234
Loan Guarantee Liability (Note 7)	1,329	434
Actuarial Federal Employees' Compensation Act (FECA) Liability	679	782
Environmental and Disposal Liabilities (Note 14)	239	218
Benefits Due and Payable	13,330	5,147
Other (Notes 15 & 16)	21,577	20,586
Total Liabilities	196,854	178,981
Commitments and Contingencies (Note 17)		
Net Position:		
Unexpended Appropriations - Funds From Dedicated Collections (Combined) (Note 18)	191	180
Unexpended Appropriations - All Other Funds (Combined)	82,751	71,271
Cumulative Results of Operations - Funds From Dedicated Collections (Combined) (Note 18)	3,283	3,331
Cumulative Results of Operations - All Other Funds (Combined)	30,815	11,332
Total Net Position - Funds From Dedicated Collections (Combined Totals) (Note 18)	3,474	3,511
Total Net Position - All Other Funds (Combined Totals)	113,566	82,603
Total Net Position	117,040	86,114
Total Liabilities and Net Position	\$ 313,894	\$ 265,095

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost

For the Year Ended September 30, 2020, and 2019 (\$ in millions)

	2020	2019
Farm Production and Conservation:		
Gross Costs	\$ 54,824	\$ 39,653
Less: Earned Revenue	5,159	3,034
Net Costs	49,665	36,619
Food, Nutrition, and Consumer Services:		
Gross Costs	122,391	92,657
Less: Earned Revenue	56	47
Net Costs	122,335	92,610
Food Safety:		
Gross Costs	1,321	1,313
Less: Earned Revenue	260	248
Net Costs	1,061	1,065
Marketing and Regulatory Programs:		
Gross Costs	5,627	3,052
Less: Earned Revenue	1,016	1,294
Net Costs	4,611	1,758
Natural Resources and Environment:		
Gross Costs	7,033	6,180
Less: Earned Revenue	888	842
Net Costs	6,145	5,338
Rural Development:		
Gross Costs	6,842	6,538
Less: Earned Revenue	3,591	3,672
Net Costs	3,251	2,866
Research, Education, and Economics:		
Gross Costs	3,059	3,069
Less: Earned Revenue	103	138
Net Costs	2,956	2,931
Trade and Foreign Agricultural Affairs:		
Gross Costs	475	416
Less: Earned Revenue	72	58
Net Costs	403	358
Staff Offices:		
Gross Costs	1,493	1,343
Less: Earned Revenue	241	241
Net Costs	1,252	1,102
Total Gross Costs	203,065	154,221
Less: Total Earned Revenue	11,386	9,574
Net Cost of Operations (Note 19)	\$ 191,679	\$ 144,647

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2020 (\$ in millions)

	Funds From Dedicated Collections (Combined Totals) (Note 18)	All Other Funds (Combined Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balances	\$ 180	\$ 71,271	\$ -	\$ 71,451
Budgetary Financing Sources:				
Appropriations Received	11	212,782	-	212,793
Appropriations Transferred In (Out)	-	(50)	-	(50)
Other Adjustments	-	(8,931)	-	(8,931)
Appropriations Used	-	(192,321)	-	(192,321)
Total Budgetary Financing Sources	11	11,480	-	11,491
Total Unexpended Appropriations	191	82,751	-	82,942
Cumulative Results of Operations:				
Beginning Balances	3,331	11,332	-	14,663
Budgetary Financing Sources:				
Other Adjustments	-	(340)	-	(340)
Appropriations Used	-	192,321	-	192,321
Non-exchange Revenue	134	22,279	-	22,413
Donations and Forfeitures of Cash and Equivalents	1	1	-	2
Transfers In (Out) without Reimbursement	748	(2,326)	1,011	(567)
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	-	1,014	(1,011)	3
Imputed Financing	68	2,916	(2,129)	855
Other	(182)	(3,391)	-	(3,573)
Total Financing Sources	769	212,474	(2,129)	211,114
Net Cost of Operations	(817)	(192,991)	2,129	(191,679)
Net Change	(48)	19,483	-	19,435
Cumulative Results of Operations	3,283	30,815	-	34,098
Net Position	\$ 3,474	\$ 113,566	\$ -	\$ 117,040

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Year Ended September 30, 2019 (\$ in millions)

	Funds From Dedicated Collections (Combined Totals) (Note 18)	All Other Funds (Combined Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balances	\$ 168	\$ 65,238	\$ -	\$ 65,406
Budgetary Financing Sources:				
Appropriations Received	12	150,903	-	150,915
Appropriations Transferred In (Out)	-	(51)	-	(51)
Other Adjustments	-	(17,061)	-	(17,061)
Appropriations Used	-	(127,758)	-	(127,758)
Total Budgetary Financing Sources	12	6,033	-	6,045
Total Unexpended Appropriations	180	71,271	-	71,451
Cumulative Results of Operations:				
Beginning Balances	\$ 2,243	\$ 10,009	\$ -	\$ 12,252
Budgetary Financing Sources:				
Other Adjustments	-	(280)	-	(280)
Appropriations Used	-	127,758	-	127,758
Non-exchange Revenue	208	21,514	-	21,722
Donations and Forfeitures of Cash and Equivalents	1	1	-	2
Transfers In (Out) without Reimbursement	1,375	(3,086)	1,164	(547)
Other Financing Sources (Non-Exchange):				
Transfers In (Out) without Reimbursement	-	1,164	(1,164)	-
Imputed Financing	29	3,081	(2,090)	1,020
Other	(167)	(2,450)	-	(2,617)
Total Financing Sources	1,446	147,702	(2,090)	147,058
Net Cost of Operations	(358)	(146,379)	2,090	(144,647)
Net Change	1,088	1,323	-	2,411
Cumulative Results of Operations	3,331	11,332	-	14,663
Net Position	\$ 3,511	\$ 82,603	\$ -	\$ 86,114

The accompanying notes are an integral part of these statements.

Combined Statements of Budgetary Resources

For the Years Ended September 30, 2020 and 2019 (\$ in millions)

	2020		2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance From Prior Year Budget Authority, Net	\$ 69,378	\$ 5,958	\$ 58,810	\$ 4,703
Appropriations (Discretionary and Mandatory)	211,126	1	150,957	84
Borrowing Authority (Discretionary and Mandatory)	35,525	15,654	27,127	14,039
Spending Authority From Offsetting Collections (Discretionary and Mandatory)	8,293	12,249	5,582	10,612
Total Budgetary Resources	324,322	33,862	242,476	29,438
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total)	239,782	21,913	170,897	18,548
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	47,873	11,257	35,683	10,088
Exempt From Apportionment, Unexpired Accounts	7	-	1	-
Unapportioned, Unexpired Accounts	4,437	692	9,042	802
Unexpired Unobligated Balance, End of Year	52,317	11,949	44,726	10,890
Expired Unobligated Balance, End of Year	32,223	-	26,853	-
Unobligated Balance, End of Year (Total)	84,540	11,949	71,579	10,890
Total Budgetary Resources	324,322	33,862	242,476	29,438
Outlays, Net:				
Outlays, Net (Discretionary and Mandatory)	187,111		153,234	
Distributed Offsetting Receipts (-)	(2,863)		(3,082)	
Agency Outlays, Net (Discretionary and Mandatory)	\$ 184,248		\$ 150,152	
Disbursements, Net (Total) (Mandatory)		\$ 2,547		\$ 1,730

Reviewed Sample
Management's Discussion and Analysis (MD&A)

Department of Defense

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

MISSION & ORGANIZATION

The Department of Defense (Department) is America's largest government agency, tracing its roots back to pre-Revolutionary time. The Army, Marine Corps, Navy, Air Force, Space Force and Coast Guard are the armed forces of the United States while the Army National Guard and the Air National Guard are reserve components of their services and operate in part under state authority. To learn more about what we do, visit <https://www.defense.gov/our-story/>. For information about DoD's organizational structure, see pages 15-20 of our Fiscal Year 2020 Agency Financial Report (FY20 [AFR](#)). Our mission and objectives are outlined in the January 2018 National Defense Strategy ([NDS](#)), which focuses on the Department's role in implementing the December 2017 National Security Strategy ([NSS](#)).

FINANCIAL POSITION & CONDITION

For the third consecutive year the Department underwent a financial statement audit performed by various independent public accounting firms and the DoD Office of Inspector General which resulted in a Disclaimer of Opinion and identified material weaknesses. We expected these results as part of our ongoing journey toward achieving full auditability and an unmodified audit opinion. DoD is committed to accountability and stewardship over the resources entrusted to us and focused on addressing material weaknesses in internal controls as demonstrated on pages 230-252 of our FY20 [AFR](#).

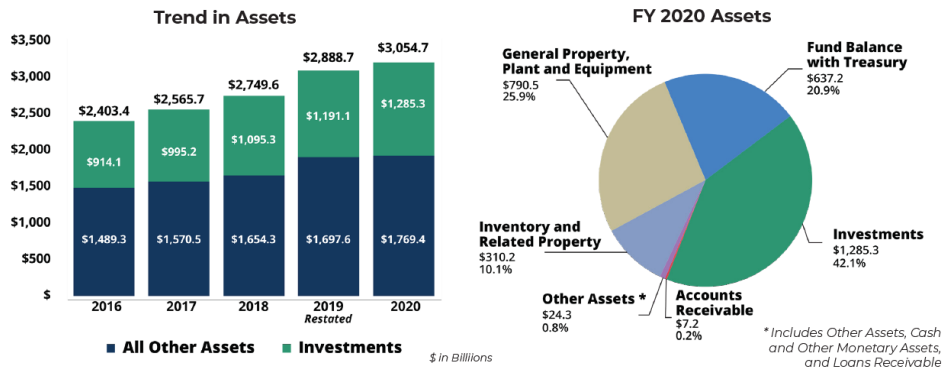
This year, the United States and the world faced unprecedented challenges caused by the coronavirus pandemic. The Department responded to these challenges by repatriating and housing 2,000 American evacuees from China in January, deploying uniformed medical personnel to provide relief to hotspots around the country, maximizing the use of telework across our workforce, implementing a plan for testing and monitoring our forces worldwide, and working to expedite the delivery of a vaccine at scale to the American people. Overall, more than 60,000 DoD personnel, including more than 47,000 National Guard members and roughly 4,200 medical personnel, have participated in response efforts across all 50 states, territories, and the District of Columbia, often risking their own health and safety to help their fellow Americans. We expect our efforts to impact the Department's Fund Balance with Treasury, Accounts Receivable, Inventory, General Property, Plant & Equipment (PP&E), Non-federal and Intragovernmental Accounts Receivable and Payables, the Statement of Net Cost, and Statement of Changes in Net Position. These effects are not easily quantifiable since our financial reporting systems do not have the all necessary mechanisms to track such transactions through the proprietary accounts.

DoD prepares a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources to provide the complete picture of DoD's financial position, condition and results. The complete statements with accompanying notes, as well as the auditors' opinion, are available in the [Financial Section](#) of our FY20 [AFR](#), pages 71-220. Notable items in DoD's financial statements are discussed below.

BALANCE SHEET

The Balance Sheet shows the nature and amount of the Department's assets (what it owns) and liabilities (what it owes) and the difference between the two, called the net position. The Department anticipates annual fluctuations in the Balance Sheet as a result of changes in budgetary resources, improvements in internal controls, and implementation of more disciplined accounting and reporting practices throughout the organization.

Figure 16: Summary of Total Assets (Unaudited)

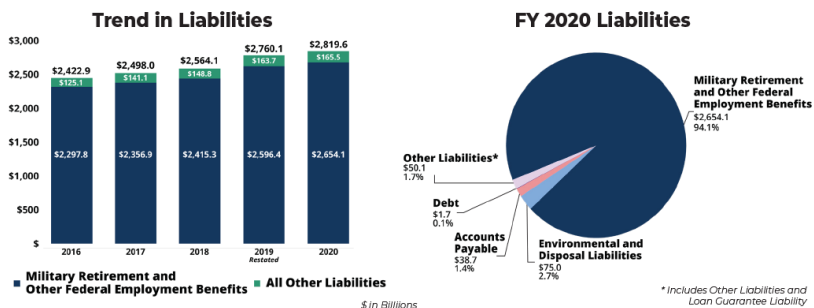


As of September 30, 2020, the Department's \$3.1 trillion in assets were predominately composed of Investments; Fund Balance with Treasury (FBwT); General Property, Plant, and Equipment (PP&E); and Inventory and Related Property (I&RP), which together represented 99.0% of the Department's assets. The Department restated the FY 2019 General PP&E and I&RP balances to correct errors, resulting in a \$1.3 billion decrease in Total Assets compared to the balance reported in the FY 2019 Agency Financial Report ([Note 28](#)).

During FY 2020, the Department's total assets increased by \$166.0 billion (5.7%) compared to FY 2019, primarily attributable to the following changes:

- Investments in securities issued by the Treasury increased by \$94.2 billion due to normal portfolio growth funded by contributions provided by Treasury and the Uniformed Services ([Note 5](#)).
- FBwT increased by \$29.6 billion, due to increases in budgetary resources received over recent years ([Note 3](#)).
- I&RP increased by \$17.6 billion, due to continuing efforts to implement more disciplined accounting practices in areas such as completeness and existence, asset valuation, and compliance with accounting standards. The Department implemented a new module within the Procurement Integrated Enterprise Environment (the Department's central repository for procurement capabilities) that was specifically designed to streamline the recognition, visibility, and reporting of contractor-held government property within its existing procurement environment ([Note 8](#)).
- General PP&E increased by \$24.3 billion, due to the continued implementation of more disciplined accounting practices, such as establishing opening balances and revising asset valuations in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 50 and properly reclassifying assets formerly recorded as Advances and Prepayments to Construction in Progress ([Note 9](#)).

Figure 17: Summary of Total Liabilities (Unaudited)



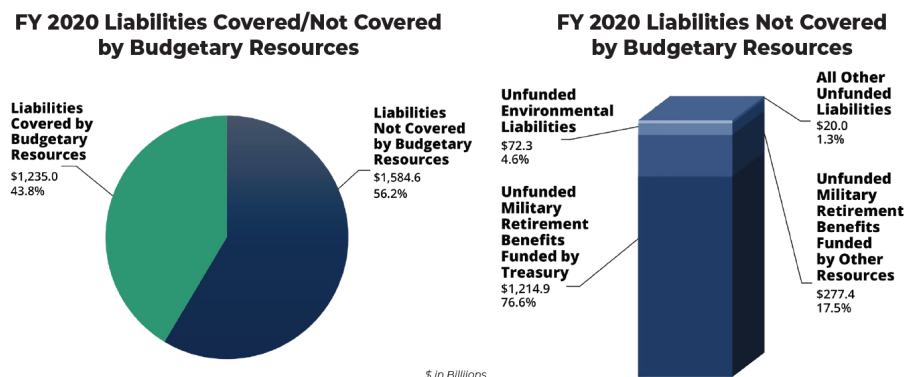
As of September 30, 2020, the Department's \$2.8 trillion of liabilities predominantly comprised Military Retirement and Other Federal Employment Benefits and Environmental and Disposal Liabilities, which together represented 96.8% of the Department's liabilities. The Department's liabilities are backed by the full faith and credit of the U.S. Government.

The Department restated the FY 2019 Accounts Payable balance to correct errors, resulting in a \$0.1 billion increase in Total Liabilities compared to the balance reported in the FY 2019 Agency Financial Report ([Note 28](#)).

During FY 2020, the Department's total liabilities increased by \$59.5 billion (2.2%) compared to FY 2019, primarily attributable to the following changes:

- The Military Retirement and Other Federal Employment Benefits liability increased by \$57.7 billion, due to revised actuarial estimates associated with annuities, pension and health care benefits for military personnel and their survivors. This actuarial adjustment considers expected interest costs, normal costs, and changes in actuarial assumptions, net of benefit outlays ([Note 13](#)).
- Environment and Disposal Liabilities decreased by \$1.1 billion due to continuing efforts to safely dispose of munition stockpiles in accordance with Chemical Weapons Convention (CWC) Treaty, Convention on the Prohibition of the Development, Production, Stockpile and Use of Chemical Weapons and on their Destruction codified in Title 50, United States Code, section 1521 (50 U.S.C. § 1521) ([Note 14](#)).
- Other Liabilities increased by \$5.5 billion, due to a \$2.3 billion increase in Accrued Unfunded Annual Leave, \$1.8 billion in advance payments received from the Department of Health and Human Services for the delivery of food and medical supplies in support of the Department of Defense's COVID-19 relief efforts, and \$0.6 billion in advance payments received from the Department of Veterans Affairs for construction work to be performed by USACE on the Veterans Affairs Medical Center in Louisville, Kentucky ([Note 15](#)).

Figure 18: Liabilities Covered/Not Covered by Budgetary Resources (Unaudited)



As of September 30, 2020, \$1.6 trillion (56.2%) of the Department's liabilities were not covered by budgetary resources. Of this amount not covered by budgetary resources, \$1.2 trillion (75.0%) was related to Unfunded Military Retirement Benefits to be funded by the Treasury ([Note 11](#)).

STATEMENT OF NET COST

The Statement of Net Cost reports the Department's major programs' total expenses incurred less revenues received from external sources, such as investment earnings, contributions to support retirement and health benefit requirements, and earnings from reimbursed activities, to finance those expenses. Generally, the differences between net costs reflected on the Statement of Net Cost and net outlays reported on the Statement of Budgetary Resources arise from the timing of expense recognition, including the capitalization of assets purchased during the fiscal year; changes to the balances of various assets and accrued liabilities; and the depreciation expense on property, plant and equipment ([Note 24](#)).

DEPARTMENT OF DEFENSE
CONSOLIDATED STATEMENT OF NET COST
 FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
 (\$ IN MILLIONS)

	RESTATED 2020 (UNAUDITED)	2019 (UNAUDITED)
Gross Program Costs:		
Military Retirement Benefits	\$139,257.2	\$106,422.7
Civil Works	12,978.8	11,594.9
Military Personnel	157,010.7	150,995.7
Operations, Readiness & Support	284,482.2	297,033.2
Procurement	103,044.1	126,512.6
Research, Development, Test & Evaluation	110,644.6	104,654.5
Family Housing & Military Construction	9,747.7	25,123.1
Total Gross Program Costs	817,165.3	822,336.7
 Less: Earned Revenue	 (81,244.8)	 (90,502.2)
 Net Program Costs Before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	 735,920.5	 731,834.5
 Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	 (17,375.3)	 138,808.5
 Net Cost of Operations	 \$718,545.2	 \$870,643.0

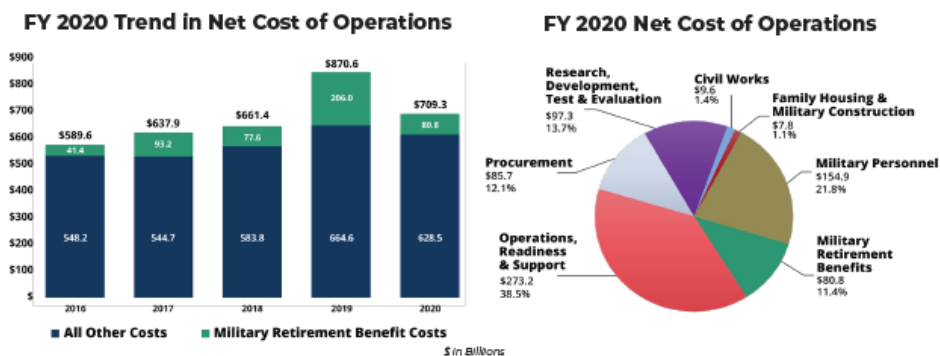
The accompanying notes are an integral part of these statements.

The Department categorizes the various costs incurred during the fiscal year into seven major programs:

- Military Retirement Benefits includes expenditures that cover eligible members' retirement pay, disability retirement pay, and/or health care benefits for Medicare-eligible members and their dependents or survivors. This amount increased by \$32.8 million compared to FY 2019 due to revised actuarial estimates associated with annuities, pension and health care benefits for military personnel and their survivors, and increase in accrued unfunded annual leave [PLACEHOLDER-info not available in FY20 AFR; Need to obtain information in future years re: significant changes in balances].
- Civil Works includes expenditures related to Energy and Water Development programs executed by USACE that primarily fulfill three mission areas: commercial navigation; flood and storm damage reduction; and aquatic ecosystem restoration. This amount increased by \$1.4 million compared to FY 2019 due to [PLACEHOLDER-info not available in FY20 AFR; Need to obtain information in future years re: significant changes in balances].
- Military Personnel includes expenditures for the salaries and other compensation for active military personnel, reserve, and guard forces. The \$6.2 million increase compared to FY 2019 reflects a 3.1% military base pay raise effective January 1, 2020 – the largest pay raise provided to Military Service members in ten years. Other compensation includes a variety of expenditures, such as housing, subsistence, and other allowances; special pay categories (e.g., incentive pay for hazardous duty); and contributions from the Uniformed Services (i.e., the Military Services, National Oceanic and Atmospheric Administration, and the Public Health Service) for future benefits under the Medicare-Eligible Retiree Health Care Fund. [PLACEHOLDER-info not available in FY20 AFR; Need to obtain information in future years re: significant changes in balances].
- Operations, Readiness, and Support includes salaries and related benefits, minor construction projects, expenses of operational military forces, training and education, recruiting, depot maintenance, purchases from Defense Working Capital Funds (e.g., spare parts), base operations support and assets with a system unit cost less than the current capitalization threshold. This amount decreased by \$12.6 million compared to FY 2019 due to [PLACEHOLDER-info not available in FY20 AFR; Need to obtain information in future years re: significant changes in balances].

- Procurement includes expenditures for the acquisition of items which provide long-term benefits as well as all costs necessary to bring the items to the condition and location for their intended operational use. These items include equipment such as unmanned aerial systems, air and missile defense systems across the operational force, additional aircraft to replace combat-worn strike fighters, ammunition, spare parts for existing equipment to maintain combat readiness, and individual personal protective gear to support the warfighter. This amount decreased by \$23.5 million compared to FY 2019 [PLACEHOLDER-info not available in FY20 AFR; Need to obtain information in future years re: significant changes in balances].
- Research, Development, Test, and Evaluation includes expenditures related to efforts that increase the Department's knowledge and understanding of emerging technologies, determine solutions for specific recognized needs, and establish technological feasibility of new developments. These efforts include all costs necessary to develop and test prototypes, including purchases of end-items, weapons, equipment, components, and materials, as well as the performance of services. This amount increased by \$6 million compared to FY 2019 due to next generation aviation and space systems development for programs such as the Long Range Strike Bomber, F-35 Continuous Capability Development and Delivery, Next Generation Air Dominance, modernization of nuclear enterprise systems, and the Next Generation Overhead Infrared Missile Warning satellite development. Additionally, the Department solidified its investment in key technologies (such as artificial intelligence, hypersonics, directed energy, and autonomous/unmanned systems) that are likely to revolutionize the future of warfare.
- Family Housing and Military Construction includes expenditures associated with purchasing, leasing, and support services for property that house Military Service members and their families as well as expenditures related to planning, designing, constructing, altering, and improving the Department's worldwide portfolio of military facilities. The increase of \$15.4 million compared to FY 2019 provided for the improvement of existing infrastructure as well as the construction of new facilities for operational and training needs, barracks, and other buildings to support the DoD mission around the world.; support for European reassurance and deterrence initiatives; and \$6.2 billion to repair or replace DoD facilities damaged as a result of natural disasters and severe weather events.

Figure 19: Summary of Net Cost of Operations (Unaudited)



The major programs composing the greatest share of the Department's \$709.3 billion FY 2020 Net Cost of Operations were Operations, Readiness, and Support; Military Personnel; and Research, Development, Test, and Evaluation, which together represented 74.1% of the Department's Net Cost of Operations. During FY 2020, the Department's Net Cost of Operations decreased by \$161.4 billion (18.5%) compared to FY 2019, due to changes in actuarial assumptions which resulted in a \$125.2 billion decrease in the net cost of military retirement benefits. A key change in the long-term economic assumptions underlying the actuarial calculations, as required by SFFAS 33, led to a substantial net loss in FY 2019. This along with other factors such as actual and projected demographic trends, plan amendments and changes in

experience in the Department's retirement and medical benefits led to a net gain of \$17.4 billion in FY 2020 compared to a net loss of \$138.8 billion in FY 2019, resulting in a year-over-year fluctuation of \$156.2 billion ([Note 19](#)).

STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position (SCNP) presents the total cumulative results of operations since inception and unexpended appropriations at the end of the fiscal year. The SCNP displays the components of Net Position separately to enable the financial statement user to obtain a better understanding of the nature of changes to Net Position as a whole. The statement focuses on how the Net Cost of Operations is financed and displays the other sources that finance the Department's operations.

The Department restated the FY 2019 General PP&E, I&RP, and Accounts Payable balances to correct errors, resulting in a \$1.4 billion decrease in Net Position compared to the balance reported in the FY 2019 Agency Financial Report ([Note 28](#)). During FY 2020, the Department's Net Position increased by \$106.5 billion (82.9%) compared to FY 2019, primarily attributable to the following changes ([Note 20](#)):

- Unexpended Appropriations increased by \$25.8 billion, due to a \$14.1 billion increase in Beginning Balance (the amount of Unexpended Appropriations carried forward from the previous year) and a \$39.7 billion increase in Appropriations Received (but not expended), offset by a \$33.4 billion increase in Appropriation Used. These changes were largely driven by the increases in budgetary resources received over recent years.
- Cumulative Results of Operations (which has an inverse effect on Net Position) increased by \$80.8 billion, due to the following changes:
 - Beginning Balance increased \$71.2 billion as the result of the FY 2019 Total Financing Sources received being lower than the FY 2019 Net Cost of Operations and further adjusted downward in FY 2020 by \$7.4 billion due to Prior Period Adjustments related to the Department's continuing efforts to establish opening balances and revise valuations for General PP&E in accordance with SFFAS 50.
 - Net Cost of Operations decreased by \$161.4 billion primarily due to Actuarial Assumption Changes for Military Retirement Benefits.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources presents the Department's total budgetary resources, discussed on pages 21-26 of our FY20 [AFR](#), their status at the end of the fiscal year, and the relationship between the budgetary resources and the outlays made against them. In accordance with federal statutes and related regulations, obligations may be incurred and payments made only to the extent that budgetary resources are available to cover such items.

Budget impasses and continuing resolutions may negatively impact DoD planning and readiness. The absence of fully enacted appropriations at the beginning of a fiscal year prevent the Department from implementing new operational improvement initiatives, restricts the operations of certain civilian and Reserve Component personnel, and affects the availability of funding for critical weapon systems acquisition and personnel compensation. To mitigate this risk, the Department closely monitors the appropriation process throughout the year and develops contingency plans to ensure the continuation of essential operations in the absence of available appropriations.

Ineffective and untimely reconciliation of Fund Balance with Treasury accounts between DoD and Treasury may result in the inefficient or inaccurate management of budgetary resources as well as material misstatements in financial reporting. To mitigate this risk, the Department is executing several initiatives to improve business processes, reduce reporting differences, and automate account reconciliations, such as developing management analysis reports for monitoring certain disbursement offices activities and standardizing and centralizing Fund Balance with Treasury systems and processes. The initiatives relate to sub-processes that affect the reconciliation process and should

eventually result in a downgrade of the Fund Balance with Treasury material weakness to a significant deficiency. Some notable areas of focus and improvement for the Department include the reduction of total and aged disbursing offices differences between DoD and Treasury, balances in temporary holding accounts, and manual adjustments.

Figure 20: Composition of DoD Total Budgetary Resources (Unaudited)

\$ in billions

DESCRIPTION	FY 2020	Restated FY 2019	FY 2018	FY 2017	FY 2016
Appropriations (Discretionary and Mandatory) Reported on SBR	\$ 914.2	\$ 874.4	\$ 863.6	\$ 777.0	\$ 745.7
Unobligated Balances from Prior Year Budget Authority	213.3	226.8	181.0	181.0	180.4
Spending Authority from Offsetting Collections	130.3	113.0	119.4	105.7	105.9
Contract Authority	78.7	86.8	88.4	76.5	69.7
Total Budgetary Resources	\$ 1,336.5	\$ 1,301.0	\$ 1,252.4	\$ 1,140.2	\$ 1,101.7

Of the \$1.3 trillion in Total Budgetary Resources for FY 2020, \$1,157.3 billion was obligated and \$872.1 billion of obligations were disbursed. The remaining Unobligated Balance of \$179.2 billion relates primarily to appropriations available to cover multi-year investment projects that require additional time for delivery of goods and services. [PLACEHOLDER-additional info that currently does not exist in our AFR, for example, multi-year investment projects, critical investments in basic and applied technologies, advanced technology development, and prototypes, investment in key technologies]

An understatement of \$16.0 million affecting FY 2019 obligations was corrected as a restatement in FY 2020. The restatement resulted in an increase in the reported FY 2019 New Obligations and Upward Adjustments and offsetting decrease in the FY 2019 Unobligated Balance, End of Year ([Note 28](#)).

Expired unobligated appropriations remain available for five years after expiration for valid upward adjustments to prior year obligations but are not available for new obligations. In FY 2020, the Department reduced the amount of the Expired Unobligated Balance at the end of the fiscal year by \$1.5 billion (to \$21.2 billion in FY 2020 from \$22.7 billion in FY 2019). This was due to improvements in financial management of expiring resources. In carrying out its operations, the Department must balance the goal of judiciously obligating available budgetary resources before they expire with the mandate to avoid over-obligating or over-expending funds in violation of the Antideficiency Act. The vast amount and variety of contracts, projects, and activities (e.g., construction projects, complex acquisitions, cutting-edge technology efforts, and contingency operations) that must be carried out without exceeding available budget authority often result in adjustments that must be recorded beyond the year(s) of initial obligation, as authorized by 31 U.S.C. §1553. Consequently, the Department must always maintain a prudent level of expired unobligated appropriations to facilitate these adjustments ([Note 21](#)).

KEY PERFORMANCE RESULTS

The Department has grown and evolved with our nation while keeping our mission to provide the military forces needed to deter war and ensure our nation's security. The January 2018 National Defense Strategy ([NDS](#)) articulates the Department's broad military strategy while the FY 2018 – FY 2022 National Defense Business Operation Plan ([NDBOP](#)) details action plans for each of our performance goals for achieving success, as defined by the NDS and the National Defense Authorization Act ([NDA](#)). For more information about the value taxpayers received from the resources provided to DoD, see pages 6-8 of our FY20 [AFR](#).

DoD produces an Annual Performance Report (APR) in February which details DoD strategic goals and performance measures and results. For more information about DoD's APR, see pages 27-39 of our FY20 [AFR](#).

DEPARTMENT OF DEFENSE CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)	RESTATED 2019 (UNAUDITED)
Assets (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$637,175.8	\$607,555.3
Investments (Note 5)	1,281,767.1	1,187,609.0
Accounts Receivable (Note 6)	2,091.4	2,025.2
Other Assets (Note 10)	1,003.0	1,106.5
Total Intragovernmental Assets	1,922,037.3	1,798,296.0
Cash and Other Monetary Assets (Note 4)	966.3	918.3
Accounts Receivable, Net (Note 6)	5,149.9	5,894.5
Loans Receivable (Note 7)	1,602.6	1,738.7
Inventory and Related Property, Net (Note 8)	310,210.5	292,605.6
General Property, Plant and Equipment, Net (Note 9)	790,505.2	766,194.7
Investments (Note 5)	3,511.6	3,511.6
Other Assets (Note 10)	20,733.2	19,543.1
Total Assets	3,054,716.6	2,888,702.5
Stewardship Property, Plant and Equipment (Note 9)		
Liabilities (Note 11)		
Intragovernmental:		
Accounts Payable	2,573.8	1,544.2
Debt (Note 12)	1,662.6	1,714.1
Other Liabilities (Notes 15 and 17)	10,776.8	7,777.0
Total Intragovernmental Liabilities	15,013.2	11,035.3
Accounts Payable	36,121.2	39,793.6
Military Retirement and Other Federal Employment Benefits (Note 13)	2,654,064.2	2,596,371.8
Environmental and Disposal Liabilities (Note 14)	75,041.9	76,124.9
Loan Guarantee Liability (Note 7)	44.1	50.7
Other Liabilities (Notes 15 and 17)	39,325.8	36,758.2
Total Liabilities	2,819,610.4	2,760,134.5
Commitments and Contingencies (Note 17)		
Net Position		
Unexpended Appropriations - Other Funds	569,725.2	543,945.8
Cumulative Results of Operations - Dedicated Collections (Note 18)	32,557.9	30,331.1
Cumulative Results of Operations - Other Funds	(367,176.9)	(445,708.9)
Total Net Position	235,106.2	128,568.0
Total Liabilities and Net Position	\$3,054,716.6	\$2,888,702.5

The accompanying notes are an integral part of these statements.

DEPARTMENT OF DEFENSE

CONSOLIDATED STATEMENT OF NET COST

FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	RESTATED 2020 (UNAUDITED)	2019 (UNAUDITED)
Gross Program Costs:		
Military Retirement Benefits	\$139,257.2	\$106,422.7
Civil Works	12,978.8	11,594.9
Military Personnel	157,010.7	150,995.7
Operations, Readiness & Support	284,482.2	297,033.2
Procurement	103,044.1	126,512.6
Research, Development, Test & Evaluation	110,644.6	104,654.5
Family Housing & Military Construction	9,747.7	25,123.1
Total Gross Program Costs	<u>817,165.3</u>	<u>822,336.7</u>
Less: Earned Revenue	<u>(81,244.8)</u>	<u>(90,502.2)</u>
Net Program Costs Before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	735,920.5	731,834.5
Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	<u>(17,375.3)</u>	<u>138,808.5</u>
Net Cost of Operations	<u><u>\$718,545.2</u></u>	<u><u>\$870,643.0</u></u>

The accompanying notes are an integral part of these statements.

DEPARTMENT OF DEFENSE

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	RESTATED 2020 (UNAUDITED)	RESTATED 2019 (UNAUDITED)
Unexpended Appropriations		
Beginning Balance (Includes Funds from Dedicated Collections - See Note 18)	\$543,945.8	\$529,803.7
Prior Period Adjustments:		
Corrections of Errors	(14.7)	(1,222.4)
Beginning Balance, as adjusted (Includes Funds from Dedicated Collections of \$0.0 in FY 2020 and \$0.0 in FY 2019 - See Note 18)	543,931.1	528,581.3
Budgetary Financing Sources:		
Appropriations Received	842,566.6	802,827.9
Appropriations Transferred In/Out	197.4	59.2
Other Adjustments	(18,619.8)	(22,533.9)
Appropriations Used	(798,350.1)	(764,988.7)
Total Budgetary Financing Sources (Includes Funds from Dedicated Collections of \$0.00 in FY 2020 and \$0.0 in FY 2019 - See Note 18)	25,794.1	15,364.5
Total Unexpended Appropriations (Includes Funds from Dedicated Collections of \$0.00 in FY 2020 and \$0.0 in FY 2019 - See Note 18)	569,725.2	543,945.8
Cumulative Results of Operations		
Beginning Balance	(415,377.8)	(344,220.1)
Prior Period Adjustments:		
Changes in Accounting Principles (+/-)	1,858.8	4,277.8
Corrections of Errors (+/-)	(1.7)	7,114.0
Beginning Balance, as adjusted (Includes Funds from Dedicated Collections of \$30,331.1 in FY 2020 and \$27,734.0 in FY 2019 - See Note 18)	(413,520.7)	(332,828.3)
Budgetary Financing Sources:		
Other Adjustments (+/-)	(265.7)	(210.8)
Appropriations Used	798,350.1	764,988.7
Nonexchange Revenue	2,421.8	3,997.6
Donations and Forfeitures of Cash and Cash Equivalents	62.4	137.5
Transfers In/Out Without Reimbursement	116.2	137.5
Other budgetary financing sources	(2,741.2)	(2,521.5)

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

(CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	RESTATED 2020 (UNAUDITED)	RESTATED 2019 (UNAUDITED)
Other Financing Sources (Nonexchange):		
Donations and Forfeitures of Property	8.2	-
Transfers In/Out Without Reimbursement (+/-)	(397.4)	46.4
Imputed Financing	4,608.2	5,609.8
Other (+/-)	(4,715.7)	15,908.3
Total Financing Sources (Includes Funds from Dedicated Collections of \$2,134.6 in FY 2020 and \$3,649.9 in FY 2019 - See Note 18)	797,446.9	788,093.5
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections of \$(92.2) in FY 2020 and \$1,052.8 in FY 2019 - See Note 18)	718,545.2	870,643.0
Net Change	78,901.7	(82,549.5)
Cumulative Results of Operations (Includes Funds from Dedicated Collections of \$32,557.9 in FY 2020 and \$30,331.1 in FY 2019 - See Note 18)	(334,619.0)	(415,377.8)
Net Position	\$235,106.2	\$128,568.0

The accompanying notes are an integral part of these statements.

DEPARTMENT OF DEFENSE

COMBINED STATEMENT OF BUDGETARY RESOURCES

FOR YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(\$ IN MILLIONS)

	2020 (UNAUDITED)		RESTATED 2019 (UNAUDITED)	
	Budgetary	Non-Budgetary Credit Reform Financial Account	Budgetary	Non-Budgetary Credit Reform Financial Account
Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) Note 21	\$213,281.1	\$59.9	\$226,768.1	\$69.0
Appropriations (Discretionary and Mandatory)	914,251.5	-	874,378.1	-
Borrowing Authority (Discretionary and Mandatory)	-	69.9	-	63.3
Contract Authority (Discretionary and Mandatory)	78,672.5	-	86,854.4	-
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	130,289.6	54.4	112,965.6	56.8
Total Budgetary Resources	<u>1,336,494.7</u>	<u>184.2</u>	<u>1,300,966.2</u>	<u>189.1</u>
Status of Budgetary Resources				
New Obligations and Upward Adjustments (Total)	1,157,332.3	132.2	1,115,956.2	129.2
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	151,814.0	-	157,138.3	-
Exempt from Apportionment, Unexpired Accounts	4,210.3	-	4,040.4	-
Unapportioned, Unexpired Accounts	1,982.9	52.0	1,128.2	59.9
Unexpired Unobligated Balance, End of Year	158,007.2	52.0	162,306.9	59.9
Expired Unobligated Balance, End of Year	21,155.2	-	22,703.1	-
Unobligated Balance, End of Year (Total)	<u>179,162.4</u>	<u>52.0</u>	<u>185,010.0</u>	<u>59.9</u>
Total Budgetary Resources	<u>1,336,494.7</u>	<u>184.2</u>	<u>1,300,966.2</u>	<u>189.1</u>
Outlays, Net				
Outlays, Net (Total) (Discretionary and Mandatory)	872,148.6	-	828,633.3	-
Distributed Offsetting Receipts (-)	(108,929.2)	-	(107,410.1)	-
Agency Outlays, Net (Discretionary and Mandatory)	<u>\$763,219.4</u>	<u>-</u>	<u>\$721,223.2</u>	<u>-</u>
Disbursements, Net				
Disbursements, Net (Total) (Mandatory)	<u>-</u>	<u>\$(46.9)</u>	<u>-</u>	<u>\$37.6</u>

The accompanying notes are an integral part of these statements.

Reviewed Sample

Management's Discussion and Analysis (MD&A)

Department of Health and Human Services (HHS)

**Based on the HHS FY 2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

About the Department of Health and Human Services

Our Mission

The mission of the United States (U.S.) Department of Health and Human Services (HHS or the Department) is to enhance the health and well-being of Americans, by providing for effective health and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services.

Who We Are

HHS is the U.S. Government's principal agency for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves. HHS accomplishes its mission through a wide spectrum of programs, initiatives, and activities, serving and protecting Americans at every stage of life.

HHS is responsible for approximately a quarter of all federal outlays and administers more grant dollars than all other federal agencies combined. HHS's Medicare program is the nation's largest health insurer, handling more than one billion claims per year. Medicare and Medicaid together provide health care insurance for 1 in 3 Americans.

What We Do

HHS works closely with U.S. state, local, territorial, and tribal governments; state or county agencies; private sector grantees; tribes; and tribal and Urban Indian organizations that provide many HHS-funded services at the local level. Although HHS is working domestically to protect and promote the health and well-being of the Americans, our world's interconnectedness requires us to engage globally to fulfill its mission. HHS programs and partnerships:



Organizational Structure

HHS's organizational structure is designed to accomplish its mission and provide a framework supporting sound business operations and management controls. The HHS Office of the Secretary and 11 Operating Divisions (OpDiv), administer HHS's programs. Additionally, Staff Divisions (StaffDiv) provide leadership, direction, and policy guidance to the Department. For more information, refer to the [HHS website](#). Each OpDiv contributes to our mission by:

ADMINISTRATION FOR CHILDREN AND FAMILIES (ACF)

ACF is responsible for federal programs that promote the economic and social well-being of families, children, individuals, and communities to increase economic independence and productivity. ACF's [Temporary Assistance for Needy Families](#) program helps low-income families with children achieve economic self-sufficiency. Visit [ACF](#) for more information.

ADMINISTRATION FOR COMMUNITY LIVING (ACL)

ACL was created around the fundamental principle that all people, regardless of age or disability, should be able to live independently and fully participate in their communities. ACL runs the [Aging and Disability Resource Centers](#) to provide counseling that help individuals access support services. Visit [ACL](#) for more information.

AGENCY FOR HEALTHCARE RESEARCH AND QUALITY (AHRQ)

AHRQ produces evidence to make health care safer, higher quality, accessible, equitable, and affordable, working within HHS and with other partners to ensure the data is understood and used. AHRQ launched the [EvidenceNow](#) grant initiative to help small- and medium-sized primary care practices improve delivery of heart health care. Visit [AHRQ](#) for more information.

AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY (ATSDR)

ATSDR prevents exposure to toxic and hazardous substances and the adverse health effects and diminished quality of life associated with exposure from pollution present in the environment through programs such as the [National Toxic Substance Incidents Program](#). Visit [ATSDR](#) for more information.

CENTERS FOR DISEASE CONTROL AND PREVENTION (CDC)

CDC collaborates to create the expertise, information, and tools that people and communities need to protect America from health, safety, and security threats, both foreign and domestic. CDC also administers the [Racial and Ethnic Approaches to Community Health](#) (REACH) program to reduce racial and ethnic disparities. Visit [CDC](#) for more information.

CENTERS FOR MEDICARE & MEDICAID SERVICES (CMS)

CMS administers Medicare, Medicaid, [Children's Health Insurance Program](#) (CHIP), and the Health Insurance Exchanges, which together provide health care for more than 100 million people. Visit [CMS](#) for more information.

FOOD AND DRUG ADMINISTRATION (FDA)

FDA protects public health by regulating the safety, efficacy, and security of human and veterinary drugs, biological products, medical devices, food supply, cosmetics, and products that emit radiation. [FDA's Compliance Programs](#) provide instructions for evaluating industry compliance with the *Federal Food, Drug, and Cosmetic Act* and other laws. Visit [FDA](#) for more information.



HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA)

HRSA programs provide health care to people geographically isolated and economically or medically vulnerable by training and distributing health professionals, and improving health care delivery. HRSA's [Bureau of Health Workforce](#) strengthens the health workforce and connects skilled health care providers to communities in need. Visit [HRSA](#) for more information.

INDIAN HEALTH SERVICE (IHS)

IHS is responsible for providing federal health services to approximately 2.6 million American Indians and Alaska Natives who belong to 574 federally recognized tribes in 37 states. IHS engages in partnerships such as the [Partnership to Advance Tribal Health](#) (PATH) to improve the health of American Indian and Alaska Native people. Visit [IHS](#) for more information.

Office of Secretary

Under the Office of Secretary, StaffDivs report directly to the Secretary, manage programs, and support the OpDivs in carrying out HHS's mission. For example, the [Office of the Assistant Secretary for Financial Resources](#) (ASFR) provides guidance on budget, financial management, acquisitions and grants to the OpDivs and other StaffDivs. The [Office of the Assistant Secretary for Preparedness and Response](#) (ASPR), the StaffDiv responsible for leading the national response and recovery from disasters and public health emergencies, played an instrumental role in the COVID-19 pandemic response. Visit [HHS](#) for additional information on StaffDivs.

NATIONAL INSTITUTES OF HEALTH (NIH)

NIH is responsible for biomedical and public health research by seeking fundamental knowledge to enhance health, lengthen life, and reduce illness and disability, improving the health of the nation. The NIH [All of Us](#) program works to improve health care through research by building a diverse database from thousands of studies on health conditions. Visit [NIH](#) for more information.

SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION (SAMHSA)

SAMHSA reduces the impact of substance abuse and mental illness on America's communities by setting standards and improving behavioral health practice in communities. SAMHSA's National Helpline is a free, confidential, 24/7, 365-day-a-year treatment referral and information service (in English and Spanish) for individuals and families facing mental and substance use disorders. Visit [SAMHSA](#) for more information.

Performance Overview

Overview of Strategic and Agency Priority Goals

The *Government Performance and Results Act Modernization Act of 2010* (GPRAMA) requires agencies to update their strategic plans every 4 years. The [HHS Fiscal Year \(FY\) 2018–2022 Strategic Plan](#) identifies the Department's mission and its strategic goals and objectives. Each of the Department's OpDivs and StaffDivs contributes to developing the Strategic Plan. HHS tracks progress on each strategic objective through performance goals, which HHS reports annually in the [HHS Annual Performance Plan and Report](#). In addition, HHS engages in a variety of efforts to support the Secretary's Agency Priority Goals (APG), the President's Management Agenda, and the government-wide Cross-Agency Priority Goals.

The Department's strategic planning, enterprise risk management, performance management, and evaluation and evidence-based policymaking functions are the foundations of the Department's strategic management approach, illustrated in **Figure 1**, and ensures HHS is on the right paths to achieving its mission and strategic goals.

Figure 1: Strategic Management at HHS



Performance Management

In FY 2020, HHS monitored over 900 performance measures to manage departmental programs and activities and to improve the efficiency and effectiveness of these programs. The HHS Schedule of Spending in the "Financial Section" highlights the total spending by each material program. Funding represents one of many factors that may influence performance results. For detailed information on HHS program performance and funding, refer to the Department's [Budget in Brief](#), [Annual Performance Plan and Report](#), and [Congressional Budget Justifications](#) available on the HHS website. For progress on HHS's Agency Priority Goals (set of ambitious but realistic performance objectives that the Department expects to achieve within a 24-month period), refer to the HHS [Performance.gov](#) page. HHS performances continue to influence plans and policies identified in the [Strategic Plan](#).

Performance goals and measures are powerful tools to advance an effective, efficient, and productive government. HHS regularly collects and analyzes performance data to inform decisions, gauge meaningful progress toward objectives, and identify more cost-efficient ways to achieve results. Responding to opportunities afforded by GPRAMA, HHS continues to institute significant performance management improvements that include:

- Developing, analyzing, reporting, and managing APGs, and conducting quarterly performance reviews between OpDivs and StaffDivs and HHS leadership to monitor progress toward achieving key performance objectives;
- Conducting the Strategic Reviews process to support decision-making and performance improvement across the Department;
- Overseeing and aligning strategic planning, budgeting, enterprise risk management, and performance management activities within the Department;
- Fostering a network of OpDiv/StaffDiv Performance Officers who support, coordinate, and implement performance management efforts across HHS; and
- Sharing best practices in performance management at HHS through webinars and other media.

Strategic Goals

The [HHS Strategic Plan FY 2018–2022](#) is comprised of 5 strategic goals, representing input from all HHS OpDivs and StaffDivs, as well as over 13,000 public comments. HHS aligns its focus, strategies, and activities to achieve these strategic goals and objectives. The Department's five strategic goals are:

1. Reform, Strengthen, and Modernize the Nation's Healthcare System;
2. Protect the Health of Americans Where They Live, Learn, Work, and Play;
3. Strengthen the Economic and Social Well-Being of Americans Across the Lifespan;
4. Foster Sound, Sustained Advances in the Sciences; and
5. Promote Effective and Efficient Management and Stewardship.

Strategic Goal 1: Reform, Strengthen, and Modernize the Nation's Healthcare System



For a nation to thrive, the population must be physically and mentally healthy. To improve the nation's health, the Department is working with its public and private partners to enhance the quality of health care, while making it more affordable and accessible. Improving access to health care goes beyond affordability. HHS is working to overcome access issues, which exacerbate health problems, increase costs, and prevent better health outcomes. The Department is also making investments to strengthen and expand the health care workforce. This Strategic Goal seeks to improve health care outcomes for all people across the lifespan, including the unborn, children, youth, adults, and older adults across diverse health care settings.

Supporting Divisions – ACL, AHRQ, CDC, CMS, FDA, HRSA, IHS, OCR, ONC, and SAMHSA.

Progress Spotlight – As a result of the telehealth flexibilities Medicare instituted as part of the COVID-19 pandemic response, 43.5 percent of Medicare primary care visits in April 2020 were provided via telehealth, compared to 0.1 percent in February. HHS continues to overcome access issues, which exacerbate health problems, increase costs, and prevent better health outcomes.

Looking Forward –

Improve Access: HHS will use lessons learned from increased [telehealth services](#) during the COVID-19 pandemic to better understand how providing health care services virtually can expand access to quality services without increasing overall spending.

Promote Affordable Care: HHS will continue to focus on improving and developing price and quality transparency initiatives to ensure that consumers and their families can make well-informed decisions about their health. HHS will continue its efforts to lower the list prices of prescription drugs through competition and pricing incentives to ensure that Americans have access to affordable prescription drugs. We will continue reforms to increase competition in areas such as approval of generic drugs and biosimilars, as well as pursue payment policies to help patients take advantage of this competition. HHS will also continue to focus on the cost and availability of health insurance to ensure Americans have access to affordable insurance that meets their needs. In addition, we will continue our efforts to restore balance and enhance sustainability in the Medicaid program and eliminate barriers for people looking to move from dependence on Medicaid to independence.

Strategic Goal 2: Protect the Health of Americans Where They Live, Learn, Work, and Play

STRATEGIC GOAL 2 STRATEGIC OBJECTIVES

- 2.1: Empower people to make informed choices for healthier living
- 2.2: Prevent, treat, and control communicable diseases and chronic conditions
- 2.3: Reduce the impact of mental and substance use disorders through prevention, early intervention, treatment, and recovery support
- 2.4: Prepare for and respond to public health emergencies

HHS aims to protect and improve the health of Americans by promoting health and wellness knowledge, preparing for fatal outbreaks or natural disasters, and improving accessibility to health care. HHS programs help Americans take control of their health. Healthy living involves more than avoiding risky behavior and disease; health and wellness improves with healthy eating, regular physical activity, preventive care, and positive relationships. Mental illness and substance abuse create health risks and place a heavy burden on affected individuals and their families. HHS invests in programs focused on prevention, screening, and early detection of these risks, including those related to opioid misuse. HHS also focuses on environmental health and reducing the burden caused by disease and other conditions.

Supporting Divisions – ACF, ACL, AHRQ, ATSDR, CDC, CMS, FDA, HRSA, IHS, NIH, OCR, ASA, OASH, ASPR, ASPA, OGA, IEA, Office of National Security, and SAMHSA.

Progress Spotlight – In September 2020, FDA and CDC released findings from the [2020 National Youth Tobacco Survey](#) showing that 1.8 million fewer U.S. youth are currently using e-cigarettes compared to 2019. HHS continues to promote healthy living to reduce the e-cigarette use among younger Americans.

Looking Forward –

COVID-19 Public Health Emergency Response: HHS will continue its ongoing efforts to support consumers, providers, states, tribal and territorial governments, and other stakeholders during the COVID-19 pandemic. HHS aims to deliver access to safe and effective vaccines and therapeutics as the nation continues fighting COVID-19. We will remain focused on efforts to address the needs of those disproportionately impacted by COVID-19, including frontline healthcare workers, the elderly, racial and ethnic minorities, and people living in long-term care facilities.

Substance Use Disorder: The COVID-19 pandemic affected patients' access to care for pain management, opioid use disorder, and related conditions. These changes in access may have ongoing effects on patterns of opioid use, opioid-involved overdose, and opioid use disorder and treatment. To address the increasing number of psychostimulant-involved overdose deaths (referred to as the "fourth wave" of the opioid crisis), HHS will continue to empower states and local communities on the frontlines by following up on interviews with state officials and implementing a [5-Point Opioid Strategy](#). We will advance efforts to address the opioid crisis by:

1. Addressing workforce shortages and treatment coverage, including medication-assisted treatment;
2. Increasing the timeliness and accuracy of data to monitor opioid use, misuse, and overdose;
3. Improving pain management with a focus on increasing the availability of effective non-opioid alternatives;
4. Better targeting the availability of overdose-reversing drugs; and
5. Supporting cutting-edge research on both pain and substance use disorder.

Mental Health: HHS will build on its interagency suicide prevention efforts. In recent years, suicide rates have risen among all age groups and in almost every state. Factors associated with the COVID-19 pandemic—such as bereavement, job loss, and changes in access to healthcare and social supports, among others—may have ongoing effects on suicide risk. HHS increased attention on suicide risk among people without diagnosed mental disorders and is customizing prevention efforts to become culturally appropriate for different population segments.



Strategic Goal 3: Strengthen the Economic and Social Well-Being of Americans across the Lifespan

STRATEGIC GOAL 3 STRATEGIC OBJECTIVES	
3.1:	Encourage self-sufficiency and personal responsibility, and eliminate barriers to economic opportunity
3.2:	Safeguard the public against preventable injuries and violence or their results
3.3:	Support strong families and healthy marriage, and prepare children and youth for healthy, productive lives
3.4:	Maximize the independence, well-being, and health of older adults, people with disabilities, and their families and caregivers

A core component of the HHS mission commits to improving the well-being of Americans, which includes those individuals and populations who are at high risk of social and economic challenges. Overall wellness goes beyond physical health: it entails positive social and economic development. HHS focuses on fostering environments where individuals and families can be socially and economically independent. A strong family can lead to many positive outcomes for the health, social, and economic status of both adults and children.

Supporting Divisions – ACF, ACL, CDC, CMS, HRSA, IHS, OASH, and SAMHSA.

Progress Spotlight – HHS has taken steps to prioritize and represent children's interests in internal and interagency decisions affecting the Unaccompanied Children Program. The [Office of Refugee Resettlement](#)

(ORR) within ACF coordinates with federal partners, including the Department of Homeland Security, to ensure expeditious transfer of children to shelters or unified with a family member or sponsor. ORR and its partners are developing a Unified Immigration Portal that will connect relevant data from multiple agencies to enable a better understanding of an individual's journey through the immigration process.

Looking Forward –

Maximize Economic Opportunities: To move families from dependence to independence and help them recover from the economic consequences of the [COVID-19 pandemic](#), HHS will use federal levers and tools, such as program flexibilities, technical assistance, research analyses, and program coordination, to promote family-sustaining careers and economic mobility for low-income Americans and help displaced workers reconnect to the workforce. The new U.S. Interagency Council on Economic Mobility will continue to streamline and coordinate federal programs and policies designed to promote work and economic mobility across the lifespan, creating an accountable and effective structure for federal interagency collaboration.

Support Strong Families: HHS will continue work to increase child and family well-being by moving away from traditional, reactive child protection systems toward systems designed to proactively support child and family well-being, prevent child maltreatment and unnecessary family separation, and break harmful intergenerational cycles of trauma and poverty. We will continue to encourage increasing adoptions to achieve permanency for children in the child welfare system.

Strategic Goal 4: Foster Sound, Sustained Advances in the Sciences

STRATEGIC GOAL 4 STRATEGIC OBJECTIVES	
4.1:	Improve surveillance, epidemiology, and laboratory services
4.2:	Expand the capacity of the scientific workforce and infrastructure to support innovative research
4.3:	Advance basic science knowledge and conduct applied prevention and treatment research to improve health and development
4.4:	Leverage translational research, dissemination and implementation science, and evaluation investments to support adoption of evidence-informed practices

HHS's success is contingent on scientific advances and discovery. Scientific investments through foundations, charities, private industry, and government entities strive to unlock mysteries that improve health and well-being; reduce death, disease, and disability; and extend and improve quality of life. These types of decisions rely on data acquired through surveillance, epidemiology, and laboratory services. Achievements in science tie to the other strategic goals, such as protecting Americans from disease outbreaks or reaching advances in public health care. Success in this domain starts with a high caliber workforce devoted to achieving award-winning breakthroughs. HHS aims to expand the capacity of the research workforce, equipping them with the tools to make discoveries of the future. To be effective, HHS must share, adopt, and implement scientific discoveries with fidelity. The Department is working to promote evidence-informed practices that improve health and human service fields.

Supporting Divisions – ACF, ACL, AHRQ, CDC, CMS, FDA, HRSA, NIH, OCR, OGA, OASH, ASPR, and SAMHSA.

Progress Spotlight – HHS supports multiple clearinghouses that catalog, review, and disseminate evidence related to programs, such as ACF's [Research and Evaluation Clearinghouses](#) on [Self-Sufficiency](#) and [Child Care and Early Education](#), AHRQ's [U.S Preventive Services Task Force](#), and SAMHSA's [Evidence-Based Practices Resource Center](#).

Looking Forward –

Data and Evidence-Informed Practices: HHS develops, uses, and analyzes data to support the best science and generate new evidence. We will continue implementing the *Foundations for Evidence-Based Policymaking Act of 2018*, which creates a new paradigm for developing and using evidence for decision-making. Efforts continue across HHS to ensure better access to HHS data for lower-cost analysis; support [patient-centered outcomes research](#); improve how we use evaluation and performance management data to drive learning, improvement, and analysis for better decision-making; and translate science into practice to ensure the best outcomes possible for the people served by HHS programs and policies.



Strategic Goal 5: Promote Effective and Efficient Management and Stewardship

STRATEGIC GOAL 5 STRATEGIC OBJECTIVES	
5.1:	Ensure responsible financial management
5.2:	Manage human capital to achieve the HHS mission
5.3:	Optimize information technology investments to improve process efficiency and enable innovation to advance program mission goals
5.4:	Protect the safety and integrity of our human, physical, and digital assets

HHS promotes sound stewardship for the financial resources the American taxpayers and Congress entrust to the Department through cultivation of top talent, development of robust and responsive information management systems, and the creation of a safe and secure environment for human, digital, and physical assets. Efforts such as *Relmagine HHS* improve the efficiency and accountability of the Department. *Relmagine HHS* is the Department's robust reform and transformation effort with goals to streamline processes, reduce burden, and realize cost savings. As the nation's largest grant-awarding agency, HHS is responsible for approximately a quarter of federal outlays and administers more grant dollars than all other federal agencies combined. HHS prioritizes the integrity of expenditures by maintaining effective risk management and internal controls for payments, grants, contracts, and other financial transactions, and by developing a financial management workforce with the expertise to comply with legislative mandates and requirements.

Supporting Divisions – ASFR, ASA, Office of the Chief Technology Officer, OGC, and Office of National Security.

Progress Spotlight – Efforts such as *Relmagine HHS*, which gathered over 1,900 bold ideas to lay out 6 strategic shifts with 10 self-sustaining initiatives, has improved the efficiency and accountability of the Department. Under the *Relmagine HHS*, the HHS Reinvent Grants Management initiative helping HHS to be selected as a best-in-class grants service provider by the Office of Management and Budget (OMB). Their stellar accomplishments include generating efficiencies through streamlined services by creating the Grant Recipient Digital Dossier to streamline HHS Grant review time from 4 hours to 15 minutes. In the *Relmagine HHS* [BuySmarter](#) initiative, HHS leveraged buying power for enterprise infrastructure, achieving over \$700 million in projected savings over 10 years. In addition, HHS is pioneering an effort to improve how agencies within HHS share, integrate, analyze, and visualize federated data to inform policy and evidence-based decision-making through the [Reimagine Data Insights Initiative](#).

Looking Forward –

Responsible Financial Management: HHS will maintain its accountability over COVID-19 related funding. HHS is cognizant of the responsibility that accompanies the large infusion of FY 2020's COVID-related funding and pledges diligent attention, throughout the Department, to its effective use and management.

Improve Efficiency: In 2017, HHS launched *Relmagine HHS*, an agency-wide effort to transform operations and culture across the Department to become more effective, efficient, and accountable. Although the *Relmagine HHS* program "graduated" in FY 2020, its tactics and culture of innovation, improvement, and collaboration will carry forward sustainable partnerships between HHS offices and teams to create a long-term impact on the HHS mission.

Optimize Information: The [HHS Data Science CoLab](#) is leveraging practices such as *Relmagine Data* to unlock the full potential of HHS's data. The [Reimagine Data Insights Initiative](#) is pioneering an effort to improve how agencies within HHS share, integrate, analyze, and visualize federated data to inform policy and evidence-based decision-making. HHS will use predictive artificial intelligence to mitigate pressing public health issues before they occur, such as predicting viral outbreaks or assisting health care providers in determining disease prevalence by geographic area, to better inform patient diagnoses and treatments. The HHS Data Science CoLab will continue to build a community of HHS employees and skilled data scientists to continuously improve data insights.

Systems and Internal Control

Systems

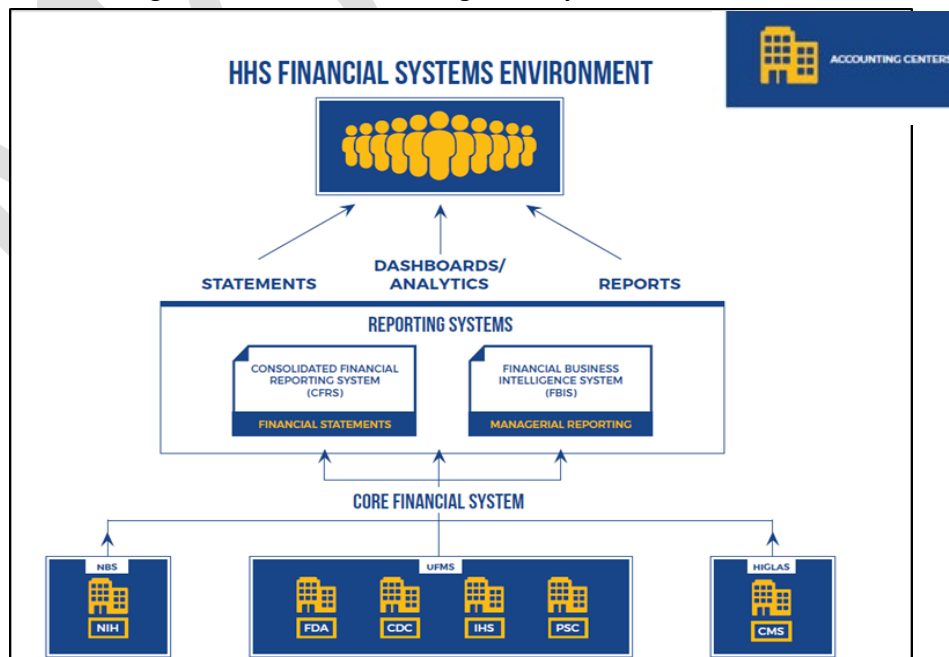
HHS Financial Systems Environment Overview

HHS's Chief Financial Officer (CFO) community continuously strives to enhance the financial management systems environment to sustain HHS's diverse portfolio of mission-oriented programs and business operations. The primary objective of the financial management systems environment is to: (1) efficiently process financial transactions in support of program activities and HHS's mission; (2) provide complete and accurate financial information for decision-making; (3) improve data integrity; (4) strengthen internal control; and (5) mitigate risk.

The financial systems framework at HHS provides the foundation to manage approximately \$2.4 trillion in budgetary resources entrusted to the Department in FY 2020. These resources include the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and other supplemental funding vital to assisting citizens with the public health and economic impacts of COVID-19. HHS's financial systems environment supports and ensures the efficient and timely disbursement of funds, which is a critical factor in advancing HHS's COVID-19 relief efforts. Additionally, HHS's robust financial systems environment provides federal contract, grant, loan, and other financial assistance data to [USASpending.gov](https://www.usaspending.gov), which presents clear, accurate, and timely awards information and promotes transparency and accountability to the American public.

Detailed in **Figure 3**, the HHS financial management systems environment consists of a core financial system and two Department-wide systems for financial reporting and managerial reporting. The core financial system has three instances (Healthcare Integrated General Ledger Accounting System [HIGLAS], NIH Business System [NBS], and Unified Financial Management System [UFMS]) that all operate on the same commercial off-the-shelf platform for standardization. The reporting systems facilitate financial statement compilation, financial and managerial reporting, and data analysis. Together, these systems fulfill HHS's financial accounting and reporting needs.

Figure 2: HHS Financial Management Systems Environment



* PSC-supported OpDivs includes ACF, ACL, HRSA, AHRQ, SAMHSA, and OS.

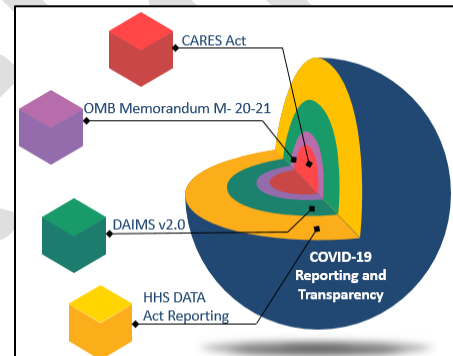


Financial Systems Accomplishments

HHS promotes a Department-wide strategy to advance its financial systems environment to address immediate business needs and position the Department to take advantage of state-of-the-art tools and technology, which will improve the effectiveness and efficiency of the Department's financial management capabilities; mature the overall financial systems environment; and strengthen accountability and financial stewardship.

HHS initiated the Financial Systems Improvement Program with foundational projects that included a major core financial system upgrade and transition of key financial systems to a cloud service provider. With this initiative successfully completed, HHS continues directing resources toward incrementally improving the modern financial systems environment efficiency and effectiveness. These projects' design will significantly enhance information access; implement evolving federal requirements; promote standardization and efficiency; safeguard system security and privacy; eliminate vulnerabilities; and maximize the return on existing system investments.

In FY 2020, HHS enhanced the *Digital Accountability and Transparency Act of 2014* (DATA Act) solution to support the new CARES Act requirements. The Department streamlined business and system processes to accelerate the validation and submission of data to meet the new COVID-19 monthly reporting requirements. The enhanced process significantly reduced the need for stakeholder data calls and enabled HHS's compliance with OMB Memorandum M-20-21 and the CARES Act. In addition, HHS modernized the first foundational DATA Act solution in the federal government to automate integration with Treasury. The modernized, flexible integration allows HHS to minimize the impact of unplanned changes made by Treasury, which reduces complexity and maintenance costs while increasing HHS's data reliability during monthly reporting. For FY 2020, HHS completely reconciled an average of 98 percent of award-level obligations (\$1,670.7 billion total, \$138.8 related to COVID-19 resources) and yielded a "high quality" data rating under the GAO and OIG DATA Act audits.



The reliability, availability, and security of HHS's financial systems are of paramount importance. HHS places a high priority on enhancing its financial systems security and controls environment, strengthening policy, proactively monitoring emerging issues, and ensuring progress toward remediating identified weaknesses. Since FY 2018, HHS has operated its financial management systems with no material weakness. Building on this significant progress, HHS continues to address persistent weaknesses by implementing a comprehensive enterprise-wide program and targeting efforts to mature the environment and reduce risk across the portfolio. In FY 2020, HHS demonstrated internal control maturity and management oversight by remediating 84 percent of prior years' Federal Information System Controls Audit Manual (FISCAM) audit weaknesses. Beyond monitoring the closure of weaknesses to assess progress, HHS continues to refine its comprehensive management framework to evaluate criteria and target measurements for overall progress, maturity of the security and control environment, and risk.

Opportunities for Improvement

HHS launched a Robotic Process Automation pilot to automate repetitive and manual tasks, improve agility and response time, and increase workforce capacity. Building on the successful pilot of six labor-intensive system and financial management processes, HHS is developing a strategy to accelerate automation of manual processes, which will improve productivity, lower costs, increase efficiency, and enhance business value. Implementing this and other business process solutions will increase efficiencies, improve consistency and transparency, automate workflows, and support specific business needs while maintaining compliance with the OMB and Treasury requirements and providing accurate financial statement data.

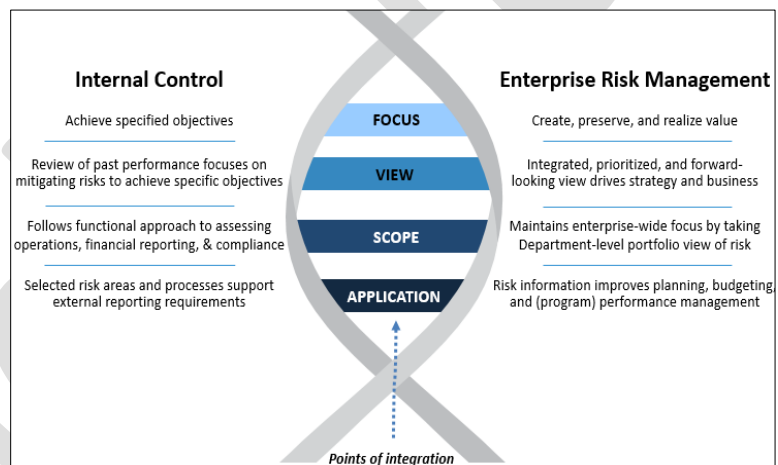
Internal Control

Agencies annually evaluate and report on the internal control and financial systems to protect the integrity of federal programs and provide reasonable assurance that internal controls are achieving effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations. HHS regularly performs rigorous, risk-based evaluations of its internal controls and continues to strengthen its assessment and reporting process to more effectively identify key risks, develop effective risk responses, and implement timely corrective actions.

As part of overall internal controls efforts, HHS is following OMB's guidance to provide oversight of COVID-19 funds. OMB directs agencies to "leverage existing transparency and accountability mechanisms whenever possible" and "apply a risk-based framework for balancing: (1) mission achievement, (2) expediency, and (3) transparency and accountability." HHS's OpDivs and StaffDivs are utilizing existing internal control plans and updated disaster-related internal control plans, and enhancing current processes as needed, to provide reasonable assurance that internal controls over COVID-19 funds. Additionally, HHS continues to mature Enterprise Risk Management (ERM) and integrate ERM with Internal Control.

Enterprise Risk Management

ERM improves program accountability and effectiveness by identifying and managing mission-support risks to reduce or eliminate potential disruptive events. ERM is a strategic discipline that enables agencies to proactively address the full spectrum of organizational risks. Integrating ERM into daily operations has enhanced HHS's speed and agility in adapting to uncertainties, which improves HHS's ability to deliver its mission, achieve goals, and meet objectives.



HHS supports Department-wide ERM implementation by chairing the HHS ERM Council, which consists of senior career executives from across HHS's OpDivs and StaffDivs. HHS established the ERM Council in 2010 to focus on program integrity and risk management concerns and serve as an internal forum for sharing and coordinating Department-wide risk management efforts. ASFR facilitates ERM implementation by: translating the Department-level ERM Framework into operational steps; serving as an ERM resource and liaison for OpDivs and StaffDivs; developing collaborative ERM guidance, tools, and techniques that can be tailored; and advising on ERM tools, techniques, and approaches to Division-level ERM implementation. Working closely with Division ERM leads and subject matter experts, ASFR collaboratively supports implementation of a robust ERM culture and capabilities throughout the Department.

The HHS ERM Framework outlines the principles-based approach and associated capabilities that HHS uses to implement and mature ERM. By focusing on principles and capabilities, rather than an annual risk profile, HHS's ERM Framework offers flexibility for OpDivs and StaffDivs to manage the pace of change. OpDivs and StaffDivs are encouraged to tailor the ERM Framework to align with their diverse operating cultures and missions; which includes tailoring the risks portfolio considered and applicable governance to oversee risk management activities.



Financial Summary and Highlights

HHS received an unmodified audit opinion on the principal financial statements and notes¹ for the year ended September 30, 2020. This is the 22nd year for an unmodified opinion. HHS takes pride in the preparation of the financial statements, yet it can sometimes be difficult to draw the relationships between the information in the statements and the overall performance of an agency. This section is presented as an interpretation of the principal financial statements, which include the Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statement of Changes in Net Position, Combined Statement of Budgetary Resources, Statement of Social Insurance, and the Statement of Changes in Social Insurance Amounts, as well as selected notes to the principal financial statements. HHS presents these in the "Financial Section" of this report. Included in this analysis is a year-over-year summary of key financial balances, nature of significant changes, and highlights of key financial events to assist readers in establishing the relevance of the financial statements to the operations of HHS.

As a federal entity, HHS's financial position and activities are significant to the government-wide statements. Based on the *FY 2019 Financial Report of the United States Government*, HHS's net operating cost was larger than any single agency across the entire federal government.² A similar relationship exists within HHS, where the Department is significantly represented by one OpDiv, CMS. CMS alone consistently stewards the largest share of HHS's resources. Therefore, noteworthy changes in HHS balances are primarily related to fluctuations in CMS program activity.

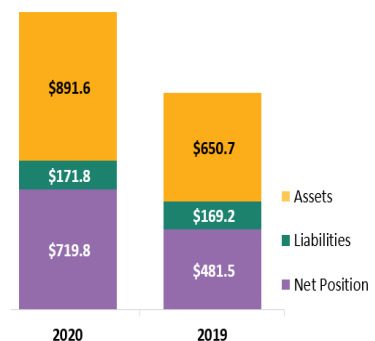
Balance Sheets

To communicate performance for HHS at fiscal year-end, the Consolidated Balance Sheets show the resources available to HHS (Assets) and claims against those assets (Liabilities). The remainder represents the equity retained by HHS (Net Position). The table below summarizes the major components of the FY 2020 and FY 2019 year-end balances of HHS's assets available for use, the liabilities owed by HHS, and the equity retained by HHS.

Financial Conditions Summary

(in Billions)

	2020	2019	\$ Change (2020-2019)	% Change (2020-2019)
Fund Balance with Treasury	\$ 514.0	\$ 296.3	\$ 217.7	73%
Investments, Net	226.2	309.3	(83.1)	(27)%
Accounts Receivable	22.4	25.0	(2.6)	(10)%
Advances	108.1	2.6	105.5	4,058%
Other Assets	20.9	17.5	3.4	19%
Total Assets	\$ 891.6	\$ 650.7	\$ 240.9	37%
Accounts Payable	\$ 5.0	\$ 2.4	\$ 2.6	108%
Entitlement Benefits Due and Payable	116.9	110.1	6.8	6%
Accrued Liabilities	15.8	15.5	0.3	2%
Federal Employee and Veterans' Benefits	15.3	14.8	0.5	3%
Contingencies & Commitments	11.3	17.1	(5.8)	(34)%
Other Liabilities	7.5	9.3	(1.8)	(19)%
Total Liabilities	\$ 171.8	\$ 169.2	\$ 2.6	2%
Net Position	\$ 719.8	\$ 481.5	\$ 238.3	49%
Total Liabilities and Net Position	\$ 891.6	\$ 650.7	\$ 240.9	37%



¹ Due to the uncertainty of the long-range assumptions used in the Statement of Social Insurance model, the auditors were not able to express an opinion on the Statement of Social Insurance, the Statement of Changes in Social Insurance Amounts, and associated footnotes.

² HHS's net cost is 24 percent of the federal government's total costs, Social Security Administration's net cost is 22 percent, Department of Defense's net cost is 18 percent, Department of Veterans Affairs' net cost is 8 percent, and Treasury's Interest on Treasury Securities Held by the Public's net cost is 8 percent. All remaining agencies combined only represent 20 percent. Source: [FY 2019 Financial Report of the United States Government](#)

Assets

Total Assets for HHS were \$891.6 billion at year-end, representing the value of what HHS owns and manages. This is an increase of approximately \$240.9 billion or 37 percent over September 30, 2019. Fund Balance with Treasury (FBwT) and Investments comprise \$740.2 billion or 83 percent of HHS's total assets, and collectively increased \$134.6 billion or 22 percent.

The FBwT line contains the largest net change between FY 2020 and FY 2019 with a \$217.7 billion or 73 percent increase, which is primarily due to additional funding received for COVID-19.

Advances had an increase of \$105.5 billion or 4,058 percent over FY 2019, which is primarily due to the issuance of the COVID-19 Accelerated and Advance Payment (AAP) program and for Public Health and Social Services Emergency Fund (PHSSEF) advances with the U.S. Department of Defense for personal protection equipment and test kits for COVID-19.

Investments had a decrease of \$83.1 billion or 27 percent under FY 2019, which is mostly due to changes in Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) by \$65.8 billion and \$17.4 billion, respectively. This is primarily due to the issuance of the COVID-19 AAP program.

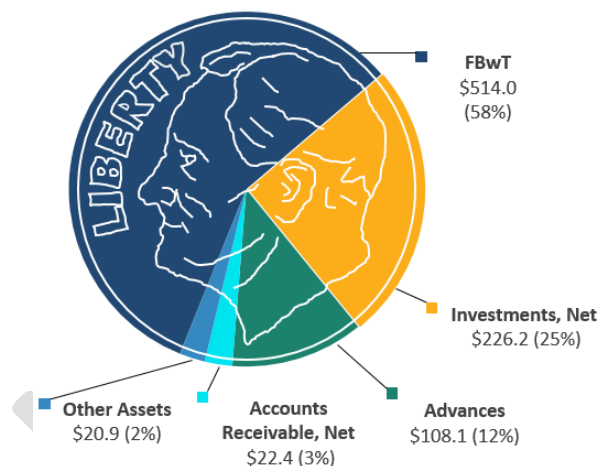
The HHS "Assets by OpDiv" chart demonstrates asset distribution within HHS, excluding eliminations. The OpDiv asset balances ranged from \$352 million at AHRQ (shown in All Other OpDivs) to \$590.1 billion at CMS. OS had the largest percentage and dollar value asset increase of \$124.9 billion or 683 percent over FY 2019 primarily due to COVID-19 activities. CMS had an increase of \$88.1 billion or 18 percent primarily due to the issuance of the COVID-19 AAP program.

Liabilities

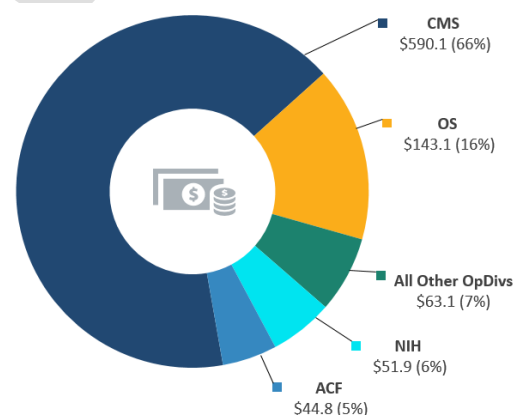
Total Liabilities for HHS were \$171.8 billion at year-end, representing the amounts HHS owes from past transactions or events. This is an increase of approximately \$2.6 billion or 2 percent over September 30, 2019.

This is attributed to increases in Entitlement Benefits Due and Payable and Accounts Payable. Entitlement Benefits Due and Payable had an increase of \$6.8 billion or 6 percent over FY 2019, which is due to medical services and claims incurred but not reported reflecting the impact of COVID-19. Accounts Payable increased \$2.6 billion or 108 percent over FY 2019, which is due to the PHSSEF for COVID-19. These increases are offset by a decrease in Contingencies & Commitments of \$5.8 billion or 34 percent under FY 2019, which is due to the decrease in the Medicaid Statement Amendment accrual.

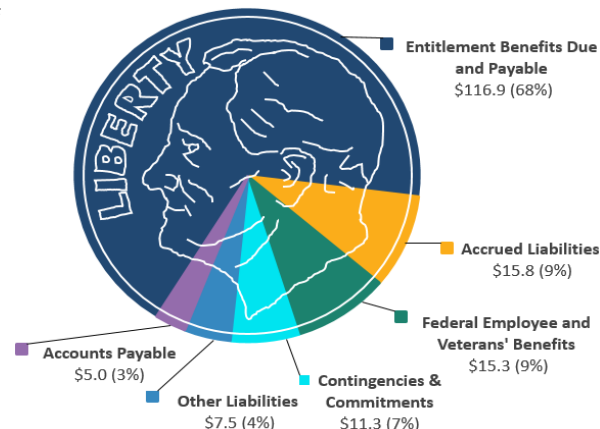
Assets by Type
(in Billions)



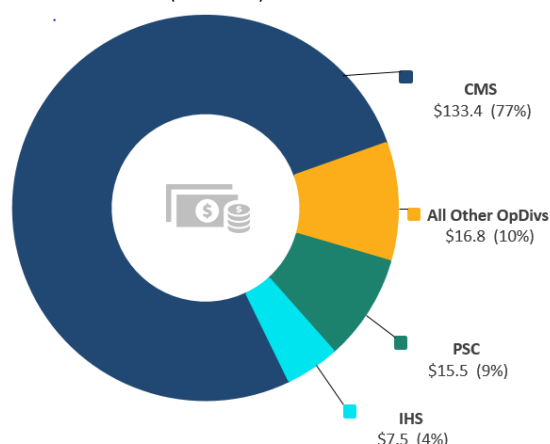
Assets by OpDiv
(in Billions)



Liabilities by Type
(in Billions)



Liabilities by OpDiv
(in Billions)



The HHS “Liabilities by OpDiv” chart shows liability distribution within HHS, excluding eliminations. With the majority share, CMS reports \$133.4 billion or 77 percent of the HHS liabilities, while AHRQ (shown in All Other OpDivs) has liabilities of \$27 million. OS had the largest OpDiv dollar value increase in liabilities over FY 2019 of \$2.1 billion due to the increase in Accounts Payable mentioned above.

Refer to the Notes in “Financial Section” of this report for explanations for the remaining significant fluctuations.

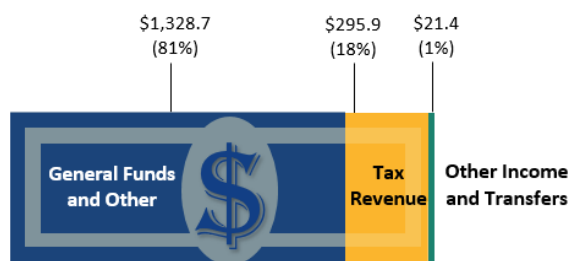
Statement of Changes in Net Position

The Consolidated Statement of Changes in Net Position displays the activities affecting the difference between the beginning net position and ending net position, as shown on the HHS Consolidated Balance Sheets. This is also represented as the difference between assets and liabilities.

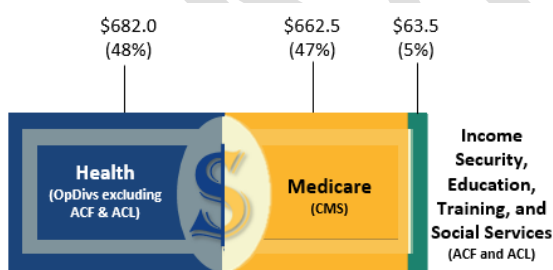
Changes in assets are shown by identifying where HHS gets the money from, known as financing sources. Financing sources include both the Total Financing Sources and Total Budgetary Sources lines from the Statement of Changes in Net Position.

HHS receives the majority of the funding through Congressional appropriations and reimbursement for the provision of goods or services to other federal agencies. HHS’s largest financing source, General Funds and Other, increased \$364.6 billion or 38 percent over FY 2019. The fluctuations in tax revenue of \$14.5 billion or 5 percent is related to the *Federal Insurance Contributions Act (FICA)* and *Self Employed Contributions Act (SECA)*.

HHS Gets the Money From...
(in Billions)



HHS Used the Money For...
(in Billions)



Statements of Net Cost

The Consolidated Statements of Net Cost represents how HHS spent the money. This can also be stated as the difference between the costs incurred by HHS’s programs less associated revenues. The Net Cost of Operations for the year ended September 30, 2020 totaled approximately \$1,407.7 billion. The “HHS Used the Money For ...” chart shows consolidating costs by major budget function,³ which are the categories displayed in the [Federal Budget](#). Most agencies have one or two budget functions, whereas HHS has many.

³ Totals in the chart are exclusive of intra-HHS eliminations from the Consolidating Statement of Net Cost by Budget Function. This statement can be found in Section 3, Other Information.

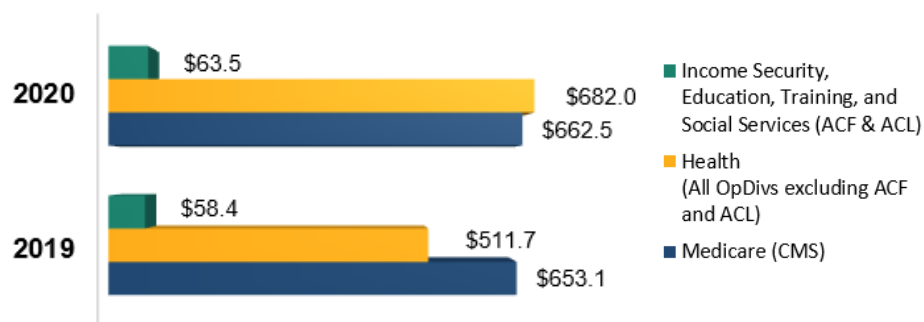
The table below presents the FY 2020 Consolidated Net Cost of Operations, which breaks costs into Responsibility Segments between CMS and the remaining OpDivs in Other Segments. Net cost for CMS increased by \$69.7 billion or 6 percent over FY 2019, which included increases to Medicaid benefit expense of \$47.4 billion and SMI and Other Activities expenses of \$15.1 billion and \$14.1 billion, respectively. These expenses were offset by increased revenues of \$10.3 billion due to SMI premiums collected for Prescription Drug, Medicare Advantage, and *Affordable Care Act* Medicare Shared Savings programs. The increase in total Net Cost of Operations for the remaining HHS segments of \$115.2 billion or 85 percent over FY 2019 is primarily due to the PHSSEF increase of \$106.2 billion for COVID-19 relief.

Net Cost of Operations
(in Billions)

	2020	2019	\$ Change (2020-2019)	% Change (2020-2019)
Responsibility Segments:				
CMS Gross Cost	\$ 1,281.9	\$ 1,201.6	\$ 80.3	7%
CMS Exchange Revenue	(125.3)	(114.7)	(10.6)	9%
CMS Net Cost of Operations	\$ 1,156.6	\$ 1,086.9	\$ 69.7	6%
Other Segments:				
Other Segments Gross Cost	\$ 256.7	\$ 141.9	\$ 114.8	81%
Other Segments Exchange Revenue	(5.6)	(6.0)	0.4	(7)%
Other Segments Net Cost of Operations	\$ 251.1	\$ 135.9	\$ 115.2	85%
Net Cost of Operations	\$ 1,407.7	\$ 1,222.8	\$ 184.9	15%

HHS classifies costs by major budget functions such as Medicare, Health, Income Security, and Education, Training, and Social Services. This is shown on the Consolidating Statement of Net Cost by Budget Function in the "Other Information" section of this report. The graph below shows the 2-year cost trends for these major budget functions.⁴ In FY 2020, total net costs for Health of \$682.0 billion and Medicare of \$662.5 billion account for 95 percent of HHS's annual net costs.

Net Cost by Major Budget Function
(in Billions)

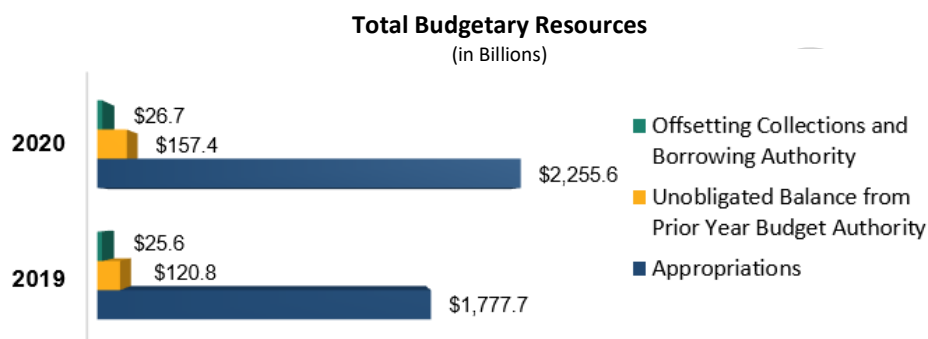


⁴ Totals in the chart are exclusive of intra-HHS eliminations from the Consolidating Statement of Net Cost by Budget Function.



Statement of Budgetary Resources

The Combined Statement of Budgetary Resources displays the budgetary resources available to HHS throughout FY 2020 and FY 2019, and the status of those resources at the fiscal year-end. The primary components of HHS's resources, totaling approximately \$2.4 trillion for FY 2020, are appropriations from Congress, resources not yet used from previous years (unobligated balances from prior year budget authority), and spending authority from offsetting collections and borrowing authority. This represents an increase of \$515.6 billion or 27 percent over FY 2019. The following graph highlights trends in these balances over the past 2 fiscal years.



The increase in appropriations of \$477.9 billion or 27 percent is primarily related to COVID-19 appropriations of \$250.4 billion, as well as increases in HI of \$72.2 billion, SMI of \$46.4 billion, Medicaid of \$56.1 billion, and Payments to the Trust Funds (PTF) of \$36.3 billion. The *Social Security Act* provides for payments to the HI and SMI trust funds. SMI receives appropriated funds to provide for federal matching of SMI premium collections and HI for the Uninsured and Federal Uninsured Payments. The *Social Security Act* also prescribes that funds covering the Medicare Prescription Drug Benefit and associated administrative costs, retiree drug coverage, reimbursements to the states and Transitional Assistance benefits be transferred from the general fund to the SMI trust fund; this occurs via the PTF account. For further details, see the Combining Statement of Budgetary Resources in the "Financial Section" of this report.

The increase of \$36.6 billion or 30 percent in unobligated balance from prior year budget authority is primarily due to an increase in PTF of \$36.0 billion in retention of prior year definite authority. Definite authority is budget authority that is a specified sum at the time it is enacted and is expressed as a "not to exceed" amount.

Schedule of Spending

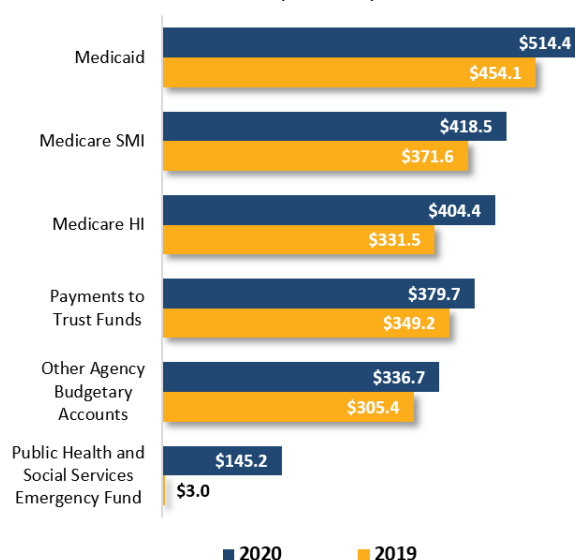
HHS has elected to present the trends in spending in the audited notes to the principal financial statements titled, Combined Schedule of Spending. The "Spending by Treasury Symbol" chart illustrates spending as of September 30, 2020 and 2019 for the top five HHS Treasury Account Symbols (TAS). The remaining TAS are presented in Other Agency Budgetary Accounts.

The New Obligations and Upward Adjustments line on the Combined Statement of Budgetary Resources is the same as Total Amounts Agreed to be Spent line on the Combined Schedule of Spending. Total obligations for FY 2020 were approximately \$2.2 trillion with a 21 percent increase over FY 2019.

The HHS's total spending is once again significantly represented by four of CMS's TAS (Medicaid, Medicare SMI, Medicare HI, and PTF) at 78 percent of HHS total obligations.

As the American public will see more clearly on the [USAspending.gov](https://www.usaspending.gov) website, the majority of HHS spending was made through Grants, Subsidies, and Contributions at \$1 trillion or 45 percent. Additionally, HHS has incurred obligations for Insurance Claims and Indemnities totaling \$918.3 billion or 42 percent. HHS classifies obligations by items or services provided into categories known as object classes. For more information, refer to Note 21, Combined Schedule of Spending in the "Financial Section" of this report.

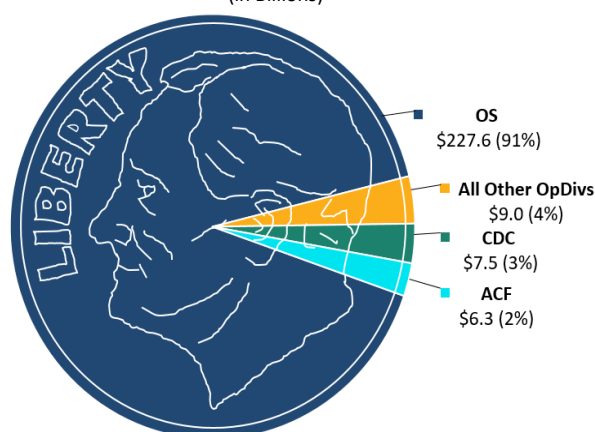
Spending by Treasury Symbol
(in Billions)



COVID-19 Activities

The CARES Act and three additional supplemental appropriations provided HHS with COVID-19 budgetary resources of \$250.7 billion for response and recovery, which included \$175 billion for the Provider Relief Fund to support hospitals and healthcare providers on the front lines. Of the total amount, \$0.3 billion was transferred to the Department of Homeland Security, resulting in net budgetary resources of \$250.4 billion, which includes \$0.3 billion precluded from obligation. The "COVID-19 Budgetary Resources by OpDiv" chart to the right shows the amount of funding received by the OpDivs. OS received \$227.6 billion or 91 percent through the PHSSEF, with the majority supporting the Provider Relief Fund, Strategic National Stockpile, and vaccine, therapeutic and diagnostic research and development and advance purchase through Biomedical Advanced Research and Development Authority.

COVID-19 Budgetary Resources by OpDiv
(in Billions)



As of September 30, 2020 HHS has obligated \$158.1 billion to support efforts, of which \$113.5 billion has been outlayed, and \$92.2 billion remains available for future fiscal years in order to continue providing relief, testing, research, and other COVID-19 related activities. To see how the COVID-19 relief funds were spent, refer to [USAspending.gov](https://www.usaspending.gov). For more information, refer to Note 22, COVID-19 Activities in the "Financial Section" of this report.



Statement of Social Insurance

The Statement of Social Insurance (SOSI) presents the 75-year actuarial present value of the income and expenditures of the HI and SMI trust funds. Future expenditures are expected to arise for current and future program participants. This projection is considered important information in evaluating the potential future cost of the program. These projected potential future obligations are not included in the Consolidated Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, or Combined Statements of Budgetary Resources.

Actuarial present values are computed under the intermediate set of assumptions specified in the [*2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*](#) (Trustees Report). The projections and analysis in this report do not reflect the potential effects of the COVID-19 pandemic, or the legislation enacted in response to it, on the Medicare program. However, given the uncertainty associated with these impacts, the Trustees stated that it was not possible to adjust the estimates accurately at the time the report was released. As of the date of the financial statements, there is still a considerable amount of uncertainty surrounding these impacts and the projections have not been adjusted.

The SOSI presents the following estimates:

- The present value of future income (income excluding interest) to be received from or on behalf of current participants who have attained eligibility age and the future cost of providing benefits to those same individuals;
- The present value of future income to be received from or on behalf of current participants who have not yet attained eligibility age and the future cost of providing benefits to those same individuals;
- The present value of future income less future cost for the closed group, which represents all current participants who attain age 15 or older in the first year of the projection period, plus the assets in the combined HI and SMI trust funds as of the beginning of the valuation period;
- The present value of income to be received from or on behalf of future participants and the cost of providing benefits to those same individuals;
- The present value of future income less future cost for the open group, which represents all current and future participants (including those born during the projection period) who are now participating or are expected to eventually participate in the Medicare program, plus the assets in the combined HI and SMI trust funds as of the beginning of the valuation period; and
- The present value of future cash flows for all current and future participants over the next 75 years (open group measure) increased from \$5.5 trillion, determined as of January 1, 2019, to \$(4.8) trillion, determined as of January 1, 2020.

When the combined HI and SMI trust fund assets are included, the present value increases. As of January 1, 2020, the future cash flow for all current and future participants was \$(4.5) trillion for the 75-year valuation period. The comparable cash flow for the closed group of participants, including the combined HI and SMI trust fund assets, is \$(12.8) trillion.

HI Trust Fund Solvency

Pay-as-you-go Financing

The HI trust fund is deemed to be solvent as long as assets are sufficient to finance program obligations. Such solvency is indicated, for any point in time, by the maintenance of positive trust fund assets. In recent years, current expenditures have exceeded program income for the HI program; thus, the HI trust fund assets have been declining. The table to the right shows the HI trust fund assets, expressed as a ratio of the assets at the beginning of the fiscal year to the expenditures for the year. This ratio steadily dropped from 67 percent at the beginning of FY 2016 to 57 percent at the beginning of FY 2020.

Trust Fund Ratio Beginning of Fiscal Year ⁵	
FY	HI
2020	57%
2019	62%
2018	66%
2017	66%
2016	67%

Short-Term Financing

The HI trust fund is deemed adequately financed for the short term when actuarial estimates of trust fund assets for the beginning of each calendar year are at least as large as program obligations for the year. Estimates in the 2020 Trustees Report indicate that the HI trust fund is not adequately financed over the next 10 years. Under the intermediate assumptions of the 2020 Trustees Report, the HI trust fund ratio is estimated to decline steadily until the fund is depleted in calendar year 2026. Assets at the end of calendar year 2019 were \$194.6 billion and are expected to decrease steadily until depleted in 2026.

Long-Term Financing

The short-range outlook for the HI trust fund is similar to what was projected last year. The trust fund ratio declines until the fund is depleted in 2026, the same date as projected last year. HI financing is not projected to be sustainable over the long-term with the projected tax rates and expenditure levels. Program cost is expected to exceed total income in all years. When the HI trust fund is exhausted, full benefits cannot be paid on a timely basis. The percentage of expenditures covered by tax revenues is projected to decrease from 90 percent in 2026 to 78 percent in 2044, and then to increase to about 90 percent by the end of the projection period.

The primary reasons for the projected long-term inadequacy of financing under current law relate to the fact that the ratio of the number of workers paying taxes relative to the number of individuals eligible for benefits drops from 3.0 in 2019 to about 2.1 by 2094. In addition, health care costs continue to rise faster than the taxable wages used to support the program. In present value terms, the 75-year shortfall is \$4.6 trillion, which is 0.8 percent of taxable payroll and 0.3 percent of Gross Domestic Product (GDP) over the same period. Significant uncertainty surrounds the estimates for the SOSI. In particular, the actual future values of demographic, economic, and programmatic factors are likely to be different from the near-term and ultimate assumptions used in the projections. For more information, please refer to the Required Supplementary Information: Social Insurance disclosures required by the Federal Accounting Standards Advisory Board.

SMI Trust Fund Solvency

The SMI trust fund consists of two accounts – Part B and Part D. In order to evaluate the financial status of the SMI trust fund, each account needs to be assessed individually, since financing rates for each part are established separately, and their program benefits are quite different in nature.

While differences between the two accounts exist, the financing mechanism for each part is similar in that the financing is determined on a yearly basis. The Part B account is generally financed by premiums and general revenue

⁵ Assets at the beginning of the year to expenditures during the year.



matching appropriations determined annually to cover projected program expenditures and to provide a contingency for unexpected program variation. The Part D account is financed by premiums, general revenues, and transfers from state governments. Unlike the Part B account, the appropriation for Part D has generally been set such that amounts can be transferred to the Part D account on an as-needed basis; under this process, there is no need to maintain a contingency reserve. In September 2015, a new policy was implemented to transfer amounts from the Treasury into the account 5 business days before the benefit payments to the plans. As a result, the Trustees expect the Part D account to include a more substantial balance at the end of most months to reflect this policy.

Since both the Part B and Part D programs are financed on a yearly basis, from a program perspective, there is no unfunded liability in the short or long-range. Therefore, in this financial statement, the present value of estimated future excess of income over expenditures for current and future participants over the next 75 years is \$0. However, from a government-wide perspective, general fund transfers, as well as interest payments to the Medicare trust funds and asset redemption, represent a draw on other federal resources for which there is no earmarked source of revenue from the public. Hence, from a government-wide perspective, the corresponding estimate of future income less expenditures for the 75-year projection period is \$(40.9) trillion.

Even though from a program perspective the unfunded liability is \$0, there is concern over the rapid increase in cost of the SMI program as a percent of GDP. In 2019, SMI expenditures were 2.2 percent of GDP. By 2094, SMI expenditures are projected to grow to 4.5 percent of the GDP.

The following table presents key amounts from CMS's basic financial statements for fiscal year 2018 through 2020.

Table of Key Measures⁶
(in Billions)

	2020	2019	2018
Net Position (end of fiscal year)			
Assets	\$ 590.1	\$ 502.0	\$ 467.3
Less Total Liabilities	133.4	134.2	123.5
Net Position (assets net of liabilities)	\$ 456.7	\$ 367.8	\$ 343.8
Costs (end of fiscal year)			
Net Costs	\$ 1,157.0	\$ 1,087.3	\$ 1,009.1
Total Financing Sources	1,189.5	1,079.0	1,017.7
Net Change in Cumulative Results of Operations	\$ 32.5	\$ (8.3)	\$ 8.6
Statement of Social Insurance (calendar year basis)			
Present value of estimated future income (excluding interest) less expenditures for current and future participants over the next 75 years (open group), current year valuation (as of 1/1/2020)	\$ (4,800)	\$ (5,484)	\$ (4,708)
Present value of estimated future income (excluding interest) less expenditures for current and future participants over the next 75 years (open group), prior year valuation (as of 1/1/2019)	\$ (5,484)	\$ (4,708)	\$ (3,532)
Change in Present Value	\$ 683	\$ (776)	\$ (1,176)

⁶ The table or other singular presentation showing the measures described above. Totals do not necessarily equal the sums of rounded components.

Statement of Changes in Social Insurance Amounts

The Statement of Changes in Social Insurance Amounts reconciles the change (between the current valuation period and the prior valuation period) in the present value of future tax income less future cost for current and future participants (the open group measure) over the next 75 years. This reconciliation identifies those components of the change that are significant and provides reasons for the changes. In general, an increase in the present value of net cash flow represents a positive change (improving financing), while a decrease in the present value of net cash flow represents a negative change (worsening financing).

The present value as of January 1, 2020, decreased by \$235 billion due to advancing the valuation date by 1 year and including the additional year 2094, by \$1,715 billion due to changes in economic and health care assumptions, and by \$453 billion due to changes in the law. However, changes in the projection base and demographic assumptions increased the present value by \$399 and \$2,687 billion, respectively. The net overall impact of these changes is an increase in the present value of \$683 billion.

Required Supplementary Information

As required by Statement of Federal Financial Accounting Standards (SFFAS) 17, *Accounting for Social Insurance* (as amended by SFFAS 37, *Social Insurance: Additional Requirements for Management Discussion and Analysis and Basic Financial Statements*), HHS has included information about the Medicare trust funds – HI and SMI. The RSI presents required long-range cash-flow projections, the long-range projections of the ratio of contributors to individuals with Medicare (dependency ratio), and the sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the actuarial projections and present values. The SFFAS 37 does not eliminate or otherwise affect the SFFAS 17 requirements for the supplementary information, except that actuarial projections of annual cash flow in nominal dollars are no longer required; as such, it will not be reported in the RSI. The RSI assesses the sufficiency of future budgetary resources to sustain program services and meet program obligations as they come due. The information is drawn from the *2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, which represents the official government evaluation of the financial and actuarial status of the Medicare trust funds.

Principal Financial Statements

U.S. Department of Health and Human Services

Consolidated Balance Sheets

As of September 30, 2020 and 2019

(in Millions)

	2020	2019
Assets (Note 2)		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	\$ 514,042	\$ 296,257
Investments, Net (Note 4)	226,215	309,349
Accounts Receivable, Net (Note 5)	715	812
Advances (Note 8)	1,993	180
Total Intragovernmental Assets	742,965	606,598
Accounts Receivable, Net (Note 5)	21,712	24,156
Inventory and Related Property, Net (Note 6)	13,430	10,781
General Property, Plant and Equipment, Net (Note 7)	6,904	6,544
Advances (Note 8)	106,082	2,452
Other Assets	533	197
Total Assets	\$ 891,626	\$ 650,728
Stewardship Land (Note 19)		
Liabilities (Note 9)		
Intragovernmental Liabilities		
Accounts Payable	\$ 2,389	\$ 1,153
Other Liabilities (Note 13)	3,653	5,573
Total Intragovernmental Liabilities	6,042	6,726
Accounts Payable	2,583	1,221
Entitlement Benefits Due and Payable (Note 10)	116,935	110,100
Accrued Liabilities (Note 12)	15,798	15,543
Federal Employee and Veterans' Benefits (Note 11)	15,319	14,826
Contingencies and Commitments (Note 14)	11,267	17,083
Other Liabilities (Note 13)	3,920	3,695
Total Liabilities	171,864	169,194
Net Position		
Unexpended Appropriations - Funds from Dedicated Collections (Note 18)	98,117	57,968
Unexpended Appropriations - All Other Funds	333,140	170,438
Cumulative Results of Operations - Funds from Dedicated Collections (Note 18)	285,692	258,392
Cumulative Results of Operations - All Other Funds	2,813	(5,264)
Total Net Position - Funds from Dedicated Collections	383,809	316,360
Total Net Position - All Other Funds	335,953	165,174
Total Net Position	719,762	481,534
Total Liabilities and Net Position	\$ 891,626	\$ 650,728

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.



U.S. Department of Health and Human Services
Consolidated Statements of Net Cost
For the Years Ended September 30, 2020 and 2019
(in Millions)

	2020	2019
Responsibility Segments		
Centers for Medicare & Medicaid Services (CMS)		
Gross Costs	\$ 1,281,918	\$ 1,201,630
Exchange Revenue	(125,288)	(114,723)
CMS Net Cost of Operations	1,156,630	1,086,907
Other Segments:		
Administration for Children and Families (ACF)	61,159	56,087
Administration for Community Living (ACL)	2,444	2,176
Agency for Healthcare Research and Quality (AHRQ)	334	335
Centers for Disease Control and Prevention (CDC)	11,980	12,285
Food and Drug Administration (FDA)	5,687	5,339
Health Resources and Services Administration (HRSA)	12,241	11,655
Indian Health Service (IHS)	8,429	7,550
National Institutes of Health (NIH)	36,819	35,822
Office of the Secretary (OS)	110,043	3,439
Program Support Center (PSC)	2,218	2,771
Substance Abuse and Mental Health Services Administration (SAMHSA)	5,339	4,525
Other Segments Gross Costs of Operations before Actuarial Gains and Losses	\$ 256,693	\$ 141,984
Actuarial (Gains) and Losses Commissioned Corp Retirement and Medical Plan Assumption Changes (Note 11)	71	(27)
Other Segments Gross Costs of Operations after Actuarial Gains and Losses	\$ 256,764	\$ 141,957
Exchange Revenue	(5,657)	(6,015)
Other Segments Net Cost of Operations	251,107	135,942
Net Cost of Operations (Note 20)	\$ 1,407,737	\$ 1,222,849

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

U.S. Department of Health and Human Services
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2020
(in Millions)

	Funds from Dedicated Collections	All Other Funds	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	\$ 57,968	\$ 170,438	\$ -	\$ 228,406
Budgetary Financing Sources:				
Appropriations Received	438,810	921,741	-	1,360,551
Appropriations Transferred in/out (+/-)	-	(285)	-	(285)
Other Adjustments (+/-)	(6,460)	(25,153)	-	(31,613)
Appropriations Used	(392,201)	(733,601)	-	(1,125,802)
Total Budgetary Financing Sources	40,149	162,702	-	202,851
Total Unexpended Appropriations	\$ 98,117	\$ 333,140	\$ -	\$ 431,257
Cumulative Results of Operations:				
Beginning Balances	\$ 258,392	\$ (5,264)	\$ -	\$ 253,128
Budgetary Financing Sources:				
Other Adjustments (+/-)	-	(9)	-	(9)
Appropriations Used	392,201	733,601	-	1,125,802
Nonexchange Revenue				
Nonexchange Revenue - Tax Revenue	295,913	-	-	295,913
Nonexchange Revenue - Investment Revenue	6,406	242	-	6,648
Nonexchange Revenue - Other	3,971	310	-	4,281
Donations and Forfeitures of Cash and Cash Equivalents	61	-	-	61
Transfers-in/out without Reimbursement (+/-)	(4,134)	1,895	-	(2,239)
Other Financing Sources (Nonexchange):				
Donations and Forfeitures of Property	-	127	-	127
Imputed Financing	12,358	825	(309)	12,874
Other (+/-)	6	(350)	-	(344)
Total Financing Sources	706,782	736,641	(309)	1,443,114
Net Cost of Operations	679,482	728,564	(309)	1,407,737
Net Change	27,300	8,077	-	35,377
Cumulative Results of Operations	\$ 285,692	\$ 2,813	\$ -	\$ 288,505
Net Position	\$ 383,809	\$ 335,953	\$ -	\$ 719,762

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.



U.S. Department of Health and Human Services
Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2019
(in Millions)

	Funds from Dedicated Collections	All Other Funds	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	\$ 22,934	\$ 163,667	\$ -	\$ 186,601
Budgetary Financing Sources:				
Appropriations Received	402,356	657,034	-	1,059,390
Appropriations Transferred in/out (+/-)	-	3	-	3
Other Adjustments (+/-)	(5,861)	(89,481)	-	(95,342)
Appropriations Used	(361,461)	(560,785)	-	(922,246)
Total Budgetary Financing Sources	35,034	6,771	-	41,805
Total Unexpended Appropriations	\$ 57,968	\$ 170,438	\$ -	\$ 228,406
Cumulative Results of Operations:				
Beginning Balances	\$ 262,972	\$ (2,378)	\$ -	\$ 260,594
Budgetary Financing Sources:				
Other Adjustments (+/-)	(3)	(5)		(8)
Appropriations Used	361,461	560,785	-	922,246
Nonexchange Revenue				
Nonexchange Revenue - Tax Revenue	281,441	-	-	281,441
Nonexchange Revenue - Investment Revenue	9,519	252	-	9,771
Nonexchange Revenue - Other	3,533	-	-	3,533
Donations and Forfeitures of Cash and Cash Equivalents	69	-	-	69
Transfers-in/out without Reimbursement (+/-)	(3,230)	1,010	-	(2,220)
Other Financing Sources (Nonexchange):				
Donations and Forfeitures of Property	-	7	-	7
Transfers-in/out without Reimbursement (+/-)	(2)	2	-	-
Imputed Financing	56	813	(321)	548
Other (+/-)	3	(7)	-	(4)
Total Financing Sources	652,847	562,857	(321)	1,215,383
Net Cost of Operations	657,427	565,743	(321)	1,222,849
Net Change	(4,580)	(2,886)	-	(7,466)
Cumulative Results of Operations	\$ 258,392	\$ (5,264)	\$ -	\$ 253,128
Net Position	\$ 316,360	\$ 165,174	\$ -	\$ 481,534

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

U.S. Department of Health and Human Services
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2020 and 2019
(in Millions)

	2020	2019
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 157,422	\$ 120,849
Appropriations (Discretionary and Mandatory)	2,255,613	1,777,690
Borrowing Authority (Discretionary and Mandatory)	2	5
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	26,710	25,621
Total Budgetary Resources (Note 21)	\$ 2,439,747	\$ 1,924,165
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Note 21)	\$ 2,198,886	\$ 1,814,780
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	158,596	50,356
Exempt from Apportionment, Unexpired Accounts	188	172
Unapportioned, Unexpired Accounts	12,288	30,976
Unexpired Unobligated Balance, End of Year	171,072	81,504
Expired Unobligated Balance, End of Year	69,789	27,881
Unobligated Balance, End of Year	240,861	109,385
Total Budgetary Resources (Note 21)	\$ 2,439,747	\$ 1,924,165
Outlays, Net		
Outlays, Net (Discretionary and Mandatory) (Note 20)	\$ 2,037,911	\$ 1,706,314
Distributed Offsetting Receipts (Note 20)	(533,915)	(492,692)
Agency Outlays, Net (Discretionary and Mandatory) (Note 20)	\$ 1,503,996	\$ 1,213,622

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.



U.S. Department of Health and Human Services
Statement of Social Insurance (Unaudited)
 75-Year Projection as of January 1, 2020 and Prior Base Years
 (in Billions)

	2020	Estimates from Prior Years			
		2019	2018	2017	2016
Actuarial present value for the 75-year projection period of estimated future income (excluding interest) received from or on behalf of: (Notes 24 and 25)					
Current participants who, in the starting year of the projection period:					
Have not yet attained eligibility age					
HI	\$ 12,454	\$ 11,995	\$ 11,323	\$ 10,679	\$ 10,294
SMI Part B	32,165	27,556	24,143	21,641	19,386
SMI Part D	6,975	7,181	7,176	6,929	7,659
Have attained eligibility age (age 65 or over)					
HI	637	559	525	492	455
SMI Part B	5,864	5,232	4,725	4,122	3,660
SMI Part D	1,016	1,052	1,015	958	952
Those expected to become participants					
HI	12,464	11,805	10,959	10,567	9,952
SMI Part B	8,567	6,864	5,586	5,019	4,437
SMI Part D	3,043	3,000	2,932	2,869	3,602
All current and future participants					
HI	25,554	24,359	22,807	21,738	20,701
SMI Part B	46,596	39,652	34,453	30,783	27,484
SMI Part D	11,035	11,232	11,124	10,756	12,213
Actuarial present value for the 75-year projection period of estimated future expenditures for or on behalf of: (Notes 24 and 25)					
Current participants who, in the starting year of the projection period:					
Have not yet attained eligibility age					
HI	\$ 20,103	\$ 20,028	\$ 18,604	\$ 17,193	\$ 16,800
SMI Part B	31,819	27,270	23,832	21,392	19,178
SMI Part D	6,975	7,181	7,176	6,929	7,659
Have attained eligibility age (age 65 and over)					
HI	6,073	5,348	5,027	4,539	4,285
SMI Part B	6,194	5,741	5,180	4,531	4,026
SMI Part D	1,016	1,052	1,015	958	952
Those expected to become participants					
HI	4,179	4,467	3,884	3,539	3,437
SMI Part B	8,583	6,641	5,442	4,860	4,281
SMI Part D	3,043	3,000	2,932	2,869	3,602
All current and future participants:					
HI	30,355	29,843	27,515	25,270	24,523
SMI Part B	46,596	39,652	34,453	30,783	27,484
SMI Part D	11,035	11,232	11,124	10,756	12,213
Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over expenditures (Notes 24 and 25)					
HI	\$ (4,800)	\$ (5,484)	\$ (4,708)	\$ (3,532)	\$ (3,822)
SMI Part B	-	-	-	-	-
SMI Part D	-	-	-	-	-
Additional Information					
Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) over expenditures (Notes 24 and 25)					
HI	\$ (4,800)	\$ (5,484)	\$ (4,708)	\$ (3,532)	\$ (3,822)
SMI Part B	-	-	-	-	-
SMI Part D	-	-	-	-	-
Trust Fund assets at start of period					
HI	195	200	202	199	194
SMI Part B	100	96	80	88	68
SMI Part D	9	8	8	8	1
Actuarial present value for the 75-year projection period of estimated future excess of income (excluding interest) and Trust Fund assets at start of period over expenditures (Notes 24 and 25)					
HI	\$ (4,606)	\$ (5,283)	\$ (4,506)	\$ (3,333)	\$ (3,628)
SMI Part B	100	96	80	88	68
SMI Part D	9	8	8	8	1

Please note for the entirety of the Statement of Social Insurance:

Totals do not necessarily equal the sum of the rounded components.

Current participants are assumed to be the "closed group" of individuals who are at least age 15 at the start of the projection period, and are participating in the program as either taxpayers, beneficiaries, or both.

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

U.S. Department of Health and Human Services
Statement of Social Insurance (Continued) (Unaudited)
75-Year Projection as of January 1, 2020 and Prior Base Years
(in Billions)

	Estimates from Prior Years				
	2020	2019	2018	2017	2016
Medicare Social Insurance Summary					
Current Participants:					
<i>Actuarial present value for the 75-year projection period from or on behalf of:</i>					
Those who, in the starting year of the projection period, have attained eligibility age:					
Income (excluding interest)	\$ 7,517	\$ 6,843	\$ 6,266	\$ 5,572	\$ 5,067
Expenditures	13,284	12,140	11,222	10,027	9,263
Income less expenditures	(5,766)	(5,297)	(4,957)	(4,455)	(4,196)
Those who, in the starting year of the projection period, have not yet attained eligibility age:					
Income (excluding interest)	51,594	46,731	42,643	39,250	37,339
Expenditures	58,897	54,479	49,612	45,514	43,637
Income less expenditures	(7,303)	(7,748)	(6,970)	(6,264)	(6,298)
<i>Actuarial present value of estimated future income (excluding interest) less expenditures (closed-group measure)</i>	(13,069)	(13,045)	(11,926)	(10,719)	(10,493)
<i>Combined Medicare Trust Fund assets at start of period</i>	303	305	290	295	263
<i>Actuarial present value of estimated future income (excluding interest) less expenditures plus trust fund assets at start of period</i>	(12,766)	(12,740)	(11,637)	(10,425)	(10,230)
Future Participants:					
<i>Actuarial present value for the 75-year projection period:</i>					
Income (excluding interest)	24,074	21,669	19,477	18,456	17,992
Expenditures	15,805	14,108	12,258	11,268	11,320
Income less expenditures	8,269	7,561	7,219	7,187	6,672
Open-Group (all current and future participants):					
<i>Actuarial present value of estimated future income (excluding interest) less expenditures</i>	(4,800)	(5,484)	(4,708)	(3,532)	(3,822)
<i>Combined Medicare Trust Fund assets at start of period</i>	303	305	290	295	263
<i>Actuarial present value of estimated future income (excluding interest) less expenditures plus trust fund assets at start of period</i>	\$ (4,497)	\$ (5,179)	\$ (4,418)	\$ (3,237)	\$ (3,559)

Please note for the entirety of the Statement of Social Insurance:

Totals do not necessarily equal the sum of the rounded components.

Current participants are assumed to be the "closed group" of individuals who are at least age 15 at the start of the projection period, and are participating in the program as either taxpayers, beneficiaries, or both.

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.



U.S. Department of Health and Human Services
Statement of Changes in Social Insurance Amounts (Unaudited)

January 1, 2019 to January 1, 2020
 Medicare Hospital and Supplementary Medical Insurance
 (in Billions)

	Actuarial present value over the next 75 years (open group measure)				Actuarial present value of estimated future income (excluding interest) less expenditures plus combined trust fund assets	
	Estimated future income (excluding interest)	Estimated future expenditures	Estimated future income less expenditures	Combined HI and SMI trust fund account assets		
Total Medicare (Note 26)						
As of January 1, 2019	\$ 75,243	\$ 80,727	\$ (5,484)	\$ 305	\$ (5,179)	
Reasons for change						
Change in the valuation period	2,691	2,926	(235)	(3)	(238)	
Change in projection base	444	45	399	2	401	
Changes in the demographic assumptions	(1,871)	(4,558)	2,687	-	2,687	
Changes in economic and health care assumptions	7,455	9,170	(1,715)	-	(1,715)	
Changes in law	(778)	(325)	(453)	-	(453)	
Net changes	7,942	7,259	683	(1)	682	
As of January 1, 2020	\$ 83,185	\$ 87,986	\$ (4,800)	\$ 303	\$ (4,497)	
HI - Part A (Note 26)						
As of January 1, 2019	\$ 24,359	\$ 29,843	\$ (5,484)	\$ 200	\$ (5,283)	
Reasons for change						
Change in the valuation period	799	1,034	(235)	(7)	(242)	
Change in projection base	(17)	(415)	399	1	400	
Changes in the demographic assumptions	(426)	(3,114)	2,687	-	2,687	
Changes in economic and health care assumptions	1,386	3,101	(1,715)	-	(1,715)	
Changes in law	(547)	(94)	(453)	-	(453)	
Net changes	1,195	512	683	(6)	677	
As of January 1, 2020	\$ 25,554	\$ 30,355	\$ (4,800)	\$ 195	\$ (4,606)	
SMI - Part B (Note 26)						
As of January 1, 2019	\$ 39,652	\$ 39,652	\$ -	\$ 96	\$ 96	
Reasons for change						
Change in the valuation period	1,449	1,449	-	3	3	
Change in projection base	285	285	-	-	-	
Changes in the demographic assumptions	(1,049)	(1,049)	-	-	-	
Changes in economic and health care assumptions	6,414	6,414	-	-	-	
Changes in law	(154)	(154)	-	-	-	
Net changes	6,944	6,944	-	3	3	
As of January 1, 2020	\$ 46,596	\$ 46,596	\$ -	\$ 100	\$ 100	
SMI - Part D (Note 26)						
As of January 1, 2019	\$ 11,232	\$ 11,232	\$ -	\$ 8	\$ 8	
Reasons for change						
Change in the valuation period	444	444	-	-	-	
Change in projection base	176	176	-	1	1	
Changes in the demographic assumptions	(395)	(395)	-	-	-	
Changes in economic and health care assumptions	(345)	(345)	-	-	-	
Changes in law	(77)	(77)	-	-	-	
Net changes	(198)	(198)	-	1	1	
As of January 1, 2020	\$ 11,035	\$ 11,035	\$ -	\$ 9	\$ 9	

Totals do not necessarily equal the sum of the rounded components.

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

**U.S. Department of Health and Human Services
Statement of Changes in Social Insurance Amounts (Continued) (Unaudited)**

January 1, 2018 to January 1, 2019
Medicare Hospital and Supplementary Medical Insurance
(in Billions)

	Actuarial present value over the next 75 years (open group measure)				Combined HI and SMI trust fund account assets	Actuarial present value of estimated future income (excluding interest) less expenditures plus combined trust fund assets				
	Estimated future income (excluding interest)	Estimated future expenditures	Estimated future income less expenditures							
Total Medicare (Note 26)										
As of January 1, 2018	\$	68,385	\$	73,092	\$	(4,708)	\$	290	\$	(4,418)
Reasons for change										
Change in the valuation period		2,427		2,628		(201)		7		(193)
Change in projection base		251		451		(200)		8		(193)
Changes in the demographic assumptions		(852)		(879)		27		-		27
Changes in economic and health care assumptions		5,032		5,435		(402)		-		(402)
Changes in law		-		-		-		-		-
Net changes		6,858		7,634		(776)		15		(761)
As of January 1, 2019	\$	75,243	\$	80,727	\$	(5,484)	\$	305	\$	(5,179)
HI - Part A (Note 26)										
As of January 1, 2018	\$	22,807	\$	27,515	\$	(4,708)	\$	202	\$	(4,506)
Reasons for change										
Change in the valuation period		748		949		(201)		(5)		(206)
Change in projection base		(100)		100		(200)		4		(197)
Changes in the demographic assumptions		(243)		(270)		27		-		27
Changes in economic and health care assumptions		1,146		1,548		(402)		-		(402)
Changes in law		-		-		-		-		-
Net changes		1,552		2,328		(776)		(2)		(778)
As of January 1, 2019	\$	24,359	\$	29,843	\$	(5,484)	\$	200	\$	(5,283)
SMI - Part B (Note 26)										
As of January 1, 2018	\$	34,453	\$	34,453	\$	-	\$	80	\$	80
Reasons for change										
Change in the valuation period		1,232		1,232		-		13		13
Change in projection base		70		70		-		3		3
Changes in the demographic assumptions		(507)		(507)		-		-		-
Changes in economic and health care assumptions		4,404		4,404		-		-		-
Changes in law		-		-		-		-		-
Net changes		5,199		5,199		-		16		16
As of January 1, 2019	\$	39,652	\$	39,652	\$	-	\$	96	\$	96
SMI - Part D (Note 26)										
As of January 1, 2018	\$	11,124	\$	11,124	\$	-	\$	8	\$	8
Reasons for change										
Change in the valuation period		447		447		-		(1)		(1)
Change in projection base		281		281		-		1		1
Changes in the demographic assumptions		(103)		(103)		-		-		-
Changes in economic and health care assumptions		(517)		(517)		-		-		-
Changes in law		-		-		-		-		-
Net changes		108		108		-		-		-
As of January 1, 2019	\$	11,232	\$	11,232	\$	-	\$	8	\$	8

Totals do not necessarily equal the sum of the rounded components.

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.



Reviewed Sample
Management's Discussion and Analysis (MD&A)

Federal Trade Commission

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

Mission

Protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education without unduly burdening legitimate business activity

Vision

A vibrant economy characterized by vigorous competition and consumer access to accurate Information.

History, Purpose, and Organization

The Federal Trade Commission is an independent law enforcement agency created on September 26, 1914, whose original purpose was to prevent unfair methods of competition in commerce. Since then, Congress passed additional laws giving the agency greater authority to police anticompetitive practices and prohibit unfair and deceptive practices and has further directed the agency to enforce a wide variety of consumer protection laws and regulations. In total, the commission has enforcement or administrative responsibilities under more than 70 laws including the Federal Trade Commission Act, Clayton Act, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act and Equal Credit Opportunity Act.

The FTC is headquartered in Washington, D. C., and [operates in seven regions](#) across the United States. The agency is headed by five commissioners, nominated by the President and confirmed by the Senate, each serving a staggered seven-year term. No more than three commissioners may be from the same political party. The President designates one Commissioner to act as Chair who is given the responsibility for the administration of the Commission.

The FTC's workforce is its greatest asset and consists of 1,160 civil service employees. These employees work in [three bureaus and several supporting offices](#) that collectively carry out the agency's mission. The FTC's organization chart is available on the agency's [website](#).

PERFORMANCE RESULTS

The FTC works to protect consumers by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education, without unduly burdening legitimate business activity.

[In the FY 2018 to 2022 Strategic Plan](#), the FTC established 36 performance goals and targets for assessing program performance against agency strategic goals and objectives. Of the 36 performance goals, nine are considered “key” performance goals because they best indicate whether agency activities are achieving the desired outcome associated with the related objective. The FTC met or exceeded FY 2020 targets on six of nine key performance goals, missed targets on two goals, and are still awaiting results for one goal.

Strategic Goal	Objective	Performance
GOAL 1 Protect consumers from unfair and deceptive practices in the marketplace.	Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement	Exceeded Target
	The amount of money the FTC returned to consumers or forwarded to the U.S. Treasury resulting from FTC enforcement action	Exceeded Target
	Rate of consumer satisfaction with FTC consumer education websites	Exceeded Target
GOAL 2 Maintain competition to promote a marketplace free from anticompetitive mergers, business practices, or public policy outcomes.	Number of investigations or cases in which the FTC obtained foreign-based evidence or information or engaged in other mutual assistance that contributed to FTC law enforcement actions or in which the FTC cooperated with foreign agencies and/or multilateral organizations on enforcement matters	Exceeded Target
	Percentage of full merger and nonmerger investigations in which the FTC takes action to maintain competition.	Missed target range. This year's results exceeded the target range for this performance goal, primarily because more matters than anticipated led to enforcement actions
	Total consumer savings compared to the amount of FTC resources allocated to the merger program	Missed target. Results fell short of the target level for the period, due in large part to unusually large consumer savings from merger actions in FY 2015 that are no longer included in the five-year timeframe for the goal Targets have been adjusted for FY 2021
	Total consumer savings compared to the amount of FTC resources allocated to the nonmerger program	Exceeded Target
	Percentage of FTC cases involving at least one substantive contact with a foreign antitrust authority in which the agencies followed consistent analytical approaches and reached compatible outcomes	Exceeded Target
GOAL 3 Advance the FTC's performance through excellence in managing resources, human capital, and information technology		To be determined.
	The extent to which employees believe the FTC cultivates engagement throughout the agency	Due to the ongoing pandemic, the Office of Personnel Management postponed the launch of the FEVS Survey from May 2020 until September 2020 Results from the survey, normally available in October, are not expected to be released until December 2020

AGENCY MISSION CHALLENGES

In today's increasingly complex economy, the FTC stands as a champion for competition and consumers. For example, when consumers and businesses encounter difficulties with financial scams, deceptive or fraudulent advertising, or unfair or deceptive practices related to privacy and data security, the FTC is prepared to respond with vigorous law enforcement. Similarly, when consumers are harmed by anticompetitive business practices in key sectors of our economy like technology and health care, the FTC steps forward, bringing to bear its full complement of enforcement and policy tools.

Agency mission challenges are presented as they relate to the agency's strategic goals: Strategic Goal 1 (Protect Consumers) and Strategic Goal 2 (Maintain Competition). A reference to the

most applicable strategic objectives is also provided, so readers may refer to descriptions of related performance targets and actual results.

Management's assessment was performed independently from the process by which the Inspector General (IG) identified management and performance challenges (see Other Information Section). Management concurs with the IG-identified challenges and assessment of agency progress in addressing the challenges.

Strategic Goal 1: Protect Consumers

Pursuant to the agency's Protect Consumers goal, the FTC will continue to prioritize the following challenges: protecting Americans from fraud, including in the financial services marketplace; protecting consumers as technology evolves; protecting consumer privacy and improving data security, including combating identity theft; and addressing emerging advertising issues and targeting deceptive advertising.

Protecting Americans from Fraud:

Fraud can potentially affect all consumers and businesses. The FTC will continue its enforcement efforts to stop fraud, focusing on those instances that cause or are likely to cause the greatest consumer harm. The FTC continues to receive consumer complaints about imposter scams in which the perpetrators pose as government agencies, legitimate technical support companies, family members, or other trusted entities. Certain scams, such as those involving business and income opportunities, pose an even greater risk to consumers from lower income or underserved communities.

The FTC will continue to work closely with other enforcement authorities and stakeholders to stop scammers and other unfair and deceptive business practices during the COVID-19 pandemic. The FTC will continue to send warning letters to companies and individuals to ensure they are not engaging in unfair or deceptive practices relating to the crisis, and the FTC will also continue to bring enforcement actions against companies that make false claims related to COVID-19.

The FTC will maintain a focus on frauds targeting specific populations, including military consumers, seniors, non-English-speaking consumers, communities of color, and small businesses. Con artists continue to target the most vulnerable consumers and consumers in financial distress. This unlawful conduct can have severe consequences for consumers who can least afford it. Therefore, the FTC will continue to pursue law enforcement actions to stop deceptive or other unlawful conduct in mortgage, student loan, and other debt relief services; payday lending; debt collection; and financing transactions. The FTC will also prioritize education for these populations.

The FTC will continue to coordinate closely with other federal agency partners to ensure that consumers are protected in the financial marketplace, and to avoid duplicative efforts between agencies. Through the FTC's Business Center at *business.ftc.gov* and other outreach efforts, the FTC will continue to offer educational materials to help consumers and businesses—especially small businesses—understand and comply with consumer protection laws and avoid becoming victims of fraud. (Objectives 1.1, 1.2, and 1.3)

Protecting Consumers as Technology Evolves:

Technology provides many benefits to consumers, including choice, convenience, and increased access to goods, services, and information. However, it also enables new vehicles for fraudulent, deceptive, and unfair practices in the marketplace. The FTC will continue its focus on the consumer protection issues associated with the use of emerging technology, including a careful consideration of the costs and benefits of new business practices and the importance of fostering innovation. The FTC will take enforcement actions against deceptive practices that appear in new formats and new media (e.g., apps, games, streaming videos, and social networks). The FTC held a public workshop to examine voice cloning technologies, which enable users to make near-perfect reproductions of a real person's voice. "[You Don't Say: An FTC Workshop on Voice Cloning Technologies](#)" examined both the benefits and potential misuses of voice cloning technologies. For example, voice cloning could be used to help people who have lost the ability to speak to communicate using technology that simulates a cloned version of their own voice. These same technologies, however, could be misused by scammers to impersonate others. In addition, the FTC will continue to monitor consumer complaints about Internet Service Providers (ISPs) and will take appropriate action against deceptive ISP advertising or other unfair or deceptive ISP practices. The FTC will continue to conduct research on emerging technologies to assist with enforcement actions, inform policy, and educate consumers.

Consumers and law enforcers face challenges resulting from technological advances that facilitate the use of illegal robocalls and make it easier for fraudsters perpetrating telemarketing scams to hide their location. The FTC will continue its law enforcement efforts, and will continue to work with consumer groups, telecommunications industry representatives, technologists, policymakers, and other stakeholders to develop solutions to halt illegal robocalls and other telemarketing practices that violate the Telemarketing Sales Rule. The FTC and FCC will continue their coordinated efforts to combat illegal robocalls and promote innovative solutions to protect consumers. (Objectives 1.1, 1.2, and 1.3)

Protecting Consumer Privacy and Improving Data Security:

The FTC will continue to take a leading role in efforts to protect consumers from unfair or deceptive practices related to the security and privacy of their personal information, while preserving the many benefits that technological advances offer. The agency will stop unfair and deceptive consumer privacy and data security practices through law enforcement and will promote strong and balanced privacy and security protections through policy initiatives on a range of topics. The FTC hosted its fifth annual PrivacyCon event to highlight the latest research trends in consumer privacy and data security. The event focused on the privacy of health data collected, stored, and transmitted by mobile applications ("apps").

The agency will bring appropriate enforcement actions against entities that violate the Children's Online Privacy Protection Act (COPPA) Rule. The FTC held a workshop examining the COPPA Rule in light of evolving business practices and new technology in the marketplace. The agency will continue to participate in interagency groups, promote self-regulatory efforts, provide technical assistance to Congress on draft legislation, and participate in international privacy initiatives. In addition, the agency will continue to support the development of the digital economy through cross-border data flows and the Asia-Pacific Economic Cooperation/Cross Border Privacy Rules.

Identity theft exacts a heavy financial and emotional toll from its victims. The FTC will continue to assist the millions of Americans victimized each year through data security breaches and other means. The FTC will continue to be the repository for identity theft complaints and make them available to federal criminal law enforcement agencies. The agency's trained counselors will continue to advise identity theft victims who call our toll-free number about rights and remedies available to them under federal law. The FTC's website, IdentityTheft.gov, is the federal government's one-stop resource to help consumers report and recover from identity theft. IdentityTheft.gov highlights useful resources and connects identity theft victims to federal agencies and other organizations that are critical to the recovery process. IdentityTheft.gov allows visitors to create a customized plan based on their specific experiences. The Internal Revenue Service (IRS) continues to allow consumers to report identity theft to the IRS electronically through the FTC's IdentityTheft.gov website. Starting in October 2019, many members of the military received access to [free electronic credit monitoring](#), which can help them spot identity theft. The agency also will continue to train local law enforcement to spot and prosecute identity theft, and will update educational materials. (Objectives 1.1, 1.2, and 1.3)

In addition, the Bureau of Consumer Protection's Office of Technology Research and Investigation is monitoring and conducting research on emerging technologies. That research assists with the Commission's consumer protection efforts on enforcement, consumer education, and policymaking.

Addressing Emerging Advertising Issues and Targeting Deceptive Advertising:

Digital media has opened new avenues for companies to communicate with consumers, and the format of advertisements continues to evolve. Like all advertising, digital marketing must comply with the law, including deceptive advertising that appears in new formats (e.g., apps, games, videos, and social networks). The FTC will take enforcement action against deceptive advertisements that appear in new formats and new media (e.g., apps, games, videos, and social networks). The FTC also will evaluate the use of online reviews of products or services, including the use of fabricated reviews, undisclosed material connections with reviewers, prohibitions on negative reviews, or unsubstantiated testimonials, and take action as appropriate. Companies are increasingly blending advertising with news, entertainment, or editorial content in digital media. If consumers do not recognize and understand the difference between the advertising and other content, they may be deceived. The FTC, therefore, will continue to examine consumer protection issues raised by sponsored content, "native" advertising that looks like surrounding non-commercial content, and endorsements.

The FTC released a new publication for online influencers that explains when and how influencers must disclose sponsorships to their followers. The new guide, "[Disclosures 101 for Social Media Influencers](#)," provides influencers with tips from FTC staff about what triggers the need for a disclosure and offers examples of both effective and ineffective disclosures.

The FTC will continue to address deceptive advertising of health products, such as homeopathic products and dietary supplements. The agency will focus on disease prevention and treatment claims; claims related to COVID-19; claims aimed at baby boomers, seniors, and military members; and claims exploiting emerging health threats. The FTC also will continue to focus its law enforcement efforts on misleading environmental marketing claims and will educate businesses about the FTC's Guides for the Use of Environmental Marketing Claims ("Green Guides"). Additionally, the FTC will continue to focus its law enforcement efforts on companies

that falsely claim their products were made in the United States and will educate businesses about how to comply with the Made in USA standard. (Objectives 1.1, 1.2, and 1.3)

Strategic Goal 2: Maintain Competition

Pursuant to the agency's Maintain Competition goal, the FTC will continue to prioritize promoting competition and preventing anticompetitive conduct in many areas of the economy, including the health care and pharmaceutical sectors, technology, retail markets, and the energy industry. The agency will also work to promote sound competition policy at the international level and will continue advocating for procompetitive outcomes before federal courts, state legislatures, and other governmental agencies.

In enforcing the antitrust laws, the FTC analyzes mergers and acquisitions filed under the Hart-Scott-Rodino (HSR) premerger notification program, and monitors the marketplace for non-reportable transactions that might raise competitive concerns. The FTC takes action against those mergers that are likely to reduce or eliminate competition, and that are unlikely to generate sufficient benefits to consumers to outweigh the competitive harm. The FTC is vigilant in identifying instances of unlawful monopolization or attempted monopolization, or instances in which two or more firms seek to coordinate in an attempt to stifle competition in order to raise prices, reduce the quality or choice of goods and services, or reduce innovation.

Reinvigorated Emphasis on Technology:

The ubiquity of technology, and the fast pace at which it evolves, are crucial marketplace challenges. FTC antitrust investigations involve increasingly complicated high-technology markets, such as online platforms, computer hardware and software, electronic components, and devices used in manufacturing. To address these ongoing challenges, the Commission established the Technology Enforcement Division in 2019 to bolster and focus the agency's efforts to maintain competition given the unique antitrust issues raised by these dynamic markets.

Antitrust and competition policy matters in the technology marketplace were a primary focus of the Commission's 21st Century Hearings initiative, and are likewise the focus of a 6(b) study, announced in FY 2020 aimed at helping the Commission better understand large technology firms' acquisition activities, particularly of nascent or potential competitors, and how the firms report those activities to the FTC and DOJ Antitrust Division. The Commission will continue to use what it learns from these initiatives to inform policy and enforcement priorities in the technology space in the future. (Objectives 2.1 and 2.2)

Promoting Competition in Health Care and Pharmaceutical Markets:

The high cost of health care, which continues to account for a significant share of the gross domestic product, is a matter of ongoing concern for consumers, businesses, and taxpayers. To ensure that consumers receive the benefits of competitive health care markets, antitrust enforcement and advocacy in this sector are top priorities for the Commission.

The FTC will continue to focus resources on challenging pharmaceutical monopolization schemes, including anticompetitive reverse payment patent settlement agreements. Branded and generic drug manufacturers use these agreements to delay generic competition. As the U.S. Supreme Court explained in *FTC v. Actavis*, "there is reason for concern that settlements taking this form tend to have significant adverse effects on competition." Similarly, the Commission will continue to investigate other anticompetitive conduct, such as sham litigation, the abuse of

government regulatory processes, or unnecessary restricted distribution schemes to delay generic entry into pharmaceutical markets. Such practices deny consumers access to lower priced generic drugs. The FTC reviews, investigates, and challenges these harmful practices where appropriate. The FTC will monitor developments related to pharmaceuticals to treat COVID-19 to identify any conduct that potentially harms competition.

The FTC also prioritizes stopping anticompetitive health care mergers that could lead to higher costs or reduced quality, including those involving health care providers and pharmaceutical and medical device companies. This also includes examining mergers for anticompetitive effects in labor markets, which could harm workers in the form of reduced wages, benefits, and working conditions. In recent years, the FTC has required significant divestitures in a large number of pharmaceutical transactions and has successfully challenged in court several anticompetitive mergers between hospitals or other health care providers.

Beyond enforcement, the FTC utilizes its full range of policy and advocacy tools to promote competition in health care markets. For example, the FTC has advocated against state legislation that attempts to immunize competing hospitals and other health care providers from federal antitrust laws when they merge or engage in certain forms of collaboration. The FTC is also studying whether mergers consummated in states where this type of legislation was enacted to determine whether they have resulted in competitive harm. In the FTC's view, state efforts to immunize such conduct are unnecessary because procompetitive collaboration that would benefit consumers is permitted by federal antitrust law. Therefore, these statutes effectively immunize conduct that likely would restrain competition and result in higher health care prices for consumers, without generating offsetting benefits.

The FTC also engages in research and scholarship and convenes hearings, workshops, and conferences, to better understand and keep apprised of health care and pharmaceutical market dynamics. (Objectives 2.1 and 2.2)

PREVENTING ANTICOMPETITIVE ACTIVITY IN THE ENERGY INDUSTRY:

The agency continues to monitor closely energy markets to identify and challenge anticompetitive mergers and conduct. In recent years, the Commission has brought several merger and conduct enforcement actions in the energy sector, resulting in multiple divestitures and other relief to maintain competition. The FTC also continuously examines price movements and other activity through its Gasoline and Diesel Price Monitoring Project, a tool that can help identify anticompetitive conduct such as illegal agreements among competitors, agreements between manufacturers and product dealers, and monopolization that may undermine the benefits of competition.

The FTC regularly issues reports on the factors that influence the prices American consumers pay for gas. In compliance with the Energy Policy Act of 2005, the FTC issued its fourteenth annual Ethanol Market report in 2018, which concluded that the market is less concentrated than it was fourteen years ago. (Objectives 2.1 and 2.2)

Maintaining Robust Competition in Retail and Consumer Goods Markets:

Retail and consumer goods markets directly impact the wallet of every American consumer. The FTC focuses significant resources on identifying and challenging mergers and conduct likely to harm competition in these critical markets. These actions preserve competition, which benefits consumers by keeping prices down, improving quality and service, and expanding innovation

and consumer choice. In recent years, the Commission has successfully challenged several retail and consumer goods and services mergers, including proposed retail pharmacy, food product, and entertainment market transactions, as well as several supermarket acquisitions.

As in other sectors, the FTC also continues to study evolving competitive dynamics that affect how consumers shop for products they want to buy. The retail sector, perhaps more than most, has been reshaped through advances in technology, including behavioral advertising, predictive analytics, and big data—three transformative innovations discussed in recent Commission hearings. (Objectives 2.1 and 2.2)

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROLS

The FTC's Enterprise Risk Management (ERM) and internal controls are integral to managing daily operations and to carrying out activities that achieve strategic goals and objectives. Internal controls are part of all agency systems and processes. Senior management holds managers accountable for documenting, assessing, and improving these controls in order to provide efficient and effective risk management, program operations, high-quality data, and accurate reporting as well as program compliance with applicable laws and regulations.

Activities conducted by the agency's Senior Assessment Team (SAT) in FY 2020 included planning the annual internal controls assessments; identifying key processes and related control activities; documenting the scope, design, and methodology of risk and internal control assessments; testing of internal controls, and monitoring corrective action plans and the remediation progress. In addition, the SMC updated the agency risk profile, including risks related to successful mission performance. Specifically, FTC's profile listed risks of escalating expert witness costs in cases involving market competition, impacts of budget constraints as they influence litigation options for the consumer protection mission, and the schedule risk and cost risk associated with FTC's technology modernization initiative. Risks related to maintaining operations during the COVID-19 pandemic and the potential disrupting of the agency's mission have also been noted. FTC leadership uses the risk profile to monitor agency operations, to make budget and resource decisions, and to assess mitigation strategies and activities.

The FTC's management is responsible for establishing and maintaining effective risk management, internal control, and financial management systems. An assessment of the effectiveness of internal controls is conducted annually to support effective and efficient programmatic operations, reliable financial reporting, compliance with applicable laws and regulations, and whether the financial management system conforms to applicable financial system requirements. Based on the results of the annual assessment, the FTC provides an unmodified assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with laws and regulations as of September 30, 2020, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

FINANCIAL HIGHLIGHTS

The following discussion provides an overview of the agency's financial position and results of operations. The complete audited financial statements with accompanying notes, including the independent auditor's report, are presented in the Financial Section of this report.

FTC Assets and Liabilities

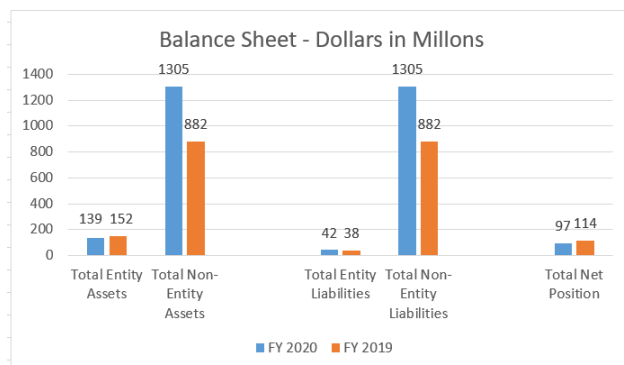
The FTC's Balance Sheet presents the recorded value of assets (cash, accounts receivable, property and equipment) and liabilities (amounts owed by the FTC). The difference between the assets and liabilities represents the FTC's net position. Assets and liabilities are further classified as either entity or non-entity. Entity assets are authorized by the Congress for the FTC to use in its operations. Property, Plant, and Equipment (PP&E) is an example of entity assets. Entity liabilities consist of probable and measurable future outflows of FTC entity resources. Non-entity assets are not available for the FTC's use and are held on behalf of others. Collections and accounts receivable that arise from civil monetary penalties and court-ordered judgments for monetary relief in the agency's consumer redress program are examples of non-entity assets. Non-entity assets are equal to, and offset by, non-entity liabilities.

Entity assets totaled \$139 million as of September 30, 2020, a decrease of \$13 million, or 9 percent from the FY 2019 total. The decrease is primarily a result of additional spending on payroll due to raises and the disposal and continued depreciation/amortization of fixed assets. Entity liabilities totaled \$42 million as of September 30, 2020, and represents an 11 percent increase in liabilities from the FY 2019. This is primarily due to Employee-related liabilities that fluctuate based on the FTE count and the timing of the payroll disbursement cycle.

Non-entity assets and liabilities totaled \$1,305 million as of September 30, 2020. This represents an increase of \$423 million, or 48 percent, from the FY 2019 total. The increase is primarily a result of an increase in Fund Balance with Treasury (FBwT) which consists of \$549 million in consumer redress collections offset by \$137 million in disbursements. The FY 2020 consumer redress collections is being held temporarily by the FTC until distributed to consumers, other harmed parties, or redress third party administrators (for distribution to consumers on behalf of the FTC), or disgorged to Treasury (if consumer redress is not practicable).

The lower amount for Cumulative Results of Operations is primarily due to a decline in net operating results of \$45 million and a \$4.5 million reduction in the net book value of general property, plant, and equipment. These reductions are offset by an increase in the agency's appropriation of \$21.3 million and imputed financing sources of \$13.3 million.

CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2020 AND 2019			
(Dollars in Millions)	FY 2020	FY 2019	% Change
Total Entity Assets	139	152	-9%
Total Non-Entity Assets	1,305	882	48%
Total Assets	1,444	1,034	40%
Total Entity Liabilities	42	38	11%
Total Non-Entity Liabilities	1,305	882	48%
Total Liabilities	\$ 1,347	\$ 920	46%
Total Net Position	97	114	-15%
Total Liabilities and Net Position	\$ 1,444	\$ 1,034	40%



FTC Net Operating Results

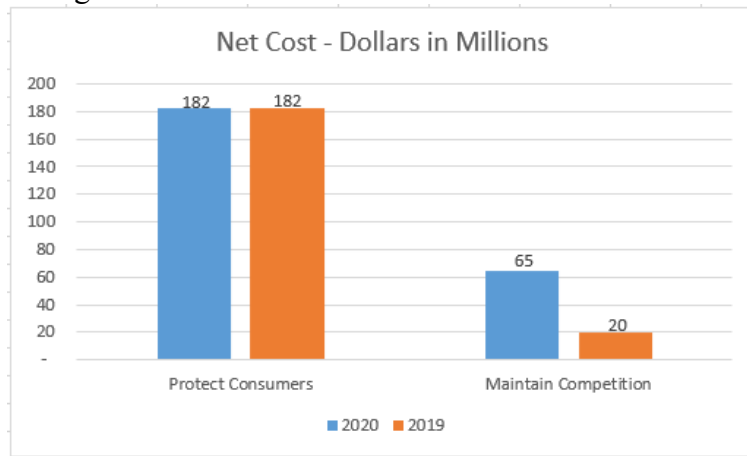
The Statement of Net Cost presents the FTC's gross costs less revenue earned for two of the FTC's strategic goals: Protect Consumers and Maintain Competition. The third goal, Advance Organizational Performance, has its costs distributed to the other two strategic goals based on the percentage of dollars directly traceable to each of these two goals.

Revenues under the Protect Consumers strategic goal are mostly from fees collected for the [National Do Not Call \(DNC\) Registry](#). The FTC receives fees from telemarketers who pay an annual subscription fee to download telephone numbers of consumers who do not wish to receive calls. Fee amounts are based on the number of area codes that a telemarketer downloads.

Revenues under the Maintain Competition strategic goal are mostly from fees collected for premerger notification filings, with a small portion (about \$1 million) from multiple reimbursable agreements with other Federal agencies. Premerger notification filings are made under the [Hart-Scott-Rodino \(HSR\) Antitrust Improvement Act of 1976](#), which gives the federal government the opportunity to investigate and challenge certain mergers that are likely to harm consumers before injury occurs.

The FTC's net cost of operations was \$247 million in FY 2020, which consists of \$362 million in gross costs offset by \$115 million in earned revenue. Net cost of operations for the Protect Consumers strategic goal is \$182 million and net cost of operations for the Maintain Competition strategic goal is \$65 million. The rise in net cost of \$45 million is primarily a result of higher expenses for personnel salaries that results from a 2.6 percent general schedule increase in employee salaries, a rise in pension and postretirement benefit expenses, and a decrease in

offsetting collections attributable to a 22 percent decrease in the volume of premerger filings during FY 2020.

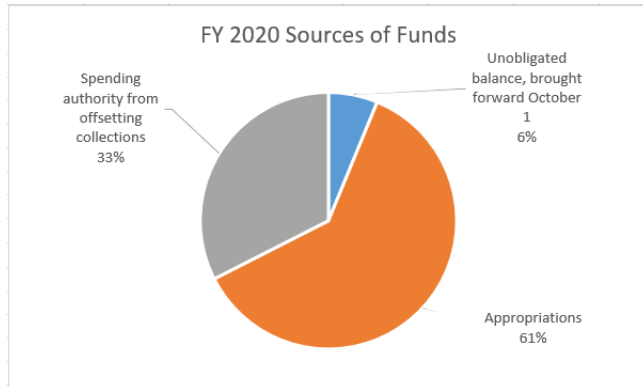


A large portion of the FTC's operations result in activity whose benefits are not reflected on the Statement of Net Cost. These important benefits to the public should be considered in determining the overall impact of the agency's strategic goals. Throughout FY 2020, the FTC saved consumers an estimated \$2.1 billion through its merger and nonmerger competition law enforcement actions and an estimated \$1.4 billion through its consumer protection law enforcement actions. The FTC's cost to protect consumers and maintain competition is a small fraction of the amount the FTC has saved consumers. For FY 2020, the FTC provided an estimated total of \$8.4 billion in benefits to consumers. When this benefit is compared to the \$247 million in net costs, it equates to every \$1 of the FTC's cost returning an estimated \$34 in FTC-provided benefits to consumers.

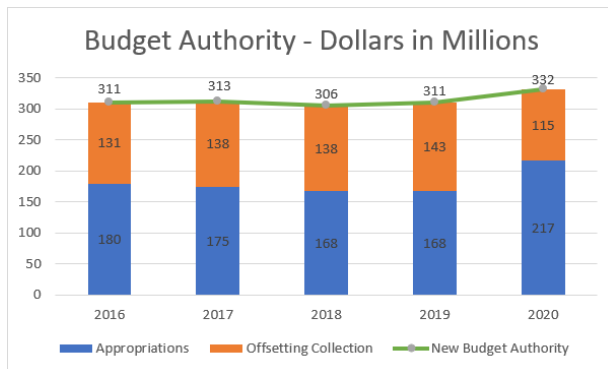
FTC Budget

For the year ended September 30, 2020, the FTC's total budgetary resources totaled \$354 million, consisting of unobligated balances from prior year budget authority of \$22 million plus \$332 million in new budget authority. The FY 2020 new budget authority comprised \$217 million in general fund appropriations plus \$115 million in spending authority from offsetting collections, consisting of \$101 million from fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, \$13 million from fees collected for the National Do Not Call Registry, and \$1 million from reimbursable work on behalf of other Federal agencies.

Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 65 percent of the FTC's net budget authority comes from Treasury General Fund appropriations. This reduces the burden the FTC places on the federal budget to \$217 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2020.



Historically, the FTC’s budget authority has remained relatively static while expenses have steadily increased due to rising service costs and higher salaries and benefits expenses. The FTC continues to evaluate its performance to operate with effectiveness, minimize costs without compromising its core missions, and maximize benefits to consumers.



The FTC’s increasing costs are also reflected in expert witness costs. The agency is engaged in a larger number of complex investigations and litigation matters that require the services of expert witnesses. In particular, expert witnesses are critical to the successful investigation and litigation of merger cases, as experts provide insight on proper definition of product and geographic markets, assess the likelihood of entry by new competitors, and develop models to evaluate merger efficiencies as compared to potential competitive harm. Spending on expert witnesses rose in FY 2020 from the previous year. Costs for experts in litigation matters continue to pose significant challenges on the FTC’s limited budgetary resources, and the FTC is currently exploring ways to reduce those costs.

BALANCE SHEET

AS OF SEPTEMBER 30, 2020 AND 2019

(DOLLARS IN THOUSANDS)

	2020	2019
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	\$ 790,507	\$ 387,310
Accounts receivable, Net (Note 4)	69	85
Advances and prepayments	153	205
Total intragovernmental assets	790,729	387,600
Accounts receivable, Net (Note 4)	628,049	616,549
General property, plant, and equipment, Net (Note 5)	25,604	30,053
Total Assets	\$ 1,444,382	\$ 1,034,202
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	\$ 830	\$ 737
Other liabilities (Note 7)	2,708	2,395
Total intragovernmental liabilities	3,538	3,132
Accounts payable	11,724	12,529
Accrued redress due to claimants	628,026	616,306
Undisbursed redress collections (Note 14)	677,109	265,432
Other liabilities (Note 7)	27,272	23,087
Total Liabilities	1,347,669	920,486
Net Position (Note 1(p)):		
Unexpended appropriations	-	-
Cumulative results of operations	96,713	113,716
Total Net Position	96,713	113,716
Total Liabilities and Net Position	\$ 1,444,382	\$ 1,034,202

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(DOLLARS IN THOUSANDS)

	2020	2019
Strategic Goal 1: Protect Consumers:		
Intragovernmental costs	\$ 50,640	\$ 49,532
Public costs	144,239	144,606
Gross costs, protect consumers	194,879	194,138
Intragovernmental earned revenue	(5)	(2)
Public earned revenue	(12,470)	(12,029)
Earned revenue, protect consumers	(12,475)	(12,031)
Net Cost, Protect Consumers	182,404	182,107
Strategic Goal 2: Maintain Competition:		
Intragovernmental costs	43,486	38,447
Public costs	123,863	112,242
Gross costs, maintain competition	167,349	150,689
Intragovernmental earned revenue	(848)	(963)
Public earned revenue	(101,580)	(129,585)
Earned revenue, maintain competition	(102,428)	(130,548)
Net Cost, Maintain Competition	64,921	20,141
Net Cost of Operation	\$ 247,325	\$ 202,248

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(DOLLARS IN THOUSANDS)

	2020	2019
Unexpended Appropriations:		
Beginning balance	\$ -	\$ -
Budgetary Financing Sources:		
Appropriations received	216,966	168,228
Appropriations used	(216,966)	(168,228)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	\$ 113,716	\$ 135,361
Budgetary Financing Sources:		
Appropriations used	216,966	168,228
Other Financing Sources:		
Imputed financing and other	13,356	12,375
Total financing sources	230,322	180,603
Net cost of operations	(247,325)	(202,248)
Net change	(17,003)	(21,645)
Cumulative Results of Operations	96,713	113,716
Net Position (Note 1(p))	\$ 96,713	\$ 113,716

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(DOLLARS IN THOUSANDS)

	2020	2019
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$ 15,027	\$ 22,817
Recoveries of unpaid prior year obligations	7,114	12,241
Other changes in unobligated balance	125	177
Unobligated balance from prior year budget authority, net	22,266	35,235
Appropriations	216,966	168,228
Spending authority from offsetting collections	115,117	142,566
Total Budgetary Resources	\$ 354,349	\$ 346,029
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	\$ 349,380	\$ 331,002
Unobligated balance, end of year:		
Apportioned, unexpired accounts	2,742	7,455
Unapportioned, unexpired accounts	2,227	7,572
Unexpired unobligated balance, end of year	4,969	15,027
Unobligated balance, end of year (total)	4,969	15,027
Total Budgetary Resources	\$ 354,349	\$ 346,029
Outlays, Net:		
Outlays, gross	\$ 340,159	\$ 318,179
Actual offsetting collections	(115,028)	(142,690)
Outlays, net	225,131	175,489
Distributed offsetting receipts	(6,705)	(2,283)
Agency outlays, net	\$ 218,426	\$ 173,206

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(DOLLARS IN THOUSANDS)

	Protect Consumers	Maintain Competition	2020	2019
Revenue Activity (Note 13):				
Sources of collections:				
Premerger filing fees (net of refunds)	\$ -	\$ 101,573	\$ 101,573	\$ 129,585
Civil penalties and fines	4,854,148	-	4,854,148	146,745
Consumer redress	6,969	-	6,969	1,778
Other miscellaneous receipts	34	-	34	190
Total cash collections	4,861,151	101,573	4,962,724	278,298
Accrual adjustments	(236)	-	(236)	(202)
Total Custodial Revenue	\$ 4,860,915	\$ 101,573	\$ 4,962,488	\$ 278,096
Disposition of Collections (Note 13):				
Transferred to others:				
Treasury general fund	\$ 4,861,151	\$ -	\$ 4,861,151	\$ 148,713
Department of Justice	-	101,573	101,573	129,585
Amounts yet to be transferred	(236)	-	(236)	(202)
Total Disposition of Collections	\$ 4,860,915	\$ 101,573	\$ 4,962,488	\$ 278,096
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Sample Management's Discussion & Analysis (MD&A)
Department of Commerce
Based on FY2020 Department of Commerce Agency
Financial Report
&
FASAB's Draft MD&A Vision Framework

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

MISSION AND ORGANIZATION:

MISSION

To create the conditions for economic growth and opportunity.

ABOUT COMMERCE

The Department of Commerce (Department) promotes job creation and economic growth by ensuring fair trade, providing the data necessary to support commerce and constitutional democracy, and fostering innovation by setting standards and conducting foundational research and development. The Department is composed of 11 bureaus and Departmental Management. Through our bureaus and approximately 54,000 employees located in all 50 states, every U.S. territory, and more than 86 countries, we provide U.S.-based companies and entrepreneurs invaluable tools through programs such as the Decennial Census, the National Weather Service, National Oceanic and Atmospheric Administration (NOAA) Fisheries, and the Foreign Commercial Service. Among many other functions, the Department oversees ocean and coastal navigation, helps negotiate bilateral trade agreements, and enforces laws that ensure a level playing field for American businesses and workers.

The Department's organizational chart can be found on the Commerce's website at:

<https://www.commerce.gov/page/organizational-chart>

FINANCIAL POSITION AND CONDITION

The principal financial statements in the [financial section](#) have been prepared to report the overall financial position, financial condition, and results of operations of the Department.

Under the Secretary's leadership, the Department is continuing to give the highest priority to providing accurate financial data to its internal and external customers, and to its accountability for all assets. Ensuring that there are strong internal controls throughout the Department remains a priority. The Department has created a financial management environment that complies with federal laws and regulations and that provides its executives with timely, accurate financial and performance information. This is evidenced with the Department continuing to receive unmodified audit opinions, maintaining a single integrated financial system, and continuing its compliance with the *Federal Financial Management Improvement Act* (FFMIA).

The Department produces four consolidated financial statements, which comprise the consolidated balance sheet, the statements of net cost, the statements of changes in net position, and the combined statements of budgetary resources.

The consolidated [balance sheet](#) exhibits assets, liabilities, and net position as of September 30, 2020. It also offers key information regarding the Department's financial condition for those key components.

TRENDS IN ASSETS

Departmental assets increased \$2.78 billion, or 5 percent, from \$58.21 billion as of September 30, 2019, to \$60.99 billion as of September 30, 2020.

TRENDS IN TOTAL ASSETS AS OF SEPTEMBER 30 *(In Billions)*



This increase is attributed to the **Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network (NPSBN), Net**. There was an increase of \$1.37 or 40 percent from \$3.41 billion to \$4.77 billion. The increase is due to additional actual/estimated work completed in FY 2020 by AT&T primarily for the buildout of NPSBN.

This asset captures the National Telecommunications and Information Administration (NTIA)'s cumulative cost contributions for the buildout and continuing enhancement of the NPSBN. Amortization of the cost contributions began in Fiscal Year 2018. The cost contributions and continuing enhancements that are recorded as an asset include (a) costs incurred for completed and accepted AT&T contract performance for the buildout and continuing enhancements of the NPSBN under the First Responder Network Authority (FirstNet) to buildout, operate, and maintain the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress for buildout and continuing enhancements of the NPSBN. Cost contributions for continuing enhancement to the NPSBN began in the fourth quarter of FY 2020.

An asset is recognized primarily because the cost contributions for the buildout/continuing enhancement of the NPSBN embodies (a) future economic benefits to NTIA from AT&T made possible in part by NTIA's cost contributions for the buildout of the NPSBN, and (b) future expected services to be received by NTIA from AT&T made possible in part by NTIA's buildout and continuing enhancement cost contributions as AT&T will buildout, deploy, operate, and maintain the NPSBN. This assist NTIA's FirstNet achieve its important mission of ensuring the operation and maintenance of the first high-speed, nationwide wireless broadband network dedicated to public safety.

TRENDS IN LIABILITIES

Liabilities of the Department increased \$1.20 billion, or 9 percent, from \$14.02 billion as of September 30, 2019, to \$15.22 billion as of September 30, 2020.

TRENDS IN TOTAL LIABILITIES AS OF SEPTEMBER 30 *(In Billions)*



This increase is attributed to **Accrued Payroll and Annual Leave**. There was an increase of \$566.6 million, or 83 percent, from \$685.3 million to \$1.25 billion, primarily due to increased accrued payroll and annual leave of \$420.1 million, from \$44.1 million to \$464.2 million, in Census Bureau's Periodic Censuses and Programs fund group, largely resulting from increased staffing for the 2020 Decennial Census.

TRENDS IN NET POSITION

Net Position is the residual difference between assets and liabilities and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

Total Net Position increased \$1.58 billion, or 4 percent, from \$44.19 billion as of September 30, 2019 to \$45.77 billion as of September 30, 2020.

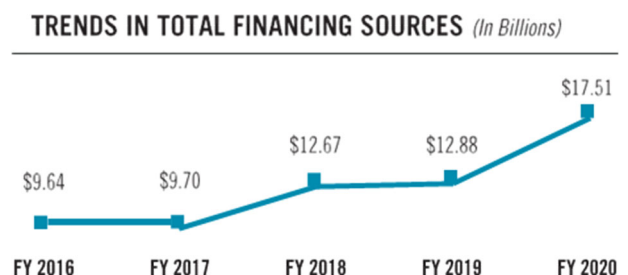
Unexpended Appropriations increased \$1.73 billion, or 15 percent, from \$11.31 billion as of September 30, 2019 to \$13.04 billion as of September 30, 2020, primarily due to:

- An increase in Unexpended Appropriations for the Economic Development Administration (EDA)'s Economic Development Assistance Program fund group of \$1.41 billion, from \$1.97 billion to \$3.38 billion, or 72 percent, largely resulting from \$1.50 billion of supplemental funds received in FY 2020 under Public Law 116-136, Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Division B, Emergency Appropriations for Coronavirus Health Response and Agency Operations, Title II, for economic adjustment assistance to prevent, prepare for, and respond to coronavirus, domestically or internationally, including for necessary expenses for responding to economic injury as a result of coronavirus.
- An increase in Unexpended Appropriations for NOAA's Fisheries Disaster Assistance fund group of \$204.3 million, from \$355.0 million to \$559.2 million, primarily resulting from \$300.0 million of supplemental funds received in FY 2020 under the CARES Act, Division B, Title II, to carry out an assistance program, including direct relief payments, for tribal, subsistence, commercial, and charter fishery participants affected by COVID-19.

TRENDS IN FINANCING SOURCES

Total financing sources of the Department increased significantly, increasing \$4.63 billion, or 36 percent, from \$12.88 billion in FY 2019 to \$17.51 billion in FY 2020.

Significant line item increases or decreases in Departmental financing sources from FY 2019 to FY 2020 include:

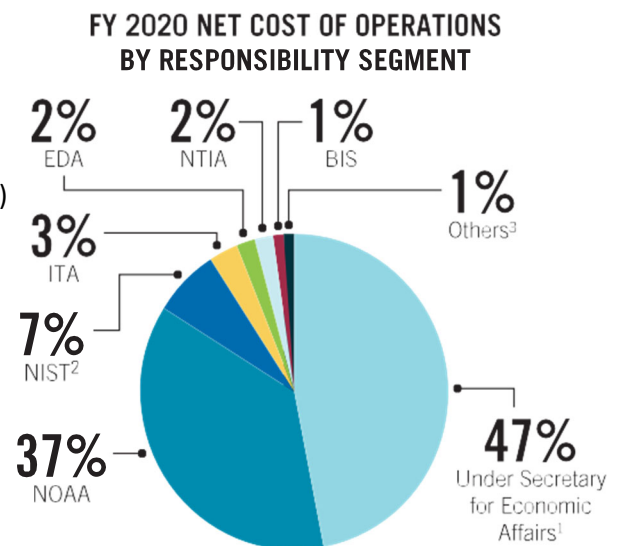


- **Appropriations Received, Net of Reductions** significantly increased \$4.82 billion, or 39 percent, from \$12.36 billion in FY 2019 to \$17.19 billion in FY 2020, primarily due to:
 - Appropriations Received for the Census Bureau's Periodic Censuses and Programs fund group increased \$3.73 billion, or 105 percent, from \$3.55 billion to \$7.28 billion, largely resulting from increased funding for the 2020 Decennial Census.
 - Appropriations Received for EDA's Economic Development Assistance Programs fund group increased \$927.5 million, from \$865.0 million to \$1.79 billion, or 107 percent, largely resulting from \$1.50 billion of supplemental funds received in FY 2020 under the CARES Act, offset by a \$600.0 million decrease in supplemental funds received for disaster relief activities, from \$600.0 million in FY 2019 (Public Law 116-20, Additional Supplemental Appropriations for Disaster Relief Act, 2019) to zero in FY 2020.
- **Transfer In of Auction Proceeds from Federal Communications Commission (FCC)** significantly decreased \$1.16 billion, or 100 percent, from \$1.16 billion to zero. The transfers in from FCC to NTIA's Public Safety Trust Fund represent auction proceeds that depend on applicable FCC auction activity and results.
- **Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction** significantly decreased \$1.22 billion, or 92 percent, from \$(1.32) billion to \$(101.7) million, primarily as a result of the 100 percent reduction in auction proceeds transferred in from FCC to NTIA's Public Safety Trust Fund as discussed above.

NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT(BUREAU)

In FY 2020, the Department's Net Cost of Operations amounted to \$15.93 billion, which consists of Gross Costs of \$20.54 billion less Earned Revenue of \$4.61 billion. The distribution by responsibility segment (by percentage) of the Department's Net Cost of Operations changed significantly from FY 2019 to FY 2020.

The Under Secretary for Economic Affairs (OUS/EA) portion of the Departmental total increased from 26 percent in FY 2019 to 47 percent in FY 2020. Primarily due to a significant increase in Gross Costs from FY 2019 to FY 2020 for the Census Bureau's Periodic Censuses and Programs fund group of \$4.56 billion.



¹ The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.

² NIST includes NIST and NTIS.

³ Others includes DM, MBDA, and USPTO.

- The **Under Secretary for Economic Affairs (OUS/EA) FY 2020 Net Cost of Operations** was \$7.56 billion (Gross Costs of \$7.85 billion less Earned Revenue of \$288.8 million). The OUS/EA provides leadership and policy guidance to the Department's economic and statistical community, including oversight to Bureau of Economic Analysis (BEA) and the Census Bureau.

BEA promotes a better understanding of the Nation's economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner.

- <https://www.bea.gov/about/who-we-are>

- The **Census Bureau's FY 2020 Net Cost of Operations** (included in the Undersecretary for Economic Affairs results above) was \$7.45 billion (Gross Costs of \$7.74 billion less Earned Revenue of \$285.7 million). The Census Bureau serves as the leading source of quality data about the Nation's people and economy. Data that the Census Bureau collects includes the Population and Housing Census (every 10 years), Economic Census (every 5 years), Census of Governments (every 5 years), American Community Survey (annually), economic indicators, and demographic and economic surveys provided to survey sponsors.

- https://www.census.gov/about/what.html#par_textimage

- The **National Oceanic and Atmospheric Administration (NOAA)**'s portion of the Departmental total decreased from 53 percent in FY 2019 to 37 percent in FY 2020. **NOAA's FY 2020 Net Cost of Operations** was \$5.94 billion (Gross Costs of \$6.21 billion less Earned Revenue of \$273.9 million). NOAA's mission relates to science, service, and stewardship—to understand and predict changes in climate, weather, oceans, and coasts; to share that knowledge and information with others; and to conserve and manage coastal and marine ecosystems and resources. NOAA's Gross Costs include costs related to improving weather, water quality, and climate reporting and forecasting; and enabling informed decision-making through an expanded understanding of the U.S. economy, society, and environment by providing data, standards, and services. By setting the broad Administration goals of promoting national security, public safety, economic growth, and job creation, NOAA provides the observational infrastructure, capabilities, and staff to produce timely and accurate weather forecasts and warnings; recapitalizes the NOAA fleet to ensure the continued collection of at-sea data vital to the US economy for fisheries management and nautical charting; supports the government's legal obligations to manage and conserve marine resources; and fosters safe and efficient ocean and coastal navigation.

Human Capital investments are for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. The most significant

investments in human capital are by NOAA. Investments in human capital by NOAA for FY 2020 was \$24.4 million.

- <https://www.noaa.gov/about-our-agency>

- **U.S. Patent and Trademark Office (USPTO)'s FY 2020 Net Cost of Operations** of \$34.1 million (Gross Costs of \$3.62 billion less Earned Revenue of \$3.66 billion) relates to its patents and trademark programs. USPTO is the federal agency for granting U.S. patents and registering trademarks. The strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. USPTO advises the President, the Secretary of Commerce, and federal agencies on intellectual property (IP) policy, protection, and enforcement; and promotes the stronger and more effective IP protection around the world. USPTO furthers effective IP protection for the Nation's innovators and entrepreneurs worldwide by working with other federal agencies to secure strong IP provisions in free trade and other international agreements. It also provides training, education, and capacity-building programs designed to foster respect for IP and encourage the development of strong IP enforcement regimes by the Nation's trading partners.

- <https://www.uspto.gov/about-us>

- **National Institute of Standards and Technology (NIST)'s FY 2020 Net Cost of Operations** was \$1.06 billion (Gross Costs of \$1.30 billion less Earned Revenue of \$235.6 million), which includes NIST and the National Technical Information Service (NTIS), as NIST provides oversight for NTIS. NIST's FY 2020 Net Cost of Operations, by itself, was \$1.06 billion (Gross Costs of \$1.22 billion less Earned Revenue of \$156.1 million). NIST promotes American innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve the Nation's quality of life. NIST's Gross Costs include costs for Scientific and Technical Research and Services, Industrial Technology Services, and Construction of Research Facilities. The NIST Laboratories conducts world-class research, often in close collaboration with industry, which advances the Nation's technology infrastructure and helps American companies continually improve products and services.

Investments in Research & Development (R&D) are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity or yielding other future economic or societal benefits. Based on a review of the Department's programs,

the significant investments in R&D are by the NIST and NOAA. NIST has a total of \$824.5 million in R&D investments in FY 2020. NOAA has a total of \$749.3 million in R&D investments in FY 2020.

- **National Technical Information Service (NTIS)** serves as the largest central resource for government-funded scientific, technical, engineering, and business-related information by housing more than three million publications. NTIS's new mission is to provide innovative data services to federal agencies through joint venture partnerships with the private sector, advance federal data priorities, promote economic growth, and enable operational excellence.
 - <https://www.nist.gov/about-nist/our-organization/mission-vision-values>
 - <https://www.ntis.gov/about/about-us.html>

- **International Trade Administration (ITA)'s FY 2020 Net Cost of Operations** was \$513.0 million (Gross Costs of \$541.5 million less Earned Revenue of \$28.5 million). ITA fosters economic growth and prosperity through global trade by strengthening the competitiveness of American industry, promoting trade and investment, and ensuring fair trade through the rigorous enforcement of the Nation's trade laws and agreements. ITA leads the Department's export and investment platform, working with several other bureaus, and inside and outside the Department, including working with the U.S. Trade Representative, to provide greater access to markets and customers by removing trade barriers.
 - <https://www.trade.gov/about-us>

- **Economic Development Administration (EDA)'s FY 2020 Net Cost of Operations** was \$397.8 million (Gross Costs of \$402.5 million less Earned Revenue of \$4.7 million). EDA leads the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. EDA plays a critical role in fostering regional economic development efforts in communities across the United States. Through strategic investments that foster job creation and attract private investment, EDA supports development in economically distressed areas of the United States. EDA works directly with local economic development officials to make grant investments that are well-defined, timely, and linked to a long-term, sustainable economic development strategy.

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, the Economic Development Administration (EDA) and NOAA have significant investments in non-federal physical property. EDA's total for FY 2020 was \$520 million. EDA's investments in non-federal physical property, other than Disaster Recovery, require matching funds by state and local governments of 20 to 50 percent. Disaster Recovery grants do not require matching funds and can be up to 100 percent of the investment costs. NOAA's investments in non-federal physical property was \$4.5 million.

- <https://www.eda.gov/about/>

- **National Telecommunications and Information Administration (NTIA)'s FY 2020 Net Cost of Operations** was \$184.4 million (Gross Costs of \$347.4 million less Earned Revenue of \$163.0 million). NTIA is the federal agency that is principally responsible for advising the President on telecommunications and information policy issues. NTIA's programs and policymaking focus largely on expanding broadband Internet access and adoption in America, expanding the use of spectrum by all users, and ensuring that the Internet remains an engine for continued innovation and economic growth. NTIA's activities include managing the federal use of spectrum and identifying additional spectrum for commercial use and administering grant programs that further the deployment and use of broadband and other technologies in America.

NTIA includes the **First Responder Network Authority**, an independent authority, which was created by the Middle-Class Tax Relief and Job Creation Act of 2012 to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

- <https://www.ntia.doc.gov/>
- <https://firstnet.gov>

- **Departmental Management's (DM) FY 2020 Net Cost of Operations** was \$139.9 million (Gross Costs of \$484.3 million less Earned Revenue of \$344.4 million), which includes Gifts and Bequests, Herbert C. Hoover Building Renovation Project, Nonrecurring Expenses Fund, Office of Inspector General, Salaries and Expenses, and Working Capital Fund. DM's objective is to develop and provide policies and procedures for administrative planning, oversight, coordination, direction, and guidance to ensure implementation of the Department's mission.

- <http://www.osec.doc.gov/bmi/budget/FY19BIB/FinalBiBFY2019.pdf>

- **Other Departmental Bureaus' FY 2020 Net Cost of Operations** was \$170.6 million (Gross Costs of \$172.0 million less Earned Revenue of \$1.4 million), which is comprised of the **Bureau of Industry and Security (BIS)** and the **Minority Business Development Agency (MBDA)**. BIS advances the Nation's national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued strategic technology leadership by the United States. MBDA helps to create and sustain American jobs by promoting the growth and global competitiveness of businesses owned and operated by minority entrepreneurs.

- <https://www.bis.doc.gov/index.php/about-bis>
- <https://www.mbda.gov/about/whatwedo>

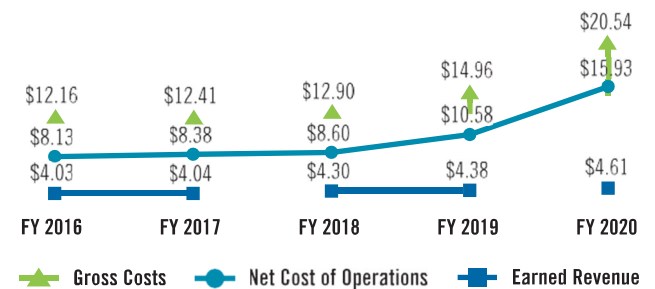
TRENDS IN NET COST OF OPERATIONS

The Department's Net Cost of Operations significantly increased \$5.35 billion, or 51 percent, from \$10.58 billion in FY 2019 to \$15.93 billion in FY 2020. Gross Costs increased \$5.59 billion, or 37 percent, from \$14.96 billion to \$20.54 billion. Earned Revenue increased \$231.4 million, or 5 percent, from \$4.38 billion to \$4.61 billion.

The increase in Gross Costs is primarily due to:

- Gross Costs for the Census Bureau's Periodic Census and Programs fund group increased \$4.56 billion, or 180 percent, from \$2.53 billion in FY 2019 to \$7.09 billion in FY 2020, primarily due to increased expenses incurred for the 2020 Decennial Census. The FY 2020 increased expenses for the 2020 Decennial Census include contract services as well as increased staffing.
- Gross Costs for NOAA increased \$311.6 million, or 5 percent, from \$5.90 billion in FY 2019 to \$6.21 billion in FY 2020, primarily due to an increase in expenses associated with various satellite programs.

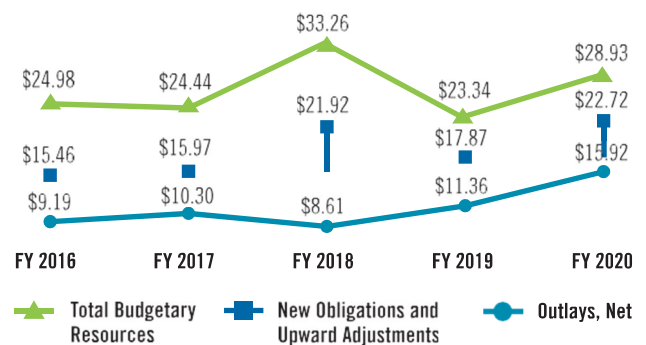
TRENDS IN NET COST OF OPERATIONS (In Billions)



TRENDS IN SELECTED BUDGETARY INFORMATION

The Department's Total Budgetary Resources increased significantly by \$5.58 billion, or 24 percent, from \$23.34 billion in FY 2019 to \$28.93 billion in FY 2020, primarily due to a large increase in Appropriations of \$4.84 billion, or 39 percent, from \$12.56 billion in FY 2019 to \$17.40 billion in FY 2020, primarily due to:

TRENDS IN SELECTED BUDGETARY INFORMATION (In Billions)



- The Department's New Obligations and Upward Adjustments increased significantly \$4.85 billion, or 27 percent, from \$17.87 billion in FY 2019 to \$22.72 billion in FY 2020, primarily due to:
- New Obligations and Upward Adjustments for the Census Bureau's Periodic Censuses and Programs fund group increased \$3.15 billion, or 92 percent, from \$3.44 billion to \$6.58 billion, largely resulting from increased funding for the 2020 Decennial Census.

- New Obligations and Upward Adjustments for EDA's Economic Development Assistance Programs fund group increased \$831.8 million, or 128 percent, from \$651.7 million to \$1.48 billion, largely resulting from \$1.50 billion of supplemental funds received in FY 2020 under the CARES Act.
- The Department's Outlays, Net increased \$4.56 billion, or 40 percent, from \$11.36 billion in FY 2019 to \$15.92 billion in FY 2020, largely resulting from a significant increase in Outlays, Net for the Census Bureau's Periodic Censuses and Programs fund group of \$4.18 billion, or 183 percent, from \$2.29 billion to \$6.47 billion, primarily due to increased funding for the 2020 Decennial Census.

SUMMARY OF STEWARDSHIP INFORMATION

The Department has certain resources entrusted to it and certain stewardship responsibilities it assumes. The physical properties of **Stewardship Assets** resemble those of the General Property, Plant, and Equipment that is capitalized traditionally in the financial statements of federal entities. Given the nature of these assets, federal standard-setting bodies have determined that valuation is unduly burdensome and matching costs with specific periods is not meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. The National Oceanic and Atmospheric Administration (NOAA) is the primary bureau within the Department that maintains Stewardship Assets, while the National Institute of Standards and Technology (NIST) and the Census Bureau also maintain Stewardship Assets. **Heritage assets** are unique for their historical or natural significance, cultural, educational, or artistic importance, or significant architectural characteristics. The Department generally expects that these assets will be preserved indefinitely.

NOAA maintains the following Stewardship Assets: 14 National Marine Sanctuaries; five Marine National Monuments (Marianas Trench, the Northeast Canyons and Seamounts, Pacific Remote Islands, Papahānaumokuākea, and Rose Atoll); Aleutian Islands Habitat Conservation Area; NOAA Habitat Blueprint (10 Habitat Focus Areas); and Land in St. George, AK and St. Paul, AK. In addition to the Stewardship Assets, NOAA also maintains the following Heritage Non-collection Type and Collection-type Heritage Assets: National Marine Fisheries Service (NMFS) Galveston Laboratory Buildings (5) in Galveston, TX; NMFS St. George Seal Skin Processing Plant (building) in St. George, AK; NMFS St. George Cottage (building) in St. George, AK; Office of Oceanic and Atmospheric Research (OAR) Great Lakes Environmental Research Laboratory/Lake Michigan Field Station (building) in Muskegon, MI; OAR Air Resources Lab (building) in Oak Ridge, TN; eight National Environmental Satellite, Data, and Information Service buildings in Gilmore Creek, Fairbanks, AK; one Northwest Fisheries Science Center building in Seattle, WA; two Western Regional Center hangars (buildings) in Seattle, WA; NOAA Central Library (photographs and motion pictures); National Ocean Service Thunder Bay Sanctuary Research Collection (data cards, photograph negatives, document copies, photographs, books, and other items); Florida Keys National Marine Sanctuary Collection (artifacts from shipwrecks and wrecking events occurring in the Florida Keys); and other artifacts, documents, artwork, books, films, instruments, maps, and records.

NIST maintains Collection-type Heritage Assets under its Museum and History Program, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, and objects of significance to

NIST and predecessor agencies. The Census Bureau maintains Collection-type Heritage Assets that help illustrate the social, educational, and cultural heritage of the Census Bureau, including artifacts, artwork, books, films, instruments, records, publications, books, manuscripts, photographs, and maps.

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment, so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the Nation. Most of the Department's increase in stewardship investments during FY 2020 is attributed to investments made related to natural disasters including wildfires, hurricanes, and floods occurring between 2017 and 2019.

**United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2020 and 2019 (In Thousands)**

	FY 2020	FY 2019
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	\$ 31,259,517	\$ 29,957,914
Investments, Net (Notes 3 and 22 – NTIA's Public Safety Trust Fund)	7,671,062	7,569,381
Accounts Receivable (Note 4)	98,980	99,372
Advances and Prepayments	33,215	21,846
Total Intragovernmental	39,062,774	37,648,513
Cash (Note 5)	32,853	11,208
Accounts Receivable, Net (Note 4)	94,969	45,031
Direct Loans and Loan Guarantees, Net (Note 6)	394,200	398,770
Inventory, Materials, and Supplies, Net (Note 7)	202,037	129,990
General Property, Plant, and Equipment, Net (Note 8)	16,292,468	16,481,013
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network, Net (Note 22 – NTIA's Network Construction Fund and First Responder Network Authority Fund)	4,774,779	3,408,729
Other (Note 9)	137,412	87,296
TOTAL ASSETS	\$ 60,991,492	\$ 58,210,550
Stewardship Property, Plant, and Equipment (Note 24)		
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 102,279	\$ 141,357
Debt to Treasury (Note 11)	388,069	395,369
Other		
Unearned Revenue	406,553	343,124
Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	7,671,062	7,569,382
Custodial Payable to Treasury (Note 20)	38,109	3,702
Other (Note 12)	125,448	114,631
Total Intragovernmental	8,731,520	8,567,565
Accounts Payable	2,396,756	2,179,776
Federal Employee Benefits Liabilities (Note 13)	943,625	927,714
Environmental and Disposal Liabilities (Note 14)	150,327	146,257
Other		
Accrued Payroll and Annual Leave	1,251,910	685,310
Accrued Grants	211,116	140,196
Unearned Revenue	1,415,135	1,336,127
Other (Note 12)	121,699	34,687
TOTAL LIABILITIES	\$ 15,222,088	\$ 14,017,632
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	\$ –	\$ –
Unexpended Appropriations – All Other Funds	13,040,173	11,314,698
Cumulative Results of Operations		
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	17,295,431	17,361,051
Cumulative Results of Operations – All Other Funds	15,433,800	15,517,169
Total Net Position – Funds from Dedicated Collections	17,295,431	17,361,051
Total Net Position – All Other Funds	28,473,973	26,831,867
TOTAL NET POSITION	\$ 45,769,404	\$ 44,192,918
TOTAL LIABILITIES AND NET POSITION	\$ 60,991,492	\$ 58,210,550

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

**United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2020 and 2019 (Note 18) (In Thousands)**

	FY 2020	FY 2019
Under Secretary for Economic Affairs		
Gross Costs	\$ 7,849,120	\$ 3,026,996
Less: Earned Revenue	(285,141)	(320,642)
Net Cost of Operations	7,563,979	2,706,354
National Oceanic and Atmospheric Administration		
Gross Costs	\$6,195,754	5,885,496
Less: Earned Revenue	(259,786)	(261,992)
Net Cost of Operations	5,935,968	5,623,504
National Institute of Standards and Technology		
Gross Costs	1,275,146	1,226,188
Less: Earned Revenue	(215,707)	(207,519)
Net Cost of Operations	1,059,439	1,018,669
International Trade Administration		
Gross Costs	526,342	520,015
Less: Earned Revenue	(13,345)	(9,542)
Net Cost of Operations	512,997	510,473
Economic Development Administration		
Gross Costs	402,518	265,579
Less: Earned Revenue	(4,700)	(5,352)
Net Cost of Operations	397,818	260,227
National Telecommunications and Information Administration		
Gross Costs	342,163	256,362
Less: Earned Revenue	(157,798)	(161,541)
Net Cost of Operations	184,365	94,821
Departmental Management		
Gross Costs	158,129	142,634
Less: Earned Revenue	(18,276)	(24,517)
Net Cost of Operations	139,853	118,117
U.S. Patent and Trademark Office		
Gross Costs	3,622,439	3,477,623
Less: Earned Revenue	(3,656,521)	(3,388,126)
Net Cost of Operations	(34,082)	89,497
Others		
Gross Costs	171,915	156,546
Less: Earned Revenue	(1,346)	(2,014)
Net Cost of Operations	170,569	154,532
Total Gross Departmental Costs	20,543,526	14,957,439
Less: Total Earned Revenue	(4,612,620)	(4,381,245)
NET COST OF OPERATIONS	\$ 15,930,906	\$ 10,576,194

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

**United States Department of Commerce Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2020 and 2019 (In Thousands)**

	FY 2020			FY 2019		
	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total	Funds from Dedicated Collections (Note 22)	All Other Funds	Consolidated Total
Unexpended Appropriations:						
Beginning Balance	\$ -	\$ 11,314,698	\$ 11,314,698	\$ -	\$ 9,091,775	\$ 9,091,775
Budgetary Financing Sources:						
Appropriations Received (Note 19)	-	17,204,870	17,204,870	-	12,376,732	12,376,732
Appropriations Transferred In/(Out), Net	-	3,000	3,000	-	3,507	3,507
Rescissions/Sequestrations of Appropriations (Note 19)	-	(18,180)	(18,180)	-	(13,240)	(13,240)
Cancellations and Other Adjustments	-	(245,294)	(245,294)	-	(60,973)	(60,973)
Appropriations Used	-	(15,218,921)	(15,218,921)	-	(10,083,103)	(10,083,103)
Total Budgetary Financing Sources	-	1,725,475	1,725,475	-	2,222,923	2,222,923
Unexpended Appropriations – Ending Balance	-	13,040,173	13,040,173	-	11,314,698	11,314,698
Cumulative Results of Operations:						
Beginning Balance	17,361,051	15,517,169	32,878,220	17,459,157	15,342,603	32,801,760
Budgetary Financing Sources:						
Appropriations Used	-	15,218,921	15,218,921	-	10,083,103	10,083,103
Non-exchange Revenue	121,881	6,317	128,198	185,209	9,212	194,421
Donations and Forfeitures of Cash and Cash Equivalents	-	344	344	-	411	411
Transfer In of Auction Proceeds from Federal Communications Commission (Note 22 – NTIA's Public Safety Trust Fund)	-	-	-	1,155,251	-	1,155,251
Transfers In/(Out) Without Reimbursement, Net	65,041	186,933	251,974	36,279	162,416	198,695
Other Budgetary Financing Sources/(Uses), Net	-	(2)	(2)	-	-	-
Other Financing Sources (Non-exchange):						
Donations and Forfeitures of Property	-	2,486	2,486	-	217	217
Transfers In/(Out) Without Reimbursement, Net	(25)	963	938	(2,044)	2,044	-
Imputed Financing Sources from Cost Absorbed by Others	29,686	257,031	286,717	83,443	262,735	346,178
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	(101,680)	-	(101,680)	(1,324,946)	-	(1,324,946)
Other Financing Sources/(Uses), Net	(12)	(5,967)	(5,979)	-	(676)	(676)
Total Financing Sources	114,891	15,667,026	15,781,917	133,192	10,519,462	10,652,654
Net Cost of Operations	(180,511)	(15,750,395)	(15,930,906)	(231,298)	(10,344,896)	(10,576,194)
Net Change	(65,620)	(83,369)	(148,989)	(98,106)	174,566	76,460
Cumulative Results of Operations – Ending Balance	17,295,431	15,433,800	32,729,231	17,361,051	15,517,169	32,878,220
NET POSITION	\$ 17,295,431	\$ 28,473,973	\$ 45,769,404	\$ 17,361,051	\$ 26,831,867	\$ 44,192,918

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

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2020 and 2019 (Note 19) (In Thousands)

	FY 2020		FY 2019	
	Budgetary	Non-budgetary Credit Reform Financing Accounts	Budgetary	Non-budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance From Prior-years Budget Authority, Net	\$ 5,609,178	\$ 298	\$ 5,361,576	\$ 112
Appropriations	17,396,628	–	12,560,110	–
Borrowing Authority	–	101,520	–	29,485
Spending Authority From Offsetting Collections	5,802,644	16,909	5,372,110	19,267
TOTAL BUDGETARY RESOURCES	\$28,808,450	\$ 118,727	\$23,293,796	\$ 48,864
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	\$22,604,764	\$ 118,618	\$ 17,824,855	\$ 48,568
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	5,893,158	–	5,031,699	–
Exempt From Apportionment, Unexpired Accounts	736	–	718	–
Unapportioned, Unexpired Accounts	104,616	109	63,467	296
Unobligated Balance, End of Year, Unexpired Accounts	5,998,510	109	5,095,884	296
Unobligated Balance, End of Year, Expired Accounts	205,176	–	373,057	–
Total Unobligated Balance, End of Year	6,203,686	109	5,468,941	296
TOTAL STATUS OF BUDGETARY RESOURCES	\$28,808,450	\$ 118,727	\$23,293,796	\$ 48,864
OUTLAYS, NET, AND DISBURSEMENTS, NET:				
Outlays, Net	\$ 15,924,152		\$ 11,362,876	
Distributed Offsetting Receipts	(6,335)		(38,995)	
AGENCY OUTLAYS, NET	\$ 15,917,817		\$ 11,323,881	
DISBURSEMENTS, NET		\$ (8,014)		\$ (57,379)

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

Sample Management's Discussion and Analysis For Defense Health Program (DHP) based on FY 2020 Financial Report

Includes FY2020 Financial Statements

Mission and Organizational Structure

History & Mission

American military medicine traces its origins back to July 27, 1775. With more than 218 years of serving the nation's military medical needs, the Military Health System (MHS) is one of America's largest and most complex healthcare institutions, and the world's preeminent military healthcare delivery operations. Our MHS saves lives on the battlefield, combats infectious disease around the world, and is responsible for providing health services through both direct care (military hospital and clinics, also referred to as military medical treatment facilities (MTFs)) and private sector care, to approximately 9.6 million beneficiaries. MHS beneficiaries are comprised of uniformed Service members, military retirees, and family members. The MHS supports the National Defense Strategy (NDS) by providing a "Medically Ready Force, and a Ready Medical Force." The MHS aims to enhance the Department of Defense's (DoD) and our nation's security by providing healthcare support for the full range of military operations.

The Assistant Secretary of Defense for Health Affairs (ASD(HA)) is the principal advisor to the Secretary of Defense (SecDef) and the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) for all DoD health and force health protection policies and programs. The ASD(HA) serves as resource manager for all DoD health and medical resources and prepares the Unified Medical Budget (UMB) as part of the President's budget submission to Congress. When enacted, the annual appropriations bill reflects the amount of funding appropriated for peacetime MHS operations via the Defense Health Program (DHP) appropriation. As established in Title 10 United States Code (U.S.C.), section 1100, the DHP account (Treasury Account Symbol 097 0130) contains amounts appropriated to carry out the functions of the SecDef with respect to medical and healthcare programs of the DoD. The SecDef may obligate or expend funds from the account for purposes of conducting programs and activities under 10 U.S.C., Chapter 55, including contracts entered into under Sections 1079, 1086, 1092 and 1097.

The ASD(HA) ensures the DHP appropriation is allocated to the six MHS financial statement reporting components. The Defense Health Agency (DHA), under the authority of the ASD(HA), distributes DHP funds to the components in the amounts approved within the DHP Program Objective Memorandum (POM), and as mission requirements dictate. The components further sub-allocate the appropriation to their subordinate organizations.

The MHS is a federated system of uniformed, civilian and contract personnel and additional civilian partners at all levels of the Department of Defense and beyond. MHS' organization structure comprises of senior officials in the Office of the Secretary of Defense to doctors and other health care providers in nearly every community across the nation. For further details on the organizational structure and to learn more about the organizations that make up the MHS visit <https://www.health.mil/About-MHS/MHS-Elements>.

Changes and the Future of the MHS

For FY 2021, the MHS will be emerging from the first wave of a global military medical response to the COVID-19 pandemic while continuing the transition of military hospitals and clinics to the DHA; reforming the TRICARE benefit, and realigning military medical services to best support military readiness. The central focus of these efforts is readiness. Discussions regarding these initiatives are ongoing and changes to the MHS will be done in a deliberate fashion and with a focus on activities that will yield the highest readiness value for the Department.

MHS reform entails a broad set of intertwined activities intended to strengthen the medical readiness of the uniformed force, as well as the readiness of military medical forces to perform their jobs. The changes underway reflect direction from senior civilian leadership as well as from Congress, through successive NDAA's.

In February 2020, the Department announced its strategic efforts to realign its military medical infrastructure to best support readiness, consistent with the direction of the FY 2017 NDAA, Section 703. The COVID-19 pandemic delayed

the initial implementation of this plan in FY 2020. In close consultation with senior leaders and Congress, the Department will resume its implementation efforts in FY 2021.

The Department also took a 90-day strategic pause, from April-June 2020, in implementing Section 702 of the FY 2017 NDAA which directed that the DHA assume management responsibility for healthcare delivered through military hospitals and clinics worldwide. Reform activities are scheduled to resume in the last quarter of FY 2020 and will continue in FY 2021. This reform will feature standardized readiness and business plans for all MTFs worldwide, along with the establishment of geographic markets and market leaders who will integrate healthcare delivery across a number of MTFs.

Finally, a third major element of MHS Reform is the ongoing modernization of the private sector care portion of the TRICARE program – representing over \$15 billion annual in DHP expenditures. The DHA plans to release a draft Request for Proposal (RFP) for new TRICARE contracts later in CY 2020. The MHS aims to expand the use of value-based incentives in the next round of RFPs, encourage new entrants to the market, and increase the cost-effectiveness in managing the TRICARE program.

Risk Mitigation

As the MHS undertakes reform efforts, the standup and certification of each market presents some risk. This risk is largely mitigated as each market standup is conditions-based rather than time-based. In addition, because the Department has finite resources to support many requirements, private sector care costs must be continually monitored and effectively managed. The ASD(HA) has directed that the DHA ensure any MTF actions that could drive higher private sector care costs are promptly addressed from an execution and oversight standpoint and reported to the Deputy Assistant Secretary of Defense for Health Resources Management and Policy.

DHP Components

The DHP financial statement structure includes the following six (6) MHS components:

U.S. Army Medical Command (MEDCOM): MEDCOM provides a premier expeditionary and globally integrated medical force ready to meet the ever-changing challenges of today and tomorrow. As the Army is foundational to the Joint Force, MEDCOM is foundational to the joint health services enterprise. MEDCOM provides sustained services and research in support of the health readiness of the force and maintain responsive medical capabilities to conserve fighting strength of the Army.

The Navy Bureau of Medicine and Surgery (BUMED): BUMED is a global healthcare network of highly trained medical personnel who provide healthcare support to the U.S. Navy, Marine Corps, their families and veterans in high operational tempo environments, at expeditionary medical facilities, military treatment facilities (medical centers, hospitals and clinics), hospital ships and research units around the world.

U.S. Air Force Medical Service (AFMS): The AFMS' mission is to ensure medically fit forces, provide expeditionary medics, and deliver trusted care to all it serves.

Defense Health Agency (DHA): DHA is a joint, integrated CSA that enables MEDCOM, BUMED, and the AFMS to provide a ready medical force and medically ready force to CCMDs in both peacetime and wartime. DHA leads the MHS integrated system of readiness and health to deliver the MHS Quadruple Aim: increased readiness, better health, better care, and lower cost.

Uniformed Services University of the Health Sciences (USUHS): The mission of USUHS is to educate, train, and comprehensively prepare uniformed services health professionals, scientists, and leaders to support the Military and Public Health Systems, the national security and national defense strategies of the United States, and the readiness of our Uniformed Services.

Contract Resource Management (CRM) Office: The CRM Office in Aurora, Colorado, is responsible for the accounting, financial support, and financial reporting for TRICARE's centrally funded private sector care programs and the TRICARE Retail Pharmacy Refunds Program.

In FY 2020, DHP had budget authority of \$37.9 billion appropriation to support Operations and Maintenance (O&M), RDT&E and Procurement. DHP also has consolidated entities disclosed in Note 1.A., *Reporting Entity Mission and Overall Structure* and disclosure entities disclosed in Note 19, *Disclosure Entities and Related Parties*.

Analysis of Financial Statements and Stewardship Information

The financial statements of the DHP reflect and evaluate the execution of its mission to provide a ready medical force and a medically ready force to CCMDs in both peacetime and wartime. This analysis summarizes the DHP's financial position and results of operations and addresses the relevance of major types and/or amounts of assets, liabilities, costs, revenues, obligations, and outlays.

The principal financial statements include a consolidated balance sheets, a consolidated statements of net cost (SNC), a consolidated statement of changes in net position (SCNP), and a combined statements of budgetary resources (SBR). These principal statements are included in the "Financial Section" of this report. The DHP also prepares a combining schedule of budgetary resources within required supplementary information.

Preparing the DHP financial statements is a vital component of sound financial management and provides information that is useful for assessing performance, allocating resources, and targeting areas for future programmatic emphasis. DHA management is responsible for the integrity of the financial information presented in its financial statements. The DHA is committed to financial management excellence and is in process of developing and implementing a rigorous system of internal controls to safeguard its widely dispersed assets against loss from unauthorized acquisition, use, or disposition.

Internal Controls and Financial Systems Analysis

The MHS conducted its assessment of the effectiveness of internal controls over operations (ICO), in accordance with the FMFIA and the OMB Circular No. A-123¹ *Management's Responsibility for Enterprise Risk Management and Internal Control*, and internal controls over financial reporting (ICOFR), including external financial reporting, in accordance with OMB Circular No. A-123, Appendix A, *Internal Control over Financial Report*. Based on the results of the assessment, the MHS is unable to provide reasonable assurance regarding the effectiveness of our ICO and ICOFR as of September 30, 2020. For MHS' Annual Statement of Assurance required under the FMFIA for FY 2020, see [link](#).

The MHS also conducted an internal review of the effectiveness of Internal Controls Over Reporting Financial Systems (ICOFR-FS) in accordance with FFMIA of 1996 (P. L. 104-208) and OMB Circular No. A-123, Appendix D. Based on the results of the assessment, we concluded that our financial management systems were not substantially compliant with FFMIA and OMB Circular No. A-123, due to significant deficiencies.

Material weaknesses were also identified in the following areas as a result of the financial statement audit: Accounting and Financial Reporting Governance and Entity-Level Controls, Financial Reporting and Analysis, FBwT, Revenue, Accounting of PP&E, Accounting for OM&S, and Information Systems

The MHS is working to resolve material weaknesses identified during prior financial statement audits.

The MHS Managers Internal Control Program (MICP) are focused on refining and improving the Entity Level Controls (ELCs). Correcting design failures and strengthening the ELCs should help MHS improve control and oversight over operations, reporting, and compliance. An Enterprise communication plan is being developed to ensure all responsible parties are aware of their roles related to specific ELCs. This two-pronged effort should improve the effectiveness of the controls.

Our auditor has noted the MHS financial management systems did not comply with the (1) federal financial management system's requirements, (2) applicable federal accounting standards promulgated by FASAB, and (3) application of the United States Standard General Ledger (USSGL) at the transaction level, because of material weaknesses noted in the Independent Auditor's Report on Internal Control over Financial Reporting.

Further, the ASD(HA)'s NDAA for FY 2017 compliance strategy is being executed by using a single accounting solution, General Fund Enterprise Business System (GFEBS). It is a fully open system that allows transparency across all Army, DHA and USUHS for better visibility and in turn better accountability of our funds. However, the Army received an adverse opinion from their auditor on the GFEBS SOC 1 report in FY 2020. The mitigation strategies and way ahead on corrective actions are in active coordination and discussion to address reliability of financial reports.

Balance Sheets Summary

DHP's Balance sheet provides a comparable snapshot of the Agency's financial position as of September 30, 2020 and September 30, 2019. It displays amounts in three primary categories: Assets, Liabilities, and Net Position.

Assets – What We Own and Manage

Total assets were \$26.7 billion as of September 30, 2020. The most significant assets are the Fund Balance with Treasury (FBwT) and Property, Plant, and Equipment, net, which represent a combined 95% of DHP's total assets.

FBwT, was the largest asset at \$21 billion, consists of cash appropriated to DoD by Congress or transferred from other federal agencies and held in the U.S. Department of Treasury's accounts that are accessible to pay for DoD medical obligations. The FBwT increase by \$2.4 billion, or 12% is attributable primarily to increases in funding provided by the CARES Act, for more details refer to Note 3, *Fund Balance with Treasury*.

Accounts Receivable (AR) balance increase of 88 percent was mainly attributable to AR adjustments and additional suballotments brought in during FY 2020. For more details, refer Note 5, *Accounts Receivable, Net*

The increase in Inventory and Other Assets of \$153.6 million, or 180%, is primarily attributable to valuing \$234.3 million of stockpile materials at the BUMED, DHA and AFMS in the form of emergency supplies to be used nationwide pandemic such as COVID-19. The change from purchase method of accounting to consumption method was a result of remediation efforts to record stockpile materiel in accordance to SFFAS 3. Refer to Note 6, *Inventory and Related Property*, for more details.

DHP's General Property, Plant, and Equipment (G-PPE) had a net book value of \$3.4 billion, seven percent higher than FY 2019. Internal Use Software (IUS) represent the majority of this increase as it recorded a prior period adjustment as part of its effort to meet historical cost requirements prescribed by SFFAS 10 (as amended by SFFAS 50). In addition, DHP identified 11 completed projects valued at \$302.6 million that were recorded under Construction-In-Progress (CIP). As these are pending transfer to appropriate MILDEP, this will impact CIP as of FY 2021. For more details on G-PPE, refer to Note 7, *General Property, Plant, and Equipment, Net*.

Liabilities – What We Owe

Total liabilities of \$274.2 billion as of September 30, 2020, of which \$272.2 billion, or 99%, comprises military retirement and other federal employment benefits. These liabilities represent funds calculated by the DoD's Office of the Actuary (OACT) at the end of each fiscal year using the current active and retired military population plus assumptions (inflation, discount rate, and medical trend) about future demographic and economic conditions. For more details on the actuarial liability and assumptions, refer to Note 10, *Military Retirement and Other Federal Employment Benefits*.

Accounts Payable, which represents amounts owed to other entities increased by \$12.8 million as compared to FY 2019. The increase was attributable to the recording of estimated costs for operations and maintenance (O&M) and the recording of employment benefits.

An increase in the Accrued Unfunded Annual Leave of \$81.4 million, or 25% and Accrued Funded Payroll and Benefits of \$35.1 million or 16% is due to timing of payment of benefits.

The \$21.8 million, or 12% of the increase in Other Liabilities balance is primarily due to the to the timing of advances from others and employer contributions and payroll taxes payable.

Net Position – What We Have Done Over Time

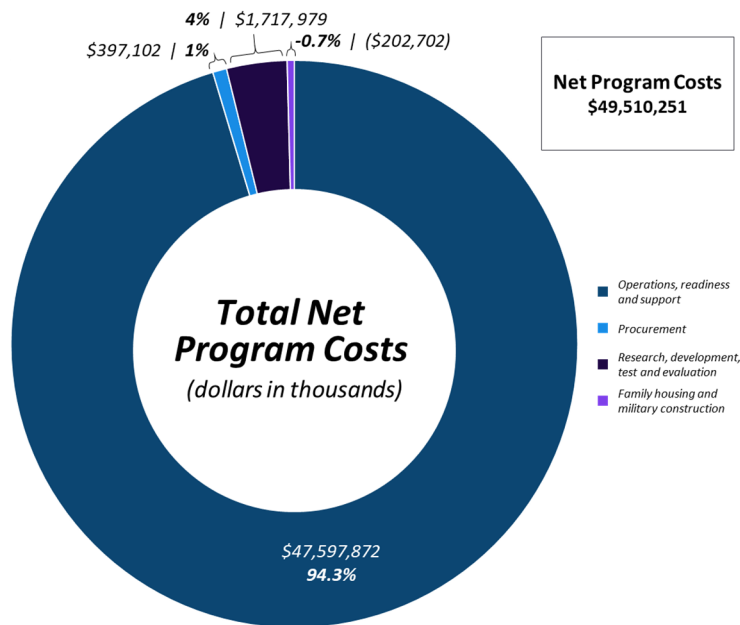
Net position represents the DHP's net results of activity over the years and includes unexpended appropriations and cumulative results of operations (CRO). The DHP's net position is shown on the consolidated balance sheets and the consolidated statements of changes in net position. The reported net position balance as of September 30, 2020, was (\$247.5) billion, increased by \$12.7 billion. CRO, at (\$267.7) billion, increase was due to the prior period adjustment associated with valuation of IUS (see G-PPE analysis in the Asset section above). For more details refer to Note 16, *Disclosures Related to the Statement of Changes in Net Position* and Note 7, *General Property, Plant, and Equipment, Net*.

Results of Program Cost

Net Costs – What Cost We Incurred for the Year

The net results of operations are reported in the consolidated SNC and the consolidated SCNP. The consolidated SNC represent the cost of operating (net of earned revenues) the DHP's programs. In FY 2020, the DHP operated the following four programs:

- ◆ ***Operations, Readiness, and Support:*** Support the total military force by ensuring the medical force is medically ready and prepared to deliver healthcare anytime, anywhere in support of the full range of military operations, including humanitarian missions. Figure 1 below shows the total net program cost of operations of \$49.5 billion to operate each of these DHP's programs. These costs include the \$10.6 billion gain from actuarial assumption changes. This is approximately a \$9.4 billion increase over FY 2019 in net costs, an increase that is due in large part to supplemental funding provided from the CARES Act. The funding was used to support the O&M efforts.
- ◆ ***Procurement:*** The DHP appropriation procurement program funds acquisition of capital equipment in MTFs and other selected healthcare activities.
- ◆ ***RD&E:*** Aid medical force through effective and accountable investments in education and research to establish sustainable improvements in the well-being and productivity of the MHS.
- ◆ ***Family Housing and Military Construction:*** Assist military forces based on need according to principles of universality, impartiality, and human dignity to save lives, alleviate suffering, and minimize the economic costs of conflict, disasters, and displacement. The FY 2020 credit balance of (\$202.7) million, shown as gross costs related to Family Housing and Military Construction in Figure 1 below, was due to an abnormally large increase in the DHP's cost capitalization offset account caused by adjustments resulting from a process change in the way DHP accounts for construction-in-progress (CIP).

Figure 1: Summarizes total net program cost by the DHP's programs as of September 30, 2020

Budgetary Resources

Our Funds

The combined SBR provides information on the budgetary resources that were made available to DHP during the fiscal year and the status of those resources at the end of the fiscal year. DHP receives most of its funding from general government funds administered by Treasury and appropriated by Congress for use by DHP. DHP's resources consist primarily of funds received from appropriations for the current fiscal year and unobligated balances from prior fiscal years and from other budgetary resources received during the year, such as receipts from the MERHCF Accrual Fund.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided a total of \$4.9 billion in total to DHP. \$3.8 billion was allocated for COVID-19 requirements to prevent, prepare for, and respond to coronavirus, domestically or internationally, of which \$3.4 billion was allocated for O&M and \$415.0 million was allocated for RDT&E. The COVID-19 funding will remain available until September 30, 2021. Additionally, \$1.1 billion was allocated for O&M (available for TRICARE) and of which the funding may be available for contracts entered into under the TRICARE program.

DHP also received \$147.6 million in additional funding to be used for RDT&E related to COVID-19.

As of September 30, 2020, DHP returned \$1.3 billion to the OSD for redistribution to other non-DHA organizations for potential execution. Out of the remaining \$2.7 billion of the COVID-19 funding, \$2.3 billion have been obligated and the \$455.0 million remains unobligated. For COVID-19 disclosure related information see Note 21, COVID-19 Activity.

Obligations and Net Outlays

The status of budgetary resources (Figure 2) shown above illustrates the overall total budgetary resources received and whether obligations were incurred, or the funding remains in unobligated balances at September 30, 2020. As shown in the chart, the DHP's total budgetary resources as of September 30, 2020, was \$47.1 billion. The net outlay for the DHP as of September 30, 2020, is \$34.6 billion.

Figure 2: Summarizes obligations incurred, unobligated balances, and total budgetary resources for the DHP as of September 30, 2020

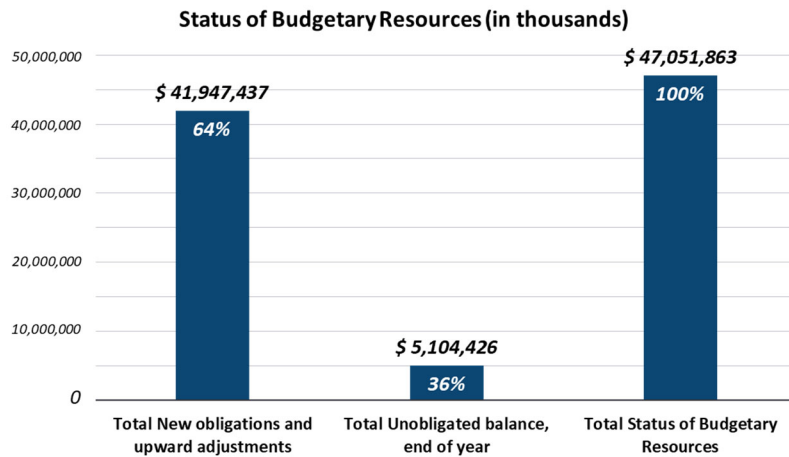


Figure 2 to the left shows the obligations incurred, unobligated balances, and total budgetary resources for DHP for as of September 30, 2020. The DHP has received \$47.1 billion in cumulative budgetary resources as of September 30, 2020, of which it has obligated \$41.9 billion, to date.

Balance Sheets

Department of Defense Defense Health Program

Consolidated Balance Sheets as of September 30, 2020 and 2019

(dollars in thousands)

	Unaudited	
	FY 2020	FY 2019
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 21,988,560	\$ 19,580,243
Accounts Receivable (Note 5)	387,740	205,699
Total Intragovernmental Assets	\$ 22,376,300	\$ 19,785,942
Cash and Other Monetary Assets (Note 4)	1,128	144
Accounts Receivable, Net (Note 5)	649,161	737,754
Inventory and Related Property, Net (Note 6)	229,040	52,070
General, Property, Plant, and Equipment, Net (Note 7)	3,435,799	3,224,053
Other Assets (Note 8)	8,815	33,171
TOTAL ASSETS	\$ 26,700,243	\$ 23,833,134
STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT (Note 1)		
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	\$ 302,551	\$ 183,689
Other Liabilities (Notes 12)	131,503	98,834
Total Intragovernmental Liabilities	\$ 434,054	\$ 282,523
Accounts Payable	826,496	932,604
Military Retirement and Other Federal Employment Benefits (Note 10)	272,162,864	256,703,184
Accrued Unfunded Annual Leave (Note 9)	402,665	321,277
Accrued Funded Payroll and Benefits (Note 9)	261,287	226,146
Environmental and Disposal Liabilities (Note 11)	18,378	18,098
Other Liabilities (Note 12)	75,224	86,121
TOTAL LIABILITIES	\$ 274,180,968	\$ 258,569,953
Commitments and Contingencies (Note 14)		
NET POSITION		
Unexpended Appropriations	\$ 20,210,256	\$ 18,603,336
Cumulative Results of Operations	(267,690,981)	(253,340,155)
TOTAL NET POSITION	\$ (247,480,725)	\$ (234,736,819)
TOTAL LIABILITIES AND NET POSITION	\$ 26,700,243	\$ 23,833,134

The accompanying notes are an integral part of the statements.

Statements of Net Cost

Department of Defense Defense Health Program

Consolidated Statements of Net Cost for the periods ended September 30, 2020 and 2019

(dollars in thousands)

	Unaudited	
	FY 2020	FY 2019
Program Costs (Note 15)		
Gross Costs	\$ 42,948,777	\$ 41,334,493
Operations, Readiness & Support	41,021,044	38,554,678
Procurement	399,893	584,071
Research, Development, Test & Evaluation	1,730,542	1,897,228
Family Housing and Military Construction	(202,702)	298,516
(Less: Earned Revenue)	(4,027,367)	(3,845,944)
Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	38,921,410	37,488,549
Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Note 10)	10,588,841	2,594,626
Net Program Costs Including Assumption Changes	49,510,251	40,083,175
Costs Not Assigned to Programs	-	-
(Less: Earned Revenues) Not Attributed to Programs	-	-
Net Cost of Operations	\$ 49,510,251	\$ 40,083,175

The accompanying notes are an integral part of the statements.

Statements of Changes in Net Position

Department of Defense Defense Health Program

Consolidated Statements of Changes in Net Position for the periods ended September 30, 2020 and 2019
(dollars in thousands)

	Unaudited	
	FY 2020	FY 2019
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 18,551,636	\$ 19,243,749
Budgetary Financing Sources:		
Appropriations Received	39,749,196	34,500,304
Appropriations Transferred In/Out	(1,742,308)	(50,557)
Other Adjustments	(941,843)	(1,026,566)
Appropriations Used	(35,406,425)	(34,063,594)
Total Budgetary Financing Sources	1,658,620	(640,413)
TOTAL UNEXPENDED APPROPRIATIONS	\$ 20,210,256	\$ 18,603,336
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$ (253,340,155)	\$ (246,794,094)
Prior Period Adjustments:		
Changes in Accounting Principles	830,415	-
Correction of Errors	-	-
Beginning Balance, as adjusted	\$ (252,509,740)	\$ (246,794,094)
Budgetary Financing Sources:		
Appropriations Used	35,406,425	34,063,594
Non-Exchange Revenue	26,486	(143)
Other Adjustments	28,312	480
Other Financing Sources:		
Transfers-In/Out Without Reimbursement	(1,380,786)	(743,496)
Imputed Financing from Costs Absorbed by Others	246,066	295,741
Other	2,507	(79,062)
Total Financing Sources	34,329,010	33,537,114
Net Cost of Operations	49,510,251	40,083,175
Net Change	(15,181,241)	(6,546,061)
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$ (267,690,981)	\$ (253,340,155)
TOTAL NET POSITION	\$ (247,480,725)	\$ (234,736,819)

The accompanying notes are an integral part of the statements.

Statements of Budgetary Resources

Department of Defense Defense Health Program

Combined Statements of Budgetary Resources for the periods ended September 30, 2020 and 2019
(dollars in thousands)

	Unaudited	
	FY 2020	FY 2019
BUDGETARY RESOURCES		
Unobligated balance from prior year budget authority, net	\$ 4,943,590	\$ 6,087,732
Appropriations (discretionary and mandatory)	38,154,673	34,375,804
Spending Authority from offsetting collections (discretionary and mandatory)	3,953,600	3,895,569
TOTAL BUDGETARY RESOURCES	\$ 47,051,863	\$ 44,359,105
STATUS OF BUDGETARY RESOURCES		
Total New obligations and upward adjustments	\$ 41,947,437	\$ 40,085,576
Unobligated balance, end of year:		
Apportioned, unexpired accounts	3,948,860	2,753,443
Exempt from apportionment, unexpired accounts	36	163,066
Unapportioned, unexpired accounts	60	-
Unexpired unobligated balance	3,948,956	2,916,509
Expired unobligated balance	1,155,470	1,357,020
Total Unobligated balance, end of year	5,104,426	4,273,529
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 47,051,863	\$ 44,359,105
OUTLAYS, NET		
Total outlays, net (discretionary and mandatory)	\$ 34,619,809	\$ 34,376,623
Distributed offsetting receipts (-)	3,129	-
AGENCY OUTLAYS, NET (discretionary and mandatory)	\$ 34,622,938	\$ 34,376,623

The accompanying notes are an integral part of the statements.

**Sample
Management's Discussion and Analysis (MD&A)**

Department of Homeland Security

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Includes FY2020 Financial Statements

Mission & Organization

Why We Exist



The U.S. Department of Homeland Security (DHS) and its homeland security mission are born from the commitment and resolve of Americans across the United States in the wake of the September 11th attacks. In those darkest hours, we witnessed true heroism, self-sacrifice, and unified resolve against evil. We rallied together for our common defense, and we pledged to stand united against the threats attacking our great Nation,

fellow Americans, and way of life. Together, we are committed to relentless resilience, striving to prevent future attacks against the United States and our allies, responding decisively to natural and man-made disasters, and advancing American prosperity and economic security long into the future.

DHS has a fundamental duty to secure the Nation from the many threats we face. This requires the dedication of more than 240,000 employees in jobs that range from aviation and border security to emergency response, from cybersecurity analyst to chemical facility inspector. Our duties are wide-ranging and as one team, with one mission, we are one DHS — keeping America safe.

Our Mission

Below are a select of measures that describe how our mission programs drive to deliver our mission that make up our strategic plan. For the most up to date information on the Department's strategic plan, visit our website at <https://www.dhs.gov/mission>

1. Counter Terrorism and Homeland Security Threats

- Transportation Security Administration (TSA): Secure Flight automated vetting system ensures the traveling public that all domestic air passengers have undergone checking against the existing high-risk watch lists. For the past four consecutive years, the Secure Flight system successfully processed 100 percent of passenger data submissions received from the airlines against the existing watch lists.
- U.S. Secret Service (USSS): With coordinated efforts across several specialized resources and advanced countermeasures, the USSS executes security operations that deter, minimize, and decisively respond to identified threats and vulnerabilities to keep protectees safe during arrival and departure. The USSS has achieved the performance target of 100 percent over the past five years.
- Office of Operations Coordination (OPS): OPS utilizes Event Management system to

effectively provide Federal security support of large public/community special events. OPS provided timely support to state and local events 94.4 percent of the time in FY 2020. It was a decline in overall performance based on historical trends due to system technical issues, a significant increase in National Special Events Data Call events during the first quarter, and an unexpected surge activity during the second quarter of FY 2020. The technology used for inputs has been updated to improve performance in FY 2021 as well as addressing issues related to surge activity.

2. Secure U.S. Borders and Approaches

- U.S. Customs and Border Protection (CBP): The Border Patrol uses the rate of interdiction effectiveness as an important indicator of the effectiveness of law enforcement and response efforts to apprehend detected illegal border crossers and as a key indicator of the status of Operational Control (OPCON) over the U.S. border. The rate of interdiction effectiveness along the Southwest Border between ports of entry was at 79.4% in FY 2020, compared to 86.3% in FY 2019. The result for this measure was greater in FY 2019 due largely to the unprecedented mass illegal migration and the nontypical encounter where most of these people voluntarily surrendered to Border Patrol Agents. Improved detection and tracking tools resulted in better awareness of illegal crossing activity.
- U.S. Coast Guard (USCG): The USCG conducts patrols and coordinates with other federal agencies and foreign countries to interdict migrants at sea, denying them entry via maritime routes to the United States, its territories, and possessions. While the migrant interdiction rate has fluctuated over the past five years, the percent of detected migrants who were interdicted by the USCG and partner nations via maritime routes was at 77.3% in FY 2020, compared to 86.1% in FY 2019. Partner nation interdictions make up approximately 50 percent of the migrants interdicted in the maritime domain.
- U.S. Immigration and Customs Enforcement (ICE): The total number of illegal immigrants returned and/or removed from the United States by ICE Enforcement and Removal Operation was at 185,884 people in FY 2020, compared to 267,258 people in FY 2019. The decrease in removal actions is, in part, driven by less overall migration due to the pandemic, as well as other policy-related factors such as the effects of Migrant Protection Protocols and humanitarian efforts impacting arrests. COVID-19 in conjunction with CDC guidance not to exceed 70% detention capacity also impacted removals.

3. Secure Cyberspace and Critical Infrastructure

- Cybersecurity and Infrastructure Security Agency (CISA): CISA provides cyber hygiene scanning to federal agencies to aid in identifying and prioritizing vulnerabilities based on their severity for agencies to make risk-based decisions regarding their network security. For critical vulnerabilities, mitigation is required within 15 days from point of initial detection, and for high vulnerabilities mitigation is required within 30 days. With Binding Operational Directive 19-02 in effect since April 2019, federal agencies are

demonstrating progress in addressing vulnerabilities within required timelines. This is evidenced by an increase of the percent of critical and high vulnerabilities identified through cyber hygiene scanning mitigated within the designated timeframe in FY 2020 to 75 percent, significant up from 59% in FY 2019.

- CISA, the National Risk Management Center (NRMCC): The NRMCC, as the Department's planning, analysis, and collaboration center, is working to bring the private sector, government agencies, and other key stakeholders together to identify, analyze, prioritize, and manage the most significant risks to our critical infrastructure. Since the nation's critical infrastructure is largely owned and operated by the private sector, managing risk is a priority shared by industry and government.

4. Preserve and Uphold the Nation's Prosperity and Economic Security

- U.S. Customs and Border Protection (CBP): Ensuring all imports are legally compliant and that their entry records contain no major discrepancies facilitates lawful trade, CBP, the importing community, and our federal partners have a shared responsibility to maximize compliance with laws and regulations. The percent of imports compliant with U.S. trade laws was at 98.4% in both FY 2020 and FY 2019, compared to 98.7% in FY 2019. While the expansion of e-commerce has led to greater trade facilitation, its overall growth has facilitated online trafficking in counterfeit and pirated goods that are typically shipped through international mail and express courier services and account for approximately 90 percent of counterfeit seizures.
- USCG: The availability of maritime navigation aids achieved 96.5% in FY 2020, a slight down compared to 96.8% in FY 2019. While Aids to Navigation (ATON) damage from hurricanes over the past several years has, for the most part, been addressed, resource availability continues to impact program success. The USCG is exploring solutions to mitigate this risk.
- USSS: The amount of cyber-financial crime achieved \$2.60 billion in loss prevention in FY 2020, compared to \$7.1 billion in FY 2019. The disparity from FY 2019 is the result of a very large case closure in FY 2019 (more than \$4 billion) and the impact of COVID-19 in FY 2020. The USSS relies on partnerships with a variety of other law enforcement agencies to investigate highly complex cyber-financial criminal investigations; however, due to COVID-19, investigations have been impacted and the U.S. court system has slowed. In addition, as a result of the pandemic, the USSS has continually adapted to safeguard the integrity of the financial system and has swiftly reacted to fraudulent activity associated with the pandemic and the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). In FY 2020, the pace of USSS investigations did not decrease, and these investigations resulted in 1,620 arrests.

5. Strengthen Preparedness and Resilience

- CISA: By ensuring the connection of calls for first responders and government officials

during a disaster, the percent of calls by National Security/Emergency Preparedness users that DHS ensured were connected is used to gauge the reliability and effectiveness of the Government Emergency Telecommunications Service (GETS) to ensure accessibility by authorized users at any time. In FY 2020, this measure achieved 99.7 percent call completion which is above target and in-line with results over the past five years. Due to COVID-19, there was an approximately 25 percent increase in call volume using GETS. By ensuring effective emergency communications, DHS contributes to a national effective emergency response effort which helps strengthen national preparedness and resilience.

- Federal Emergency Management Agency (FEMA): The percent of adults that took multiple preparedness actions at their workplace, school, home, or other community location in the past year has increased to 68% in FY 2020, compared to 62% in FY 2019. This is the second year for this measure reporting results. FEMA emphasizes the importance of a national approach to preparedness and will use results from this measure to assess the agency's effectiveness. These efforts help motivate communities and individuals to act and to serve as a contributing factor to the increase in preparedness actions.

Financial Position & Condition

The Department's principal financial statements – Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, Statements of Custodial Activity, and notes to the principal financial statements – report the financial position and results of the Department and have been prepared in accordance with U.S. generally accepted accounting principles. For complete statements with accompanying notes, as well as the auditor's opinion, visit our website at <https://www.dhs.gov/performance-financial-reports>.

The Balance Sheet presents the resources owned or managed by the Department that have future economic benefits (assets) and the amounts owed by DHS that will require future payments (liabilities). The difference between the Department's assets and liabilities is the residual amount retained by DHS (net position) that is available for future programs and capital investments.

Financial Position (\$ in millions)	FY 2020	FY 2019	\$ Change	% Change
Fund Balance with Treasury	\$ 131,013	\$ 108,971	\$ 22,042	20%
Property, Plant, and Equipment	26,561	24,673	1,888	8%
Other Assets	25,435	24,455	980	4%
Total Assets	183,009	158,099	24,910	16%
Federal Employee and Veterans' Benefits	69,814	65,107	4,707	7%
Debt	20,596	20,596	-	0%
Accounts Payable	5,274	4,464	810	18%
Deferred Revenue and Advances	3,163	3,001	162	5%
Insurance Liabilities	2,830	3,389	(559)	-16%
Accrued Payroll	3,404	2,889	515	18%
Other Liabilities	28,350	13,463	14,887	>100%
Total Liabilities	133,431	112,909	20,522	18%
Total Net Position	49,578	45,190	4,388	10%
Total Liabilities and Net Position	\$ 183,009	\$ 158,099	\$ 24,910	16%

Assets – What We Own and Why

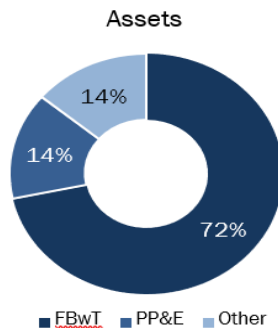
Assets represent amounts owned or managed by the Department that can be used to accomplish its mission.

The Department's largest asset is *Fund Balance with Treasury (FBwT)*, which consists primarily of appropriated, revolving, trust, deposit, receipt, and special funds remaining at the end of the fiscal year.

Property, Plant, and Equipment (PP&E) is the second largest asset, and include buildings and facilities, vessels, aircraft, construction in progress, and other equipment. In acquiring these assets, the Department either spent resources or incurred a liability to make payment at a future date; however, because these assets should provide future benefits to help accomplish the DHS mission, the Department reports these items as assets rather than expenses.

Other Assets includes items such as investments, accounts receivable, cash and other monetary assets, taxes, duties and trade receivables, direct loans, and inventory and related property.

As of September 30, 2020, the Department had \$183 billion in assets, representing a \$24.9 billion increase from FY 2019. The majority of this change is due to an increase in Fund Balance with Treasury resulting from additional supplemental appropriations received under the CARES Act (see Note 31 in the Financial Information section).



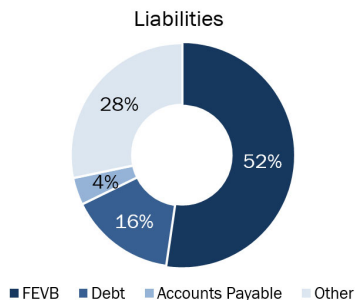
Liabilities – What We Owe and Why

Liabilities are the amounts owed to the public or other federal agencies for goods and services provided but not yet paid for; to DHS employees for wages and future benefits; and for other liabilities.

The Department's largest liability is for *Federal Employee and Veterans' Benefits (FEVB)*. The Department owes these amounts to current and past civilian and military personnel for pension and other post-employment benefits. The liability also includes medical costs for approved workers' compensation cases. For more information, see Notes 14 and 16 in the Financial Information section.

Debt is the second largest liability, and results from Treasury loans to fund FEMA's National Flood Insurance Program (NFIP) and Disaster Assistance Direct Loan Program. Further information can be found in Note 15 in the Financial Information Section.

Accounts Payable consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due to other entities.

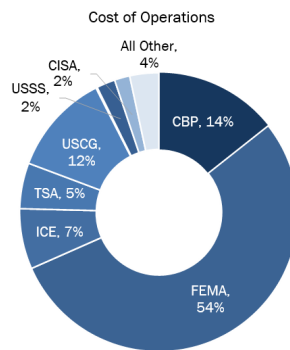


Other Liabilities include amounts owed to other federal agencies and the public for goods and services received by the Department, amounts received by the Department for goods or services that have not been fully rendered, unpaid wages and benefits for current DHS employees, and amounts due to the Treasury's general fund, environmental liabilities, refunds and drawbacks, and other. This includes grants provided by FEMA to participating states, territories, and the District of Columbia for lost wage assistance.

As of September 30, 2020, the Department reported approximately \$133.4 billion in total liabilities. Total liabilities increased by \$20.5 billion in FY 2020 mostly due to FEMA's Lost Wages Assistance Program in addition to FEMA's grants payable activity related to disasters including fires, hurricanes and COVID 19 (see Note 18 in the Financial Information section). FEMA continues to work with the state and territorial governments (including the District of Columbia) that have chosen to participate in the Lost Wages Assistance Program to provide up to six weeks of assistance to eligible individual claimants that were unemployed or partially underemployed due to COVID-19 disruptions.

Net Position

Net position represents the accumulation of revenue, expenses, budgetary, and other financing sources since inception, as represented by an agency's balances in unexpended appropriations and cumulative results of operations on the Statement of Changes in Net Position. Financing sources increase net position and include, but are not limited to, appropriations, user fees, and excise taxes. The net costs discussed in the section below as well as transfers to other agencies decrease net position. The Department's total net position is \$49.6 billion. Total net position increased \$4.4 billion from FY 2019, in large part because of the additional supplemental appropriation received by FEMA for COVID-19.



In response to the national public health and economic threats, serious and widespread health issues and economic disruptions caused by COVID-19, DHS received and executed significant funding from the CARES Act to support our essential missions and to respond to our nations' needs, including personal protective equipment, temporary medical facilities, and lost wages assistance. For the Statement of Changes in Net Position, visit our website at <https://www.dhs.gov/performance-financial-reports>

Budget & Financing Sources

Budgetary accounting principles require recognition of the obligation of funds according to legal

requirements, which in many cases happens prior to the transaction under accrual basis. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds. The budget represents our plan for efficiently and effectively achieving the strategic objectives to carry out our mission and to ensure that the Department manages its operations within the appropriated amounts using budgetary controls.

Sources of Funds (\$ in millions)	FY 2020	FY 2019	\$ Change	% Change
Unobligated Balance from Prior Year Authority	\$ 51,848	\$ 50,768	\$ 1,080	2%
Appropriations	133,025	76,512	56,513	74%
Spending Authority from Offsetting Collections	11,732	12,738	(1,006)	-8%
Borrowing Authority	33	67	(34)	-51%
Total Budgetary Authority	<u>\$ 196,638</u>	<u>\$ 140,085</u>	<u>\$ 56,553</u>	40%

Budgetary resources increased approximately \$56.6 billion from FY 2019. This is mainly due to additional supplemental appropriation for COVID-19.

Of the total budget authority available, the Department incurred a total of \$160.5 billion in obligations from salaries and benefits, purchase orders placed, contracts awarded, or similar transactions.

Custodial Activities

Custodial activity includes the revenue collected by the Department on behalf of others, and the disposition of that revenue to the recipient entities. Non-exchange revenue is either retained by the Department to further its mission or transferred to Treasury's general fund and other federal agencies. The Statement of Custodial Activity is prepared using the modified cash basis. With this method, revenue from cash collections is reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals.

Cash Collections (\$ in millions)	FY 2020	FY 2019	\$ Change	% Change
Cash Collections from Duties	\$ 74,401	\$ 71,902	\$ 2,499	3%
Excise Tax	3,967	3,889	78	2%
Other	1,706	2,058	(352)	-17%
Total Cash Collections	<u>\$ 80,074</u>	<u>\$ 77,849</u>	<u>\$ 2,225</u>	3%

The Department's total cash collections is \$80 billion. Total cash collections increased \$2.2 billion from FY 2019 due to tariffs placed on products from certain countries.

Commented [SR1]: Based on FASAB comments and observations, the Department would look into expanding on tariff and provide additional details as needed and available for FY21.

Key Financial & Performance Results

Results of Operations (\$ in millions)	FY 2020	FY 2019	\$ Change	% Change
Gross Cost	\$ 127,215	\$ 80,818	\$ 46,397	57%
Less: Revenue Earned	(14,874)	(15,655)	781	-5%
Net Cost Before Gains and Losses on Assumption Changes	112,341	65,163	47,151	72%
(Gains) and Losses on Assumption Changes	3,061	924	2,137	>100%
Total Net Cost	<u>\$ 115,402</u>	<u>\$ 66,087</u>	<u>\$ 49,315</u>	75%

The Department presents net costs by operational Components which carry out DHS's major mission activities, with the remaining support Components representing "All Other." Net cost of operations, before gains and losses, represents the difference between the costs incurred and revenue earned by DHS programs. The Department's net cost of operations, before gains and losses, was \$112.3 billion in FY 2020. DHS recognized increased costs of \$47.1 billion in FY 2020 due to costs associated with disaster responses to COVID-19, hurricanes, and wildfires.

Commented [SR2]: For FY21, the Department would look into expanding on fluctuations related to SNC and provide additional details on significant changes.

During FY 2020, the Department earned approximately \$14.9 billion in exchange revenue. Exchange revenue arises from transactions in which the Department and the other party receive value and that are directly related to departmental operations. The Department also collects non-exchange duties, taxes, and fee revenue on behalf of the Federal Government. This non-exchange revenue is presented in the Statements of Custodial Activity or Statements of Changes in Net Position, rather than the Statements of Net Cost.

Supplementary Stewardship Information

Commented [SR3]: For FY21, the Department would look at expanding on Supplementary Stewardship Information as information is available.

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation. When incurred, stewardship investments are treated as expenses in calculating net cost, but due to materiality, they are separately reported to highlight the extent of investments that are made for long-term benefit. The Department's expenditures (including carryover funds expended in FY 2020) in human capital, research and development, and non-federal physical property are shown below.

Investments in Research and Development

Investments in research and development represent expenses incurred to support the search for new or refined knowledge and ideas. The intent of the investment is to apply or use such knowledge to improve and develop new products and processes with the expectation of maintaining or increasing national productive capacity or yielding other future benefits. S&T, CWMD, and USCG have made significant investments in research and development this fiscal year (in millions):

Components	FY 2020
S&T	\$ 827
CWMD	51
USCG	7
Total Research & Development	\$ 885

Investments in Human Capital

Investments in human capital include expenses incurred for programs to educate and train first responders. These programs are intended to increase or maintain national productive capacity as evidenced by the number of responders trained over the course of the programs. FEMA and S&T have made significant investments in human capital (in millions):

Components		FY 2020
FEMA		\$ 86
S&T		3
Total	Human	
Capital		\$ 89

Investments in Non-Federal Physical Property

Investments in non-federal physical property are expenses included in the calculation of net cost incurred by the reporting entity for the purchase, construction, or major renovation of physical property owned by state and local governments. TSA has made significant investments in non-federal physical property (in millions):

Components	FY 2020
TSA	\$ 191
Total Non-Federal Physical Property	\$ 191

Enterprise Risk Management

DHS Components are at different stages of ERM maturity and some Components have begun embedding the ERM framework into their statement of assurance process. The Department will continue to mature in ERM capability and integrate its internal controls, as appropriate, and will update the Department's risk profile annually beginning in FY 2021.

To continue to achieve and exceed the expectations of our stakeholders with regards to accurate, transparent, and timely financial information, DHS earning its 8th consecutive unmodified (clean) audit opinion on our financial statements for FY 2020 demonstrates this commitment. This accomplishment is not only prioritized but also achieved every year.

In FY 2019, management reported two areas of material weaknesses: 1) financial reporting and 2) IT controls and system functionality. In FY 2020, DHS made significant improvements in remediating areas of material weaknesses and worked to resolve financial reporting deficiencies through targeted remediation. Refer to the tables below for areas contributing to the financial reporting and IT controls and information systems areas of material weakness along with appropriate corrective actions planned in FY 2021.

Due to financial management system limitations at select Components, the Department does not fully comply with government-wide requirements, including federal accounting standards and application of the United States Standard General Ledger at the transaction level. In addition, the area of material weakness related to Information Technology Controls and Information Systems stated above affects the Department's ability to substantially comply with the federal Financial Management Improvement Act of 1996 (FFMIA) financial management system requirements.

Commented [SR4]: For FY21, The Department will look into expanding on Enterprise Risk Management by:

- Discussing the Department's scope with risks or how to deal with anything low appetite across the Department
- Talk about mitigation risks for FY21
- Discuss essential conditions, what the Department is doing to manage the conditions currently and in the future.
- Discuss efforts on keeping information reliable.

Therefore, the Department is reporting a noncompliance with FFMIA and Section 4 of FMFIA.

Table 1: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – Financial Reporting

Area of Material Weakness	DHS Component(s)	Year Identified	Target Correction Date
	All	FY 2003	FY 2021
Financial Reporting	<p>Multiple deficiency areas exist that are attributed to the financial reporting area of material weakness, which include the following:</p> <ul style="list-style-type: none"> <i>Journal Entry / On-Top Adjustments and Beginning Balances</i> (Contributing Component(s): CBP, FEMA, MGMT, & USCG) <ul style="list-style-type: none"> <u>Deficiency Details</u> <ul style="list-style-type: none"> USCG determined that controls over the journal entry / on-top adjustment process and beginning balances were not operating effectively in FY 2020 and could not provide reasonable assurance that risks had been sufficiently mitigated. In addition, ineffective IT system controls have contributed to this area, due to system risk around the integrity of data and automated controls. Refer to the IT Controls and Information Systems area of material weakness and corrective actions for more detail. Process deficiencies related to reviews, validations, and USSGL accounts used regarding manual journal entries were noted at CBP, FEMA, and MGMT. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> USCG will test the journal entry / on-top adjustment process as part of its annual assessment. In addition, USCG will continue to improve its procedures and supporting documentation to better explain and support the respective entries. Process improvements for manual journal entries will be developed, implemented, and assessed in accordance with Component remediation plans. <i>Other</i> (Contributing Component(s): All) <ul style="list-style-type: none"> <u>Deficiency Details</u> <ul style="list-style-type: none"> Several deficiencies aggregated to substantiate inclusion into this area of material weakness. These include 1) lack of monitoring of service providers, 2) ineffective controls over system generated data and reports, commonly referred to as information produced by the entity (IPE), and 3) inability to record trading partner activity at the initiation of the transaction event due to system limitations. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> For service provider monitoring controls, DHS continues to build improvements utilizing a risk-based management program to provide monitoring and oversight of service providers. DHS will utilize a similar risk-based strategy for identifying and assessing IPE going forward with anticipation that this will be a multi-phased effort. DHS is in the process of implementing G-Invoicing which will help reduce the risk of system limitations. 		

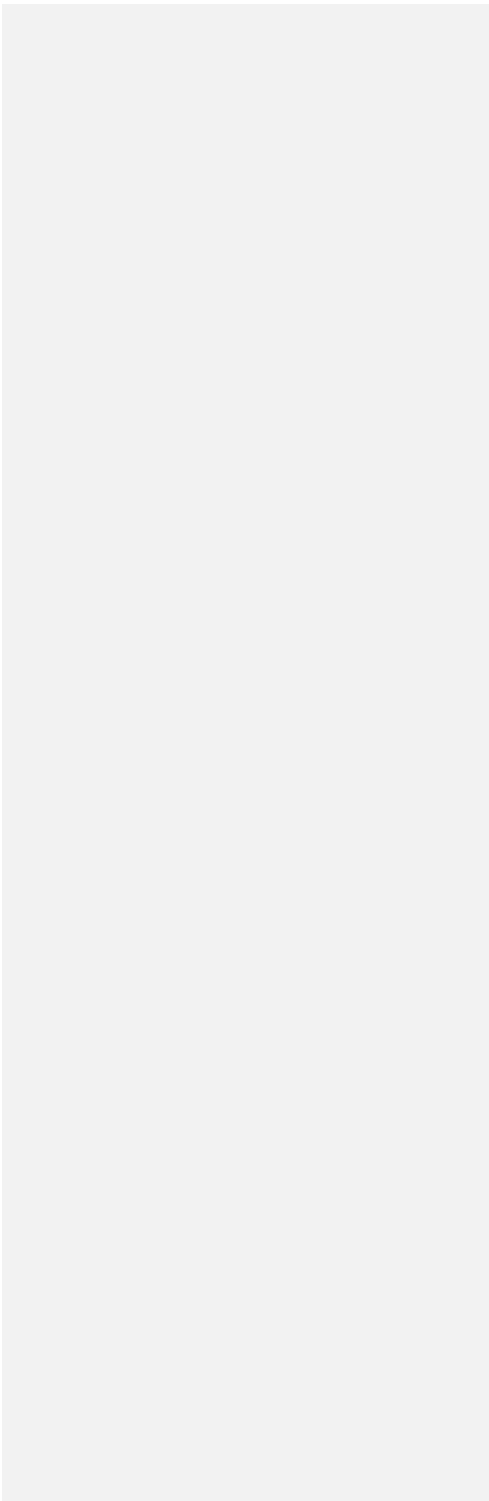


Table 2: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – IT Controls and Information Systems

Area of Material Weakness	DHS Component(s)	Year Identified	Target Correction Date
	All	FY 2003	FY 2023
IT Controls and Information Systems	Multiple deficiency areas exist that are attributed to the IT controls and system functionality area of material weakness, which include the following:		
	<ul style="list-style-type: none"> <i>Financial System Requirements</i> (Contributing Component(s): All) <u>Deficiency Details</u> <ul style="list-style-type: none"> The Federal Information Security Management Act (FISMA) mandates that federal agencies maintain IT security programs in accordance with OMB and National Institute of Standards and Technology guidance. The Department internal control assessment identified IT controls as a material weakness due to deficiencies surrounding general security and application controls. As a result of the noted deficiencies, the Department's financial systems are unable to fully comply with the FFMA. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> Components will continue to implement the find, fix, test strategy in FY 2021. The IT Commitment Letters, signed by both the respective CFO and the Chief Information Officer (CIO) leadership, require each Component to commit to testing as well as provide commitment to passing results for each system and control in scope. The DHS CFO, CIO, and Component leadership will support the Components in the design and implementation of internal controls in accordance with DHS policy requirements defined for CFO Designated Financial Systems. 		
	<ul style="list-style-type: none"> <i>System Functionality / Information Derived from Systems</i> (Contributing Component(s): All) <u>Deficiency Details</u> <ul style="list-style-type: none"> Ineffective IT security control and inadequate application / functionality controls impact the ability for management to fully rely on system generated data and reports without putting the processes utilizing this information at risk. Currently, these deficiencies are directly associated with financial system requirement deficiencies. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> Components will continue to improve and enhance IT security, as noted above for Financial System Requirements. As IT security enhances reliability, DHS will also work to incorporate the find, fix, test strategy to gain coverage over application / functionality controls. In FY 2021, in addition to fixing long-standing IT control weaknesses, DHS will implement a risk-based strategy for identifying and testing IPE and/or information derived from systems. DHS will also establish an approach to assess the key functionality of systems that have sufficient IT security controls established. 		
	<ul style="list-style-type: none"> <i>Service Provider Monitoring</i> (Contributing Component(s): All) <u>Deficiency Details</u> <ul style="list-style-type: none"> The Department did not maintain effective internal control related to service organizations, including evaluating and documenting roles of service organizations, performing effective reviews of service organization control (SOC) reports, and addressing service provider risk in absence of SOC reports. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> For service provider monitoring controls, DHS continues to build improvements utilizing a risk-based management program to provide monitoring and oversight of service providers. 		

Table 3: FFMIA Non-compliance Details and Corrective Actions

Area of Non-compliance	DHS Component(s)	Year Identified	Target Correction Date
	All	FY 2003	FY 2023
FFMIA	<p>Multiple deficiency areas exist that are attributed to the FFMIA area of non-compliance, which include the following:</p> <ul style="list-style-type: none"> <i>Financial System Requirements</i> (Contributing Component(s): All) <ul style="list-style-type: none"> <u>Non-compliance Details</u> <ul style="list-style-type: none"> DHS does not substantially comply with FFMIA primarily due to lack of compliance with financial system requirements as disclosed in the IT Controls and System Functionality area of material weakness. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> Refer to the corrective actions planned for the IT Controls and System Functionality area of material weakness. <i>Federal Accounting and U.S. Standard General Ledger (USSGL) Requirements</i> (Contributing Component(s): USCG, CBP, and ICE) <ul style="list-style-type: none"> <u>Non-compliance Details</u> <ul style="list-style-type: none"> USCG, CBP, and ICE noted that certain key systems are unable to produce transaction level activity that reconciles at the USSGL-level. USCG also reported a lack of compliance as its financial and mixed systems do not allow for financial statements and budgets to be prepared, executed, and reported fully in accordance with the requirements prescribed by the OMB, Treasury, and the Federal Accounting Standards Advisory Board. <u>Planned Corrective Actions</u> <ul style="list-style-type: none"> DHS CFO and Components will continue to design, document, and implement compensating controls to reduce the severity of legacy system application / functionality limitations. 		

Financial Information

Financial Statements

Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2020 and 2019
(In Millions)

	<u>2020</u>	<u>2019</u>
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 131,013	\$ 108,971
Investments, Net (Note 5)	11,087	10,352
Accounts Receivable (Note 6)	1,467	342
Other (Note 13)	862	542
Total Intragovernmental	\$ 144,429	\$ 120,207
 Cash and Other Monetary Assets (Note 4)	 77	 67
Accounts Receivable, Net (Note 6)	1,743	2,121
Taxes, Duties, and Trade Receivables, Net (Note 7)	6,783	7,732
Direct Loans, Net (Note 8)	66	73
Inventory and Related Property, Net (Note 9)	2,384	2,295
General Property, Plant, and Equipment, Net (Note 11)	26,561	24,673
Other (Note 13)	966	931
TOTAL ASSETS	<u>\$ 183,009</u>	<u>\$ 158,099</u>
 Stewardship Property, Plant, and Equipment (Note 12)		
 LIABILITIES (Note 14)		
Intragovernmental		
Accounts Payable	\$ 2,143	\$ 2,064
Debt (Note 15)	20,596	20,596
Other (Note 18)		
Due to the General Fund	6,773	7,727
Accrued FECA Liability	414	489
Other	1,034	535
Total Intragovernmental	\$ 30,960	\$ 31,411
 Accounts Payable	 3,131	 2,400
Federal Employee and Veterans' Benefits (Note 16)	69,814	65,107
Environmental and Disposal Liabilities (Note 17)	622	624
Other (Notes 18, 19, 20, and 21)		
Accrued Payroll and Benefits	3,404	2,889
Deferred Revenue and Advances from Others	3,163	3,001
Insurance Liabilities	2,830	3,389
Refunds and Drawbacks	552	328
Other	18,955	3,760
Total Liabilities	<u>\$ 133,431</u>	<u>\$ 112,909</u>

Commitments and Contingencies (Note 21)

(Continued)

**Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2020 and 2019
(In Millions)**

	<u>2020</u>	<u>2019</u>
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations-Other Funds (Combined)	\$ 94,375	\$ 87,723
Cumulative Results of Operations		
Cumulative Results of Operations-Funds from Dedicated Collections (Note 22) (Combined)	(2,598)	(3,789)
Cumulative Results of Operations-Other Funds (Combined)	(42,199)	(38,744)
Total Net Position	<u>\$ 49,578</u>	<u>\$ 45,190</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 183,009</u>	 <u>\$ 158,099</u>

The accompanying notes are an integral part of these statements.

Financial Information

Department of Homeland Security
Consolidated Statements of Net Cost
For the Years Ended September 30, 2020 and 2019
(In Millions)

	<u>2020</u>	<u>2019</u>
Operational Components		
U.S. Customs and Border Protection		
Gross Cost	\$ 16,394	\$ 15,847
Less Earned Revenue	(275)	(231)
Net Cost	<u>16,119</u>	<u>15,616</u>
Federal Emergency Management Agency		
Gross Cost	66,661	21,542
Less Earned Revenue	(5,958)	(4,485)
Net Cost	<u>60,703</u>	<u>17,057</u>
U.S. Immigration and Customs Enforcement		
Gross Cost	8,019	8,282
Less Earned Revenue	(147)	(201)
Net Cost	<u>7,872</u>	<u>8,081</u>
Transportation Security Administration		
Gross Cost	8,468	8,621
Less Earned Revenue	(2,488)	(4,614)
Net Cost	<u>5,980</u>	<u>4,007</u>
U.S. Coast Guard		
Gross Cost	13,703	13,135
Less Earned Revenue	(435)	(382)
Net Cost	<u>13,268</u>	<u>12,753</u>
U.S. Citizenship and Immigration Services		
Gross Cost	4,428	4,194
Less Earned Revenue	(4,249)	(4,463)
Net Cost	<u>179</u>	<u>(269)</u>
U.S. Secret Service		
Gross Cost	2,440	2,488
Less Earned Revenue	(18)	(11)
Net Cost	<u>2,422</u>	<u>2,477</u>
Cybersecurity and Infrastructure Agency		
Gross Cost	2,008	2,969
Less Earned Revenue	(2)	(1,205)
Net Cost	<u>2,006</u>	<u>1,764</u>

Department of Homeland Security
Consolidated Statements of Net Cost
For the Years Ended September 30, 2020 and 2019
(In Millions)

	<u>2020</u>	<u>2019</u>
Departmental Operations and Other Support Components		
Gross Cost	5,094	3,740
Less Earned Revenue	<u>(1,302)</u>	<u>(63)</u>
Net Cost	<u>3,792</u>	<u>3,677</u>
Total Department of Homeland Security		
Gross Cost	127,215	80,818
Less Earned Revenue	<u>(14,874)</u>	<u>(15,655)</u>
Net Cost Before (Gain)/Loss on Pension, ORB, or OPEB		
Assumption Changes	112,341	65,163
(Gain)/Loss on Pension, ORB, or OPEB Assumption		
Changes (Note 16)	<u>3,061</u>	<u>924</u>
NET COST OF OPERATIONS	<u>\$ 115,402</u>	<u>\$ 66,087</u>

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Changes in Net Position
For the Year Ended September 30, 2020
(In Millions)

	2020			
	Combined Funds from Dedicated Collections (Note 22)	Combined All Other Funds	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balances	\$ -	\$ 87,723	\$ -	\$ 87,723
Budgetary Financing Sources:				
Appropriations Received	-	115,893	-	115,893
Appropriations Transferred In/(Out)	-	267	-	267
Other Adjustments	-	(1,365)	-	(1,365)
Appropriations Used	-	(108,143)	-	(108,143)
Total Budgetary Financing Sources	-	6,652	-	6,652
Total Unexpended Appropriations	\$ -	\$ 94,375	\$ -	\$ 94,375
Cumulative Results of Operations:				
Beginning Balances	(3,789)	(38,744)	-	(42,533)
Budgetary Financing Sources:				
Other Adjustments	(3)	-	-	(3)
Appropriations Used	-	108,143	-	108,143
Non-Exchange Revenue	2,220	2	(1)	2,223
Donations and Forfeitures of Cash and Cash Equivalents	4	-	-	4
Transfers In/(Out) without Reimbursement	(3,441)	3,080	(19)	(342)
Other Financing Sources (Non-exchange):				
Donations and Forfeitures of Property	-	14	-	14
Transfers In/(Out) without Reimbursement	(128)	292	19	145
Imputed Financing	223	1,433	8	1,648
Other	2,880	(1,573)	1	1,306
Total Financing Sources	1,755	111,391	8	113,138
Net Cost of Operations	(564)	(114,846)	(8)	(115,402)
Net Change	1,191	(3,455)	-	(2,264)
Cumulative Results of Operations	\$ (2,598)	\$ (42,199)	\$ -	\$ (44,797)
NET POSITION	\$ (2,598)	\$ 52,176	\$ -	\$ 49,578

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Changes in Net Position
For the Year Ended September 30, 2019
(In Millions)

	2019			
	Combined Funds from Dedicated Collections (Note 22)	Combined All Other Funds	Eliminations	Consolidated Total
Unexpended Appropriations				
Beginning Balances	\$ -	\$ 84,662	\$ -	\$ 84,662
Budgetary Financing Sources:				
Appropriations Received	-	62,710	-	62,710
Appropriations Transferred In/(Out)	-	(151)	-	(151)
Other Adjustments	-	(754)	-	(754)
Appropriations Used	-	(58,744)	-	(58,744)
Total Budgetary Financing Sources	-	3,061	-	3,061
Total Unexpended Appropriations	\$ -	\$ 87,723	\$ -	\$ 87,723
Cumulative Results of Operations				
Beginning Balances	(4,451)	(37,415)	-	(41,866)
Budgetary Financing Sources:				
Other Adjustments	-	(1)	-	(1)
Appropriations Used	-	58,744	-	58,744
Non-Exchange Revenue	2,425	4	5	2,424
Donations and Forfeitures of Cash and Cash Equivalents	4	-	-	4
Transfers In/(Out) without Reimbursement	(3,885)	3,944	-	59
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Property	-	1	-	1
Transfers In/(Out) without Reimbursement	(174)	314	-	140
Imputed Financing	244	1,658	75	1,827
Other	3,725	(1,503)	-	2,222
Total Financing Sources	2,339	63,161	80	65,420
Net Cost of Operations	(1,677)	(64,490)	(80)	(66,087)
Net Change	662	(1,329)	-	(667)
Cumulative Results of Operations	\$ (3,789)	\$ (38,744)	\$ -	\$ (42,533)
NET POSITION	\$ (3,789)	\$ 48,979	\$ -	\$ 45,190

The accompanying notes are an integral part of these statements.

Financial Information

Department of Homeland Security
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2020 and 2019
(In Millions)

	<u>2020</u>		<u>2019</u>	
		Non- Budgetary Credit Reform Financing Accounts		Non- Budgetary Credit Reform Financing Accounts
	<u>Budgetary</u>		<u>Budgetary</u>	
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (Note 27)	51,835	13	50,767	1
Appropriations	133,025	-	76,512	-
Borrowing Authority (Note 23)	-	33	-	67
Spending Authority from Offsetting Collections	11,687	45	12,701	37
TOTAL BUDGETARY RESOURCES	\$ 196,547	\$ 91	\$ 139,980	\$ 105
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	\$ 160,441	\$ 91	\$ 91,446	\$ 105
Unobligated Balance, End of Year				
Apportioned, Unexpired	33,286	-	45,702	-
Exempt from Apportionment, Unexpired	5	-	4	-
Unapportioned, Unexpired	1,078	-	1,231	-
Unexpired Unobligated Balance, End of Year	34,369	-	46,937	-
Expired Unobligated Balance, End of Year	1,737	-	1,597	-
Total Unobligated Balance, End of Year	36,106	-	48,534	-
TOTAL BUDGETARY RESOURCES	\$ 196,547	\$ 91	\$ 139,980	\$ 105
OUTLAYS NET	110,355	-	71,444	-
Distributed Offsetting Receipts	(11,291)	-	(12,417)	-
AGENCY OUTLAYS, NET	\$ 99,064	\$ -	\$ 59,027	\$ -
Disbursements, Net (total) (mandatory)		\$ -		\$ 62

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Custodial Activity
For the Years Ended September 30, 2020 and 2019
(In Millions)

	<u>2020</u>	<u>2019</u>
Revenue Activity (Note 28)		
Sources of Cash Collections:		
Duties	\$ 74,401	\$ 71,902
User Fees	1,421	1,678
Excise Taxes	3,967	3,889
Fines and Penalties	84	130
Interest	91	44
Miscellaneous	110	206
Total Cash Collections	<u>80,074</u>	<u>77,849</u>
Accrual Adjustments, Net	<u>(1,217)</u>	<u>2,952</u>
Total Custodial Revenue	<u>78,857</u>	<u>80,801</u>
Disposition of Collections		
Transferred to Federal Entities:		
U.S. Department of Agriculture	22,537	21,779
Treasury General Fund Accounts	48,370	51,468
U.S. Army Corps of Engineers	1,310	1,556
Other Federal Agencies	49	41
Transferred to Non-Federal Entities	76	170
(Increase)/Decrease in Amounts Yet to be Transferred	(1,094)	2,956
Refunds and Drawbacks (Note 18)	<u>7,609</u>	<u>2,831</u>
Total Disposition of Collections	<u>78,857</u>	<u>80,801</u>
NET CUSTODIAL ACTIVITY	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Department of Education
Sample MD&A Based on FY2020 Agency Financial Report

Including FY2020 Financial Statements

ABOUT THE DEPARTMENT

OUR MISSION

The U.S. Department of Education's mission is *to promote student achievement and preparation for global competitiveness by fostering educational excellence and ensuring equal access.*

Who We Are. In 1867, the federal government recognized that furthering education was a national priority and created a federal education agency to collect and report statistical data. The Department was established as a cabinet-level agency in 1980. Today, the Department supports programs in every area and level of education from preschool through postdoctoral research.

The **Department** makes funds and information available to individuals pursuing an education, colleges and universities, state education agencies, and school districts by engaging in four major categories of activities:

- Establishing policies related to federal education funding, including distributing funds, collecting on student loans, and using data to monitor the use of funds.
- Supporting data collection and research on America's schools.
- Identifying major issues in education and focusing national attention on them.
- Enforcing federal laws promoting equal access and prohibiting discrimination in programs that receive federal funds.

Our Public Benefit. The Department executes the laws passed by Congress to promote student academic achievement and preparation for global competitiveness. The Department works with students, parents, educational institutions, school districts, and states to foster educational excellence and to ensure equal access to a high quality education for all students. While recognizing the primary role of states and school districts in providing high quality education, the Department is committed to helping ensure students throughout the nation develop skills to succeed in school, pursue postsecondary options, and transition to the workforce. The Department's vision is to improve educational outcomes for all students.

Many of the Department's programs involve awarding grants to state and local educational agencies and providing grants and loans to postsecondary students. The Department's largest outlays are for its portfolio of student loans (see the Financial Highlights and Notes sections). Grant programs constitute the second-largest driver of outlays. The grant programs include: student aid to help pay for college through Pell Grants, Work Study, and other campus-based programs; grants awarded based on statutory formulas mostly for elementary and secondary education; and competitive grant programs to promote innovation. The Department also supports research, collects education statistics, and enforces civil rights statutes. We manage and spend financial resources on programs designed to support parents, teachers, principals, school leadership, institutions, and states in the pursuit of instilling knowledge and transferring skills to students.

OUR ORGANIZATION

A **link** coordinating structure of the Department is available.

THE DEPARTMENT'S APPROACH TO PERFORMANCE

PERFORMANCE MANAGEMENT FRAMEWORK

In accordance with the *GPRA Modernization Act of 2010*¹, the Department's framework for performance management starts with the four-year *Strategic Plan*, including its two-year Agency Priority Goals (APGs), which serve as the foundation for establishing and implementing long-term priorities and performance goals, objectives, and measures by which the Department can gauge achievement of its stated outcomes. Progress towards the Department's strategic goals and its APGs is measured using data-driven review and analysis. Additional information on performance management is available in the *Annual Performance Plans and Annual Performance Reports*.

The *FY 2018–22 Strategic Plan* is comprised of four strategic goals and five FY 2019-20 APGs. The *Strategic Plan* aims to align the Administration's yearly budget requests and the Department's legislative agenda, supported by the considerable experience and resources available from its staff. The Department continues to welcome input from Congress, state and local partners, and other education stakeholders about the *Strategic Plan*. Questions or comments about the *Strategic Plan* should be emailed to PIO@ed.gov.

The complete strategic plan is available: <https://www2.ed.gov/about/reports/strat/plan2018-22/strategic-plan.pdf>

¹ GPRA Modernization Act of 2010 amends the Government Performance and Results Act of 1993 (GPRA).

FINANCIAL HIGHLIGHTS

INTRODUCTION

This section provides summarized information and analyses about the Department's assets, liabilities, net position, sources and uses of funds, program costs, and related trend data as related to the financial statements.

Reliability of financial Information

Table 1. Key Financial Statement Changes

(Dollars in Billions)

Financial Statement Lines with Significant Changes	Amount		Total Changes		Changes Due to COVID-19	
	FY 2020	FY 2019	Amount	Percentage	Amount	Percentage
Balance Sheets						
Fund Balance with Treasury	\$136.0	\$104.9	\$31.1	29.6%	\$19.6	63.0%
Statements of Net Cost						
Expand Postsecondary Opportunities, Improve Outcomes to Foster Economic Opportunity, and Promote Productive Citizenry	149.4	116.0	33.4	28.8%	51.3	153.6%
Statements of Budgetary Resources						
Appropriations (Discretionary and Mandatory)	245.0	118.5	126.5	106.8%	73.2	57.9%
New Obligations and Upward Adjustments (Total)	430.8	323.1	107.7	33.3%	72.3	67.1%
Unobligated Balance, End of Year (Total)	42.6	35.1	7.5	21.4%	0.7	9.3%
Outlays, Net	218.0	116.6	101.4	87.0%	53.4	52.7%
Disbursements, Net	(42.9)	40.1	(83.0)	-207.0%	42.1	-50.7%

FINANCIAL STATEMENT IMPACTS OF COVID-19 ACTIVITIES

Most of the significant changes to the Department's financial statements resulted from the impacts due to COVID-19 activities. The *CARES Act* totaled roughly \$2 trillion dollars and included almost \$31 billion of direct appropriations to the Department for educational purposes. The largest component of this funding established a \$30.8 billion Education Stabilization Fund for K-12 and higher education. This fund is comprised of categories including: (1) the Elementary and Secondary School Emergency Relief Fund; (2) the Higher Education Emergency Relief Fund; (3) the Governor's Emergency Education Relief Fund; and (4) funds provided for outlying areas and discretionary grants. The *CARES Act* also provided other direct appropriations – primarily to fund increased grants for Safe Schools & Citizenship Education grants, Historically Black Colleges and Universities loan deferrals, and loan administration costs.

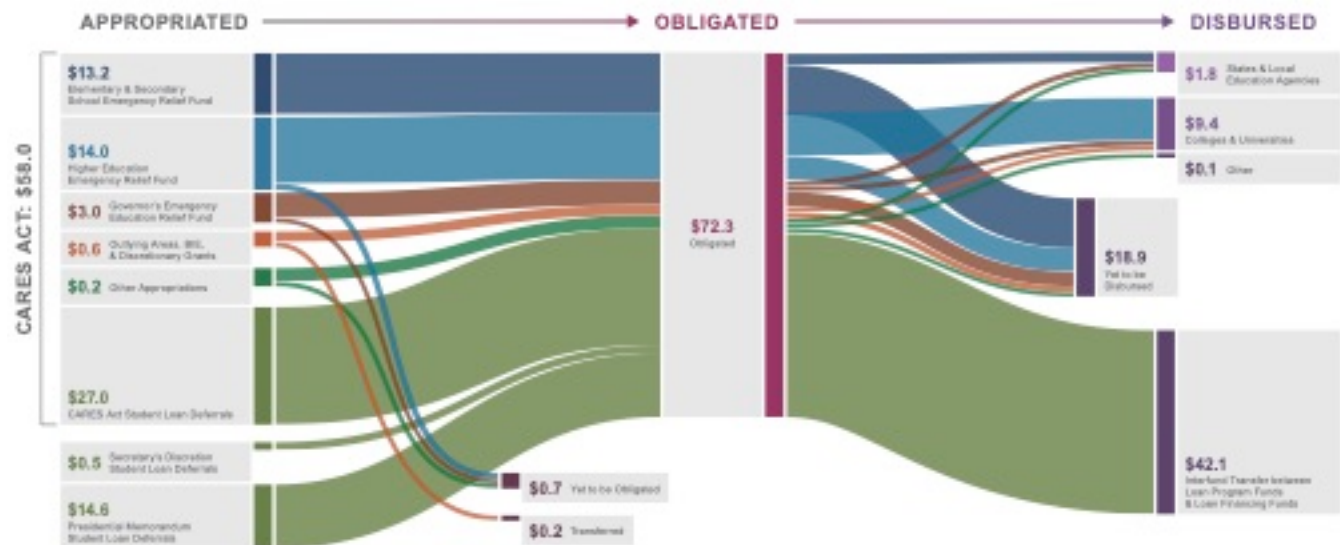
The *CARES Act* provided support for student loan borrowers, primarily by suspending nearly all federal loan payments until September 30, 2020, interest free. The Department extended certain provisions of the student loan deferrals not covered by the *CARES Act* to defaulted guaranteed loans held by the Department. The Administration subsequently issued a Presidential Memorandum which extended the student loan deferrals through December 31, 2020. The Department also stopped all federal wage garnishments and collection actions for borrowers with federally held loans in default. Funding for the student debt provisions of the *CARES Act* and the Presidential Memorandum are provided through indefinite appropriations.

The cost impacts of the student loan repayment deferrals were recorded as loan modifications, a component of subsidy expense, which reduced the overall loan receivable balances for the Direct Loan and Federal Family Education Loan (FFEL) programs by \$38.6 billion and \$3.3 billion, respectively. Detailed explanations of these loan modifications are provided in the Analysis of Direct Loan Program Subsidy Expense section beginning on page 16 and in Note 5 of the financial statements beginning on page 57.

The direct and indirect funding stemming from the *CARES Act* and the Presidential Memorandum is reflected in Figure 1.

Figure 1. COVID-19 Funding Flow

(Dollars in Billions)



BALANCE SHEETS

The consolidated balance sheets present, as of a specific point in time (the end of the fiscal year), the Department's total assets, total liabilities, and net position.

The Department's assets totaled \$1,309.4 billion as of September 30, 2020. As shown in Figure 2, the vast majority of the assets relate to credit program receivables, \$1,171.0 billion, which comprised 89.4 percent of all assets. Direct Loans comprise the largest share of these receivables. All other assets totaled \$138.4 billion, most of which was Fund Balance with Treasury.

The Department's liabilities totaled \$1,264.5 billion as of September 30, 2020. As shown in Figure 3, the vast majority of the Department's liabilities are also associated with credit programs, primarily amounts borrowed from the U.S.

Department of the Treasury (Treasury) to fund student loans. Debt associated with Direct Loans totaled \$1,160.1 billion as of September 30, 2020.

Figure 4 shows the changes in the Direct Loan receivables components over the past five years. The principal amount has continued to grow as the Direct Loan program has originated all new federal loans since July 2010, when originations of new FFEL loans ended. However, the rate of increase in principal has slowed, as the Direct Loan program has disbursed decreased amounts of new loans each year since FY 2016 as a result of stagnant and in some cases declining enrollment, while accrued interest amounts have increased as more loans have moved into active repayment statuses. Even so, new loan disbursements continue to exceed overall loan principal repayments—student loan borrowers have many options to stretch out their repayment terms and reduce their monthly payments.

In accordance with the *Federal Credit Reform Act of 1990*, the Department's financial statements report the value of direct loans (credit program receivables) at the net present value of their future cash flows, discounted at a fixed rate established based on Treasury securities. The difference between the recorded principal and interest balance and the net present value of the loans is referred to as the "allowance for subsidy," which can be positive or negative.

Figure 2. Assets by Type

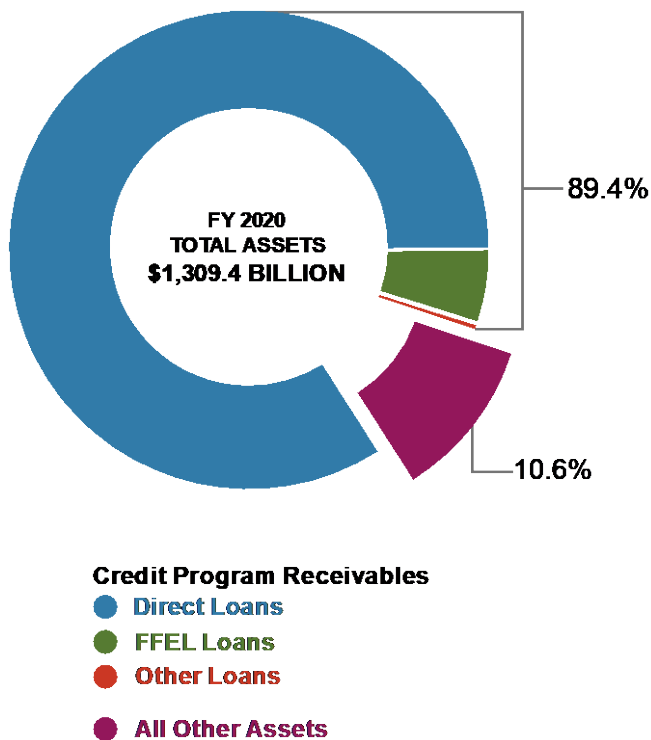
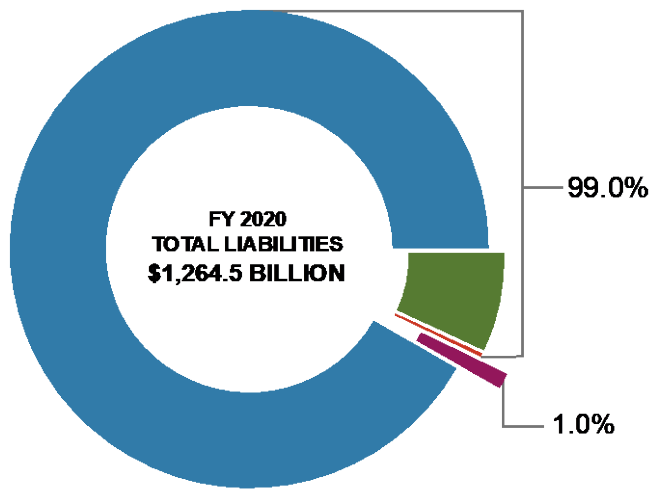


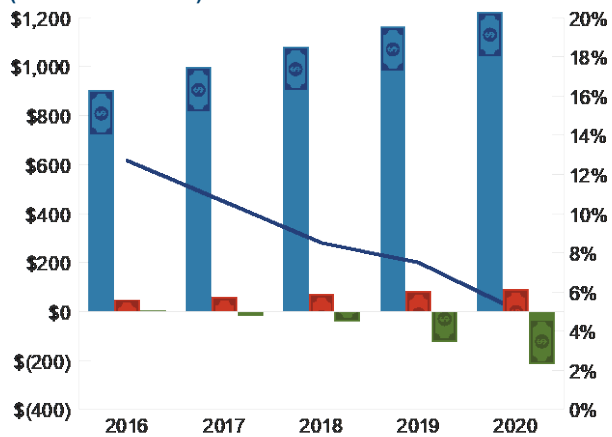
Figure 3. Liabilities by Type

**Debt**

- Direct Loans
- FFEL Loans
- Other Loans
- All Other Liabilities

Figure 4. Components of Direct Loan Receivables, Net

(Dollars in Billions)



● Principal ● Accrued Interest ● Allowance for Subsidy
— Rate of Increase in Principal

Direct Loan Component (Dollars in Billions)	Fiscal Year				
	2016	2017	2018	2019	2020
Principal	\$902.8	\$998.8	\$1,083.7	\$1,164.9	\$1,224.8
Rate of Increase in Principal	12.7%	10.6%	8.5%	7.5%	5.1%
Accrued Interest	\$50.8	\$59.5	\$72.0	\$83.3	\$92.1
Allowance for Subsidy	\$5.3	\$(16.8)	\$(40.7)	\$(124.4)	\$(216.4)

Total No. of Direct Loan Recipients (in Millions)	31.5	33.0	34.2	35.1	35.9
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The positive allowance for subsidy balance in FY 2016 represented estimates of funds expected to be recovered in excess of principal loaned less anticipated defaults, loan cancellations, and other adjustments. This positive allowance for subsidy balances resulted primarily from the difference between the interest rates charged by the Department to borrowers and the interest rates charged to the Department on amounts borrowed from Treasury to make the loans. The reduction in the positive allowance since FY 2016 is due primarily to higher subsidy costs, the main cause being high participation in income-driven repayment (IDR) plans. As of FY 2017, the allowance for subsidy changed to a negative balance. In practical terms, this means that the present value of funds expected to be recovered is now less than the principal outstanding.

Participation in IDR plans has increased as (a) new plans have become available that are more advantageous to borrowers, (b) new plans have become available that expand the potential pool of borrowers, and (c) the Department has conducted targeted outreach to borrowers to make them aware of their potential eligibility for these plans.

In addition to the impact of the IDR plans, the negative subsidy allowance also increased in FY 2020 due to actions taken to defer student loans in response to COVID-1.

Table 2 shows the payment status of the Direct Loan principal and interest balances outstanding over the past five years. The Current Repayment category consists of loans that are being paid back on time, including the current portion of loans being repaid pursuant to IDR plans. The balances reported for "Current Repayment" and "Delinquent" are significantly lower than prior years, primarily due to the COVID-19 student loan deferrals that placed loans in forbearance and subsequently cured delinquencies.

Loans in the Delinquent category are past due anywhere from 31 to 360 days. Default/Bankruptcy/Other includes loans that are more than 360 days delinquent (default status); loans in a nondefaulted bankruptcy status; and loans in disability status. While technical default is 271 days delinquent, default is defined as 361 days delinquent for reporting purposes. The percentage of loans in default continues to grow, even as delinquencies and new defaults have declined, because defaulted loans can be difficult to collect or rehabilitate.

Recent trends in student loan repayment data show that:

- Nearly 70 percent of the Direct Loan portfolio is in administrative forbearance, the suspended payment status provided to students through the *CARES Act*.

As of June 2020, nearly 8.2 million Direct Loan recipients were enrolled in IDR plans, representing a 7 percent increase from June 2019 and a 16 percent increase from June 2018. Overall, more than 50 percent of Direct Loan dollars and 32 percent of borrowers in repayment are enrolled in an IDR plan.

The FY 2020 delinquent balance is zero due to the ongoing deferral of all student loans through December 31, 2020.

Table 2. Payment Status of Direct Loan Principal and Interest Balance
(Dollars in Billions)

Loan Status	Fiscal Year				
	2016	2017	2018	2019	2020
Total No. of Direct Loan Recipients (in Millions)	31.5	33.0	34.2	35.1	35.9
Total Dollar Amount of Direct Loans Outstanding	953.6	1,058.4	1,155.7	1,248.1	1,316.9

Current Repayment ¹	406.7	467.8	531.2	594.7	14.7
% Current Repayment	42.6%	44.2%	46.0%	47.6%	1.1%
In School, Grace Period, and Education Deferrals	289.5	291.7	295.5	294.8	282.8
% In School, Grace Period, and Education Deferrals	30.4%	27.6%	25.6%	23.6%	21.5%
Forbearance and Noneducation Deferrals	106.6	122.5	121.5	133.2	887.5
% Forbearance and Noneducation Deferrals	11.2%	11.6%	10.5%	10.7%	67.4%
Delinquent (Past Due 31-360 Days)	71.9	79.7	92.5	90.8	0.0
% Delinquent (Past Due 31-360 Days)	7.5%	7.5%	8.0%	7.3%	0.0%
Default/Bankruptcy/Other*	78.9	96.7	115.0	134.6	131.9
% Default/Bankruptcy/Other*	8.3%	9.1%	10.0%	10.8%	10.0%
¹ Loans in Current Repayment status include loans that are being repaid on-time. However, these on-time loans can include loans for which the amount of interest accruing is higher than payments that are being made, which can occur in the case of loans on income-driven repayment plans. * Adjusted to eliminate differences between NSLDS and FSA Total Reported					

Figure 5. Direct Loan Program Cumulative Financing Activity
(Dollars in Billions)

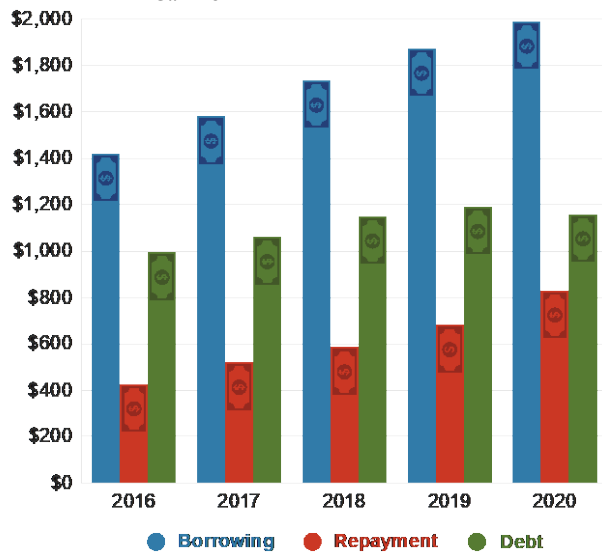
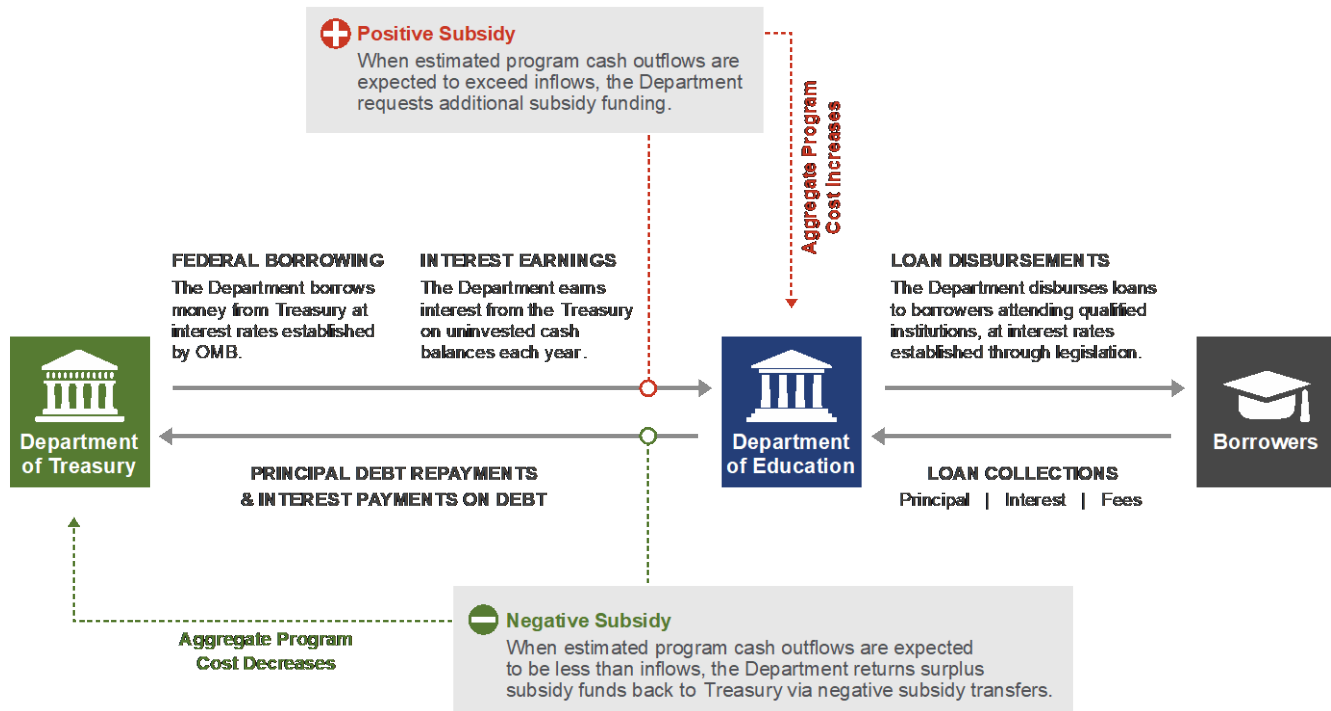
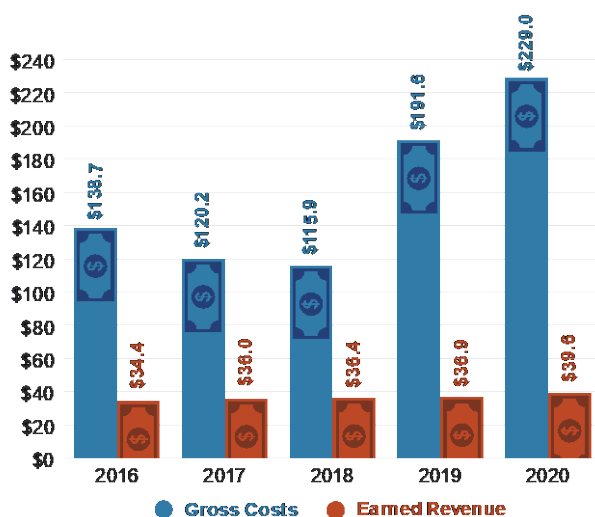


Figure 6. William D. Ford Federal Direct Loan Program: *Following the Funding*

*See Note 5 and 7 In the Financial Details Section

STATEMENTS OF NET COST

The consolidated statements of net cost report the Department's components of the net cost of operations for a given fiscal year. Net cost of operations consists of the gross costs incurred less any exchange (i.e., earned) revenue from activities. Gross costs are composed of the cost of credit and grant programs, and operating costs. Exchange revenue is primarily interest earned on credit program loans. Figure 7 shows the Department's gross costs and earned revenue over the past five years.

Figure 7. Gross Costs & Earned Revenue
(Dollars in Billions)

GROSS COSTS AND EXCHANGE REVENUE BY TYPE

As shown in Figure 8, the Department's gross costs and earned revenue include three primary components:

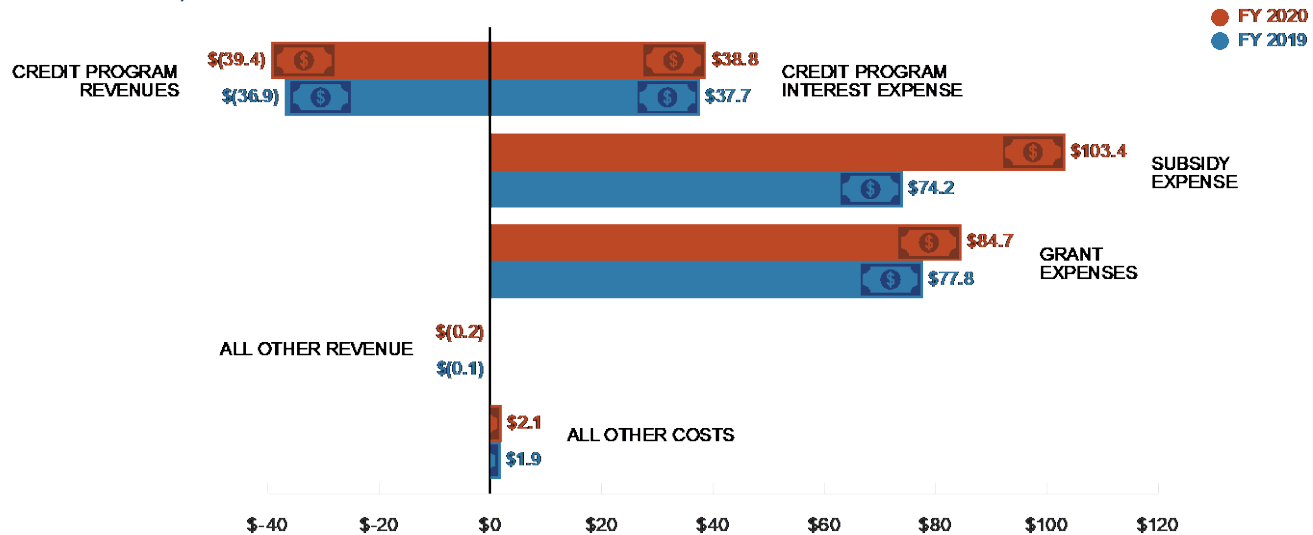
Credit program interest expense offset by credit program interest revenue and administrative fees as the result of subsidy amortization;

Credit program subsidy expense (see Analysis of Direct Loan Program Subsidy Expense below); and

Grant expenses (see Figure 10).

Figure 8. Primary Components of Gross Costs and Earned Revenue

(Dollars in Billions)



ANALYSIS OF DIRECT LOAN PROGRAM SUBSIDY EXPENSE

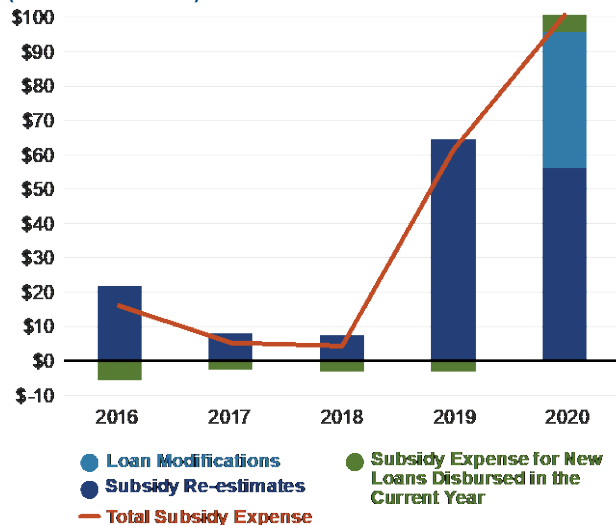
The Department's gross costs can fluctuate significantly each year as a result of changes in the estimated subsidy expense. The increase in the Department's gross costs from FY 2019 is primarily the result of an increase in the subsidy expense for Direct Loans in FY 2020, the primary components of which included year-end subsidy re-estimates and loan modifications.

Subsidy expense is an estimate of the present value cost of providing direct loans, but excludes the administrative costs of issuing and servicing the loans. The Department estimates subsidy expense using a set of econometric and financial models, as well as cash flow models.

The Department estimates subsidy costs annually for new loans disbursed in the current year; updates the previous cost estimates for outstanding loans disbursed in prior years (subsidy re-estimates); and updates previous cost estimates based on changes to terms of existing loans (subsidy modifications). Figure 9 shows these three components of the Direct Loan program subsidy expense for the past five years.

Figure 9. Direct Loan Program Subsidy Expense

(Dollars in Billions)



	2016	2017	2018	2019	2020
Subsidy Expense for New Loans Disbursed in the Current Year	\$(5.7)	\$(2.6)	\$(3.1)	\$(3.0)	\$5.1
Subsidy Re-estimates	21.8	7.9	7.4	64.5	56.1
Loan Modification	-	-	0.1	-	39.7
Total Subsidy Expense	\$16.1	\$5.3	\$4.4	\$61.5	\$100.9

Factors such as interest rates charged to the borrower, interest rates on Treasury debt, default rates, fees and other costs, and assumptions concerning borrowers' selection of repayment plans impact the estimated cost calculation and determine whether the overall subsidy expense is positive or negative. Subsidy expense for new loans disbursed in the current year has been negative in recent years primarily because lending interest rates charged were greater than the historically low rates at which the Department borrowed from Treasury. In practical terms, a negative subsidy occurs when the interest and/or fees charged to the borrower are more than sufficient to cover the interest on Treasury borrowings and the costs of borrower default. Subsidy expense for new loans disbursed in the current year was positive in FY 2020 due to rising enrollment in IDR plans and a reduction in projected future income of borrowers in IDR plans.

The Direct Loan program subsidy re-estimate for FY 2020 totaled \$56.1 billion. The major assumption updates are detailed in Financial Detail section Note 4. The assumption updates, including: IDR Model Changes, Repayment Plans, Default, 2019 Cohort Assumption Changes, Interest on the Re-estimate.

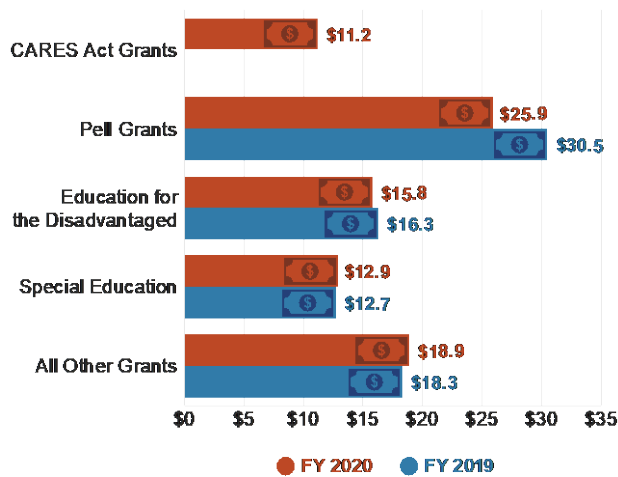
The Direct Loan program modifications were primarily the result of student loan deferral actions provided by Congress and the Administration in response to COVID-19. The student loan deferrals increased the government's cost of student loans and were recognized as loan modifications for FY 2020. These modifications included the following:

- **CARES Act.** The *CARES Act* automatically suspended principal and interest payments and set interest rates to 0 percent on federally held student loans starting in March through September 30, 2020. The relief for borrowers resulted in an upward modification cost of \$24.6 billion, with an additional \$459 million for cancelled loans for students that did not complete the semester due to a qualifying emergency. There was a net positive \$82 million modification adjustment transfer associated with this modification, bringing the total to \$25.0 billion.
- **Presidential Memorandum.** On August 8, 2020, the President signed a Presidential Memorandum that continued the temporary suspension of payments and the waiver of all interest on federally held student loans through December 31, 2020. The relief for borrowers resulted in an upward modification cost of \$13.5 billion. There was a net negative \$66 million modification adjustment transfer associated with this modification, bringing the total to \$13.6 billion.
- **Total and Permanent Disability.** The Department recorded an upward modification for costs associated with the regulatory action to provide proactive discharge (unless the borrower elects to reject the discharge) to borrowers for whom the Department of Veterans Affairs provides information showing the borrower has a total and permanent disability. These discharges resulted in an upward modification cost of \$1.0 billion. There was a net negative \$98 million modification adjustment transfer associated with this modification, bringing the total to \$1.1 billion.

GRANT EXPENSES

Figure 10. Grant Expenses by Program Areas

(Dollars in Billions)



As shown in Figure 10, overall grant expenses increased primarily as a result of the *CARES Act*—primarily the Education Stabilization Fund grants described on pages 76–77.

In addition to the *CARES Act* funded grants, the Department has more than 100 other grant and loan programs. The three largest of these grant program areas are Pell Grants, Education for the Disadvantaged, Special Education. For more grant program information see www.ed.gov.

STATEMENTS OF CHANGES IN NET POSITION

The consolidated statements of changes in net position report the beginning net position, the summary effect of transactions that affect net position during the fiscal year, and the ending net position. Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances for grant and administrative operations. Cumulative results of operations represent the net difference since inception between (1) expenses and (2) revenues and financing sources.

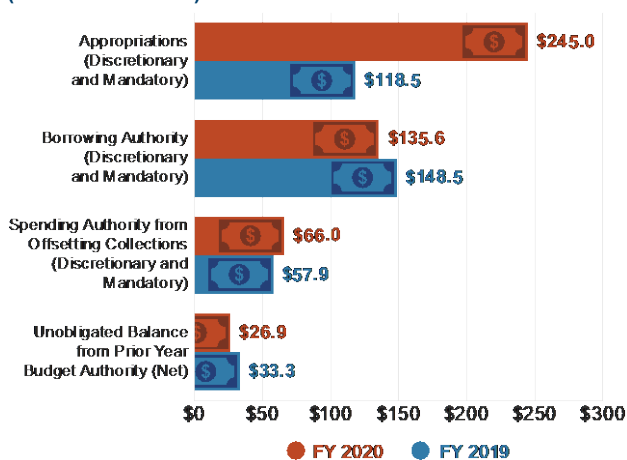
STATEMENTS OF BUDGETARY RESOURCES

The combined statements of budgetary resources present information on how budgetary resources were made available and their status at the end of the fiscal year. Information in the statements is based on budgetary transactions as prescribed by OMB and Treasury.

Figure 11 shows the components of the Department's budgetary resources which totaled \$473.4 billion for the year ended September 30, 2020, increasing from \$358.2 billion, or approximately 32.2 percent from the prior year. This increase was primarily due to increases in appropriations received totaling \$126.5 billion, of which \$73.2 billion was for direct and indirect appropriations for COVID-19 activity. An increase of \$45.5 billion in appropriations received for executed re-estimates in FY 2020 versus FY 2019 also contributed to this overall increase (see the following outlay discussion).

Figure 11. Components of Budgetary Resources

(Dollars in Billions)



New obligations incurred increased by \$107.7 billion, or approximately 33.3 percent, due primarily to grants funded by the *CARES Act* and loan modifications for COVID-19 student loan deferrals.

The combined statements of budgetary resources also present the Department's summary disbursement and collection amounts for which Table 3 provides additional detail.

Table 3. Outlays, Distributed Offsetting Receipts, and Disbursements, Net

(Dollars in Billions)

	FY 2020	FY 2019
Outlays, Net		
Credit Programs	\$129.8	\$36.8
Grants	85.5	76.9
Contractual Services	2.0	2.2
Personnel Compensation and Benefits	0.7	0.6
Other	-	0.1
Total Outlays, Net	\$218.0	\$116.6
Distributed Offsetting Receipts		
Negative Subsidies and Downward Reestimates of Subsidies	(12.3)	(12.1)
Repayment of Perkins Loans and Capital Contributions	(1.3)	(0.1)
Other	-	(0.1)
Total Distributed Offsetting Receipts	\$(13.6)	\$(12.3)
Disbursements, Net		
Direct Loan Program		
Gross Disbursements	\$158.2	\$175.5
Offsetting Collections	(188.1)	(128.7)
Total Direct Loan Program Disbursements, Net	(29.9)	46.8
FEEL Program		
Gross Disbursements	17.5	14.7
Offsetting Collections	(30.6)	(21.5)
Total FEEL Program Disbursements, Net	(13.1)	(6.8)

Other Loan Programs		
Gross Disbursements	0.5	0.3
Offsetting Collections	(0.4)	(0.2)
Total Other Loan Program Disbursements, Net	0.1	0.1
Total Disbursements, Net	\$(42.9)	\$40.1

Outlays, net is comprised of gross outlays and offsetting collections in the Department's budgetary funds. Outlays, net increased \$101.4 billion (87.0 percent) due primarily to transfers from the Department's credit program budgetary funds to its credit program non-budgetary financing funds for (1) increased executed re-estimates in FY 2020 versus FY 2019 (\$45.5 billion), and (2) COVID-19 related loan modifications recognized in FY 2020 (\$42.2 billion).

Disbursements, net is comprised of gross outlays and offsetting collections in the Department's credit program non-budgetary financing funds. Disbursements, net decreased \$83.0 billion, primarily due to the transfers to the Department's credit program non-budgetary financing funds from its credit program budgetary funds for the aforementioned executed re-estimate and COVID-19 loan modifications.

FORWARD-LOOKING INFORMATION

This section summarizes information pertinent to the Department's future progress and success.

ENTERPRISE RISK MANAGEMENT

The Department's Enterprise Risk Management (ERM) program supports agency-wide efforts to maximize the Department's value to students and taxpayers through achievement of strategic goals and objectives. The Department's ERM program strategically focuses on the complete spectrum of the organization's significant risks and the combined impact of those risks as an interrelated portfolio rather than simply addressing risks within silos. This coordinated approach leverages data and analytical solutions to identify, measure, and assess challenges related to mission delivery and resource management. Through ERM, the Department seeks to embed a systematic and deliberate view of risk into key management practices, ultimately yielding more effective performance and operational outcomes. The Department's implementation of ERM includes three critical strategies that are more fully described under Strategic Objective 4.2, *Identify, assess, monitor and manage enterprise risks*:

1. Creating a risk-aware culture that includes transparent discussions of risks.
2. Implementing an ERM framework and capability that leverages existing risk management activities and governance bodies.
3. Managing risks in a more coordinated and strategic manner.

In FY 2020, the Department took significant steps to further develop the ERM program by establishing the Office of Enterprise Data Analytics and Risk Management (OEDARM), within the Office of Finance and Operations (OFO), to direct the agency's overall ERM strategy and formally align ERM and internal controls processes. OEDARM leadership established a formal Enterprise Risk Management Working Group (ERMWG) with senior representation across the agency to further solidify the Department's ERM governance structure. The ERMWG helped to conduct coordinated risk assessments and incorporated the risks highlighted or exacerbated by the COVID-19 pandemic into short- and long-term risk planning. OEDARM leveraged partnerships with agency leaders to identify, measure, and assess challenges related to mission delivery and develop coordinated, actionable response plans.

OEDARM leadership actively sought to enhance strategic partnerships with ERM colleagues across the government as well as the Department's own Office of Inspector General. To better understand how the Department's ERM program has evolved over time, the Department enrolled in the Office of Management and Budget's Pilot to validate the Federal ERM Maturity Model V1.0, a pilot that will extend through FY 2021. Through the pilot, the Department seeks to 1) test, assess, and validate sections or components of the Model for its iterative refinement; and 2) assess the maturity of the Department's own ERM program. Evaluation will focus on an assessment of the Model's operational viability and the influence of the Model on the Department's risk-informed culture—including executive engagement and resourcing processes—with a goal of identifying potential improvements to the Model.

Throughout FY 2021, the Department plans to further integrate ERM with key management processes to ensure risk indicators and considerations inform budget formulation, strategic planning, and performance management. OEDARM seeks to support a culture of continuous improvement within the Department—where data and awareness of enterprise risk are used to objectively inform strategic and operational decisions and optimize agency performance. To that end, in FY 2021, OEDARM plans to develop and implement a comprehensive ERM training program for all levels of the organization as well as enhance digital tools for collecting, analyzing, and reporting risk data to promote transparency and accountability across the Department. In light of the current COVID-19 pandemic, the Department has intentionally shifted to an even more comprehensive, strategic approach to risk management—one that seamlessly considers national health emergencies or other significant crises that could adversely impact continuity of operations.

DIRECT LOAN PROGRAM

The Department's largest program, the William D. Ford Federal Direct Loan (Direct Loan) program, provides students and their families with funds to help pay for their postsecondary education costs. The following describes (1) the steps the Department has taken to help make student debt more manageable and (2) the risks inherent in estimating the cost of the program.

Managing Student Loan Debt

Each year, federal student loans help millions of Americans obtain a college education—an investment that, on average, has high returns. While the average return to having a college degree remains high,² some students leave school poorly equipped to manage their debt.

Traditionally, federal student loans had fixed-payment 10-year repayment schedules, making it difficult for borrowers to begin repaying at the start of their career when their salaries are low. The recent expansion of income-driven repayment (IDR) plans allows students the opportunity for greater financial flexibility as it pertains to their monthly repayment. For more details on these plans, visit FSA's [How to Repay Your Loans Portal](#).

Recent trends in student loan repayment data show that:

- Nearly 70 percent of the Direct Loan portfolio is in administrative forbearance, the suspended payment status provided to students through the *CARES Act*.
- As of June 2020, nearly 8.2 million Direct Loan recipients were enrolled in IDR plans, representing a 7 percent increase from June 2019 and a 16 percent increase from June 2018. Overall, more than 50 percent of Direct Loan dollars and 32 percent of borrowers in repayment are enrolled in an IDR plan.

The Department continues to work relentlessly to make student loan debt more manageable. Looking to the future, the Department will:

- Continue conducting outreach efforts to inform student loan borrowers of their repayment options before the emergency loan relief measures expire on December 31, 2020.
- Work to improve customer service and student aid systems and processes by implementing FSA's Next Generation Federal Student Aid (Next Gen FSA), see page 33.
- Continue to support the development of additional tools, such as the College Scorecard and Financial Aid Shopping Sheet, to increase transparency around higher education costs and outcomes that may help students and families make informed decisions before college enrollment.

Managing Risks and Uncertainty Facing the Direct Loan Program's Cost Estimates

Direct Loan program costs are estimated consistent with the requirements of the *Federal Credit Reform Act of 1990*. Under the Act, the future disbursements and collections associated with a cohort of loans are estimated for the entire life of the loan, up to 40 years in this case. The actual performance of a loan cohort tends to deviate from the estimated performance during that time, which is not unexpected given the inherent uncertainty involved in developing estimates. There are four types of inherent risk, described below, that make estimating lifetime program costs a difficult task.

Legislative, Regulatory, and Policy Risk

There are inherent risks to estimating future lifetime disbursements and collections for a cohort stemming from legislative, regulatory, or administrative actions. For instance, the cost structure of the Direct Loan program may be significantly altered. In addition, the effects on financial modeling and estimation associated with recent legislative, regulatory, and policy action is difficult to interpret given the lack of actual trend data availability. Some examples of current risks include the following:

CARES Act and Presidential Memorandum (“Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic”): The *CARES Act* provided emergency relief measures in the Direct Loan program, including suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0 percent through September 30, 2020. On August 8, 2020, the President directed the Secretary to continue these measures through December 31, 2020. These actions have largely insulated federal student loan performance from economic disruption caused by the coronavirus pandemic, while at the same time reducing the amount of loan repayments being remitted to the Department of Education. As the pandemic is ongoing, there is great uncertainty regarding cost estimates as future legislative and administrative actions could extend these emergency relief measures past December 31, 2020.

Income-Driven Repayment Plans: Without consideration of impacts from the pandemic, IDR plans tend to be more costly to the government than non-IDR plans. For the 2020 loan cohort, it is estimated that the government will recover 40 percent less for loans in IDR plans as compared to loans in standard plans. It is important to be careful in making such comparisons, however, as the underlying characteristics of borrowers (and the corresponding behavioral dynamics driving selection of plans) also impact the overall cost of loans under each plan. In general, the proliferation

² <https://libertystreeteconomics.newyorkfed.org/2019/06/despite-rising-costs-college-is-still-a-good-investment.html>

of IDR plans has made IDR terms more generous and made the plans available to a greater number of borrowers; however, these plans are traditionally more costly to the government. Also, having more repayment plan options complicates repayment plan selection, since the tradeoff decisions when selecting the plans vary by borrower and may not always be entirely clear. Selected comparisons between projected originations and borrower repayments under the different IDR plans are available on the [Department's website](#). Future commitment to market and increased participation in these plans are areas of uncertainty. Future legislative and regulatory activity could also affect the underlying cost of IDR plans.

Public Service Loan Forgiveness: Enacted in 2007, the Public Service Loan Forgiveness (PSLF) program allows a Direct student loan borrower to have the balance of their Direct student loans forgiven after having made 120 qualifying monthly payments under a qualifying repayment plan, while working full time for a qualifying public service employer (such as government or certain types of nonprofit organizations). In general, forgiveness provided via PSLF raises the cost of the Direct Loan program; however, there is still uncertainty as to how many borrowers will take advantage of the program. Much of this uncertainty arises because borrowers are not required to apply for the program or provide any supporting documentation on their employment until after having made the 120 qualifying monthly payments, and data on actual PSLF forgiveness remains rather limited, as borrowers first became eligible in FY 2018.

Data on approved PSLF applications first became available in FY 2018 since borrowers first became eligible for PSLF loan forgiveness starting October 1, 2017, after having made 120 qualifying payments. As of September 30, 2020, the total number of borrowers who received forgiveness totaled 3,469. The value of this forgiveness totaled \$260.49 million. Despite the relatively modest numbers of approved applications to date, the number of borrowers who have certified their employment in a public service organization continues to increase. As of September 30, 2020, the number of borrowers with certified employment totaled 1,357,699. The low number of approved PSLF applications in relation to employment certifications may be partially due to the complicated nature of the program, in particular the determination of what constitutes a qualifying payment. In addition, many borrowers who file employment certification forms early in their careers may also move into private sector employment before completing the 10 years of qualifying payments and thus may (a) never apply for forgiveness or (b) apply for forgiveness much later after returning to public service work. The *Consolidated Appropriations Act, FY 2018*, and the *Department of Education Appropriations Act, FY 2019*, each provided \$350 million toward Temporary Expanded Public Service Loan Forgiveness (TEPSLF) for borrowers who met eligibility for public service employment but were not enrolled in a qualified repayment plan. The *Consolidated Appropriations Act, FY 2020*, provided \$50 million for TEPSLF. Future congressional action that may affect eligibility for PSLF continues to be an area of uncertainty. Lastly, although the Department continues to remain informed on and manage the risk associated with estimating participation in this program, uncertainty remains about further borrower outreach to boost participation in the PSLF program.

Estimation Risk

Actual student loan outcomes may deviate from estimated student loan outcomes, which is not unexpected given the long projection window of up to 40 years. The Direct Loan program is subject to a significantly large number of borrower-level events and future economic factors that heavily impact the ultimate cost of student loans. For example, assumptions that need to be estimated for loans originating in FY 2020 include how long students will remain in school; what repayment plan will be chosen; whether the loan will be consolidated; whether the borrower will die, become disabled, bankrupt, or have another claim for discharge or forgiveness (closed school loan discharge, borrower defense to repayment, etc.); whether the loan will go into deferment or forbearance; whether the loan will go into default and, if so, what collections will be received on the defaulted loan; and, if the loan is in an IDR plan, what the borrower's employment (public sector or not) and income and family status will be over the next 25 years. These projections are generally made based on historical data about borrower characteristics and behavior, which are more difficult to estimate during times of unprecedented uncertainty facing students and borrowers in repayment plans today. Lastly, the Direct student loan portfolio has grown from approximately \$356 billion in FY 2011 to more than \$1.2 trillion as of the end of FY 2020. This growth naturally results in larger re-estimates, since a re-estimate worth 1 percent of the portfolio today would be more than three times as large as a similar re-estimate in FY 2011.

Macroeconomic Risk

The ultimate amount, timing, and total value of future borrower repayments under the Direct Loan program are heavily affected by certain economic factors, especially since the introduction of IDR plans.

In 2020, the coronavirus pandemic caused widespread disruption to the American economy. The emergency relief measures provided by Congress and the President resulted in flexibilities for federal student loan borrowers, preventing spikes in delinquency and default rates. Involuntary loan collections from wage garnishment, tax refund reductions, and reductions of federal benefits such as Social Security are also suspended. However, the ultimate impact of the pandemic on long-term Direct Loan program costs is subject to significant uncertainty and will depend on,

among other things, short and long-term unemployment, economic growth trends, and potential structural changes in the overall economy and job markets. Some types of macroeconomic risk are inherent to student loan cost estimation, and the Department analyzes them regularly—though some of these risks have been exacerbated by the unprecedented worldwide pandemic. New risks have also developed due to the conditions surrounding the pandemic. Specific examples of macroeconomic risk include:

Economic Assumptions: As part of its technical re-estimate process for the financial statement re-estimates, the Department updates economic assumptions used to calculate forecasted borrower cash flows. The Department obtains the information used to update economic assumptions from the OMB. OMB typically provides an economic assumption package for Mid-Session Review (MSR) which updates the economic assumptions used for the President’s budget in November of the previous year. The Department historically has used the MSR assumptions for calculation of financial statement re-estimates.

OMB did not release a MSR economic assumptions package in FY 2020, and no official guidance was issued to use alternative assumptions. Consequently, the Department explored the possibility of using economic factors from other sources, including, but not limited to, the Congressional Budget Office (CBO). Ultimately, the Department made the decision after extensive consultations with Education leadership and OMB to calculate the FY 2020 financial statement re-estimate using the President’s Budget 2021 assumptions (OMB assumptions). Factors contributing to this decision include the fact that any available economic projections have a high degree of uncertainty due to the uniqueness of the potential economic conditions caused by the pandemic. In addition, there is little historical data comparable to the current crisis that can be used to extrapolate and adjust student loan assumptions. Finally, current legislation and the presidential memorandum (i.e., the *CARES Act*) provided temporary relief to student loan borrowers through December 31, 2020; as a result, there is no meaningful data on the impact of current economic conditions on student loan performance. Alternatively, the Department conducted targeted sensitivity analysis to address potential economic impacts of the pandemic.

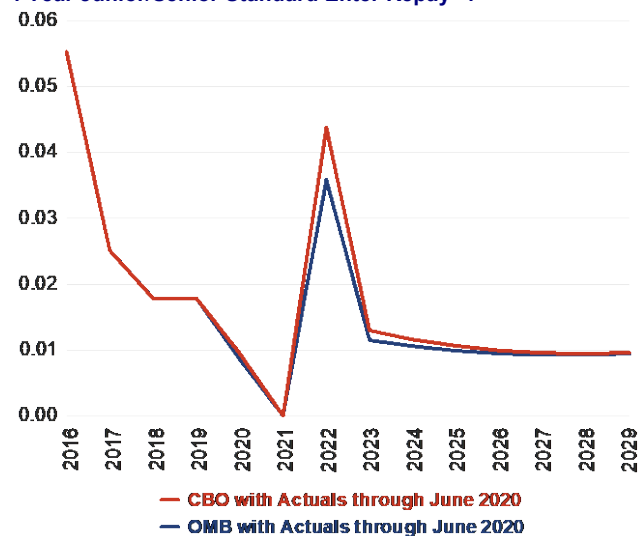
The Department conducts sensitivity analyses as one way to assess the degree of uncertainty around the economic assumptions. In the analysis reported here, the Department replaced the most important inputs from the President’s Budget 2021 economic assumptions used in the models with the numbers from CBO’s July 2020 economic package. The following examples show the projections of cohorts 1994-2019, where one specific assumption is varied from the assumption used in the financial statement re-estimate.

The monthly unemployment rate is an assumption used in the default projection model. For the sensitivity analysis, the CBO projected quarterly unemployment rate assumptions were used after June of 2020. Actual data from the Bureau of Labor Statistics was available for unemployment prior to June 2020; therefore, the rates used in the financial statement re-estimate do not differ from those used in the sensitivity analysis for that timeframe. Changing this assumption resulted in a projected increase to the re-estimate of \$3.7 billion. The chart below shows the changes to the default rate for a sub population of loans.

Figure 13. Default Rates Using Different Unemployment Rate Assumptions

(Subsidized Stafford Cohort 2012 Example)

4 Year Junior/Senior Standard Enter Repay=4



The IDR model is used to develop cash flows for Direct Loans being repaid under any of the IDR repayment plans, including the income contingent repayment (ICR) plan, the income based repayment (IBR) plan, the Pay as You Earn (PAYE) plan, and the Revised Pay as You Earn (REPAYE) plan. The IDR model also uses information from the OMB economic package on the Consumer Price Index (CPI-U) as a factor for borrower income inflation, balances, and poverty guidelines. A sensitivity analysis that replaces the CPI-U with the assumptions from the July CBO estimates resulted in a projected increase to the re-estimate of \$1.7 billion.

Interest Rates: Direct Loan program cost estimates are very sensitive to changes in interest rates. Under the current program terms, the fixed borrower rates for direct loans are established in advance of the upcoming school year, while the Treasury fixed interest rate on the Department's borrowings to fund those loans is not set until after those awards are fully disbursed, which can be as much as 18 months later. Unexpected changes in interest rates during this time can significantly impact Direct Loan program cost.

Unemployment: Unemployment rates have been shown to affect both student loan volume and student loan repayment decisions and behavior. During periods of economic downturn, displaced workers have tended to pursue higher education opportunities in high numbers as a way to strengthen their credentials, change career paths, or improve future employment opportunities. While the coronavirus pandemic has been accompanied by a spike in unemployment (at least in the short term), the impact on student loan volume has been more mixed, as higher education has struggled to provide students the level of instruction they were receiving pre-pandemic. The exact impact on the cost estimates from the current recession remains a significant area of uncertainty. For instance, higher short-term unemployment rates could have an impact on future collections of already defaulted loans by increasing the risk of fewer collections from wage garnishment and tax refund reductions. A sensitivity analysis examining the impact of a 5 percent reduction in default collections for three years, starting in the second quarter of FY 2021 when the pandemic relief provisions are set to expire, resulted in a projected increase in the re-estimate of \$1 billion.

Wage Growth: The estimated costs of IDR plans are largely dependent on trends in observed wage growth. To the extent that future wage growth deviates significantly from prior wage growth, actual costs of IDR plans may deviate from estimated costs. The Department will closely monitor impacts to wage growth as a result of the pandemic. Data is not available for the FY 2020 financial statements, and the ultimate cost may not be known for some time. The estimates are sensitive to slight changes in model assumptions. For instance, a 10 percentage point increase in borrowers reporting zero discretionary income from FY 2020 to FY 2022 and a 5 percentage point increase for FY 2023 to FY 2025 would result in a projected increase to the re-estimate of \$2.9 billion. The Department continues to manage risks in this area by building its knowledge about its borrower base and remaining informed of labor market statistics.

Operational Risk

Unforeseen issues in administering and servicing student loans may impact the cost estimates. For example, in December 2019, the President signed the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), which amends Section 6103 of the Internal Revenue Code to allow the IRS to share taxpayer data directly with the Department. Once implemented, this will make it easier for borrowers to stay enrolled in an IDR plan by allowing automated data sharing between federal agencies and eliminating the need for borrowers to annually recertify their income. A timeline for implementation of the *FUTURE Act* is uncertain, which can make predicting the impact on student loan cost estimates a challenge. The Department invests significant resources to ensure continuous improvements in cybersecurity defenses based on current and emerging threats. Despite this investment, security threats to operations are ongoing and incidents may happen without warning, potentially disrupting student loan administration and ultimately borrower cash flows, which can be impacted by the timing of when collections or disbursements are processed. Hence, there is an inherent risk that future, unpredictable disruptions in the administrative status quo may impact student loan cost estimates.

NEXT GEN FSA

About FSA

As the nation's largest provider of financial aid for education beyond high school, FSA delivers more than \$115 billion in aid each year to students and their families. Through programs authorized under the *Higher Education Act of 1965*, as amended, FSA provides grants, loans, and work-study funds for college or career school. FSA also oversees the approximately 5,600 postsecondary institutions that participate in the federal student aid programs. In every interaction with students and their families, FSA strives to be the most trusted and reliable source of student financial aid information and services in the nation.

The Vision

FSA manages one of the largest consumer loan portfolios in the country, valued at \$1.6 trillion.³ It is critical that we provide an environment that provides customers with the services and experiences that they expect and the outcomes that they deserve. The Next Generation Federal Student Aid (Next Gen FSA) initiative is enabling FSA to realize this vision by modernizing the way we connect with our customers and streamlining our student aid systems and processes. This broad effort will deliver an improved customer experience for millions of Americans across the entire student aid life cycle, from fostering greater awareness about the availability of financial aid, to applying for aid, to repaying loans, to improving the participation experiences and oversight of our partners at postsecondary institutions.

Legacy Environment

In the current federal financial aid process, students and families must negotiate a complex and fragmented landscape, interacting with multiple systems, vendors, processes, and interfaces across a multitude of brands and user experiences. Too often, this poor customer experience creates confusion, resulting in borrowers failing to understand how to apply for and maintain their aid eligibility, which repayment options they qualify for, and the financial implications of their student debt. Additionally, operational complexities and out-of-date contracts result in higher administrative costs and hinder effective oversight of our vendors.

Next Gen FSA Environment

Multiple websites, mobile applications, contact centers, and other customer interfaces have been combined into a simplified, consistent, and engaging customer experience, which will be enhanced by standardized training and tools. Since December 2019, FSA has launched a single front door on the web, Studentaid.gov, and has launched multiple modern self-service and consumer information tools that help our customers understand the aid they have received, their remaining eligibility, and how they can manage loan repayment in a way that meets their goals. While FSA's digital platform helps customers cut through the information clutter and access robust self-service, other components of Next Gen will bring onboard multiple contact centers that provide customers and partners with support across the entire student aid lifecycle, all under the FSA brand.

In addition to an improved customer experience, Next Gen FSA will completely modernize FSA's back-end systems and infrastructure. This transformation will pave the way for improved application and loan processing and management of customer accounts. The contracts that bring onboard these new systems will include objective performance standards and accountability measures to ensure customers receive accurate, timely responses to their inquiries. These new technologies will also integrate modern cybersecurity protections, and a new enterprise-wide data analytics platform will drive improved data and governance standards.

Solicitation and Procurement Process

In January 2019, FSA awarded a major contract for Digital and Customer Care, which provides FSA with new digital, marketing and communications, and customer care platforms that enable the implementation of a modern StudentAid.gov and myStudentAid mobile application, as well as improved tools for customer outreach. In June 2020, FSA awarded five Business Process Operations contracts, which bring on board vendors that will eventually provide enterprise-wide contact centers and back-office processing for all of FSA's customers and institutional partners. In October 2020, FSA released a solicitation for the Interim Servicing Solution (ISS) which will provide the core processing system, fulfillment, and labor servicing for the federally managed loan portfolio.

The current Title IV Additional Servicing (TIVAS) and Not-for-Profit indefinite-delivery, indefinite-quantity contracts may be extended through December 2021 and March 2022, respectively. ISS will replace the current TIVAS and Not-for-Profit relationship upon award and migration of borrowers. In the event of a delay in the ISS implementation, the appropriate contractual actions will be taken to ensure continued servicing capabilities are maintained. FSA is taking a similar approach to all legacy contracts that will be impacted by the Next Gen FSA vision to ensure as smooth a transition as possible for our customers and partners.

LEVERAGING DATA AS A STRATEGIC ASSET

The Department is focusing on further leveraging its data as a strategic asset, in part in response to requirements in the *Foundations for Evidence-Based Policymaking Act (Evidence Act; P.L. 115-435)* and the Federal Data Strategy. This section highlights three initiatives intended to help the Department realize the power of data in daily operations and

³ Includes lender-held FFEL loans and school-held Perkins loans.

national policy: (1) the development of an ED Data Strategy; (2) priorities for Open Data; and (3) a new focus for the Evidence Leadership Group in advising the Evaluation Officer and developing the Department's learning agenda.

Data Strategy

The 2020 Action Plan under the Federal Data Strategy calls for agencies to "put in place a data strategy or road map." The Agency-wide Data Governance Board (DGB) has initiated a process to develop the Department's Data Strategy in order to realize the full potential of data to improve education outcomes and to lead the nation in a new era of evidence-based policy insights and data driven operations. This Department-wide effort will include agency-wide discussions about data priorities that will help improve data maturity and will focus on the Department's capabilities to leverage data, operationalize and optimize data governance, and drive cultural change for the benefit of all stakeholders. It will build on strengths, weaknesses, and opportunities within the Department to 1) strengthen agency-wide data governance, 2) build human capacity to leverage data, 3) advance the strategic use of data, and 4) improve data access, transparency, and privacy.

Open Data

The *Evidence Act* requires agencies to make data "open by default." The Department is planning to develop, release, and execute the Act's required open data plan consistent with OMB guidance. The Department will balance privacy and security with the open data mandate and the priority of the Department to enable broader public use of data paid for by its citizens. The Department is also developing an Open Data Platform (ODP), a central repository for its data assets. Recently released in beta, it is a fully featured, robust, and highly scalable data repository that maintains all data assets in a fully searchable catalog. As required by the *Evidence Act*, the Department will build towards a comprehensive data inventory by expanding on the ODP and increasing its catalogued data assets for both externally available open data and internal sources subject to open data priorities, reviewing all data assets for release consistent with *Evidence Act* mandates and exclusions, and incrementally expanding the number of Department open data assets listed in the Federal Data Catalogue.

Evaluation Officer and Evidence Leadership Group

The *Evidence Act* created a new role, a Department Evaluation Officer (EO), who is responsible for: (a) developing the Department's Learning Agenda by assessing the Department's portfolio of evaluations, policy research, and ongoing evaluation activities; (b) assessing the Department's capacity to support the development and use of evaluation; (c) establishing and implementing the Department's evaluation policy; and (d) coordinating a Department-wide evidence-building plan. IES's Commissioner of the National Center for Education Evaluation and Regional Assistance is the Department's EO.

As required by the *Evidence Act*, the Department submitted its Draft Learning Agenda to OMB at the end of fiscal year 2020. The Learning Agenda was developed in consultation with the Department's Evidence Leadership Group (ELG). The ELG is co-chaired by the EO and the Director of the Department's Grants Policy Office (GPO) and includes members from the Department's primary grant-making offices as well as mission-support units, such as the Department's Budget Service, and Office of General Counsel, and ex-officio representatives from the Office of the Chief Data Officer, the Statistical Official, and the Performance Improvement Officer. Feedback from OMB and consultation with stakeholders across government, education, and the general public will be used to inform the Department's Final Learning Agenda to be submitted to OMB at the end of fiscal year 2021.

In addition to advising the EO on the development of the Draft Learning Agenda, the ELG advises Department leaders on how to support the capacity of ED staff to make better use of data and evidence. GPO, led by the ELG co-chair, has spearheaded a range of internal training opportunities for Department staff to bolster the use of the Secretary's policy priorities, including the use of evidence in program design, and to consider how the Department's grantmaking activities can build evidence for improvement in the future. This work, done in close collaboration with partners across the Department, will be informed in fiscal year 2021 by the recently-completed Interim Capacity Assessment, which included a systematic effort to collect information about staff members' capacity to use evidence in their day-to-day work.

United States Department of Education
Consolidated Balance Sheets
As of September 30, 2020 and September 30, 2019
(Dollars in Millions)

	FY 2020	FY 2019
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 136,015	\$ 104,918
Other Intragovernmental Assets (Note 4)	124	66
Total Intragovernmental	136,139	104,984
Public:		
Credit Program Receivables, Net (Note 5)		
Direct Loan Program	1,100,544	1,123,707
FFEL Program	67,380	76,767
Other Credit Programs for Higher Education	3,107	2,982
Other Assets (Note 4)	2,216	2,256
Total Public	1,173,247	1,205,712
Total Assets	\$ 1,309,386	\$ 1,310,696
LIABILITIES (Note 6)		
Intragovernmental:		
Debt (Note 7)		
Direct Loan Program	\$ 1,160,099	\$ 1,192,138
FFEL Program	88,986	94,671
Other Credit Programs for Higher Education	2,302	2,196
Subsidy Due to Treasury General Fund (Note 8)	3,298	10,302
Other Intragovernmental Liabilities (Note 9)	2,612	2,686
Total Intragovernmental	1,257,297	1,301,993
Public:		
Other Liabilities (Note 9)	7,158	12,213
Total Liabilities	\$ 1,264,455	\$ 1,314,206
Commitments and Contingencies (Note 14)		
NET POSITION		
Unexpended Appropriations	\$ 99,314	\$ 72,757
Cumulative Results of Operations	(54,383)	(76,267)
Total Net Position	\$ 44,931	\$ (3,510)
Total Liabilities and Net Position	\$ 1,309,386	\$ 1,310,696

The accompanying notes are an integral part of these statements.

United States Department of Education
Consolidated Statements of Net Cost
For the Years Ended September 30, 2020 and September 30, 2019
(Dollars in Millions)

	FY 2020	FY 2019
IMPROVE LEARNING OUTCOMES FOR ALL P-12 STUDENTS		
Gross Costs	\$ 40,145	\$ 38,732
Earned Revenue	(129)	(42)
Net Program Costs	\$ 40,016	\$ 38,690
EXPAND POSTSECONDARY OPPORTUNITIES, IMPROVE OUTCOMES TO FOSTER ECONOMIC OPPORTUNITY, AND PROMOTE PRODUCTIVE CITIZENRY		
<u>Direct Loan Program</u>		
Gross Costs	\$ 137,303	\$ 96,696
Earned Revenue	(34,970)	(33,817)
Net Cost of Direct Loan Program	\$ 102,333	\$ 62,879
<u>FFEL Program</u>		
Gross Costs	\$ 5,419	\$ 15,759
Earned Revenue	(3,108)	(2,870)
Net Cost of FFEL Program	\$ 2,311	\$ 12,889
<u>Other Credit Programs for Higher Education</u>		
Gross Costs	\$ 144	\$ 121
Earned Revenue	(1,368)	(171)
Net Cost of Other Credit Programs for Higher Education	\$ (1,224)	\$ (50)
<u>Non-Credit Programs</u>		
Gross Costs	\$ 45,987	\$ 40,331
Earned Revenue	(5)	(10)
Net Cost for Non-Credit Programs	\$ 45,982	\$ 40,321
Net Program Costs	\$ 149,402	\$ 116,039
Total Program Gross Costs	\$ 228,998	\$ 191,639
Total Program Earned Revenue	\$ (39,580)	\$ (36,910)
Net Cost of Operations (Notes 10 & 13)	\$ 189,418	\$ 154,729

The accompanying notes are an integral part of these statements.

United States Department of Education
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2020 and September 30, 2019
(Dollars in Millions)

	FY 2020		FY 2019	
	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations
Beginning Balances	\$ 72,757	\$ (76,267)	\$ 72,166	\$ (23,360)
Budgetary Financing Sources				
Appropriations Received	\$ 245,237	\$ -	\$ 122,058	\$ -
Appropriations Transferred - In/Out	(154)	-	-	-
Other Adjustments (Rescissions, etc.)	(871)	-	(4,007)	-
Appropriations Used	(217,655)	217,655	(117,460)	117,460
Nonexchange Revenue	-	11	-	15
Other Financing Sources				
Imputed Financing from Costs Absorbed by Others	-	30	-	37
Negative Subsidy Transfers, Downward Subsidy Re-estimates, and Other	-	(6,394)	-	(15,690)
Total Financing Sources	\$ 26,557	\$ 211,302	\$ 591	\$ 101,822
Net Cost of Operations	\$ -	\$ (189,418)	\$ -	\$ (154,729)
Net Change	\$ 26,557	\$ 21,884	\$ 591	\$ (52,907)
Net Position	\$ 99,314	\$ (54,383)	\$ 72,757	\$ (76,267)

The accompanying notes are an integral part of these statements.

United States Department of Education
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2020 and September 30, 2019
(Dollars in Millions)

	FY 2020		FY 2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority (Net) (Note 12)	\$ 17,756	\$ 9,119	\$ 18,231	\$ 15,027
Appropriations (Discretionary and Mandatory)	244,680	350	118,519	-
Borrowing Authority (Discretionary and Mandatory) (Note 12)	-	135,589	-	148,493
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	191	65,762	424	57,521
Total Budgetary Resources	\$ 262,627	\$ 210,820	\$ 137,174	\$ 221,041
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments (Total)	\$ 242,724	\$ 188,098	\$ 120,400	\$ 202,717
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	16,446	-	13,581	-
Unapportioned, Unexpired Accounts	1,822	22,722	1,883	18,324
Unexpired Unobligated Balance, End of Year	\$ 18,268	\$ 22,722	\$ 15,464	\$ 18,324
Expired Unobligated Balance, End of Year	1,635	-	1,310	-
Unobligated Balance, End of Year (Total)	\$ 19,903	\$ 22,722	\$ 16,774	\$ 18,324
Total Status of Budgetary Resources	\$ 262,627	\$ 210,820	\$ 137,174	\$ 221,041
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net (Discretionary and Mandatory)	\$ 218,025		\$ 116,636	
Distributed Offsetting Receipts (-) (Note 12)	(13,610)		(12,273)	
Agency Outlays, Net (Discretionary and Mandatory) (Notes 12 & 13)	\$ 204,415		\$ 104,363	
Disbursements, Net (Total) (Mandatory)		\$ (42,946)		\$ 40,102

The accompanying notes are an integral part of these statements.

**Sample
Management's Discussion and Analysis (MD&A)**

General Services Administration (GSA)

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

Organization

The U. S. General Services Administration (GSA) is composed of the [Federal Acquisition Service](#) (FAS), the [Public Buildings Service](#) (PBS), 12 Staff Offices, and 2 independent offices and serves and supports more than 60 Federal departments and agencies. Headquartered in Washington, D.C., GSA delivers goods and services to its Federal customers through 11 regional offices. Please refer to the GSA's [About Us](#) page.

Federal Acquisition Service

FAS has the unique responsibility of procuring goods and services for a vast array of Federal agencies and State, Tribal, and local governments. FAS maximizes the buying power of the Federal Government by negotiating prices on many products and services required by agencies for their daily operations. Each year, FAS supplies over \$75 billion in information technology (IT) products, services, and solutions; telecommunications services; assisted acquisition services; travel and transportation management solutions; motor vehicles and fleet services; and charge card services. FAS has more than 225,000 leased vehicles in its fleet, issues 5.1 million charge cards on average, and provides personal property disposal services for the reuse of \$1 billion in surplus property annually. Through its Technology Transformation Services and IT portfolios, FAS is developing and deploying Centers of Excellence. FAS works to improve the public's experience with the Government by obtaining and sharing technology applications, platforms, and processes to make their services more accessible, efficient, and effective.

Public Buildings Service

PBS's activities fall into two broad areas: workspace acquisition and property management. PBS acquires space on behalf of the Federal Government through new construction and leasing, while acting as a caretaker for Federal properties across the country. As the largest public real estate organization in the United States, PBS owns or leases more than 8,800 assets and maintains an inventory of more than 370 million square feet of rentable workspace. Within this inventory, PBS maintains approximately over 400 buildings on the National Register of Historic Places, provides high-quality facility and workspace solutions to more than 50 Federal agencies, disposes of excess or unneeded Federal properties, and promotes adopting innovative workplace solutions and technologies. PBS works with its Federal customers to design the 21st century workplace and reduce overall workspace needs and associated costs.

Staff Offices

The GSA is composed of 14 Staff and Independent Offices supporting the enterprise. They ensure GSA is prepared to meet its customers' needs on a day-to-day basis as well as in crises.

Financial Statements Summary and Analysis

The financial statements and financial data presented in this report have been prepared from the U.S. General Services Administration (GSA) accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). The Consolidated Statements of Net Cost present the revenues and expenses incurred to provide goods and services to our customers and execute GSA's programs, by major program and activity.

Consolidated Financial Results

GSA Assets

GSA assets primarily include: property and equipment such as Federal buildings, motor vehicles, and office equipment; Fund Balance with Treasury (FBwT); and amounts due to GSA from Federal agencies and non-federal customers, mostly from sales transactions or uncollected rent (Accounts Receivable). In fiscal year (FY) 2020, GSA reported total assets of \$46.3 billion compared to FY 2019 total assets of \$44.7 billion, representing a net increase of approximately \$1.6 billion. Significant changes in assets include an increase in the overall FBwT of \$0.8 billion, mainly due to activities in the Federal Buildings Fund (FBF), which saw an increase of \$0.6 billion, primarily the result of strong earnings generated by building operations as funding for capital programs, to cover building repairs and alterations (R&A) and new constructions costs. The FBF also received additional funding of \$275 million via the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

GSA's accounts receivable from other Federal agencies also rose over \$365 million due to increases in business volume in the Acquisition Service Fund (ASF).

GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors for goods and services received but not yet paid (Accounts Payable), amounts GSA owes to other Federal entities, and long-term estimates of future environmental remediation costs. In FY 2020, total liabilities were \$9.0 billion; a net increase of \$500 million compared to FY 2019 total liabilities of \$8.5 billion. The increase is primarily attributable to the increased business volume in the ASF reflected in increases to ASF accounts payable to non-federal entities of nearly \$235 million. A significant change in liabilities for the FBF was an increase in estimates of environmental liabilities of \$136 million.

GSA Net Results

GSA reported almost \$29.0 billion in revenue during FY 2020 compared to \$26.3 billion reported in FY 2019, which were matched by expenses of \$28.6 billion and \$25.8 billion, respectively. Changes in the FBF and ASF net operating results are discussed further below.

GSA Budget

GSA reported significant increases in spending authority from offsetting collections and obligations in the ASF. Generally this type of spending authority is created by the revenues and customer orders received from Federal agencies and is also referred to as reimbursable spending authority. The primary driver for these increases was business volume in the Assisted Acquisition Services (AAS) portfolio that has experienced \$2.2 billion in revenue growth year over year.

In FY 2020, GSA received \$295 million in supplemental appropriations as a part of the CARES Act to prevent, prepare for, and respond to impacts of the coronavirus. As previously mentioned, the FBF received \$275 million, obligating \$45 million to provide cleaning and supplies in Federally owned and leased buildings to prevent the spread of coronavirus. GSA will carry over \$236 million of unobligated CARES Act funding into FY 2021 to continue addressing impacts of the coronavirus on GSA activities.

Financial Results by Major Fund – Federal Buildings Fund

The FBF is the primary fund established for financial administration of the Public Buildings Service (PBS) activities. PBS provides workplaces for Federal agencies and their employees. FBF resources are primarily generated by rent paid to GSA by other Federal agencies. Operating results are displayed on the Consolidating Statements of Net Cost, segregated into the two primary components of Building Operations – Government Owned, and Building Operations – Leased.

In FY 2020, FBF gross revenue was over \$12.2 billion, with over 58 percent of the revenue generated from the top five Federal customer agencies as shown in the table below:

Table 1 . FBF Top 5 Federal Customers (*Dollars in Millions*)

Customers	Revenues (\$ in Millions)	% of Total Revenue s
U.S. Department of Homeland Security	\$2,144	17.6%
U.S. Department of Justice	\$2,083	17.1%
Federal Judiciary	\$1,220	10.0%
U.S. Social Security Administration	\$918	7.6%
U.S. Department of the Treasury	\$713	5.9%

FBF Net Revenue from Operations

FBF Net Revenue from Operations represents the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenue from Operations is used to invest in major repairs and alterations for Federal buildings and to provide funding for the cost of constructing new Federal buildings.

The primary source of revenue into the FBF is rent from our customer agencies and the primary sources of expense are the cost of leasing building space and the cost of operating the GSA portfolio of GSA– owned and –leased buildings. PBS also operates a reimbursable work authorization program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in base rental agreements.

FBF Obligations and Outlays

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new Federal buildings; for repairs and alterations, cleaning, utilities and other maintenance of GSA-owned Federal buildings; and lease and related payments to commercial landlords for space leased by GSA for Federal agencies. Obligations incurred in FY 2020 reflect only slight increases in total program activity. The change in Net Outlays reflects a continuing trend of collections from operating revenues exceeding amounts disbursed for operating and capital programs. Both obligations incurred and outlays reflect increases particularly driven by the \$767 million purchase of the Department of Transportation headquarters building in Washington, DC during FY 2020. Excluding that purchase, the balance of the obligations incurred and gross outlays in the FBF were down slightly from the previous year.

Financial Results By Major Fund — Acquisition Services Fund

The ASF is a revolving fund that operates from the reimbursable revenue generated by its business portfolios rather than from an appropriation received from Congress. The operations of the ASF are organized into seven business portfolios: General Supplies and Services; Transportation Travel and Logistics (TTL); Information Technology (IT); AAS; Professional Services and Human Capital; Office of Systems Management; and Technology Transformation Services (TTS). By leveraging the buying power of the Federal Government, the Federal Acquisition Service (FAS) consolidates requirements across multiple agencies and uses its acquisition expertise to acquire goods and services at the best available prices.

In FY 2020, the ASF realized \$17.0 billion in revenues with 82 percent of the revenue generated from five Federal customer agencies as shown in the table below:

Table 3. ASF Top Five Federal Customers (*Dollars in Millions*)

Customers	Revenues (\$ in Millions)	% of Total Revenue s
U.S. Department of Defense	\$11,462	67.5%
U.S. Department of Homeland Security	\$1,295	7.6%
U.S. Department of Justice	\$443	2.6%
U.S. Department of Health and Human Services	\$392	2.3%
U.S. Department of Agriculture	\$370	2.2%

ASF Net Revenues from Operations

ASF Net Revenue from Operations represents the revenue remaining after deducting the costs of goods and services sold and the cost of operations. Net Revenues from Operations are invested in the GSA Fleet, IT systems, other programs to improve FAS service levels, and to comply with regulatory and statutory requirements. In FY 2020, the ASF reported improved financial results across business portfolios, producing net results of \$252 million compared to net results of \$220 million in FY 2019. AAS programs have continued to experience significantly increased revenue of 24 percent in the past fiscal year, earning \$11.4 billion in FY 2020, as both the volume and dollar magnitude of individual customer orders continues to increase from year-to-year. This increased business volume outpaced the costs necessary to support that business volume and resulted in an increase of \$38 million in net operating results compared to FY 2019.

ASF Obligations and Outlays

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors providing goods and services in support of the ASF portfolios. New Obligations and Upward Adjustments increased by almost \$3 billion between FY 2020 and FY 2019, due to the large increase in ASF business volumes. Consequently in FY 2020, Gross Outlays from disbursements grew by \$2.6 billion and collections from sales increased \$2.4 billion, compared to FY 2019.

GSA Management Assurances

Statement of Assurance

The U. S. General Services Administration (GSA) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. GSA conducted its assessment of risk and internal controls in accordance with the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The assessment did not identify any material weaknesses. GSA management can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2020.

In fiscal year (FY) 2020, the Office of Inspector General identified internal controls as a management challenge and subsequently cited performance audits as a specific area of concern. GSA dedicated additional resources to remediating audit findings and increased leadership focus on performance audits and the implementation of corrective actions.

As with all Government agencies, GSA has faced significant challenges with the global pandemic. These challenges include maintaining a virus-free working environment in GSA facilities, managing the security risks of a virtual Federal information technology environment, and facilitating employee work-life balance.

GSA has assessed that it is in compliance with Federal financial management standards, as required by the Federal Financial Management Improvement Act of 1996 and OMB Circular A-123 Appendix D. GSA is confident that all systems substantially comply with the Federal accounting standards promulgated by the Federal Accounting Standards Advisory Board, and with the U.S. Standard General Ledger at the transaction level as of September 30, 2020.



Emily W. Murphy

Administrator November 13, 2020

GSA Management & Internal Control Program

An effective internal control program helps the U. S. General Services Administration (GSA) safeguard Government resources and ensures that the agency efficiently and effectively fulfills its core mission and achieves its strategic goals.

The agency's senior assessment team, the Management Control Oversight Council (MCOC), chaired by the Deputy Administrator, is responsible for establishing governance for GSA's senior managers to provide the leadership and oversight necessary for effective implementation of the agency's Internal Control Program. More information on GSA's internal control program can be found in the [Other Information](#) section of the AFR.

Looking Forward

The U. S. General Services Administration (GSA) is continuously looking for new ways to deliver on its mission to provide value and savings in real estate, acquisition, technology, and other mission-support services across the Government. Using a cross-enterprise perspective, GSA identifies the most complex and interconnected risks to mission execution. This collaborative process empowers agency leaders to strategically allocate resources, allowing the agency to stay ahead of emerging risks.

The COVID-19 pandemic fundamentally altered the global risk landscape and presented GSA with unprecedented challenges. In the midst of a global economic downturn, extensive disruptions to supply chains and travel, and a massive shift to virtual work, GSA senior leaders deftly adapted and responded to these novel organizational risks. With a new sense of its resilience, GSA is committed to building a stronger and more responsive agency and will continue to strengthen its approach to identifying and managing its enterprise risks.

Implementing risk management principles across all functions and programs strengthens GSA's ability to sustain its services in the midst of uncertainty and organizational risks. GSA administered its annual GSA Risk Survey to identify risks to the agency's most critical activities. This survey captured risks that were magnified by the COVID-19 pandemic while also providing senior executives a snapshot of trends that predated this new risk landscape. The resulting feedback and underlying dataset helped refine GSA's Enterprise Risk Profile and identify opportunities for improvement. Using data analytics, GSA will continue to review key risk data to prioritize actions on cross-cutting challenges. Focus areas for FY 2021 enterprise risk management efforts include:

1. **Cybersecurity** – Cybersecurity is one of the most critical aspects of GSA's Information Technology (IT) program. Cyber attacks and security vulnerabilities have the potential to bring down mission-critical systems and IT infrastructure. To mitigate these threats, GSA is focusing beyond compliance on operational security and identifying and managing capability gaps. Continuous monitoring and review are in place to protect GSA's systems from hackers and other cyber attacks.
2. **Human Capital** – GSA consistently ranks as one of the top 10 best places to work among midsize Federal agencies and the GSA human capital organization ranks 2 out of 24 agencies surveyed in the Customer Satisfaction Survey. The technical nature of GSA's work offers unique challenges to recruiting, developing, and retaining top talent. Based on analysis of the human capital risks identified in the 2020 Enterprise Risk Survey, GSA will continue to seek innovative solutions to develop and grow its workforce while identifying opportunities for performance and process improvement across the enterprise.
3. **Legacy Database Technologies** – Reliance on proprietary legacy technologies adversely affects operational flexibility and increases costs for GSA. To reduce the negative effects, GSA is leveraging the Technology Modernization Fund to support a multi-year transformation effort. GSA is shifting from proprietary to open source databases, which will simplify integrations with other

On the right: GSA Central Office in Washington, DC.

systems. This will help applications achieve greater flexibility in their system architecture while improving resilience, scalability, maintainability, and performance.

4. Federal Building Fund (FBF) – GSA collects market rents from tenant customer agencies that are deposited into the FBF. GSA uses these funds to operate, maintain, and invest in its real property inventory. However, GSA is dependent upon Congressional approval for annual appropriations and authorizations. GSA's inability to spend at the level of rent collection impedes GSA's ability to allocate resources for critical repairs and improvements across its real estate portfolio, which leads to further deterioration of aging Federal assets. The result is avoidable increased costs due to delayed repairs and missed opportunities to consolidate space. Ensuring full access to the FBF allows GSA to effectively plan for investments in its owned portfolio, supports efforts to decrease the overall size of the leased portfolio, and generates significant savings over the long term.
5. Supply Chain Risk Management (SCRM) – GSA, like other Federal agencies, works with a range of suppliers to execute its mission. Over the past decade, Federal guidance and regulation have evolved to prioritize supply chain risk management in line with the increasing threat of exploitation of the Nation's supply chain. This includes guidance such as Section 889 of the 2019 National Defense Authorization Act, which went into full effect this August. GSA's senior executives highlighted in the FY 2020 GSA Risk Survey a strong potential for supply chain disruptions as a result of the COVID-19 pandemic and have worked with partners to mitigate the effect of those disruptions on mission execution. GSA will continue to build out its SCRM capabilities, to include a SCRM Executive Board to both improve capabilities and practices across GSA, as well as continually identify, monitor, and manage future supply chain risks.

Each of the risks described above, if not effectively managed, has the potential to disrupt GSA's ability to meet its objectives and execute its mission. Engaged leadership and an increased willingness to work across business units to manage risk promotes transparency and helps develop a proactive risk and opportunity culture. By identifying an accountable executive for each risk, who has the responsibility for tracking implementation of mitigation plans and strategies, GSA promotes accountability. Ensuring that critical risks are monitored by leveraging qualitative and quantitative information allows GSA to effectively align investments to mitigate key risks and strengthen operations, ultimately maximizing value to customer agencies and taxpayers.

Consolidated Financial Statements

U.S. General Services Administration

Consolidated Balance Sheets

As of September 30, 2020, and September 30, 2019

(Dollars in Millions)

	2020	2019
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Notes 1 - D, 2)	\$14,643	\$13,875
Accounts Receivable - Federal, Net (Note 4)	3,852	3,487
Capital Lease Payments Receivable (Note 8)	29	38
Unamortized Deferred Charges and Prepayments	96	109
Prepaid Expenses and Advances - Federal	90	122
Total Intragovernmental Assets	18,710	17,631
Accounts Receivable - Non-Federal, Net (Note 4)	125	125
Other Assets (Note 5)	75	73
Property and Equipment: (Notes 1 - E, 6)		
Buildings	51,205	49,136
Leasehold Improvements	234	290
Motor Vehicles	6,474	6,200
Equipment and Other Property	305	503
Less: Accumulated Depreciation and Amortization	(34,170)	(32,398)
Subtotal	24,048	23,731
Land	1,867	1,719
Construction in Process and Software in Development	1,446	1,402
Total Property and Equipment, Net	27,361	26,852
TOTAL ASSETS	\$46,271	\$44,681
LIABILITIES AND NET POSITION		
Intragovernmental Liabilities:		
Accounts Payable and Accrued Expenses - Federal	\$55	\$27
Judgment Fund Liability	524	507
Deferred Revenues and Advances - Federal	644	704
Amounts Owed to the General Fund	38	16
Other Intragovernmental Liabilities (Note 9)	57	55
Total Intragovernmental Liabilities	1,318	1,309
Accounts Payable and Accrued Expenses - Non-Federal	4,054	3,810
Environmental and Disposal Liabilities (Notes 6, 10 - B)	1,960	1,786
Capital Lease and Installment Purchase Liability	694	711
Unamortized Rent Abatement Liability	559	521
Workers' Compensation Actuarial Liability (Note 7)	123	116
Annual Leave Liability (Note 1 - F)	135	113
Deposit Fund Liability	27	19
Other Liabilities (Note 9)	96	88
Total Liabilities (Note 11)	8,966	8,473
Net Position:		
Unexpended Appropriations	933	680
Cumulative Results of Operations (Note 14)	36,372	35,528
Total Net Position	37,305	36,208
TOTAL LIABILITIES AND NET POSITION	\$46,271	\$44,681

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidated Statements of Net Cost

For the Fiscal Years Ended September 30, 2020, and September 30, 2019

(Dollars in Millions)

		2020	2019
Manage Building Operations	Earned Revenues	\$12,099	\$11,785
	Less: Operating Expenses	11,646	11,241
	Net Revenues from Operations	453	544
Provide Acquisition Services	Earned Revenues	16,811	14,474
	Less: Operating Expenses	16,545	14,237
	Net Revenues from Operations	266	237
Working Capital and General Programs	Earned Revenues	55	44
	Less: Operating Expenses	390	289
	Net Costs of Operations	(335)	(245)
GSA Consolidated Net Results	Earned Revenues	28,965	26,303
	Less: Operating Expenses	28,581	25,767
	Net Revenues from Operations	\$384	\$536

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Consolidated Statements of Changes in Net Position

For the Fiscal Years Ended September 30, 2020, and September 30, 2019

(Dollars in Millions)

	2020	2019
BEGINNING BALANCE OF NET POSITION :		
Unexpended Appropriations	\$680	\$429
Cumulative Results of Operations	35,528	34,487
Net Position Beginning Balance	36,208	34,916
CHANGES IN UNEXPENDED APPROPRIATIONS :		
Appropriations Received	581	390
Appropriations Used	(319)	(258)
Appropriations Adjustments and Transfers (To) From Other Agencies or Funds	(9)	119
Net Change in Unexpended Appropriations	253	251
RESULTS OF OPERATIONS :		
Net Revenues From Operations	384	536
Appropriations Used (Note 1 - C)	319	258
Non - Exchange Revenue (Notes 1 - C , 1 - D)	79	71
Imputed Financing Provided By Others	96	201
Transfers of Financing Sources (To) From the U . S . Treasury	(78)	(18)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	46	14
Other	(2)	(21)
Net Results of Operations	844	1,041
ENDING BALANCE OF NET POSITION :		
Unexpended Appropriations	933	680
Cumulative Results of Operations	36,372	35,528
Net Position Ending Balance	\$37,305	\$36,208

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

Combined Statements of Budgetary Resources

For the Fiscal Years Ended September 30, 2020, and September 30, 2019

(Dollars in Millions)

	2020	2019
BUDGETARY RESOURCES		
Unobligated Balance from Prior Year Budget Authority , Net (Note 13)	\$8,022	\$6,927
Appropriations	608	532
Spending Authority from Offsetting Collections	31,676	29,401
Total Budgetary Resources	40,306	36,860
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments	33,275	29,696
Unobligated Balance , End of Period		
Apportioned , Unexpired Accounts	5,779	6,051
Unapportioned , Unexpired Accounts	1,205	1,060
Unexpired Unobligated Balance , End of Period	6,984	7,111
Expired Unobligated balance , End of Period	47	53
Unobligated Balance , End of Period , Total	7,031	7,164
Total Status of Budgetary Resources	40,306	36,860
OUTLAYS, NET		
Net Outlays from Operating Activity	(198)	(1,054)
Distributed Offsetting Receipts	(67)	(38)
Total Net Outlays	(\$265)	(\$1,092)

The accompanying notes are an integral part of these statements.

**Sample
Management's Discussion and Analysis (MD&A)**

**U.S. Department of Housing
and Urban Development**

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January – February 2021]

Including FY2020 Financial Statements



Mission and Organizational Structure

Mission

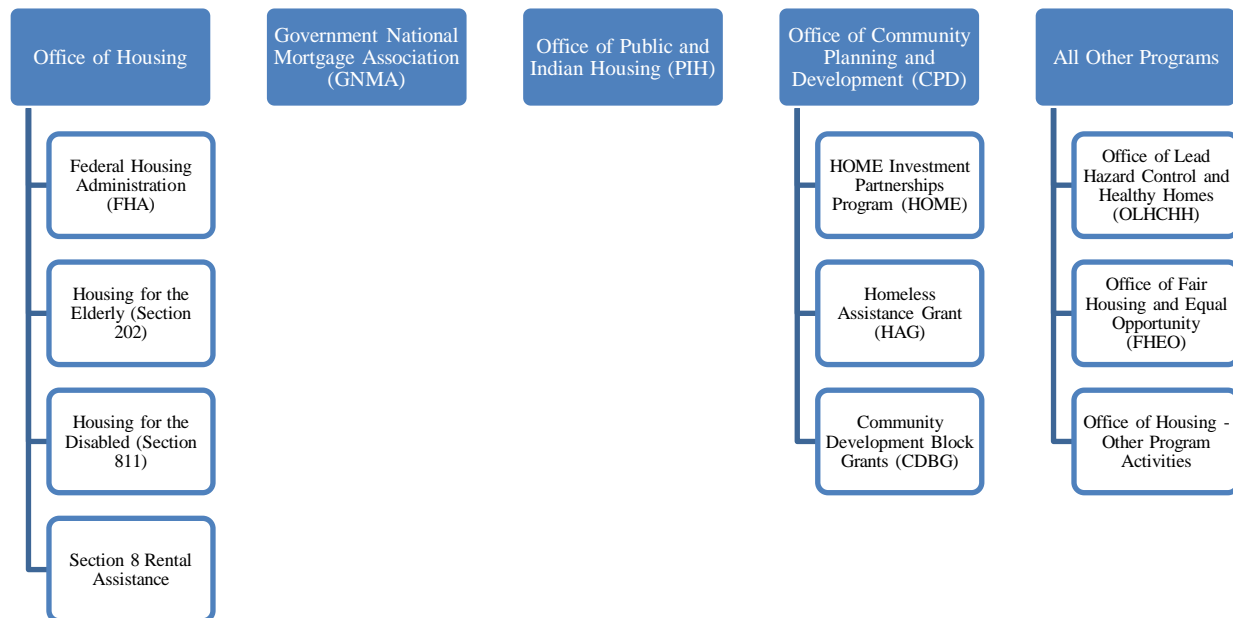
HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. For the mission, HUD is working to strengthen the housing market **to bolster the economy and protect consumers; meet the need** for quality affordable rental homes; utilize housing as a platform for **improving quality of life**; build **inclusive and sustainable communities** free from discrimination; and **transform the way HUD does business**.

Organizational Structure

HUD is composed of many organizations with its missions and objectives. For details on the organizational structure please [visit here](#).

Major Program Activities

HUD has established and administered many programs to support the nations' homebuyers, homeowners, renters and communities, and to achieve the missions and objectives of HUD. To find out how each program supports, click each office in the chart below. For their financial information in detail, please refer to [Net Cost by Responsibility](#) in Analysis of Financial Statements and Stewardship Information below.





— Analysis of Financial Statements and Stewardship Information —

HUD prepares three consolidated financial statements ([Balance Sheet](#), [Statement of Net Cost](#), [Statement of Changes in Net Position](#)) and one combined statement, the [Statement of Budgetary Resources](#). Together, these statements with their accompanying notes provide the complete picture of HUD's financial position, condition and results. The following is a summary of HUD's financial statements. The complete statements with accompanying notes, as well as the auditor's opinion, are available in [Section 2: Financial Information](#).

Summarized Financial Data		
(Dollars in Billions)	2020	2019
Total Assets	\$262.2	\$217.6
Total Liabilities	\$55.3	\$43.1
Net Position	\$206.9	\$174.5
Total Budgetary Resources	\$269.9	\$235.1
FHA Insurance-In-Force ¹	\$1,462.0	\$1,454.0
GNMA Mortgage-Backed Securities Guarantees ²	\$2,117.7	\$2,092.8
Other HUD Program Commitments ³	\$60.3	\$52.3

In FY 2020, HUD's Consolidated Financial Statements and Notes are not shown in comparative format, which is a departure from OMB Circular A136. For additional information about HUD's single year presentation, refer to [Note 1: Summary of Significant Accounting Policies - Section B](#).

HUD also made a change in accounting principle in FY 2020 for FHA's reporting of accounts receivable and accounts payable related to direct loans and loan guarantees subject to the Federal Credit Reform Act (FCRA). For additional information about the FHA change in accounting principles, see [Note 1: Summary of Significant Accounting Policies - Section AB](#).

In accordance with the Federal Financial Management Improvement Act (FFMIA), HUD performed an assessment of whether the Department's financial management systems comply substantially with Federal financial management systems requirements, applicable Federal accounting standards promulgated by FASAB, and the USSGL at the transaction level. As of September 30, 2020, HUD determined that 26 of 30 of its financial management systems are substantially compliant with Section 803(a) of FFMIA. The impact of noncompliance in HUD's financial management systems is low, and HUD is currently working to resolve these issues by FY21.

¹ See HUD AFR, [Note 7](#)(J1 and J2) – FHA Only

² See HUD AFR, [Note 25](#)

³ See HUD AFR, [Note 20](#) (Unpaid Obligations)





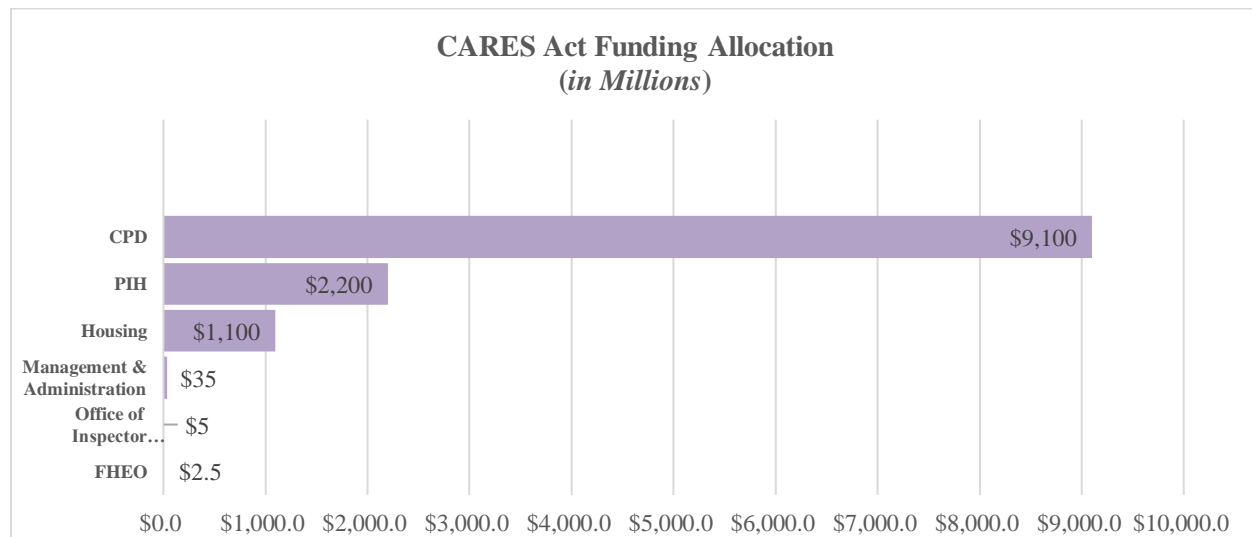
HUD continues to improve its overall internal control processes over financial reporting. For the past year HUD has improved the integrity of its financial data by putting additional controls in place through the financial management transformation initiative. As a result, HUD was able to identify and correct errors to avoid material misstatements to HUD's financial statements and notes. The correction of errors is related to (1) the "Outstanding Principal Guaranteed Loans" balance on the "All Other" line specifically for the Indian Housing Loan Guarantee (IHLG) Fund and (2) Leasehold Improvements. Additional details are outlined in [Note 1: Summary of Significant Accounting Policies - Section AA](#).

COVID-19

HUD was also confronted with the financial impact of the novel strain of the Coronavirus, also known as COVID-19, which was declared a pandemic by the World Health Organization and a national emergency in the United States on March 13, 2020.

In response to the pandemic, the United States Congress passed a series of bills including the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law by President Trump on March 27, 2020, to provide aid and economic assistance to individuals, families and businesses across the nation impacted by COVID-19.

HUD was appropriated CARES Act funding, under Public Law 116-136, in the amount of \$12.4 billion to prevent, prepare for, and respond to Coronavirus, including to provide additional funds to maintain normal operations and cover other necessary authorized activities during the period that the programs are impacted by the Coronavirus. The following HUD programs received funding:



As of September 30, 2020, the impact of the CARES Act funding increased HUD's Total Assets by \$10.9 billion, Total Liabilities by \$8.4 million, Net Position by \$10.9 billion, Total Gross Costs by \$1.6 billion, and Net Outlays were \$2.3 billion.





On April 1, 2020, GNMA additionally entered into an indefinite borrowing agreement with the Department of the Treasury with initial borrowing authority of \$8.7 billion contingent upon an initial transfer of spending authority of \$3 billion from the Capital Reserve. While indefinite borrowing authority is granted to GNMA in permanent law (pursuant to the National Housing Act), this borrowing agreement is intended to support the COVID-19 Pass-Through Assistance Program (PTAP). For additional information, see [Note 27: COVID-19 Activity](#).

The COVID-19 pandemic and the public response have numerous short-term and long-term implications that have not yet fully manifested for HUD's program operations. It has transformed the socioeconomic and fiscal environment in which HUD undertakes its mission. It has affected households' employment, housing security, use of their homes, and interactions with their communities. At the end of FY 2020 (September), the civilian unemployment rate was eight percent compared with four percent a year earlier. Although the Homeownership Affordability Index improved markedly through the first two quarters of FY 2020 due to the declining interest rates and the increase in median family income, the rate of mortgage delinquency spiked to eight percent of mortgage loans in the second quarter of FY 2020, up five points from a year earlier and the highest delinquency rate observed since 2011. The pandemic has exacerbated the housing instability by shrinking household earnings and leaving many households delinquent on their rent or mortgage payments. Housing debts continue to accrue during the moratorium. Landlords, of whom many are small "mom-and-pop" owners, may become delinquent on their mortgages, which could lead to subsequent evictions even if they display maximum leniency to tenants. Substantial increases in eviction and homelessness may happen in FY 2021 and perhaps subsequent years, depending on the duration of COVID-19 pandemic conditions and employment losses. These risks may trigger additional changes to COVID-19 funding, policies and laws that will affect HUD's financial position in subsequent years.

Analysis of Financial Statements

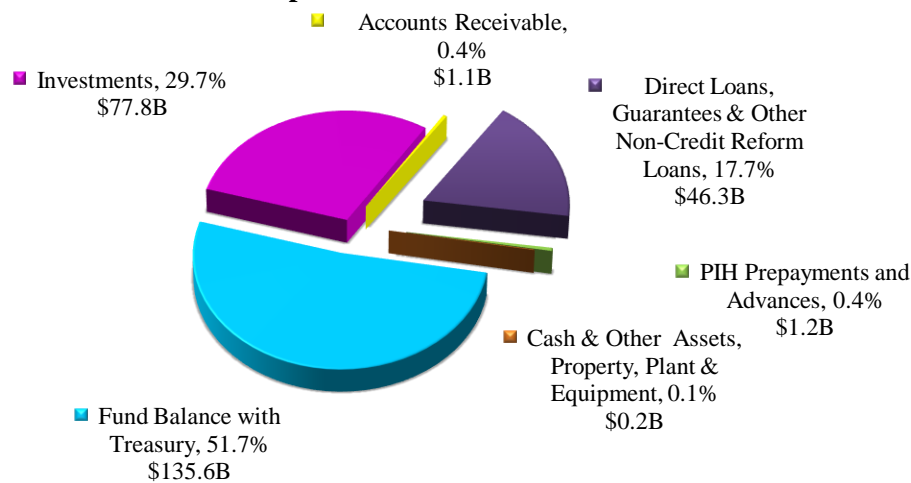
Assets – Major Accounts

Total Assets of \$262.2 billion for FY 2020, as reported in the Consolidated Balance Sheet, are displayed in the chart on the next page.

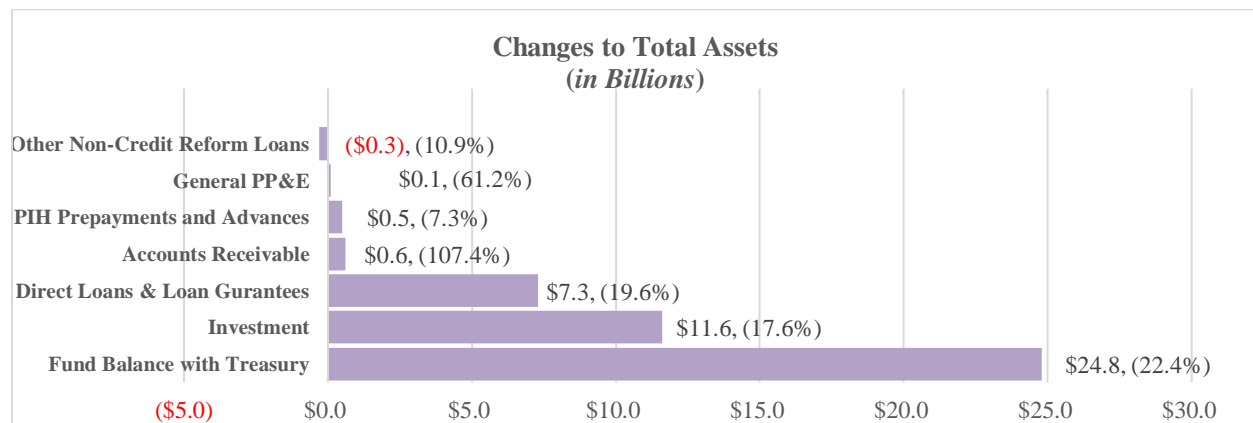




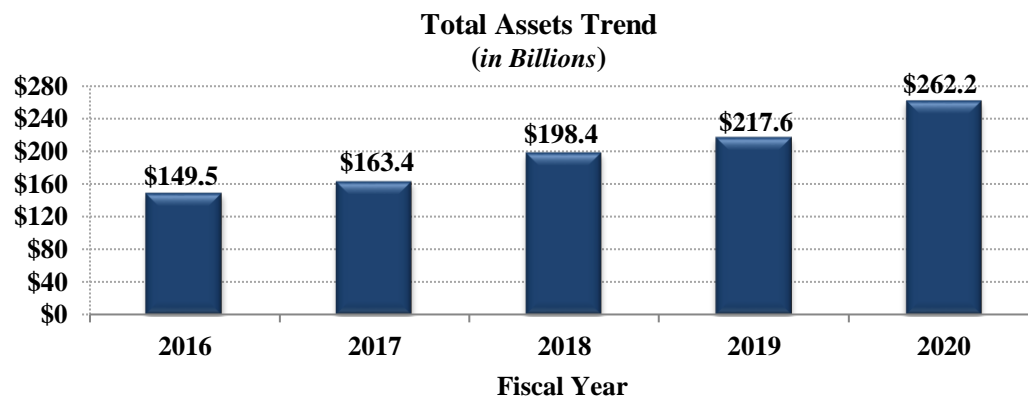
Composition of HUD Assets - FY 2020



Total Assets increased by \$44.6 billion (20.5 percent) from \$217.6 billion as of September 30, 2019. Details on the changes to the assets are presented in the chart below.

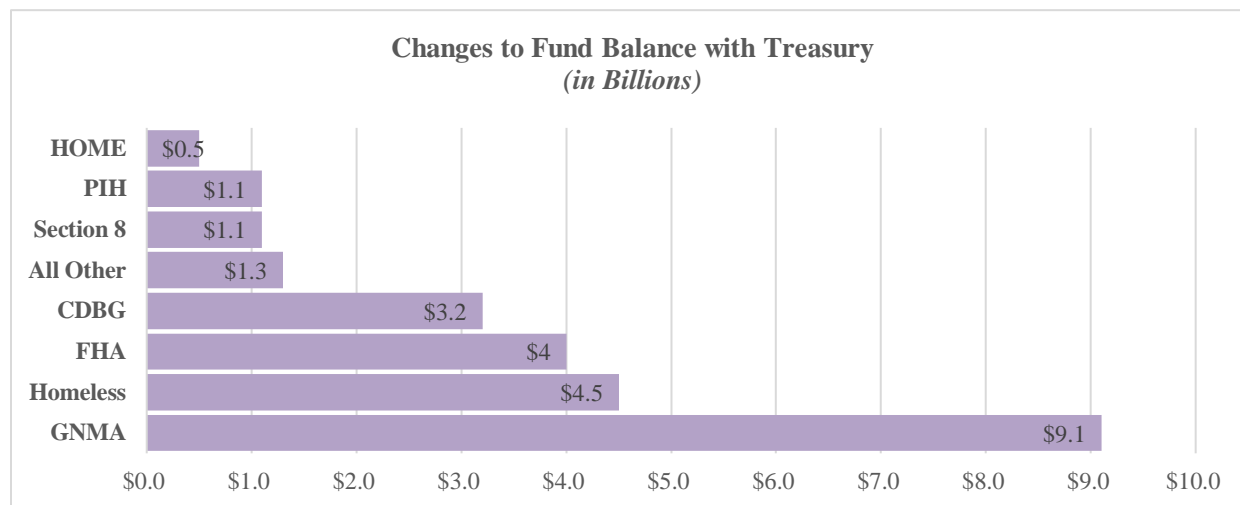


The chart below shows Total Assets for FY 2020 and the four preceding years. The changes and trends affecting Total Assets are discussed in the subsequent paragraphs.





Fund Balance with Treasury of \$135.6 billion represents HUD's aggregate amount of funds available to make authorized expenditures and pay liabilities. Fund Balance with Treasury increased by \$24.8 billion. Details on the increase can be shown in the chart below.



The FHA increase is due primarily to an increase in activity of \$5.9 billion in the MMI/CMHI Capital reserve fund offset by a decrease in activity of \$2.0 billion in the GI/SRI Financing account. GNMA's Fund Balance with Treasury increase is comprised of (1) \$7.4 billion in non-expenditure transfers (NETs) between the Capital Reserve Account (where capital is held in Treasury Overnight Securities), the existing Financing, Program, and the new Pass-Through Assistance Program (PTAP) accounts (where capital is held as Fund Balance with Treasury); (2) \$1.6 billion in offsetting collections from Guaranty, Commitment, and Multiclass fees; (3) \$0.3 billion from Other Non-Credit Reform loan interest and net repayments; and offset by (4) \$0.3 billion in administrative and MBS program expense. The increases in Fund Balance with Treasury of \$11.8 billion for HUD Proper programs (all non-FHA and non GNMA programs) are primarily attributable to the funds received from the COVID-19 response through the CARES Act in the 2nd Quarter of FY 2020. For additional information on amounts appropriated and the related programs, see [Note 27: COVID-19 Activity](#) in the Financial Information Section of the AFR.

Investments of \$77.8 billion consist primarily of investments by FHA's MMI/CMHI fund and by GNMA in non-marketable, intra-governmental, Treasury securities (i.e., investments not sold in public markets). FHA's investments increased by \$18.9 billion due primarily to a large net downward re-estimate of \$10.9 billion plus a negative subsidy of \$7.1 billion that was transferred from the Financing Account to the Capital Reserve Account and subsequently invested. Accrued interest also increased by \$0.3 billion because of the increase in investments. GNMA's investments decreased by \$7.3 billion as a result of the liquidation of Treasury Securities and transfer out of cash reserves from the Capital Reserve to the Financing, Program and PTAP accounts to fund MBS guarantee program activity offset by a decrease in investment interest income collections of \$0.1 billion. This amount was lower than in FY 2019 due to lower interest rates on daily overnight securities.





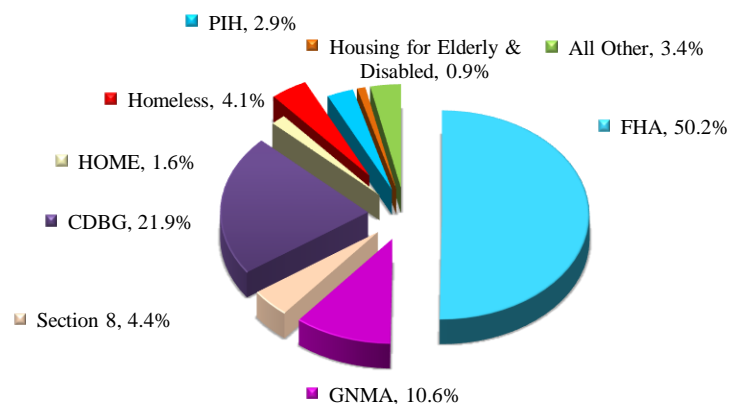
Direct Loan and Loan Guarantees of \$44.3 billion are attributed to FHA credit program receivables and HUD's support of construction and rehabilitation of low rent housing, principally for the elderly and disabled under the Section 202/811 programs. FHA's increase of \$7.4 billion (20.7 percent) is primarily due to an increase in Single Family (SF), Multifamily (MF)/Healthcare (HC) and HECM receivable activity of \$8.4 billion in the Mutual Mortgage Insurance (MMI)/ Cooperative Management Housing Insurance (CMHI) and the General Insurance (GI)/Special Risk Insurance (SRI) accounts. The increase was offset by net decreases of \$0.7 billion in allowance for subsidy and foreclosed property of \$0.5 billion.

Other Non-Credit Reform Loans of \$2.1 billion consist of GNMA's Mortgage Loans Held for Investment, Advances, PTAP Issuer Advances, Properties Held for Sale, and Claims Receivable. GNMA's balance decreased by \$0.3 billion primarily from normal paydown activities of the reperforming modified loans.

Assets – Major Programs

The chart below presents Total Assets for FY 2020 by major responsibility segment or program.

Assets by Responsibility Segment

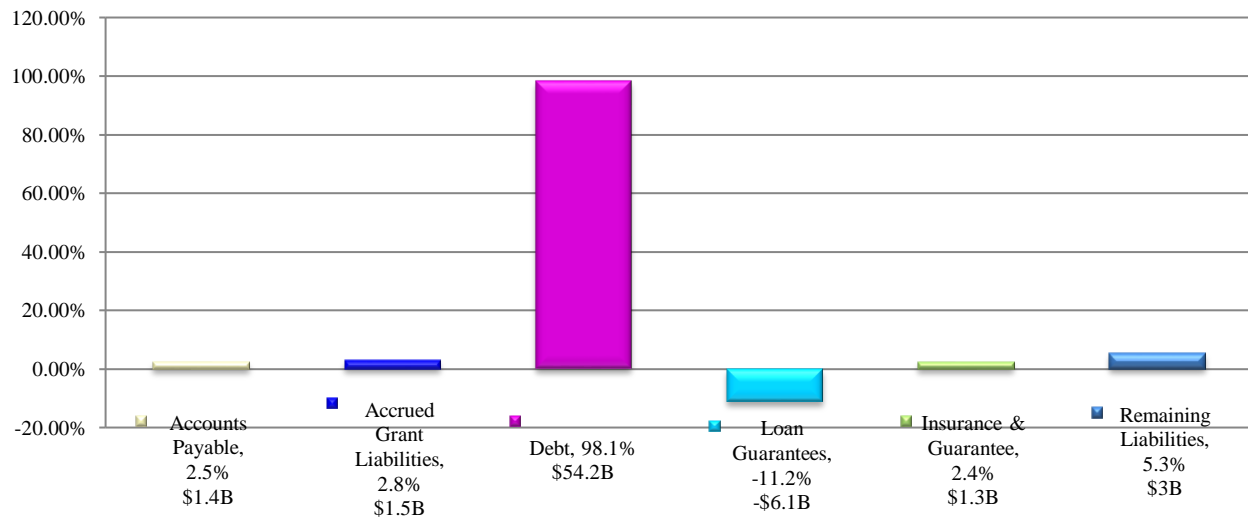




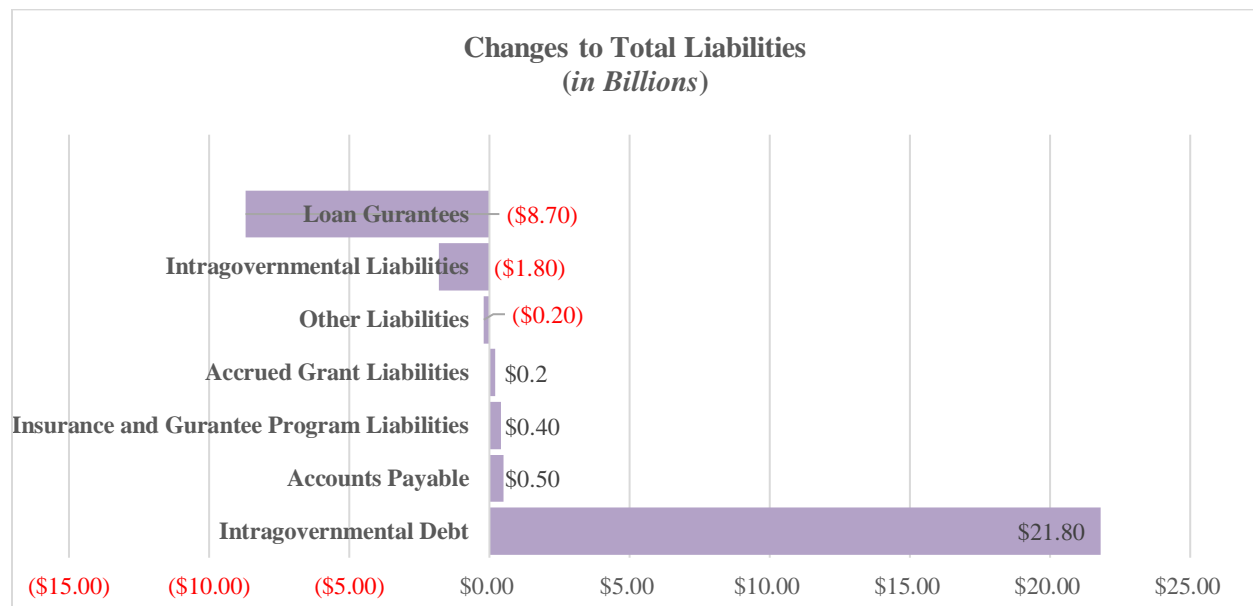
Liabilities – Major Accounts

Total Liabilities of \$55.3 billion as reported in the Consolidated Balance Sheet, are displayed in the chart below.

Composition of HUD Liabilities

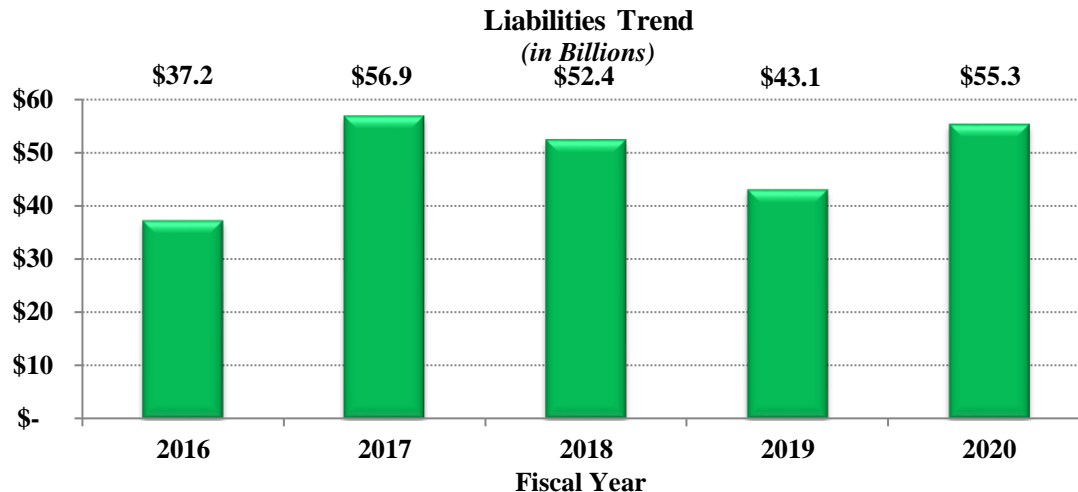


Total Liability increased by \$12.2 billion from FY 2019 to FY 2020 and the detail is shown in the chart below.



The chart on the next page presents Total Liabilities for FY 2020 and the four preceding years. A discussion of the changes and trends impacting Total Liabilities is presented in the subsequent paragraphs.





The Loan Guarantees Liability (LGL) consists of the Liability for Loan Guarantees (LLG) related to credit reform loans made after October 1, 1991 and the loan loss reserves (LLR) for pre-1992 loan guarantees. LLG is comprised of the present value of anticipated cash outflows for defaults such as claim payments, premium refunds, property expense for on-hand properties, and sales expense for sold properties less anticipated cash inflows such as premium receipts, proceeds from property sales, and principal interest on Secretary-held notes. Details on changes to the balance can be found at [Loan Guarantee Liability section of Note 7: Direct Loans & Loan Guarantees, Non-Federal Borrowers](#), in the Financial Information Section of the AFR for further explanation.

Further explanation for the decrease in FHA's LLG is because in FY 2020, Treasury updated guidance in the TFM of the USSGL for reporting account receivables and account payables related to direct loans and loan guarantees subject to the FCRA. Prior to FY 2020, Treasury permitted FHA to offset account receivables and account payables with contra-asset and contra-liability accounts, respectively, so that its net assets would not be overstated. The new transactions from Treasury for account receivables and account payables related to direct loans and loan guarantees enabled FHA to discontinue using the contra-asset and contra-liability accounts. Under the new accounting guidance, FHA may record accounts receivable as an increase and accounts payable as a decrease directly to the Loan Guarantee Liability (LGL). FHA implemented this new guidance in FY 2020. For additional information about FHA's change in accounting principles, see [Note 1: Summary of Significant Accounting Policies - Section AB](#) in the Financial Information Section of the AFR.

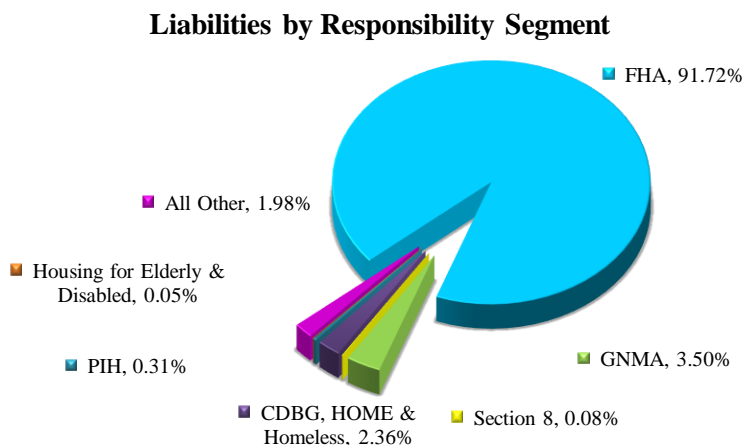
Debt includes Intragovernmental Debt of \$54.2 billion. The Intragovernmental Debt is primarily the result of FHA's principal debt with the Treasury. FHA's \$21.8 billion (67.4 percent) increase is due primarily to an increase in net borrowing of \$21.4 billion in the MMI/CMHI and GI/SRI financing funds to cover future claims and \$0.4 billion in the GI Direct Loan financing fund. FHA borrowed because there was not enough cash in the fund to cover this large outlay while still maintaining the ability to cover future claims.





Liabilities – Major Programs

The chart below presents Total Liabilities for FY 2020 by responsibility segment.



Changes in Net Position

Changes in Unexpended Appropriations, Net Cost of Operations, and Financing Sources combine to determine the Net Position at the end of the fiscal year. The elements are further discussed below. Net Position as reported in the [Consolidated Statement of Changes in Net Position](#) reflects an increase of \$32.4 billion (18.6 percent) from the prior fiscal year. The net increase in Net Position is primarily attributable to a \$11.7 billion increase in Unexpended Appropriations and a \$20.4 billion increase in Cumulative Results of Operations.

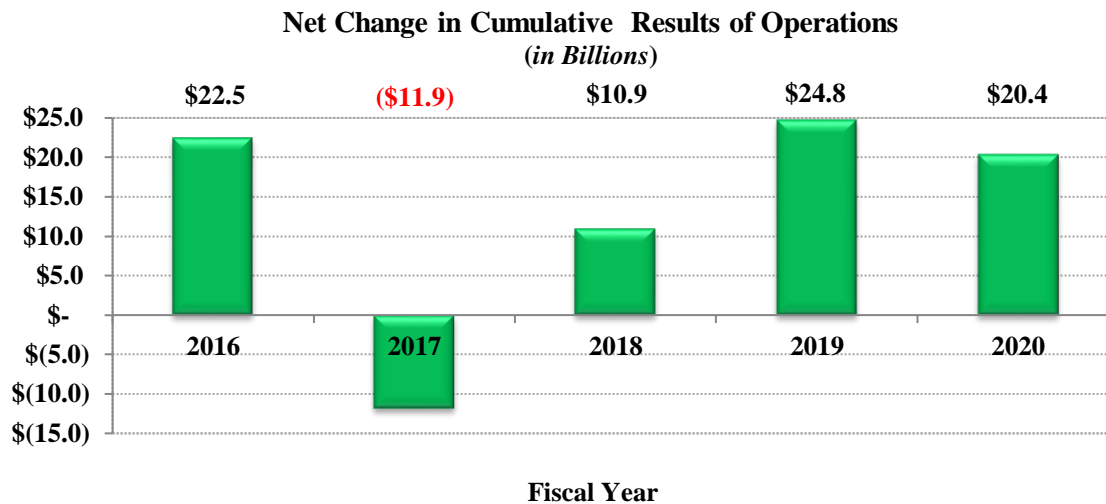
The overall increase in Unexpended Appropriations and Net Position for All funds is primarily due to the increase in Fund Balance with Treasury for the CARES Act funding received in the 2nd Quarter of FY 2020.

The combined effect of HUD's Net Cost of Operations and Financing Sources resulted in Net Results of Operations of \$20.4 billion during FY 2020, a decrease of \$4.4 billion from the prior fiscal year. Net Cost of Operations increased by \$7.7 billion from the prior fiscal year and Total Financing Sources increased by \$3.3 billion. FHA's Net Cost increased by \$4.4 billion primarily due to an increase in SF's gross cost of \$7.8 billion and an increase of \$1.1 billion in MF's gross cost offset by decreases of \$4.0 billion in HECM gross cost and \$0.2 billion in Health Care gross cost. HUD Proper's increase in Net Costs of \$3.7 billion is primarily due to program expenses as follows: \$2.1 billion in Tenant Based Rental Assistance, \$0.7 billion in Project Based Rental Assistance, \$0.4 billion in CDBG, \$0.4 billion in Homeless Assistance Grants, and \$0.2 billion in Public Housing Operating Fund offset by decreases of \$0.1 billion in the Home Investment Partnerships Program. Increases in net costs for HUD's new program Salary and Expense (S&E) fund are offset by decreases in HUD's former program S&E funds.





The chart below presents HUD's Net Change in Cumulative Results of Operations for FY 2020 and the four preceding years.

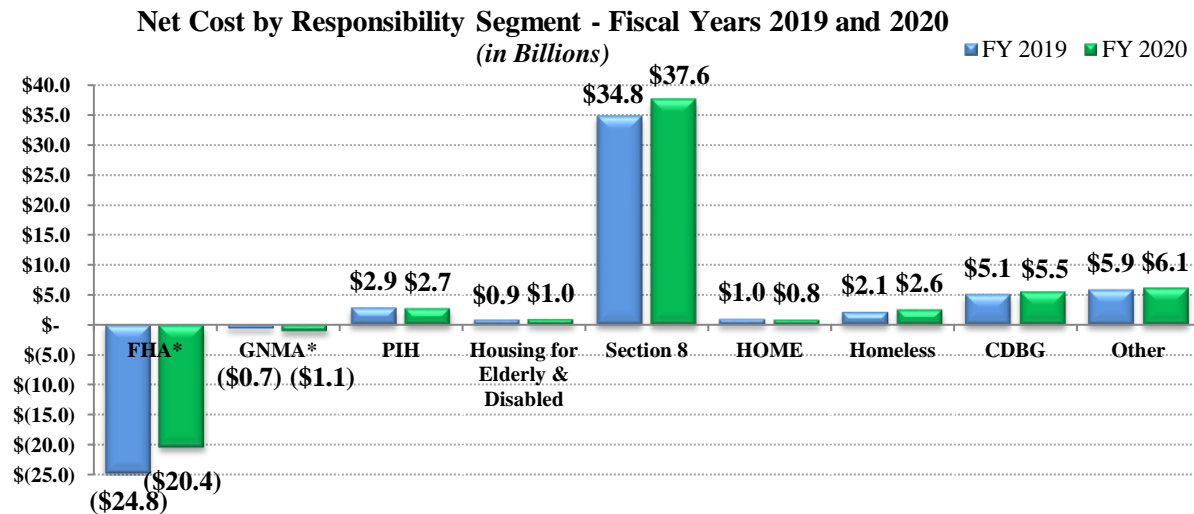


Unexpended Appropriations: As shown in HUD's Statement of Changes in Net Position, HUD's Unexpended Appropriations for FY 2020 totaled \$98.0 billion. The increase of \$11.7 billion (13.6 percent) is due primarily to increases of \$3.0 billion in the CDBG program, \$1.3 billion in the PIH programs, \$1.6 billion in the Section 8 programs, and \$4.2 billion in the Homeless programs with additional expenditures of \$0.5 billion in the HOME program and \$1.1 billion for All Other Programs. The overall increase is primarily due to COVID-19, CARES Act funding in the 2nd Quarter of FY 2020. Refer to [Note 27: COVID-19 Activity](#) in the Financial Information Section for further explanation.

Financing Sources: As shown in HUD's Statement of Changes in Net Position, HUD's financing sources for FY 2020 totaled \$55.1 billion. This amount is comprised primarily of \$57.8 billion in Appropriations Used offset by approximately \$2.7 billion in other financing sources.

The chart on the next page presents HUD's Total Net Cost for FY 2019 and FY 2020 by responsibility segment.



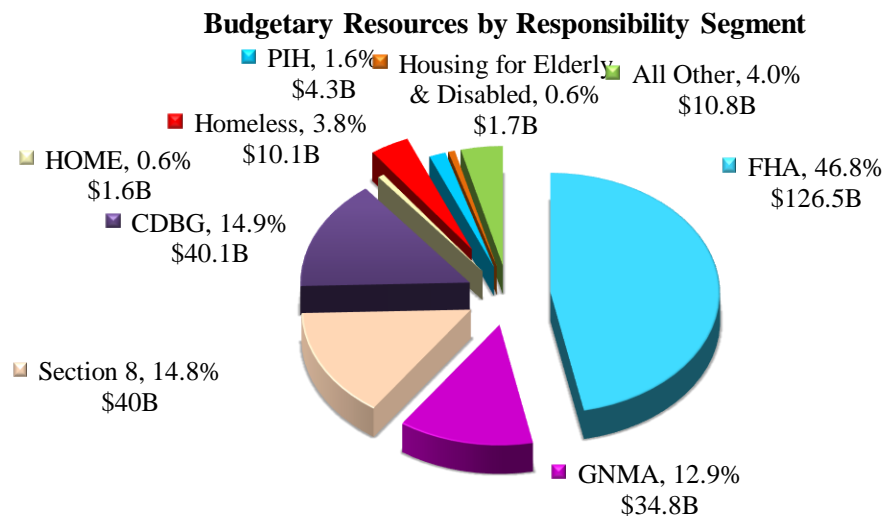


*FHA and GNMA's negative net cost includes negative subsidies.

As shown in the chart, Net Cost of Operations was primarily a result of spending \$37.6 billion in support of the Section 8 program (administered jointly by PIH, Housing, and CPD programs). The current fiscal year change in Net Cost for the Section 8 programs was \$2.8 billion (8.0 percent) more than the prior fiscal year. FHA's Net Cost increased by \$4.4 billion as discussed in previous narrative.

Analysis of Budgetary Resources

Total Budgetary Resources by Responsibility Segment for FY 2020, as reported in the Consolidated Financial statements are comprised of FHA, GNMA, Section 8, CDBG, HOME, Homeless, PIH, Housing for Elderly and Disabled and other programs. Their budgetary resources are displayed in the chart below.



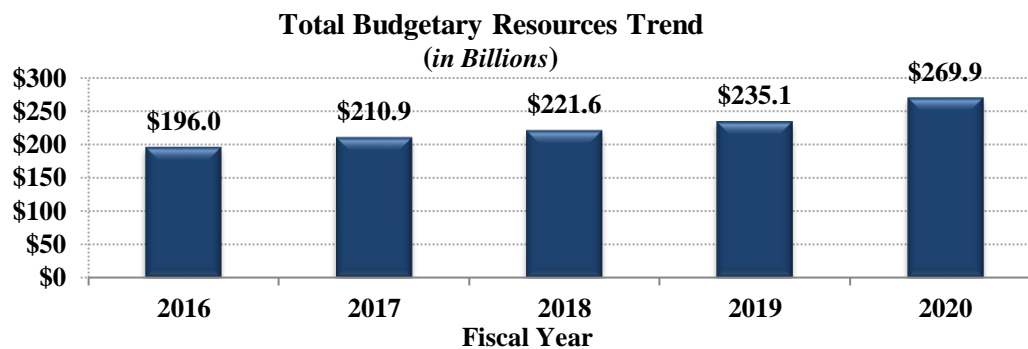


FHA's Budgetary Resources increased by \$14.5 billion. The increase in borrowing authority is primarily due to a \$10.6 billion increase in the MMI/CMHI Financing Account. Additional borrowing was required in FY 2020 to maintain liquidity in the MMI fund. There was also an increase in borrowing authority of \$2.0 billion in the GI/SRI Guarantee Loan Financing Account offset by a decrease of \$0.7 billion in the direct loan financing accounts realized borrowings. In addition, FHA's appropriations decreased primarily due to a decrease of \$0.5 billion in appropriations needed for the GI/SRI upward re-estimate.

GNMA's Budgetary Resources increased by \$7.4 billion. The increase is primarily due to borrowing authority of \$8.7 billion to support the [COVID-19 Pass-Through Assistance Program \(PTAP\)](#) and Unobligated Balance From Prior Year Budget Authority, Net at the beginning of FY 2020, which was \$1.3 billion greater than the Unobligated Balance From Prior Year Budget Authority, Net at the beginning of FY 2019. These increases were offset by a decrease in GNMA's Spending Authority from Offsetting Collections due to FY 2020's upward re-estimate that was \$2.6 billion less than the upward re-estimate in FY 2019.

The increases in Budgetary Resources of \$12.9 billion for HUD Proper programs are primarily related to COVID-19 CARES Act funding received at the end of the 2nd Quarter of FY 2020. Refer to [Note 27: COVID-19 Activity](#) in the Financial Information Section of the AFR for further explanation.

The chart below presents the Total Budgetary Resources Trend for FY 2020 and the four preceding years.



Contractual and Administrative Commitments

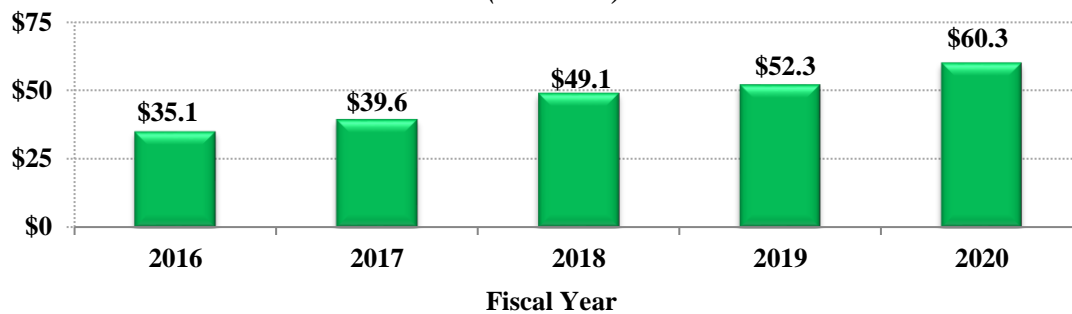
HUD's Contractual Commitments of \$60.3 billion in FY 2020 represent HUD's commitment to provide funds in future periods under existing contracts for its grant, loan, and subsidy programs. Administrative Commitments (reservations) of \$32.0 billion relate to specific projects for which funds will be provided upon execution of the related contract.

The chart on the next page presents HUD's Contractual Commitments for FY 2020 and the four preceding years.





**Commitments Under HUD's Grants,
Subsidy, and Loan Programs
(in Billions)**



These commitments are funded primarily by a combination of unexpended appropriations and permanent indefinite appropriations, depending on the inception date of the contract. HUD draws on permanent indefinite budget authority to fund the current year's portion of contracts entered prior to FY 1988 in the rental assistance program. The remaining HUD programs receive direct appropriations. Since FY 1988, HUD has had appropriated funds in advance for the entire contract term in the initial year, resulting in substantial increases and sustained balances in HUD's unexpended appropriations.

Total Commitments (contractual and administrative) increased by \$12.0 billion (14.9 percent) during FY 2020. The change is primarily attributable to an increase of \$0.6 billion in GNMA, an increase of \$0.8 billion in Section 8, an increase of \$5.1 billion in CDBG, an increase of \$0.5 billion in HOME, an increase of \$3.9 billion for Homeless, an increase of \$1.4 billion for PIH, and an increase of \$0.5 billion in All Other offset by a decrease of \$0.7 billion in FHA and a decrease of \$0.1 billion in Housing for the Elderly & Disabled.

The chart below presents HUD's Section 8 Contractual Commitments for FY 2020 and the four preceding years.

**Section 8 Commitments
(in Billions)**



To contain the costs of future Section 8 contract renewals, HUD began converting all expiring contracts to one-year terms during FY 1996. By changing to one-year contract terms, HUD effectively reduced the annual budget authority needed from Congress.





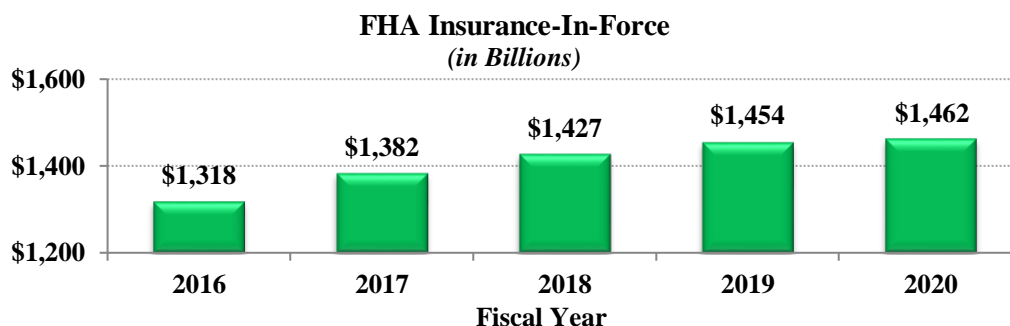
Analysis of Off-Balance-Sheet Risk

The financial risks of HUD's credit activities are due primarily to managing FHA's insurance of mortgage guarantees and GNMA's guarantees of MBS. Financial operations of these entities can be affected by large unanticipated losses from defaults by borrowers and issuers and by an inability to sell the underlying collateral for an amount sufficient to recover all costs incurred.

FHA Insurance-In-Force

FHA insures private lenders against loss on mortgages, which finance single family homes, and reverse mortgages, also referred to as HECM. FHA's Insurance-In-Force (including the Outstanding Balance of HECM loans) is \$1,462.0 billion in FY 2020. This is an increase of \$8.0 billion (0.6 percent) from the FY 2019 FHA Insurance-In-Force of \$1,454 billion. The HECM Insurance-In-Force includes balances drawn by the mortgagee, interest accrued on the balances drawn, service charges, and mortgage insurance premiums.

The chart below presents FHA Insurance-In-Force for FY 2020 and the four preceding years.



GNMA Guarantees

GNMA financial instruments with off-balance sheet risk include guarantees of Mortgage-Backed Securities (MBS) and commitments to guarantee. The securities are backed by pools of mortgage loans insured by FHA, PIH and Rural Housing Service, and guaranteed by Veterans Affairs. GNMA is exposed to credit loss in the event of non-performance by other parties to the financial instruments. The total amount of GNMA guaranteed securities outstanding as of September 30, 2020 and 2019 were approximately \$2,117.7 billion and \$2,092.8 billion, respectively. In the event of default, the underlying mortgages serve as primary collateral, and FHA, USDA, VA and PIH insurance or guarantee indemnifies GNMA for most losses.

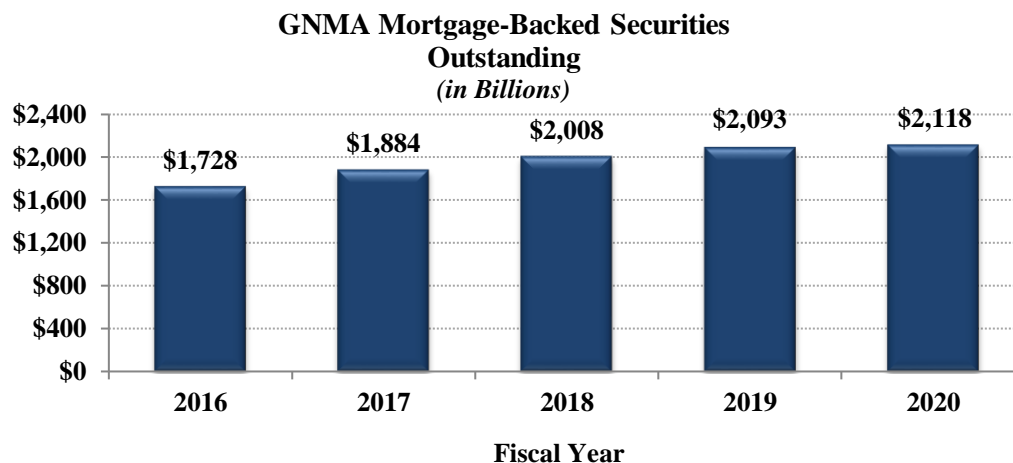
During the mortgage closing period and prior to granting its guaranty, GNMA enters into commitments to guarantee MBS. The commitment ends when the MBS are issued or when the commitment period expires. While GNMA's risks related to outstanding commitments are much less than outstanding securities, due in part to the federal guarantee on the underlying portfolio, GNMA is also able to mitigate risk through its ability to limit commitment authority granted to individual issuers of MBS.





Outstanding commitments as of September 30, 2020 and 2019 were \$234.4 billion and \$115.7 billion, respectively.

The chart below presents GNMA MBS for FY 2020 and the four preceding years.



Generally, GNMA's MBS pools are diversified among issuers and geographic areas. No significant geographic concentrations of credit risk exist; however, to a limited extent, securities are concentrated among issuers. In FY 2020 and FY 2019, GNMA issued a total of \$159.4 billion and \$128.3 billion, respectively, in its multi-class securities program. The estimated outstanding balance of multiclass securities in the total MBS securities balance as of September 30, 2020 and 2019 were \$559.4 billion and \$543 billion, respectively. These securities do not subject GNMA to additional credit risk beyond that assumed under the MBS program.

Multi-class securities include:

- **Real Estate Mortgage Investment Conduits (REMICs)** are a type of multiclass mortgage-related security in which interest and principal payments from mortgages are structured into separately traded securities.
- **Stripped MBS** – Stripped MBS are securities created by “stripping” or separating the principal and interest payments from the underlying pool of mortgages into two classes of securities, with each receiving a different proportion of the principal and interest payments.
- **Platinum Securities** – A GNMA Platinum security is formed by combining GNMA's MBS pools that have uniform coupons and original terms to maturity into a single certificate.
- **Callable Trusts** – Callable Trusts allow investors to better manage repayment risk and call redemptions at negotiated prices. Call features are attractive to issuers, because they allow them to refinance their debt if interest rates fluctuate.





U.S. Department of Housing and Urban Development Consolidated Balance Sheet As of September 30, 2020 (Dollars in Millions)	
<i>Assets:</i>	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	\$ 135,587
Investments (Note 5)	77,770
Other Assets (Note 11)	46
Total Intragovernmental	\$ 213,403
Cash and Other Monetary Assets (Note 4)	\$ 69
Investments (Note 5)	-
Accounts Receivable, Net (Note 6)	1,064
Direct Loans and Loan Guarantees (Note 7)	44,278
Other Non-Credit Reform Loans (Note 8)	2,062
General Property, Plant, and Equipment, Net (Note 9)	137
PIH Prepayments and Advances (Note 10)	385
PIH Prepayments - CARES Act (Note 10)	793
Total Assets	\$ 262,191
<i>Liabilities (Note 12):</i>	
Intragovernmental:	
Accounts Payable	\$ 68
Debt (Note 13)	54,222
Other Liabilities (Note 15)	1,690
Total Intragovernmental Liabilities	\$ 55,980
Accounts Payable	\$ 1,334
Accrued Grant Liabilities	1,535
Loan Guarantee Liability (Note 7)	(6,165)
Debt Held by the Public (Note 13)	2
Federal Employee and Veteran Benefits (Note 14)	66
Insurance and Guarantee Program Liabilities (Note 25)	1,324
Other Liabilities (Note 15)	1,180
Total Liabilities	\$ 55,256
Commitments and Contingencies (Note 16)	\$ -
<i>Net Position:</i>	
Unexpended Appropriations - Funds from Dedicated Collections (Combined Totals) (Note 17)	\$ -
Unexpended Appropriations - All Other Funds (Combined Totals)	97,993
Cumulative Results of Operations - Funds From Dedicated Collections (Combined Totals) (Note 17)	26,984
Cumulative Results of Operations - All Other Funds (Combined Totals)	81,958
Total Net Position - Funds from Dedicated Collections (Combined Totals) (Note 17)	\$ 26,984
Total Net Position - All Other Funds (Combined Totals)	\$ 179,951
Total Net Position	\$ 206,935
Total Liabilities and Net Position	\$ 262,191

The accompanying notes are an integral part of these statements.





U.S. Department of Housing and Urban Development Consolidated Statement of Net Cost For the Year Ended September 30, 2020 (Dollars in Millions)	
COSTS	
<i>Federal Housing Administration (FHA)</i>	
Gross Costs	\$ (18,329)
Less: Earned Revenue	(2,106)
Net Program Costs	\$ (20,435)
<i>Government National Mortgage Association (GNMA)</i>	
Gross Costs	\$ 685
Less: Earned Revenue	(1,803)
Net Program Costs	\$ (1,118)
<i>Section 8 Rental Assistance</i>	
Gross Costs	\$ 37,597
Less: Earned Revenue	-
Net Program Costs	\$ 37,597
<i>Public and Indian Housing Loans and Grants (PIH)</i>	
Gross Costs	\$ 2,718
Less: Earned Revenue	-
Net Program Costs	\$ 2,718
<i>Homeless Assistance Grants</i>	
Gross Costs	\$ 2,559
Less: Earned Revenue	(1)
Net Program Costs	\$ 2,558
<i>Housing for the Elderly and Disabled</i>	
Gross Costs	\$ 1,004
Less: Earned Revenue	(51)
Net Program Costs	\$ 953
<i>Community Development Block Grants (CDBG)</i>	
Gross Costs	\$ 5,517
Less: Earned Revenue	-
Net Program Costs	\$ 5,517
<i>HOME</i>	
Gross Costs	\$ 837
Less: Earned Revenue	-
Net Program Costs	\$ 837
<i>All Other</i>	
Gross Costs	\$ 5,941
Less: Earned Revenue	(26)
Net Program Costs	\$ 5,915
<i>Costs not Assigned to Programs</i>	\$ 218
<i>Consolidated</i>	
Gross Costs	\$ 38,747
Less: Earned Revenue	(3,987)
Net Cost of Operations	\$ 34,760

The accompanying notes are an integral part of these statements.





U.S. Department of Housing and Urban Development Consolidated Statement of Changes in Net Position For the Year Ended September 30, 2020 (Dollars in Millions)				
	Funds From Dedicated Collections (Combined Totals)	All Other Funds (Combined Totals)	Eliminations	Consolidated Total
<i>Unexpended Appropriations:</i>				
Beginning Balances	\$ -	\$ 86,250	\$ -	\$ 86,250
Adjustments:				
Corrections of Errors	-	-	-	-
Beginning Balance, as Adjusted	\$ -	\$ 86,250	\$ -	\$ 86,250
<i>Budgetary Financing Sources:</i>				
Appropriations Received	\$ -	\$ 69,844	\$ -	\$ 69,844
Other Adjustments	-	(319)	-	(319)
Appropriations Used	-	(57,782)	-	(57,782)
Total Budgetary Financing Sources	\$ -	\$ 11,743	\$ -	\$ 11,743
Total Unexpended Appropriations	\$ -	\$ 97,993	\$ -	\$ 97,993
<i>Cumulative Results from Operations:</i>				
Beginning Balances	\$ 25,859	\$ 62,414	\$ -	\$ 88,273
Changes in Accounting Principles	-	320	-	320
Corrections of Errors	-	(9)	-	(9)
Beginning Balances, as Adjusted	\$ 25,859	\$ 62,725	\$ -	\$ 88,584
<i>Budgetary Financing Sources:</i>				
Other Adjustments	\$ (1)	\$ -	\$ -	\$ (1)
Appropriations Used	-	57,782	-	57,782
Nonexchange Revenue	3	7	-	10
Transfers-in/out without Reimbursement	-	(309)	306	(3)
<i>Other Financing Sources (Nonexchange):</i>				
Transfers-in/out without Reimbursement	-	306	(306)	-
Imputed Financing	1	77	-	78
Other	(6)	(2,742)	-	(2,748)
Total Financing Sources	\$ (3)	\$ 55,121	\$ -	\$ 55,118
Net Cost of Operations	1,128	(35,888)	-	(34,760)
Net Change	\$ 1,125	\$ 19,233	\$ -	\$ 20,358
Cumulative Results of Operations	26,984	81,958	-	108,942
Net Position	\$ 26,984	\$ 179,951	\$ -	\$ 206,935

The accompanying notes are an integral part of these statements.





U.S. Department of Housing and Urban Development Combined Statement of Budgetary Resources For the Year Ended September 30, 2020 (Dollars in Millions)		
	Budgetary	Non-Budgetary Credit Reform Financing Accounts
<i>Budgetary Resources:</i>		
Unobligated Balance From Prior Year Budget Authority, Net	\$ 102,890	\$ 19,436
Appropriations (discretionary and mandatory)	70,069	-
Borrowing Authority (discretionary and mandatory)	8,700	23,449
Spending Authority from Offsetting Collections	22,190	23,184
Total Budgetary Resources	\$ 203,849	\$ 66,069
<i>Status of Budgetary Resources:</i>		
New Obligations and Upward Adjustments (Total) (Note 21)	\$ 69,311	\$ 43,371
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	52,136	10,049
Unapportioned, Unexpired Accounts	81,498	12,649
Unexpired Unobligated Balance, End of Year	\$ 133,634	\$ 22,698
Expired Unobligated Balance, End of Year	904	-
Unobligated Balance, End of Year (Total)	134,538	22,698
Total Budgetary Resources	\$ 203,849	\$ 66,069
<i>Outlays, Net:</i>		
Outlays, Net (Total) (discretionary and mandatory)	38,009	-
Distributed Offsetting Receipts (-)	(4,819)	-
Agency Outlays, Net (discretionary and mandatory)	\$ 33,190	\$ -
Disbursements, Net (Total) (mandatory)	\$ -	\$ 17,878

The accompanying notes are an integral part of these statements.



Sample
Management's Discussion and Analysis (MD&A)

Department of the Interior

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January – February 2021]

Including FY2020 Financial Statements

History, Mission, and Organization

History and Mission

The DOI was established in 1849 and was charged with managing a wide variety of programs, which included overseeing Indian affairs, exploring the western wilderness, directing the District of Columbia jail, constructing the National Capital's water system, managing hospitals and universities, improving historic western emigrant routes, marking boundaries, issuing patents, conducting the census, and researching the geological resources of the United States. As the country matured during the last half of the 19th century, so did the DOI, and its mission began to evolve as some of these functions moved to other agencies and the DOI acquired new responsibilities.

Today, the DOI conserves and manages the Nation's natural resources and cultural heritage for the benefit and enjoyment of the American people; provides scientific and other information about natural resources and natural hazards to address societal challenges and create opportunities for the American people; and honors the Nation's trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities to help them prosper.. The DOI also partners with states to manage wildlife, promote healthy forests and suppress fire, manage energy resource development (oil, gas, coal, hydro, geothermal, wind, and solar) on its lands and offshore areas, promote outdoor recreation (including hunting, fishing bird watching, boating, hiking, and biking), and provide mapping, geological, hydrological, and biological science for the Nation.

Organization

The DOI headquarters is located in Washington, D.C. and its [bureaus and offices](#) and DOI's 66,089 dedicated and skilled employees. Historically, over 500,000 volunteers annually contribute their time in support of bureau and office missions, bringing unique local knowledge to park operations, assisting in recovery from natural disasters, and participating in environmental education, among other activities. The DOI's programs encompassed in this report cover a broad spectrum of activities performed by the bureaus and offices and are captured in the following presentation of each entity's unique mission and set of responsibilities. For more information on DOI's organization, visit <https://www.doi.gov/about>.

Each DOI bureau or office has discrete responsibilities that are derived from their legislative authorities.

Departmental Offices (**DO**)

- Immediate Office of the Secretary, Deputy Secretary, and Assistant Secretaries
- Office of the Solicitor
- Policy, Management and Budget provides leadership and support for the following:
 - Budget, finance, acquisition and grants;
 - Public safety, resource protection, and emergency services;
 - Human capital and diversity;
 - Administrative services;
 - Natural resource damage assessment and restoration;
 - Policy and environmental management;
 - Wildland fire management
 - Office of Civil Rights (OCR)
 - Office of Inspector General (OIG)
 - Office of Natural Resources Revenue (ONRR)
 - Office of Chief Information Officer (OCIO)
 - Office of the Special Trustee for American Indians (OST)

Bureau of Land Management (BLM)

Manages public lands for the benefit of all Americans under the dual framework of multiple use and sustained yield on nearly 250 million surface acres, as well as 700 million acres of subsurface mineral estate. Priorities include: Making full use of the Nation's domestic energy and resources, including conventional and renewable energy resources. Serving American families by providing outdoor recreation opportunities that are key to the Nation's heritage and its economy. Managing working landscapes to support sustainable livestock grazing operations and timber and biomass production. Developing and maintaining strong partnerships with state, local, and private stakeholders in shared conservation stewardship.

Bureau of Ocean Energy Management (BOEM)

Manages access to renewable and conventional energy and mineral resources in the Outer Continental Shelf (OCS). Administers almost 2,400 active fluid mineral leases on 12.7 million OCS acres. Oversees 3 percent of the natural gas and 16 percent of the oil produced domestically. Oversees lease and grant issuance for offshore renewable energy projects. Manages leasing for marine mineral resources, such as sand, to facilitate beach replenishment and coastal nourishment projects.

Bureau of Safety and Environmental Enforcement (BSEE)

Fosters secure and reliable energy production from the 1.7 billion acres in the OCS to secure America's energy future. Conducts inspections, permitting, incident and equipment failure analysis, oil spill preparedness, and enforcement programs aimed at promoting a culture of safety and reducing risk to those who work offshore. Supports the technical expertise to engage opportunities and to meet challenges to tap the full potential of OCS energy resources.

Bureau of Reclamation (USBR)

Manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public. Largest wholesale supplier of water in the Nation. Manages 492 dams and 338 reservoirs. Delivers water to one in every five Western farmers and over 31 million people. America's second largest producer of hydroelectric power.

Indian Affairs (IA)

IA includes the Bureau of Indian Affairs (BIA), and the Bureau of Indian Education (BIE). Fulfills Indian trust responsibilities. Promotes self-determination on behalf of 574 federally recognized Indian Tribes. Funds self-determination compacts and contracts to support all Federal programs including education, law enforcement, and social service programs that are delivered by Tribal Nations. Supports 169 elementary and secondary schools and 14 dormitories, providing educational services to 43,556 students in 23 states. Supports 33 community colleges, universities, post-secondary schools, and technical colleges.

Office of Surface Mining and Reclamation and Enforcement (OSMRE)

Protects the environment during coal mining through Federal programs, grants to states and Tribes, and oversight activities. Ensures the land is reclaimed afterwards and mitigates the effects of past mining by pursuing reclamation of abandoned coal mine lands.

National Park Service (NPS)

Maintains and manages a system of 421 natural, cultural, historical, and recreational sites for the benefit and enjoyment of the American people. Manages and protects historic and prehistoric structures, designated

wilderness, and a wide range of museum collections and cultural and natural landscapes. Provides outdoor recreation to 327.5 million visitors at National Park units. Provides technical assistance and support to state, Tribal, and local natural and cultural resource sites and programs and fulfills responsibilities under the National Historic Preservation Act of 1966.

U.S. Fish and Wildlife Service (**FWS**)

Manages the lands and waters of the 855 million-acre National Wildlife Refuge System, primarily for the benefit of fish and wildlife. Manages 87 fish hatcheries and other related facilities for endangered species recovery and to restore native fish populations. Protects and conserves, Migratory birds; Threatened and endangered species; and Certain marine mammals. Hosts about 50 million visitors annually at more than 567 refuges and 38 wetlands management districts located in all 50 states.

U.S. Geological Survey (**USGS**)

Produces information to increase understanding of natural hazards such as earthquakes, volcanoes, and landslides. Conducts research and delivers assessments on oil, gas, and alternative energy potential, production, consumption, and environmental effects. Conducts reliable scientific research in land resources, mineral assessments, environmental health, and water resources to inform effective decision making and planning. Provides science information that supports natural resource decisions. Produces topographic, geologic, hydrographic, and biogeographic data and maps.

Financial Condition, Position, and Results

Financial statements are formal financial records that document the Department's activities at the transaction level, where a "financial event" occurred. A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, and other potential liabilities; or other reportable financial activities.

The DOI's goal is to continue improvements in financial transaction processing, analysis, and reporting to enhance financial management through an effective partnership of program, information system, financial, acquisition, budget and financial assistance. The integrated nature of business processes working in conjunction with the financial system, strengthens internal controls and transparency. The DOI views the adoption of a single, integrated financial system as encompassing four interrelated elements that drive business process, improvements, and financial integrity. These elements are: (1) improvement of internal controls; (2) elimination of redundant data entry; (3) enabling end-to-end transaction processing; and (4) standardization of data for improved information quality. The DOI consolidated these integrated business process through the implementation of the Financial and Business Management System (FBMS). The DOI relies upon the integration of financial and business management information in FBMS to support program and financial managers and continuously collaborate across DOI to improve these business processes.

The DOI prepares four consolidated statements (a balance sheet, a statement of net cost, a statement of changes in net position, and a statement of custodial activity) and one combined statement, the Statement of Budgetary Resources. Together, these statements with their accompanying notes provide the complete picture of the DOI's financial position, condition and results.

The following is a summary of DOI's financial statements. The complete statements with accompanying notes, as well as the auditors' opinion, are available in [Section II of this report](#).

Balance Sheet

The Balance Sheet provides a snapshot of DOI's financial position at a fixed point in time. The fiscal year-end Balance Sheet displays amounts of future economic benefits owned or available for use (assets), amounts owed (liabilities) and the residual amounts (net position) at the end of the fiscal year. DOI assets remained relatively stable between FY 2020 and FY 2019 as presented in the following table:

Assets

DOI Assets	<i>(line items summarized) (dollars in thousands)</i>	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Fund Balance with Treasury		\$ 63,066,415	\$ 60,785,350	\$ 2,281,065	3.8%
Investments, Net		10,271,620	9,884,781	386,839	3.9%
General PP&E, Inventory, and Related Property, Net		22,267,847	21,989,531	278,316	1.3%
Accounts, Loans and Interest Receivable, Net & Other		8,803,351	9,512,090	(708,739)	-7.5%
Assets		\$ 104,409,233	\$ 102,171,752	\$ 2,237,481	2.2%

The DOI is authorized to use Fund Balance with Treasury (FBwT) to pay liabilities resulting from operational activity and consists of funds received from direct appropriations, transfers, offsetting receipts, recoveries, and funds held in budget clearing accounts. Property, Plant and Equipment (PP&E) is primarily composed of land, structures, and facilities which are used for general operations, power, wildlife enhancement, and recreation.

The DOI real property portfolio contains more than 42,733 buildings and 80,974 structures, with a replacement value of more than \$311 billion, as well as nearly every type of asset found in a local community. Many of these assets have historic or cultural significance that not only support DOI's mission but are important to our Nation's heritage.

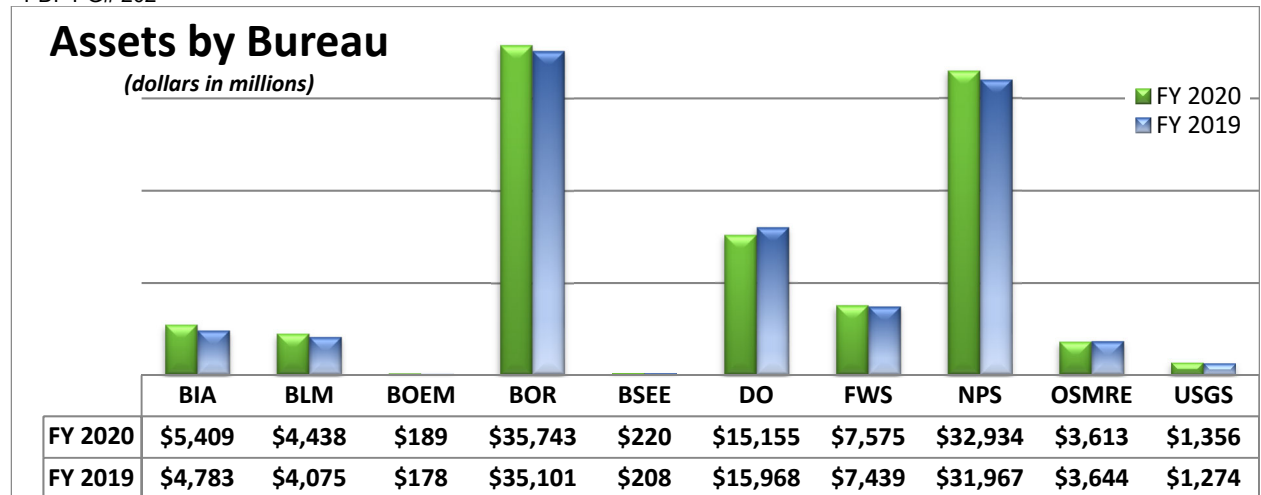
The DOI's reported values for PP&E exclude stewardship PP&E in accordance with accounting standards. Stewardship PP&E benefits the Nation as a whole and is considered priceless. It is not possible to assign an identifiable value to these assets. An in-depth discussion of stewardship PP&E is presented in Section 2: Financial Information. See Notes to the Financial Statements.

The BOR enters into long-term repayment and water service contracts with non-Federal entities that allow use of irrigation and municipal and industrial water facilities in exchange for annual payments that are used to repay a portion of the Federal investment. Unmatured repayment contracts are not recognized on the Balance Sheet as a receivable until the annual payment amount is earned. As of September 30, 2020, and 2019, amounts not yet earned under BOR's unmatured repayment contracts were \$1.9 billion and \$2.0 billion, respectively (unaudited).

Comparative assets by bureau are displayed in the graph below. The sum of assets by bureau is not equal to DOI consolidated total assets as intra-departmental eliminations are excluded from the chart presentation.

Assets by Bureau

(dollars in millions)

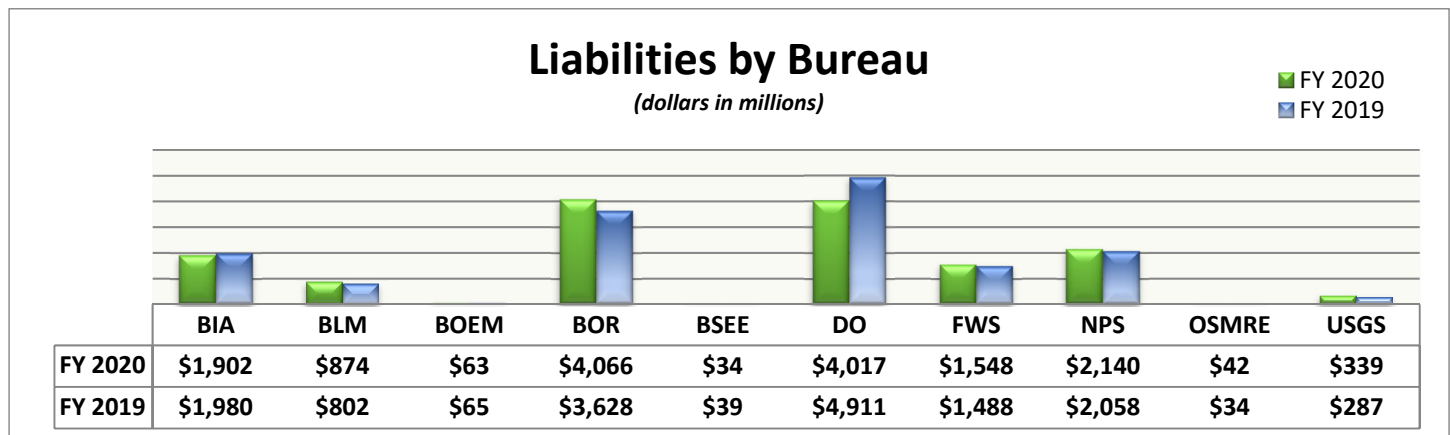


Liabilities

DOI's liabilities were \$12.8 million at the end of FY 2020, a decrease of \$24 thousand from the FY 2019 level. The FY 2020 decrease in liabilities is primarily attributable to the reduction in oil and gas prices since March, in comparison to FY 2019. The decrease was offset by new advances and deferred revenue related to work to be performed for other government agencies, as well as a large advance for water service contracts with public entities. Comparative liabilities by bureau are displayed in the graph below. The sum of bureau liabilities is not equal to DOI consolidated total liabilities as intradepartmental eliminations are excluded from the graph presented. Overall, liabilities for and by bureau for FY 2020 and FY 2019, respectively, had a 2% decrease.

Liabilities by Bureau

(dollars in millions)



Budgetary Resources

The table below provides an overview of the status of budgetary resources. The DOI receives funding from general government funds administered by Treasury and appropriated for DOI's use by Congress. The DOI also receives a portion of DOI's resources from Special and Trust Funds, such as Conservation Funds (the Land and Water Conservation Fund and Historic Preservation Fund), the Reclamation Fund, and the Aquatic Resources Trust Fund. These funds are administered in accordance with applicable laws and regulations.

Key Budgetary Measures <i>(dollars in thousands)</i>	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Unobligated Balance Brought Forward, October 1	\$ 14,485,090	\$ 13,330,283	\$ 1,154,807	8.7%
Appropriations (discretionary and mandatory)	24,502,514	21,840,117	2,662,397	12.2%
Offsetting Collections, Borrowing & Contract Authority	5,438,350	5,306,046	132,304	2.5%
Total Budgetary Resources	\$ 44,425,954	\$ 40,476,446	\$ 3,949,508	9.8%
New Obligations & Upward Adjustments	29,162,852	26,567,350	2,595,502	9.8%
Apportioned, Unexpired	14,974,450	13,694,443	1,280,007	9.3%
Unapportioned, Unexpired & Expired, Unobligated Balance, End of Year	288,652	214,653	73,999	34.5%
Status of Budgetary Resources	\$ 44,425,954	\$ 40,476,446	\$ 3,949,508	9.8%

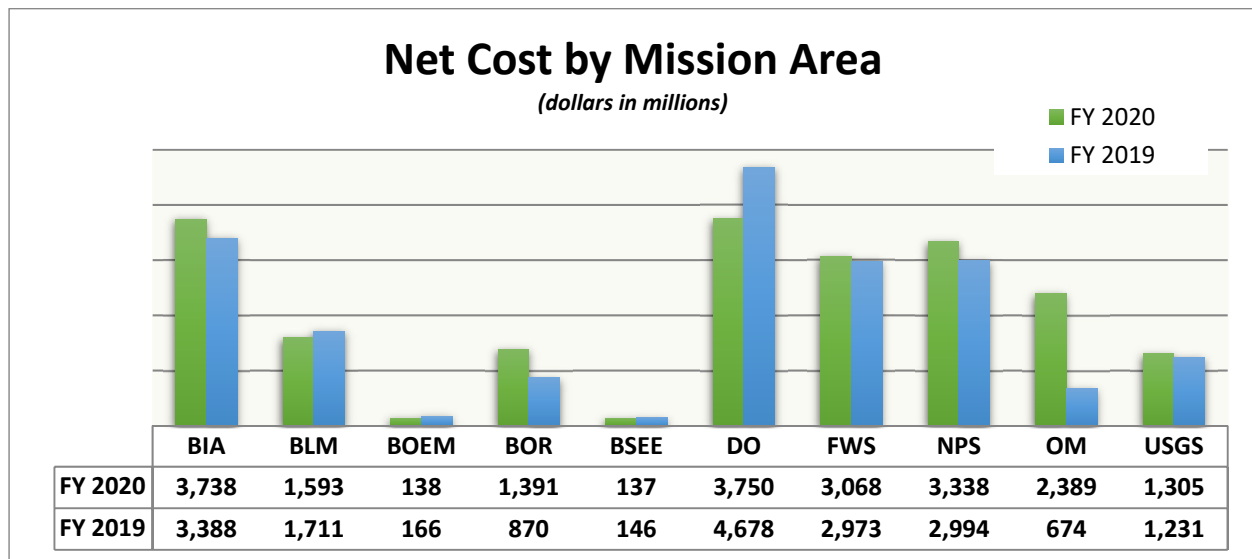
The increase in appropriations is primarily attributable to additional United Mine Workers of America (UMWA) supplement funding and *CARES Act* appropriations received in FY 2020, as a result of the COVID-19 pandemic. The increase in obligations and upward adjustments is primarily attributable to United Mine Workers of America (UMWA) transfer activity and *CARES Act* obligations and expenditures.

Net Cost of Operations

As presented in the following tables, the Consolidated Statement of Net Cost includes DOI's six Mission Areas: Conserving Our Land and Water; Generating Revenue and Utilizing Our Natural Resources; Expanding Outdoor Recreation and Access; Fulfilling Our Trust and Insular Responsibilities; Protecting Our People and the Border; and Modernizing Our Organization and Infrastructure for the Next 100 Years. The Statement of Net Cost also includes Reimbursable Activity and Other, which predominately represents the intragovernmental acquisition of goods and services through the DOI Working Capital Fund and Franchise Fund.

The DOI net costs primarily represent services provided to the public. The increase in net cost in FY 2020 was attributable to Congress passing the Bipartisan American Miners Act on December 20, 2019 that requires OSMRE to transfer funds to the United Mine Workers of America (UMWA) 1974 Pension Plans, which was not previously covered by OSMRE. The sum of net cost of operations by bureau is not equal to DOI consolidated total net cost as intra-departmental eliminations are excluded from the chart presentation.

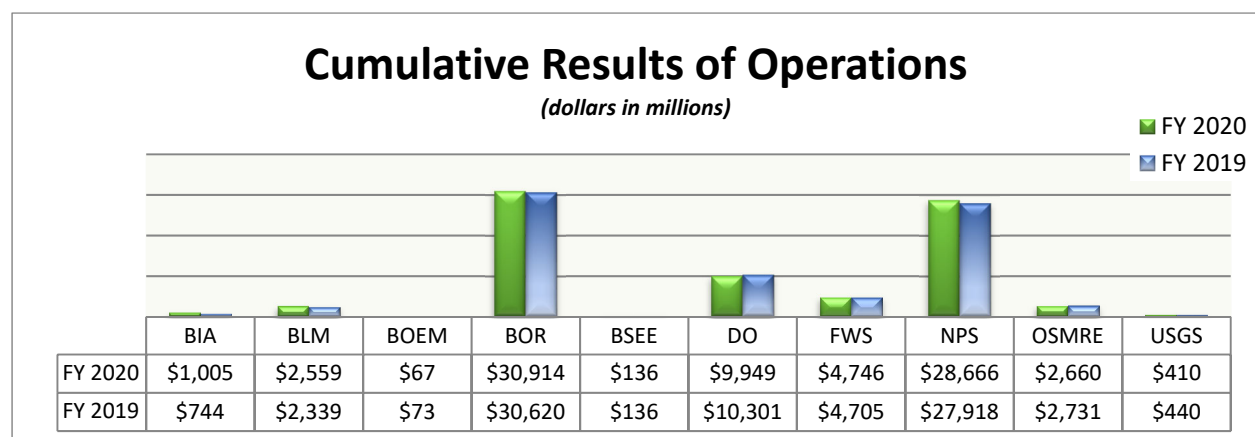
DOI Net Cost <i>(summarized by Mission) (dollars in thousands)</i>	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Conserving our Land and Water	\$ 6,286,573	\$ 5,453,525	\$ 833,048	15.3%
Generating Revenue & Utilizing Our Natural Resources	\$ 2,393,430	\$ 3,602,760	(1,209,330)	-33.6%
Expanding Outdoor Recreation and Access	\$ 1,344,192	\$ 1,208,800	135,392	11.2%
Fulfilling Our Trust & Insular Responsibilities	\$ 3,343,347	\$ 3,083,565	259,782	8.4%
Protecting Our People and the Border	\$ 1,974,651	\$ 2,022,001	(47,350)	-2.3%
Modernizing Our Organization & Infrastructure for the Next 100 Years	\$ 1,347,328	\$ 1,088,262	259,066	23.8%
Reimbursable Activity and Other	\$ 4,122,001	\$ 2,343,427	1,778,574	75.9%
Net Costs - by Mission	\$ 20,811,522	\$ 18,802,340	\$ 2,009,182	10.7%



Cumulative Results of Operations/Net Position

The Net Position of DOI includes Unexpended Appropriations and Cumulative Results of Operations. These two components are displayed on the Statement of Changes in Net Position to provide information regarding the nature of changes to the Net Position of DOI. Cumulative Results of Operation by bureau is summarized in the chart and tables below. The increase in unexpended appropriations is attributable to the increase in appropriations received related to the *Bipartisan American Miners Act of 2019* and the *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020*.

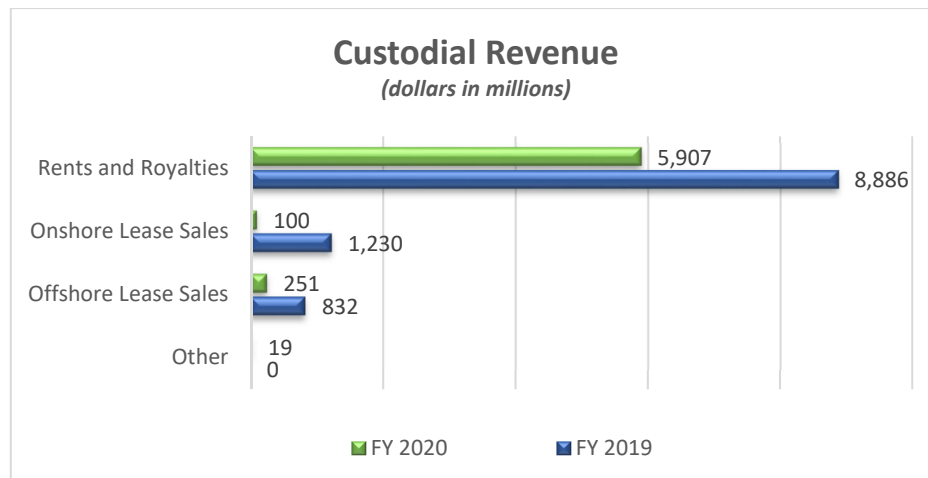
Net Position <i>(dollars in thousands)</i>	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Unexpended Appropriations	\$ 10,494,432	\$ 9,337,895	\$ 1,156,537	12.4%
Cumulative Results of Operations	81,112,184	80,006,510	1,105,674	1.4%
Net Position	\$ 91,606,616	\$ 89,344,405	\$ 2,262,211	2.5%



Custodial Activity

The DOI custodial activity, as shown in the tables below, primarily includes mineral leasing revenue collected by DOI resulting from OCS, onshore oil, gas, and mineral sales and royalties. This activity is considered to be revenue of the Federal Government as a whole and is therefore excluded from DOI's Statement of Net Cost. The FY 2020 decrease in custodial activity is attributable to lower oil and gas prices and the decrease of onshore oil, gas and coal lease sales.

Custodial Activity <i>(dollars in thousands)</i>	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Rents and Royalties	\$ 5,907,280	\$ 8,885,891	\$ (2,978,611)	-33.5%
Onshore Lease Sales	100,102	1,230,267	(1,130,165)	-91.9%
Offshore Lease Sales	251,380	831,525	(580,145)	-69.8%
Other	19,011	-	19,011	100%
Total Custodial Revenue	\$ 6,277,773	\$ 10,947,683	\$ (4,669,910)	-42.7%



Stewardship Funds

Per the Federal Accounting Standards Advisory Board (FASAB), **stewardship investments** consist of expenditures made by the Agency for the long-term benefit of the nation that do not result in the federal government acquiring tangible assets. The DOI net cost includes expenses incurred that are expected to benefit the Nation overtime. These expenses are qualitatively material and worthy of highlighting as they represent expenses charged to current operations.

Research and Development

Investment in Research and Development provides reliable, credible, objective, and unbiased scientific results to improve the basic understanding of natural resources and to inform land and resource management decisions across the Nation. DOI incurred a net change of 14.2% of additional expenses for its three major categories for Investments in Research & Development. The DOI's research and development activities are presented in the following three major categories:

- **Basic Research.** A study to gain knowledge or understanding of the fundamental aspects of specific phenomena or observable facts without specific applications and products in mind. Experienced a 13.1% (\$131, 258 CY versus \$116,077 PY) increase from prior year to FY 2020.
- **Applied Research.** A systemic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. Experienced a 14.7% (\$861, 675 CY versus \$751,117 PY) increase from prior year to FY 2020.
- **Developmental Research.** The systematic use of knowledge and understanding gained from research to produce useful materials, devices, systems, or methods, including the design and development of prototypes and processes. Experienced a 12.4% (\$182, 601 CY versus \$162,428 PY) increase from prior year to FY 2020.

Human Capital

Investment in human capital refers to six education and training programs financed by the Federal Government for the benefit of the public; investment in human capital does not include education and training expenses for Federal employees. The DOI plays a vital role in providing quality educational opportunities from early childhood throughout life, with consideration given to the mental, physical, emotional, spiritual and cultural aspects of the people served. This investment experienced a 4.7% decrease in the expenses between FY 2019 and 2020, while noting the following success of the programs:

- The School Operations Program provides basic education for Indian children in grades K-12 including funding for school staff, textbooks and general supplies at (BIE) operated and BIE funded schools. The BIE funded 183 schools that serve on average 43,556 academic students per year of which 8,326 students were counted with disabilities.
- The Post-Secondary Education Programs support grants and supplemental funds for 29 tribal colleges and universities, 2 BIE operated universities: Haskell and Southwest Polytechnic Institute (SIPI), and 2 technical schools. The 33 colleges and universities serve on average 23,003 students and issue an average of 2,400 degrees and certificates each year.
- The goals of the Early Child and Family Development Program is to support parents/primary caregivers in their role as their child's first and most influential teacher; to increase family literacy; to strengthen family-school-community connections. This program serves on average 1,852 students and families.
- The Adult Education Program provides opportunities for adult Indians and Alaska Natives to obtain the General Equivalency Diploma (GED) or improve their employment skills and abilities.
- Additional programs such as the Special Higher Education Scholarship Program funded an average of 282 students and the Science Post Graduate Scholarship Program funds approximately 148 students.

Non-Federal Physical Property

The DOI provides a long-term benefit to the public by maintaining its commitment to investing in non-Federal physical property. Non-Federal physical property refers to expenses incurred by the Federal Government for the purchase, construction, or major renovation of physical property owned by state and local governments and Insular Areas, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. The DOI's investment in non-Federal physical property is multi-faceted and includes a varied assortment of structures, facilities, and equipment which is sorted into six major categories for reporting as shown in figure 36. The increase of in expenses between FY 2019 and 2020 in Non-Federal physical property is primarily due to investments in tribal schools and increased construction expenditures.

Investment in Non-Federal Physical Property				
<i>(dollars in thousands)</i>				
Category	FY 2020	FY 2019	Increase/ (Decrease)	% Change
Dams and Other Water Structures	\$ 303,165	\$ 98,120	\$ 205,045	209.0%
Land	71,667	47,729	23,938	50.2%
Roads and Bridges	568	3,853	(3,285)	-85.3%
Schools and Public Buildings	169,522	47,351	122,171	258.0%
Ranges	9,822	18,496	(8,674)	-46.9%
Not Classified	3,561	8,185	(4,624)	-56.5%
Total	\$ 558,305	\$ 223,734	\$ 334,571	149.5%

What's Ahead – Looking Forward

As the DOI moves forward, Senior Executive Leaders will ensure cost-effective operations and quality service to the public, facilitate organizational cooperation and conflict resolution, ensure the work- place environment is conducive to employee productivity and safety, and hold individuals accountable for actions that violate our policies and requirements. The following are missions and goals that guide our leadership, management, and workforce:

- **Conserving our land and water** – The DOI is promoting collaborative conservation processes to redesign and improve its processes in ways that can best meet the varied uses of public lands. These improved processes will engage our state and local government partners, enhance inter-bureau coordination, and improve communication with our stakeholders. Taken as a whole, these efforts will result in better decisions more attuned to local conditions.

Our Bureaus/Offices will use the best available scientific data, tools, techniques, and analyses provided by our researchers, our non-Federal Government partners, and the public to maintain and restore lands and waters and ensure that habitats support healthy fish and wildlife populations.

We will use science to enhance public safety and identify best practices to manage land and water resources. We will improve land use planning processes and revise and streamline the environmental and regulatory review process to incorporate industry innovation, use the best science, and employ best practices to improve

reliability, safety, and environmental stewardship. Collaborative conversation encourages state and Federal partnerships to enhance water conservation, storage, and distribution systems to expand capacity and foster relationships with conservation organizations advocating for balanced stewardship and use of public lands.

- **Generating revenue and utilizing our natural resources**—We are modernizing policies and leveraging science and technology to achieve energy security, promote responsible development of our Nation’s vast energy resources, and expand production of both offshore and onshore conventional and renewable United States energy resources, consistent with the America First Energy Plan, and the Executive Order 13783, *Promoting Energy Independence and Economic Growth*.

Utilizing our natural resources, we ensure American energy is available to meet our national security and economic development needs; ensure access to mineral resources, especially the critical and rare earth minerals needed for scientific, technological, or defense applications; refocus timber programs to embrace active forest management to promote healthy forests; reduce the risk of catastrophic wildfire; and responsibly manage the range. Generating additional revenues to support DOI and National priorities, we ensure the public receives fair value for natural resources produced on Federal lands; fees or costs levied for our services are reasonable and designed to achieve cost recovery; and we consider the impact of our decisions on economic development and job creation.

- **Expanding outdoor recreation and access** – Secretarial Order 3356, Hunting, Fishing, Recreational Shooting, and Wildlife Conservation Opportunities and Coordination with States, Tribes, and Territories, was implemented in September 2017. It promotes and expands hunting and fishing, enhances conservation stewardship, improves wildlife management, and increases outdoor recreation opportunities for all Americans. In addition, Secretarial Order 3356 gave greater priority to recruiting and retaining sportsmen and sportswomen conservationists, with an emphasis on engaging youth, veterans, minorities, and underserved communities that traditionally have low participation in outdoor recreation activities.

There are 376 National Wildlife Refuges and wetland management districts open to hunting and 311 refuges and wetland management districts open to fishing. As practiced on refuges, hunting and fishing do not pose a threat to wildlife populations, and in some instances, are necessary for sound wildlife management. The harvesting of fish and wildlife on refuges is carefully regulated to ensure an appropriate balance between population levels and habitat quality. The FWS’s National Fish Hatcheries continue to be a valuable tool in managing fisheries providing recreation opportunities to America’s 36 million anglers who spend \$46 billion annually in pursuit of their favored pastime.

- **Fulfilling our trust and insular responsibilities** – The DOI is strengthening the Nation-to-Nation relationship between the Federal Government and Tribal Nations because self-determination, sovereignty, self-government, and self-reliance are the tools that will enable Tribal Nations to shape their own destiny. Tribes have also benefitted through Public Law 93-638, *Indian Self-Determination and Education Assistance Act of 1975*, which authorized the Secretary of the Interior, the Secretary of Health and Human Services, and other select Government agencies to enter into contracts with, and make grants directly to, federally-recognized Indian tribes. Tribes contract with the Federal Government to operate programs serving their Tribal members and other eligible persons. Such contract examples include:

- ▣ The Tribal Trust Asset Appraisal Services is responsible for appraisals, or value assessments as an important element to the many different types of trust land use agreements. Some of the transactions that require appraisals include commercial, industrial, recreational, and other leases; rights-of-way permits; land sales and land exchanges; grazing and range permits; and assessment of trespass damages. Tribes, or a consortium of tribes, can administer their own appraisal services through an agreement negotiated with DOI’s Office of the Special Trustee for American Indians (OST).

- ▣ The Beneficiary Processes Program manages the accounts held in trust by the United States. OST is responsible for financial trust services such as collection of income, accurate accounting, disbursement of funds, and maintenance of current beneficiary information. These roles are managed by OST's Office of Trust Funds Management. Tribes, or a consortium of tribes, can contract or compact to assume a portion of the administration of Individual Indian Money financial trust services through an agreement negotiated with OST.

The DOI is responsible for reviewing, processing, and carrying out trust responsibilities to Native Americans in an efficient and accurate manner. In fulfilling fiduciary trust responsibilities, DOI provides timely and accurate management of Indian trust ownership information to beneficiaries and ensures adherence to Indian law and litigation settlements.

Restoring trust with local communities' means being a better neighbor with those closest to our resources by improving dialogue and relationships with persons and entities bordering our lands and improving the lines of communication with governors, state natural resource agencies, regional water authorities, county governments, Tribes, and local citizens. Finishing the relocation of many people in BLM's headquarters to various locations in the West will go a long way to improve communications with our stakeholders.

Ensuring sovereignty means we support Tribal self-determination, self-governance, and sovereignty. We also pursue and reinforce mutual interests between the U.S. and the freely associated states and territories.

- **Protecting our people and the border** – We place a high priority on safety, security, and preparedness, and will uphold our responsibilities for protecting lives, natural and cultural resources, and property through a wide variety of program areas, including law enforcement, health and safety, security, and emergency management. We emphasize achieving public and visitor compliance with applicable laws and regulations by educating people on voluntary compliance while taking measured enforcement actions as necessary. The Administration continues to emphasize achieving a more secure Southern border. As such, our law enforcement officers work in partnership with the U.S. Customs and Border Patrol, Immigration and Customs Enforcement, Drug Enforcement Agency, and Tribal, state and local governments to address the inflow of illegal immigration, gun and drug trafficking, and to mitigate the environmental impacts on our lands associated with these activities. In addition, OWF shares wildfire management responsibilities with Mexico along our southern border.
- **Modernizing our organization and infrastructure for the next 100 Years** – The DOI has a proud history spanning 171 years of exemplary service to the American people. To prepare for the next 100 years, the Secretary is modernizing the way we do business to better manage America's natural resources.

We have therefore established 12 DOI regions applicable to all our Bureaus except for BIA and BIE. How these two entities may ultimately relate to the new regions is the subject of ongoing conversations with the Tribes. DOI regions provide the framework for DOI's next 100 years of service. The new regions each now enjoy the presence of a Field Special Assistant, appointed by the Secretary, to improve inter-bureau coordination at the regional level and work with a regional team of career Bureau Senior Executives so that better and more timely decisions are made by our leaders who are closer to the people and resources affected by the decision.

FIGURE 45

Consolidated Balance Sheet as of September 30, 2020 and 2019		
(dollars in thousands)	FY 2020	FY 2019
ASSETS (Note 8)		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 63,066,415	\$ 60,785,350
Investments, Net (Note 3)	10,271,620	9,884,781
Accounts and Interest Receivable	1,660,217	1,619,268
Other	21,187	12,993
Total Intragovernmental Assets	\$ 75,019,439	\$ 72,302,392
Cash	372	399
Accounts and Interest Receivable, Net (Note 4)	6,859,431	7,643,237
Loans and Interest Receivable, Net (Note 5)	43,620	49,725
Inventory and Related Property (Note 6)	43,079	47,940
General Property, Plant, and Equipment, Net (Note 7)	22,224,768	21,941,591
Other	218,524	186,468
TOTAL ASSETS	\$ 104,409,233	\$ 102,171,752
Stewardship PP&E (Note 9)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 702,418	\$ 701,854
Debt (Note 10)	37,163	41,767
Other:		
Liability for Capital Transfers to the General Fund (Note 11)	1,527,832	1,513,004
Advances and Deferred Revenue	558,837	363,374
Custodial Liability	674,387	1,124,658
Judgment Fund Liability	1,240,356	1,222,076
Other Miscellaneous Liabilities	547,618	501,497
Total Intragovernmental Liabilities	\$ 5,288,611	\$ 5,468,230
Accounts Payable	1,141,922	1,017,830
Loan Guarantee Liability (Note 5)	63,881	133,379
Federal Employee and Veteran Benefits (Note 12)	1,209,624	1,312,567
Environmental and Disposal Liabilities (Note 13)	988,111	920,885
Other:		
Contingent Liabilities (Note 13)	154,504	174,929
Trust Land Consolidation Program Liability	165,501	264,995
Advances and Deferred Revenue	1,194,539	979,341
Payments Due to States	711,580	992,194
Grants Payable	526,127	427,153
Other Miscellaneous Liabilities	1,358,217	1,135,844
TOTAL LIABILITIES	\$ 12,802,617	\$ 12,827,347
Commitments and Contingencies (Notes 13 and 15)		
NET POSITION (NOTE 16)		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	1,199,276	1,227,732
Unexpended Appropriations - All Other Funds	9,295,156	8,110,163
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	71,736,459	73,708,275
Cumulative Results of Operations - All Other Funds	9,375,725	6,298,235
TOTAL NET POSITION	\$ 91,606,616	\$ 89,344,405
TOTAL LIABILITIES AND NET POSITION	\$ 104,409,233	\$ 102,171,752

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

FIGURE 46

Consolidated Statement of Net Cost for the years ended September 30, 2020 and 2019		
<i>(dollars in thousands)</i>	FY 2020	FY 2019
Conserving Our Land and Water		
Gross Costs	\$ 7,320,142	\$ 6,595,139
Less: Earned Revenue	1,033,569	1,141,614
Net Cost	6,286,573	5,453,525
Generating Revenue & Utilizing Our Natural Resources		
Gross Costs	3,041,800	4,036,843
Less: Earned Revenue	648,370	434,083
Net Cost	2,393,430	3,602,760
Expanding Outdoor Recreation and Access		
Gross Costs	1,755,568	1,732,323
Less: Earned Revenue	411,376	523,523
Net Cost	1,344,192	1,208,800
Fulfilling Our Trust & Insular Responsibilities		
Gross Costs	3,696,702	3,428,933
Less: Earned Revenue	353,355	345,368
Net Cost	3,343,347	3,083,565
Protecting Our People and the Border		
Gross Costs	2,131,175	2,243,373
Less: Earned Revenue	156,524	221,372
Net Cost	1,974,651	2,022,001
Modernizing Our Organization & Infrastructure for the Next 100 Years		
Gross Costs	1,484,642	1,236,170
Less: Earned Revenue	137,314	147,908
Net Cost	1,347,328	1,088,262
Reimbursable Activity and Other		
Gross Costs	6,025,608	4,378,471
Less: Earned Revenue	1,903,607	2,035,044
Net Cost	4,122,001	2,343,427
TOTAL		
Gross Costs	25,455,637	23,651,252
Less: Earned Revenue	4,644,115	4,848,912
Net Cost of Operations (Notes 17 and 19)	\$ 20,811,522	\$ 18,802,340

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

FIGURE 47

Consolidated Statement of Changes in Net Position for the years ended September 30, 2020 and 2019								
(dollars in thousands)	FY 2020				FY 2019			
	Combined Funds from Dedicated Collections (Note 16)	Combined All Other	Eliminations	Consolidated	Combined Funds from Dedicated Collections (Note 16)	Combined All Other	Eliminations	Consolidated
UNEXPENDED APPROPRIATIONS								
Beginning Balance	\$ 1,227,812	\$ 8,110,360	\$ [277]	\$ 9,337,895	\$ 1,036,701	\$ 7,130,584	\$ [277]	\$ 8,167,008
BUDGETARY FINANCING SOURCES								
Appropriations Received, General Funds	402,777	16,869,390	-	17,272,167	488,104	13,953,474	-	14,441,578
Appropriations Transferred In/(Out)	(500)	198,868	-	198,368	-	74,819	-	74,819
Appropriations - Used	(431,233)	(15,778,022)	-	(16,209,255)	(296,003)	(12,960,737)	-	(13,256,740)
Other Adjustments	-	(104,743)	-	(104,743)	(990)	(87,780)	-	(88,770)
Net Change	(28,956)	1,185,493	-	1,156,537	191,111	979,776	-	1,170,887
Ending Balance - Unexpended Appropriations	\$ 1,198,856	\$ 9,295,853	\$ [277]	\$ 10,494,432	\$ 1,227,812	\$ 8,110,360	\$ [277]	\$ 9,337,895
CUMULATIVE RESULTS OF OPERATIONS								
Beginning Balance	\$ 75,802,267	\$ 4,203,966	\$ 277	\$ 80,006,510	\$ 73,395,888	\$ 4,328,030	\$ 277	\$ 77,724,195
Budgetary Financing Sources								
Appropriations - Used	431,233	15,778,022	-	16,209,255	296,003	12,960,737	-	13,256,740
Royalties Retained	3,627,075	-	-	3,627,075	5,678,853	-	-	5,678,853
Non-Exchange Revenue	1,104,556	43,784	-	1,148,340	1,112,422	165,645	-	1,278,067
Transfers In/(Out) without Reimbursement	497,678	38,273	68,912	604,863	442,994	47,420	137,060	627,474
Donations and Forfeitures of Cash and Cash Equivalents	53,978	-	-	53,978	61,642	-	-	61,642
Other Budgetary Financing Sources/ (Uses)	4	-	-	4	-	-	-	-
OTHER FINANCING SOURCES								
Donations and Forfeitures of Property	42,319	32,628	-	74,947	8,578	8,904	-	17,482
Transfers In/Out without Reimbursement	(65,485)	134,240	(68,912)	(157)	(44,997)	183,361	(137,060)	1,304
Imputed Financing from Costs Absorbed by Others	73,389	497,745	(33,899)	537,235	75,557	469,300	(27,687)	517,170
Other Non-Budgetary Financing Sources/ (Uses)	1,100	(339,444)	-	(338,344)	56,634	(410,711)	-	(354,077)
Total Financing Sources	5,765,847	16,185,248	(33,899)	21,917,196	7,687,686	13,424,656	(27,687)	21,084,655
Net Cost of Operations	(4,753,981)	(16,091,440)	33,899	(20,811,522)	(5,281,307)	(13,548,720)	27,687	(18,802,340)
Net Change	1,011,866	93,808	-	1,105,674	2,406,379	(124,064)	-	2,282,315
Ending Balance - Cumulative Results of Operations	76,814,133	4,297,774	277	81,112,184	75,802,267	4,203,966	277	80,006,510
TOTAL NET POSITION	\$ 78,012,989	\$ 13,593,627	\$ -	\$ 91,606,616	\$ 77,030,079	\$ 12,314,326	\$ -	\$ 89,344,405

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

FIGURE 48

Combined Statement of Budgetary Resources for the years ended September 30, 2020 and 2019				
	Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts	Budgetary Accounts	Non-Budgetary Credit Program Financing Accounts
	FY 2020	FY 2020	FY 2019	FY 2019
<i>(dollars in thousands)</i>				
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	\$ 14,426,876	\$ 58,214	\$ 13,285,627	\$ 44,656
Appropriations (discretionary and mandatory)	24,502,514	-	21,840,117	-
Borrowing Authority (discretionary and mandatory)	-	176	-	172
Contract Authority (discretionary and mandatory)	-	-	28,140	-
Spending Authority from Offsetting Collections (discretionary and mandatory)	5,393,665	44,509	5,254,872	22,862
Total Budgetary Resources	\$ 44,323,055	\$ 102,899	\$ 40,408,756	\$ 67,690
Status of Budgetary Resources:				
New Obligations and Upward Adjustments	\$ 29,155,907	\$ 6,945	\$ 26,557,874	\$ 9,476
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts	14,878,496	95,954	13,636,229	58,214
Unapportioned, Unexpired Accounts	87,248	-	12,305	-
Unexpired, Unobligated Balance, End of Year	14,965,744	95,954	13,648,534	58,214
Expired, Unobligated Balance, End of Year	201,404	-	202,348	-
Unobligated Balance, End of Year	15,167,148	95,954	13,850,882	58,214
Total Budgetary Resources	\$ 44,323,055	\$ 102,899	\$ 40,408,756	\$ 67,690
Outlays, Net:				
Outlays, Net (total) (discretionary and mandatory)	21,730,741	-	19,903,615	-
Distributed Offsetting Receipts (-)	(5,220,508)	-	(5,998,558)	-
Agency Outlays, Net (discretionary and mandatory)	\$ 16,510,233	\$ -	\$ 13,905,057	\$ -
Disbursements, Net (mandatory)	\$ -	\$ (41,324)	\$ -	\$ (27,594)

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

FIGURE 49

Statement of Custodial Activity for the years ended September 30, 2020 and 2019		
<i>(dollars in thousands)</i>	FY 2020	FY 2019
Revenues on Behalf of the Federal Government		
Mineral Lease Revenue		
Rents and Royalties	\$ 5,907,280	\$ 8,885,891
Onshore Lease Sales	100,102	1,230,267
Offshore Lease Sales	251,380	831,525
Other	19,011	-
Total Revenue	\$ 6,277,773	\$ 10,947,683
Disposition of Revenue		
Distribution to Department of the Interior		
Departmental Offices	1,647,192	2,642,838
National Park Service Conservation Funds	1,144,939	1,157,754
Bureau of Reclamation	1,050,298	1,759,495
Bureau of Ocean Energy Management	43,583	47,455
Bureau of Safety and Environmental Enforcement	50,237	62,601
Bureau of Land Management	8,505	6,191
Fish and Wildlife Service	2,452	2,068
Distribution to Other Federal Agencies		
General Fund of the Treasury	2,878,426	4,904,041
Army Corps of Engineers	556	-
Department of Agriculture	105,776	177,039
Distribution to States and Others	5,883	10,538
Change in Untransferred Revenue	(660,074)	177,663
Total Disposition of Revenue	\$ 6,277,773	\$ 10,947,683
Net Custodial Activity	\$ -	\$ -

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

**Sample
Management's Discussion and Analysis (MD&A)**

Internal Revenue Service

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January – February 2021]

Including FY2020 Financial Statements

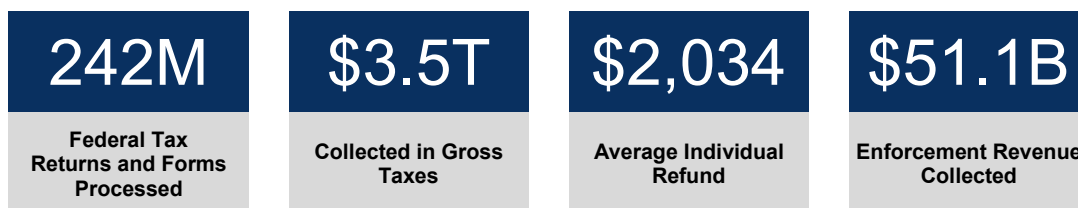
MISSION AND ORGANIZATION

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

- In the United States, the Congress passes tax laws and requires taxpayers to comply
- The taxpayer's role is to understand and meet his or her tax obligations
- The IRS's role is to help the large majority of compliant taxpayers with the tax law, while ensuring that the minority who are unwilling to comply pay their fair share

The IRS and its employees take pride in collecting more than 96% of the revenue that funds key operations in the United States. The IRS is one of the world's most efficient tax administrators.

Fiscal Year 2020 Highlights



The IRS organizational structure closely resembles the private sector model of organizing around customers with similar needs. Additional information including an organization chart is available at: <https://www.irs.gov/about-irs/todays-irs-organization>.

The passage of P.L. 116-25, Taxpayer First Act (TFA), signed July 1, 2019, created a new congressional mandate for the IRS. The IRS has not had a major reorganization of this magnitude since the implementation of the IRS Restructuring and Reform Act of 1998. The TFA requires the submission of a comprehensive proposal to Congress for three areas:

- Comprehensive taxpayer service strategy
- Proposal to update the IRS organizational structure
- Comprehensive training strategy

In addition, the TFA has a provision related to the management of IRS information technology and multiple sections with specific requirements to implement a multiyear strategic plan for information technology. The Act includes another 41 provisions designed to improve taxpayer service and ensure the IRS continues to enforce the tax law in a fair and impartial manner.

The IRS is dedicated to modernizing its systems and maintaining the integrity of the tax system, while protecting sensitive taxpayer data. As the IRS builds toward the future, it will continue to put taxpayers first, recognize the critical role its workforce plays in fulfilling its mission and make improvements across all lanes of IRS operations. While working hard to enhance every perspective of the taxpayer experience, the IRS is committed to improving both civil and criminal enforcement efforts and many other priorities.

FINANCIAL POSITION & CONDITION

The IRS received an unmodified financial statement audit opinion from GAO for the 21st consecutive year. The unmodified opinion includes recommendations to improve internal controls over financial reporting related to unpaid assessments and financial reporting systems. Management continues to address these recommendations with statistical models related to assessments and the pursuit of

financial system enhancements.

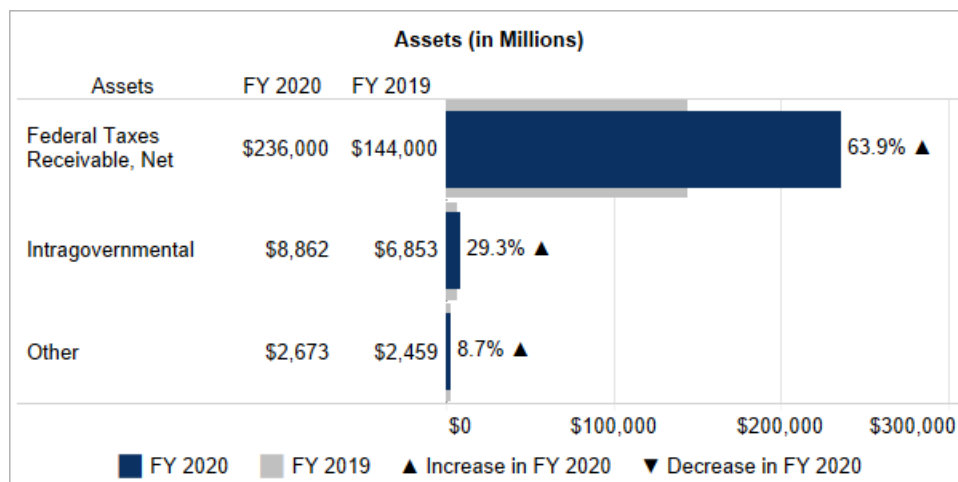
IRS financial statements are summarized below. The statements include information from two distinct sets of activity, Administrative and Custodial. Administrative activity supports the operations of the IRS as an agency. This activity is presented on the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Statement of Budgetary Resources. The Statement of Custodial Activity presents collections of tax revenue, changes in taxes receivable, and the distribution of tax revenue that the IRS has performed on behalf of the U.S. Government.

In FY 2020, the IRS implemented legislative provisions to support the national response to the COVID-19 pandemic. This legislation includes the *Families First Coronavirus Response Act (FFCRA) of 2020* and the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. The IRS distributed \$275 billion in economic impact payments as presented on the Statement of Custodial Activity under federal tax refund and outlay activities. The IRS also received an additional \$766 million in appropriations to fund the requirements included in this legislation.

Beginning in mid-March, IRS employees worked around the clock to implement major provisions of the CARES Act. Within 10 days of enactment, the IRS in coordination with the Bureau of the Fiscal Service (BFS) issued about 81 million Economic Impact Payments (EIP) totaling almost \$147 billion. This response was unprecedented compared to the two months needed for the first stimulus payments issued in 2008. By late September 2020, more than 160 million Americans received EIPs totaling almost \$275 billion, of which 121 million were sent by direct deposit, 35 million by check, and 4 million via a pre-paid debit card.

The IRS balanced the statutory requirement to provide the payments as “rapidly as possible” with the need for accuracy and concern about potential fraud. The Treasury Inspector General for Tax Administration noted in a June report that the IRS correctly computed the payment amount for nearly 98% of the EIPs issued as of May 21, 2020. Financial statement fluctuations associated with COVID-19 legislation are further discussed in the below analysis.

Analysis of the Balance Sheet



Assets of the IRS are primarily comprised of federal taxes receivable, Intragovernmental balances (Fund balance with Treasury and Due from the General Fund of the U.S. Government), and Internal Use Software classified as General Property and Equipment. Significant fluctuations as of September 30, 2020 and 2019 are described below.

Federal Taxes Receivable, Net

- The estimated rate of collectability for Internal Revenue Code Section 965(h) balances increased based on individual account analysis and unpaid balances that have extended payment due dates
- Legislative requirements provided a two-year deferral on the employer portion of *Federal Insurance Contributions Act* (FICA) Social Security taxes due to the federal government

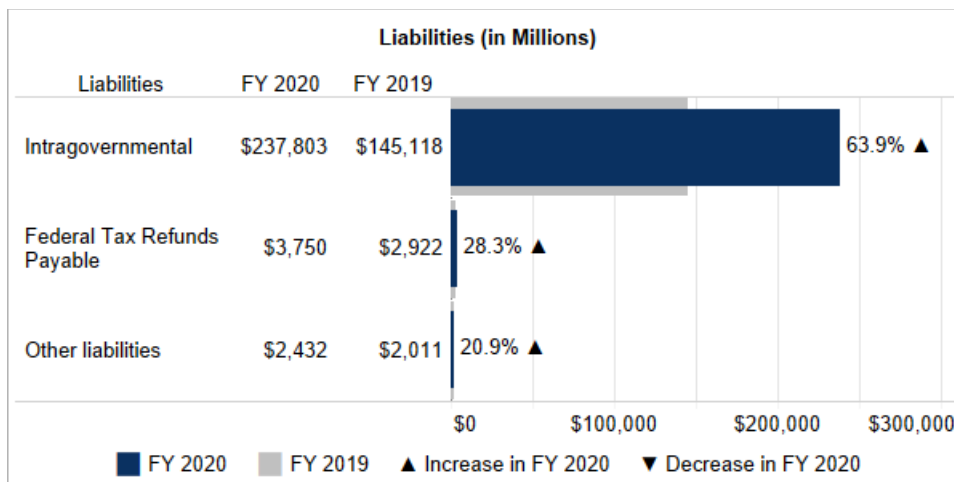
Intragovernmental

Fund balance with Treasury (FBWT)

- FBWT increased \$658 million due to the expansion of the State Innovation Waiver Program (SIWP). These funds are not available for use by the IRS. The Department of Health and Human Services administers the program which permits states to pursue innovative strategies for providing their residents with access to high quality, affordable health insurance while retaining the basic protections of the Patient Protection and Affordable Care Act
- FBWT also increased \$482 million as a result of budgetary resources in FFCRA and the CARES Act appropriations received that have not yet been disbursed

Amounts due from General Fund of the U.S. Government

- Amounts due from the General Fund of the U.S. Government increased \$828 million as this line item correlates to federal taxes refunds payable. This line item is representative of funds that will be required in future periods to liquidate the federal taxes payable liability



Liabilities include amounts due to the General Fund of U.S. Government, federal tax refunds payable, and other liabilities. Other liabilities include accrued annual leave and employee benefits. Significant fluctuations as of September 30, 2020 and 2019 are described below.

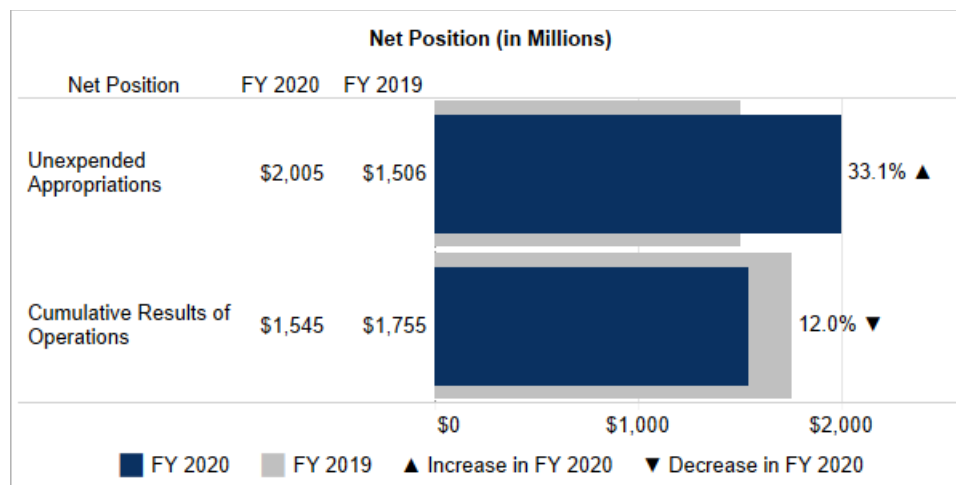
Intragovernmental

Amounts Due to General Fund of the U.S. Government

- Amounts Due to the General Fund of the U.S. Government increased \$92 billion as this line items correlates to federal taxes receivable, net. This represents funds that will be distributed to the General Fund upon collection

Federal Tax Refunds Payable

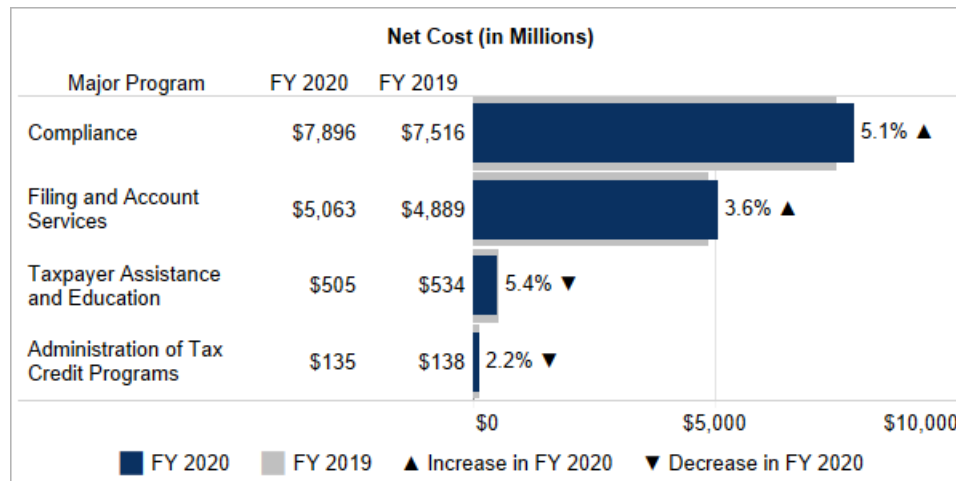
- Federal tax refunds payable increased \$828 million due to amounts payable to the public for tax refunds that the IRS has processed and are either pending disbursement, or were undeliverable by the Department of the Treasury, Bureau of the Fiscal Service



Net Position consists of Unexpended Appropriations and the Cumulative Results of Operations. Funds made available by Congress are recorded in Unexpended Appropriations. Cumulative results of operations is the net difference between 1) expenses, losses, and transfers out from the inception of an agency or activity, and 2) financing sources such as appropriations and revenues, and gains from the inception of an agency or activity (whether financed from appropriations, transfer in, revenues, reimbursements, or any combination of the four) to the reporting date of the financial statements.

The Net Position of the IRS includes fluctuations resulting from appropriations offset by higher expenses resulting from FFCRA and CARES Act legislation. Net Position fluctuations are described in additional detail in the corresponding financial statement analysis of the associated change in assets, liabilities, and statement of net cost.

Analysis of the Statement of Net Cost



The Statement of Net Cost presents costs and exchange revenues aligned under four core programs. Compliance, Filing and Account Services, Taxpayer Assistance and Education, and the Administration of Tax Credit Programs. Significant fluctuations for the periods ending September 30, 2020 and 2019 are described below.

Total Gross Cost

Filing and Account Services

The filing and account services total gross cost increased \$462 million due to expenses incurred under the FFCRA and CARES Act.

Total Earned Revenue

Compliance

Earned revenue decreased \$119 million due to legislation that provided temporary relief for taxpayers, and the suspension of certain collection activities under the President's declaration of a national state of emergency.

Administration of Tax Programs

Earned revenue increased \$50 million for services provided to Treasury for the Debtor Master File, the Treasury Executive Office for Asset Forfeiture, FEMA and other agencies.

Analysis of the Statement of Budgetary Resources

The success of the IRS is essential to the health of the nation as the majority of tax revenues flow through the IRS each year with billions of dollars distributed to families and others across the country. To be able to fulfill its mission, the IRS depends on adequate funding. The IRS will continue efforts to secure consistent, long-term funding so that it can deliver quality services to taxpayers, protect the safety and health of our employees, conduct enforcement initiatives to preserve a fair and equitable tax system, and support badly needed long-term information technology modernization efforts.

Appropriations for the periods ending September 30, 2020 and 2019 (in Millions)

	2020	2019
Taxpayer Services	\$ 2,892	\$ 2,557
Enforcement	4,993	4,678
Operations Support	4,215	3,918
Other:		
Business Systems Modernization	195	240
Private Debt Collection Program	152	97
Miscellaneous Retained Fees	261	299
Total Other	608	636
Total Budgetary Resources	\$ 12,708	\$ 11,789

Appropriation Account Descriptions

Taxpayer Services funds staffing for the processing of tax returns and related documents, and for assistance to taxpayers who are filing returns and paying taxes due.

Enforcement funds staffing for the examination of tax returns, the collection of balances due, and the administrative and judicial settlement of taxpayer appeals of examination findings. The IRS also applies enforcement funds also to reduce invalid and erroneous claims associated with the Earned Income Tax Credit program as well as other refundable tax credits.

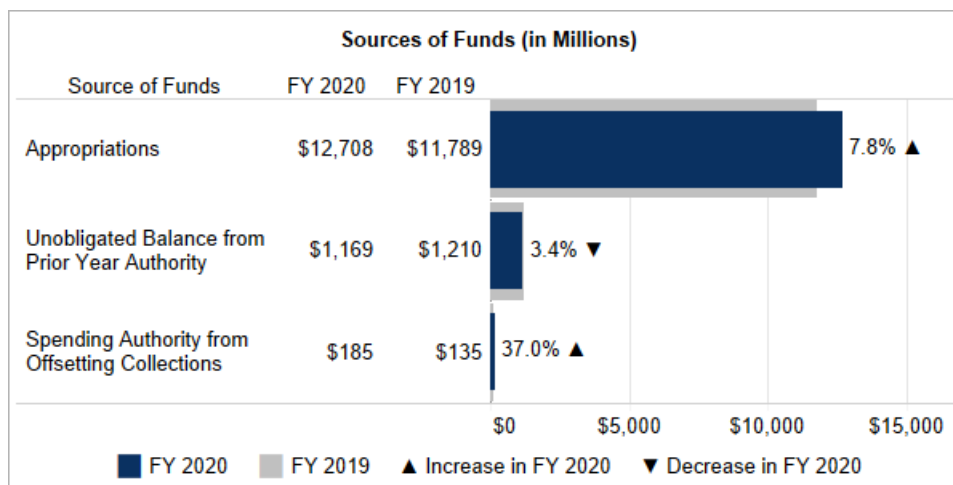
Operations Support funds overall planning, direction, operations management and control and critical infrastructure activities for the IRS. These activities include the information technology and cybersecurity necessary to operate tax systems and protect taxpayer data, the financial management activities that ensure effective stewardship of the nation's revenues, and the

physical infrastructure and security that keep IRS employees and customers safe and well served in office, campus, and Taxpayer Assistance Center sites. Human resources, telecommunications, and communications infrastructure are also critical components of this appropriation and are vital to maintaining adequate levels of customer service and post-filing processes that ensure the tax system's fairness and equity.

Business Systems Modernization funds capital asset acquisitions of information technology to modernize tax administration systems.

The Private Debt Collection Program funds qualified tax collection contracts to use private collection agencies.

IRS Miscellaneous Retained Fees include those collected and retained by the IRS for installment agreements, enrolled agents, tax preparation, photocopies, and other general fees.



Significant fluctuations presented on the Statement of Budgetary Resources are described below.

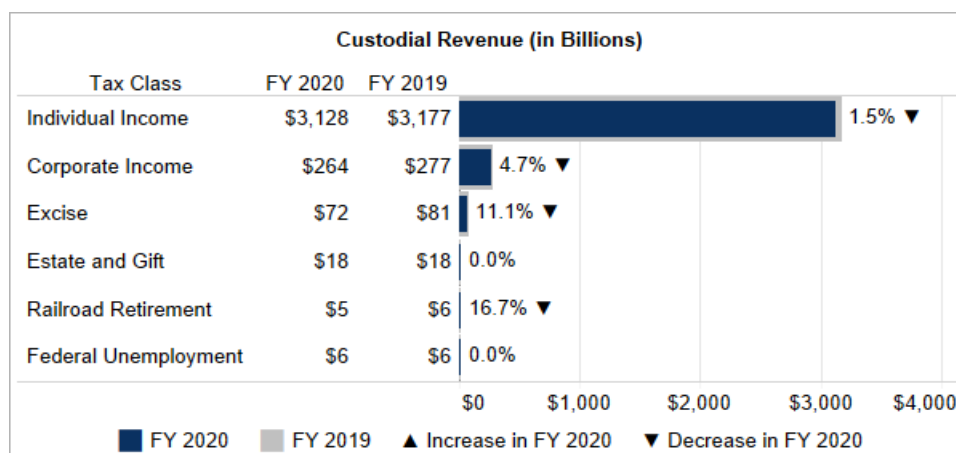
Appropriations

This increase was primarily attributable to appropriations in support of FFCRA and CARES Act legislation.

Spending Authority from Offsetting Collections

This increase was due to the support provided to FEMA by the IRS call center during hurricane Laura. In addition, the IRS received increased reimbursements from the Treasury Executive Office for Asset Forfeiture and the collection of certain offsets for state and local governments.

Analysis of the Statement of Custodial Activity



The Statement of Custodial Activity is the presentation of custodial revenues, appropriations, and distributions that occur for the current and prior fiscal year. The IRS performs this activity on behalf of the federal government. The custodial appropriations presented on the Statement of Custodial Activity are not available to the IRS for operational expenditures and are therefore not included in the presentation of the Statement of Budgetary Resources.

Total tax revenue and the disposition of total tax revenue were relatively stable for the periods ending September 30, 2020 as compared to September 30, 2019. Refund and outlay activity increased 63% for the period ending September 30, 2020 due to \$275 billion in EIP outlays under the CARES Act.

The IRS remains one of the most cost-effective investments in the federal government. Annually, on average the IRS enforcement programs collect more than \$56 billion while annual spending on these programs including operations support costs only about \$5.5 billion, for an average return on investment of about \$10 for every \$1 invested in IRS enforcement programs.

As the IRS moves into FY 2021, the IRS will continue to pursue its mission on behalf of the American people. The IRS has important work ahead as it continues to implement the TFA, while at the same time continuing to improve the experience of all taxpayers and others who interact with the IRS while navigating complications caused by COVID-19. Throughout this, the IRS must keep the best interests of taxpayers and the nation as its focus.

The IRS workforce remains dedicated to serving taxpayers, respecting their rights and improving the experience they have when they contact the IRS. Everyone at the IRS wants to do more and will continue working to meet the challenges faced with innovative ideas and determination, to perform its mission of providing top-quality service to the American taxpayer.

**Internal Revenue Service
Balance Sheet
As of September 30, 2020 and 2019**

(in Millions)

	2020	2019
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 5,069	\$ 3,919
Due from General Fund of the U.S. Government (Note 6)	3,750	2,922
Other assets (Note 3)	43	12
Total intragovernmental	8,862	6,853
Cash and other monetary assets (Note 4, 6)	787	548
Federal taxes receivable, net (Notes 5, 6, 8)	236,000	144,000
Property and equipment, net (Note 7)	1,871	1,896
Other assets (Note 3)	15	15
Total assets	\$ 247,535	\$ 153,312
Liabilities		
Intragovernmental		
Due to General Fund of the U.S. Government (Note 8)	\$ 237,612	\$ 144,954
Other liabilities (Note 9)	191	164
Total intragovernmental	237,803	145,118
Federal tax refunds payable	3,750	2,922
Other liabilities (Note 9)	2,432	2,011
Total liabilities	243,985	150,051
Net position		
Unexpended appropriations	2,005	1,506
Cumulative results of operations	1,545	1,755
Total net position	3,550	3,261
Total liabilities and net position	\$ 247,535	\$ 153,312

The accompanying notes are an integral part of these statements.

**Internal Revenue Service
Statement of Net Cost
For the Years Ended September 30, 2020 and 2019**

(in Millions)

Program	<u>2020</u>	<u>2019</u>
Taxpayer Assistance and Education		
Gross cost	\$ 507	\$ 536
Earned revenue	(2)	(2)
Net cost of program	<u>505</u>	<u>534</u>
Filing and Account Services		
Gross cost	5,224	4,998
Earned revenue	(161)	(109)
Net cost of program	<u>5,063</u>	<u>4,889</u>
Compliance		
Gross cost	8,187	7,920
Earned revenue	(291)	(404)
Net cost of program	<u>7,896</u>	<u>7,516</u>
Administration of Tax Credit Programs		
Gross cost	135	138
Earned revenue	-	-
Net cost of program	<u>135</u>	<u>138</u>
Net cost of operations	<u>\$ 13,599</u>	<u>\$ 13,077</u>

The accompanying notes are an integral part of these statements.

Internal Revenue Service
Statement of Changes in Net Position
For the Years Ended September 30, 2020 and 2019

(in Millions)

	2020		2019	
	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations
Beginning balances	\$ 1,506	\$ 1,755	\$ 1,765	\$ 1,692
Budgetary financing sources				
Appropriations received	12,276	-	11,303	-
Other adjustments	(47)		(107)	
Appropriations used	(11,730)	11,730	(11,455)	11,455
Nonexchange revenue	-	153	-	97
Transfers in/out without reimbursement	-	6	-	9
Other financing sources				
Imputed financing	-	1,504	-	1,583
Transfers to the General Fund of the U.S. Government	-	(4)	-	(4)
Total financing sources	499	13,389	(259)	13,140
Net cost of operations	-	(13,599)	-	(13,077)
Net change	499	(210)	(259)	63
Ending balances	\$ 2,005	\$ 1,545	\$ 1,506	\$ 1,755

The accompanying notes are an integral part of these statements.

Internal Revenue Service
Statement of Budgetary Resources
For the Years Ended September 30, 2020 and 2019

(in Millions)

	2020	2019
Budgetary resources		
Unobligated balance brought forward, October 1	\$ 1,026	\$ 1,133
Recoveries of prior year unpaid obligations	150	101
Other changes in unobligated balance	(7)	(24)
Unobligated balance from prior year budget authority, net	1,169	1,210
Appropriations (discretionary and mandatory)	12,708	11,789
Spending authority from offsetting collections (discretionary and mandatory)	185	135
Total budgetary resources	\$ 14,062	\$ 13,134
Status of budgetary resources		
New obligations and upward adjustments (total)	\$ 12,666	\$ 12,108
Unobligated balance, end of year		
Apportioned, unexpired accounts	1,078	565
Exempt from apportionment, unexpired accounts	7	8
Unapportioned, unexpired accounts	70	257
Unexpired unobligated balance, end of year	1,155	830
Expired unobligated balance, end of year	241	196
Unobligated balance, end of year (total)	1,396	1,026
Total budgetary resources	\$ 14,062	\$ 13,134
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	\$ 12,172	\$ 11,707
Distributed offsetting receipts	(275)	(386)
Agency outlays, net (discretionary and mandatory)	\$ 11,897	\$ 11,321

The accompanying notes are an integral part of these statements.

**Internal Revenue Service
Statement of Custodial Activity
For the Years Ended September 30, 2020 and 2019**

(in Billions)

	2020	2019
Revenue activity		
Collections of federal tax revenue (Note 15)		
Individual Income, FICA/SECA, and other	\$ 3,128	\$ 3,177
Corporate income	264	277
Excise	72	81
Estate and gift	18	18
Railroad retirement	5	6
Federal unemployment	6	6
Total collections of federal tax revenue	3,493	3,565
Increase in federal taxes receivable, net	92	86
Total federal tax revenue	\$ 3,585	\$ 3,651
 Distribution of federal tax revenue due to General Fund of the U.S. Government		
Increase in amount due	\$ 3,493	\$3,565
	92	86
Total disposition of federal tax revenue	3,585	3,651
Net federal revenue activity	\$ -	\$ -
 Federal tax refund and outlay activities		
Total refunds of federal taxes and outlays (Note 16)	\$ 736	\$ 452
Appropriations used for refund of federal taxes and outlays	(736)	(452)
Net federal tax refund and outlay activities	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Sample
Management's Discussion and Analysis (MD&A)

National Labor Relations Board

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

ABOUT THE NLRB

MISSION STATEMENT

Protecting workplace democracy and the rights of employees, unions, and employers under the National Labor Relations Act, in order to promote commerce and strengthen the Nation's economy.

The National Labor Relations Act (NLRA)

- Basic law governing relations between labor unions and business enterprises engaging in interstate commerce in the private sector.
- Serves the public interest by reducing interruptions in commerce caused by conflict between employers and employees.
- Embodies a bill of rights, which establishes freedom of association for purposes of collective bargaining and concerted activities to improve terms and conditions in the workplace.
- Addresses the rights and obligations of employees, labor unions, and private employers.

The National Labor Relations Board (NLRB)

The NLRB is an independent federal agency created in 1935 to administer and enforce the NLRA by conducting secret-ballot elections among employees to determine whether or not the employees wish to be represented by a union; and by preventing and remedying statutorily defined ULPs by employers and unions.

The NLRB acts only on those charges brought before it and does not initiate cases. All proceedings originate with the filing of charges or petitions by employees, labor unions, private employers, or other private parties.

Specific data on the components of the Agency's work can be found on the NLRB's web site at:

<https://www.nlr.gov>:

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Employee Rights Under The NLRA

The NLRA extends rights to many private-sector employees, including the right to organize and to bargain collectively with their employer. Employees covered by the Act are protected from certain types of employer and union misconduct and have the right to support union representation in a workplace where none currently exists or to attempt to improve their wages and working conditions through other group action.

More information on Employee Rights under the NLRA can be found on the NLRB's web site at:

<https://www.nlr.gov/about-nlr/rights-we-protect/your-rights/employee-rights>

Statutory Structure

Agency leadership consists of six presidential appointees—five Board Members (including the Chairman) and the GC. Day-to-day management of the Agency is divided by law, delegation, and Agency practice between the Chairman, the Board, and the GC. The Agency's offices include its headquarters in Washington, D.C., a network of Field offices throughout the U.S., and two satellite Judges' offices in New York City and San Francisco. A map depicting the Regional Offices can be found at: <https://www.nlr.gov/about-nlr/who-we-are/regional-offices>.

The Five-Member Board

The five-member Board primarily acts as a quasi-judicial body, deciding cases based on formal records in administrative proceedings. Board Members are appointed by the President with the advice and consent of the Senate and serve staggered five-year terms⁴.

The General Counsel

The GC is appointed by the President to a four-year term, with Senate consent, and is responsible for the investigation and prosecution of ULP cases and for the general supervision of the NLRB Regional Offices, as well as of the administrative, financial and human capital operations of the Agency. In performing delegated functions, and in some aspects statutorily assigned functions, the GC acts on behalf of the Board. With respect to the investigation and prosecution of ULP cases, the GC has sole prosecutorial authority under the statute, independent of the Board.

Information about the current Presidential appointees of the NLRB can be found on the NLRB's website at: <https://www.nlr.gov/about-nlr/who-we-are/the-board> and <https://www.nlr.gov/bio/general-counsel>.

ORGANIZATION (insert a more streamlined Org chart) <https://www.nlr.gov/about-nlr/who-we-are/organization-chart>

CASEHANDLING FUNCTIONS

The primary function of the NLRB is the effective and efficient resolution of charges and petitions filed under the NLRA by individuals, employers, or unions. In carrying out the NLRA's mandates, the NLRB supports the collective bargaining process and seeks to prevent and remedy certain ULPs on the part of employers and unions so as to promote commerce and strengthen the Nation's economy.

The two mission-related goals of the NLRB are:

- Promptly and fairly resolve through investigation, settlement of prosecution, unfair labor practices under the NLRA.
- Promptly and fairly resolve all questions concerning representation of employees.

Unfair Labor Practice Proceedings

The NLRA regulates the conduct of labor-management relations between employers and unions. The NLRB enforces the provisions of the Act through ULP proceedings, which are adjudicated and remedied through procedures under the NLRA.

The GC has sole responsibility—independent of the Board—to investigate charges of ULPs, and to decide whether to issue complaints with respect to such charges. The Board, in turn, acts independently of the GC in deciding the merits of ULP cases.

Representation Proceedings

In contrast to ULP proceedings, representation proceedings conducted pursuant to the Act are not adversarial⁵. Representation cases are initiated by the filing of a petition—by an employee, a group of employees, a labor organization acting on their behalf, or in some cases by an employer. Typically, the petitioner requests an election to determine whether a union has the support of a majority of the employees in an appropriate bargaining unit and therefore should be certified or decertified as the employees' bargaining representative. The role of the Agency in such cases is to investigate the petition and conduct a secret-ballot election, if appropriate, addressing challenges and objections to the election subsequently, and thereafter determining whether certification should issue.

Compliance Proceedings

To obtain compliance with the Board's orders and settlement agreements, the GC's staff must follow up to ensure that the results of the processes discussed above are enforced. NLRB staff deals with employees whose rights have been violated to calculate backpay, and works with respondents regarding notice postings, reinstatement of workers, disciplinary record expungement, withdrawal of unlawful rules or policies, and bargaining remedies.

Administrative Proceedings

Section 3(d) of the Act assigns the GC supervision over all attorneys employed by the Agency, with the exception of the ALJs, the Solicitor, the Executive Secretary and the attorneys who serve as counsel to the Board Members. The Board has also delegated to the GC general supervision over the administrative, financial and personnel functions of the Agency.

CASEHANDLING HIGHLIGHTS

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PERFORMANCE HIGHLIGHTS *(Example of language that can be used)*

The Board and the GC share a common goal of ensuring that the NLRA is fully and fairly enforced. Although they have separate statutory functions, representatives from the Board and the GC worked together in developing the comprehensive Strategic Plan (FYs 2019-2022) and the Performance and Accountability Report.

The NLRB's Strategic Plan states the Agency's strategic goals, objectives, initiatives, performance measures, and management strategies

Our strategic objectives support and complement our strategic goals. Each strategic objective is linked to performance goals and measurable metrics and targets. Performance metrics used available data to determine whether our goals and objectives were met within the proposed time frame. Targets kept us on track toward achievement. We reviewed performance metrics and targets to assess program effectiveness and to consider how risks and opportunities impact our ability to achieve the strategic goals and objectives. This assessment allowed the agency to adjust and improve performance throughout the year, and to re-evaluate the agency's strategic plan objectives and metrics, when necessary.

Goal 1, Initiative 1 – Performance Measures:

Measure 1: Realize a 5% annual decrease in the average time required to resolve meritorious unfair labor practice charges through adjusted withdrawal, adjusted dismissal, settlement or issuance of complaint.

Year	Annual Goal	Actual Performance
FY 2018	Baseline	106 days
FY 2019	101 days	74 days
FY 2020	95 days	70.5 days
FY 2021	90 days	
FY 2022	85 days	

Measure 2: Realize a 5% annual decrease in the average time between issuance of complaint and settlement by ALJ or issuance of ALJ decision.

Year	Annual Goal	Actual Performance
FY 2018	Baseline	242 days
FY 2019	230 days	264 days
FY 2020	218 days	283 days
FY 2021	206 days	
FY 2022	194 days	

Measure 3: Realize a 5% annual decrease in the average time between issuance of an ALJ's decision and a Board order

Year	Annual Goal	Actual Performance
FY 2018	Baseline	585 days
FY 2019	556 days	513 days
FY 2020	527 days	544 days
FY 2021	497 days	
FY 2022	468 days	

Measure 4: Realize a 5% annual decrease in the average time between issuance of Board order and the closing of the case.

Year	Annual Goal	Actual Performance
FY 2018	Baseline	648 days
FY 2019	616 days	541 days
FY 2020	583 days	578.5 days
FY 2021	556 days	
FY 2022	518 days	

Goal 2, Initiative 1 – Performance Measure:

Measure 1: The percentage of representation cases resolved within 100 days of filing the election petition.

Year	Annual Goal	Actual Performance
FY 2018	85.8%	88.8%
FY 2019	85.8%	90.7%
FY 2020	85.8%	84.2%
FY 2021	85.9%	
FY 2022	85.9%	

Detailed FY 20XX performance results will be presented in NLRB's FY 20XX Annual Performance Report (APR). NLRB will include its FY 20XX APR with its FY 20XX Annual Performance Plan and Budget. These reports, along with FY 20XX performance results are posted at <http://www.nlr.gov> concurrent with the publication of the FY 20XX President's Budget.

Financial and Systems Highlights

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Overview of Financial Results

Overview of Financial Statements

The NLRB prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The NLRB's financial statements summarize the financial activity and financial position of the Agency. The financial statements, footnotes, and the balance of the required supplementary information appear in the Financial Section of this Performance and Accountability Report.

The following is a brief description of the NLRB's principal financial statement, along with their relevance and a description of certain significant balances. The NLRB's principal financial statements are the:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position; and
- Statement of Budgetary Resources.

Analysis of Financial Statements

The NLRB prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The NLRB's financial statements summarize the financial activity and financial position of the Agency. The financial statements, footnotes, and the balance of the

required supplementary information appear in the Financial Section of this Performance and Accountability Report.

Balance Sheet – The NLRB assets were \$64.2 million as of September 30, 2020. The Fund Balance with the U.S. Department of the Treasury (FBWT) of \$53.1 million represents the NLRB's largest asset at 82.7 percent. The FBWT is an asset of a reporting entity and a liability of the General Fund of the U.S. Government. The FBWT is the undisbursed balances from appropriated funds for the past five years. It consists of appropriated and deposited funds that are available to pay current liabilities and finance authorized purchase commitments.

The NLRB's Property, Plant, and Equipment (PP&E) of \$10.4 million represents the NLRB's second largest asset at 16.2 percent which is primarily related to internal use software and leasehold improvements. PP&E decreased \$886 thousand or 8 percent from the prior year due to the retirement of assets and related depreciation and amortization from existing PP&E.

The NLRB liabilities were \$32.5 million as of September 30, 2020. Liabilities consist of amounts owed to vendors, governmental trading partners, and Agency employees. Unfunded annual leave of \$16.1 million accounted for 50 percent of NLRB's liabilities. The amount increased by \$3.6 million or 29 percent from prior year due to the projected leave balances affected by the impact of the COVID-19 pandemic. Employees used less leave in FY 2020 compared to the prior year. Employer Contributions and Payroll Taxes Payable of \$10.2 million increased \$1.9 million or 23 percent due to an increase in the accrual calculation and the deferral of payroll tax obligation in light of the COVID-19 pandemic. Accounts Payable for intragovernmental activities of \$821 thousand decreased \$1.2 million or 58 percent primarily due to interagency agreements (IAAs), the timing of IPACs, billings and accruals. FECA liabilities decreased \$223 thousand or 56 percent due to a decrease in the number of employees who retired or separated from the Agency in FY 2020.

Statement of Net Cost – The NLRB's appropriation is used to resolve representation cases or ULP charges filed by employees, employers, unions, and union members. In FY 2020, net cost of operations was \$288.6 million; 90 percent was used to resolve ULP charges and 10 percent was used for representation case activities. In addition, \$16,104 in earned revenue was from a reimbursable IAA with Millennium Challenge Corporation.

Statement of Changes in Net Position – The NLRB's net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. From FY 2019 to FY 2020, net position decreased \$3.0 million or 9 percent; primarily due to decreases in prior year cost capitalization for internal use software and leasehold improvements, cumulative amounts carried from prior years and cancelled year funds offset; which is offset by an increase in expended appropriations used during the Fiscal Year related to an increase in vendor contract services.

Statement of Budgetary Resources – The Statement of Budgetary Resources shows the budgetary resources available and the status at the end of the period. It represents the relationship between budget authority and budget outlays and reconciles obligations to total outlays. For FY 2020, the NLRB's total budgetary resources were \$287.5 million which included appropriations of \$274.2 million, unobligated balance from prior year of \$13.2 million, and spending authority from offsetting collections of \$16,104. In FY 2020, obligations were \$275.9 million and total outlays were \$272.0 million. In FY 2020, the apportioned unexpired balance at the end of the year was \$470 thousand which resulted in a decrease of \$5.2 million or 92 percent from prior year. In FY 2020, NLRB obligated all the funds as planned with the intention to leave the unobligated balance at approximately \$400 thousand; thus, achieving an obligation rate of 99.8 percent.

Limitations of Principal Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records

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of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor, and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Management Controls and Compliance with Laws and Regulations

Antideficiency Act (ADA)

The Antideficiency Act prohibits federal agencies from:

- making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;
- involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law;
- accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and
- making obligations or expenditures in excess of an apportionment or reapportionment, or in excess of the amount permitted by Agency regulations.

There were no known violations of the Anti-Deficiency Act during FY 2020 at the NLRB.

Federal Financial Management Improvement Act (FFMIA)

The purpose of the Federal Financial Management Improvement Act of 1996 (FFMIA) is to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers.

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act requires federal agencies to develop and implement appropriate and cost-effective internal controls for results-oriented management, assess the adequacy of those internal controls, identify needed areas of improvement, take corresponding corrective action, and provide an annual statement of assurance regarding internal controls and financial systems. The Annual Statement of Assurance and Management Control Over Financial Application Controls and Financial Reporting submitted by the NLRB's service provider follows this section.

NLRB management is responsible for establishing and maintaining an environment throughout the Agency that is positive and supportive of internal controls and conscientious management. The NLRB is committed to management excellence and recognizes the importance of strong financial systems and an internal control system that promotes integrity, accountability, and reliability.

Internal control systems are expected to provide reasonable assurance that the following objectives are being achieved:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

FMFIA SECTION 2, MANAGEMENT CONTROL

Section 2 of the FMFIA requires federal agencies to report, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls.

The reviews that took place in FY 2020 provide reasonable assurance that NLRB systems and internal controls comply with the requirements of FMFIA.

FMFIA SECTION 4, FINANCIAL MANAGEMENT SYSTEMS

Section 4 of the FMFIA requires that agencies' financial management systems controls be evaluated annually. The NLRB evaluated its financial management systems for the year ending September 30, 2020, in accordance with the FMFIA and OMB Circular no. A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. The NLRB's financial systems, taken as a whole, conform to the principles and standards developed by the Comptroller General, OMB, and the Treasury. The Agency also reviews the Statement on Standards for Attestation Engagements no. 18 (SSAE-18) for all systems operated by IBC to ensure that independent auditors have also certified that the necessary controls are in place, so the NLRB can rely on those systems.

**Sample
Management's Discussion and Analysis (MD&A)**

U.S. International Development Finance Corporation (DFC)

**Based on FY2020 Agency Management Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January – February 2021]

Including FY2020 Financial Statements

BACKGROUND, MISSION, AND ORGANIZATION

On October 5, 2018, the Better Utilization of Investments Leading to Development (BUILD) Act was signed into law—creating the U.S. International Development Finance Corporation (DFC) to help address development challenges and foreign policy priorities of the United States.

DFC is an agency that provides traditional investment programs of insurance policies, direct loans, and loan guaranties, as well as new and innovative financial products to better bring private capital to the developing world. DFC seeks to generate financial returns for the American taxpayer through its investments. To learn more about our mission, organization, and background visit <https://www.dfc.gov/who-we-are/overview>.

DFC is led by its [Chief Executive Officer](#), with oversight from its [Board of Directors](#), [Development Advisory Council](#), [Office of Accountability](#), and [Office of Inspector General](#).

PRODUCING RELIABLE FINANCIAL INFORMATION

DFC uses an Oracle cloud based general ledger financial accounting and reporting system to record daily transactions such as budget execution, recording assets, and making payments. Loans transactions from loans that were transferred in from USAID are interfaced in from a separate system.

The DFC management is responsible for establishing and maintaining effective internal controls and financial management systems to ensure efficient and effective operations, reliable reporting, and compliance with laws and regulations. DFC evaluated its internal control processes using OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, as a framework and provides reasonable assurance that its system of internal control over operations, reporting, and compliance, including considerations of fraud, met management's objectives and was operating effectively as of September 30, 2020. DFC is not aware of any material weaknesses in internal controls over financial reporting.

FINANCIAL CONDITION, POSITION, AND RESULTS

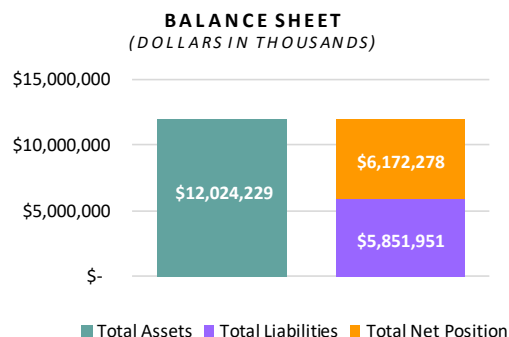
FINANCIAL POSITION

DFC operations began after receipt of the FY 2020 appropriation in December 2019; therefore, the financial data presented in this section does not reflect a full year of activity. Comparative data will be provided in upcoming years.

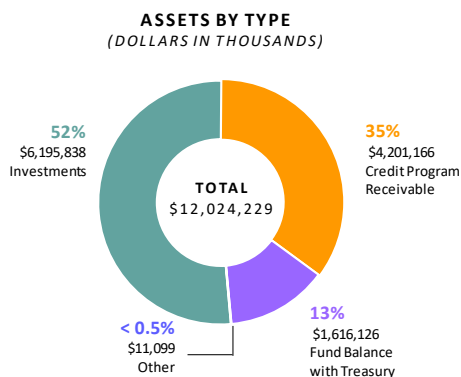
BALANCE SHEET

The [Balance Sheet \(linked\)](#) is a representation of DFC's financial condition at the end of the fiscal year. It shows:

- +** **Assets:** resources available to meet DFC's statutory requirements;
- **Liabilities:** monetary amounts DFC owes that will require payment from the available resources; and,
- =** **Net Position:** the difference between DFC's assets and liabilities.



ASSETS



DFC's assets are primarily composed of Investments, Credit Program Receivable, and Fund Balance with Treasury.

The largest category of assets is Investments, which are comprised of Treasury Market-based Securities. DFC has the authority to invest funds derived from revenue related to its insurance programs, to support possible future insurance payments. The Treasury Securities are stable investments that earn a return of between 0.375% and 7.875%. DFC's investments are enough to cover insurance exposure. To understand more about DFC's insurance, see [Note 11 \(linked\)](#).

DFC also has the authority to make equity investments into funds or projects as partnerships with other entities. The equity investments will provide DFC with an ownership of the portion

of the fund or project. During FY 2020, DFC entered into agreements to make \$120 million in equity investments, which are scheduled for FY 2021, and are therefore not yet reflected on the balance sheet. As equity investments are made in the future these will increasingly drive financial performance due to market and other factors affecting investment values. DFC leverages decades of institutional experience investing in Investment Funds and comparable deals to ensure DFC is making sound, investments while balancing its development objectives.

Credit Program Receivable is DFC's second largest asset category which represents money owed to DFC for loans DFC made to support critical infrastructure, energy, and other projects requiring large investments. DFC's loan portfolio generates loan interest and fees for DFC. The value of the receivable is based on the net present value of the expected future cash flows. DFC estimates future cash flows for direct loans and loan guaranties using economic and financial credit subsidy models. For more information, refer to [Significant Factors Influencing Financial Results](#).

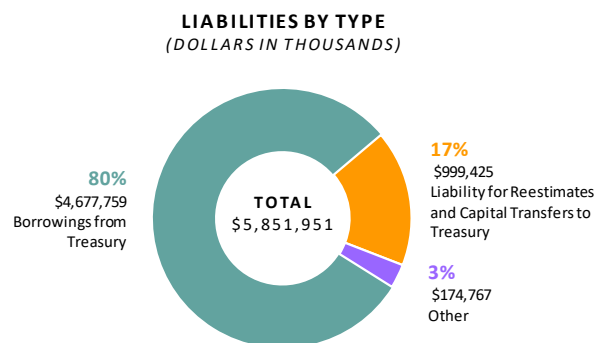
Fund Balance with Treasury (FBWT), the Federal government equivalent of cash, is made up of Congressional appropriations, loan disbursements and collections, and interest and fee collections.

LIABILITIES

DFC's liabilities are primarily composed of Borrowings from Treasury and the Liability for Reestimates and Capital Transfers to Treasury.

Borrowings from Treasury is DFC's largest liability balance, and represents amounts borrowed to fund loans, as discussed above for the Credit Program Receivable. DFC pays interest to Treasury on the borrowings until DFC pays the funds back to Treasury.

Liability for Reestimates and Capital Transfers to Treasury are amounts owed to Treasury for excess funding. The liability is reduced when the Office of Management and Budget (OMB) provides authority for DFC to transfer the funds. For more information, refer to the discussion of [Reestimated Subsidy Costs](#).

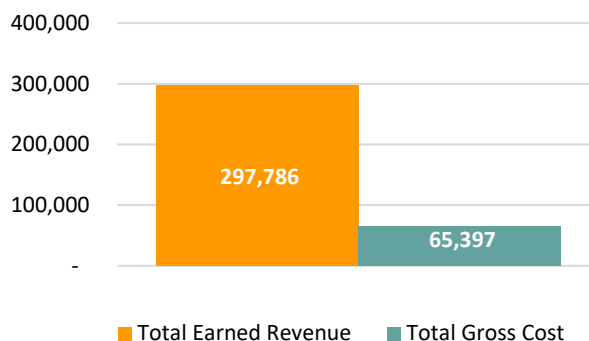


STATEMENT OF NET COST

The [Statement of Net Cost \(linked\)](#) captures the use of appropriated funds and measures the program costs to the taxpayer. In FY 2020, DFC operated in a “negative net cost” to the taxpayer and positively contributed to the overall reduction of the U.S. budget deficit. DFC’s net excess revenue over cost for FY 2020 was \$232 million, as illustrated by the graphic at right. Subject to the appropriations process, some of the funds were used to cover administrative and program expenses.

DFC categorizes cost and revenue into three components based on the agency’s investment portfolio: 1) Insurance, 2) Financing, and 3) Equity.

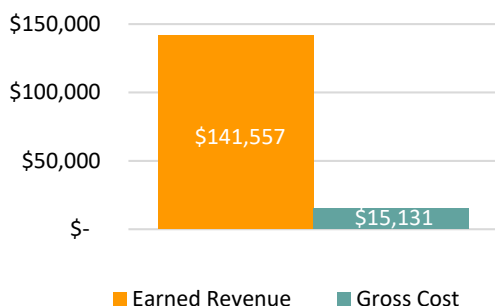
STATEMENT OF NET COST
(DOLLARS IN THOUSANDS)



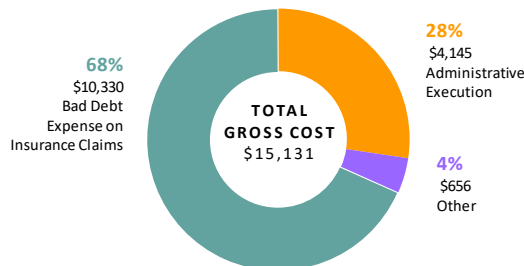
INSURANCE

DFC’s net excess revenue over costs for its insurance program was \$126 million. Revenue was generated from the earning of fees and insurance premiums. Gross costs were driven primarily by bad debt expense on insurance claims receivable that were paid by OPIC and transferred into the DFC, and administrative execution costs. DFC provides Political Risk Insurance for overseas investments against several risk types. For detailed information about the insurance program, refer to [Note 11 \(linked\)](#) in the Financial Section. Administrative execution costs are an allocation of indirect operating costs that support the insurance program.

INSURANCE PROGRAM
(DOLLARS IN THOUSANDS)



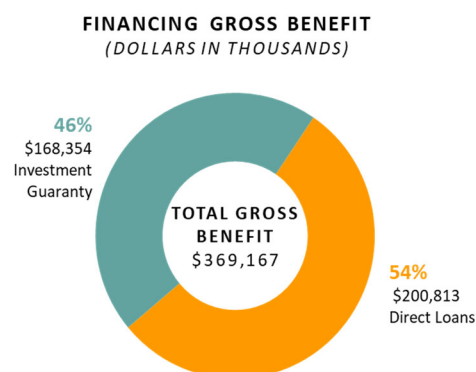
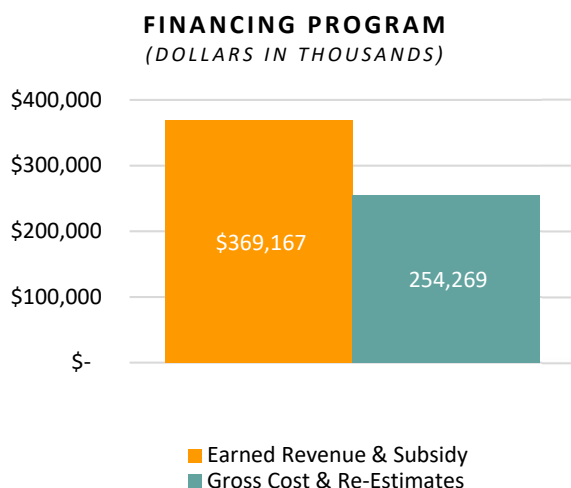
INSURANCE GROSS COST
(DOLLARS IN THOUSANDS)



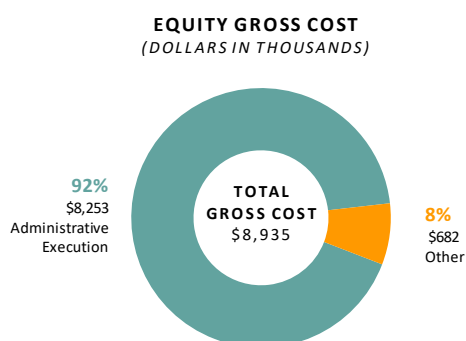
FINANCING

The financing program had excess revenues over costs in the amount of \$115 million, which reflects a strong return on the agency’s investments. The amount is comprised of \$156 million in fee and interest revenue, and \$213 million in net subsidy costs reductions on the Investment Guaranty and Direct Loan programs. Negative subsidy on loans and loan guaranties helps drive the generation of revenue and reflects that the estimated net present value of the future projected cash flows is reducing costs for the agency. For additional explanations of subsidy and how loans are valued, see [Significant Factors Influencing Financial Results](#).

U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS



EQUITY



DFC is authorized to take equity stakes in its project companies to fulfill its development mandate. The equity investment category is newly developed, having been authorized under the BUILD Act. The first round of equity investments were approved for \$120 million by the Board of Directors in 2020, supporting initiatives as well as development in the regions of Africa, Latin America, the Indo-Pacific in accordance with the agency priorities detailed in the preceding Performance Section. As of September 30, 2020, equity investments have been authorized, but not executed; therefore, revenue has not yet been generated. In future years we expect this program to show strong investment returns. Gross cost for the equity category was driven primarily by administrative execution costs related to identifying and evaluating potential investments.

STATEMENT OF BUDGETARY RESOURCES

In accordance with Federal statutes and regulations, DFC may incur obligations and make payments to the extent it has budgetary resources to cover such items. The [Statement of Budgetary Resources](#) (SBR) ([linked](#)) is divided in four sections, 1) Budgetary Resources; 2) Status of Budgetary Resources; 3) Net Outlays; and 4) Disbursements.

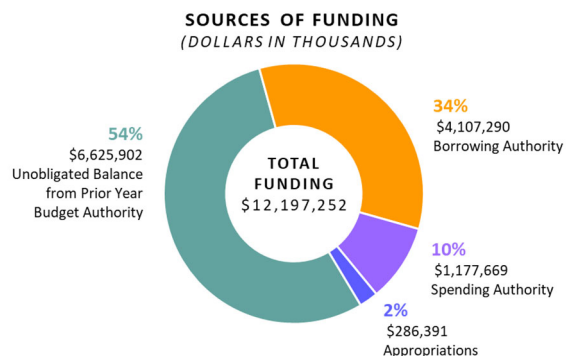
BUDGETARY RESOURCES

Displays the sources of DFC's funding, such as appropriations from Congress, collections from the public and other agencies, and authority to borrow from Treasury.

= STATUS OF BUDGETARY RESOURCES

Displays the status of the funding, such as whether the sources have been obligated for use, or if they were not obligated. Unobligated sources are displayed as funds that are apportioned for use, unapportioned for use, or expired.

SOURCES OF FUNDING

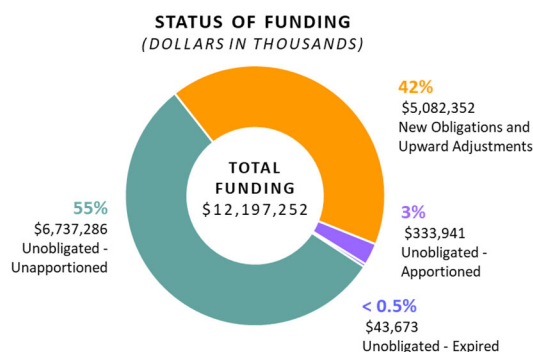


In FY 2020, DFC's largest source of funding was the Unobligated Balance from Prior Year Budget Authority which consists of Budget Authority transferred in from OPIC and USAID under the BUILD Act to continue administering the programs, loans, and loan guaranties from the respective agencies.

Borrowing Authority allows DFC to borrow funds from Treasury in order to make loans. The borrowings are reflected on the balance sheet as Borrowings from Treasury liability, and the loans are reflected on the balance sheet as the Credit Program Receivable.

DFC receives appropriations for subsidy re-estimates on loans and loan guaranties, and for operations. Under the annual appropriation legislation, DFC must repay their appropriation for operations, other than the operations of the inspector general. In FY 2020, DFC received \$299 million in appropriations that were returned to the Treasury before September 30, 2020.

STATUS OF FUNDING



New obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments, and other reservations of funds to operate the agency to meet its mission and goals.

Unobligated unapportioned funds are mostly from funds transferred in from OPIC's Insurance program. \$6 billion of these funds are represented on the Balance Sheet as investments in Treasury securities.

NET OUTLAYS

Displays budgetary outlays for DFC, reduced by collections of interest and fees. DFC's net outlays were negative \$92 million. The amount is negative because DFC's collections exceeded expenditures. Net Outlays were further reduced by \$358 million in Distributed Offsetting Receipts, which are agency profits from the direct loan and loan guaranty programs that are distributed back to the U.S. Treasury to reduce the budget deficit.

DISBURSEMENTS

Displays non-budgetary disbursements related to direct loans and loan guaranty programs covered under the Federal Credit Reform Act of 1990. DFC had disbursements of \$642 million for direct loan and loan guaranty programs. These are displayed separately from Net Outlays because the disbursements are excluded from U.S. budget surplus or deficit totals.

SIGNIFICANT FACTORS INFLUENCING FINANCIAL RESULTS

The long-term cost to the government for direct loans and loan guaranties, other than for general administration of the programs, is referred to as “subsidy cost.” Under the Federal Credit Reform Act, direct loan and loan guaranty subsidy costs are determined as the estimated net present value of the future projected cash flows in the year the loan is obligated. Subsidy costs are reestimated on an annual basis. DFC’s financial results are dominated by these estimates of subsidy costs and year-to-year adjustments to the valuation of its portfolio.

SUBSIDY COSTS OF NEW DISBURSEMENTS

To calculate subsidy costs for new loans or guaranties, estimates are developed of the expected future cash outflows and inflows of the direct loan or loan guaranty agreement. Historical information and various assumptions are used, including the probabilities of default, borrower prepayments, and DFC recoveries of funds from past defaults, and the projected timing of these events, to make informed predictions about expected future cash flows. These expected cash flows are then discounted to determine the net present value of the cash flows. If the present value of estimated cash outflows exceeds cash inflows, there is a positive subsidy cost, which is a cost to the federal government. If the present value of estimated cash inflows exceeds cash outflows, that is recorded as a negative subsidy, which is a benefit to the federal government. When loans are disbursed, DFC recognizes this subsidy cost (or negative subsidy) in the Statement of Net Cost.

REESTIMATED SUBSIDY COSTS

The data used for subsidy cost estimates are updated—or reestimated—annually at the end of each fiscal year to reflect actual loan performance and to incorporate any changes in expectations about future loan performance. The following are the primary drivers of DFC’s annual reestimated subsidy costs.

Reevaluation of Risk Ratings

Repayment risk is the risk that a borrower will not pay according to the original agreement and DFC may eventually have to write-off some or all of the obligation. Repayment risk is primarily composed of credit and political/country risk.

Credit Risk: The risk that a borrower may not have sufficient funds to make loan and fee payments or may not be willing to make payments, even if sufficient funds are available.

Political Risk/Country Risk: The risk that payment may not be made to DFC, its guarantied lender, or its insured due to factors such as war, if a country nationalizes, or takes over the borrowers property, or if a country disallows the borrower’s payments to be converted into U.S. dollars.

Updates to Loan Level Discount Rates

Discount rates are used to calculate the net present value of the cash flows to determine the subsidy cost. In accordance with OMB Circular A-11, DFC uses the OMB’s Credit Subsidy Calculator (CSC) to calculate the discount rates. When loan and loan guaranty agreements are initiated and obligated, an initial discount rate is used to calculate estimated cash flows. At the end of each fiscal year, revised rates are calculated for loans that became at least 90 percent disbursed in the current fiscal year. The new discount rates are calculated by the CSC using actual loan activity, updated forecasts, and all available actual interest rates. The updated discount rates are used to calculate the reestimated cash flows.

Updates to Interest Rates

For loans with variable interest rates charged to the borrower, the original cash flow projections are adjusted to incorporate the actual interest rate(s) prevailing during the year(s) of disbursement and are subsequently adjusted after the end of each year for loans that are outstanding. Each year, OMB provides updated Treasury and LIBOR rates.

Updates to Projected Cash Flows with Actual Data

Projected cash flows need to be updated due to differences between the original projections, and the amount and timing of cash flows that are expected based on actual experience. DFC uses loan level accounting transactions that are captured in the general ledger for the current year of the cash flows. This actual data replaces the

projections developed from the prior year reestimates to develop a more accurate assumptions of future cash flows from disbursements, collections of principal, interest, fees, and recoveries.

EVOLUTION OF PRODUCTS

To meet its development and foreign mandates, DFC is developing new and innovative products using its expanded program flexibilities. DFC may be exposed to an increasingly uncertain probability of repayment as DFC has limited prior experience with some of these new products. For example, DFC is authorized to issue direct loans in foreign currencies which subjects DFC to risk of foreign currency fluctuations. DFC is applying its best available modeling to properly structure and price these transactions and will continue to adapt its modeling based on actual loan experience.

COVID-19

The COVID-19 pandemic continues to have an impact on the global economy and creates uncertainty regarding the future performance of DFC investments and receivables. During FY 2020 DFC reviewed the potential effect of COVID-19 on its portfolio and worked with borrowers to mitigate adverse impact on project performance. Potential impacts on the portfolio have been considered in DFC's risk assessment of project performance and are incorporated into accounting estimates in the financial statements. DFC continues to closely monitor the possible effects on the portfolio due to the COVID-19 pandemic.

BALANCE SHEET

(dollars in thousands)

As of September 30, 2020

2020

Assets

Intragovernmental:

Fund Balance with Treasury (Note 2)	\$ 1,616,126
Investments (Note 3)	6,195,838
Total Intragovernmental	7,811,964

With the Public:

Accounts Receivable, Net (Note 4)	10,055
Credit Program Receivable, Net (Note 5)	4,201,086
Property and Equipment, Net (Note 6)	482
Other Assets	642

Total Assets

\$ 12,024,229

Liabilities

Intragovernmental:

Borrowings from Treasury (Note 8)	\$ 4,677,759
Liability for Reestimates and Capital Transfers to Treasury (Note 9)	999,425
Other Liabilities (Note 12)	1,466
Total Intragovernmental	5,678,650

With the Public:

Loan Guaranty Liability (Note 5)	13,052
Unearned Revenue (Note 10)	133,843
Insurance Program Liabilities (Note 11)	16,537
Other Liabilities (Note 12)	9,869

Total Liabilities

\$ 5,851,951

Net Position

Unexpended Appropriations	105,992
Cumulative Results of Operations	6,066,286
Total Net Position	6,172,278

Total Liabilities and Net Position

\$ 12,024,229

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

(in thousands)

For the Period Ended September 30, 2020

2020

Insurance Program

Gross Costs

Operating Costs	\$	15,131
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Total Gross Costs		15,131
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Less: Earned Revenue		(141,557)
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Net Insurance Program Costs		(126,426)
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Financing Program

Gross Costs

Operating Costs		134,753
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Subsidy Costs/(Reduction)		(212,938)
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Reestimates		119,516
-------------	--	---------

Total Gross Costs		41,331
-------------------	--	--------

Less: Earned Revenue		(156,229)
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Net Financing Program Costs		(114,898)
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Equity Program

Gross Costs

Operating Costs		8,935
-----------------	--	-------

Total Gross Costs		8,935
-------------------	--	-------

Net Equity Program Costs		8,935
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Net Cost of Operations	\$	(232,389)
------------------------	----	-----------

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

(in thousands)

For the Period Ended September 30, 2020

2020

Unexpended Appropriations

Beginning Unexpended Appropriations	\$ -
Appropriations Received	286,391
Appropriations Transferred-In	122,382
Other Adjustments	(7,927)
Appropriations Used	(294,854)
Total Unexpended Appropriations	105,992

Cumulative Results of Operations

Beginning Balance	-
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Budgetary Financing Sources

Appropriations Used	294,854
Transfers In/Out Without Reimbursement	(2,585,265)

Other Financing Sources (Non-exchange)

Transfers In/Out Without Reimbursement	8,528,166
Imputed Financing	2,192
Offset to Non-entity Collections	(406,050)
Total Financing Sources	5,833,897
Net Cost of Operations	232,389
Net Change	6,066,286

Cumulative Results of Operations

6,066,286

Net Position

\$ 6,172,278

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES

<i>(in thousands)</i>		
For the Period Ended September 30, 2020	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	\$ 6,072,305	\$ 553,597
Appropriations	286,391	-
Borrowing Authority	-	4,107,290
Spending Authority from Offsetting Collections	695,603	482,066
Total Budgetary Resources	\$ 7,054,299	\$ 5,142,953
Status of Budgetary Resources		
New obligations and upward adjustments (total)	\$ 558,128	\$ 4,524,224
Unobligated Balance, End of Year		
Apportioned, unexpired accounts	90,071	243,870
Unapportioned, unexpired accounts	6,362,427	374,859
Unexpired unobligated balance, end of year	6,452,498	618,729
Expired unobligated balance, end of year	43,673	-
Unobligated Balance, end of year (total)	6,496,171	618,729
Total Budgetary Resources	\$ 7,054,299	\$ 5,142,953
Outlays (Net) and Disbursements (Net)		
Outlays, net	\$ (91,921)	
Distributed Offsetting Receipts	(357,761)	
Agency Outlays, Net	\$ (449,682)	
Disbursements, Net		\$ 641,793

The accompanying notes are an integral part of these statements.

Sample Management's Discussion and Analysis (MD&A)

Peace Corps

Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

MODIFIED MANAGEMENT'S DISCUSSION AND ANALYSIS

This modified Management's Discussion and Analysis (MD&A) was prepared as of November 10, 2020. The MD&A reviews the operating results and financial position of the Peace Corps as of September 30, 2020 and September 30, 2019. The MD&A should be read in conjunction with the audited financial statements, found in the Financial Section of this report.

Mission and Overview of the Peace Corps

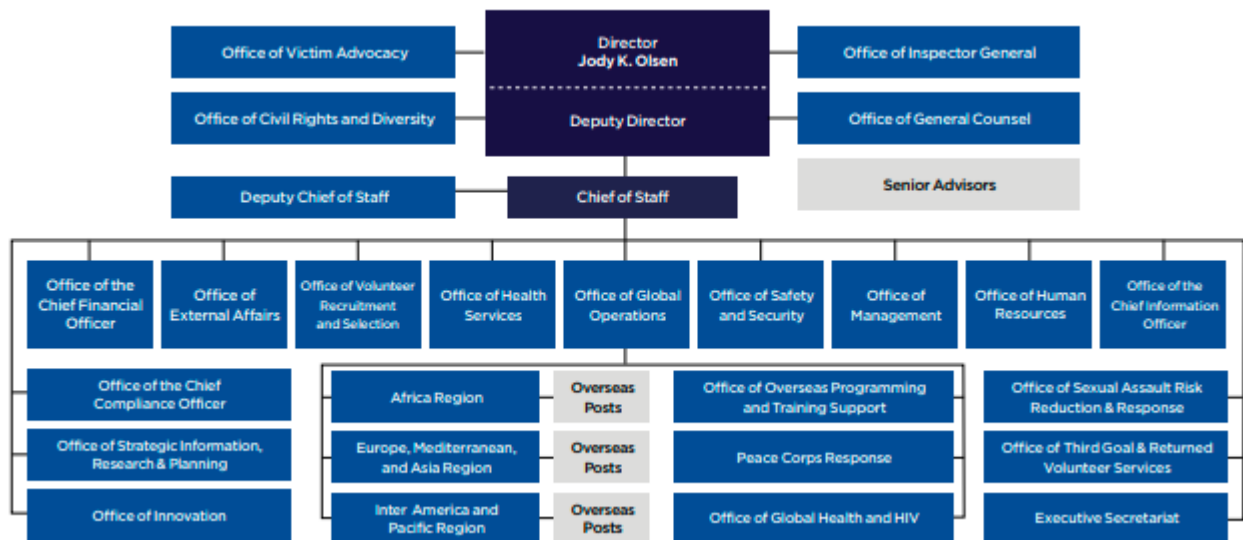
Initially established by President John F. Kennedy by executive order on March 1, 1961, the Peace Corps was formally authorized by Congress on September 22, 1961, with the passage of the [Peace Corps Act](#). The Peace Corps' mission is to promote world peace and friendship through three goals:

- to help the people of interested countries in meeting their needs for trained men and women
- to help promote a better understanding Americans in part of the peoples served
- to help promote a better understanding of other peoples on the part of Americans

Our vision is to continue to be a dynamic, forward-leaning champion for international service, defined by our energy, innovation, and development impact.

More information about the Peace Corps, its' history, global initiatives, and strategic partnerships to strengthen our global impact can be found at peacecorps.gov.

Our Organization



The Peace Corps organization is comprised of domestic offices and overseas posts. Prior to the COVID-19 pandemic and evacuation of all Volunteers and Trainees worldwide beginning in March, 2020, the Peace Corps maintained active programs in 62 countries administered by 58 overseas posts. Each post is led by a country director and supported by programming, training, safety and security, medical, financial, and administrative staff. Overseas posts are organized into three geographic regions: Africa (AF); Europe, Mediterranean, and Asia (EMA); and Inter-America and the Pacific (IAP). Peace Corps' greatest asset is its vibrant workforce, comprised of 944 U.S. Direct-Hire (USDH) staff and 2,720 host country staff (including short-term language and cross-cultural training staff). In FY 2020, payroll and benefits account for XX of Peace Corps XX budget. (Placeholder for real MD&A)

What We Do and How We Accomplish Our Goals

At the core of the Peace Corps is the service of its Volunteers, who work at the grassroots level to advance the mission and the three core goals of the agency, which are currently carried out through the strategic goals highlighted in the [FY 2018 – 2022 Strategic Plan](#). As Volunteers work with local communities and individual, they are engaged in developing and building local capacity (Strategic Goal 1) while helping to raise a better understanding of Americans in their host country communities (Strategic Goal 2). Finally, during and after their service, Volunteers serve as cultural ambassadors as they share their knowledge of other cultures to fellow Americans (Strategic Goal 3). Peace Corps Volunteers respond to local needs and work within six [programmatic sectors](#): Agriculture, Community Economic Development, Education, Environment, Health, and Youth in Development.

Our Volunteers and support staff, both in the US and at overseas posts, work hand-in-hand to ensure that we carry out our mission and strategic goals. To learn how we accomplished our goals for this year, please refer our FY2020 Annual Performance Report available at peacecorps.gov in February 2021.

Financial Operations, Conditions, and Results

Sound financial management is integral to executing the Peace Corps’ mission and it begins with budget planning. Peace Corps applies an Integrated Planning and Budget System, where domestic offices and overseas posts develop operational plans that are consistent with the broader agency [strategic plan](#). Integrated Planning and Budget System plans are developed during the agency’s budget formulation process so that budgets reflect operational resource requirements. Through the Integrated Planning and Budget System, the agency is working to better link performance and budget processes to ensure that managers have a comprehensive view of the interconnected relationships and information involved in program, policy, and budget decision making.

Agency activities are presented in the principal statements: Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Combined Statements of Budgetary Resources. Agency management is accountable for the integrity of the financial statements, which were prepared using the Peace Corps’ books and records in accordance with the standards prescribed for federal agencies by the Federal Accounting Standards Advisory Board. As presented in the Financial Section, these statements support the agency’s objective to improve financial management and provide accurate, reliable information for assessing performance and allocating resources.

Peace Corps’ unmodified “clean” audit opinion on these financial statements and corresponding audit findings are disclosed in the Financial Section. Internal controls, alongside risk management remains an ongoing focus in ensuring effective financial management as we execute Peace Corps mission and goals.

Financial Results and Analysis

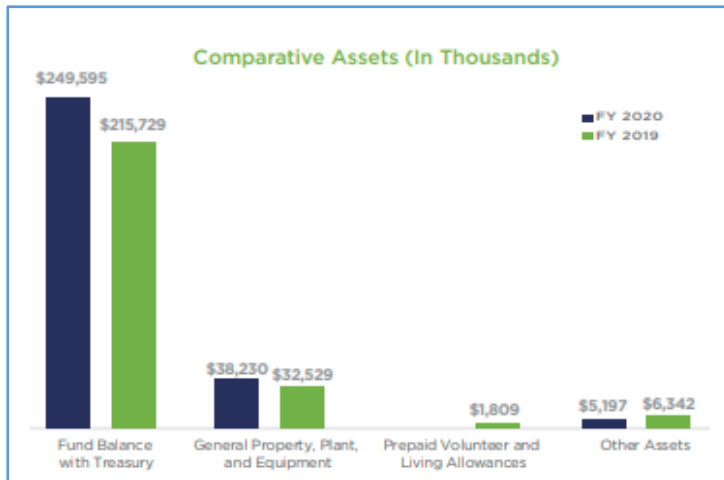
On March 15, 2020, as the COVID-19 pandemic quickly spread across the globe, the Peace Corps faced a challenge never before seen in the agency’s history and made the difficult decision to temporarily suspend Volunteer operations at all Peace Corps posts. Nearly 6,900 Volunteers and Trainees were brought safely back to the United States from 62 countries worldwide, and their service closed as a result of the evacuation. For the first time since 1961, no Peace Corps Volunteers were serving in the field. COVID-19, the evacuation of Volunteers and its impact to our financial conditions is discussed throughout the next section.

Balance Sheets

The Balance Sheets present resources owned and managed by the Peace Corps that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by the Peace Corps (net position).

Assets: What We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the Peace Corps and used to achieve its mission. Total Assets increased by 14 percent to \$293 million at the end of September 30, 2020, compared to \$256.4 million in September 30, 2019.



- Fund Balance with Treasury (FBwT) represent monies held within the Treasury and agency resources available for appropriated purposes, to make future expenditures and pay liabilities. The variance for this account is higher than normal, compared to other comparison years. As of September 30, 2020, FBWT increased by \$34 million compared to September 30, 2019. Of this amount, \$21 million is due to unexpended funds from CARES Act funds

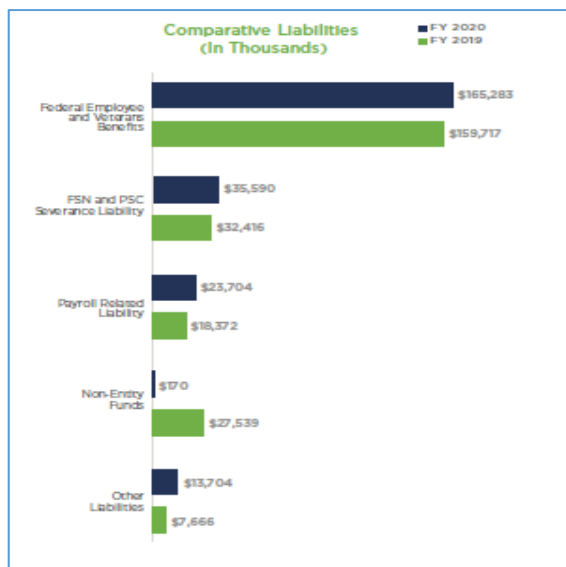
- General Property, Plant, and Equipment (PP&E) is comprised of tangible assets like Information Technology (IT) hardware, internal-use software, and vehicles owned by the agency. The increase of 18 percent from compared to FY2019, of around \$5.7 million represents the Peace Corps' continued improvement of its core IT infrastructure.
 - To improve financial transparency, the Peace Corps focused on a comprehensive analysis of agency-wide IT spending. After identifying best practices, the agency developed an analysis and categorization methodology that focused on improving transparency and decision making surrounding all IT expenditures. Through the data modernization efforts, that were initiated in FY 2019 and developed in FY 2020, a new platform that combines several systems into a single, shared modern platform is scheduled for delivery in FY 2021. A worldwide equipment refresh will continue to FY 2021,—upgrading much needed infrastructure at overseas posts. Critical investments in IT modernization will continue into FY2021 and beyond. By directing agency resources to IT investments in the short term (over the next one to two years), the agency can course correct, rectify compliance concerns, and drive down future costs. In addition, this modernization investment will position the Peace Corps to have reliable and secure continuity of technology and service delivery especially during national emergencies and/or global pandemics like the recent coronavirus (COVID-19) response. In FY2020, total obligations in IT modernization was XX, XX (Placeholder for real MD&A) of which has be expended and reflected as capitalized assets as of September 30, 2020. We expect a further increase in our PP&E balance in the following years as the agency fulfills its IT infrastructure requirements.
 - The agency is challenged with an audit finding over the controls over PP&E and IT security, and we are addressing these matters by strengthening our reconciliation procedures and updating our policies and procedures more timely. We hope to reduce the severity and remediate these findings in the next calendar year.
- Prepaid Volunteer and Living Allowances decreased by 100% due to the global evacuation of Volunteers and trainees. Prepaid Volunteer and Living Allowances represent housing and living stipend that enables Volunteers to

live in a manner similar to the people in the community in which they serve. In FY 2020, the balance decreased down to zero (or 100%), as a result of the global evacuation of Volunteers.

- The remaining two percent of agency assets are for accounts receivables and other assets, consisting of non-Volunteer related prepayments for rent, prepaid IT maintenance costs, and travel advances. The decrease in this account, was due, in part, to intragovernmental receivables. Under the Foreign Assistance Act, section 632(b), the Peace Corps is authorized to perform work for the United States Agency for International Development (USAID) through the Small Project Assistance program. A decrease of almost \$900,000 in receivables were from the expiration of agreements during FY 2020.

Liabilities: What We Owe

Liabilities are amounts owed by the Peace Corps for goods and services provided but not yet paid— specifically, monies owed to the public and other federal agencies. Total Liabilities decreased by three percent or \$7.3 million between \$238.4 million in FY 2020 and \$245.7 million in FY 2019.



- Payroll Related Liability was the third largest component of liabilities at 10 percent of overall balance in FY 2020. This account increased by \$5.3 million (or 29 percent) from \$18.4 million in FY 2019 to \$23.7 million in FY 2020, as a result of a higher rate in employee benefits.
- Non-entity funds represent future liability for readjustment allowances earned by Volunteers during their service with the Peace Corps. As of September 30, 2020, Non-Entity Funds decreased by almost 100 percent, leaving a small balance of \$170,000 as of September 30, 2020 compared to the ending balance of \$27.5 million from prior year. The global evacuation effectively ended service for all Volunteers and as a result, the Peace Corps paid-out earned readjustment allowances to Volunteers and Trainees.

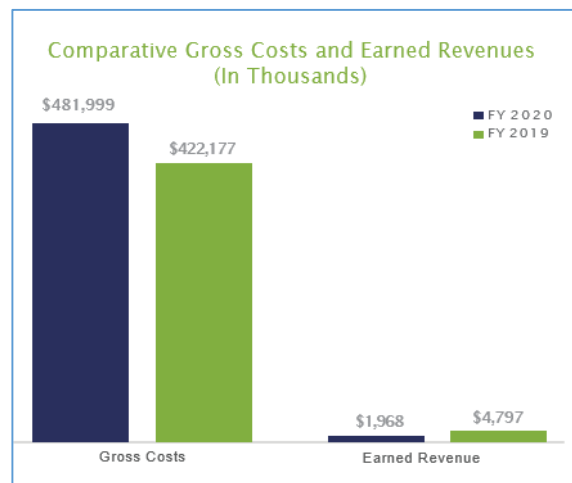
- Other Liabilities was \$13.7 million in FY 2020. Other Liabilities include Accounts Payable, Liability for Advances and Prepayments, and Contingent Liability. In FY 2020, the agency established the Liability for Advances and Prepayments to recognize the rent abatement or “free rent” received by the Peace Corps for moving its headquarters to 1275 First Street NE, Washington, D.C. in October 2020. The rent abatement resulted in over a \$6 million increase, or 79 percent, from FY 2019 to FY 2020 in the Other Liabilities.

Net Position: What We Have Done Over Time

Net position is comprised of Unexpended Appropriations and Cumulative Results of Operations. The Peace Corps’ Net Position increased by \$43.9 million, from \$10.7 million in FY 2019 to \$54.6 million in FY 2020.

Statements of Net Cost

The Statements of Net Cost reports the agency’s net cost of operations for a given fiscal year. Net Cost of Operations is the difference between the costs incurred minus earned revenue.

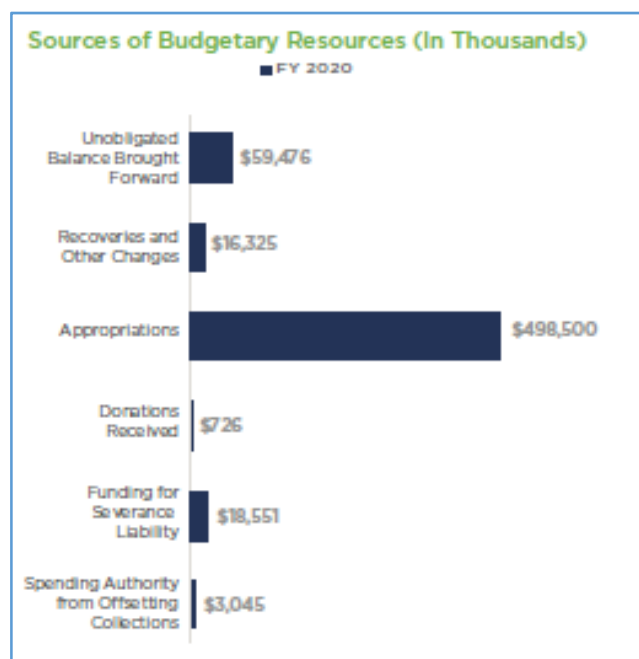


- Gross costs increased by almost \$60 million or 14 percent. Although, no Volunteers were on the field and overseas programs were suspended, we maintain and incurred costs associated with the agency's ongoing response to COVID-19, while maintaining support to overseas operations. Costs include evacuation allowances, wellness stipends, and 14-day quarantine reimbursement totaling to about \$62 million.
 - FY2020 was an unprecedented year for the agency. In the days following the evacuation, the agency quickly shifted gears into devoting an enormous amount of time and resources to supporting the recently evacuated Volunteers and Trainees and laying out a process to position the agency to resume Volunteer operations as soon as it is safe to do so. To meet this challenge, the Peace Corps Director created a COVID-19 Task Force. The working groups drew upon broad expertise and experience from across the agency. More than 140 staff members provided input, and these staff represented 18 offices from both headquarters and the field. The Peace Corps' response to COVID-19 challenges are addressed further at peacecorps.gov.
 - Over the next year, Peace Corps plans to (1) resume overseas operations as it is safe to do so, (2) recruit and prepare applicants for service, (3) communicate effectively across internal and external audiences, (4) support and expand Third Goal opportunities for returned Volunteers, and (5) maintain strong continuity of operations as we work within the current global limitations posed by the pandemic. As the agency focuses its efforts on country re-entry, direct Volunteer costs will be slow and steady in FY2021; the location and timing of returning Volunteers to service will be determined on a country-by-country basis.
- Earned Revenue decreased by 59 percent from \$4.8 million in FY 2019 down to \$2 million in FY 2020. In FY 2020, there were less reimbursable agreements between the Peace Corps and a key interagency partner, USAID.

Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the year and their status by the end of the fiscal year. Agency resources primarily consist of funds appropriated by Congress and administered by the Department of Treasury (Treasury). The agency has the authority to obligate these funds over a two-year period. In FY 2020, the agency received \$410.5 million in regular appropriations. In addition to appropriated monies, the agency is authorized to receive donations from the public under [22 United States Code \(U.S.C\) § 2509\(a\) \(4\) of the Peace Corps Act](#) to help further its mission. The agency is also authorized to receive additional funds under the Foreign Assistance Act of 1961 sections (a) and (b).

The agency ended FY 2020 with Budgetary Resources of \$596.6 million, compared to \$513.8 million in FY 2019, an increase of \$82.8 million (or 16 percent). In March the agency decided to evacuate all Volunteers in response to the Coronavirus pandemic and shortly after, on March 25, Congress passed the CARES Act. As a result, the agency received \$88 million in supplemental funding in response to COVID-19. CARES Act funding is available to the Peace Corps until September 30, 2022. Additional information can be found in [Peace Corps CARES Act Funding Plan](#).



➤ As presented in the Combined Statements of Budgetary Resources, appropriations are \$517.7 million—87 percent of Peace Corps' budgetary resources in FY 2020. This amount is comprised of appropriations authorized by Congress, donations received by the Peace Corps, and monies transferred within the agency to fund the PSC and FSN separation funds. Between FY 2020 and FY 2019, this amount increased by approximately 25 percent or \$103 million mostly due to the \$88 million in supplemental funding under the CARES Act. CARES Act funds cover costs to safely evacuate Volunteers, Trainees, and USDH from 62 countries in response to the COVID-19 pandemic. Other costs included support payments to Volunteers and Trainees as discussed in Note 19 COVID-19 Activity on page 67 in the Notes to the Financial Statements (Audited) section of this report.

- Unobligated Balance Brought Forward of \$59.5 million include funds carried over from FY 2019 that remain available for new obligation in FY 2020. Recoveries of prior year obligations, in the amount of \$16.3 million allowed the agency to re-use monies before the funds expired under the Peace Corps multi-year appropriation authority.
- Additional sources of funding came from spending authority from offsetting collections, a type of budget authority that is financed by reimbursements, as authorized by law. Under the Foreign Assistance Act, section 632(b), the Peace Corps is authorized to perform work for the USAID on programs such as Small Project Assistance, Food Security, Global Education, and Maternal and Child Health which, in total, amounted to \$6.5 million in FY 2020. Upon execution, the remaining balance on these agreements were \$3 million at the end of September 30, 2020.

As a grassroots-level organization, the Peace Corps is uniquely positioned to carry out a critical role in the fight against HIV/AIDS in host countries. In FY 2020, the agency received \$48.5 million in funds from the U.S. Department of State (DOS) through an allocation transfer, a legal delegation by one Federal agency to another, for PEPFAR. The Peace Corps obligates and outlays funds for PEPFAR-related programs and submits required financial and performance data results to the DOS. Of the 6,893 Peace Corps Volunteers, 614 working in 12 countries throughout the Africa and Europe, Mediterranean, and Asia regions were funded by the PEPFAR. Financial results for PEPFAR activities are not reflected in the financial statements of the Peace Corps; they are instead, reported by the DOS.

Financial Statements (Audited)

Peace Corps Balance Sheets As of September 30, 2020 and 2019 (In Thousands)

	2020	2019
Assets (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 249,595	\$ 215,729
Accounts Receivable (Note 4)	190	1,044
Total Intragovernmental	249,785	216,773
Accounts Receivable, Net (Note 4)	878	465
General Property, Plant, and Equipment, Net (Note 5)	38,230	32,529
Other		
Prepaid Volunteer Living Allowances (Note 6)	-	1,809
Other Assets (Note 7)	4,129	4,833
Total Assets	<u>\$ 293,022</u>	<u>\$ 256,409</u>
Liabilities (Note 8)		
Intragovernmental		
Accounts Payable	\$ 1	\$ 402
Other		
Unfunded FECA Liability (Note 8)	26,857	28,040
Other Liabilities (Note 8)	56	21
Total Intragovernmental	26,914	28,463
Accounts Payable	4,107	7,193
Federal Employee and Veteran Benefits (Note 8)	138,426	131,677
Other		
Other Unfunded Employment Related Liability (Note 8)	-	11,964
Liability for Advances and Prepayments (Note 9)	9,540	-
Liability for Non-Entity Assets (Notes 2 and 8)	170	27,539
Accrued Funded Payroll and Leave	8,826	5,711
Unfunded Annual Leave (Note 8)	14,878	12,661
FSN and PSC Separation Liability (Note 9)	35,590	20,452
Contingent Liability (Notes 9 and 11)	-	50
Total Liabilities	<u>\$ 238,451</u>	<u>\$ 245,710</u>
Commitments and Contingencies (Note 11)		
Net Position		
Unexpended Appropriations	\$ 199,374	\$ 156,403
Cumulative Results of Operations	(144,803)	(145,704)
Total Net Position	54,571	10,699
Total Liabilities and Net Position	<u>\$ 293,022</u>	<u>\$ 256,409</u>

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Net Cost
For the Years Ended September 30, 2020 and 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
Gross Program Costs (Note 12)		
Gross Costs (Note 12)	\$ 481,999	\$ 422,177
Less: Earned Revenue	<u>(1,968)</u>	<u>(4,797)</u>
Net Cost of Operations	<u><u>\$ 480,031</u></u>	<u><u>\$ 417,380</u></u>

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Changes in Net Position
For the Years Ended September 30, 2020 and 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
Unexpended Appropriations		
Beginning Balance	156,403	157,467
Budgetary Financing Sources		
Appropriations Received	498,500	410,500
Other Adjustments		
Other Adjustments	(2,935)	(2,340)
Appropriations Used	(452,594)	(409,224)
Total Budgetary Financing Sources	<u>42,971</u>	<u>(1,064)</u>
Total Unexpended Appropriations	<u>199,374</u>	<u>156,403</u>
Cumulative Results of Operations		
Beginning Balances	(145,704)	(150,594)
Budgetary Financing Sources		
Appropriations Used	452,594	409,224
Donations and Forfeitures of Cash and Cash Equivalents	726	1,555
Other Financing Sources (Nonexchange)		
Transfers In/Out Without Reimbursement	167	843
Imputed Financing (Note 18)	8,894	7,948
Other	<u>18,551</u>	<u>2,700</u>
Total Financing Sources	480,932	422,270
Net Cost of Operations	<u>480,031</u>	<u>417,380</u>
Net Change	901	4,890
Cumulative Results of Operations	(144,803)	(145,704)
Net Position	<u>\$ 54,571</u>	<u>\$ 10,699</u>

The accompanying notes are an integral part of these statements.

Peace Corps
 Combined Statements of Budgetary Resources
 For the Years Ended September 30, 2020 and 2019
(In Thousands)

	<u>2020</u>	<u>2019</u>
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	75,801	91,397
Appropriations (Discretionary and Mandatory)	517,777	414,755
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	3,045	7,667
Total Budgetary Resources	<u>\$ 596,623</u>	<u>\$ 513,819</u>
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total) (Note 13)	\$ 492,429	\$ 451,408
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	80,876	42,361
Exempt from Apportionment, Unexpired Accounts	3,151	2,945
Unapportioned, Unexpired Accounts	9,733	5,997
Unexpired Unobligated Balance, End of Year	93,760	51,303
Expired Unobligated Balance, End of Year	10,434	11,108
Unobligated Balance, End of Year (Total)	<u>104,194</u>	<u>62,411</u>
Total Budgetary Resources	<u>\$ 596,623</u>	<u>\$ 513,819</u>
Outlays, Net		
Outlays, Net and Disbursements, Net (Total) (Discretionary and Mandatory)	453,608	426,343
Distributed Offsetting Receipts	(1,321)	(729)
Agency Outlays, Net (Discretionary and Mandatory)	<u>\$ 452,287</u>	<u>\$ 425,614</u>

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

Sample
MD&A USAID
Based on FY 2020 AFR
9/30/2020

Including FY2020 Financial Statements

FASAB MD&A Pilot Project

Mission and Organization

In 1961, the U.S. Congress passed the Foreign Assistance Act to administer long-range economic and humanitarian assistance to developing countries. Two months after passage of the act, President John F. Kennedy established the U.S. Agency for International Development (USAID). USAID is an independent Federal agency that receives overall foreign-policy guidance from the Secretary of State. With an official presence in 87 countries and programs in 31 others, the Agency accelerates human progress in developing countries by reducing poverty, advancing democracy, empowering women, building market economies, promoting security, responding to crises, and improving the quality of life through investments in health and education. USAID serves as the U.S. Government's lead international development and humanitarian assistance agency. For more information on USAID's organization visit: <https://www.usaid.gov/who-we-are/organization>

Financial Position & Condition

Financial statements are formal financial records that document USAID's activities at the transaction level, where a "financial event" occurred. A financial event is any occurrence having financial consequences to the federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, and other potential liabilities; or other reportable financial activities. USAID's financial statements include a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources.

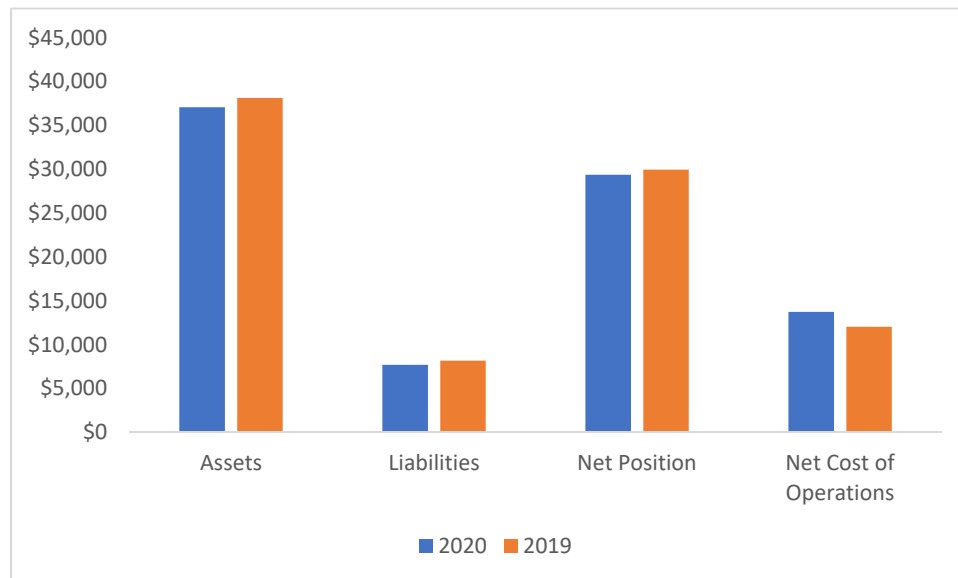
The Phoenix financial system is USAID's accounting system that enables the Agency to account for the billions of foreign assistance dollars recorded for activities in the countries where USAID operates. In FY 2020, USAID deployed an upgraded version of the Phoenix software, which enabled the Agency to comply with increased security requirements as well as deploy enhancements through an improved user interface. These Phoenix upgrades are essential for USAID's ability to produce reliable financial information.

This year, USAID responded to a global health crisis of historic proportions. In FY 2020, USAID received \$904.0 million in COVID-19 Supplemental Appropriations and \$443 million of Global Health allocation transfer from the Department of State. This funding supports the American response to the COVID-19 pandemic both at home and abroad. Since the start of the outbreak, USAID has made decisive actions to commit funding to health, humanitarian, and development assistance specifically aimed at fighting the pandemic. For further details related to COVID-19 funding refer to Financial Statement Note 15, *COVID-19 Activity* in the Agency's Financial Report at: <https://www.usaid.gov/results-and-data/progress-data/agency-financial-report>

The **Consolidated Balance Sheet** presents those resources owned or managed by USAID that are available to provide current and future economic benefits (assets); amounts owed by USAID that will require payments from those resources or future resources (liabilities); and residual

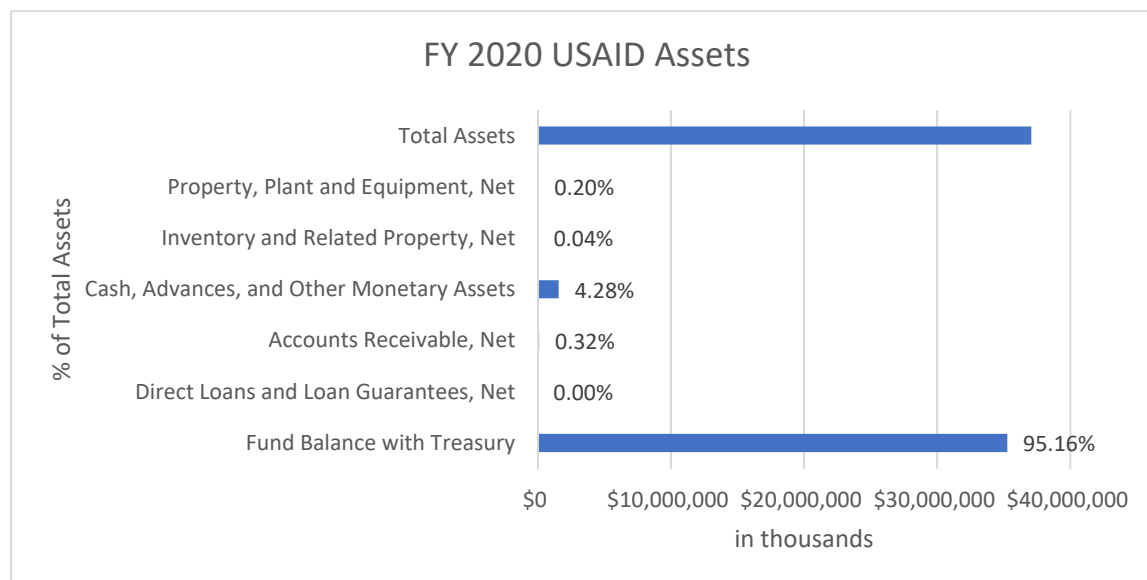
amounts retained by USAID, which comprise the difference between future economic benefits and future payments (net position).

Balance Sheet Trends (in billions)



Assets-What USAID Owns and Manages

USAID's assets were \$37.1 billion as of September 30, 2020. This represents a decrease of \$1.0 billion over the FY 2019 total assets of \$38.1 billion. The most-significant asset is the Fund Balance with Treasury, which represents 95 percent of USAID's total assets, as of September 30, 2020.



The **Fund Balance with Treasury** consists of cash appropriated to USAID by Congress or transferred from other Federal Departments and Agencies and held in accounts of the U.S. Department of the Treasury (Treasury) accessible by the Agency to pay incurred obligations. For further details refer to Financial Statement Note 2, *Fund Balance with Treasury*.

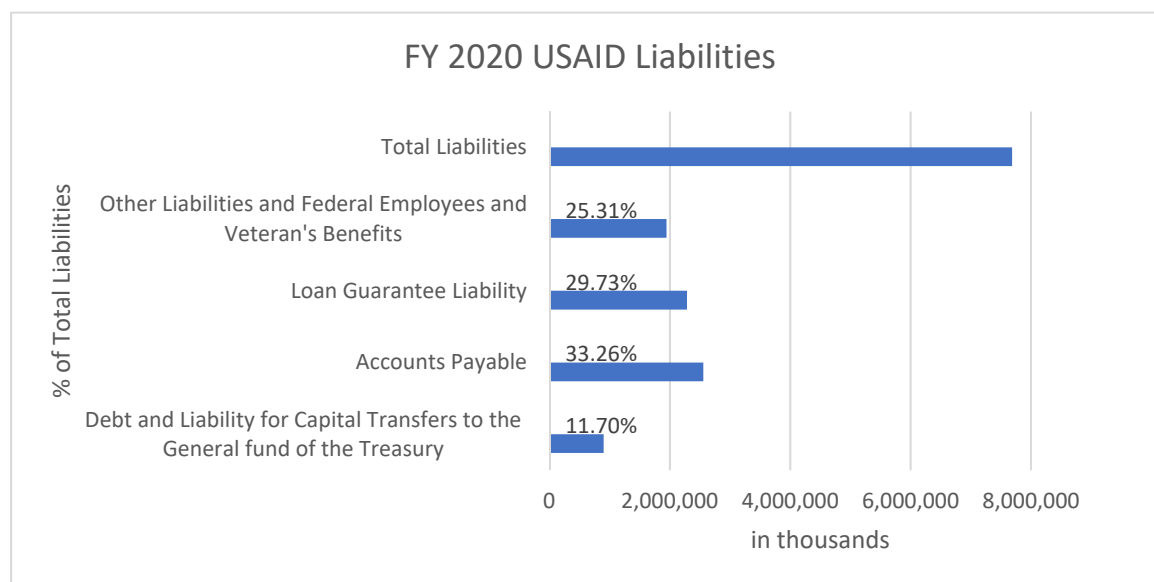
During the year, the **Direct Loans and Loan Guarantees, Net** balance decreased by \$628 million or 100 percent due to transfer of USAID's four loan programs: Direct Loans; Micro and Small Enterprise Development (MSED); Urban and Environmental (UE); and Development Credit Authority (DCA) to the newly formed U.S. International Development Finance Corporation (DFC) in accordance with the Better Utilization of Investments Leading to Development (BUILD) Act of 2018. For further details refer to Financial Statement Note 6, *Direct Loans and Loan Guarantees, Net*.

The \$279.0 million or 21 percent increase to the **Cash and Other Monetary Assets, Advances and Other Assets** account balances is attributed to an increase in the foreign currency trust fund, Letter of Credit service provision adjustments under the International Disaster Assistance Program and increases in advance allocation from the Department of State (State). For further details refer to Financial Statement Note 5, *Cash and Other Monetary Assets*.

The \$11.1 million or 41 percent decrease in the **Inventory and Related Property, Net** account was primarily due to a \$8.1 million decrease in family planning supplies and \$2.8 million decrease in disaster supplies and materials inventory. Future policy changes may result in changes to inventory with either supplies increasing or decreasing.

Liabilities-What USAID Owes

The Consolidated Balance Sheet reflects total liabilities of \$7.7 billion, which is a decrease of \$0.5 billion or 6 percent over the FY 2019 total liabilities of \$8.2 billion.



During FY 2020, the **Debt and Liability for Capital Transfer to the General Fund of the Treasury** accounts decreased by \$813.3 million or 47 percent over the FY 2019 balance for this account. The primary reason for the reduction in liabilities resulted from the transfer of \$628 million in loan liabilities to the DFC and \$118.0 million in downward re-estimates of loan guarantees; the downward re-estimates decreased primarily due to fewer loans maturing in the current fiscal year as compared to the prior year. The transfer of loan guarantees to the DFC and the downward re-estimate adjustments to loan programs also contributed to the reduction of \$552.2 million or 19 percent reduction in the **Loan Guarantee Liability** account.

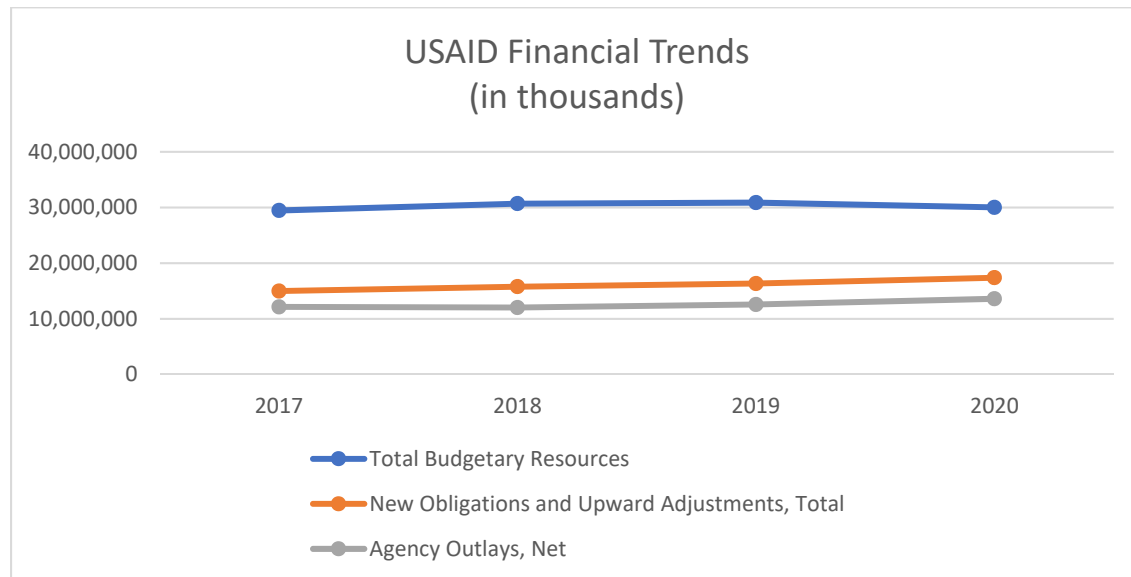
The **Other Liabilities and Federal Employees and Veterans Benefits** accounts were impacted by an increase of \$720.4 million or a 59 percent increase primarily due to advances of unfilled orders in support of Global Health initiatives and an increase in a mission foreign currency Trust fund account. For further details refer to Financial Statement Note 12, *Other Liabilities* and Note 13, *Federal Employees and Veteran's Benefits*.

Net Position – What USAID Has Done Over Time

Net Position represents the Agency's equity, which includes the cumulative net earnings and unexpended authority granted by Congress. The reported Net Position balance as of September 30, 2020, was \$29.4 billion, which is a decrease of \$581.5 million or 2 percent over the \$30.0 billion reported for FY 2019. The primary contributing factor to this decrease is attributed to the transfer-out of budget authority of the USAID loan programs to the DFC as discussed in the "Assets – What USAID Owns and Manages" section.

USAID Resources and Spending

The Financial Statement titled, the Combined Statement of Budgetary Resources, provides information on the budgetary resources made available to USAID during the fiscal year and the status of those resources at the end of the fiscal year. The Agency receives most of its funding from general U.S. Government funds administered by Treasury and appropriated by Congress for use by USAID. In addition, USAID receives budget authority as the parent of an appropriation received from the following Federal Departments and Agencies: State and the U.S. Forest Service of the U.S. Department of Agriculture.



Budgetary Resources consist of the resources available to USAID at the beginning of the year, plus the appropriations received, spending authority from offsetting collections, and other budgetary resources received during the year.

USAID Financial Trends chart compares the total budgetary resources, new obligations and upward adjustments, and net outlays for USAID from FY 2017 through FY 2020. The Agency's cumulative budgetary resources in FY 2020 was \$30.0 billion, of which it obligated \$17.4 billion and made net outlays of \$13.6 billion.

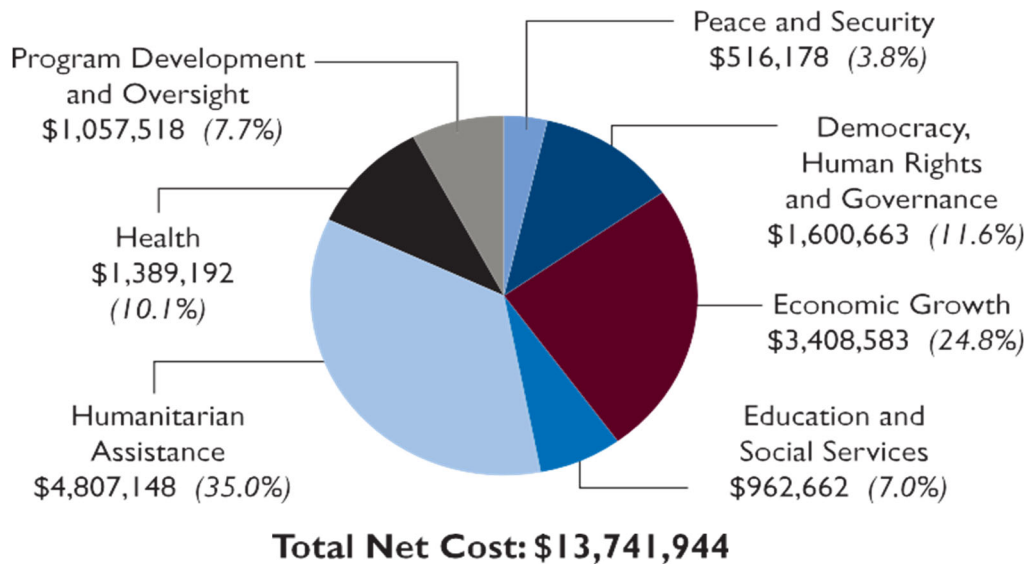
USAID's Total Budgetary Resources of \$30.0 billion for FY 2020 is a decrease of \$853.6 million or a 3 percent decrease over the FY 2019 Total Budgetary Resources of \$30.8 billion. Much of this decrease is attributed to the transfer of \$557.9 million budgetary authority from the four loan programs to the DFC as discussed in the "Assets-What USAID Owns and Manages" section.

Net Cost of Operations

The Consolidated Statement of Net Cost represent the cost (net of earned revenues) of operating the Agency's foreign-assistance programs. The Department of State and USAID use the Standardized Program Structure and Definitions (SPSD) system to categorize, and account for, foreign-assistance funds. The SPSD contains the following seven categories of foreign-assistance programs with USAID's Net Cost of Operations for each category:

FY 2020 NET COST OF OPERATIONS BY CATEGORIES

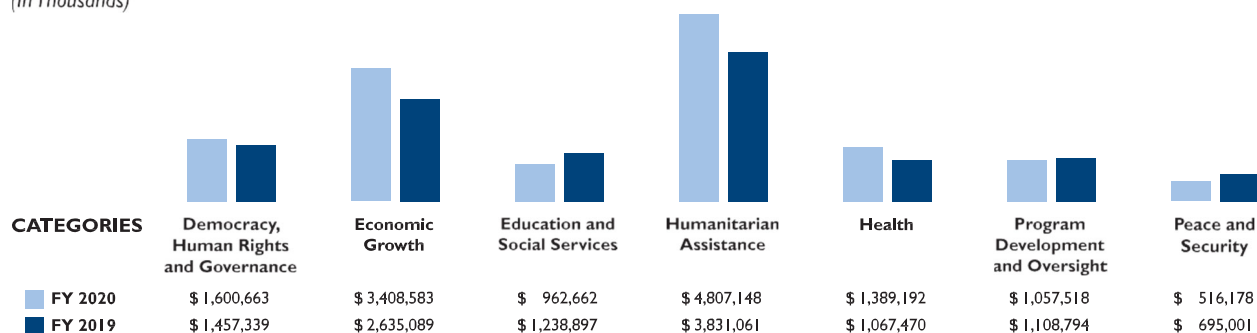
(In Thousands)



For more information on USAID foreign-assistance programs, refer to USAID website at: <https://www.usaid.gov/what-we-do>

Key Financial & Performance Results

USAID's net cost of operations totaled \$13.7 billion and \$12.0 billion for FY 2020 and FY 2019, respectively. This was an increase of \$1.7 billion or 14.2 percent over the prior fiscal year. One area that contributed to the increase was Humanitarian Assistance with efforts that included responding to the global spread of COVID-19. The Major Categories of Net Cost Comparison chart below provides an overview of the overall net cost of operations by category for FY 2020 and FY 2019:

MAJOR CATEGORIES OF NET COST COMPARISON FOR FY 2020 AND FY 2019*(In Thousands)***Net Costs by Program Areas**

In addition to reporting net costs by overall categories, USAID further calculates net costs by category and program areas for financial reporting. In FY 2020, USAID incurred costs within 47 of the 48 program areas within the seven SPSP foreign assistance categories.

The net costs of operations within the programs shifted due to changing global program initiatives as shown in the Major Categories of Net Cost Comparison chart above. The largest increases in net costs were reflected in the following program areas:

- the Humanitarian Assistance category had a \$950.2 million increase within the “Protection, Assistance and Solutions” program of the Democracy, Conflict, and Humanitarian Assistance (DCHA) responsibility segment;
- the Economic Growth category had a \$719.3 million increase within the “Macroeconomic Foundation for Growth” program of the Middle East (ME) responsibility segment; and
- the Health category had a \$301.1 million increase within the “HIV/AIDS, Water Supply and Sanitation, and Pandemic Influenza and Other Emerging Threats (PIOET)” programs.

However, due to shifting priorities in FY 2020, two other program areas recorded decreases in net costs during FY 2020. The two program areas with significant decreases were:

- the “Basic Education” program of the Africa; Economic Growth, Education and Environment (E3); ME, and Afghanistan and Pakistan Affairs (OAPA) responsibility segments; and
- the “Conflict Mitigation and Stabilization” program of the Africa, DCHA, ME, and OAPA responsibility segments, which incurred net costs decreases of \$288.8 million and \$183.2 million, respectively.

The FY 2020 Net Cost by Program Areas table below shows the 48 program areas within the seven SPSP foreign assistance categories. Each program area is important to carry out USAID’s mission to administer long-range economic and humanitarian assistance to developing countries. For a further breakout of the 47 net program costs by Agency responsibility segments, refer to the Financial Statement Note 16, *Schedule of Cost by Standardized Program Structure and Definition*.

FY 2020 NET COST BY PROGRAM AREAS *(In Thousands)*

7 Categories of Foreign Assistance Programs		Program Areas Total
Democracy, Human Rights and Governance	Good Governance	876,261
	Civil Society	289,411
	Political Competition and Consensus-Building	153,727
	Rule of Law (ROL)	152,063
	Human Rights	70,932
	Independent Media and Free Flow of Information	58,269
Democracy, Human Rights and Governance Total		1,600,663
Economic Growth	Macroeconomic Foundation for Growth	973,263
	Agriculture	786,096
	Environment	525,134
	Private Sector Productivity	416,891
	Modern Energy Services	327,709
	Transport Services	102,397
	Climate Change – Sustainable Landscapes	79,574
	Trade and Investment	73,611
	Financial Sector	64,592
	Workforce Development	46,604
	Information and Communications Technology Services	10,519
	Climate Change – Adaptation	1,621
	Climate Change – Clean Energy	572
Economic Growth Total		3,408,583
Education and Social Services	Basic Education	754,387
	Social Services	94,479
	Higher Education	73,167
	Social Assistance	24,616
	Social Policies, Regulations, and Systems	16,013
Education and Social Services Total		962,662
Humanitarian Assistance	Protection, Assistance and Solutions	4,610,480
	Disaster Readiness	174,588
	Migration Management	22,080
Humanitarian Assistance Total		4,807,148
Health	HIV/AIDS	598,617
	Water Supply and Sanitation	315,976
	Maternal and Child Health	139,695
	Family Planning and Reproductive Health	96,179
	Malaria	94,532
	Pandemic Influenza and Other Emerging Threats (PIOET)	68,466
	Other Public Health Threats	28,914
	Tuberculosis	27,037
	Nutrition	19,776
Health Total		1,389,192
Program Development and Oversight	Administration and Oversight	624,217
	Program Design and Learning	404,216
	Evaluation	29,085
Program Development and Oversight Total		1,057,518
Peace and Security	Conflict Mitigation and Stabilization	350,199
	Counternarcotics	104,947
	Counterterrorism	38,931
	Trafficking in Persons	19,194
	Citizen Security and Law Enforcement	1,077
	Conventional Weapons Security and Explosive Remnants of War (ERW)	931
	Transnational Threats and Crime	898
	Strengthening Military Partnerships and Capabilities	1
	Combating Weapons of Mass Destruction (WMD)	—
Peace and Security Total		516,178
Total Net Cost of Operations		\$13,741,944

The chart below shows the seven SPSP categories of foreign-assistance programs related to the State-USAID Joint strategic goals. For insight on how the Program Areas relate to development, see the [FY 2018-2022 State-USAID Joint Strategic Plan](#).

STATE-USAID JOINT STRATEGIC GOAL FRAMEWORK

Strategic Goal Programs	Strategic Objective	
Strategic Goal 1: Protect America's Security at Home and Abroad	<p>Strategic Objective 1.1 – Counter the Proliferation of Weapons of Mass Destruction (WMD) and their Delivery Systems</p> <p>Strategic Objective 1.2 – Defeat the Islamic State of Iraq and Syria (ISIS), Al-Qaida, and other Transnational terrorist organizations and counter state-sponsored, regional, and local terrorist groups that threaten U.S. national-security interests</p> <p>Strategic Objective 1.3 – Counter instability, transnational crime, and violence that threaten U.S. interests by strengthening citizen-responsive governance, security, democracy, human rights, and rule of law</p> <p>Strategic Objective 1.4 – Increase capacity and strengthen resilience of our partners and allies to deter aggression, coercion, and malign influence by state and non-state actors</p> <p>Strategic Objective 1.5 – Strengthen U.S. border security and protect U.S. citizens abroad</p>	<p>Peace and Security</p> <p>Democracy, Human Rights and Governance</p>
Strategic Goal 2: Renew America's Competitive Advantage for Sustained Economic Growth and Job Creation	<p>Strategic Objective 2.1 – Promote U.S. prosperity by advancing bilateral relationships and leveraging international institutions and agreements to open markets, secure commercial opportunities, and foster investment and innovation to contribute to U.S. job creation</p> <p>Strategic Objective 2.2 – Promote healthy, educated, and productive populations in partner countries to drive inclusive and sustainable development, open new markets, and support U.S. prosperity and security objectives</p> <p>Strategic Objective 2.3 – Advance U.S. economic security by ensuring energy security, combating corruption, and promoting market-oriented economic and governance reforms</p>	<p>Health</p> <p>Education and Social Services</p> <p>Economic Growth</p> <p>Democracy, Human Rights and Governance</p>
Strategic Goal 3: Promote American Leadership through Balanced Engagement	<p>Strategic Objective 3.1 – Transition nations from assistance recipients to enduring diplomatic, economic, and security partners</p> <p>Strategic Objective 3.2 – Engage international fora to further American values and foreign-policy goals while seeking more equitable burden sharing</p> <p>Strategic Objective 3.3 – Increase partnerships with the private sector and civil-society organizations to mobilize support and resources and shape foreign public opinion</p> <p>Strategic Objective 3.4 – Project American values and leadership by preventing the spread of disease and providing humanitarian relief</p>	<p>Health</p> <p>Humanitarian Assistance</p> <p>Democracy, Human Rights and Governance</p> <p>Peace and Security</p> <p>Economic Growth</p>
Strategic Goal 4: Ensure Effectiveness and Accountability to the American Taxpayer	<p>Strategic Objective 4.1 – Strengthen the effectiveness and sustainability of our diplomacy and development investments</p> <p>Strategic Objective 4.2 – Provide modern and secure infrastructure and operational capabilities to support effective diplomacy and development</p> <p>Strategic Objective 4.3 – Enhance workforce performance, leadership, engagement, and accountability to execute our mission efficiently and effectively</p> <p>Strategic Objective 4.4 – Strengthen security and safety of workforce and physical assets</p>	<p>Program Development and Oversight</p>

For USAID progress toward achieving the strategic objectives and performance goals, see the State-USAID Performance Report at: <https://www.usaid.gov/results-and-data/progress-data/annual-performance-report>

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2020 and 2019

(In Thousands)

	2020	2019
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 35,276,110	\$ 35,971,075
Accounts Receivable (Note 3)	24,598	17,504
Other Assets (Note 4)	86,445	43,814
Total Intragovernmental	35,387,153	36,032,393
With the Public:		
Cash and Other Monetary Assets (Note 5)	333,307	233,113
Accounts Receivable, Net (Note 3)	94,600	102,797
Direct Loans and Loan Guarantees, Net (Note 6)	—	628,535
Inventory and Related Property, Net (Note 7)	16,090	27,193
General Property, Plant and Equipment, Net (Note 8)	73,332	78,841
Other Assets (Note 4)	1,167,163	1,031,014
Total with the Public	1,684,492	2,101,493
Total Assets	\$ 37,071,645	\$ 38,133,886
LIABILITIES:		
Intragovernmental:		
Accounts Payable	\$ 86,622	\$ 104,685
Debt (Note 11)	—	7,565
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	899,487	1,705,243
Other Liabilities (Note 12)	1,297,036	730,536
Total Intragovernmental	2,283,145	2,548,029
With the Public:		
Accounts Payable	2,470,404	2,287,902
Loan Guarantee Liability (Note 6)	2,285,297	2,837,519
Federal Employee and Veteran's Benefits (Note 13)	27,586	21,807
Other Liabilities (Note 12)	620,745	472,639
Total with the Public	5,404,032	5,619,867
Total Liabilities	7,687,177	8,167,896
Commitments and Contingencies (Note 14)	—	—
NET POSITION:		
Unexpended Appropriations	29,283,335	29,430,913
Cumulative Results of Operations	101,133	535,077
Total Net Position	29,384,468	29,965,990
Total Liabilities and Net Position	\$ 37,071,645	\$ 38,133,886

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST*For the Years Ended September 30, 2020 and 2019**(In Thousands)*

Categories	2020	2019
DR–Democracy, Human Rights and Governance		
Gross Costs	\$ 1,600,709	\$ 1,466,950
Less: Earned Revenue	(46)	(9,611)
Net Program Costs	1,600,663	1,457,339
EG–Economic Growth		
Gross Costs	3,546,635	2,827,344
Less: Earned Revenue	(138,052)	(192,255)
Net Program Costs	3,408,583	2,635,089
ES–Education and Social Services		
Gross Costs	963,852	1,252,617
Less: Earned Revenue	(1,190)	(13,720)
Net Program Costs	962,662	1,238,897
HA–Humanitarian Assistance		
Gross Costs	4,807,295	3,847,122
Less: Earned Revenue	(147)	(16,061)
Net Program Costs	4,807,148	3,831,061
HL–Health		
Gross Costs	1,809,398	1,704,271
Less: Earned Revenue	(420,206)	(636,801)
Net Program Costs	1,389,192	1,067,470
PO–Program Development and Oversight		
Gross Costs	1,057,523	1,125,668
Less: Earned Revenue	(5)	(16,874)
Net Program Costs	1,057,518	1,108,794
PS–Peace and Security		
Gross Costs	516,186	699,339
Less: Earned Revenue	(8)	(4,338)
Net Program Costs	516,178	695,001
Net Cost of Operations (Note 16)	\$ 13,741,944	\$ 12,033,651

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION*For the Years Ended September 30, 2020 and 2019**(In Thousands)*

	2020	2019
Unexpended Appropriations:		
Beginning Balance	\$ 29,430,913	\$ 28,803,928
Budgetary Financing Sources:		
Appropriations Received	14,301,783	13,880,992
Appropriations Transferred-in/out	(80,788)	(58,918)
Other Adjustments	(238,594)	(101,384)
Appropriations Used	(14,129,979)	(13,093,705)
Total Budgetary Financing Sources	(147,578)	626,985
Total Unexpended Appropriations	29,283,335	29,430,913
Cumulative Results of Operations:		
Beginning Balance	\$ 535,077	\$ 270,382
Budgetary Financing Sources:		
Appropriations Used	14,129,979	13,093,705
Nonexchange Revenue	(2)	(175)
Donations and Forfeitures of Cash and Cash Equivalents	57,367	196,184
Transfers-in/out Without Reimbursement	(417,369)	–
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	40,162	16,133
Transfers-in/out Without Reimbursement	355,003	–
Imputed Financing	42,347	34,311
Other	(899,487)	(1,041,812)
Total Financing Sources	13,308,000	12,298,346
Net Cost of Operations (Note 16)	(13,741,944)	(12,033,651)
Net Change	(433,944)	264,695
Cumulative Results of Operations	101,133	535,077
Net Position	\$ 29,384,468	\$ 29,965,990

The accompanying notes are an integral part of these statements.

COMBINED STATEMENT OF BUDGETARY RESOURCES*For the Years Ended September 30, 2020 and 2019**(In Thousands)*

	2020		2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
Unobligated Balance from Prior Year Budget Authority, Net	\$ 11,075,719	\$ 3,607,565	\$ 11,889,046	\$ 3,731,579
Appropriations (Discretionary and Mandatory)	13,979,085	—	13,811,384	68
Borrowing Authority (Discretionary and Mandatory) (Note 11)	—	—	—	6,955
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,247,520	110,894	1,009,612	425,715
Total Budgetary Resources	\$ 26,302,324	\$ 3,718,459	\$ 26,710,042	\$ 4,164,317
Status of Budgetary Resources:				
New Obligations and Upward Adjustments (Total) (Note 17)	\$ 16,832,244	\$ 550,765	\$ 16,055,975	\$ 276,118
Unobligated Balance, End of Year:				
Apportioned, Unexpired Accounts (Note 2)	8,596,988	303,360	10,034,077	333,264
Exempt from Apportionment, Unexpired Accounts (Note 2)	(1)	—	(1)	—
Unapportioned, Unexpired Accounts (Note 2)	663,859	2,864,334	489,585	3,554,935
Unexpired Unobligated Balance, End of Year	9,260,846	3,167,694	10,523,661	3,888,199
Expired Unobligated Balance, End of Year	209,234	—	130,406	—
Total Unobligated Balance, End of Year	9,470,080	3,167,694	10,654,067	3,888,199
Total Budgetary Resources	\$ 26,302,324	\$ 3,718,459	\$ 26,710,042	\$ 4,164,317
Outlays, Net and Disbursements, Net:				
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 13,806,957	\$ 410,984	\$ 13,192,061	\$ (155,573)
Distributed Offsetting Receipts (-)	(612,315)	—	(462,118)	—
Agency Outlays, Net (Discretionary and Mandatory)	\$ 13,194,642	\$ 410,984	\$ 12,729,943	\$ (155,573)
Disbursement, Net (Total) (Mandatory)		\$ 410,984		\$ (155,573)

The accompanying notes are an integral part of these statements.

**Sample
Management's Discussion and Analysis (MD&A)**

Department of Veterans Affairs

**Based on FY2020 Agency Financial Report &
FASAB's Draft MD&A Vision Framework**

[In support of FASAB's MD&A Pilot January –February 2021]

Including FY2020 Financial Statements

MISSION

President Lincoln's immortal words, delivered in his second inaugural address more than 140 years ago, best describe VA's mission: *"To care for him who shall have borne the battle and for his widow, and his orphan."* We care for Veterans, their families and survivors – men and women who have responded when their Nation needed help. VA's mission is clear-cut, direct and historically significant. It is a mission that every employee is proud to fulfill.

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

ORGANIZATION

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

VBA provides various benefits to Veterans and their families. These benefits include military-to-civilian transition assistance services, disability compensation, pension, fiduciary services, educational opportunities, Veteran readiness and employment (VR&E) services, home loan guaranty and life insurance benefits.

VHA provides a broad range of primary care, specialized care and related medical and social support services that are uniquely related to Veterans' health or special needs. VHA advances medical research and development in ways that support Veterans' needs by pursuing medical research in areas that most directly address the diseases and conditions that affect Veterans.

NCA provides burial and memorial benefits to Veterans and their eligible family members. These benefits include burial at national cemeteries, cemetery grants for state and tribal cemeteries, headstones and markers, Presidential Memorial Certificates, outer burial receptacles and medallions.

For more information about VA's organization visit the Department's website: <https://www.va.gov/>

ANALYSIS OF FINANCIAL STATEMENTS

VA'S FINANCIAL MANAGEMENT SYSTEMS STRATEGY FOR RELIABLE FINANCIAL INFORMATION

VA's Financial Management Business Transformation (FMBT) Program will increase the transparency, accuracy, timeliness and reliability of financial information, resulting in improved fiscal accountability to American taxpayers and offering a significant opportunity to improve care and services to those who serve our Veterans. The FMBT goals capitalize on the opportunities for business process improvements to resolve systemic and procedural issues, including:

- Standardizing, integrating and streamlining financial processes including budgeting, procurement, accounting, resource management and financial reporting;
- Facilitating more effective management by providing stronger data analytics and projections;
- Improving customer service and support of goods, supplies and services for Veterans; and
- Improving the speed and reliability of communicating financial information throughout VA and providing timely, robust and accurate financial reporting.

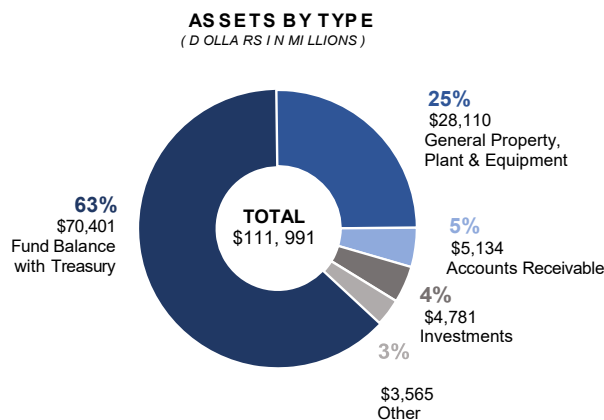
FINANCIAL PERFORMANCE

All VA component activities are included in VA's consolidated financial statements. The principal financial statements report the financial position and results of operations of VA. The consolidated financial statements include the Balance Sheet, Statement of Net Cost and Statement of Changes in Net Position, which are prepared on an accrual basis of accounting. VA interacts with and is dependent upon the financial activities of the Federal Government as a whole. Therefore, the results of all financial decisions reflected in these consolidated financial statements are not the sole decisions of VA as a stand-alone entity.

BALANCE SHEET

The Balance Sheet provides a snapshot of the Department's financial position and comprises assets, liabilities and net position.

ASSETS



Assets represent items owned by the Department that have probable economic benefits. The graphic at left depicts the composition of VA's total asset balance. As of September 30, 2020, the largest asset was fund balance with Treasury (FBWT) at \$70.4 billion, an increase of \$12.1 billion or 21% primarily due to:

- Emergency funding received in response to the COVID-19 pandemic (refer to page 24 for additional information); and,
- New legal authority for VA to compensate Veterans and survivors for service-connected disabilities under the Blue Water Navy Vietnam Veterans Act of 2019.

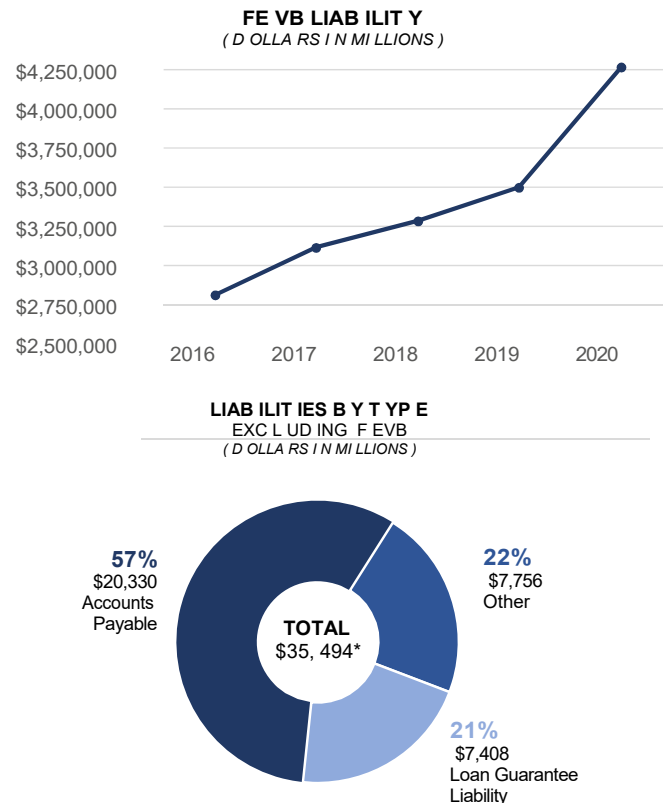
The second largest asset was property, plant and equipment (PP&E) at \$28.1 billion, which is primarily composed of buildings, structures, equipment and internal use software (IUS) used to provide medical care to Veterans.

Accounts receivable was \$5.1 billion, a decrease of nearly \$953 million or 16% primarily due to collections totaling \$600 million on an account receivable for excess contingency reserves in the Veterans' Group Life Insurance (VGLI) Program. \$2.5 billion of the total \$3.4 billion receivable remains and will continue to be transferred to the VA over a period of 4 years. The significant decline in accounts receivable balances is primarily attributable to the negative impact of medical care activity. Medical operations experienced decreases in the volume of patient encounters, along with related billings. Despite that decrease in billings, allowance for loss amounts remained relatively consistent, as a result of the temporary pandemic-related suspension of medical care copayments. The impact on accounts receivable from the disruption in medical care activity may change as new information becomes available in future periods.

The other category includes Investments, cash, direct loans and loan guarantees, inventory and other assets. The increase is primarily due to an increase for major construction projects at VAMCs. For additional information, see the Combined Statement of Budgetary Resources: <https://va.gov/>

LIABILITIES

Liabilities represent probable future outflows or other sacrifices of resources as a result of past transactions or events. As of September 30, 2020, the largest liability was Federal employee and Veterans' benefits (FEVB) at \$4 trillion or 99% of total liabilities, an increase of \$759.8 billion or 23% over prior year. Compensation benefits compose more than 99% of this liability and represent amounts owed to Service members (or their dependents) who died or were disabled due to active military service-related causes. The liability is an estimate of the future



*Total Liabilities with FEVB is \$4,008,469

cost to provide benefits to participants, expressed in today's dollars. The graphic at left presents the year-to-year increase in the FEVB liability from FY 2016 – FY 2020. Actuarial cost and the loss on assumptions drive these increases:

- Interest on Liability Expense
- Changes in Experience (e.g., Veteran counts)
- Prior Service Costs
- Less Amounts Paid
- Discount Rate
- Cost of Living Adjustments
- Other Assumptions.

Refer to page 22 for discussion of increases in actuarial cost and losses. For additional information, refer to [Note 13](#) in the Financial Section.

The composition of the remaining liability balance is illustrated in the graphic at left. The Department's second largest liability is accounts payable at \$20.3 billion, an increase of \$4.8 billion or 31% primarily due to a change in accounting for Veterans community care (VCC) obligations. In FY 2019, VCC referrals were recorded using an obligation at payment model; thus, the obligations and associated accounts payable were not recorded until the claims were adjudicated. As a component of FEVB, VA estimated an incurred but not

paid liability at the end of each period to recognize the cost of services incurred where claim invoices had not yet been received, validated and paid. In FY 2020, VA determined that it lacked the authority to apply the obligation at payment model. As a result, the accounts payable balance increased as these amounts moved from the unfunded FEVB liability to the funded accounts payable liability. FY 2019 has been restated to reflect this change. For additional information, refer to [Note 23](#) in the Financial Section.

Loan guarantee liability, net was \$7.4 billion, a decrease of \$228 million or 3% due to projected reduced costs to the government resulting from updated model inputs (disbursements, claims, recoveries, mortgage rates, Treasury bond note yields, home price appreciation and borrowing payments) that decrease the likelihood of VA covering defaulted guaranteed housing loans. The updated inputs relate to favorable housing market conditions and an associated improvement in loan performance. As these conditions improve, the likelihood that VA must cover defaults declines.

Disability Claims and Appeals Process Barriers – If VA fails to improve processes that support claims, appeals and payments, then Veterans will be unable to fully access VA benefits and services, which could result in an increase in claims and appeals processing backlogs, delayed payments and a poor Veteran experience.

The other category includes debt, environmental and disposal liabilities and other liabilities. The balances have not fluctuated significantly compared to prior year.

CHANGES IN NET POSITION

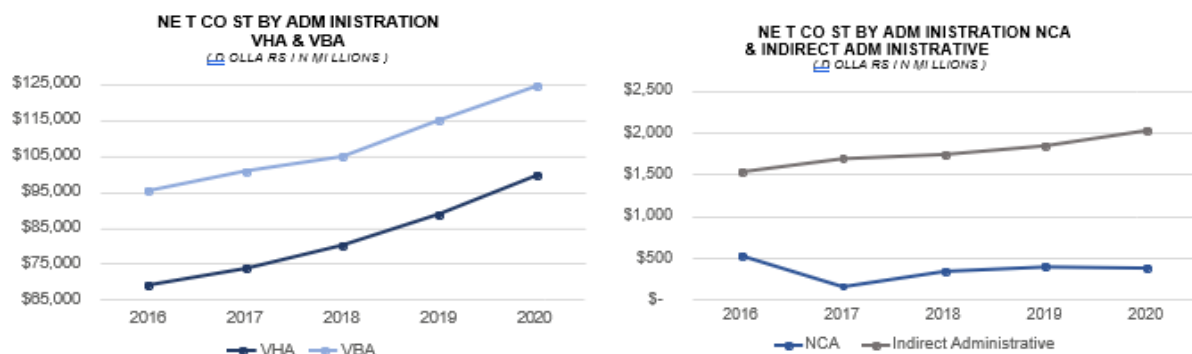
The Statement of Changes in Net Position combines the net cost of operations with nonexchange sources of financing to arrive at a net position. Net position decreased by 24% from a deficit of \$3.2 trillion in FY 2019 to a deficit of \$3.9 trillion in FY 2020. The decrease is attributable to the increase in net cost of operations, discussed in the next section.

NET COST OF OPERATIONS

Net cost of operations is the cost incurred less any exchange revenue earned. The Statement of Net Cost is designed to show net cost separately for each of VA's Administrations: VHA, VBA and NCA. Indirect administrative program costs support Department operations not directly attributable to VHA, VBA or NCA and include the supply fund, general administration and the Board of Veterans' Appeals programs. In FY 2020, total net cost of operations for the Department was \$987.1 billion, an increase of \$567.5 billion or 135%, driven primarily by the loss on actuarial liability changes.

PROGRAM NET COST

The graphics below present program net cost by Administration, excluding actuarial, from FY 2016 – FY 2020. While VHA and VBA have experienced significant increases in net cost over prior year, NCA and indirect administrative net costs have remained relatively consistent.



VHA's net cost was \$99.7 billion, an increase of \$10.9 billion or 12% primarily due to an increase in community care payments and other medical expenses that align with the implementation of the MISSION Act and COVID-19 response activities.

Additionally, VHA's net cost increased due to an increase in full time equivalent employees to serve the medical needs of a growing population of enrolled Veterans and in response to the COVID-19 pandemic. The CARES Act provided supplemental funds that enabled VA to hire and retain staff to support pandemic response.

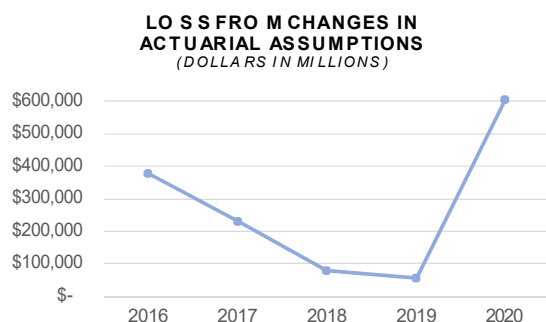
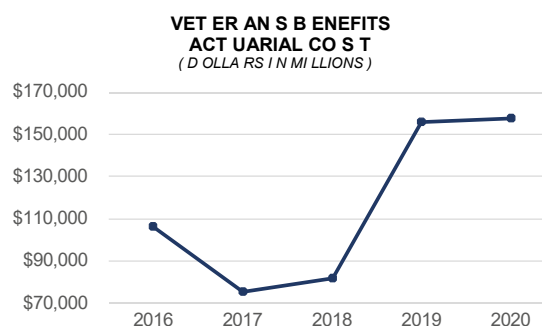
VBA's net cost (excluding actuarial) was \$124.5 billion, an increase of \$9.6 billion or 8% due to increases in compensation payments to Veterans and their beneficiaries. VA processed over 1.4 million more payments in FY 2020 than in FY 2019, as of September 30. Additionally, VBA continued to process claims with improved timeliness and accuracy, which resulted in approximately 155,000 more active beneficiaries in FY 2020 than in FY 2019.

ACTUARIAL COST & (GAIN)/LOSS

VA provides compensation, burial, education and VR&E benefits to eligible Veterans and beneficiaries. The liability for future benefit payments is calculated using an actuarial model (see discussion of FEVB liability on page 20). On a periodic basis, the liability is adjusted for changes in assumptions, which results in the recognition of actuarial cost and/or a (gain)/loss. The actuarial cost and (gain)/loss are composed of the elements below.

Actuarial Cost	<ul style="list-style-type: none"> • Interest on Liability Expense • Changes in Experience (e.g., Veteran counts) • Prior Service Cost • Less: Amounts Paid 	(Gain) / Loss	<ul style="list-style-type: none"> • Discount Rate • Cost of Living Adjustments (COLA) • Other Assumptions
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The Veterans benefits actuarial cost was \$157.8 billion, an increase of \$2.1 billion or 1% over FY 2019. In FY 2019, VBA reported a significant increase in year-to-year actuarial cost, primarily due to changes in eligibility requirements that led to a substantially larger number of Veterans and beneficiaries receiving compensation benefits. In FY 2020, actuarial cost remained consistent with prior year.



Net (gain)/loss from changes in actuarial assumptions was \$602.7 billion, an increase of \$544.7 billion due to assumption changes in the model used to estimate the liability. The most significant change in assumptions was related to disability ratings. The updated rates increase the likelihood of compensation recipients' transition into higher rating classes, thus increasing the liability. Additionally, the Veteran population table was updated to reflect current data.

PRIORITIES

The Department has chosen four priorities to continue the good work it has started and to accelerate its transformation.

Customer service is the prime directive and priority. VA is driven by customer feedback, unified Veterans data and employees characterized by a customer-centric mind-set to make accessing VA services seamless, effective, efficient and emotionally resonant for our Veterans.

The second priority is MISSION Act implementation. This landmark legislation will fundamentally change VA health care through its mandates to enhance service offerings based on robust market analyses of VA health care facility capacity and quality compared to commercially available health care companies. VA will put in place the right combination of VA and locally offered services to best meet the health care needs of Veterans wherever they may be. The Act also asks VA to expand support to caregivers of Veterans.

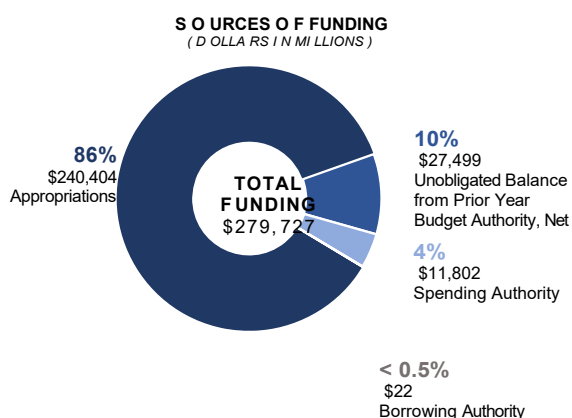
Replacing the aging electronic health record (EHR) system is the third priority for VA. The new EHR system will connect VA to DoD, private health care providers and private pharmacies to enable the seamless and secure transfer of Veterans' and Service members' sensitive health information. EHR will enhance the coordination of care to improve patient care and safety. With the new EHR system, VA will change the way we do business and make the delivery of VA services more efficient, timely and focused on the health and safety of Veterans.

Focusing on the VA business systems transformation is the fourth priority. Upgrading VA to a 21st century operating capability includes the transformation of digital services, financial management, logistics and supply chain systems, human capital management systems/processes and other modernization efforts will help the Department move beyond the old siloed approach to mission accomplishment.

Additional information on VA's Annual Performance Plan and Report for the performance goals/results reported in the AFR see website: <https://va.gov>

BUDGETARY RESOURCES

The Statement of Budgetary Resources provides information on the sources and status of funding available to the Department. The primary sources of VA funding are appropriations from Congress and the unobligated balance from prior year budget authority. VA expends a substantial amount of its budgetary resources on medical service and care, compensation, pension, burial, education and VR&E benefits for Veterans, their beneficiaries and dependents.

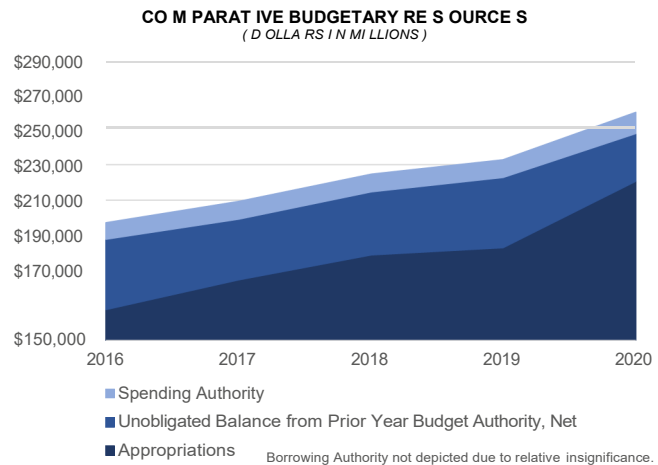


Appropriations were \$240.4 billion, an increase of \$38.0 billion or 19% over FY 2019, primarily due to \$19.6 billion in funding from the CARES and Families First Acts, as discussed on page 24.

Additionally, appropriations increased to support the implementation of the MISSION Act. The MISSION Act provides eligible Veterans greater choice in where they receive care through integrated community care programs.

The stacked area graph below presents the composition of budgetary resources comparatively from FY 2016 – FY 2020 and illustrates that the increase in budgetary resources has been driven primarily by appropriations. The increase in appropriations was received to fund:

- The establishment and expansion of community care programs for health care provided to Veterans at non-VA medical facilities;
- Medical services provided at VA medical facilities resulting from an increase in the number of Veterans receiving care;
- Higher compensation costs resulting from increases in the number of Veterans and beneficiaries accessing and receiving these benefits;
- Major construction projects and additions to existing medical facilities; improvements and additions to existing medical facilities for structural, mechanical, plumbing and electrical systems as described in Deferred Maintenance and Repairs at <https://va.gov/afr>; and
- Emergency response to COVID-19 pandemic through the CARES and Families First Acts.



The rise in overall budgetary resources between FY 2019 and FY 2020 resulted in an increase of new obligations and upward adjustments totaling \$22.3 billion or 10% over prior year primarily due to:

- MISSION Act costs related to clinical service delivery for community care, such as care coordination including referrals, eligibility verification, enrollment and the establishment of care networks;
- Purchases of PPE and medical equipment in response to the COVID-19 pandemic and in accordance with the CARES and Families First Acts; and,
- An increase in the number of compensation payments processed due in part to VBA's continued progress in processing claims with improved timeliness and accuracy.

Net outlays increased by \$18.8 billion or 9%. The increase in net outlays was primarily attributable to the increase in budgetary resources, new obligations and upward adjustments.

SUPPLEMENTAL FUNDING

As the largest integrated health care system in the U.S. providing services to over nine million Veterans, VA was heavily impacted by the COVID-19 pandemic in FY 2020. In response to the pandemic, the Department received \$19.6 billion in supplemental emergency funding from the CARES and Families First Acts. The funding was primarily allocated to the Medical Services Program, which received \$14.3 billion or 73%. The remaining \$5.3 billion was allocated to Information Technology Systems, Medical Community Care and other programs.

As of September 30, 2020, 38% of the total emergency funding had been obligated. These funds are available for obligation through FY 2021 for \$19.557 billion in funding and through FY 2022 for the additional \$72.5 million. As depicted in the graphic below, \$3.9 billion or 27% had been obligated from the Medical Services Program as of September 30, 2020 to cover inpatient COVID-19 pandemic care, surge activities and national purchases of PPE and other equipment. \$3.6 billion or 67% had been obligated from Information Technology Systems, Medical Community Care and other programs. Additional detail may be found in [Note 25](#) in the Financial Section.

For additional information about VA's response to the COVID-19 pandemic and ways in which the Department is using its supplemental emergency funding to protect and care for Veterans, their families, health care providers and staff, visit <https://www.publichealth.va.gov/n-coronavirus/>. On a weekly basis, the Department publishes VA's *COVID-19 Response: By the Numbers*, which reports metrics across several categories including:

- Veteran & Virtual Care
- Support to Non-VA Nursing Homes
- Veteran Engagement
- Support to States & Other Agencies

FINANCIAL SYSTEMS FRAMEWORK

CURRENT FINANCIAL MANAGEMENT SYSTEM FRAMEWORK

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

The external financial statement auditors repeatedly identified a need for VA to fully integrate these applications and the detailed transactions they contain into the core financial and acquisition management systems.

FUTURE FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK

The scope of the FMBT Program is focused on migrating VA from its legacy core FMS and eCMS to a commercial off the shelf (COTS) cloud solution, configured for VA as iFAMS, allowing VA to leverage the Software-as-a-Service (SaaS) model. This involves:

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

iFAMS will be deployed in a phased implementation approach, beginning with NCA in November 2020 and continuing across the Department until complete. In response to the COVID-19 pandemic, FMBT converted planning, training and testing activities to virtual events, successfully mitigating negative impacts on the program.

CONSOLIDATED BALANCE SHEETS *(dollars in millions)***As of September 30,****(Reclassified)****2020****2019****Assets**

Intragovernmental

Fund Balance with Treasury (Note 3)

\$ 70,401 \$ 58,306

Investments (Note 5)

4,641 4,358

Accounts Receivable (Note 6)

25 9

Other

2,430 1,762

Total Intragovernmental

77,497 64,435

With the Public

Cash (Note 4)

4 4

Accounts Receivable, Net (Note 6)

5,109 6,078

Direct Loans and Loan Guarantees, Net (Note 7)

953 1,397

Inventory (Note 8)

158 49

General Property, Plant, and Equipment, Net (Note 9)

28,110 27,164

Investments (Note 5)

140 140

Other

20 38

Total with the Public

34,494 34,870

Total Assets**\$ 111,991 \$ 99,305**

Heritage Assets (Note 10)

Liabilities

Intragovernmental

Accounts Payable

\$ 1,436 \$ 1,183

Debt (Note 11)

588 569

Other (Note 15)

1,936 2,483

Total Intragovernmental

3,960 4,235

With the Public

Accounts Payable

18,894 14,342

Federal Employee and Veterans Benefits (Note 13)

Veterans Benefits (Note 13)

3,998,134 3,238,260

Life Insurance Benefits (Note 17)

5,145 5,660

Federal Employee Benefits (Note 13)

5,190 4,700

Environmental and Disposal Liabilities (Note 14)

972 934

Loan Guarantee Liability, Net (Note 7)

7,408 7,636

Other (Note 15)

4,260 3,488

Total with the Public

4,040,003 3,275,020

Total Liabilities**\$ 4,043,963 \$ 3,279,255**

Commitments and Contingencies (Note 18)

Net Position

Total Net Position – Funds from Dedicated Collections (Note 19)

3,966 4,293

Total Net Position – All Other Funds

(3,935,938) (3,184,243)

Total Net Position**(3,931,972) (3,179,950)****Total Liabilities and Net Position****\$ 111,991 \$ 99,305**

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

*Please refer to [Note 1.C.](#) for additional information on the change in presentation of the Balance Sheet.

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

For the Periods Ended September 30,

2020

2019

Net Program Costs By Administration

Veterans Health Administration

Gross Cost	\$ 103,092	\$ 93,418
Less Earned Revenue	(3,386)	(4,648)
Net Program Cost	99,706	88,770

Veterans Benefits Administration

Gross Cost		
Program Costs	125,399	115,570
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	157,809	155,685
Less Earned Revenue	(927)	(673)
Net Program Cost	282,281	270,582

National Cemetery Administration

Gross Cost	376	391
Less Earned Revenue	(1)	-
Net Program Cost	375	391

Indirect Administrative Program Costs

Gross Cost	2,391	2,294
Less Earned Revenue	(377)	(456)
Net Program Cost	2,014	1,838

Net Program Costs by Administration Before (Gain)/Loss From
 Changes in Veterans Benefits Actuarial Assumptions

384,376 361,581

(Gain)/Loss From Changes in Actuarial Assumptions (Note 13)

602,720 58,033

Net Cost of Operations

\$ 987,096 \$ 419,614

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

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION <i>(dollars in millions)</i>	Funds from Dedicated Collections All Other Consolidated (Note 19) Funds Total		
As of September 30, 2020			
Unexpended Appropriations			
Beginning Balance	\$ -	\$ 31,321	\$ 31,321
Beginning Balance, As Adjusted	-	31,321	31,321
Budgetary Financing Sources			
Appropriations Received	-	236,797	236,797
Appropriations Transferred In/Out	-	142	142
Other Adjustments	-	(1,390)	(1,390)
Appropriations Used	-	(228,601)	(228,601)
Total Budgetary Financing Sources	-	6,948	6,948
Total Unexpended Appropriations	-	38,269	38,269
Cumulative Results of Operations			
Beginning Balance	4,293	(3,215,564)	(3,211,271)
Beginning Balance, As Adjusted	4,293	(3,215,564)	(3,211,271)
Budgetary Financing Sources			
Appropriations Used	-	228,601	228,601
Nonexchange Revenue	-	29	29
Donations and Forfeitures of Cash and Cash Equivalents	16	-	16
Transfers In/Out Without Reimbursement	(3,335)	3,520	185
Other Financing Sources (Nonexchange)			
Donations and Forfeitures of Property	78	-	78
Transfers In/Out Without Reimbursement	(49)	57	8
Imputed Financing	-	2,458	2,458
Other	-	(3,249)	(3,249)
Total Financing Sources	(3,290)	231,416	228,126
Net (Cost)/Benefit of Operations (Note 21)	2,963	(990,059)	(987,096)
Net Change	(327)	(758,643)	(758,970)
Cumulative Results of Operations	3,966	(3,974,207)	(3,970,241)
Net Position	\$ 3,966	\$ (3,935,938)	\$ (3,931,972)

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

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION <i>(dollars in millions)</i>	Funds from Dedicated Collections (Note 19)	(Restated) All Other Funds	(Restated) Consolidated Total
As of September 30, 2019			
Unexpended Appropriations			
Beginning Balance	\$ -	\$ 37,780	\$ 37,780
Beginning Balance, As Adjusted	-	37,780	37,780
Budgetary Financing Sources			
Appropriations Received	-	197,963	197,963
Appropriations Transferred In/Out	-	128	128
Other Adjustments	-	(908)	(908)
Appropriations Used	-	(203,642)	(203,642)
Total Budgetary Financing Sources	-	(6,459)	(6,459)
Total Unexpended Appropriations	-	31,321	31,321
Cumulative Results of Operations			
Beginning Balance	868	(3,000,198)	(2,999,330)
Beginning Balance, As Adjusted	868	(3,000,198)	(2,999,330)
Budgetary Financing Sources			
Other Adjustments	-	(6)	(6)
Appropriations Used	-	203,642	203,642
Nonexchange Revenue	-	133	133
Donations and Forfeitures of Cash and Cash Equivalents	24	-	24
Transfers In/Out Without Reimbursement	(3,841)	4,039	198
Other Financing Sources (Nonexchange)			
Donations and Forfeitures of Property	59	-	59
Transfers In/Out Without Reimbursement	(39)	39	-
Imputed Financing	-	3,043	3,043
Other	3,412	(2,832)	580
Total Financing Sources	(385)	208,058	207,673
Net (Cost)/Benefit of Operations (Note 21)	3,810	(423,424)	(419,614)
Net Change	3,425	(215,366)	(211,941)
Cumulative Results of Operations	4,293	(3,215,564)	(3,211,271)
Net Position	\$ 4,293	\$ (3,184,243)	\$ (3,179,950)

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

COMBINED STATEMENT OF BUDGETARY RESOURCES <i>(dollars in millions)</i>		Non-Budgetary Credit Reform Financing Account	
For the Period Ended September 30, 2020		Budgetary	
Budgetary Resources (Discretionary and Mandatory)			
Unobligated Balance from Prior Year Budget Authority, Net	\$ 18,527	\$ 8,972	
Appropriations	240,404	-	
Borrowing authority	-	22	
Spending Authority from Offsetting Collections	7,371	4,431	
Total Budgetary Resources	\$ 266,302	\$ 13,425	
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Total)	\$ 244,599	\$ 5,313	
Unobligated Balance, End of Year:			
Apportioned, Unexpired Account	27,751	-	
Unapportioned, Unexpired Accounts	(4,742)	8,112	
Unexpired Unobligated Balance, End of Year	23,009	8,112	
Expired Unobligated Balance, End of Year	(1,306)	-	
Unobligated Balance, End of Year (total)	21,703	8,112	
Total Status of Budgetary Resources	\$ 266,302	\$ 13,425	
Outlays, Net			
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 225,499		
Distributed Offsetting Receipts (-)	(7,105)		
Agency Outlays, Net (Discretionary and Mandatory)	\$ 218,394		
Disbursements, Net (Total) (Mandatory)		\$ 1,084	

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

COMBINED STATEMENT OF BUDGETARY RESOURCES <i>(dollars in millions)</i>		Non-Budgetary Credit Reform Financing Account	
For the Period Ended September 30, 2019		(Restated) Budgetary	
Budgetary Resources (Discretionary and Mandatory)			
Unobligated Balance from Prior Year Budget Authority, Net	\$ 28,927	\$	11,070
Appropriations	202,402		-
Borrowing Authority	-		110
Spending Authority from Offsetting Collections	6,474		3,905
Total Budgetary Resources	\$ 237,803	\$	15,085
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Total)	\$ 221,472	\$	6,116
Unobligated Balance, End of Year:			
Apportioned, Unexpired Account	17,897		-
Unapportioned, Unexpired Accounts	(4,636)		8,969
Unexpired Unobligated Balance, End of Year	13,261		8,969
Expired Unobligated Balance, End of Year	3,070		-
Unobligated Balance, End of Year (Total)	16,331		8,969
Total Status of Budgetary Resources	\$ 237,803	\$	15,085
Outlays, Net			
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 207,438		
Distributed Offsetting Receipts (-)	(7,864)		
Agency Outlays, Net (Discretionary and Mandatory)	\$ 199,574		
Disbursements, Net (Total) (Mandatory)		\$	2,150

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



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MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

1. Please explain how the draft MD&A Vision Framework was helpful in preparing the sample MD&A?	
MD&A Pilot Agency	Comments
Commerce	The MD&A Vision Framework was helpful in preparing the sample MD&A because it gave us a roadmap for how to streamline the current MD&A. During the welcoming training, we learned via a step by step process, what to keep and what to leave out of the draft MD&A. The framework had good tips and instructions. For instance, one of the instructions given during the training, was to leave out any of the A-136 and CEAR MD&A requirements, to focus solely on analyzing the financial statements and pointing out the issues causing significant changes to our entity's financial statements.
DHP	It provided us with guidance on what to focus on and discuss within the MD&A. We were able to focus on the essential few matters, risks, opportunities, and challenges that have an impact upon the financial position and condition of the DHP. By doing so, we identified statistical and other information that does not really have any significant impact to the financial statements and disclosures. The framework also provided guidance that in all identified essential few matters, we need to include current and planned actions to address it. Having the identified matters, their impact on our financials, and current and planned actions in the same section of the MD&A makes it easier for the reader of the AFR to understand the financial position and condition of the DHP.
DOD	The Framework defined the goal of the project and identified the key elements to focus on when updating the sample MD&A. It provided good insight into the specific types and aspects of information that FASAB believes is important to include and/or focus on for external reporting. (e.g., focusing on the financial implications of forward looking risks, challenges, and opportunities as opposed to the operational aspects). We found the chart mapping between the current reporting model objectives (budgetary integrity, operating performance, stewardship, and systems and control) and the MD&A Framework objectives helpful in deconstructing and reconstructing our FY20 AFR to meet the Framework requirements. When we kept trying to add additional information we kept pointing to the Framework to reduce the information in the MD&A.
DHS	Although the MD&A Vision Framework was clear and helpful during the preparation of the sample MD&A, having a separate meeting with FASAB to discuss changes and intention of the framework was of great help. Later, it might be helpful to have small working groups that can collaborate on defining guidance and the overall streamline process.
EDUCATION	It served as a guide to assist in deciding what should be included/excluded from the Department's FY 2021 MD&A.
FTC	At a broad level, the MD&A framework provides an outline of what information is needed in the AFR to provide meaningful information to the reader of the agency's financial statements and performance data. The framework also provides helpful insights on what information should be the primary focus for the financial highlights section.
GSA	It was helpful in guiding our way ahead in streamlining the sample MD&A.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

1. Please explain how the draft MD&A Vision Framework was helpful in preparing the sample MD&A?	
MD&A Pilot Agency	Comments
HHS	This framework was not necessarily helpful for our agency's size. Although during AFR planning discussions we have always tried to include the recommendations from the pilot's framework, it was not feasible with the complexity of our agency (e.g., connecting dollars to performance, maintaining transparency).
HUD	As the leader who manages the annual AFR development process for our agency, I fully support any attempt to reduce the reporting burden of federal agencies. It should be noted that the main reason for the length of any section of the AFR is because of the reporting requirements of OMB and also CEAR expectations (there is tremendous pressure to receive this award for the AFR). Additionally, how the agency auditor interprets the reporting requirements can also be a factor in what agencies report. The auditor's interpretation of the reporting requirements (either way) can greatly influence the length and content of AFRs. In short, if you desire a shorter AFR, then reduce the reporting requirements. I would support any and all reductions in reporting requirements.
INTERIOR	The draft MD&A vision framework was helpful in preparing the sample MD&A in that it provided a shorter format allowing for summarizing key agency data and pointing the reader to specific changes that have occurred at the agency.
IRS	The draft vision framework helped focus the conversation in the MD&A.
NLRB	It was helpful, however I received more detailed input from Robin Gilliam.
DFC	We found the Pilot Training slide deck to be more helpful in preparing the sample MD&A than the draft MD&A Vision Framework itself. The Vision Framework was vague in its definition of expectations, whereas the slide deck provided useful information on what could/should be either removed or streamlined through the pilot project. In general, conducting this exercise made us aware of multiple instances in which we presented the same information in multiple locations and formats. The intense review of information contained in our MD&A allowed us to identify information that can be improved upon immediately, prior to implementation of the draft framework.
Peace Corps	The vision framework was helpful in giving guidance as to what needed to be included or excluded. However, we felt that it wasn't as obviously stated in the training slides as intended. I think a two-page checklist or guidelines that includes both the framework and objective will be extremely helpful.
USAID	provided step by step which was helpful
USDA	focus on financial statements
VA	It provided step-by-step guidelines for the sections that required streamlining and removal for example, A-136, GPRA, AGA CEAR, pictures, graphics. In an effort to provide a more direct and informative financial analysis.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

2. Please explain what challenges, if any, you had using the MD&A Vision Framework to streamline the MD&A?	
MD&A Pilot Agency	Comments
Commerce	The framework reduced the amount of information provided in the MD&A but was also very high level without much detail as to specific information and level of information to provide. It was somewhat difficult to determine how much information vs how little information to include in the MD&A based on the high-level instructions in the framework.
DHP	The most challenging part is the hesitation to remove information required by OMB A-136 since it has been part of the AFR preparation process to ensure compliance to it. Another challenging part was to get comfortable in streamlining/removing information about the organization that doesn't have financial impact.
DOD	<p>One of the main challenges was how best to align existing parts of MD&A to the new format while maintaining the logical flow of information in a concise manner. It was difficult to differentiate between removing the performance metrics in the Performance Overview of the AFR but to add additional performance metrics tied the financial statements. We are not sure we successfully met that goal and would anticipate further guidance if the Framework was approved.</p> <p>Also, as currently written, some of the reporting categories/sections seem somewhat redundant or lacking differentiation. For example, the Financial Position and Condition requires reporting on significant changes reflected on the face of the financial statements as well as an analysis of the financial statements. Much of this information could potentially overlap with the requirement to discuss financial health and sustainability of major programs in the Key Financial & Performance Results section. Additional clarification of the difference between these and other similarly related requirements could help agencies to better address and include the desired information.</p> <p>"Providing a concise/balanced discussion/summary of significant financial and non-financial operating performance information" was challenging. Simply linking to the PAR and removing stories and non-financial examples from our MD&A reduced the number of pages yet it also diminished our ability to tell a holistic story. For example, in FY20, DoD's led efforts to respond to challenges caused by the coronavirus pandemic yet we were unable to quantify these efforts financially since our financial reporting systems do not have the all necessary mechanisms to track such transactions through the proprietary accounts. We added a number of placeholders in our final draft since we do not currently collect the information in the format and detail that the Framework requires. For example, discussion of significant changes in balances in the major programs reported in the Statement of Net Cost and investment projects in the Statement of Budgetary Resources.</p>
DHS	No comments.
EDUCATION	Shortening narratives to explain complex issues related to Direct Loans.
FTC	We look at the AFR as not only a financial report, but an opportunity to tell the story of the agency and combine this with our financial information to demonstrate the value of the FTC. By destressing and streamlining the AFR much of this is lost. In a perfect world we would like to see agencies shift back to a combined AFR / PAR, but due to timelines having done by 11/15 is

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

2. Please explain what challenges, if any, you had using the MD&A Vision Framework to streamline the MD&A?	
MD&A Pilot Agency	Comments
	<p>not reasonable for much of the PAR.</p> <p>The FTC is concerned that the streamlined approach potentially loses a lot of valuable citizen-centric information. Performance information helps link agency spending and financial information presented in the AFR to value provided to consumers. The FTC's traditional AFR would only contain our core performance metrics, these are metrics we consider to be most critical. By cutting this further it is removing the transparency of providing financial and performance data together. Traditionally our financial highlights has been the longest section of the MD&A going into great detail on several line items. We have felt this provides an excellent opportunity to tell a story to the public on how we have executed our resources and what resulted. By focusing on the few items, it does create a much more concise AFR but FTC Mgt would endorse continuing to provide much greater detail to show the value the FTC provides the public.</p> <p>Data presented in the AFR if using links will become dynamic. For instance if we use links when looking at the FY20 AFR we would see the current administrations staff verses staff in place at time of the AFR. The AFR should be a snapshot at point of time and not dynamic. Removing discussions about the commissioners, offices, org chart, and regional offices graphic and using links instead to external sources leads to less transparency about the agency. AFR will become less self-contained. Readers may not be sufficiently familiar with components of the agency and may decide to not read more via the links given less emphasis is placed on these content by excluding the document.</p>
GSA	No challenges.
HHS	- At HHS, it is challenging to link performance accomplishments to financial highlights/net cost: * Outcomes reported on different accounting basis; * Complexity and size of HHS at the Department-level vs. program-level Operating Divisions * D
HUD	Overall, the project was simple because it eliminated many of the reporting requirements of the original content. Not having to provide content based on the A-136, and especially the performance measures allowed us to focus on producing an informed summary of the agency's financial statement, which in my opinion is what it should be limited to. I would like to see any non-balance sheet related reporting requirements fully eliminated from the OMB circular A-136.
INTERIOR	The ultimate challenge was trying to determine what tables, charts, graphs and photos to keep in the document. In addition, deciding to report at the agency level or the bureau level when it came to the specific data was a challenge incurred.
IRS	It was challenging to summarize the discussion over systems and controls in a manner that was informative but not overwhelming for the reader. The draft vision framework was sufficient, the challenge was implementing the vision.
NLRB	I've not yet run this by the program areas. This is just a markup from my perspective, in conjunction with the "Pro-Tips". I also would like feedback from other agencies that produce both the AFR and a performance plan.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

2. Please explain what challenges, if any, you had using the MD&A Vision Framework to streamline the MD&A?	
MD&A Pilot Agency	Comments
DFC	<p>As 2020 was DFC's first year in existence, we found it challenging developing the format of some of our information without available comparative data. Upon the availability of two comparative fiscal years of data, we may find that some of the charts and graphics we used to depict our financial position may not be as conducive to the format selected.</p> <p>Additionally, DFC has significant activity from loan guarantees, which may be complex topics for the general reader. We found it difficult to trim the content any further than our pilot submission, as we felt it was critical to explain to readers what subsidy costs are, and how they are reestimated.</p>
Peace Corps	From our agency perspective, it was challenge to create a modified MD&A since we didn't have an outline of the recommended sections. We follow the CEAR guidelines to ensure we incorporate everything and that makes it very easy for agencies to know what should be incorporated. It seemed that the vision framework was more of a free-flow recommendation and this was an adjustment from the "normal" requirements listing we depend on when doing the MD&A (and following CEAR or OMB A-136).
USAID	Needed an example
USDA	Lack of certain financial information - Our FY 2020 AFR lacked trends and future goals.
VA	Since other team members prepared different parts of the MD&A, we were not knowledgeable of all areas.

3. What terms or phrases in the framework would you like to see defined or described and why?	
MD&A Pilot Agency	Comments
Commerce	While we did not identify any specific phrases or terms that we would like to see identified, I think more guidance should be provided regarding performance trends and what performance information to include. The performance metrics tracked by the Department's Office of Performance Excellence do not necessarily have any relation to financial or budgetary performance. If the framework wants to focus on financial performance, that should be more clearly defined.
DHP	Getting deeper understanding and more examples of what is really identified as an essential few matters, risks, opportunities and challenges will help us identify these within the DHP. Further understanding and guidance what having a significant impact to financial statements will also help in our assessment of these identified risks, opportunities, and challenges. Providing real world examples would help in improving our understanding
DOD	<p>Examples of how other reporting requirements (e.g. GPRAMA, agency's line of efforts priorities) can be better aligned with a new MD&A Framework.</p> <p>Few essential matters. It is not easy to identify which variances the DoD should discuss. With a balance sheet of over \$3 trillion</p>

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

3. What terms or phrases in the framework would you like to see defined or described and why?	
MD&A Pilot Agency	Comments
	<p>in assets and liabilities, a total net cost of \$718 billion, and total budgetary resources of a trillion, it is very easy for a variance to exceed 10% and \$1 billion. This makes it difficult to shorten the financial information of the MD&A.</p> <p>"Significant changes," possibly "essential few."</p> <p>These are the phases we found challenging due mostly to the integration of financial and non-financial information which we do not currently capture in the way the Framework requires. We suggest further guidance and examples to get to the core of these requirements:</p> <ul style="list-style-type: none"> OP-3 MD&A should provide an integrated discussion and analysis of the entity's mission, organization, budget, cost, and performance, for the entity's significant major program investments and the entity as a whole, including what types of resources the entity used and what the entity achieved during the reporting period. OP-4 MD&A should provide a concise/balanced discussion/summary of significant financial and non-financial operating performance information, including electronic references to legislative performance Framework documents, such as GPRAMA reporting, for the entity's major program investments and the entity as a whole. ST-2 MD&A should concisely describe planned agency actions to address current and prospective mission-related issues, challenges, and/or risks that could significantly affect assets, liabilities, costs, revenues, and budgetary resources.
DHS	No comments.
EDUCATION	None at this time
FTC	The framework needs to place more emphasis on combining financial and performance information in the AFR to provide value to the reader. The federal government is budget-driven and the stewardship objectives related to financial analysis are more focused on the proprietary financial statements rather than the budgetary financial statements
GSA	
HHS	Recommend additional examples and clarification on the framework overall in terms of government reporting. (E.g., financial trends for appropriation-based agencies).
HUD	Any requirement in A-136 should constitute specific standards of expectations so that agencies can fully understand what is expected. It also aids in differences of opinion between the agency and the auditor.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

3. What terms or phrases in the framework would you like to see defined or described and why?	
MD&A Pilot Agency	Comments
INTERIOR	We did not have any issues with terms or phrases from the framework.
IRS	n/a
NLRB	Given that this is the first time we've gone through this exercise, I recognize that there may have been expectations that were not included in the original framework. The comments given by Ms. Gilliam, per the original mark-up draft I provided, were much more helpful.
DFC	Risks' this can be interpreted in many ways. It would be helpful to know whether agencies should be focusing on their enterprise risk framework, or if this should be interpreted in a broader sense.
Peace Corps	<p>There are several compliance requirements that we included in the MD&A, such as internal controls and risk management, assurance statements, and the like. How will those be addressed in the modified version? Will those be new requirements in the financial sections or will it be implied that those are part of the normal course of audit and addressed in that process accordingly?</p> <p>As for risk management, I think it should be addressed that agencies focus more in terms of how the agency addresses financial risk. There's a lot of risk, but I think specifically stating "financial risk" would help agencies in focusing what to talk about for risk management.</p> <p>Vision Framework I based on the slides, it still includes performance results. This will continue to create confusion on how much information should be included when discussing performance for the MD&A.</p> <p>Additionally, being that we are in government, it is difficult to understand or apply the question of "sustainability of programs."</p>
USAID	
USDA	essential few may be subjective
VA	Needed more description on the format for the introduction to the financial Position & Condition; for example, what are the key elements.

NOTE: Questions 4 & 5 have been removed for anonymity purposes. Staff included a consolidated summary about what changes pilot agencies recommended for OMB A-136 & AGA CEAR® in Attachment 2: *Roadmap to Streamlining the MD&A*.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

6. Please provide any additional information your agency wishes to share about your MD&A pilot experience.	
MD&A Pilot Agency	Comments
Commerce	The Pilot program was a great experience. Kudos to FASAB for coming up with the pilot program and for diligently working with the federal government agencies to improve the preparation of financial reports. Will the framework be further edited to include COVID-19 impacts, at least as long as they are required in OMB A-136. OMB A-136 recently introduced new reporting requirements in the MD&A regarding COVID-19 impact and budgetary resources. Given that it is likely that agencies will continue to be impacted by COVID-19 (remote work, budgetary resources, etc), will the MD&A framework be modified to include this information, which I believe to be valuable to users of the statements.
DHP	The program gave us clear guidance on what is expected in the MD&A. It made us focus on the reader in terms of the flow of the narratives and what financial information they would like to know and learn about the agency.
DOD	The size of the agency adds to the complexity of streamlining the MD&A section. We would have to adopt a new mindset which would not be a bad thing. The MD&A lost a lot of historical background information as well as descriptions of the DoD Components and the agency's role with state missions (such as the Coast guard), which we thought was nice to have in one place. We could develop a centralized link to a website with the same information but it was nice to have that info to give the reader an understanding of the Department. We recommend FASAB share examples of the pilot MD&As that best reflect their vision for properly focused and streamlined content. If no one MD&A provides a perfect example, recommend sharing examples by section similar to the method used by the AGA CEAR in distributing their evaluation of best practices. We appreciate the opportunity to participate in the FASAB MD&A Framework pilot and look forward to continuing to assist through Standards setting.
DHS	In general, we feel like the efforts on streamlining the MD&A would add value to the report and would provide agencies better guidance on how to prepare their MD&A. Having some sort of template and or specific requirements in the future not only could achieve consistency among agencies but it could alleviate some of the work that agencies go through currently when putting the MD&A together.
EDUCATION	
FTC	Some previous comments may be negative but we agree with the pretense. Streamlining reporting requirements is important and should be done. However, we feel it is a difficult balance. In the federal sector it is important to retain the transparency. Agencies have proven that financial data is good and accurate i.e. the FTC has had 24 straight years of a clean opinion. So now, what can we do with this data? Our investors are the public stressing the connection of financial data to performance data should have value and demonstrate not only our financial position, but what have we done with the resources provided.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

6. Please provide any additional information your agency wishes to share about your MD&A pilot experience.	
MD&A Pilot Agency	Comments
GSA	It seemed like, in many regards, that we were being encouraged to move much of the “unnecessary” MD&A information to other sections of the AFR or point to links for the information. We believe a more holistic approach to streamlining the entire AFR should be taken, based on the infrequent reading of government wide financial statements by the U.S. population as a whole, and similarly issued financial reports (10-Q & 10-K) SEC entities (major SEC entities only avg approx. 97 pages for their annual reports, whereas, the avg AFR is 223 pages).
HHS	Recommended to: Elaborate and clarify value added at pilot kick-off Comparisons of federal government to private sector not always feasible Cookie-cutter framework does not always apply to large and complex agencies (e.g., HHS has over 900 performance measurements and 300+ programs) Additionally, increased hands-on collaboration with in-depth assessments on each agencies content would add more value to conversations and questions with individual agencies. Note to question number 9 can we receive additional information regarding the "MD&A task force" (e.g., who is included, meeting frequency, purpose).
HUD	
INTERIOR	The providing of a template/example for how the MD&A should look for the pilot was extremely helpful. This would probably benefit the agencies in the future if the process is modified for the MD&A. Clear directions provided on what is expected in the sections of the MD&A to limit the providing of too much information would be beneficial in the future.
IRS	The FASAB pilot is just what the doctor ordered! This approach is refreshing and on point for the Agency Financial Report. The MD&A currently pulls attention AWAY from the financial statements and note disclosures by muddying the waters with too much other program and miscellaneous information. The changes allow us to frame the agencies mission in the context of the financial statements and adds value to financial statement presentation rather than detracting from it. Thank you FASAB!!!!!! Great work and wonderful vision!!!!!!!!!!
NLRB	Determine if they want performance or financial reliability as it relates to the financial statements.
DFC	We wanted to thank you all for your willingness to work with each agency individually to discuss our needs, thoughts, and plan forward. This was a very helpful exercise in continuing to improve upon our reporting.
Peace Corps	The MD&A pilot was helpful for us. I think the vision framework could have been better defined, but having access to Ms. Gilliam and honest feedback about the changes to the document facilitated with the process. Streamlining the process for implementation at the soonest possible time will help us with resource management. I also think that with the upcoming changes, we will shift the focus of our analysis to be more insightful into what really taking place in the agency; focusing on expectations based on agency operations (status quo) and explanations for unexpected results.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

6. Please provide any additional information your agency wishes to share about your MD&A pilot experience.	
MD&A Pilot Agency	Comments
USAID	
USDA	Feedback on draft sample was helpful
VA	We're excited about the Pilot because we agree that the MD&A should be streamlined and focused more on financial analysis and key financial performance results. I'd like to see descriptions of cost savings events/efficiencies or return on investments.

7. Please provide the date (month/year) when you would need updated MD&A standards published to support reporting a streamlined MD&A for FY2022?	
MD&A Pilot	Comment
Commerce	05/01/2022
DHP	01/01/2022
DOD	03/01/2022
DHS	Ideally, we would like to have it published by third quarter in order to prepare as part of the draft AFR and go through appropriate internal vetting process.
EDUCATION	03/01/2022
FTC	06/01/2022
GSA	01/2022
HHS	05/01/2021
HUD	07/01/2022
INTERIOR	Of course the answer would be as soon as possible but realistically it would be nice to see the standards published by the end of the current fiscal year (September-October/2021) to begin the conversations with Stakeholders on how to proceed with the new streamlined MD&A.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

7. Please provide the date (month/year) when you would need updated MD&A standards published to support reporting a streamlined MD&A for FY2022?

MD&A Pilot	Comment
IRS	March 31, 2022
NLRB	June 2021
DFC	06/01/2022
Peace Corps	03/01/2022
USAID	06/01/2022
USDA	03/01/2022
VA	01/01/2022

8. Is your agency interested in joining the MD&A task force?

MD&A Pilot Agency	Comments
Commerce	Yes
DHP	Yes
DOD	Yes
DHS	Yes, DHS would like to participate.
EDUCATION	No
FTC	Yes
GSA	No
HHS	Yes
HUD	No
INTERIOR	The Department of the Interior would welcome the opportunity to participate in the MD&A task force.

MD&A: TOPIC D – Attachment 4: Agency Pilot Survey Responses

8. Is your agency interested in joining the MD&A task force?	
MD&A Pilot Agency	Comments
IRS	Yes – count us in!
NLRB	Yes
DFC	Yes
Peace Corps	Yes
USAID	Yes
USDA	No
VA	No

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Very good	Starting with USDA, the MD&A had a VERY easy-to-read summary analysis of the reporting entity's financial position. The document's format and flow made the statement emphasize the main areas within the organization's financials. Although they mention the accounts, what represents those accounts, and the source of changes, there is only an inferring of the financial position. There needs to be a more obvious written statement on the financial condition.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Fair	I feel that the discussion needs to start with a general statement about the type of assets and liabilities it has before going into details. And even before, that it needs to explain its business, main lines of activities, goals, etc., without which financial statements do not make much sense. There is a good explanation of budgetary resources (overview) There is excessive use of acronyms, some of which are unexplained)
Bethany Ward	Student	Midwestern State University	Excellent	I found the USDA sample MD&A to be very simple, concise, and easy to read, while also providing me with good information on the USDA's financial condition. I found it to be very organized and it wasn't too overwhelming for me as the reader. The format of the MD&A made it very easy for me to read and the use of charts helped to visually display the entity's financial condition. Overall, I found it to be easily readable and concise.
Douglas Webster	Retired		Excellent	
Eric Przybylski	Specialist Leader	Deloitte	Very good	Properly concise but still covered the major programmatic elements that made up assets, liabilities, and budgetary resources.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	There is no summary analysis, the MD&A provides an analysis for each area, Assets, Liabilities, Budgetary Resources, and Net Cost.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Explanations about financial position and condition were very good. Total liabilities on pages 4 & 5 were especially beneficial.
John Korbel	Management consultant	JK Consulting	Fair	USDA's write up is concise and makes effective use of charts to summarize the department's financial position. MD&A does a good job of explaining the various functions of the department and their contribution to the financial performance of the department. The entire narrative is 12 pages (excluding financial statements at the end) and the summary is skeletal at best with brief highlights of key changes in conditions. More description of the causes of changes would be helpful. In terms of organization, it would be helpful to bring pages 8-10 (description of programs) to page 1 after mission. Seems like a throw away at the end of the financial summary.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Montes Martinez	Student	Midwestern State University	Very good	Objective and concise because the report presents what I believe to be a great summary of financial position in a fairly short report. I was able to learn the background info necessary to see how the entity operates and why there were respective increases/decreases in general ledger accounts.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	USDA's analysis of its financial position and condition is not too concise or easily readable. The discussion of assets describes Direct Loan and Loan Guarantees because it's one of the largest assets on the balance sheet, but there is no description of FBwT (which is larger than Direct Loan and Loan Guarantees) except to describe the reason for its fluctuation. The discussion of liabilities doesn't describe its second largest component, Other. A simple explanation of what makes up Other would be informative. In addition, the total assets and total liabilities charts on pages 3 and 4 include descriptors of assets and liabilities in the legends that are so immaterial that they don't even appear in the charts. The charts are too cluttered to be clear.
Reem Samra	Managing Director	Deloitte	Poor	MD&A did not include a concise overview of the entity's financial position and condition. I recommend that the organization include a financial highlights section at the beginning of the MD&A that summarizes the essential few matters that caused significant changes. The reader would have to go through the whole MDA to get an idea of what happened during the year.
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	The USDA MD&A included poorly constructed graphs that would benefit from: (1) labeling the graph directly, instead of providing a legend, (2) aggregating smaller categories that included 0-1% each (in donut graphs), and (3) providing support for narrative that explains significant year-over-year changes. Consider providing more than two years worth of data in graphs that would inform readers about true trends. In addition, 2020 being the year of COVID should be addressed (i.e., what would we have expected absent the pandemic).
Tim Morgan	Retired audit partner	PWC	Poor	Graphs are helpful but narrative could better describe why balances exist or changes occurred, rather than just the changes by program or agency. Did not tie the significant changes to Covid relief bills, or other external events (eg, weather events) via significant changes in appropriations. For example, change in FBWT could be tied to covid funding I assume.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	The USDA MD&A was highly concise and a brief summary, but lacked a lot of information. It often just repeated the numbers in the financial statements with little other information. Some of the charts were good, but the narrative lacked in helpful information along the lines that the Framework strived to provide.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	There is not a lot of additional information provided to assess the financial position or condition. The changes were broken down by program but no indication if the change was expected. Paragraphs could have added more information to expand on the graphs.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	After analyzing the USDA's MD&A, the DOD had an excellent summary analysis of its financial position that provided relevant details on the financial statements' reasoning and figures. Although the DOD had an audit that resulted in a Disclaimer of Opinion, they put this at the forefront and mentioned areas needing improvement and how they will do this moving forward.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Fair	Discussion was generally good, balanced and in plain English. I appreciated the link references to different notes. This made the discussion quite user friendly. But lacked a straightforward explanation around the elephant in the room: the DoD seems to be non-auditable. Results presented are non-audited and the discussion of this fact is almost non-existent. More needs to be said in the MD&A to make it relevant to end users.
Bethany Ward	Student	Midwestern State University	Excellent	I found the DOD sample MD&A to be very concise, simple, and easy to read while also providing me with good information on the DOD's financial condition. The format of the DOD's MD&A made it very easy for me to read and I really liked the charts that they used because it helped provide a clearer picture for me of the entity's financial condition. It was very organized for me to read as well. Overall, I found it to be very easily readable and concise.
Douglas Webster	Retired		Excellent	
Eric Przybylski	Specialist Leader	Deloitte	Fair	Concise, but too concise. The position and condition were summarized from a total of balances perspective, effectively narrating the key FSLIs, and introducing albeit briefly and without context of relative contribution to specific line items major programs within certain line items. Most laypeople think of DoD as the Army, Navy, Air Force, and fourth estate. However, nowhere in the condition are materiality of components measured.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Fair	Analysis should include a summary of the financial position and then go into each financial statement and the specific details.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Financial Position and Condition explained but basically said they were working to provide better information. They should have indicated when the systems will be able to provide that information.
John Korbel	Management consultant	JJK Consulting	Fair	This was not easy to read . Requires extensive knowledge of DOD financial reporting, and tends to bury one in the weeds. Basically attempts to summarize each of the major financial statements with difficult to follow explanations of changes from FY19 to FY20. Does not give a feel for financial condition. Much of this feels like cut and past and heavy reliance on references to financial information elsewhere, e.g., AFR and other sources like NSS.
Montes Martinez	Student	Midwestern State University	Very good	The report did a very good job in giving essential details to understand the financial performance of the DOD.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	DOD provided an objective, concise and easily readable summary analysis of its financial position and condition. The descriptions of Assets and Liabilities are clear and the pie charts provide a clean visual to accompany the narrative.
Reem Samra	Managing Director	Deloitte	Very good	DOD provided a good summary about the financial position and condition at the front. In general they were concise, straight to the point and provided a good overview of the organization.
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	The visual graphs/charts were well-constructed, and readers can easily discern financial results, and the narrative around the financial position/condition was thorough enough, but yet still concise.
Tim Morgan	Retired audit partner	PWC	Poor	Unfortunately, substantive discussion of financial amounts are overshadowed by recurring commentary on how control weaknesses and changes in accounting affect the numbers. The links to the financial statement notes don't add any substantive value over reading the financials themselves. If you strip both of these factors out, there is not a lot left.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	For a Department as large, diverse and complex as DOD, MD&A was surprisingly quite interesting, concise, and easy to read. I was able to easily get a clear picture of the state of the DOD financial position. This, in spite of the fact that they received a disclaimer of opinion and one of the first complete set of financials that they have produced. The explanations were easy to follow, using plain English descriptions, and provided just enough charts that were relevant and enhanced the narrative. They also followed the guidelines of the framework provided.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	The Financial Position & Condition section is a good overview. I like that it starts with this overview and multi-year information throughout. The Statement of Changes in Net Position is concise and easily readable. Side-by-side visuals are a plus.

1. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	HSS provided a VERY easy-to-read summary analysis on its financial position and condition. It laid out the summary and highlights, each financial statement, and major accounts within those statements. Additionally, it added paragraphs about areas recognizing the key performances and areas needing improvement and how they will continue with both in the future.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did HHS's sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	I found that the presentation had a good mix of verbal discussion and relevant graphic representations. I found especially compelling the acknowledgement of COVID activities as its own section. It shows an awareness of the issues that might be relevant to the end user.
Bethany Ward	Student	Midwestern State University	Excellent	I found the HHS 's MD&A to be extremely concise, easily readable, and very detailed which I really appreciated as the reader. They went into great detail in their MD&A which was extremely helpful for me to develop a clear picture of the company. Additionally, they were able to aggregate all of this detailed information in a format that I found to be extremely easy to read. I thought that the headings and topics of the MD&A flowed really nicely and smoothly.
Douglas Webster	Retired		Excellent	The narrative was clearly written at a level to communicate with the average citizen, and not dependent on federal financial management experience (e.g., explanation of the purpose of various financial reports in laymen 's terms). Outstanding use of graphics to tell the story.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Fantastic summary provided for disposition of assets/liabilities and the specific business drivers of year-over-year change and effectively related balance sheet to income statement to change in net position.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	Great analysis.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Great job. Keep up the good work.
John Korbel	Management consultant	JJK Consulting	Very good	HHS made an effort to respond to the Vision Framework and to provide an easily readable summary analysis. Given the complexity and range of its programs, this summary is rather detailed and dense in explaining their programs and actions. The summary goes beyond financial position and condition in evaluating performance during the fiscal year.
Montes Martinez	Student	Midwestern State University	Excellent	The report gives very good detail on the financial position of the entity and covers all aspects mentioned above.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	HHS's Financial Summary and Highlights presents a concise and easily readable analysis of the Department's financial condition and position. It describe the various meanings of the financial statements and depicts financial statement amounts in a variety of charts and tables.
Reem Samra	Managing Director	Deloitte	Fair	The information was there but it was not pulled to the front of the document. I encourage the inclusion of a financial highlights section at the beginning of the document
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	The table on page 14 with the accompanying graph were very effective. I also like the subsequent donut and pie charts of assets and liabilities. The narrative around it should be more explicit about the reasons for changes and providing the agency's forward-looking response to the financial position and condition.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did HHS's sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Tim Morgan	Retired audit partner	PWC	Excellent	Use of graphs and alternate views by OpDiv and type of asset and liability was extremely helpful to understanding in the context of a very large agency.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	HHS's sample MD&A was objective, extremely informative, fairly easy to follow, it was by far not a real summary analysis. This one was the most lengthy of all four. While again, it is a very large and complex Department, but HHS seem to struggle to reduce their lengthy discussions on topics into a shorter and more concise summary set of information.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Financial Summary and Highlights -Draws a comparison across government agency -Good use of graphs with assets and liabilities by type and distribution. -Included schedule of spending and tied to other statements. -Social insurance and solvency are clear and concise for how complex the program and calculations are.

1. How well did FTC's sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Very poor	After reading the other three MD&As, this one was challenging to push through. The format and charts were not easy to read. It lists the accounts and monetary figures, but it is not the best representation for this category.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	It was very useful to have the financial highlights after the other parts of the MD&A. They make the numbers become more relevant. No other comments on financials, other than that the discussion looks good to me.
Bethany Ward	Student	Midwestern State University	Poor	I found the FTC 's MD&A to be a little hard to read. The format wasn't very concise, and I found the MD&A to be a bit clustered and not as organized as some of the others that I have read. However, this MD&A did provide pretty good detail and information about the entity. I just wish that the topics had flown a bit better and that there was more use of headings in the MD&A. I also wish that this MD&A had more charts than they utilized.
Douglas Webster	Retired		Excellent	
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Financial position well described providing a reader a description of the major contributors to assets, liabilities, costs, and revenues.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

1. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the reporting entity's financial position and condition?

Name of Respondent	Position	Organization	Rating	Comment
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	FTC provided a simple but concise summary of their financial position and condition.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Very good	Financial position and condition were well explained but extensive text made it look too wordy. Could add chart on page 4 of Net Cost to Protect Consumers (Strategic Goal 1) from Statement of Net Cost on page 67. Could also add chart on page 7 of Net Cost to Maintain Competition (Strategic Goal 2) from Statement of Net Cost on page 67.
John Korbel	Management consultant	JJK Consulting	Fair	Much off the 13 page document focused on an overview of the agency and performance against key goals and objectives. Not until page 10 does it address financial condition, and does provide an adequate summary of financial position and condition.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Very good	Overall enjoyed reading this report because it does a good job at connecting the dots between financial position and condition.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	FTC's summary analysis of its financial position and condition is objective and easily readable, but it appears limited to describing the matters causing changes to its financial statement amounts, and not providing an assessment of its overall financial position and condition.
Reem Samra	Managing Director	Deloitte	Poor	It was very difficult to understand the overall financial condition of the organization by reading MDA. It is important to include a high level financial highlights summary in the document.
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	The table on page 11 is small, and the corresponding chart is not more effective than the table. Reasons for changes in balance sheet items are not clear, nor is the impact of COVID discussed.
Tim Morgan	Retired audit partner	PWC	Very good	The explanation of the meaning of technical terms was helpful. The narrative spoke to trends and balances in the context of meaningful natural and programmatic drivers.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	I thought the FTC sample MD&A was very disjointed. Ten pages on the discussion of their strategic planning goals and programs - very interesting if you wanted really in-depth information on all their programs and plans. However, not really concise or summarized and more importantly, not really well integrated with the discussion of their financial and budgetary results which was three pages. Not really objective, concise or easy to read summary.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	Not much information is added about the financial position.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **USDA's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	USDA provided the mission of its organization and each of its programs. Throughout reading the document, the entity's financial health and sustainability were present and at the forefront. The flow from the programs to the Net Cost of Operations solidified this topic's readability and conciseness.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very poor	Very little explanation of this topic at all. No explanation of the meaning of observed results. For instance, there is no explanation on how the external COVID shock affected the delivery of services, results and performance, mission, etc. Seems like a mere compliance exercise, not a substantive one, in this regard.
Bethany Ward	Student	Midwestern State University	Very good	From the USDA's sample MD&A, I was able to develop a very clear picture of their mission, structure of their organization, and key financial performance measures. I found the website links to be very helpful with providing more information on various aspects of the organization. On page 2, I do wish it explained what exactly the NRCS, CCC, RMA, and FSA were. For me, as a reader with no background with the USDA, I would have liked to have at least one sentence explaining what each of those were. Overall, I was able to develop a very clear picture of the USDA's mission, organization, and key financial and performance results through the objective and concise format that the USDA utilized.
Douglas Webster	Retired		Very good	Good, but uses the acronym FSA, not defining the term of Farm Service Agency until the next to last usage on page 8. Limited discussion of performance results.
Eric Przybylski	Specialist Leader	Deloitte	Very good	Did defer to the Agency website for further detail on its organizational elements, but integrated descriptions of major programs throughout its discussion of financial analysis. Key results surrounding the impact of COVID on its position were discussed thoroughly but not overly-detailed.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	By trying to be concise, the MD&A doesn't explain clearly the mission and key results.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	The financial results section on pages 8-10 should be on page 3 at the beginning. This would let the reader know about the mission, etc. before they look at financial aspects. Also, the abbreviations are shown in that section and were not identified earlier. Even though the financial health was well explained in the Financial Position and Condition Section, the subject of sustainability was not addressed . Overall, the presentation was good.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **USDA's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
John Korbel	Management consultant	JJK Consulting	Fair	While financial results are summarized, including changes from FY19 to FY20, financial health and sustainability are implied but not discussed.
Montes Martinez	Student	Midwestern State University	Fair	Overall a good presentation, but I would like to see a variance column for each statement prepared and also whether funds were classified as restricted, assigned, unassigned, etc. I also believe it would be beneficial to include the budget and how close actual activity was to said budget.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	USDA's description of its mission areas seems disjointed and out-of-place (pages 10-12). The section is headed "Financial Results," but financial information doesn't appear until page 13. In addition, each mission area lists USDA offices/agencies (?) that I assume are responsible for those mission areas. But that's not clear. Finally, USDA does not provide any performance information.
Reem Samra	Managing Director	Deloitte	Fair	While the MD&A included certain relevant information, it did not include an overview of the organization, and what they consider the key financial and performance results to help the reader understand the major programs and initiatives
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	While concise, the discussion providing a link to the organizational chart rather than providing a description. As noted above, the graphs lack the characteristics necessary to make them appealing and meaningful to readers. The results potentially suggest that resources were hoarded (assets increased significantly). The MD&A should address whether USDA stayed on top of processing grants and distributions of resources. The MD&A would benefit from clear definition of acronyms, ordering the discussion consistently in order of largest to smallest programs, and incorporation of sections of financial information with the discussion.
Tim Morgan	Retired audit partner	PWC	Poor	The lead in to financial results is good but would have been more helpful earlier in the MDA. Linking mission to changes in budgetary resources, thence to costs of operations, would have been a more helpful picture of activities. The breakdown of increases by program supports linkages of mission to costs, but another view, by natural classification for example, would help further understand how dollars are used, eg, actual aid delivered versus administrative level costs, or personnel versus direct funding of support to farmers, etc.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Poor	Way too brief. The discussion of the mission statement was the one sentence mission restated. The organization discussion was a link to an organization chart, and a brief discussion of the agencies that comprised the Department in the back of the report. They did discuss those agencies when they attempted to address performance results, but there was little there about results. The financial discussion was "clinical" at best.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	The mission section is very brief and could have been referenced more throughout to provide more practical perspective. There is not much indication if the changes are normal/unexpected/etc.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **DOD's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	DOD did an excellent job describing its missions and results to understand the major programs' financial health and sustainability. As mentioned in question one, the ability to receive a Disclaimer of Opinion and show throughout the document the improvements the entity will be taking to fix it is a step in the right direction. DOD listed each account, any impact or if they were normal, and knew what was happening to each one.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Poor	Little discussion on performance results. Two short paragraphs in page 7 mention performance results and points to a larger report but does not even attempt to provide any meaningful discussion whatsoever on performance. This flies in the face of the spirit of this exercise.
Bethany Ward	Student	Midwestern State University	Excellent	I believe that the DOD developed a very clear picture for me in terms of their mission, organization structure, and key financial performance results. The mission and organization section on page 1 clearly explained to me the mission and organizational structure of the DOD. The website link also assisted greatly in providing additional information about the DOD. The key performance results on page 7 clearly highlighted key financial performance factors for me as well in a clear and concise way.
Douglas Webster	Retired		Very good	The mission and organization were presented at a very high level, with a reference elsewhere for more detail. Key financial results were presented, but performance was largely absent.
Eric Przybylski	Specialist Leader	Deloitte	Fair	Taking the average of Excellent and Very Poor, depending on one's patience and ability to navigate extensive outside references. Excellent in that the MD&A included numerous linkages to more comprehensive detailed documents (NDS, NDAA, NSS, NDBOP) and other AFR detail such as footnotes. Very Poor in that those external sources are not summarized, capturing the highlights, or providing the reader assistance in elements of those artifacts that may be most relevant to financials. In short, hands the reader an encyclopedia but not the relevant passages.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	Great discussion about mission, organization, and major programs.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Mission and organization explained but financial and performance results were too brief to be of much value. Financial health and sustainability were not adequately addressed.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **DOD's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
John Korbel	Management consultant	JJK Consulting	Fair	Major expenditure areas are highlighted, but did not get a feel for financial health or sustainability. MD&A made extensive use of placeholders when looking at the future.
Montes Martinez	Student	Midwestern State University	Fair	They did a good job in accomplishing this goal, but a little more background on the entity's mission and organization would have been nice.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	DOD's discussion of its mission, organization, and key financial and performance results is limited. DOD does not state its mission, nor does it describe its organization. It does describe its seven major program areas, but there is no identification of how the program areas are allocated throughout the Department's offices/agencies. DOD does not present key performance results in the context of its major programs.
Reem Samra	Managing Director	Deloitte	Fair	great overview of the organization and its mission, they should work on better identifying the major programs and the sustainability of these programs
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	I was grateful for the discussion of COVID and the historical challenges DOD has faced in receiving a disclaimer of opinion on its financial statements. In places (e.g., Figure 18), the narrative should further explain the implications of the financial information presented.
Tim Morgan	Retired audit partner	PWCPC	Fair	The links are helpful and together provide a meaningful overview of the DOD's mission, etc. With respect to results, there is no similar lead in statements to provide the "big picture", other than a discussion of Covid (which was pretty good).
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	DOD's MD&A here was far more brief and often just referred the reader to links and often with no summary of the topic before the referral link. With respect to the performance results again, more links with less information.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Each major program explains the program's purpose followed by the significant change. The budgetary resource section addresses an organizational risk as well as the mitigation strategy. If the "Placeholders" were filled in, it probably would have been "Excellent".

2. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
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MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	HSS formatted the MD&A to give the organization's context, its programs, strategic plans, and then the key areas of the financial statements. With this format, they listed each program, the acronym, and mission for easy understandability. Further down, the MD&A presents the key performances and areas of improvement to keep these programs in operations. HSS's financial health and sustainability were at the forefront throughout the entire document.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Excellent	Fantastic discussion of HHS's mission, service, organizational structure. Really useful to the end user. Excellent discussion of performance goals and results, including a mix of qualitative discussion and quantitative metrics. It also helps a lot to provide this discussion early on the report, so later discussions on financial metrics makes a lot more sense. Best practice!
Bethany Ward	Student	Midwestern State University	Excellent	The HHS gave a very detailed explanation of their mission and who they are as a company through describing their organizational structure, mission, and their purpose as an organization. They provided very detailed performance results as well which was very helpful for me to understand their financial situation and condition. Through their detailed explanations and presentation of financial information, I was able to really understand the financial health of the organization.
Douglas Webster	Retired		Excellent	The mission and organizational structure were well described, and the key financial and performance results were provided and set into a broader context than linked to strategic planning, ERM, evaluation, and performance management (fig. 1).
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Covered briefly (3-4 sentences each) all the programs and components of the Department, but was enough high-level detail to grasp the various roles each component played. Key financial and performance results were discussed in what read as a summarized APR. Major programs, particularly new programs, were given prominence and sometimes its own page of description. The major programmatic elements and changes came through repeatedly, leaving the reader with a clear understanding of the certain few events that drove significant organizational change and how that reverberated throughout the FSLIs. The five performance goals were discussed, along with the FY's accomplishments toward those goals.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Fair	The mission, organization sections are concise and easily readable, however, they could have added a summary of key results.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Each area was covered very well.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
John Korbel	Management consultant	JJK Consulting	Excellent	HHS went to considerable effort to explain its mission and organization, and key financial and performance results. Much of this was in the context of explaining the Agency 's five strategic goals and its overall strategic plan (referenced). In each goal, HHS references its progress spotlight - to highlight performance during the year. This was helpful in adhering to the Vision Framework to identify Significant Changes during the reporting period.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Very good	The report did an excellent job in doing this.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	HHS's discussion of its mission, organization, and key results is extensive and thorough. The Department briefly describes each of its operating divisions and ties the relevant supporting divisions to the applicable strategic goals. Each strategic goal summary includes performance highlights and challenges and opportunities going forward. HHS also discusses the financial sustainability of the HI and SMI trust funds in an objective, concise, and readable manner.
Reem Samra	Managing Director	Deloitte	Very good	The MDA with the exception of the highlight section noted above was very good. They had a detailed discussion about the mission and the organization, the programs and goals. I recommend that the discussion on the goals be more concise and straight to the point.
Tammy R. Waymire	Professor	Middle Tennessee State University	Fair	For as much narrative as there is in the HHS MD&A, there is very little in the way of sustainability and forward-looking plans.
Tim Morgan	Retired audit partner	PWC	Excellent	The lead in overview provided a balanced perspective of agency mission, components, etc. The GPRA narrative is spot on to give a meaningful view of goals, objectives and progress without overburdening with jargon.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	There was a good, concise description of HHS's mission and organization. It was a good description and analysis of the financial results of the program, but the performance discussion was buried in the lengthy discussion of the Agency's strategic planning goals and priorities. That was a distraction to me as I wanted to read more about what they accomplished over the past year and how that affected their financial health and the sustainability of their programs. It was there later in the presentation, but the strategic goals discussion disrupted the flow in my opinion.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	The COVID-19 section is good. The strategic goals section is well organized and easy to follow but can have had more references to the financial statements.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **FTC's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Fair	FTC did provide the mission and strategic/performance goals; however, it didn't help understand these major programs' financial health and sustainability.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	I found the inclusion of strategic goals, objectives and performance in a table format very compelling. This allows to focus at the level of granularity that each end user desires. It would have been interesting to include to provide some explanation on a couple of examples of exceeded or missed targets.
Bethany Ward	Student	Midwestern State University	Fair	I found that the FTC did provide good information related to their financial and performance results. They provided good detail. However, it was a little bit harder for me to read and felt kind of all over the place to me. I think that a way to improve the organization of this MD&A would have been to use more headings and separate information out a bit more than they did. However, they did provide good detail about their financial information. It was just a little bit more difficult for me as a reader to read the information because of their presentation and organization of the information.
Douglas Webster	Retired		Very good	There was an excellent description of the mission and organization. However, the discussion of actual performance attained relative to goals was limited. For example, the narrative stated 29 times that the FTC will continue various efforts and initiatives, without stating the past results of those efforts or initiatives, and how they compared to targets. Discussion of financial performance was very good.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Starts the MD&A with a discussion of performance, including performance goals and performance against those goals in the FY, including links to where greater detail surrounding the goal metrics can be found. The mission was provided at the top and was concise and relatable.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Excellent	FTC excelled at providing a concise discussion of the entity's mission, organization and performance results.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Appreciated inclusion of the vision. Section could have been improved with a simplified organization chart. Issue of sustainability was inferred but not specifically addressed. Overall the presentation was good but not great.
John Korbel	Management consultant	JJK Consulting	Very good	Was easy to read and provided a very good overview of the agency, including mission/vision, organization and key functions of the agency. While they assess performance against key goals and objectives, there is limited focus on financial results. Major challenges to sustainability of major programs are budget related, in particular, the rising costs of expert witnesses vital to FTC function.
Montes Martinez	Student	Midwestern State University	Very good	Great job in explaining these activities and tying their performance back to the entity's mission and organization.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

2. How well did **FTC's** sample MD&A provide you with an objective, concise, and easily readable discussion about the entity's mission, organization, and key financial and performance results to help you understand its financial health and sustainability of major programs?

Name of Respondent	Position	Organization	Rating	Comment
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	FTC's provides an objective, concise, and easily readable discussion about its mission, organization, and key performance and financial results. FTC identifies its two strategic goals and the challenges and opportunities for each goal. FTC identifies the applicable "key" performance goal/objective for each challenge. FTC also describes its Net Operating Results by strategic goal.
Reem Samra	Managing Director	Deloitte	Fair	The organization did a good job providing an overview of the organization and mission, but the discussion on performance results was more narrative and opinion and not supported with real result oriented measures. Pages 4 and 5 included discussion about what the organization will be doing in future rather than what they accomplished supported by measurable results.
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	The financial condition and results are not discussed with enough specificity. Sources of funds on page 13 should specify the total being depicted on the pie chart. Also, the budget authority bar chart on page 13 need not provide a line for the total given that each data point is simply the top of each bar. Nothing is gained with the line. In many cases, the graphs are so poor that excerpts of the financial statements would better convey results. Narrative does not provide sufficient reason for financial balances and results.
Tim Morgan	Retired audit partner	PWC	Very good	The sidebar summary of mission and vision is helpful to focus the reader on the agency. The discussion of performance results was static rather than highlighting trends. See also further discussion below on performance results. Graphs and more trend information would have been very helpful to expand the analysis. The narratives were however, complete and easily readable.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	There was a good one page discussion of the mission, vision as well as the history, purpose and the organization. It was quite good and met the standard for concise and easy to read and understand. However, for the same reasons as described in the response to the last question (41), the presentation seemed to be two separate discussions put together but not an integrated, concise discussion of its financial health and sustainability of its major programs.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	Strategic goals are a bit verbose/redundant and do not provide trend information to help assess sustainability. A version of the phrase "will continue to focus" was used numerous times with no reference point to compare the current state of the agency.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **USDA's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Fair	Although USDA illustrates its financial position and condition well, the organization struggles to provide the details on significant changes to the financial statements. For example, the sections labeled "Total Assets" and "Total Liabilities" mention the accounts and what represents those accounts; however, the source of changes is just a monetary figure rather than a reason for the change. Not to forget, there was a couple labeled from COVID-19, but overall, I thought there could be more details on the matters along with the already provided figures.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Poor	Only mentions Coronavirus, but offers little insight in how it is affecting operations, how will influencing in the future, current and future actions, etc. Virtually no discussion of other key matters affecting the organization.
Bethany Ward	Student	Midwestern State University	Fair	I found the MD&A to provide with me with a concise and easily readable summary of significant changes that occurred in the entity's financial statements for the current reporting period. The use of the charts really helped me visually depict what happened financially in the entity during the reporting period. I thought that the changes in total assets, total liabilities, total budgetary resources, and net cost of operations were well explained through the charts and the concise explanations below the chart. One area that I wish the USDA went into more detail on was what exactly constitutes net inventory, net accounts receivable, etc. They explained what constituted net direct loans but had no explanations for the other assets. I wish they went into more detail on what exactly constitutes other liabilities, loan guarantee liability, etc. as well. They had a general overview of what debt consisted of, but I think it would be helpful to have a more detailed explanation of the other accounts.
Douglas Webster	Retired		Excellent	
Eric Przybylski	Specialist Leader	Deloitte	Fair	Provided reasonably detailed discussion of fluctuations in total assets, liabilities, and resources. However, there was no discussion of changes in costs and revenues.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Fair	The analysis could be more in-depth instead of just saying COVID, clarify if it was due to an increase in funding, decrease in activity, etc.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Discussion of significant changes were very good. The explanation on page 12 was especially beneficial.
John Korbel	Management consultant	JJK Consulting	Fair	Matters causing significant changes are mentioned in order of importance, but there is minimal description of what they are such as FNS and SNAPS due to COVID-19. A sentence on why this spending has gone up would be helpful.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **USDA's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Montes Martinez	Student	Midwestern State University	Fair	COVID-19 clearly had a significant role to play in the large increases/decreases that occurred throughout the financial statements, but I think it would be beneficial to include a little more background info on why the pandemic caused these changes.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	USDA provides an analysis of significant changes to financial statement amounts, but it is not concise. USDA describes that certain financial statement amounts increased due to the programs or accounts that make up those financial statement amounts. For example, FBwT increased due to CFAP and WHIP. Another example is Benefits Due and Payable increased due to Child Nutrition and SNAP for COVID-19. But, USDA doesn't identify the root causes for the increases. What about CFAP and WHIP caused FBwT to increase? What happened with Child Nutrition and SNAP to increase Benefits Due and Payable? How did COVID affect those programs?
Reem Samra	Managing Director	Deloitte	Fair	I recommend that the USDA include tabular comparison between the two years presented with a variance column (rather than the pie chart). This will make it easier for the reader to focus on the line items with significant variances. Also the discussion of the variances should elaborate on the significant reasons that caused the changes year on year.
Tammy R. Waymire	Professor	Middle Tennessee State University	Very poor	As noted above, the fact that 2020 is the year of COVID demands better discussion of the results in light of the unusual nature of the year. Evidence should be provided/discussed that would support what USDA did during the year, and, in particular, how USDA processed grants and distributions of resources given that the potential for hoarding is suggested by the increase in assets held.
Tim Morgan	Retired audit partner	PWC	Poor	See above also. There was no substantive discussion of the reasons WHY changes occurred, rather a recitation of the changes by program or agency.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	This section again was brief, but a bit more information about the financial results. Still, it was at a very high level with the discussion of the differences at a summarized, one-sentence level for major programs not much added detail to those one sentence descriptions. Mostly attributed performance results to COVID in the narrative.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	The significant changes are explained by listing the corresponding mission area/programs where the change occurred, but little details about the cause. e.g. simply stated "due to COVID-19"

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **DOD's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	Before the MD&A established the entity's financial position, an introductory paragraph mentioned the challenges of COVID-19 and the unquantifiable effects of the pandemic. Additionally, the summary analysis following each listed financial statement provides details of major changes and the reasoning behind them.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	Discussion early on of some of the ways the COVID-19 affected the DOD and how the Department reacted. Appropriate discussion of issues such as the effect of budget impasses and continuing resolutions.
Bethany Ward	Student	Midwestern State University	Excellent	I think that the DOD's MD&A did an excellent job highlighting and explaining the significant changes that impacted their financial statements. They thoroughly explained the changes that impacted each account which provided me as the reader with a very clear picture as to what truly happened in the financial position of the DOD. They fully explained the various elements and attributes that each account consisted of and that really helped me as a reader.
Douglas Webster	Retired		Very good	Reasons for changes were generally provided.
Eric Przybylski	Specialist Leader	Deloitte	Poor	Almost solely the what, but none of the why. In almost all instances, changes in FSLI balances were explained with a formulaic/oversimplistic: [Insert FSLI] [increased/decreased] by [insert change]. [FSLI] represents [list in no particular order large items in this balance]. What are the major initiatives affecting FSLI balances. Perhaps list and quantify at the top. Major new acquisition programs, SFFAS 50 revaluations for Department A for asset B, significant actuarial changes occurring in A, B, C department for X, Y, Z programs.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	Good summary, yet the explanations could be more detailed.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Basically explained that many changes were being made to the accounting system. Difficult to see much value in the information provided.
John Korbel	Management consultant	JJK Consulting	Fair	References changes that have occurred in various cost areas, with changes up or down and limited explanation. In some cases, there is no explanation and remains to be filled (see section on statement of net costs).
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Excellent	Although the DOD received a disclaimer of opinion, that was clearly stated as well as reasons for the opinion. Furthermore, the report highlighted areas where steps have been taken to improve/correct the areas that needed attention and resulted in the opinion.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **DOD's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	DOD's summary of analysis of the fluctuations in financial statement amounts is excellent. DOD clearly indicates the root cause for changes to financial statement amounts, whether due to changes in accounting practices, new Procurement system, pay raise, etc.
Reem Samra	Managing Director	Deloitte	Very good	DOD presented a good overview and trends of the financial statements as compared to prior year and a strong discussion on the reasons for change. The charts presented were very effective. They also provided a good analysis of the program costs, but the discussion was incomplete (they do acknowledge that they need to elaborate as some information is not available).
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	Discussion of COVID and military initiatives is solid.
Tim Morgan	Retired audit partner	PWC	Fair	The discussions of changes in liabilities, and particularly to net costs were directionally very responsive to the objectives, though note that the narrative only had placeholder narrative as information was not available.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	Very well done again in spite of a disclaimer of opinion. I felt like I learned a great deal about their financial position and why. Each statement was reviewed and the analysis had key points and good explanations for the differences. The charts were simple but supported the narrative and were easy to understand and compare.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	A systematic breakdown of the changes. The link to the note is good. Difficult to review with all the "Placeholders". I debated between "Fair" and "Very good" and ended up giving them the benefit of the doubt.

3. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
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MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	During the first read-through, I had this marked down as "Very Good" due to the summary analysis not being present enough to remember. However, HSS did state the increase/decrease in the accounts and the sources of these changes. Under the Statement of Changes in Net Position, it directs you to other sections that explain the significant fluctuations. Towards the bottom, it goes into more detail about the effects of COVID-19.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	The written presentation along strategic goals allows to distil the main matters that drive performance and financial amounts. Well done.
Bethany Ward	Student	Midwestern State University	Excellent	The Financial Summary and Highlights section of the HHS 's MD&A described thoroughly the changes to the entity 's financial statement amounts. I really like how they described each and every change in the account and the structure that they presented the changes. For example, after they stated the amount that a specific account increased or decreased, they would follow by specifically stating the cause of this change. Through these amounts and explanations, I was able to determine as a reader which accounts had significant changes.
Douglas Webster	Retired		Excellent	For each change in assets, liabilities, net costs, and unobligated balance were provided.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	The major programmatic elements and changes came through repeatedly, leaving the reader with a clear understanding of the certain few events that drove significant organizational change and how that reverberated throughout the FSLIs. Changes were also visually appealing.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Excellent	Excellent job at explaining the variances.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Great coverage of the pandemic.
John Korbel	Management consultant	JJK Consulting	Excellent	The financial summary and highlights section of their MD&A clearly emphasizes changes that have occurred to the principle financial statements. Of the samples reviewed so far, this is the most detailed and thorough.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Excellent	The report explains in detail any unusual variances.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	HHS presented an objective, concise, and easily readable summary of the significant fluctuations in financial statement amounts. HHS's descriptions include the specific reasons for the stated changes.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

3. How well did **HHS's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Reem Samra	Managing Director	Deloitte	Very good	The financial summary and highlights starting on page 14 was great, and included great charts that are easy to follow. One recommendation is to take some of the financial highlights discussed in this section and include them in the beginning of the MD&A to get the reader a brief overview of the financial condition of the organization and what are the significant matters in the year that impacted their financial condition, funding and operations.
Tammy R. Waymire	Professor	Middle Tennessee State University	Fair	Not much substantive for the reasons for the changes, and most of the comparative financial information is limited to two years. Trends would be better established with more than two years, especially with the implications of COVID (especially for HHS) in 2020.
Tim Morgan	Retired audit partner	PWC	Excellent	Use of graphs and alternate views by OpDiv and type of asset and liability was extremely helpful to understanding in the context of a very large agency. The narrative further tied changes to external events and to appropriations, etc.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Excellent	This section of the MD&A was really well done. Very informative, readable, easy to follow and provided the requested analysis. The charts were also good and supplemented the narrative. Really the best response on this question of all the samples provided in the survey.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Contains both Net Cost of Operations and Net Cost by Major Budget Function. It is the only report that contains a COVID-19 section while it provides further details in the Strategic Goals section.

3. How well did **FTC's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Fair	FTC mentioned the changes for FY20 and stated, for the majority, the source causing the increase/decrease. The information seemed thrown into a couple of sentences to make the paragraph. It could have been formatted and explained more professionally.

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3. How well did **FTC's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	An idea: It would have been useful to isolate the few key matters in a short section (maybe an executive summary?). The information is there, in this mostly excellent report, but it is a little dispersed in different parts of the financial highlights section and elsewhere. Good discussions on expert witnesses as cost drivers.
Bethany Ward	Student	Midwestern State University	Poor	I thought that the entity didn't really go into enough detail about significant changes to the financial statements. Again, I found the information to be very clustered and not organized very well at all, so it made it difficult for me as the reader to identify the significant changes that the FTC was addressing in their MD&A.
Douglas Webster	Retired		Very good	While some areas were excellent (such as discussion of assets and liabilities), other areas were more limited in explaining changes from 2019 (such as Net Operating Results).
Eric Przybylski	Specialist Leader	Deloitte	Very good	Only shortcoming is the explanation for shift in net cost was not particularly believable/informative. An increase from \$20M to \$65M in "Maintain Competition" was primarily attributable to a 2.6% increase in salary costs. Certainly other pushes/pulls on this number, but the salary flux appears insignificant to the balance change.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	The FTC MD&A covered significant changes to each financial statement in a clear and simple manner.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Goal 3 (Advance Organizational Performance) was identified on pages 3 and 11 but was not discussed in any detail. I would like to have seen more on this goal. Also would like to have seen more discussion on the significant changes.
John Korbel	Management consultant	JJK Consulting	Fair	Financial summary highlighted rising compensation as key factor in driving costs. Assessment of key performance highlights decline in savings to consumers from merger actions causing FTC to miss its target in this area.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Excellent	The report did an excellent job at giving detail on financial performance issues.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Excellent	FTC's analysis of the changes in financial statement amounts is objective, concise, and easily readable. It is also limited to the essential few matters, and includes highlights from its financial position (assets and liabilities) and condition (net operating results).
Reem Samra	Managing Director	Deloitte	Fair	The comparative financial information included in the financial highlights section was good, but consider including the charts and table before the actual discussion. in a couple of places the reasons for change were not elaborated on

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3. How well did **FTC's** sample MD&A provide you with an objective, concise, and easily readable summary analysis of the essential few matters causing significant changes to the entity's financial statement amounts during the current reporting period?

Name of Respondent	Position	Organization	Rating	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	See above. Also, graphs and financial information are only provided for two years which is not sufficient for establishing trends, especially with the unique nature of 2020.
Tim Morgan	Retired audit partner	PWC	Excellent	Very straightforward.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	The financial highlights section of the FTC MD&A was pretty good and provided some good, concise and summarized information on each parts of the financial statements. The analysis was good and easy to follow and the charts provided the comparison to past reporting periods to understand the change and results described in FY2020.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	There are not many concrete examples. The court case references I think are helpful.

4. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Poor	USDA did provide monetary figures to compare from 2019 in its graphs/charts and financial statements; however, there weren't any written explanations on the trends over the past reporting periods. USDA provided the information for one to infer independently but did not take the time to have a summary analysis over the past periods.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Poor	No discussion of historic, long term of medium term trends, nor "look-back" perspective (or data) that could help the reader imagine of assess trends. Only the difference from last year is shown. This is very insufficient, in that it gives only an idea of the effect of the pandemic (a very exceptional set of circumstances) by it does not shed any light whatsoever of previous underlying trends, leaving the reader uniformed on this matter.

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4. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Poor	I thought that the USDA sample MD&A did not provide a ton of detail about past reporting trends. It did compare significant changes in different areas from 2020 to 2019, but it did not have any information of reporting periods past 2019. I was also able to view the 2019 financial performance in the financial statements compared to the 2020 financial performance, but it did not present years past 2019. However, I did again find the charts to be very helpful in showing performance trends from 2019 to 2020.
Douglas Webster	Retired		Fair	Aside from responding to significant changes to the entity's financial statement amounts during the current reporting period (prior question), there was no additional discussion of trends over past reporting periods. There was no discussion of key performance trends.
Eric Przybylski	Specialist Leader	Deloitte	Poor	No trend analysis extended beyond the activity except as compared to the prior period. No performance data was discussed whatsoever, except for the new programs implemented for Coronavirus response.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	There was no trend, mainly Current Year and Prior Year comparisons.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Very good	Very good on explaining budgetary resources but I did not understand the differences between Budgetary Resources (\$324,322) shown in the Statement of Budgetary Resources and the Outlays (\$187,111) . This difference should be explained so the reader knows what has happened to the budgetary resources if payment was not made. Is this difference due to outstanding obligations and offsetting collections?
John Korbel	Management consultant	JJK Consulting	Fair	Once again, MD&A simply identifies the changes by key area, but says little about the sources of changes.
Montes Martinez	Student	Midwestern State University	Poor	It is difficult to see any trends due to the pandemic. It might be helpful to include 2018's numbers in the financial statements as well. Even this might not help much because it was such an odd time for all entities.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very poor	USDA did not provide a summary of financial, budgetary, and key performance trends over past reporting periods.
Reem Samra	Managing Director	Deloitte	Fair	The presentation on pages 6 and 7 of financial information in both pie chart and tabular exhibit is duplicative and does not add to the reader. i recommend selecting one format but more importantly the focus of the discussion should be on the why and what caused the changes or the additional spending. (same comment for charts on pages 11 and 12. i suggest they combine)

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4. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	Although concise, the discussion does not yield insight to the reader.
Tim Morgan	Retired audit partner	PWC	Very poor	MDA lacked performance trends, tying the costs and results to meaningful measures of performance.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	Again, it was a "clinical" description of the differences between 2019 and 2020 not much elaboration on why the difference. Again at such a high level, that the programmatic comparisons were less than helpful to understand what actually transpired in those major programs over the two year comparison.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	Only contained 2019 and 2020 information.

4. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	DOD provided information for the current period back to 2016. This was the only MD&A statement that had any periods past the prior year (2019). Although the only information listed for fiscal years 2016-2018 was provided in the charts, it still demonstrated the significant changes in the accounts. Under the charts, the summary gave relevant information and trends of the current and prior reporting period. For the Department of Defense, it showcases they do not have vital information needed for the prior year; I still consider this excellent because they are recognizing the lack of information and mention changing its reporting habits to track it.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Fair	Little discussion of multiyear trends, but at least several figures have 5 year budget numbers, which allows the end user to formulate hypotheses; it would be more useful to include some discussion about the drivers of those trends, to not leave the reader with their own hypotheses alone.

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4. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Excellent	Throughout the MD&A, the DOD did address comparisons between the 2020 reporting period and the 2019 reporting frequently which I found to be very helpful. They also addressed why certain changes occurred between the two reporting periods. I really liked how they provided reporting trends for all the years up to 2016. I feel like that gave a very clear picture as to the financial improvements that the DOD has had over the course of several years as well as the financial challenges they have encountered.
Douglas Webster	Retired		Fair	Aside from responding to significant changes to the entity's financial statement amounts during the current reporting period (prior question), there was no additional discussion of trends over past reporting periods. There was no discussion of key performance trends.
Eric Przybylski	Specialist Leader	Deloitte	Poor	A trend graphic is provided for total assets/liabilities and costs, but no context surrounding the historical growth in that trend (other than the aforementioned-but-overly-summarized descriptions provided for YoY flux). Not applicable for performance trends
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	No trends reported only current and prior year amounts.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Explanation of budgetary resources was very good but no mention of outlays nor explanation of differences between budgetary resources (\$1,336,494.7) and outlays (\$872,148.6). Is this difference due to outstanding obligations and offsetting collections? The explanation of financial and key performance trends was very weak.
John Korbel	Management consultant	JJK Consulting	Fair	Felt very much in the weeds here. No real feel for trends.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Fair	I think a variance column, as well as 2018's info included in this report, would help show "normal" trends in the financial statements from 2018-2019 instead of showing abnormal increases and decreases in balances due to the pandemic.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	DOD presented the financial trends in assets, liabilities, net cost of operations, and budgetary resources in charts and tables, but did not provide any analysis or explanation of the trends. DOD did not present any analysis of key performance trends.
Reem Samra	Managing Director	Deloitte	Fair	the framework they used is good, however the analysis is incomplete and they do acknowledge that such information is not currently available.
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	I appreciate that the trends represented in the graphs included five years so that meaningful inferences can be made.

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4. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Tim Morgan	Retired audit partner	PWC	Poor	MDA lacked a macro view of the department's program elements and performance, linked to budgets and external events. The discussions within net costs, for example, focused on components, using terms like "these items include equipment such as...". It would have been more helpful to list by program, service, external events, or maybe appropriations , so the reader understands drivers. The links to performance results in the NDBOP is not helpful to tie performance to financial trends.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	For the financial and budgetary information this was again very good. The comparison charts and trends were presented, explained and trends highlighted. The performance results were not so well presented lots of referral to the AFR without some summarized information with respect to that performance.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Five years. I think starting the report with the trend data is helpful.

4. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	I had conflicting feelings on my answer here; I had pros and cons for why DOD or HSS should be considered Excellent. I liked the format of DOD listing the overall change followed by a description of each attribute and trend. With the HSS, it still mentioned the monetary changes from 2019 and the sources behind them. However, it lists the source rather than provides a written explanation. This information is intertwined with significant changes in the financial statements. However, they both answered the trend from FY19 to FY20.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	Progress spotlights are a very good framework for performance trends. There is some information there, but more could be provided in some areas (such as goals 3 and 4, for instance)
Bethany Ward	Student	Midwestern State University	Very good	The HHS provided a good depiction of their past reporting trends primarily for Fiscal Year 2020 and 2019 through the use of charts. Again, I wish that they would have showed a few more years past fiscal year 2019 to really give a clear picture of how the entity has performed overtime. However, they did provide 2018 financial information in the Table of Key Measures and 2016-2020 information in the Trust Fund Ratio Table which I found to be helpful.
Douglas Webster	Retired		Fair	Meaningful trends over past performance periods arguably require more than two data points. HHS provided only data on current and prior year.

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4. How well did HHS's sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?				
Name of Respondent	Position	Organization	Rating	Comment
Eric Przybylski	Specialist Leader	Deloitte	Very good	All were compared to the prior period, however performance data was discussed with more longevity. References to external sources on the Department website for performance data included more longevity, as well.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	No trends including or mentioned in the analysis, except when covering the Trust Fund.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Very good	Great coverage on trends. Only problem that I saw was the lack of coverage to explain the difference between Budgetary Resources (\$2,439,747) and Outlays (\$2,037,911). Is this difference due to outstanding obligations and offsetting collections?
John Korbel	Management consultant	JJK Consulting	Very good	Throughout the MD&A, HHS continues to focus on financial, budgetary and performance trends during the reporting period to the point of at times seeming repetitive . The section Financial Summary and Highlights at the end does a good job summarizing changes in the various financial statements.
Montes Martinez	Student	Midwestern State University	Excellent	I really enjoyed this report. My favorite one to read and analyze so far.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	HHS's summary of trends over past reporting periods is limited to its financial discussion of the HI and SMI trust funds. HHS does not present or discuss budgetary or performance trends.
Reem Samra	Managing Director	Deloitte	Very good	
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	Visuals of financial information were mostly very effective. Narrative could have been more succinct and provide a future trajectory based on known financial information at year end.
Tim Morgan	Retired audit partner	PWC	Very good	The narratives did not consistently illuminate the underlying causes of trends and changes, for example, in the discussion of the Statement of Changes in Net Position. The graphs and charts are very helpful.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	Again, the strongest response to this question and the framework guide was in the financial and budgetary areas. The responses were concise, informative and provided the relevant analysis over the reporting periods. The weak part of this response was the discussion of key performance trends of their programs.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	Two years.

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4. How well did FTC's sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Poor	FTC mentioned the change from FY19; however, there wasn't much detail following the statistic. Additionally, the MD&A only mentioned the past reporting report a couple of times and not throughout the entire document. Both FY19 and FY20 are represented in the graphs, but there isn't a written explanation following to include FY19. The information seemed all over the place, and the graphs weren't the most professional.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Poor	Only discussion of years 2019 and 2020. No inclusion of previous years. Five years would have been a good lookback period for some key tables, alongside a description of the main trends and the drivers of these trends.
Bethany Ward	Student	Midwestern State University	Poor	The FTC addressed some trends over past reporting periods through words, but they didn't have many corresponding charts to visually depict the trends. Charts really helped me as the reader to visualize the trends that occur in entities overtime and the FTC only provided a few charts. I think this was a really big weakness in their MD&A. Also, the charts that they did provide were not formatted very well and a little difficult to read.
Douglas Webster	Retired		Poor	No discussion of trends other than specific changes since 2019.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Along with the reference to the clear performance goals and the agency's performance plan, the historical performance even beyond the prior FY is evident.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Fair	FTC only provided one trend related to budgetary authority. It would have been beneficial to see the same for other items (like earned revenues/net cost).
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Financial and key performance trends were adequately explained and budgetary resources were fully identified. However, the difference between budgetary resources (\$354,349) reflected in the Statement of Budgetary Resources on page 69 and the gross Outlays (\$340,159) were not explained. Is this difference due to outstanding obligations?
John Korbel	Management consultant	JJK Consulting	Very good	In highlighting agency mission challenges, MD&A provides extensive performance assessment against key goal and objective. Much of this discussion was on programmatic key performance, with little on financial and budgetary issues.
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Fair	I would like to see more info on the previous year financial information because COVID-19 made 2020 such an unusual year. Showing 2018 info would allow readers to see "normal" trends between 2018 and 2019.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	FTC provides an objective, concise, and readable summary analysis of financial and budgetary trends, but does not describe performance trends. FTC describes its trend in budget authority and also illustrates the trend in a bar chart. FTC also describes the trend in increasing expert witness costs and the effect of those costs on FTC's operations.

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4. How well did **FTC's sample MD&A provide you with an objective, concise and easily readable summary analysis of financial, budgetary, and key performance trends over past reporting periods?**

Name of Respondent	Position	Organization	Rating	Comment
Reem Samra	Managing Director	Deloitte	Fair	The discussion on page 12 did not elaborate on why the budget was higher this year. Also consider including other data such as FTE as compared to budget to provide better comparative information.
Tammy R. Waymire	Professor	Middle Tennessee State University	Fair	I appreciate the table of goals at the outset of the MD&A. However, the table is small, poorly formatted, and does not consistently use terms like goals and objectives. Furthermore, it is unclear how FTC decided which goals/objectives to highlight. This should be explained.
Tim Morgan	Retired audit partner	PWC	Very good	The narrative on performance results was detailed and informative, but missed the mark on concise summary. These details perhaps belong elsewhere. It did not highlight trends but rather a static measure at year end. Graphs would be more helpful. The narrative discussion of trends in costs and revenues was also helpful but would have benefitted from a broader scope over years with the linkages of financial to performance measures. That said, what was provided had substance and was meaningful.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	Although it was a fairly short discussion, it was informative and met responded to the requirement of an objective, concise and easy to read summary analysis of those trends over the past reporting periods.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	Lacking detail.

5. How well did **USDA's sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?**

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Poor	Simply, USDA did not provide the opportunities, challenges, or risks that could affect their financial statements anywhere in the report.

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5. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?

Name of Respondent	Position	Organization	Rating	Comment
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very poor	As far as I can tell there is no discussion of this topic whatsoever. No discussion of opportunities, challenges or risks. This is especially surprising given the exceptionality of this year, the response to the pandemic, etc. Makes me wonder if the preparers are seeing this as a mere compliance exercise, rather than a potentially useful document for end users.
Bethany Ward	Student	Midwestern State University	Poor	After reading the USDA MD&A, I felt like the USDA did not really address the actions they plan to take to combat their risks and challenges. I think this area could be significantly improved. They presented their financial information and showed significant changes, but I think it would have been very helpful for readers to understand how they are going to utilize certain opportunities and combat certain risks and challenges. On page 2, they did briefly talk about areas they are planning to improve, but I still feel like it would have been helpful for readers <u>to go into a little more depth on what they hope to improve based on their current financial condition.</u>
Douglas Webster	Retired		Very poor	This was missing.
Eric Przybylski	Specialist Leader	Deloitte	Poor	Other than the discussion of controls and conditions, did not see any discussion of larger Agency opportunities, risks, except for very generic statements surrounding the implementation and continued execution of Coronavirus response programs.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	There was no discussion of current or future actions. Only statements on current conditions.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Very good	The explanations of the mission areas on pages 8, 9, & 10 in the Financial Results section were helpful. It would have been better if a very brief comment on their strengths, weaknesses, opportunities and threats were included. The breakout of net cost by mission area on Exhibit 7 was especially beneficial.
John Korbel	Management consultant	JJK Consulting	Fair	MD&A seemed essentially silent on planned action except in the area of systems and controls.
Montes Martinez	Student	Midwestern State University	Very good	I really thought the Financial Position, Conditions, and Results section of the report captured the focus of this question very well. The USDA has identified the areas that can significantly affect their financial position. Although there does not seem to be anywhere where "opportunities" are presented.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very poor	USDA did not provide a summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results.

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5. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?

Name of Respondent	Position	Organization	Rating	Comment
Reem Samra	Managing Director	Deloitte	Very poor	I did not see such a discussion in MD&A.
Tammy R. Waymire	Professor	Middle Tennessee State University	Very poor	I did not see a discussion of planned actions in light of the current financial condition.
Tim Morgan	Retired audit partner	PWC	Very poor	Didn't really see a discussion of the topic.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Poor	Very little discussion with respect to this topic. There was hardly any reference to performance results, much less how the results in the current year would affect the future plans and actions for the Department.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	I do not recall any opportunities or risks covered. COVID is referenced, but nothing specific.

5. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	DOD provided the opportunities, challenges, or risks that could affect their financial statements throughout the report. They stated in the MD&A ways to migrate risks and how they are watching these areas. As mentioned before, they had the entire introductory paragraph about the challenges faced from COVID-19, which is mentioned again for specific accounts.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Poor	In general, good discussions about current or recent actions and very little discussion of planned actions at all. Little discussion on opportunities, risks and challenges. Informative discussion: the Department is executing several initiatives to improve business processes (pages 6 and 7)

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5. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Fair	The DOD MD&A did provide some information on the planned actions they are taking to combat their risks and challenges. On page 6, the DOD detailed how they plan to mitigate certain risks related to budgetary resources. They did go into detail about their plans, but I feel like it would be nice to maybe have a separate section within the MD&A that specifically focuses on an entity's plans to mitigate risks and take advantage of opportunities.
Douglas Webster	Retired		Very poor	This was missing. While there was a link to the National Defense Strategy and National Defense Business Operation Plan, it is not expected that these would address future impacts to financial statement amounts.
Eric Przybylski	Specialist Leader	Deloitte	Very poor	Many opportunities missed to provide a high-level list of the major initiatives occurring throughout DoD to improve financial balances. MD&A reads continuing efforts to implement more disciplined accounting practices in areas such as completeness and existence, asset valuation, and compliance with accounting standards. Completeness and existence over which material assets? Which Department/Program/Asset type is doing well in auditability and which are not. Which material asset valuations are most subjective, dependent on estimates, or have models that are not validated? Which accounting standards have the most significant gaps?
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Fair	Some discussion on current actions reported, however a separate section that summarizes them would be more helpful to explain their impact.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Poor	Current net cost by function was provided but poorly explained. I would like to have seen current net cost by service (Army, Marine Corps, etc.) but it was not provided. No mention of planned actions (strengths, weaknesses, opportunities, or threats).
John Korbel	Management consultant	JJK Consulting	Poor	Seems to be revising financial statements and gives very little feel for opportunities, challenges or risks that would affect financial statements or key performance results. Some sprinkled references to accounting and appropriations risks, but difficult to assess importance. In fact, the Key Performance Results, has little to say and references other documents like NDS, NDBOP and AFR for more information on performance.
Montes Martinez	Student	Midwestern State University	Very good	Very good organization and structure that allows for easy ready and understanding.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	DOD described the challenges brought on by the coronavirus pandemic during the year and the potential qualitative effects those challenges and the Department's efforts may have. DOD also described budgetary challenges that continue to negatively impact planning and readiness and may result in inefficient or inaccurate budgetary management.

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5. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future?

Name of Respondent	Position	Organization	Rating	Comment
Reem Samra	Managing Director	Deloitte	Poor	The key performance goals section of the MDA referred to other documents but did not provide an overview of opportunities risks and challenges that will affect key performance results in the future.
Tammy R. Waymire	Professor	Middle Tennessee State University	Fair	The forward-looking element of the discussion could be more robust.
Tim Morgan	Retired audit partner	PWC	Poor	With such a massive department, it is understandable that a concise summary analysis of essential few matters would be challenging at best. Having read the MDA, I struggle to articulate them, except that the recurring theme of unreliable financial systems and controls dogs the department's attempts to do so.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Very good	This particular area was again mostly a very good presentation of the information desired from the framework. However, it was more limited to a few programs and not all, from what I could tell. The particular ones that were presented provided some good insight into the future. Again, quite interesting perspective.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Accounting and financial reporting issues are addressed. The Key Performance Results section can contain more information.

5. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial information?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	HSS provided the opportunities, challenges, or risks that could affect their financial statements in a solid section of the report. Under each of the five strategic goals, the progress and looking forward areas are mentioned to support its goals and projections. As mentioned earlier, the MD&A clearly states the impact of COVID-19, future improvements, and key performance areas.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Excellent	Plenty of discussion of performance management improvements (but not verbose or "too much of a good thing"). Lots of discussion on actions moving forward. Insightful. This is very useful!

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5. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial information?

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Excellent	I believe that the HHS provided an extremely concise, easily readable, and detailed information on the opportunities and challenges that could affect their financial statements. Through the performance overview section, they addressed their performance and strategic goals and areas that they would like to improve in. It gave a clear picture of the opportunities and challenges they are facing and that they are working to improve. I really like the "looking forward" section of the strategic goals because it showed me what the HHS is planning on doing in the future and how they are going to overcome their challenges.
Douglas Webster	Retired		Fair	This was partially addressed for social insurance as a program, but the specific implications for financial statements were missing, as were the associated risks. While the MD&A mentioned risks to the planning process, there was no mention regarding future financial statements or key performance indicators.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	As part of the thorough discussion of performance, Agency challenges and opportunities were discussed. These were easily readable as they were organized with an alignment to those performance goals. It was an efficient use of space.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	Most sections included language related to either current or planned actions.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Great coverage of the future.
John Korbel	Management consultant	JJK Consulting	Very good	In its summary of strategic goals, the MD&A has a section looking Forward, which looks at opportunities, challenges, and risks that could affect future results. This organization is helpful in addressing this question.
Montes Martinez	Student	Midwestern State University	Excellent	Excellent job in covering these areas in detail.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	HHS's presents an objective, concise, and readable analysis of current and planned actions of opportunities and challenges with respect to its performance results by strategic goal and its financial results for the HI and SMI trust funds. For each strategic goal, HHS clearly describes the challenges and opportunities going forward as HHS strives to meet its goals. HHS describes the challenges with the HI and SMI trust fund solvencies.
Reem Samra	Managing Director	Deloitte	Fair	In order to be objective, the discussion should focus on results supported by facts. There was a lot of general discussion on accomplishments that are not supported in the discussion.

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5. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial information?

Name of Respondent	Position	Organization	Rating	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	I thought this was weak. Some of the visuals are very effective at conveying financial position/condition and results, but the narrative is not as informative often missing opportunities to place the financial results in context, reasons for financial results, and the agency's planned response. I like the discussions of each strategic goal, progress spotlight, and looking forward sections within each.
Tim Morgan	Retired audit partner	PWC	Excellent	The discussion of solvency is spot on to the theme of "essential few" risks.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	There were discussions of HHS programs that addressed the future results they wanted from programs. They were found in the discussion of their strategic goals, but you really had to go over the MD&A in total often to find those discussions. The organization of the information was a little hard to follow and again there was so much information provided that it just took more time to find it. In other words, it was hard to find.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	The strategic goals section covers the key performance results. The "looking forward" sections are perhaps a bit too general or long-term (similar to a grant application). A shorter horizon can possibly allow for more quantitative projections.

5. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future? [forward looking info]

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Poor	FTC does have a section for risk management, but it lackluster; it just says they need to look at risks, make assessments, and figure it out. It doesn't really take hold of the active risks now. Also, there are no other opportunities or challenges mentioned that could affect the financial statements.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	There is discussion not only of past and current actions, but also of planned future ones. There is also excellent description of the context, including challenges and risks, in which the FTC operates (for instance, fraud issues, privacy concerns, mergers and acquisitions). Also good mention of risks stemming from COVID and from escalating cost of expert witnesses.

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5. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future? [forward looking info]

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Fair	The FTC did address some planned actions for risks and challenges through their strategic goals and agency mission challenges. They were very detailed in their descriptions of how they plan to reduce risks and exploit opportunities which was very helpful. However, I still believe that the format and presentation of the paragraph made it difficult to read for me as the reader. The use of more headings would have been helpful to better organize the paragraph/section.
Douglas Webster	Retired		Fair	While the FTC ERM program was discussed, there was only indirect discussion of risks to future financial statement amounts or key performance results.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	Not only was the discussion around opportunities, challenges, and risks engaging (which is particularly difficult for an Agency with a function not particularly relatable to most users), but it was clearly laid out and tie to performance goals.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	FTC provided too lengthy of a discussion on opportunities and challenges that were not easily readable.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Future actions were not adequately explained. The Statement of Custodial Activity on page 70 is explained on page 12 but is not referenced in the discussion.
John Korbel	Management consultant	JJK Consulting	Fair	The financial Highlights simply summarized what's in the financial statements with limited analysis and implications for future performance. Some of this is in the section of performance results, but there is limited discussion of impact on financial statement amounts.
Montes Martinez	Student	Midwestern State University	Very good	Great job at accomplishing all of the above. I thoroughly enjoyed reading about the key variances and good explanations.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	FTC provides a fantastic analysis of the opportunities, challenges and risks it currently faces, and its current and planned actions that could significantly affect key performance results in the future. With the exception of the risk of escalating expert witness costs, FTC's analysis of current and planned actions does not seem to address the opportunities, challenges, and risks that could affect financial statement amounts.
Reem Samra	Managing Director	Deloitte	Poor	I did not see discussion around challenges and opportunities and risks that could significantly impact performance results such as an economic or future outlook
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	It is unclear what actions FTC will take in response to financial and nonfinancial performance results. Often the responses state that the FTC will continue to do certain things that are goals. This is repetitive and does not establish intentional, planned responses.

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5. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of current and planned actions of the essential few opportunities, challenges, and risks that could significantly affect their financial statement amounts and key performance results in the future? [forward looking info]

Name of Respondent	Position	Organization	Rating	Comment
Tim Morgan	Retired audit partner	PWC	Fair	I found this subject scattered in performance results section mostly, but it did not speak to current or anticipated investments and costs that would drive changes in financial amounts (eg, additional money directed to one issue at perhaps the expense of another).
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	While the financial section of the MD&A was strong, the integration with the program performance just was not there and appeared more like two distinct reports without the connection desired expected from this draft framework.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Challenges and risks are addressed, but opportunities are not. Not many projections.

6. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Very poor	USDA did not provide information, strategic plans, or logistics relating to systems and controls that could affect its ability to produce reliable financial statements anywhere in the statement.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Fair	Good thing: this discussion is at the beginning. But insufficient, not much detail at all. (I thought the beginning's discussion was a good executive summary of what was to come, but no.
Bethany Ward	Student	Midwestern State University	Poor	Again, I feel that the MD&A did not really address areas related to systems and controls that could affect their ability to produce reliable financial information. I feel like the USDA could have gone into way more detail than they did to provide users with an idea of how their systems and controls affect their financial information and results.
Douglas Webster	Retired		Very poor	This was missing.

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6. How well did USDA's sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?				
Name of Respondent	Position	Organization	Rating	Comment
Eric Przybylski	Specialist Leader	Deloitte	Very good	The summary of the financial conditions and control weaknesses discussed by major program area was informative and I would expect that further detail would be accessible in the MRL (Management Representative Letter) and audit letter. The summary was concise but appeared to hit all necessary conditions and controls.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	They did a good job summarizing the current risk to financial reporting including amounts.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	The presentation on systems and controls was very good. The explanation of future plans at the bottom of page 2 was especially beneficial.
John Korbel	Management consultant	JK Consulting	Very good	In some ways, this was the most detailed about performance and what could be done to improve financial performance. In this case, they were speaking directly to the Vision Framework.
Montes Martinez	Student	Midwestern State University	Fair	I really thought the Financial Position, Conditions, and Results section of the report captured the focus of this question very well. The USDA has identified the areas that can significantly affect their financial position. However, very little info was given about previous audits of financial statements and the reliability of the internal control systems implemented. I would advise including more info on this if possible.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very good	USDA describes its current control deficiencies affecting financial information and its continued corrective actions. USDA could have made the information a little more readable and plain English and a little less "audit-ese."
Reem Samra	Managing Director	Deloitte	Fair	USDA was transparent on page 2 and provided an overview of the issues identified relative to control weaknesses. However, they should consider moving that information from the beginning of the presentation. Also i recommend that they consider expanding on this information to assess the impact of such weaknesses on the ability to produce reliable financial information.
Tammy R. Waymire	Professor	Middle Tennessee State University	Very poor	This is missing entirely.
Tim Morgan	Retired audit partner	PWC	Fair	A noble attempt to describe the topic, but it could have been enhanced by more insight into the actual problem, that is, what investment is needed to fix, like systems or processes, and how does it impact the numbers we are viewing, Also too much technical jargon . Recognize that John Q Public has no idea what an undelivered order is.

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6. How well did **USDA's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	Again, there was a discussion to summarize their conditions related to systems and controls. However, it was just a brief summary of the agencies where the opinion noted material weaknesses in the operations. Those particular references did highlight some actions expected to improve upon those findings, but little else.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Poor	The section read like a disclaimer. No detail about the past, current, or future degree of impact, plan of action, or the trend. There is detail about which accounts are affected by material weaknesses related to systems and controls.

6. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Fair	DOD did mention how the organization has acknowledged and remained on top of mitigating risks. However, there is not a specific section relating to the systems and controls in the MD&A. Although this information can be found in the provided link, there should be a consolidated paragraph explaining the controls in the MD&A.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Fair	As mentioned above, too little discussion of unauditability, but also, there is an informative discussion on current initiatives to improve business processes (pages 6 and 7)
Bethany Ward	Student	Midwestern State University	Fair	While reading the DOD's MD&A, I felt like the DOD just mentioned conditions related to systems and controls sporadically throughout the document. For example, it did mention on page 1 that the financial reporting systems didn't have the mechanisms to track certain transaction. It was also mentioned on page 6 that the DOD plans to mitigate risk by standardizing and centralizing Fund Balance with the Treasury's systems and processes. I wish that it would have provided more concise details in both of these areas and maybe have a separate category for conditions related to systems and controls.
Douglas Webster	Retired		Very poor	This was absent and particularly important for a federal agency with a disclaimer.

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6. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Eric Przybylski	Specialist Leader	Deloitte	Very poor	No reference at all. MD&A acknowledges at the top that disclaimer was expected and that DoD is committed to accountability and stewardship over the resources entrusted to us and focused on addressing material weaknesses in internal controls. While the entire plan to achieve auditability is not relatable in an MD&A, what are the major components. There are systems consolidation plans planned and ongoing. Consolidation of data. ADVANA. What software/tools/accelerators are being employed in earnest throughout the DoD or at DFAS? Where does the accountability for auditability reside (iow, what is the DoD doing to champion auditability within the Departments?) Are they mandating cessation of unsupported Journal Entries? Are there timelines to require API feeds of certain data into GL systems. MD&A reads re: FBwT recons: To mitigate this risk, the Department is executing several initiatives to improve business processes, reduce reporting differences, and automate account reconciliations, such as developing management analysis reports for monitoring certain disbursement offices activities and standardizing and centralizing Fund Balance with Treasury systems and processes. What initiatives? What are some major ones?
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Poor	No discussion on conditions related to controls or systems.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Fair	Basically said that systems and controls were not fully functional and more improvements were being made. Could have been more positive about the production of reliable financial information.
John Korbel	Management consultant	JJK Consulting	Poor	Little reference to systems and controls to improve financial reporting. On page 7, DOD suggests there are several initiatives underway in business processes, automation and development of MD&A's to better standardize business processes. This took some search to find in only a 7 pages MD&A!
Montes Martinez	Student	MIDWESTERN STATE UNIVERSITY	Very good	Very good organization and structure that allows for easy ready and understanding.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Very poor	DOD did not provide a summary analysis of conditions related to systems and controls.
Reem Samra	Managing Director	Deloitte	Poor	While the MDA pointed to the type of opinion received (disclaimer) and the fact that they have several material weaknesses, it was not clear to the reader what are the issues identified and the challenges the organization has when it comes to systems and controls and their ability to generate reliable financial information.
Tammy R. Waymire	Professor	Middle Tennessee State University	Poor	Minimal discussion of systems and controls in place to produce reliable financial information. This is particularly important given unfavorable audit results historically.

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6. How well did **DOD's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Tim Morgan	Retired audit partner	PWC	Fair	This theme permeated the MDA, though a clear picture of what is reliable and what is not is difficult to discern. Because of its scale, the matter is not easily readable, and perhaps would have been best captured in one place rather than scattered throughout the MDA.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	It was clear that DOD had lots of challenges to meet on systems and controls certainly because of the findings and the disclaimer of opinion. What was missing, was a more directed discussion on the conditions related to those systems and controls. Could have been addressed and wasn't from what I could see.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	Mitigating the risks associated with budget impasses and the continuing resolution was comprehensive. Candid about auditing status. No section dedicated to this though and I imagine it is a quite significant issue for this agency.

6. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Excellent	HSS has been the first entity to have a separate section strictly for systems and internal control. This section provides an overview, accomplishments, improvement areas, and risk management. It flowed well and set up the next section for the financial statements.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Excellent	Excellent discussion of systems, internal controls. Lots of granularity.
Bethany Ward	Student	Midwestern State University	Excellent	I really appreciated how the HHS provided a separate section that went into great detail about their Systems and Controls. This was definitely the most concise description of systems and controls that I have seen so far in comparison to the other MD&As. They went into great detail about the accomplishments that their systems have achieved and areas where they can improve these systems. They also went into great detail about their internal controls which was extremely helpful for me as a reader trying to really understand their systems and controls that are in place in the entity.

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6. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Douglas Webster	Retired		Fair	While the report discusses financial systems, the only addressed opportunities for improvement are unrelated to the ability to produce reliable financial information. The required conditions for internal controls and systems to produce reliable reports is not addressed. Based on text headings, text on page 13 appears to subordinate enterprise risk management under internal control. This is an error and inconsistent with Figure 1.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	The systems map and system goals were sufficiently-detailed but not filled with minutia. The goals for systems and controls were well described--such as the establishment of new controls to better track COVID-19 funding.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	The systems and controls section was a little too extensive.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Excellent	Best coverage that I have seen on systems and controls.
John Korbel	Management consultant	JJK Consulting	Excellent	The MD&A has a separate section addressing Systems and Internal Controls. It provides an overview of their financial systems and highlights accomplishments in systems and controls development. This seems like a clear strength of the department as they emphasize an unmodified audit opinion in their financial highlights.
Montes Martinez	Student	Midwestern State University	Fair	I believe this is the only area that I would not rate as excellent.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	HHS's summary analysis of systems and controls presents a readable analysis of system matters that affect the Department's financial reporting. However, the systems discussion also goes beyond the "essential few conditions" and could probably be shortened and still disclose the same results. The internal control discussion does not adequately link the effects of ERM on the agency's financial reporting and ability to produce reliable financial information.
Reem Samra	Managing Director	Deloitte	Very good	HHS had a good overview of the financial systems and controls and the importance of these systems. However, the discussion was not concise and the reader could get lost in the details. I recommend a more concise discussion with focus on what is important and identify any issues or challenges that were identified in their controls risks assessment (if applicable).

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6. How well did **HHS's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	Very good	Discussion of internal controls is good. Figures on page 11 and 12 are not helpful which is unfortunate given that visuals have the potential to be helpful in such difficult material. Figure on page 5 is incomprehensible.
Tim Morgan	Retired audit partner	PWC	Very good	The discussion of systems and controls was too lengthy and detailed matters that were not relevant to understanding reliability of the financials, and did not seem to be responsive to any of the MDA objectives. That said, it was an excellent overview of how the department manages data, risk, etc.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	This discussion was far to lengthy. It started out pretty strong, and then it digressed to long and detailed discussions on various systems and controls. It could have been far more concise and just as strong.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Very good	Long but readable. I liked the detail in the Financial Systems Accomplishment section. The last paragraph of the ERM section may not be necessary.

6. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Amanda Threlkeld	Student	Midwestern State University	Fair	As mentioned in the last question, FTC combines the internal control systems and risk management section. It does not provide a lot of in-depth, strategic planned, or critical thinking about the inner operations, management, or future events that could affect the entity. Although, it does have a section for this topic which USDA and DOD did not.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	Very good	Very good discussion of management controls and systems, the annual assessment on the matter, and the finding of no material weaknesses.

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6. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Bethany Ward	Student	Midwestern State University	Fair	I did like how the FTC had a separate section for systems and controls through their Enterprise Risk Management and Internal Controls section. This was very helpful and provided very useful information regarding the FTC's systems and controls. However, the format was still difficult to read, and I felt like the section didn't flow well. The paragraph could have been more organized than it was.
Douglas Webster	Retired		Fair	While the FTC internal control program was mentioned, there was no discussion of the essential few conditions that could affect production of reliable financial information.
Eric Przybylski	Specialist Leader	Deloitte	Excellent	The systems environment and internal controls are given prominence prior to the discussion of the financials, introducing the control elements that are in focus of auditors and management, and the systems in use.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Very good	The only area that FTC could expand on would be systems. They covered well ERM and internal controls.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Very good	The discussion of systems and controls was very good and provided assurances that reliable financial information could be produced.
John Korbel	Management consultant	JJK Consulting	Fair	MD&A devotes three paragraphs to summarize Enterprise Risk Management and Internal Controls. Summary seemed rather generic with little focus on systems and controls that could affect producing reliable financial information. There is mention of escalating expert witness costs, but no discussion of controls in order to stay within available resources. There is also risk associated related to maintaining operations during COVID and disruption to operations, but no mention of controls to help mitigate this risk.
Montes Martinez	Student	Midwestern State University	Excellent	Excellent job at accomplishing this MD&A goal.
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	Fair	FTC's analysis of the few conditions related to systems and controls does not present a clear link to the ability to produce reliable financial information. For example, FTC identified risks in its agency risk profile, but how do those risks affect the ability to produce reliable financial information?
Reem Samra	Managing Director	Deloitte	Fair	The discussion on systems and controls could be enhanced by referring to results of recent audits (independent of management) to provide an objective analysis of controls.
Tammy R. Waymire	Professor	Middle Tennessee State University	Fair	While controls are discussed, the explanations are not sufficient to provide a reader with confidence that the controls provide sufficient structure to produce reliable financial information.

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6. How well did **FTC's** sample MD&A provide you with an objective, concise and easily readable summary analysis of the essential few conditions related to systems and controls that could affect the its ability to produce reliable financial information?

Name of Respondent	Position	Organization	Rating	Comment
Tim Morgan	Retired audit partner	PWC	Fair	The narrative focused too much on the process of assessment rather than just a concise summary of internal controls and systems conditions. It did not provide any real insight to systems health other than an assurance statement.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	Fair	This discussion was very focused more so on risk management than a more directed discussion about the condition of systems and controls related to their financial information. There was a brief reference to the fact that they had achieved an "unmodified assurance" with respect to their annual assessment of financial systems and controls, but it was really brief.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Fair	Basic overview. More detail into Expert Witnesses would be good.

7. Please provide any additional information about **USDA's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Amanda Threlkeld	Student	Midwestern State University	As the first statement reviewed, USDA had an excellent example of the format. The MD&A had appropriate spacing, links, and solid charts. Additionally, the organization explained its missions really well. However, as someone who is not familiar with them, I had to google several acronyms because they did not provide the department's name beforehand. To emphasize, the document needs to include systems and controls, strategic plans, and more explanation on their financials rather than just listing the monetary change. After going through the rest, this MD&A seemed to be a consolidation of the consolidated. The financial statements weren't really explained but posted at the end.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **USDA's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Bethany Ward	Student	Midwestern State University	Overall, I think that the MD&A could go into more detail on the different accounts and what constitutes those accounts. This would help the user have a clearer picture of the financial item they are looking at and what that account consists of. I also think that there does need to be more of an emphasis on past reporting trends by maybe adding another year for comparison purposes. However, I thought the MD&A was very concise, readable, and very well organized overall.
Douglas Webster	Retired		Relatively large spacing/formatting made for easy reading but limited amount of available text in a limited page count. Pages 8-10 (25% of the 12 pages) were focused on the organizational structure and mission without any financial content.
Eric Przybylski	Specialist Leader	Deloitte	USDA seemed to consolidate its audit findings into its "Financial Position, Condition, and Results" narrative, but did not separately discuss broader agency challenges and opportunities. Perhaps the framework should guide agencies to separate the discussion of systems/controls (as was the USDA case, audit findings) and the discussion of broader operational opportunities/challenges.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	The document seems scattered, financial information, then mission, and then more financial information. A better organization would assist in a clearer MD&A.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	The charts and graphs were especially beneficial and should be encouraged in a future standard.
John Korbel	Management consultant	JJK Consulting	Excluding the financial statements, the MD&A is 12 pages, and short on description of factors that impact performance during the past year. While they identify the sources of changes in financial conditions, there is very little effort to explain why these changes have occurred, except for example mentioning COVID food box program or SNAP. And that is minimal. <u>Organization could follow more closely the Vision Framework</u> and after summarizing mission and programs and providing a high level summary of financial results, have specific sections for: significant changes to USDA; current and planned actions: and related systems and controls.
Montes Martinez	Student	Midwestern State University	Overall a great report!
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	None.
Reem Samra	Managing Director	Deloitte	It appears that providing a framework to the preparer could help in the preparation of a more structured MDA that includes minimum requirements. Require them to avoid duplication, be concise, present tables or charts, and highlight what is important.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **USDA's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	I think some implementation guidance for charts and graphs would be useful. Charts and graphs should convey information and need very little in the way of explanatory narrative.
Tim Morgan	Retired audit partner	PWC	Lists, charts, etc. may be more helpful than narrative. Though we risk just regurgitating figures without meaning, the sections where charts are used are much more easily digested.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	I think too often "objective, concise and easily readable summary analysis" is interpreted as "shorter sentences and charts" that basically restate the financial statement reports basically the repetition of numbers with no context or information. This is a very large and complex agency, but you were unable to really understand what really happened during the fiscal year and how that helped or did not help them be successful in their mission and programs.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	The report drilled down a level deeper than the financial statements, but there is not much analysis added. It did not explain in detail any mission-related issues which you would expect to be significant during 2020. No trend information or operating performance indicators. I think it might read easier if the program information was at the beginning. The list of "mission areas" of the Financial Results section is informative but did not reference any current financial information.

7. Please provide any additional information about **DOD's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Amanda Threlkeld	Student	Midwestern State University	For this MD&A, it is easily noticeable it is still a draft; however, the final format needs to be consistent throughout. The format was clunky and jammed-packed; it could definitely be easier on the eyes. Additionally, it appears the spacing has two spaces between each word?? The graphs need to be bigger and use a different font; they are too small to read and appear blurry. On a different note, the DOD did an excellent job explaining its situation from the audit opinion to the reasoning behind each account's changes. They could add a paragraph for internal controls, though.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **DOD's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	
Bethany Ward	Student	Midwestern State University	Overall, I thought that the DOD's MD&A was very easily readable and concise, while also providing very useful and relevant information. I wish that this particular MD&A went into more detail about the DOD's plans to mitigate risks and utilize opportunities with possibly even a separate section with such information in the MD&A. I also wish that the MD&A went into more detail about systems and controls processes in place and the conditions related to such systems. Overall, I found the DOD's MD&A to be very user friendly, detailed , and easy to read.
Douglas Webster	Retired		
Eric Przybylski	Specialist Leader	Deloitte	The discussion of major changes to financial results should emphasize the underlying economic, geopolitical, business, or organizational event that caused the change in balances. This needs to be intentional. A non-prescriptive guidance to "discuss changes" leaves room for "changes in balances" to be supported by little more than the change in the balance (i.e. Assets increased because fund balance increased.)
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	Sections for trends and what should be included there would be helpful for preparers.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Need to explain where the organization is in their efforts to transition to a better accounting system. The revised MD&A standard should include a 3, 5, or more years for the transition period.
John Korbel	Management consultant	JJK Consulting	This was a short but dense document bogged down in financial accounting. Felt very much in the weeds, incomplete, made extensive references to other documents like the AFR (which seemed to have the meat) and had numerous note references. As I said, felt like a cut and paste job with more info to be provided. Overall, does not feel like this adequately reflects or responds to the MD&A Vision Framework. Relevant material seems to be pulled from the AFR, which is an extensive financial report. Am guessing they could have done a better job summarizing in the context of the Framework.
Montes Martinez	Student	Midwestern State University	
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	None.
Reem Samra	Managing Director	Deloitte	Overall, the structure and format that was followed by DOD was very good. The discussion was concise and straight to the point, the financial presentation and comparisons were easy to follow, provided a good overview of the financial statements. However there were certain missing information relative to expanding on reasons for change, identifying performance indicators, and providing a forward look.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **DOD's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Tammy R. Waymire	Professor	Middle Tennessee State University	The graphs/charts were excellent. Narrative was generally good, but could be better related to forward-looking plans and existing controls.
Tim Morgan	Retired audit partner	PWC	
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	While I thought DOD's sample was really pretty good, it also highlighted that some of the MD&A Vision framework as drafted was hard to always apply exactly to all questions. There seemed to be a lot of overlap which resulted in some very good descriptions and analysis in some areas and others just not very well addressed or missing entirely. In this case, the program performance results were weak and very limited. Again, very good presentation overall.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Easy to read and very organized well. Explained concepts and programs clearly with examples. Constraints addressed. Statement of Net Costs is informative and concise. Financial Position and Condition is a good overview, maybe add more organization/structural information. More detail in the Key Performance Results sections could have possibly been enough to up some of the scores to "Excellent". I like the layout of the Statement of Net Costs followed by the Summary Statement of Net Costs with multiyear data.

7. Please provide any additional information about **HHS's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Amanda Threlkeld	Student	Midwestern State University	HSS provided a sample MD&A with a GREAT format, flow, and relevant information for the document. The font needs to be changed for the charts and top yellow heading in the corners; it is hard to read and gives the same feeling as my astigmatism without my glasses. Overall, the MD&A giving the organization's context, explaining the program with appropriate acronyms, strategic plans and objectives, systems and control, and the areas of improvement and accomplishments BEFORE the financial statements really helped get the full idea of the entity. I liked how HSS mentioned their audit results and how they've kept the unmodified opinion for 22 years. The section with the current economic conditions and how COVID-19 impacted them and their responsibilities was another key part of this MD&A for background information.
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	This is the best MD&A so far!

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **HHS's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Bethany Ward	Student	Midwestern State University	I think the most important feature of the HHS 's MD&A that stood out to me compared to the other MD&As was the separate section for the Systems and Controls. It presented the systems and controls section in a very easily readable and concise manner. Overall, I believe that this MD&A was very easily readable and concise. I liked the way the topics/headings were arranged and the order that they presented the information.
Douglas Webster	Retired		Organizational structure was confusing. A major section heading of Performance Overview begins on page 5. However, a top margin heading of Systems and Internal Control is on pages 6-13. To further confuse the intended organizational structure, a major text heading of Systems and Internal Control begins on page 11. It is unclear if all of pages 5-13 are intended to be part of Performance Overview, and where the Systems and Internal Control sections starts (page 6 or 11).
Eric Przybylski	Specialist Leader	Deloitte	HHS expertly used the Department's performance goals to organize discussion around priorities, challenges, and opportunities. This type of organization within the MD&A made a lot of sense.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	HHS' sample covers most of the required information, except for the trend analysis.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	This is an ideal MD&A and should serve as a model for others to follow.
John Korbel	Management consultant	JK Consulting	So far, this is the best MD&A. It is well organized to address the Mission Framework. I would recommend their organization structure as follows: "About the Department "Performance Overview "Systems and Internal Controls "Financial Summary and Highlights "Financial Section (Statements)
Montes Martinez	Student	Midwestern State University	
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	None.
Reem Samra	Managing Director	Deloitte	Overall, the HHS MD&A included the majority of the requirement elements identified in the vision framework. Here are some recommendations that the organization should consider 1. Focus on facts 2. Avoid Bragging, and when discussing accomplishments support them with real facts that are based on operating and financial measures 3. The document should be more concise 4. THE MDA included strong goals but the accomplishments are difficult to measure 5. Avoid fluff in the controls section the financial summary had great schedules and comparatives, consider adding a financial highlights section in the front of MDA.
Tammy R. Waymire	Professor	Middle Tennessee State University	Many of the visuals, particularly those that related to financial condition and results, were very good. However, some of the visuals that were more descriptive of controls and processes were not capable of standing alone and conveying information. All visuals should be self-explanatory, and the narrative should only be needed to add context to the figures.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **HHS's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Tim Morgan	Retired audit partner	PWC	This MDA should be the model held out for other agencies. FASAB could provide more direction to entities that multiple perspectives by agency, program, natural classification, etc. is the most complete and meaningful analysis, and that the underlying reasons for why changes occur is a required element of discussion.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	The strongest part of this sample MD&A was the financial and budgetary discussions - really informative and you were able to take away a good view of their financial health of those programs . I presentation on the Strategic goals could have been much more focused on the direct alignment to the financial and budgetary discussions it was more detached and then harder to relate back to the financial performance. The other major section which seemed really out of place or not integrated well was the Social Insurance section. Obviously very key to the total view of HHS's presentation on their financial statements. It just seemed as more separate and unrelated, while it is certainly not.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Probably the most informative. The Performance Overview at the beginning was good, but I wish there would have been more connections between the overview section and the Financial Summary and Highlights. It is the longest MD&A but it is not redundant and the information included adds analytical value. The performance Management section contains some general information that could have been edited down or sourced elsewhere and referenced with links in the MD&A.

7. Please provide any additional information about **FTC's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Amanda Threlkeld	Student	Midwestern State University	Out of the four sample MD&As, this one was the worst. FTC had a terrible format and charts that were hard to read and created a lack of flow. Also, it lists the accounts, but it really doesn't go into detail as if they understand their own financial statements. Potentially, they do not know how to write as if it was someone who didn't know the topics. If anyone not in the financial or accounting field needed to read this MD&A, their eyes would glaze over.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **FTC's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Andres Vinelli	Vice President, Economic Policy	Center for American Progress	
Bethany Ward	Student	Midwestern State University	Overall, I felt that the FTC's MD&A was very poorly formatted and difficult to read. I found it to be very unorganized. I believe that the FTC should have provided more charts to visually depict their financial situation. They could have used more headings and simplified the information more to make the MD&A flow better and to organize it better. Overall, I believe that this MD&A needed significant improvement and changes.
Douglas Webster	Retired		
Eric Przybylski	Specialist Leader	Deloitte	Similar as with HHS, utilizing performance goals as a structure for agency challenges/opportunities appears to be an effective manner to communicate these aspects of organizational performance/overview.
Javier Negron	Director - Financial Reporting	National Archives and Records Administration	FTC's MD&A is the closest to a streamlined MD&A. A few changes and this could be a good example for federal agencies to follow.
Jesse Hughes	Professor Emeritus of Accounting	Old Dominion University	Charts and diagrams should be encouraged since they make the extensive numbers in the financial statements easier to understand.
John Korbel	Management consultant	JKK Consulting	Overall, FTC did a fair job in responding to the MD&A Vision framework. Organized as follows: "History, Purpose and Organization (set stage well) "Performance Results (strongest and most informative section) "Enterprise Risk Management and Internal Controls (somewhat responsive to Vision Framework) "Financial Highlights (fair job at responding to framework)
Montes Martinez	Student	Midwestern State University	
Morgan Aronson	Director, Financial Audits	U.S. Department of the Interior, OIG	None.
Reem Samra	Managing Director	Deloitte	Consider working on the font of the charts and tables including to ensure they are readable.
Tammy R. Waymire	Professor	Middle Tennessee State University	The first page says there are 36 performance goals when I think FTC means objectives. The inconsistency in terminology make it difficult to reconcile what is meant in the table and narrative that follow. Curious about why there was a random discussion of the energy industry. I presume this relates to their goal of ensuring competition, but this is not clear. Most importantly, an ROI is cited on page 12 (\$1 investment yields \$34 consumer benefit). This should be unburied and prominently displayed. Graphs/charts are poorly designed. Awkward spacing on page 2.

MD&A: TOPIC D – Attachment 5: User Review Survey Responses

7. Please provide any additional information about **FTC's** sample MD&A that you think may help FASAB develop standards for a streamlined MD&A that is useful and easy to understand.

Name of Respondent	Position	Organization	Comment
Tim Morgan	Retired audit partner	PWC	Integration of performance and financial analysis provides meaningful insight; it should be encouraged. Graphs and charts would permit expansion of analysis to trends as well as linkages among revenues, costs, and performance.
Vincette L. Goerl	President, Goerl Consulting LLC	Provides advice and counsel to federal financial and IT senior executives.	I think this presentation of their MD&A was really two different reports and analysis put together to respond to the requirements from the MD&A framework. The financial highlights sections was very strong and responded well to that draft framework. The section on the strategic planning goals was very directed to a discussion of those with little integration to their financial performance for that year. Could have been much stronger.
Danielle Pollock	Staff accountant and graduate student.	Hess and Hess, LLP	Without being familiar with the agency, it is difficult to assess the financial position or condition of the entity without comprehensive trend data throughout the report. However, I think the level of detail the DoD reported on significant changes (see examples) allows the user to make reasonable assessments with fewer trend details. The DoD, however, also provides the most trend data. e.g. The DoD's 1) Research, Development, Test, and Evaluation section and 2) Family Housing and Military Construction section.

ATTACHMENT 6: PRESENTER BIOS**Agency Pilots:****Department of Defense**

Ms. Maribel Langas Miller is an Accountant with the Department of Defense's (DoD) Office of the Deputy Chief Financial Officer, Financial Management Policy and Reporting Directorate. Ms. Miller's 21-year Federal career continues to focus on strengthening internal controls through policy and oversight and contributing to the development of Agency Financial Reports. She served in leadership roles in the Department of the Interior and Department of Agriculture's National Institute of Food and Agriculture and was a Federal Financial Management Leadership Fellow with the White House, Executive Office of the President, Office of Management and Budget. In February 2020, she joined the DoD to support its ongoing journey toward achieving full auditability and an unmodified audit opinion. Ms. Miller holds a

bachelor's degree in accounting, a master's degree in public administration, and is a Certified Government Financial Manager. In March 2020, she stepped on her 7th continent, Antarctica, completing a bucket list item before the pandemic halted all international travel.

Department of Interior

Mr. James DeLoach is a member of the Financial Policy and Operations Division for the Department of the Interior in the Office of the Secretary. James holds a Bachelor of Arts in Accounting from Morehouse College and is a Certified Fraud Examiner and Certified Internal Controls Auditor. Prior to joining DOI he worked with United States Postal Service - Office of the Inspector General.

ATTACHMENT 6: PRESENTER BIOS

U.S. Agency for International Development

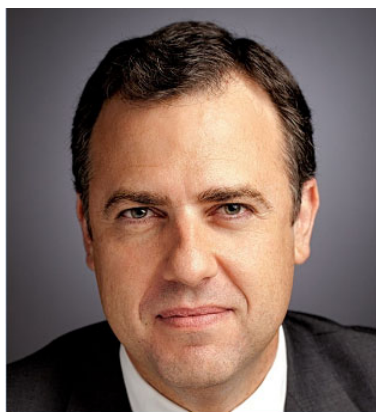


Dorothea Malloy serves as the Senior Advisor to the Chief Financial Officer (CFO) at the U.S. Agency for International Development (USAID). Ms. Malloy experience includes representing the CFO on financial management issues including agreement negotiations with officials representing international organizations including the United Nations and World Bank. Ms. Malloy contributes to CFO policy documents on financial management for Public International Organizations (PIOs), public financial management assessments on partner government systems, USAID's financial audit guide for foreign organizations and non-U.S. audit firm assessments, funds control, and revising the USAID's federal regulations on claims. Ms. Malloy serves as the USAID representative to

the Practitioner Advisory Group on International Financial Reporting for Non-Profit Organizations (IFR4NPO). She is also the CFO's representative on USAID's MOU signed with the International Federation of Accountants (IFAC), multilateral development banks, and donors on global accountancy profession development.

Ms. Malloy holds an active license as a U.S. Certified Public Accountant (CPA), Chartered Global Management Accountant (CGMA), and U.K. Chartered Public Finance Accountant (CPFA). She is also certified as an International Monetary Fund (IMF) assessor for the Tax Administration Diagnostic Assessment Tool (TADAT). She has experience as a CPA and tax practitioner, University Associate Professor, and Federal Government service in the Office of Chief Counsel for the Internal Revenue Service (IRS) in Washington D.C. Ms. Malloy received a Master's degree in taxation from University of Baltimore and a Bachelor's degree in accounting from the University of Massachusetts.

User Reviewers



Andres Vinelli is the Vice President for Economic Policy at the Center for American Progress, where he leads efforts to develop and further an economic policy agenda that will build a more equitable economy to improve the lives of all people. He leads a team of economists, analysts, and researchers who work on fiscal, labor, financial market, competition, infrastructure and macroeconomic research.

He served as Chief Economist for two regulatory organizations, the Public Company Accounting Oversight Board (PCAOB) and the Financial Industry Regulatory Authority (FINRA). In both of these positions, he conducted original research, analysis, and advocacy in building economic, business intelligence, risk assessment, and financial modeling programs. Previously, he was the special assistant to the chairman and CEO of the National

Association of Securities Dealers, where he had an active role in corporate strategy, including the regulation of the NASDAQ and broker/dealers, business reorganizations, strategic planning, and the design of performance management systems.

He is also an adjunct professor at the McDonough School of Business at Georgetown University, where he teaches the MBA course "Financial Markets, Institutions and Regulations." He received twice the Dean's Award for Excellence in Adjunct Faculty Teaching.

He earned his bachelor's degree in economics from Universidad de San Andrés and his master's and Ph.D. in public policy from Harvard University.

ATTACHMENT 6: PRESENTER BIOS



Ms. Danielle Pollock works at Hess & Hess, LLP, a small father-son accounting firm in Blowing Rock, NC. Over the past three tax seasons, she has accumulated experience working with partnerships, s-corporations, individuals, and a few nonprofits. Working with the local small and medium enterprises within our community is something she really values. Her interest in governmental accounting has grown over the last year and a half and she looks forward to applying for the postgraduate technical assistant program at GASB this fall.



Morgan Aronson has been in Federal service for almost 17 years, all with the U.S. Department of the Interior, Office of Inspector General (OIG). Morgan is the Director of Financial Audits, overseeing Interior's annual financial statement audit, monitoring Interior's compliance with certain requirements of the Single Audit Act, and managing the OIG's internal quality assurance program for audits, inspections, and evaluations. Morgan continues to serve as Interior's National Single Audit Coordinator, a position she has held for over 13 years. As Single Audit Coordinator, Morgan's primary objective is to improve the quality of single audits with an oversight program of quality control reviews and technical assistance and outreach with grantees, auditors, fellow Interior OIG professionals, Interior bureaus, and other Federal agencies.

Tribal financial assistance and auditing is a special area of interest for Morgan and she often assists the Office of Management and Budget (OMB) with interpreting and applying Federal laws and regulations to the unique environment of tribal accounting and auditing.

Morgan is a CPA and CGFM, and a member of the AICPA and Virginia Society of CPAs. Morgan is currently a member of the GASB Tribal Government Accounting Working Group. Morgan holds both a BS and MS in accounting from Washington University in St. Louis.