



NIH Financial Management Report

FISCAL YEAR 2019



National Institutes of Health
Office of Management

ABOUT THE NIH FINANCIAL REPORT

The NIH Fiscal Year 2019 (“FY19”) Financial Management Report (“Report”) provides fiscal and summary performance results to highlight the accomplishments and progress made for the reporting period October 1, 2018 through September 30, 2019. The Report provides an overview of financial accomplishments, challenges, and Management’s accountability for the resources entrusted to NIH.

Section 1: Introduction

This section introduces the NIH Chief Financial Officer (CFO) and Deputy Chief Financial Officer (Deputy CFO) and expresses their gratitude to the NIH Financial Management Community for all their contributions.

Section 2: About NIH Financial Management

This section provides an overview of NIH’s financial management structure, and organizational roadmap.

Section 3: Financial Summary

This section contains financial information including a summary of the NIH FY19 Budget, and financial transactions processed by NIH.

Section 4: Financial Statements

This section contains financial data comprising NIH’s financial statements, the summary of financial condition, as well as information on related corrective actions.

Section 5: Looking Ahead

This section contains information on key financial management improvement projects planned at NIH and concludes with a timeline of anticipated changes to be led by Treasury through 2021.

Section 6: Resources

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SECTION 1: INTRODUCTION

Meet the Chief Financial Officer and Deputy Chief Financial Officer

Dr. Alfred C. Johnson became the NIH Deputy Director for Management in May 2017. In this capacity, Dr. Johnson serves as the primary senior official at NIH responsible for all phases of NIH-wide administration and provides oversight for budget and finance; human resources; management assessment and policy; program integrity; contracts, procurement, and logistics; engineering services; safety, space, and facility management; support services; and security operations.



Alfred C. Johnson, Ph.D.
Chief Financial Officer, NIH
Deputy Director for Management, NIH

Prior to joining the NIH Office of the Director leadership team, Dr. Johnson was the Director of the NIH Office of Research Services (ORS), a position he held since 2006. In this capacity, he planned and directed service programs for public safety, security operations, scientific and regulatory support, and a wide variety of other programs and employee services that enrich the NIH community. Before joining ORS, Dr. Johnson held several leadership positions at NIH including Assistant Director in the Office of Intramural Research, Acting Director of the Office of Loan Repayment and Scholarship, and Principal Investigator (1996–2007) in the Laboratory of Molecular Biology, Center for Cancer Research, National Cancer Institute. He joined NIH in 1985 as an American Cancer Society Postdoctoral Fellow.



Glenda Conroy, CPA, MBA, PMP
Deputy Chief Financial Officer, NIH
Director, Office of Financial Management (OFM), NIH

Ms. Glenda Conroy became the Director of the Office of Financial Management (OFM) and Deputy CFO in October 2015. In this capacity, Ms. Conroy serves as senior advisor to the Deputy Director for Management, Office of Management (OM), NIH, and to Institute and Center Directors and their representatives on the overall financial management of the organization. Prior to joining OFM, Ms. Conroy served as the Director for NIH's Office of Management Assessment (OMA) and Associate Director for Management/Executive Officer for the National Institute on Drug Abuse (NIDA). In these capacities, Ms. Conroy oversaw successful management of acquisitions, administrative management, financial management, grants, information resource management, NIH-wide policy, program integrity, and risk management.

Ms. Conroy's previous assignments include Deputy CFO at the HHS Program Support Center (PSC) and Director of Financial Enterprise Solutions and Deputy Director of Financial Management at the Food and Drug Administration (FDA). Ms. Conroy is retired from the Air Force Reserves. In 2019, Ms. Conroy received a certification in Organizational Consulting and Change Leadership from Georgetown University.

Message From The Chief Financial Officer

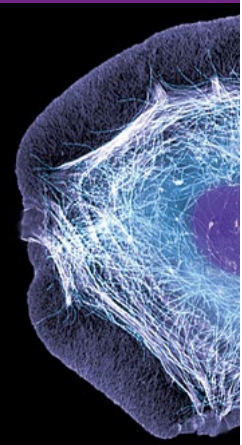
We are pleased to present the FY19 NIH Financial Management Report. As an organization, we strive to serve the public through effective and efficient accounting and financial management services to support NIH's scientific and biomedical research communities.

The Financial Management Community supports the mission of NIH by overseeing all financial transactions that support the scientific activities. Within the Office of the Director (OD), the Office of Management (OM) is privileged to provide administrative support to the world-class research directed by NIH. In FY19, the OM met unique administrative and financial challenges to support NIH's broadened mission. Two administrative management changes of note are:

1. The **21st Century Cures Act** (Cures Act) requires NIH to review its administrative functions and seek to make changes to support research. In FY19, OM continued its review of, and adjustments to, NIH policy and administrative practices to help the research community address the special requirements of the Cures Act (<https://www.nih.gov/research-training/medical-research-initiatives/cures>).
2. **RelImagine HHS** has been adopted by NIH as *Optimize NIH* to review current functions and to propose new ways of streamlining administrative services to meet new research challenges (NIH Employee Intranet: <http://employees.nih.gov/pages/optimize-nih/>).

This Report highlights the Financial Management Community accomplishments in support of the NIH mission. The notable accomplishments involved increased NIH-wide accountability, compliance, customer service, communication, and outreach to address enterprise-wide issues with swift remediation. NIH made outstanding achievements in utilizing our staff to continually produce high quality work and make significant improvements in a complex landscape. Many dependencies and requirements for collaboration and support from internal and external parties were critical in making enterprise-wide financial management process improvements.

At NIH, our staff and collaborators are our greatest resource, and we are proud to say we are committed to working together. As we continue to achieve success in FY20, we would like to take a moment to thank all our partners for their dedication and commitment to sound financial management at NIH. We hope this Report gives you further insight into the work that we do and the progress we made as an organization in partnership with others during FY19.



SECTION 2: ABOUT NIH FINANCIAL MANAGEMENT

NIH Core Financial Components

NIH funding is managed through a core financial management group comprised of the Office of Financial Management (OFM), the Office of Budget (OB), and the NIH Business System (NBS) located within OM, OD. Together, these offices provide budget, accounting, financial statement reporting, and financial system support for NIH.

Office of Financial Management (OFM)

OFM provides central accounting and reporting for all financial transactions that originate from the 27 Institutes and Centers (ICs) and OD. OFM also provides overall direction and leadership to the ICs by establishing and aligning the financial management policies and procedures to all applicable laws, regulations and policy guidance from the U.S. Department of Health and Human Services (HHS) and the Office of Management and Budget (OMB). OFM is the focal point for audits, financial statement reporting, travel policy, central services funds management, and NIH financial operations. Additionally, the responsibilities of OFM involve partnering with NBS in the development, implementation, and review of the NIH-wide, centrally managed financial management systems for key NIH financial programs and administrative activities.

Office of Budget (OB)

OB is the central NIH office responsible for budget policy, planning, analysis, formulation, justification, presentation, and execution of annual appropriations in concert with ICs. OB operates as the NIH focal point for the interpretation, preparation, dissemination, and implementation of financial policies and procedures. OB advises the NIH Director on budgetary

issues, and functions as the budget liaison with HHS, OMB, and Congress.

NIH Business System (NBS)

NBS is the central electronic business system of the NIH that provides secure, accurate, and timely business transaction capabilities that enable the NIH scientific community and supporting organizations to acquire needed assets, goods, and services. NBS includes the general ledger and financial submodules, financial reporting, budget, procurement, supply, travel, and property management systems. NBS combines NIH administrative processes and financial information under one centralized component, including business, financial, acquisition and logistics requirements.

DID YOU KNOW

Total Appropriations for FY19 were \$39.2 billion (B) and NIH awarded 49,092 new and continuing grants.

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Although the majority of NIH funding is derived from general-purpose single-year appropriations, multi-year and specific-purposed funding (like the Cures Act) has increased along with funding from cooperative partnerships and sales of research substances.

These changes require new approaches to financial management and reporting, and OFM is evolving to meet these new financial partnership requirements.

Figure 2.1 **Financial Management Cycle**

Figure adapted from Gerald J. Miller, and Donija Robbins, "Progressive Government Budgeting," in Frederic B. Bogul, ed. *Handbook of General Accounting* (Boca Raton, FL: CRC Press, 2009), p.75

Reporting Systems Utilized by NIH

nVision Reporting System

nVision provides administrative data and information delivery for NIH's analytics and reporting needs. nVision integrates data from NBS, eRA (grants), PRISM (contracts), and other enterprise level applications to address the reporting needs of the NIH Financial Management Community.

Financial Business Intelligence System (FBIS)

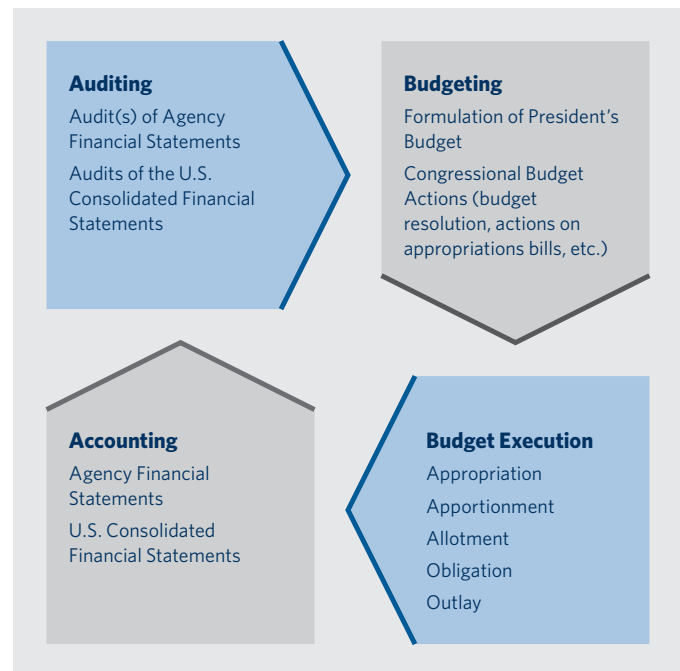
FBIS is HHS' financial enterprise business intelligence application that supports financial reporting for HHS Operating Divisions (OpDivs) by retrieving, combining, and consolidating data from the core financial systems. FBIS provides NIH/OFM tools for analyzing data and presenting actionable information, including metrics and key performance indicators, dashboards with graphical displays, interactive reports, and ad-hoc reporting.

Consolidated Financial Reporting System (CFRS)

CFRS systematically consolidates information from all three instances of the core financial systems (NIH, CMS, UFMS) at HHS. CFRS generates Departmental monthly, quarterly, and year-end consolidated financial statements on a consistent and timely basis while supporting HHS in meeting regulatory reporting requirements.

Relevant Legislation and Guidance

The NIH financial environment must comply with all relevant federal laws, regulations, and authoritative guidance, including items listed in the image on the right.



Federal Managers' Financial Integrity Act of 1982

Chief Financial Officers Act of 1990

Government Management Reform Act of 1994

Federal Financial Management Improvement Act of 1996

Clinger-Cohen Act of 1996

Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014

Digital Accountability and Transparency Act of 2014

Federal Information Technology Acquisition Reform Act of 2014

Fraud Reduction and Data Analytics Act of 2015

OMB directives and U.S. Department of the Treasury (Treasury) guidance related to these laws

Office of Financial Management at a Glance



Mission

Provide central accounting and reporting for all financial transactions that originate from the 27 ICs and OD. OFM also provides overall direction and leadership by establishing financial management policies and procedures and providing oversight of the NIH core financial management systems.



Vision

Be an exemplary organization that offers outstanding advisory services and management support to help NIH achieve its goals.



Priorities

People

- Enhance workforce planning, hiring, and development to align with OFM needs.

Process

- Improve the efficiency of financial operations.

Technology

- Better leverage IT systems and data management throughout OFM.



Goals & Objectives

Trusted Partner

- Understand and meet the financial management needs of the NIH Financial Community ensuring initiatives are aligned with the NIH scientific research mission.
- Lead the development of policies and procedures related to the financial management of NIH program activities.
- Prepare complete, accurate, and timely annual financial statements and performance reports for the HHS audit.

Recognized for Providing Quality Experience

- Improve the efficiency and effectiveness of financial operations supporting the NIH mission.
- Diversify delivery of financial services to internal and external customers.
- Partner with NBS to provide financial information through interactions that are modern, seamless and secure.

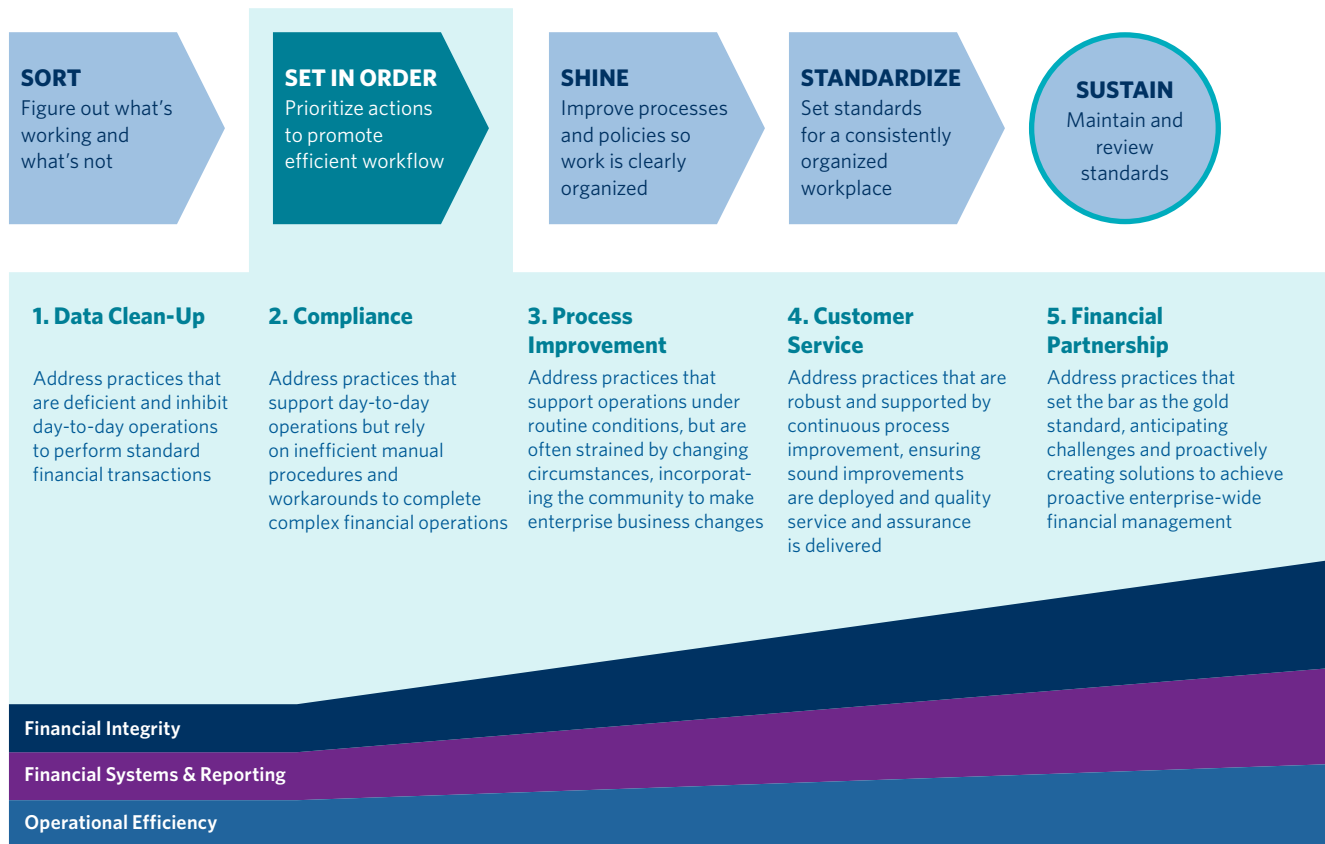
Pro-Active and Agile Organization

- Become flexible and scalable to optimize delivery of services assuring NIH accounting services are performed in accordance with Prompt Payment and Internal Control requirements.
- Incorporate flexible and scalable IT and Data Management solutions to adapt to changing requirements.

Office of Financial Management Maturity Model

OFM is transforming from an operational based organization to a sound financial management organization that delivers financial services in partnership with ICs and OD Offices using the Lean Six Sigma 5S Model.

Figure 2.2



DID YOU KNOW

OFM implemented a new OMB system, which allows us to process manual journal entries in a controlled financial environment with adequate documentation, review, and approval in place. Manual entries are most often required when automated system processes are not available. OFM and NBS continue to partner toward full automation.

In alignment with *Optimize NIH*, OFM partnered with NBS to lead the organizational vision highlighting the critical need to reconfigure funds to address no-year and multi-year fund set-ups for compliance; engaged key stakeholders at HHS and NIH, gaining executive agreement. As a result, NIH achieved FY20 implementation of new fund set-ups which are required for accurate fund accounting NIH-wide. The FY20 implementation plan results in a major shift and improvement in NIH fund accounting.

OFM oversees more than 20,000 Interagency Agreement (IAAs – buyer/seller) transactions that total more than \$2B and manages budget establishment for about 1,000 plus collections accounts (CRADAs, Gifts, Royalties) in excess of \$180 million (M). This volume of operational financial activity continues while OFM pursues our mission to transform ourselves from a transactional focused organization into a financial management organization.

SECTION 3: FINANCIAL SUMMARY

Overview

The Financial Summary provides an overview of NIH's financial position, highlighting the results of NIH operations, financial position, and cash flow. NIH has one of the largest agency discretionary budgets in the federal government at \$39.2B in FY19. Funds are appropriated to each of the 27 Institutes and Centers, as shown in the table 3.1 on the right. Annual appropriations for the ICs range from just over \$78M (FIC) to more than \$5.7B (NCI).

DID YOU KNOW

Advances in Alzheimer's Disease & Related Dementias Research

The FY19 National Institute on Aging (NIA) budget included an increase of \$84M in the general appropriation and an additional \$425M designated for Alzheimer's and related dementias research.

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In December 2017, Congress passed, and the President signed into law, the Cures Act. The new law established an NIH Innovation Account, authorizing \$4.8B to fund several large projects over 10 years. These projects include the Precision Medicine Initiative, the Brain Research Through Advancing Innovative Neurotechnologies (BRAIN) Initiative, and the Cancer Moonshot initiative, as well as clinical research in regenerative medicine.

Table 3.1 **NIH FY19 Enacted Budget by IC**
(\$ in thousands)

IC	Percent of Total	FY 19 Enacted 9/28/18
NCI	14.68%	5,747,125
NIAID	14.06%	5,506,190
NHLBI	8.91%	3,490,171
NIA	7.88%	3,084,809
NIGMS	7.34%	2,874,292
NINDS	5.66%	2,218,080
NIDDK	5.19%	2,030,892
NIMH	4.63%	1,813,750
NICHD	3.85%	1,507,251
NIDA	3.63%	1,420,591
OD	2.78%	1,088,175
NIEHS	2.17%	850,485
OD-CF/NCS	2.13%	834,485
NCATS	2.06%	806,787
NEI	2.04%	796,955
Cures Act	1.82%	711,000
NIAMS	1.55%	605,383
NHGRI	1.47%	575,882
NIAAA	1.34%	525,867
NIDCD	1.21%	474,653
NIDCR	1.18%	462,024
NLM	1.13%	442,230
NIBIB	1.00%	389,672
NIMHD	0.80%	314,845
B+F	0.51%	200,000
NINR	0.42%	163,076
NCCIH	0.37%	146,550
FIC	0.20%	78,150
	100.00%	39,159,370

Obligations by Major Object Class Category

In FY19, NIH obligated nearly \$38.5B, an increase of 4.5% over FY18 obligations. Of this amount, over 73.7% or \$28.4B was spent on grants, subsidies, and contributions, with another 7.2% or \$2.8B on interagency agreements.

Table 3.2 NIH FY19 and FY18 Obligations by Major Object Class Category (\$ in thousands)

Object Class Category	FY19	FY19 % of Total	FY18	FY19-FY18 % Change
GRANTS, SUBSIDIES, AND CONTRIBUTIONS	\$ 28,350,257	73.7%	\$ 26,485,809	7.04%
INTER- & INTRA- AGENCY AGREEMENTS	\$ 2,769,228	7.2%	\$ 2,608,843	6.15%
CONTRACT SERVICES FROM THE PRIVATE SECTOR	\$ 2,541,736	6.6%	\$ 2,389,167	6.39%
PERSONNEL COMPENSATION & BENEFITS	\$ 2,408,595	6.3%	\$ 2,357,462	2.17%
RESEARCH AND DEVELOPMENT CONTRACTS	\$ 1,553,398	4.0%	\$ 1,637,435	-5.13%
SUPPLIES AND MATERIALS	\$ 257,762	0.7%	\$ 244,711	5.33%
OPERATION & MAINT OF FACILITIES & EQUIPMENT	\$ 254,576	0.7%	\$ 232,012	9.73%
EQUIPMENT	\$ 184,631	0.5%	\$ 198,140	-6.82%
TRAVEL AND TRANSPORTATION	\$ 71,078	0.2%	\$ 61,875	14.87%
RENT, COMMUNICATIONS, AND UTILITIES	\$ 42,463	0.1%	\$ 60,064	-29.30%
ALL OTHER OBLIGATIONS	\$ 32,454	0.1%	\$ 23,183	39.99%
LAND AND STRUCTURES	\$ 6,393	0.0%	\$ 6,391	0.04%
PRINTING AND REPRODUCTION	\$ 298	0.0%	\$ 331	-9.95%
ACCOUNT TRANSFERS	\$ -	0.0%	\$ 496,006	-100.00%
Grand Total	\$ 38,472,870	100.0%	\$ 36,801,429	4.54%

There are five budget mechanisms that describe NIH's extramural funding activities, as noted in table 3.3a. For FY19, more than 76% or \$21.3B of all grant obligations were for continuation of funded research projects, and 24% or \$6.8B were awarded to new grants, as noted in table 3.3b.

Table 3.3a NIH Grants Data by Mechanism Code

Grant Mechanism	FY19		FY18		FY19 - FY18 % Change	
	Total Number of Awards ¹	Total Funding ²	Total Number of Awards ¹	Total Funding ²	Total Number of Awards ¹	Total Funding ²
Research Projects	38,992	\$21,589,062,208	37,123	\$19,869,684,598	5.03%	8.65%
SBIR-STTR	2,031	\$1,050,000,739	2,033	\$999,340,435	-0.10%	5.07%
Research Centers	1,232	\$2,800,169,432	1,239	\$2,686,334,137	-0.56%	4.24%
Research Career	4,245	\$791,880,110	4,026	\$741,078,930	5.44%	6.86%
Other Research	2,592	\$1,912,139,990	2,509	\$1,610,350,635	3.31%	18.74%
Total Grant Mechanism	49,092	\$28,143,252,479	46,930	\$25,906,788,735	4.61%	8.63%

Research Grants – Extramural awards made for Research Centers, Research Projects, and Small Business Innovation Research/ Small Business Technology Transfer (SBIR/STTR) Grants, and Other Research Grants.

¹**Total Number of Awards** – Actual obligations for each fiscal year excludes lapsed amounts and are non-comparable. Sum of mechanism dollar amounts may not equal NIH total due to the effect of rounding.

²**Total Funding** – Total funding is the award amount for each fiscal year, and not for the life of the project. Includes awards made from all appropriations, reimbursable funds and other sources.

Table 3.3b NIH Grant Obligations New/Continuation

New/Continuation	FY19		
	Total Number of Awards ¹	Total Funding ²	% of Total Funding
New Awards (Competing)	12,856	\$6,844,312,927	24%
Continuations & Supplements	36,236	\$21,298,939,552	76%
Total Grant Mechanism	49,092	\$28,143,252,479	100%

Payments Overview

Figure 3.1 NIH FY19 Invoice Payments Excluding Payroll

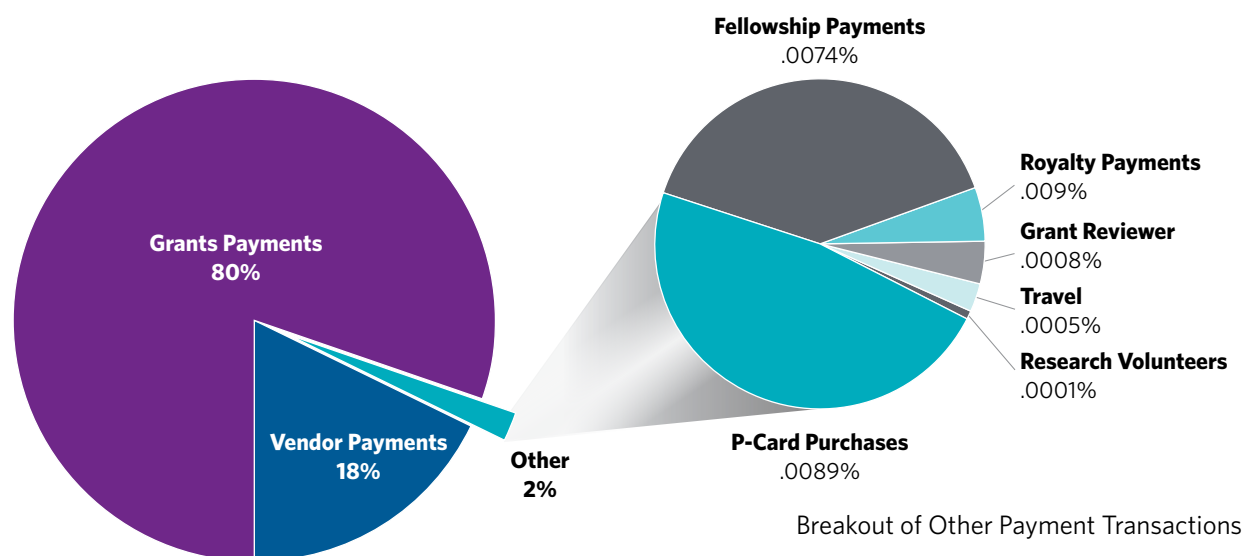


Table 3.4 NIH FY19 Invoice Payments Excluding Payroll

Payment Type	Payments Value	Percentage for Total Dollar Value	Transaction Count	% of Total Transactions Count
Grant Payments	\$ 25,715,516,948	80.54%	85,840	10.35%
Vendor Payments	\$ 5,614,859,068	17.58%	118,933	14.34%
P-Card Purchases	\$ 285,370,939	0.89%	371,155	44.74%
Fellowship Payments	\$ 237,166,422	0.74%	124,858	15.05%
Royalty Payments	\$ 31,438,048	0.10%	1,733	0.21%
Grant Reviewer	\$ 25,219,269	0.08%	50,846	6.13%
Travel	\$ 16,955,723	0.05%	54,470	6.57%
Research Volunteers	\$ 3,539,650	0.01%	21,739	2.62%
Total Invoice Payments	\$ 31,930,066,066	100%	829,574	100%

Non-Payroll, Non-Grant payment transactions make up less than 20% of the dollar value of total invoice payments, but account for 90% of the number of total invoice payments processed by OFM. Note in Table 3.4 that grant payments are just over 10% while the other non-payroll transactions total 90%.

Table 3.5 NIH FY19 Invoice Payments Excluding Payroll and Grants

Payment Type	Payments Value	Transactions
Vendor Payments	\$ 5,614,859,068	118,933
P-Card Purchases	\$ 285,370,939	371,155
Fellowship Payments	\$ 237,166,422	124,858
Royalty Payments	\$ 31,438,048	1,733
Grant Reviewer	\$ 25,219,269	50,846
Travel	\$ 16,955,723	54,470
Research Volunteers	\$ 3,539,650	21,739
Total Invoice Payments	\$ 6,214,549,119	743,734

Treasury's e-Invoicing application named Invoice Processing Platform (IPP) is in the implementation planning phase. Note that most of the NIH vendor payments shown in Table 3.5 are eligible for e-invoicing upon full system implementation. Currently, OFM is collaborating with the Office of Acquisition and Logistics Management (OALM) and NBS to develop a roll-out strategy for the IPP application at NIH.

Offsetting Collections

During FY19 NIH received more than \$182M in Cooperative Research and Development Agreements (CRADAs), Gifts, Royalties and other collections.

Figure 3.2 NIH FY19 Offsetting Collections

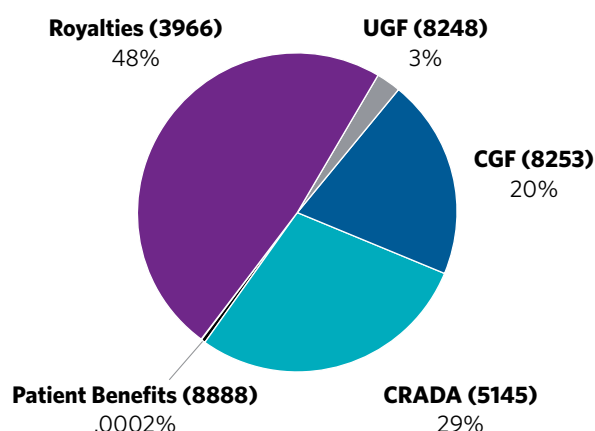


Table 3.6 NIH FY19 Offsetting Collections

Collection Type	Amount	Number of Deposits
Royalties (3966)	\$ 88,359,887	80
Unconditional Gift Fund (8248)	\$ 4,907,840	150
Conditional Gift Fund (8253)	\$ 36,954,120	13
CRADA (5145)	\$ 52,220,467	157
Patient Benefits (8888)	\$ 41,415	635
Total	\$182,483,729	1,035

Interagency Agreements

An Interagency Agreement (IAA) is an agreement document between federal agencies that defines cooperative work between the entities. NIH transferred more than \$2B in IAAs in FY19. NIH bought nearly \$1.2B in services from other federal entities and sold more than \$800M last year while more than \$200M transferred among ICs.

Figure 3.3 NIH FY19 Amount Transferred

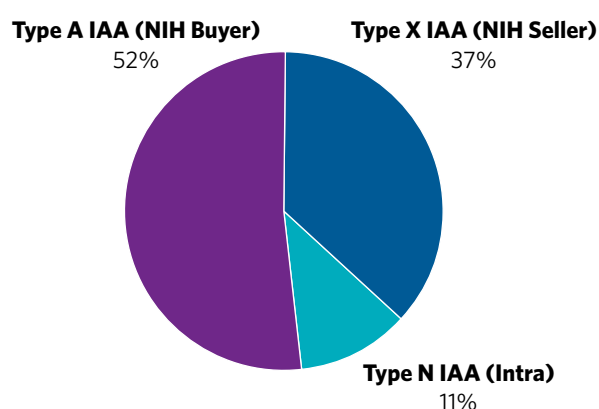


Table 3.7 NIH FY19 Amount Transferred

FY19 IAAs	Amount Transferred	Number of IAAs
Type A IAA (NIH Buyer)	\$ 1,196,856,642	18,215
Type X IAA (NIH Seller)	\$ 838,472,740	2,895
Type N IAA (Intra)	\$ 261,427,161	72
Total	\$ 2,296,756,543	21,182

Types of Agreements

- **Type A Interagency Agreements:** NIH is the buyer/ receiver of services from other federal agencies.
- **Type X Interagency Agreements:** NIH is the seller/ provider of services to other federal agencies.
- **Type N Intra-agency Agreements:** Agreements between NIH ICs.

SECTION 4: FINANCIAL STATEMENTS

Financial Summary and Highlights

HHS received an unmodified (clean) audit opinion on the principal financial statements and notes for the fiscal year that ended on September 30, 2019. This is the 21st year HHS received an unmodified opinion. NIH takes pride in the preparation of its financial statements ultimately submitted to HHS. 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 includes the Consolidated Balance Sheet, Consolidated Statement of Net Cost, Consolidated Statement of Changes in Net Position, and Statement of Budgetary Resources, as well as selected notes to the principal financial statements presented below. 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 NIH.

DID YOU KNOW

The Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) is used by agencies to report budget execution information and proprietary financial reporting information to Treasury. This system replaced the Treasury's FACT I and FACTS II systems. Prior to GTAS Reporting, NIH was required to report to Treasury quarterly for a fiscal year. With GTAS system, the requirement has increased to eleven times in a fiscal year.

Summary Statement of Financial Condition

Balance Sheets

To communicate performance for NIH at fiscal year-end, the Consolidated Balance Sheets show the resources available to NIH (Assets) and claims against those assets (Liabilities). The remainder represents the equity retained by NIH (Net Position). Table 4.1 summarizes the major components of the FY19 and FY18 year-end balances of NIH's assets available for use, the liabilities owed by NIH, and the equity retained by NIH.

Assets

The total Assets for NIH were \$44.1B on September 30, 2019, representing the value of what NIH owns and manages. This is an increase of approximately \$2.8B or 7% over September 30, 2018. NIH's Fund Balance with Treasury was reported at \$42.1B or 95% of NIH's total assets.

Liabilities

The total Liabilities represent the amounts NIH owes from past transactions or events.

Table 4.1 NIH Summary Statement of Financial Condition

	FY19	FY18	\$ Change (2019-2018)	% Change (2019-2018)
Fund Balance with the Treasury	42,076,739,559	39,250,904,711	2,825,834,848	7.20%
Investments, Net	34,732,905	36,610,568	-1,877,663	-5.13%
Accounts Receivable	20,780,277	17,181,093	3,599,184	20.95%
Advances	3,492,646	5,511,628	-2,018,982	-36.63%
Other Assets	1,989,646,623	2,041,315,111	-51,668,488	-2.53%
Total Assets	\$44,125,392,011	\$41,351,523,111	\$2,773,868,900	6.71%
Accounts Payable	362,153,978	318,995,681	43,158,297	13.53%
Other Intragovernmental Liabilities	393,979,818	354,567,778	39,412,040	11.12%
Accrued Liabilities	2,523,608,737	2,428,322,349	95,286,388	3.92%
Federal Employee & Veteran's Benefits	59,058,064	59,211,695	-153,631	-0.26%
All Other Liabilities	599,735,864	574,121,411	25,614,453	4.46%
Total Liabilities	\$3,938,536,461	\$3,735,218,914	\$203,317,547	5.44%
Net Position	\$40,186,855,550	\$37,616,304,197	\$2,570,551,352	6.83%
Total Liabilities & Net Position	\$44,125,392,011	\$41,351,523,111	\$2,773,868,900	6.71%

DID YOU KNOW

As a Central Accounting Reporting System (CARS) reporter, NIH now reports and records all cash transactions with external entities to Treasury before funds are available at NIH. This means NIH can better trace cash transactions and reconcile cash difference by utilizing Treasury reports.

Collaborative partnerships with ICs have resulted in more accurate accounting, improved audit outcomes, including closure of over 250 grant lines NIH-wide just last year, and over \$80M in recovery of funds to HHS.

With help from ICs and OD, additional financial management improvements continue to be realized. For instance, a newly introduced early entry process for Reimbursable/IAA Common Accounting Number (CAN) funding procedures has already improved program performance across NIH by reducing the need for manual CAN Changes.

Combined Balance Sheet

Statement of Changes in Net Position

The Statement of Changes in Net Position identifies all financing sources available to, or used by, the Department to support its net cost of operations and the net change in its financial position. The sum of these components, Cumulative Results of Operations and Unexpended Appropriations, equals the Net Position at year-end.

**Table 4.2 NIH Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2019 (\$ in thousands)**

	Funds from Dedicated Collections	All Other Funds	Consolidated Total
Unexpended Appropriations			
Beginning Balances		32,905,216	32,905,216
Budgetary Financing Sources			
Appropriations Received		38,154,579	38,154,579
Appropriations Transferred-In/Out (+/-)		(428,749)	(428,749)
Other Adjustments (+/-)		(41,126)	(41,126)
Appropriations Used (RC39)		(35,902,137)	(35,902,137)
Total Budgetary Financing Sources		1,782,567	1,782,567
Total Unexpended Appropriations		\$34,687,783	\$34,687,783
Cumulative Results of Operations:			
Beginning Balances	529,339	529,339	529,339
Budgetary Financing Sources:			
Other Adjustments (+/-)	(2,614)	(4,658)	(7,272)
Appropriations Used	-	35,902,137	35,902,137
Non-exchange Revenue			
Nonexchange Revenue - Investment Revenue	868		868
Donations and Forfeitures of Cash and Cash	42,727		42,727
Equivalents			
Transfers-In/Out Without Reimbursement (+/-)	40,744		40,744
Other Financing Sources (Nonexchange):			
Donations and Forfeitures of Property		6,059	6,059
Transfers-In/Out Without Reimbursement (+/-)	(2,580)	2,600	20
Imputed Financing	30	146,836	146,866
Other (+/-)		(3,913)	(3,913)
Total Financing Source	\$38,431	\$36,089,805	\$36,128,236
Net Cost Of Operations (+/-)	67,283	35,272,968	35,340,252
Net Change	(28,852)	816,836	787,984
Cumulative Results of Operations	500,487	4,998,586	5,499,073
Net Position	\$500,487	\$39,686,369	\$40,186,856

Statement of Net Cost

The Consolidated Statement of Net Cost represents how NIH spent budgetary resources. This statement presents the difference between the costs incurred by NIH's programs less earned revenues.

Table 4.3 NIH OPDIV Statement of Net Cost
For the Years Ended September 30, 2019 and 2018 (\$ in thousands)

	2019 Consolidated Net Cost	2018 Consolidated Net Cost
Gross Cost by GPRA Code		
Research	35,340,251	33,159,534
Net Cost of Operations before Actuarial Gains and Losses	\$35,340,251	\$33,159,534
Actuarial (Gains) and Losses on Commissioned Corps		
Retirement System and Commissioned Corps Post		
Retirement Medical Plan	-	-
Net Cost of Operations	\$35,340,251	\$33,159,534

Statement of Budgetary Resources

The Combined Statement of Budgetary Resources displays the budgetary resources available to NIH and the status of those resources at the fiscal year-end. The primary components of NIH's resources 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.

Table 4.4 NIH Combined Statement of Budgetary Resources
For the Years Ended September 30, 2019 and 2018 (\$ in thousands)

	2019	2018
Budgetary Resources:		
Unobligated balance from PY budget authority, net (discretionary and mandatory)	2,845,323	2,369,461
Appropriations (discretionary and mandatory)	38,844,068	36,941,172
Borrowing Authority (discretionary and mandatory)	-	-
Contract Authority (discretionary and mandatory)	-	-
Spending Authority from offsetting collections	4,281,098	3,951,122
Total Budgetary Resources:	\$45,970,489	\$43,261,755
Status of Budgetary Resources:		
New Obligations and upward adjustments (total)	43,992,691	40,964,645
Apportioned, unexpired account	1,000,370	1,197,887
Exempt from Apportionment, unexpired accounts	135,541	150,126
Unapportioned, unexpired accounts	212,524	321,810
Unexpired unobligated balance, end of year	1,348,435	1,669,824
Expired unobligated balance, end of year	629,363	627,287
Unobligated balance brought forward, end of year	1,977,798	2,297,110
Total Budgetary Resources:	\$45,970,489	\$43,261,755
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	35,675,520	33,262,521
Distributed offsetting receipts	(860,505)	(625,128)
Agency Outlays, net (discretionary and mandatory)	\$34,815,015	\$32,637,393

Internal Control

Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires agency heads to annually evaluate and report on the internal control and financial systems that protect the integrity of federal programs. This evaluation aims to provide reasonable assurance that internal controls are achieving the objectives of effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations. The safeguarding of assets is a subset of these objectives. NIH performs rigorous, risk-based evaluations of its internal controls in compliance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, NIH provides reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2019.

NIH Management is directly responsible for establishing and maintaining effective internal controls in their respective areas of responsibility. NIH is continually working to strengthen its internal control assessment and reporting processes to more effectively identify key risks, develop effective risk responses, and implement timely corrective actions. Maintaining integrity and accountability in all programs and operations is critical to NIH's mission and demonstrates responsible stewardship over assets and resources. It also promotes responsible leadership, ensures the effective delivery of high-quality services to the American people and maximizes desired program outcomes.

DID YOU KNOW

For the second consecutive year, OFM closed all its open Corrective Action Plan (CAP) requirements of NIH's assigned audit findings.

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Continued partnership with the Financial Management Community to complete A-123 CAP-related activities and comply with FMFIA requirements will ensure NIH accounting services are performed in accordance with OMB, Treasury, HHS and other federal governing bodies, including the Prompt Payment Act and Internal Control requirements.

External Audit Report

Ernst & Young (EY) performed the annual United States Department of Health and Human Services (HHS) audit required by the Chief Financial Officers Act of 1990 (Public Law 101-576). As one Operating Division within HHS, NIH financial reports are consolidated and presented to HHS. Based on its audit, EY found that the FY19 HHS consolidated balance sheets and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources were presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. The HHS FY19 audited Financial Statements are located at <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>.

In FY19, NIH made successful advancements on issues that allowed us to overcome significant deficiencies noted in past audits. The auditors acknowledged substantial improvements in NIH Financial Information Systems, Analysis and Reporting; specifically, access controls, configuration management, and proper segregation of duties. Improvements included the development of policies and procedures over financial processes, the execution of analyses to remediate data quality issues resulting in data cleanup activities, and the implementation of processes to automate and strengthen controls around non-standard journal entries.

These improvements resulted in the auditors downgrading a FMFIA material weakness to significant deficiency. A significant deficiency is one that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

FMFIA requires agencies to establish internal controls and financial systems that provide reasonable assurance of achieving effectiveness and efficiency of operations, compliance with regulations and applicable laws, and reliability of financial reporting.

NIH's Corrective Actions

OFM, in partnership with the Financial Management Community, is leading efforts to reduce the number of manual journal entries. In FY18, OFM identified business processes that could be automated and improved, and NBS documented and prioritized corrective actions in a comprehensive multi-year implementation plan. The first automation priority was the Funds Configuration Initiative (FCI). Implementation of FCI empowers NIH to:

- Increase the capability of ICs to keep track of multi-year funding
- Improve the budget upload entry process
- Comply with OMB requirements to track multiyear and No Year funds for each fiscal year of availability
- Use Accounting Treatment Manual (ATM) compliant five-digit Object Class codes and eight-digit Standard General Ledger (SGL) codes
- Reduce the need for canceling obligations for No Year funds
- Reduce the number of manual adjustments required to make funding available in each fiscal year
- Comply with financial reporting requirements (GTAS and DATA Act)

NIH completed development of FCI in FY19 and FCI was implemented in FY20.

DID YOU KNOW

Successfully closing the Fund Balance with Treasury and FMFIA CAPS has been positively recognized by the Department.

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In alignment with Reimagine HHS, OFM successfully implemented month end financial reporting.

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Early in FY19, OFM worked with OALM to clear out the Canceling Year Undelivered Obligations (UDOs) for Gaither Distribution Center (GDC). This effort helped NIH reduce the number of UDOs as mandated by the Department.

SECTION 5: LOOKING AHEAD

The Future of NIH Financial Management

As we look to the future, OFM is building on its momentum and has identified nine key initiatives to focus on for FY20 and beyond. Leveraging technology and working closely with our ICs and OD Offices in the financial arena remains a top priority as we continue to support the NIH mission.

Process Improvement

- **Reduce usage** of the Suspense Account.
- Provide a **secure and scalable solution** to perform Central Service Assessments.
- **Automate** the Grants Accrual and Liability process.

Innovation

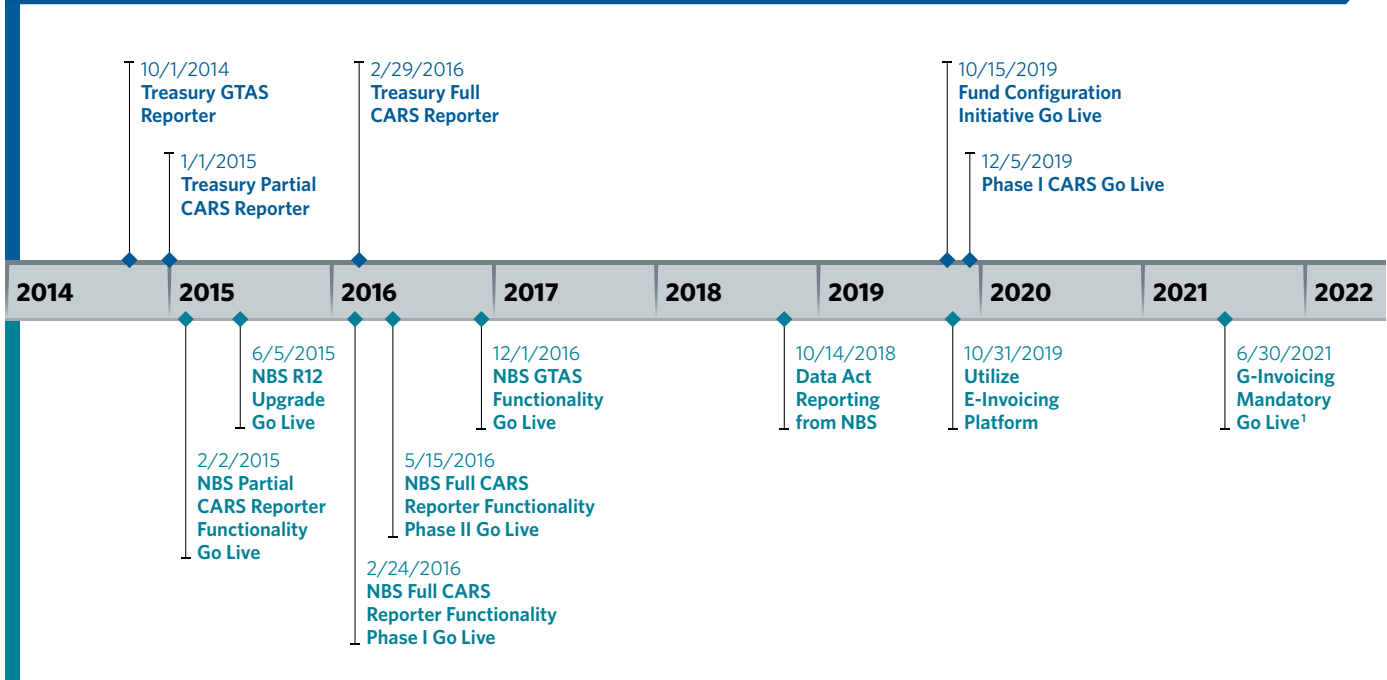
- Implementation of **G-Invoicing** to improve the quality of Intra-Governmental Buy/Sell transactions and reduce the dollar amount of Intra-Governmental differences on the Government-wide financial statements.
- Implementation of **e-invoicing** to support electronic vendor invoicing that will improve financial management and efficiently manage government invoicing from purchase order to payment notification.
- Pilot **Robotic Process Automation (RPA)** projects to automate repetitive and routine tasks, resulting in a more skilled workforce focusing on critical high-impact priorities.

Collaboration

- Partner with NBS and establish a **Tiger Team** to review the end-to-end process of IAAs, identify opportunities for improvement, and work together to develop a streamlined and efficient process for IAAs across the NIH.
- Provide superior **customer service** and high value to the ICs and OD Offices by identifying areas for improvement and continuing to strengthen working relationships.
- **Support** the design, development, and implementation of NBS cash transactions in compliance with the HHS ATM and Treasury's CARS.

OFM continues to collaborate with NBS to ensure NIH is compliant with all the Treasury mandates for financial reporting including CARS, GTAS and DATA Act.

NIH's Treasury Compliance Timeline




NBS System Timeline

¹ The implementation plans are being developed in collaboration with the Department.



SECTION 6: RESOURCES

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1. **G-Invoicing Site:** <https://fiscal.treasury.gov/g-invoice/>
 2. **Treasury's Invoicing Processing Platform (IPP) Site:** <https://www.ipp.gov/>
 3. **HHS Agency FY19 Financial Report:** <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/agency-financial-reports/index.html>
 4. **Treasury's GTAS site:** <https://fiscal.treasury.gov/gtas/>
 5. **Treasury's CARS site:** <https://fiscal.treasury.gov/cars/>
 6. **NIH Office of Budget:** <https://officeofbudget.od.nih.gov/cy.html>



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