

Department Of Defense

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**Required Supplementary Information**

**Fiscal Year 2002**

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**Disaggregated Statement of Budgetary Resources**  
**Budgetary Financing Accounts**

<b>Department of Defense</b> Year Ending September 30, 2002 (\$ in millions)	<b>Military Retirement Fund</b>	<b>Other</b>	<b>Research, Development, Test &amp; Evaluation</b>	<b>Civil Works</b>	<b>Operation and Maintenance</b>	<b>Procure ment</b>
<b>BUDGETARY RESOURCES</b>						
<u>Budget Authority</u>						
Appropriations Received	\$ 43,047.6	\$ 39,365.0	\$ 46,646.1	\$ 4,325.0	\$ 128,683.3	\$ 62,239.8
Borrowing Authority						
Contract Authority		491.3				
Net Transfers (+/-)		(14,104.5)	363.6	1,006.2	7,849.2	1,078.4
Other						
<u>Unobligated Balance</u>						
Beginning Of Period	161,409.6	8,690.2	4,685.2	1,713.3	4,754.3	18,162.6
Net Transfers, Actual (+/-)		7,400.7	24.0	(23.1)	1,281.6	138.5
Anticipated Transfers Balances						
<u>Spending Authority From Offsetting</u>						
<u>Collections</u>						
<u>Earned</u>						
Collected		1,969.3	4,963.5	4,837.6	17,563.7	1,685.9
Receivable From Federal Sources		(477.4)	29.3	(53.5)	(467.0)	(87.1)
<u>Change In Unfilled Customer Orders</u>						
Advance Received		(2.7)	152.5	37.3	13.7	(8.8)
Without Advance From Federal Sources		(33.1)	302.2	115.6	804.1	230.1
Anticipated For The Rest Of Year, Without Advances						
Transfers From Trust Funds						
Subtotal		1,456.2	5,447.6	4,937.1	17,914.6	1,820.1
Recoveries Of Prior Year Obligations		412.1	1,582.0		8,903.5	1,456.7
Temporarily Not Available Pursuant To Public Law						
Permanently Not Available		(957.9)	(1,171.4)	(16.5)	(2,466.7)	(1,736.6)
Total Budgetary Resources	204,457.2	42,753.1	57,577.3	11,941.9	166,919.8	83,159.5
<b>Status Of Budgetary Resources</b>						
<u>Obligations Incurred</u>						
Direct	35,188.0	34,704.6	46,208.9	5,415.4	141,668.3	60,400.1
Reimbursable		1,574.3	5,741.0	4,785.5	19,958.6	7,756.0
Subtotal	35,188.0	36,278.9	51,949.9	10,200.9	161,626.8	68,156.1
<u>Unobligated Balance</u>						
Apportioned		3,882.1	5,410.9	1,246.1	2,452.9	14,572.3
Exempt From Apportionment	169,269.2	1,796.3		495.0		
Other Available						
Unobligated Balances Not Available		795.8	216.5		2,840.1	431.2
Total, Status Of Budgetary Resources	204,457.2	42,753.1	57,577.3	11,941.9	166,919.8	83,159.5
Relationship Of Obligations To Outlays:						
Obligated Balance, Net - Beginning Of Period	3,006.8	4,822.8	18,941.7	1,098.0	40,212.8	67,016.9
Obligated Balance Transferred, Net (+/-)						
<u>Obligated Balance, Net ? End Of Period</u>						
Accounts Receivable		218.5	(941.7)	(235.4)	(3,904.6)	(401.5)
Unfilled Customer Order From Federal		(96.3)	(1,777.8)	(1,373.1)	(4,370.2)	(1,129.2)

Sources

**Disaggregated Statement of Budgetary Resources  
Budgetary Financing Accounts (Continued)**

<b>Department of Defense Year Ending September 30, 2002 (\$ in millions)</b>	<b>Military Retirement Fund</b>	<b>Other</b>	<b>Research, Development, Test &amp; Evaluation</b>	<b>Civil Works</b>	<b>Operation and Maintenance</b>	<b>Procure Ment</b>
<b>BUDGETARY RESOURCES</b>						
Undelivered Orders		8,239.2	21,948.8	1,475.2	43,282.4	66,294.6
Accounts Payable	3,135.1	1,414.2	2,410.4	1,180.7	13,230.3	5,580.0
<b>Outlays</b>						
Disbursements	35,059.7	31,424.5	47,338.3	10,189.4	144,361.1	63,229.3
Collections		(1,966.6)	(5,116.0)	(4,875.0)	(17,577.4)	(1,677.1)
Subtotal	35,059.7	29,457.9	42,222.3	5,314.5	126,783.7	61,552.3
Less: Offsetting Receipts	(42,380.1)	(2,089.0)		(819.3)	(305.4)	
<b>Net Outlays</b>	<b>\$ (7,320.3)</b>	<b>\$ 27,368.9</b>	<b>\$ 42,222.3</b>	<b>\$ 4,495.2</b>	<b>\$ 126,478.3</b>	<b>\$ 61,552.3</b>

**Disaggregated Statement of Budgetary Resources**  
**Budgetary Financing Accounts (Continued)**

Department of Defense Year Ending September 30, 2002 (\$ in millions)	Military Personnel	Military Construction/ Family Housing	Working Capital Fund	2002 Combined	2001 Combined
<b>BUDGETARY RESOURCES</b>					
<u>Budget Authority</u>					
Appropriations Received	\$ 82,203.1	\$ 7,223.1	\$ 1,380.9	\$ 415,113.8	\$ 366,707.6
Borrowing Authority					
Contract Authority			1,826.7	2,318.1	4,488.4
Net Transfers (+/-)	4,792.7	3.2	(2.1)	986.7	8,622.7
Other					
<u>Unobligated Balance</u>					
Beginning Of Period	533.2	2,890.4	7,290.2	210,129.0	201,966.5
Net Transfers, Actual (+/-)	221.0	(13.1)	78.0	9,107.6	(2,846.1)
Anticipated Transfers Balances					
<u>Spending Authority From Offsetting</u>					
<u>Collections</u>					
<u>Earned</u>					
Collected	611.0	2,728.2	83,583.1	117,942.3	104,953.2
Receivable From Federal Sources	(55.7)	(109.0)	103.7	(1,116.7)	(817.0)
<u>Change In Unfilled Customer Orders</u>					
Advance Received		80.3	(86.5)	185.9	(844.1)
Without Advance From Federal Sources	45.8	84.9	2,026.6	3,576.4	497.0
Anticipated For The Rest Of Year, Without Advances					
Transfers From Trust Funds					
Subtotal	601.1	2,784.4	85,626.8	120,587.8	103,789.1
Recoveries Of Prior Year Obligations	1,928.1	594.3	416.3	15,293.1	18,522.4
Temporarily Not Available Pursuant To Public Law					
Permanently Not Available	(565.9)	(299.0)	(740.6)	(7,954.7)	(7,727.8)
Total Budgetary Resources	89,713.2	13,183.2	95,876.1	765,581.4	693,522.9
<b>Status Of Budgetary Resources</b>					
<u>Obligations Incurred</u>					
Direct	87,593.4	7,753.2	1,307.7	420,239.5	378,580.4
Reimbursable	1,550.0	1,967.1	84,712.7	128,045.2	104,466.7
Subtotal	89,143.4	9,720.3	86,020.3	548,284.7	483,047.2
<u>Unobligated Balance</u>					
Apportioned	127.5	3,355.2	9,855.8	40,902.7	40,513.6
Exempt From Apportionment				171,560.4	164,030.5
Other Available					
Unobligated Balances Not Available	442.4	107.7		4,833.6	5,931.6
Total, Status Of Budgetary Resources	89,713.2	13,183.2	95,876.1	765,581.4	693,522.9
Relationship Of Obligations To Outlays:					
Obligated Balance, Net - Beginning Of Period	6,418.7	5,985.4	15,326.1	162,829.2	150,690.1
Obligated Balance Transferred, Net (+/-)					
<u>Obligated Balance, Net - End Of Period</u>					
Accounts Receivable	(569.1)	(158.0)	(4,937.4)	(10,929.3)	(12,028.1)
Unfilled Customer Order From Federal Sources	(55.0)	(2,861.6)	(15,757.9)	(27,421.1)	(23,844.7)

**Disaggregated Statement of Budgetary Resources  
Budgetary Financing Accounts (Continued)**

Department of Defense Year Ending September 30, 2002 (\$ in millions)	Military Personnel	Military Construction/ Family Housing	Working Capital Fund	2002 Combined	2001 Combined
<b>BUDGETARY RESOURCES</b>					
Undelivered Orders	259.8	9,483.2	25,238.2	176,221.3	154,659.5
Accounts Payable	6,595.2	1,014.1	11,206.5	45,766.4	43,679.0
<u>Outlays</u>					
Disbursements	87,413.1	7,657.8	83,050.5	509,723.8	453,069.1
Collections	(611.0)	(2,808.5)	(83,496.5)	(118,128.2)	(104,109.1)
Subtotal	86,802.1	4,849.3	(446.1)	391,595.6	348,959.9
<u>Less: Offsetting Receipts</u>				(45,593.7)	
<b>Net Outlays</b>	<b>\$ 86,802.1</b>	<b>\$ 4,849.3</b>	<b>\$ (446.1)</b>	<b>\$ 346,001.9</b>	<b>\$ 348,959.9</b>

**Disaggregated Statement of Budgetary Resources**  
**Non-Budgetary Financing Accounts**

<b>Department of Defense</b> <b>Year Ending September 30, 2002</b> <b>(\$ in millions)</b>	<b>Military</b> <b>Retirement</b> <b>Fund</b>	<b>Other</b>	<b>Research,</b> <b>Development,</b> <b>Test &amp;</b> <b>Evaluation</b>	<b>Civil</b> <b>Works</b>	<b>Operation</b> <b>and</b> <b>Maintenance</b>	<b>Procure</b> <b>ment</b>
<b>BUDGETARY RESOURCES</b>						
<u>Budget Authority</u>						
Appropriations Received	\$	\$	44.2	\$	\$	\$
Borrowing Authority						
Contract Authority						
Net Transfers (+/-)						
Other						
<u>Unobligated Balance</u>						
Beginning Of Period			5.9			
Net Transfers, Actual (+/-)						
Anticipated Transfers Balances						
<u>Spending Authority From Offsetting</u>						
<u>Collections</u>						
<u>Earned</u>						
Collected			22.4			
Receivable From Federal Sources			90.6			
<u>Change In Unfilled Customer Orders</u>						
Advance Received						
Without Advance From Federal Sources						
Anticipated For The Rest Of Year, Without						
Advances						
Transfers From Trust Funds						
Subtotal			113.0			
Recoveries Of Prior Year Obligations						
Temporarily Not Available Pursuant To						
Public Law						
Permanently Not Available						
Total Budgetary Resources			163.1			
<b>Status Of Budgetary Resources</b>						
<u>Obligations Incurred</u>						
Direct			142.4			
Reimbursable						
Subtotal			142.4			
<u>Unobligated Balance</u>						
Apportioned			.7			
Exempt From Apportionment						
Other Available						
Unobligated Balances Not Available			20.0			
Total, Status Of Budgetary Resources			163.1			
Relationship Of Obligations To Outlays:						
Obligated Balance, Net - Beginning Of Period						
Obligated Balance Transferred, Net (+/-)						
<u>Obligated Balance, Net ? End Of Period</u>						
Accounts Receivable			90.6			
Unfilled Customer Order From Federal						

Sources

**Disaggregated Statement of Budgetary Resources  
Non-Budgetary Financing Accounts (Continued)**

<b>Department of Defense Year Ending September 30, 2002 (\$ in millions)</b>	<b>Military Retirement Fund</b>	<b>Other</b>	<b>Research, Development, Test &amp; Evaluation</b>	<b>Civil Works</b>	<b>Operation and Maintenance</b>	<b>Procure Ment</b>
<b>BUDGETARY RESOURCES</b>						
Undelivered Orders		89.6				
Accounts Payable		.7				
<u>Outlays</u>						
Disbursements		52.0				
Collections		(22.4)				
Subtotal		29.6				
<u>Less: Offsetting Receipts</u>						
<b>Net Outlays</b>	\$	<u>29.6</u>	\$	\$	\$	\$



**Disaggregated Statement of Budgetary Resources**  
**Non-Budgetary Financing Accounts (Continued)**

Department of Defense Year Ending September 30, 2002 (\$ in millions)	Military Personnel	Military Construction/ Family Housing	Working Capital Fund	2002 Combined	2001 Combined
<b>BUDGETARY RESOURCES</b>					
<u>Budget Authority</u>					
Appropriations Received	\$	\$	\$	\$	44.2 \$
Borrowing Authority					
Contract Authority					
Net Transfers (+/-)					
Other					
<u>Unobligated Balance</u>					
Beginning Of Period					5.9
Net Transfers, Actual (+/-)					
Anticipated Transfers Balances					
<u>Spending Authority From Offsetting</u>					
<u>Collections</u>					
<u>Earned</u>					
Collected					22.4
Receivable From Federal Sources					90.6
<u>Change In Unfilled Customer Orders</u>					
Advance Received					
Without Advance From Federal Sources					
Anticipated For The Rest Of Year, Without					
Advances					
Transfers From Trust Funds					
Subtotal					113.0
Recoveries Of Prior Year Obligations					
Temporarily Not Available Pursuant To					
Public Law					
Permanently Not Available					
Total Budgetary Resources					163.1
<b>Status Of Budgetary Resources</b>					
<u>Obligations Incurred</u>					
Direct					142.4
Reimbursable					
Subtotal					142.4
<u>Unobligated Balance</u>					
Apportioned					.7
Exempt From Apportionment					
Other Available					
Unobligated Balances Not Available					20.0
Total, Status Of Budgetary Resources					163.1
Relationship Of Obligations To Outlays:					
Obligated Balance, Net - Beginning Of Period					
Obligated Balance Transferred, Net (+/-)					
<u>Obligated Balance, Net ? End Of Period</u>					
Accounts Receivable					90.6
Unfilled Customer Order From Federal					
Sources					

**Disaggregated Statement of Budgetary Resources  
Non-Budgetary Financing Accounts (Continued)**

<b>Department of Defense Year Ending September 30, 2002 (\$ in millions)</b>	<b>Military Personnel</b>	<b>Military Construction/ Family Housing</b>	<b>Working Capital Fund</b>	<b>2002 Combined</b>	<b>2001 Combined</b>
<b>BUDGETARY RESOURCES</b>					
Undelivered Orders				89.6	
Accounts Payable				.7	
<u>Outlays</u>					
Disbursements				52.0	
Collections				(22.4)	
Subtotal				29.6	
<u>Less: Offsetting Receipts</u>					
<b>Net Outlays</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 29.6</u>	<u>\$</u>

**General Property Plant and Equipment**  
**Real Property Deferred Sustainment Tables**  
**As of September 30, 2002 (Amount in Thousands)**

**Fiscal Year 2002 Annual Sustainment**

<u>Property Type</u>	<u>Required</u>	<u>Actual</u>	<u>Difference</u>	<u>Restoration Prior (1)</u>	<u>Restoration Ending (1)</u>
Buildings & Structures (2)	\$7,428,000	\$5,667,000	(\$1,761,000)	\$49,800,000	\$41,200,000

**Annual Deferred Sustainment Trend (\$K)**

<u>Property Type</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
Buildings and Structures	(\$629,000)	(\$2,109,000)	(\$1,761,000)

- (1) Restoration requirements are reported only for the Army and Air Force (Navy, Marine Corps, and Defense Agencies cannot be reported at this time). The method of computing restoration requirements changed significantly in the Army between FY 2001 and FY 2002, which accounts for the decrease from restoration prior to restoration ending.
- (2) Buildings and structures include facilities funded from multiple funding sources (general operations and maintenance funds, family housing operations and maintenance funds, and working capital funds, for example).

The Department is transitioning to new methods for tracking deferred annual sustainment as well as unfunded restoration and modernization requirements. In the deferred sustainment trend table, this report adjusts earlier DoD estimates using data provided by the Military Departments. This report also includes for the first time an estimate of restoration requirements (but not for the Navy or Marine Corps). These estimates will be adjusted in the future as the Department implements common condition reporting standards and restoration cost estimation methodologies. Detail sustainment by reporting entities can be found below:

<b>FY2002 Annual Sustainment</b>				<b>Annual Sustainment Trend</b>			
<u>Department</u>	<u>Required</u>	<u>Actual</u>	<u>Difference</u>	<u>Department</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY02</u>
Army	\$3,122	\$2,209	(\$913)	Army	(\$629)	(\$1,167)	(\$913)
Navy/MC	1,829	1,789	(40)	Navy/MC	NR	(573)	(40)
Air Force	2,477	1,669	(808)	Air Force	NR	(369)	(808)
<b>Total</b>	<b>\$7,428</b>	<b>\$5,667</b>	<b>(\$1,761)</b>	<b>Total</b>	<b>(\$629)</b>	<b>(\$2,109)</b>	<b>(\$1,761)</b>

<b>Restoration &amp; Modernization Requirement</b>			
<u>Department</u>	<u>FY01</u>	<u>FY02</u>	<u>Change</u>
Army	\$28,600	\$20,200	(\$8,400)
Navy/MC	NR	NR	NR
Air Force	21,200	21,000	(200)
<b>Total</b>	<b>\$49,800</b>	<b>\$41,200</b>	<b>(\$8,600)</b>

NR = Not Reported

**General Property Plant and Equipment**  
**Deferred Maintenance Military Equipment Tables**

**As of September 30, 2002 (Amount in Thousands)**

<b><u>Major Type</u></b>	<b><u>Amounts</u></b>
Aircraft	\$ 348,070
Ships	243,615
Missiles	55,230
Combat Vehicles	133,650
Other Weapon Systems	463,022
<b>Total</b>	<b>\$ <u>1,243,587</u></b>

The amounts reported are consistent with amounts reported in the Department's budget submission to the Congress. The Military Departments determine depot maintenance requirements for National Defense PP&E as they develop their annual budgets and consider a series of factors on an individual item basis. These factors include changes in the fleet size or in-use inventory; the date of last overhaul or operating hours since last overhaul; the current maintenance engineering plan expressed as a time interval or as an operational factor; and the planned operational tempo expressed in miles, flying hours, or steaming hours. Costing models are then applied to determine depot-level maintenance costs for each type of National Defense PP&E and total cost for each major program. Fiscal constraints determine requirements that are funded.

The Department is continuing its efforts to develop and provide more detailed reporting guidance and to improve the deferred maintenance requirement generation process. The Department has hired a contractor that is providing assistance to better define deferred maintenance definitions, methodologies, and reporting requirements. Accordingly, the Department expects to improve the consistency between the DoD Components and the reliability of deferred maintenance amounts reported in future financial statements.

As of September 30, 2001  
(\$ in Millions)

	Defense Information Systems Agency	Defense Commissary Agency	Joint Logistics Systems Command	Defense Security Service	Defense Logistics Agency	Defense Finance & Accounting Services	U.S. Transportation Command	Total
<b>PART A.</b>								
1. Fund Balance	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
2. Accounts Receivable	0.0	216.5	0.0	0.0	0.0	0.0	859.9	1,076.4
3. Property Plant and Equipment	398.5	47.4	0.0	45.2	1,290.1	81.0	865.6	2,727.8
4. Other Assets	278.5	22.2	117.8	40.5	1,303.8	919.9	1,236.4	3,919.1
	0.0	434.5	0.0	0.2	11,765.0	0.2	97.8	12,297.7
<b>5. TOTAL ASSETS</b>	<b>\$ 677.0</b>	<b>\$ 720.6</b>	<b>\$ 117.8</b>	<b>\$ 85.9</b>	<b>\$ 14,358.9</b>	<b>\$ 1,001.1</b>	<b>\$ 3,059.7</b>	<b>\$ 20,021.0</b>
6. Liabilities Due and Payable for Goods and Services Received	\$ 695.7	\$ 549.5	\$ 2.6	\$ 49.1	\$ 1,791.3	\$ 167.1	\$ 877.8	\$ 4,133.1
7. Deferred Revenue	0.0	0.0	0.0	0.0	167.5	0.0	3.9	171.3
8. Other Liabilities	46.4	306.5	0.4	33.2	378.5	134.8	223.6	1,123.6
<b>9. TOTAL LIABILITIES</b>	<b>\$ 742.1</b>	<b>\$ 856.0</b>	<b>\$ 3.0</b>	<b>\$ 82.3</b>	<b>\$ 2,337.3</b>	<b>\$ 301.9</b>	<b>\$ 1,105.3</b>	<b>\$ 5,428.0</b>
10. Unexpended Appropriations	\$ 0.0	\$ (30.7)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ (30.7)
11. Cumulative Results of Operations	(65.1)	(104.7)	114.8	3.6	12,021.6	699.2	1,954.4	14,623.7
<b>12. TOTAL NET POSITION</b>	<b>(65.1)</b>	<b>(135.4)</b>	<b>114.8</b>	<b>3.6</b>	<b>12,021.6</b>	<b>699.2</b>	<b>1,954.4</b>	<b>14,593.0</b>
<b>13. TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 677.0</b>	<b>\$ 720.6</b>	<b>\$ 117.8</b>	<b>\$ 85.9</b>	<b>\$ 14,358.9</b>	<b>\$ 1,001.1</b>	<b>\$ 3,059.7</b>	<b>\$ 20,021.0</b>
<b>PART B.</b>								
1. The Full Cost of Goods and Services Provides	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
2. The Related Exchange Revenue	2,480.6	6,033.9	(2.4)	467.5	19,339.2	1,747.3	5,658.5	35,724.5
	(2,496.4)	(4,987.5)	0.0	(488.9)	(3,298.4)	(1,573.0)	(6,318.7)	(19,162.8)
<b>3. The Excess of Costs Over Exchange Revenue</b>	<b>\$ (15.8)</b>	<b>\$ 1,046.4</b>	<b>\$ (2.4)</b>	<b>\$ (21.4)</b>	<b>\$ 16,040.8</b>	<b>\$ 174.3</b>	<b>\$ (660.2)</b>	<b>\$ 16,561.7</b>

Amounts are net of Intra-segment eliminations.

## Narrative Related to Segment Information

- Defense Information Systems Agency

The Defense Information Systems Agency (DISA) – Defense Working Capital Fund (DWCF) entities, the Defense Megacenters and the Communications Information Services Activity, provide data processing, and telecommunication and information systems, services and support to the Department of Defense (DoD) and other federal government customers under a revolving fund concept. These funds are represented by fund symbol 97X4930. DISA's major customers are: Army, Navy, Air Force, DFAS and DLA.

- Defense Commissary Agency

Commissary Operations Fund finances operations cost for resale stores, command and region headquarters and operations support center. This fund receives appropriated funds annually. Commissary Resale Stock Fund finances the purchases of inventory for resale items to be sold to commissary patrons. This fund is a major activity group of the DWCF, requiring no appropriated fund support. Revenues from sales are used to replace inventory sold.

- Joint Logistics Systems Center

The Assistant Secretary of Defense for Production and Logistics (ASD(P&L)) directed that a Joint Logistics Systems Center (JLSC) be established effective December 31, 1991. The JLSC was established as a separate DWCF business area. The JLSC implements integrated business process improvements by managing the development, integration, implementation and maintenance of the logistics business areas for Depot Maintenance and Supply Management. The JLSC mission requires that it take a central role in the logistics functional area. The JLSC will facilitate, in conjunction with the functional communities, the identification of corporate business improvements, and the appropriate application of Automated Information Systems (AIS) and related technologies to maximize operational effectiveness and achieve cost savings. The JLSC will employ data standardization to support corporate logistics systems design, development, integration, implementation and maintenance. On August 18, 1997, the Acting Under Secretary of Defense (Comptroller) approved the final decisions and approved recommendations resulting from the Working Capital Fund Study Group. Among the decisions was one to terminate JLSC and begin to devolve its programs and responsibilities to the individual components no later than October 1, 1997. The decision included a prohibition of any new starts at JLSC, required the individual activity groups or DWCFs to be responsible for financing the liquidation of any unfunded liabilities remaining at JLSC, and directed the return of any unneeded cash and financial assets not used for paying off program liabilities or program shutdown costs or not needed for the initial deployments of systems developed by JLSC. FY 2001 was the fourth year JLSC operated as a residual activity.

- Defense Security Service

Effective October 1, 1998, Defense Security Service (DSS) was transferred from a direct appropriation to a separate activity group in the DWCF. This transfer also reflected a name change from the Defense Investigative Service to the DSS. Full implementation of the DSS as a DWCF began with FY 2000. This activity provides goods and services on a commercial-like basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.

The DSS was chartered to administer two major programs: Personnel Security Investigations (PSI) and National Industrial Security Programs (NISP). The mission of the PSI program is to conduct background investigations on individuals assigned to or affiliated with the Department of Defense. The investigative product which contains information concerning an individual's character, loyalty, emotional stability, and reliability, is used to determine if a security clearance should be granted. The purpose of the NISP is to ensure that private industry, while performing on government contracts, properly safeguards classified information in its possession. The DSS also administers the Key Asset Protection Program and the Arms, Ammunition, and Explosives Program.

- Defense Logistics Agency

The Defense Logistics Agency (DLA) is a combat support agency responsible for worldwide logistics support throughout the DoD. The primary focus of DLA is to provide logistics support to the war fighter. In addition, DLA provides support to relief efforts during times of national emergency. DLA's major DoD customers are the Army, Navy, and Air Force. Their other major federal government customers are the Department of Agriculture and the Department of Transportation. The DLA organization has five active entity sub-organizations funded through the DWCF. These sub-organizations are referred to as activity groups and are as follows:

The Supply Management Activity Group (Supply), appropriation symbol 97X4930.5C, helps carry out its mission by procuring, managing and supplying over three billion consumable items to Military Departments, other DoD Components, federal agencies and selected foreign governments.

The Distribution Depot Activity Group (Distribution), appropriation symbol 97X4930.5B, receives, stores and distributes commodities, principal end items, and depot level reparables for the Military Departments, other DoD Components, federal agencies, and selected foreign governments.

The Defense Reutilization and Marketing Service Activity Group (DRMS), appropriation symbol 97X4930.5N, provides utilization services which include receiving, classifying, segregating, demilitarizing, accounting for and reporting excess material for screening, lotting, merchandising, and sale. They also have the mission of hazardous property disposal and the economic recovery of precious metals from excess and surplus precious metal-bearing material. The Information Services Activity Group, appropriation symbol

97X4930.5F50, provides information management support. The mission of this information services business is to provide integrated information management support by delivering products and services of increasing quality and decreasing cost, on time and within budget.

The Defense Automated Printing Service Activity Group (DAPS), appropriation symbol 97X4930.5G, is responsible for document automation and printing within the DoD, encompassing electronic conversion, retrieval, output, and distribution of digital and hardcopy.

- Defense Finance and Accounting Service

Defense Finance and Accounting Service (DFAS) was created in 1991. The mission of DFAS is to provide responsive, professional finance and accounting service to the DoD in times of peace and conflict. DFAS has prepared the annual financial statements as required by the CFO Act and the GMRA since 1994.

DFAS's major activities are funded through working capital funds. The DoD expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. On December 11, 1996, the DBOF became the DWCF. The DWCF ("the Fund") operates with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The Fund builds on revolving fund principles previously used for industrial and commercial-type activities. The Department's working capital funds include industrial and commercial type transactions. These activities provide supplies and inventories to Defense Department organizations on a commercial basis. Receipts derived from resale operations are normally available to DFAS for use without further congressional action. Transactions are generally recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when a liability is incurred, without regard to receipt of payment of cash. Budgetary accounting is accomplished through a separate series of general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

- U.S. Transportation Command

Secretary of Defense memorandum, dated February 14, 1992, prescribed the creation of a consolidated service transportation command. United States Transportation Command (USTRANSCOM) represents the single DoD financial manager for all common-user transportation in peace and war. Its components include (1) Headquarters, USTRANSCOM (HQTRANS); (2) Air Mobility Command (AMC); (3) Military Traffic Management Command (MTMC); (4) Military Sealift Command (MSC); and (5) Defense Courier Service (DCS). The Army and Navy continue to manage their own service-unique transportation functions.



## Intragovernmental Accounts

The intragovernmental amounts displayed in the following schedules, Part A, B, and C represent transactions between the Department of Defense and other federal entities.

<b>Schedule, Part A DoD Intra-governmental Asset Balances</b>					
Balances reflect amounts on the books of DoD Components in regard to transactions with other federal entities.					
(\$ Amounts in Millions)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Investments	Other
Executive Office of the President	11	\$ 0	\$ 43.4	\$ 0	\$ 0
Department of Agriculture	12		13.9		
Department of Commerce	13		27.5		
Department of the Interior	14		313.5		
Department of Justice	15		69.4		
Department of Labor	16		4.8		
Navy General Fund	17			.1	
United States Postal Service	18		1.6		
Department of State	19		67.7		
Department of the Treasury	20	205,816.2	48.8	180,804.6	
Army General Fund	21			.2	
Office of Personnel Management	24		.1		
Social Security Administration	28		.4		
Federal Trade Commission	29		.3		
Smithsonian Institution	33		.2		
Department of Veterans Affairs	36		12.9		
General Service Administration	47		36.6		.1
National Science Foundation	49		2.3		
General Printing Office	5		.8		
Central Intelligence Agency	56		.8		
Air Force General Fund	57			.1	
Federal Emergency Management Agency	58		37.5		
Tennessee Valley Authority	64		.3		
United States Information Agency	67		.8		
Environmental Protection Agency	68		31.6		

**Schedule, Part A DoD Intra-governmental Asset Balances (Continued)**

Balances reflect amounts on the books of DoD Components in regard to transactions with other federal entities.

(\$ Amounts in Millions)	Treasury Index	Fund Balance with Treasury	Accounts Receivable	Investments	Other
Department of Transportation	69		162.2		
Agency for International Development	72		17.5		
Small Business Administration	73		.1		
Department of Health and Human Services	75		9.6		
National Aeronautics and Space Administration	80		60.3		
Armed Forces Retirement Home	84		1.0		
Department of Housing and Urban Development	86		.1		
Department of Energy	89		25.3		
Selective Service System	90		10.6		
Department of Education	91		1.2		
Arms Control and Disarmament Agency	94		.1		
Independent Agencies	95		118.2		
<b>Totals</b>		<b>\$ 205,816</b>	<b>\$ 1,121.4</b>	<b>\$ \$180,805.0</b>	<b>\$ .1</b>

**Schedule, Part B DoD Intra-governmental Entity Liabilities**

Balances reflect amounts on the books of DoD Components in regard to transactions with other federal entities.

(\$ Amounts in Millions)	Treasury Index	Accounts Payable		Debts/Borrowings from Other Agencies		Other	
		\$		\$		\$	
Executive Office of the President	11	\$	0	\$	0	\$	33.9
Department of Agriculture	12		3.0				1.8
Department of Commerce	13		5.0				24.6
Department of the Interior	14		15.0				31.9
Department of Justice	15		1.6				26.7
Department of Labor	16		.2				1,607.5
United States Postal Service	18						.3
Department of State	19		.5				5.2
Department of the Treasury	20		1.5		874.3		6,036.1
Office of Personnel Management	24		.7				246.2
Library of Congress	3		.1				
Department of Veterans Affairs	36		.7				.3
Government Printing Office	4		.1				
General Service Administration	47		49.8				35.8
National Science Foundation	49						10.8
Federal Emergency Management Agency	58						1.8
Tennessee Valley Authority	64		2.9				
Environmental Protection Agency	68		.3				.1
Department of Transportation	69		.2				55.6
Agency for International Development	72						4.3
Department of Health and Human Services	75		.8				26.5
National Aeronautics and Space Administration	80						49.0
Department of Housing and Urban Development	86						6.2
Department of Energy	89		3.0				5.5
Department of Education	91						2.9
Independent Agencies	95						.7
<b>Totals</b>		<b>\$</b>	<b>85.4</b>	<b>\$</b>	<b>874.3</b>	<b>\$</b>	<b>8,213.7</b>

**Schedule, Part C DoD Intra-governmental Revenues and Related Costs**

Balances reflect amounts on the books of DoD Components in regard to transactions with other federal entities.

(\$ Amounts in Millions)	Treasury Index	Earned Revenue	
		\$	
Executive Office of the President	11	\$	173.8
Department of Agriculture	12		62.7
Department of Commerce	13		168.6
Department of the Interior	14		43.8
Department of Justice	15		231.9
Department of Labor	16		14.5
United States Postal Service	18		6.0
Department of State	19		179.7
Department of the Treasury	20		12,585.5
United States Tax Court	23		.2
Office of Personnel Management	24		.1
Social Security Administration	28		.7
Nuclear Regulatory Commission	31		2.3
Smithsonian Institution	33		.8
Department of Veterans Affairs	36		26.0
General Service Administration	47		53.1
National Science Foundation	49		66.0
General Printing Office	5		1.4
Central Intelligence Agency	56		.4
Federal Emergency Management Agency	58		101.2
National Foundation on the Arts and Humanities	59		.1
Tennessee Valley Authority	64		.5
United States Information Agency	67		.7
Environmental Protection Agency	68		143.5
Department of Transportation	69		914.9
Agency for International Development	72		22.0
Small Business Administration	73		.4
American Battle Monuments	74		.1
Department of Health and Human Services	75		88.8

<b>Schedule, Part C DoD Intra-governmental Revenues and Related Costs (Continued)</b>		
Balances reflect amounts on the books of DoD Components in regard to transactions with other federal entities.		
National Aeronautics and Space Administration	80	323.5
Armed Forces Retirement Home	84	2.4
Department of Housing and Urban Development	86	1.1
Department of Energy	89	137.3
Other Legislative Branch Agencies	9	.1
Selective Service System	90	4.4
Department of Education	91	5.4
Independent Agencies	95	222.6
<b>Totals</b>		<b>\$ 15,586.5</b>

<b>Schedule, Part D DoD Agency-Wide Intra-governmental Gross</b>		
<b>(\$ Amounts in Millions)</b>	<b>Budget Function Code</b>	<b>Gross Cost</b>
Department of Defense Military	051	\$ 7,232.0
Water Resources by U.S. Army Corps of Engineers	301	121.0
Pollution Control and Abatement by U.S. Army Corps of Engineers	304	2.2
Federal Employees Retirement and Disability Department of Defense Military Retirement Trust Fund	602	(12,397.7)
Veterans Education, Training, and Rehabilitation by Department of Defense Education Benefits Trust Fund	702	183.9
<b>Totals</b>		<b>\$ (4,858.6)</b>

<b>Schedule, Part E DoD Intra-governmental Non-exchange Revenues</b>			
<b>(Amounts in Millions)</b>	<b>Treasury Index</b>	<b>Transfers IN</b>	<b>Transfers Out</b>
Department of the Interior	14	\$ 63.9	\$ 0.1
Department of the Treasury	20	756.1	770.3
General Service Administration	47		0.1
Tennessee Valley Authority	64		0.1
Department of Transportation	69	1.4	13.3
<b>Totals</b>		<b>\$ 821.4</b>	<b>\$ 783.9</b>

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**Other Accompanying Information**

**Fiscal Year 2002**

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## Department of Defense – Appropriations, Funds, and Accounts

### Department of the Army:

21\*0390 Chemical Agents and Munitions Destruction, Army  
21X0810 Environmental Restoration  
21\*7020 Family Housing, Army Construction  
21\*7025 Operation & Maintenance, Family Housing  
21X1705 National Board for the Promotion of Rifle Practice, Army  
21X1805 Salaries and Expenses, Cemeterial Expenses, Army  
21\*2010 Military Personnel, Army  
21\*2020 Operation and Maintenance, Army  
21\*2031 Aircraft Procurement, Army  
21\*2032 Missile Procurement, Army  
21\*2033 Procurement of Weapons and Tracked Combat Vehicles, Army  
21\*2034 Procurement of Ammunition, Army  
21\*2035 Other Procurement, Army  
21\*2040 Research, Development, Test, and Evaluation, Army  
21\*2050 Military Construction, Army  
21\*2060 National Guard Personnel, Army  
21\*2065 Operation and Maintenance, Army National Guard  
21\*2070 Reserve Personnel, Army  
21\*2080 Operation and Maintenance, Army Reserve  
21\*2085 Military Construction, Army National Guard  
21\*2086 Military Construction, Army Reserve  
21X4275 Arms Initiative Guaranteed Loan Financing  
21X4528 Working Capital Fund, Army Conventional Ammunition  
21X5095 Wildlife Conservation, etc., Military Reservations, Army  
21X5098 Restoration, Rocky Mountain Arsenal, Army  
21X5194 Department of Defense (DoD), 50th Anniversary of World War II  
Commemoration Account, Army  
21X5285 DoD, Forest Products Program, Army  
21X5286 National Science Center, Army  
21X8063 Bequest of Major General Fred C. Ainsworth Library, Walter Reed Army  
Medical Center  
21X8927 Department of the Army General Gift Fund  
21\*6xxx (Nonentity) Deposit Fund Accounts

**Department of the Navy:**

17X0380 Coastal Defense Augmentation, Navy  
17\*0703 Family Housing, Navy and Marine Corps  
17X0810 Environmental Restoration, Navy  
17\*1105 Military Personnel, Marine Corps  
17\*1106 Operation and Maintenance, Marine Corps  
17\*1107 Operation and Maintenance, Marine Corps Reserve  
17\*1108 Reserve Personnel, Marine Corps  
17\*1109 Procurement, Marine Corps  
17\*1205 Military Construction, Navy  
17\*1235 Military Construction, Naval Reserve  
17X1236 Payments to Kaho’Olawe Island Conveyance, Remediation, and Environmental Restoration Fund, Navy  
  
17\*1319 Research, Development, Test, and Evaluation, Navy  
17\*1405 Reserve Personnel, Navy  
17\*1453 Military Personnel, Navy  
17\*1506 Aircraft Procurement, Navy  
17\*1507 Weapons Procurement, Navy  
17\*1508 Procurement of Ammunition, Navy and Marine Corps  
17\*1611 Shipbuilding and Conversion, Navy  
17\*1804 Operation and Maintenance, Navy  
17\*1806 Operation and Maintenance, Navy Reserve  
17\*1810 Other Procurement, Navy  
17 3041 Recoveries Under the Foreign Military Sales Program  
17 3210 General Fund Proprietary Receipts , Defense Military, Not Otherwise Classified  
17\*4557 National Defense Sealift Fund, Navy  
17X5095 Wildlife Conservation, etc., Military Reservations, Navy  
17X5185 KahoOlawe Island Conveyance, Remediation and Environmental Restoration Fund, Navy  
  
17X5429 Rossmoor Liquidating Trust Settlement Account  
17X8423 Midshipmen’s Store, United States Naval Academy  
17X8716 Department of the Navy General Gift Fund  
17X8723 Ships Stores Profits, Navy  
17X8733 United States Naval Academy General Gift Fund  
17\*6xxx (Nonentity) Deposit Fund Accounts

### **Department of the Air Force:**

57*0704	Family Housing, Air Force
57*0810	Environmental Restoration, Air Force
57X1999	Unclassified Receipts and Expenditures, Air Force
57*3010	Aircraft Procurement, Air Force
57*3011	Procurement of Ammunition, Air Force
57*3020	Missile Procurement, Air Force
57*3080	Other Procurement, Air Force
57*3300	Military Construction, Air Force
57*3400	Operation and Maintenance, Air Force
57*3500	Military Personnel, Air Force
57*3600	Research, Development, Test, and Evaluation, Air Force
57*3700	Reserve Personnel, Air Force
57*3730	Military Construction, Air Force Reserve
57*3740	Operation and Maintenance, Air Force Reserve
57*3830	Military Construction, Air National Guard
57*3840	Operation and Maintenance, Air National Guard
57*3850	National Guard Personnel, Air Force
57X5095	Wildlife Conservation, etc., Military Reservations, Air Force
57*6xxx	(Nonentity) Deposit Fund Accounts
57X8418	Air Force Cadet Fund
57X8928	Department of the Air Force General Gift Fund

### **Department of Defense Working Capital Funds:**

97X8097	DoD Military Retirement Fund
97X4930.001	Army Working Capital Fund (WCF)
97X4930.002	Navy WCF
97X4930.003	Air Force WCF
97X4930.005	U.S. Transportation Command (USTRANSCOM) WCF
97X4930.004	Defense Commissary Agency WCF
97X4930.005	Defense Logistics Agency WCF
97X4930.005	Defense Finance and Accounting Service WCF
97X4930.005	Joint Logistics Systems Center WCF
97X4930.005	Management Systems Support Office/Corporate Information Management
97X4930.005	Defense Information Systems Agency WCF
97X4930.005	Defense Technical Information Services Center
97X4930.005	Defense Security Services WCF
97X4930.005	Headquarters Account
97X4930.005	Component Level Adjustment

Note: The USTRANSCOM WCF is included in Other Defense Organizations WCF for financial statement purposes.

## Other Defense Organizations:

11X8242 Foreign Military Sales Trust Fund (Cost clearing accounts only)  
97\*0040 Payments to Military Retirement Fund, Defense  
97X0100 Operation and Maintenance, Defense-Wide  
97\*0100 Operation and Maintenance, Defense-Wide  
97\*0101 Contingencies, Defense  
97\*0102 Claims, Defense  
97\*0103 Base Realignment and Closure Account, Part I, Defense  
97\*0104 Court of Military Appeals, Defense  
97\*0105 Drug Interdiction and Counter-Drug Activities, Defense  
97\*0106 Goodwill Games, Defense  
97\*0107 Office of the Inspector General  
97\*0108 Emergency Expenses, Defense Account  
97X0110 Persian Gulf Regional Defense Fund, Defense  
97\*0115 Corporate Information Management (Business Process Reengineering)  
97\*0116 Summer Olympics, Defense  
97\*0118 Overseas Contingency Operations Fund  
97X0118 Overseas Contingency Operations Fund  
97\*0130 Defense Health Program, Defense  
97\*0131 Real Property Maintenance, Defense  
97X0132 Claims, Mount Pinatubo, Defense  
97\*0132 Claims, Mount Pinatubo, Defense  
97\*0133 Payment to Coast Guard, Defense  
97X0134 Former Soviet Union Threat Reduction, Defense  
97\*0135 Military Training, Equipment and Associated Support Transfer Fund, Defense  
97\*0136 Depot level Maintenance and Repair Transfer Fund, Defense  
97\*0137 Spares, Repairs and Associated Logistical Support Transfer Fund, Defense  
97\*0138 New Horizons Exercise Transfer Fund, Defense  
97\*0139 Operational Rapid Response Transfer Fund, Defense  
97\*0140 Military Construction Transfer Fund, Defense  
97\*0300 Procurement, Defense-Wide  
97\*0350 National Guard and Reserve Equipment, Defense  
97X0360 Defense Production Act Purchases, Defense  
97\*0360 Defense Production Act Purchases, Defense  
97\*0370 North Atlantic Treaty Organization Cooperative Defense Fund  
97X0390 Chemical Agents and Munitions Destruction, Defense  
97\*0390 Chemical Agents and Munitions Destruction, Defense  
97X0400 Research, Development, Test, and Evaluation, Defense-Wide  
97\*0400 Research, Development, Test, and Evaluation, Defense-Wide  
97\*0450 Developmental Test and Evaluation, Defense  
97\*0460 Operational Test and Evaluation, Defense  
97\*0500 Military Construction, Defense-Wide  
97X0510 Base Realignment and Closure Account, Part II, Defense  
97\*0706 Family Housing, Defense-Wide  
97\*0800 Special Foreign Currency Program, Defense

### Other Defense Organizations (Continued):

97X0801	Foreign Currency Fluctuations, Defense
97X0803	Foreign Currency Fluctuation, Construction, Defense
97X0804	North Atlantic Treaty Organization Investment Programs Defense
97X0810	Environmental Restoration, Defense
97X0819	Humanitarian Assistance, Defense
97*0819	Humanitarian Assistance, Defense
97*0827	World University Games, Defense
97*0828	Defense Reinvestment for Economic Growth, Defense
97*0829	World Cup USA, Defense
97*0832	Special Olympics - World Games
97*0834	DoD Family Housing Improvement Fund
97X8035	Defense Export Loan Guarantee Program Account
97X8036	DoD Military Unaccompanied Housing Improvement Program
97X8038	Support for International Sporting Competitions, Defense
97*0839	Quality of Life Enhancement, Defense
97*0840	OPLAN 34A-35 P.O.W. Payment
97*3296	Pinatubo Disaster Relief Fund
97X3910	ADP Equipment Management Fund, Defense
97X4090	Homeowners Assistance Fund, Defense
97*4090	Homeowners Assistance Fund, Defense
97X4093	William Langer Jewel Bearing Plant Revolving Fund, Defense
97*4166	Family Housing Improvement Fund, Direct Loan Financing Account
97*4167	Family Housing Improvement Fund, Guaranteed Loan Financing Account
97*4168	Defense Expense Loan Guarantee Financing Program
97*4179	Reserve Mobilization Fund
97X4555	National Defense Stockpile Transaction Fund, Defense
97X4931	Buildings Maintenance Fund
97X4950	Pentagon Reservation Maintenance Revolving Fund
97X4965	Emergency Response Fund, Defense
97X5187	Defense Cooperation Account, Defense
97X5188	Disposal of Department of Defense Real Property
97X5189	Lease of DoD Real Property
97X5193	DoD Overseas Military Facility Investment Recovery Account
97X5195	Use of Proceeds from the Transfer or Disposition of Commissary Facilities, Defense
97X5196	Theater Missile Defense Cooperation Account, Defense
97X8098	DoD, Education Benefits Fund
97*8164	Surcharge Collections, Sales of Commissary Stores

### **Other Defense Organizations (Continued):**

97X8165 Foreign National Employees Separation Pay Account, Defense  
97X8168 National Security Education Trust Fund  
97\*8238 Kuwait Civil Reconstruction Trust Fund  
97X8311 Uniformed Services University of the Health Sciences Gift Fund  
97X8335 Voluntary Separation Incentive Trust Fund  
97X8337 Host Nation Support for U.S. Relocation Activities, Defense  
97\*6xxx (Nonentity) Deposit Fund Accounts

### **U.S. Army Corps of Engineers:**

96\*1039 Construction, National Parks Service  
96\*1105 State and Private Forestry, Forest Service  
96\*2020 Manu'a Islands, Department of Army  
96\*2050 Levee Restoration Program, Economic Development Administration  
96X3112 Flood Control, Mississippi River and Tributaries, Corps of Engineers, Civil  
96X3121 General Investigations, Corps of Engineers, Civil  
96X3122 Construction, General, Corps of Engineers, Civil  
96X3123 Operation and Maintenance, General, Corps of Engineers, Civil  
96\*3123 Operation and Maintenance, General, Corps of Engineers, Civil  
96X3124 General Expenses, Corps of Engineers, Civil  
96\*3124 General Expenses, Corps of Engineers, Civil  
96X3125 Flood Control and Coastal Emergencies, Corps of Engineers, Civil  
96\*3125 Flood Control and Coastal Emergencies, Corps of Engineers, Civil  
96X3126 General Regulator Functions, Corps of Engineers, Civil  
96X3128 Washington Aqueduct Capital Improvements, Corps of Engineers (Borrowing Authority)  
96\*3129 Payments to the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund  
96X3130 Formerly Utilized Sites Remedial Action Program (FUSRAP)  
96\*4045 Bonneville Power Administration  
96X4902 Revolving Fund, Corps of Engineers, Civil  
96X5007 Special Recreation Use Fees, Corps of Engineers, Civil  
96X5066 Hydraulic Mining in California, Debris Fund  
96X5090 Payments to States, Flood Control Act of 1954  
96X5125 Maintenance and Operation of Dams and Other Improvements of Navigable Waters  
96X5483 San Gabriel Basin Restoration Fund  
96X8217 South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund  
96X8333 Coastal Wetlands Restoration Trust Fund  
96X8861 Inland Waterways Trust Fund  
96X8862 Rivers and Harbors Contributed and Advance Funds, Corps of Engineers, Civil  
96X8863 Harbor Maintenance Trust Fund  
96X8868 Oil Spill Research, Corps of Engineers, Civil Nonentity Funds:  
96\*6xxx (Nonentity) Deposit Fund Accounts  
96 12X1105 State and Private Forestry, Forest Service

### **U.S. Army Corps of Engineers (Continued):**

96 13X2050 Economic Development Administration  
96 14X1039 Construction National Park Service  
96 21X2020 Operation and Maintenance, Army, American Samoa Projects  
96 89X4045 Bonneville Power Administration  
96 72\*1021 Development Assistance, Agency for International Development  
96 69X8083 Federal Aid Highways

Note: The USACE is executive agency for the Inland Waterways Trust Fund and the Harbor Maintenance Trust Fund.

### **The following are applicable to multiple DoD Reporting Entities:**

F3875 Budget Clearing Account (Suspense)  
F3878 Budget Clearing Account (Deposits)  
F3879 Undistributed Letter of Credit Differences  
F3880 Unavailable Check Cancellations and Overpayments  
F3885 Undistributed Intra-Governmental Payments  
F3886 Civilian Thrift Savings Plan

NOTE: Appropriations shown with an asterisk (\*) in the third position of the appropriation symbol indicates the appropriation may be single-year, multi-year or no-year.

NOTE: Appropriations shown with an (X) in the third position of the appropriation symbol indicates the appropriation is a “no-year” appropriation.

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>BALANCE SHEET As of September 30, 2002 (\$ in Thousands)</b>	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>ASSETS</b>			
Fund Balance With Treasury	\$ 59,705	\$ 2,242,319	\$ 51
Accounts Receivable			1
Other Assets			
Loans Receivable			5,540
Inventory and Related Property, Net			
Other Assets			
<b>Total Assets</b>	<b>\$ 59,705</b>	<b>\$ 2,242,319</b>	<b>\$ 5,592</b>
<b>LIABILITIES</b>			
Debt	\$ 0	\$ 0	\$ 1,046
Other Liabilities			
Accounts Payable	15,869	269	
Other Liabilities			
<b>Total Liabilities</b>	<b>\$ 15,869</b>	<b>\$ 269</b>	<b>\$ 1,046</b>
<b>NET POSITION</b>			
Unexpended Appropriations	\$ 43,836	\$ 2,241,384	\$
Cumulative Results of Operations	0.00	666	4,546
<b>Total Net Position</b>	<b>\$ 43,836</b>	<b>\$ 2,242,050</b>	<b>\$ 4,446</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 59,705</b>	<b>\$ 2,242,319</b>	<b>\$ 5,592</b>



**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>BALANCE SHEET As of September 30, 2002 (\$ in Thousands)</b>	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Mil Financing, Direct Loan Financing 11X4122
<b>ASSETS</b>			
Fund Balance With Treasury	\$ 38,303	\$ 0	\$ 48,638
Accounts Receivable			25,191
Other Assets			
Loans Receivable		4,534,203	1,348,396
Inventory and Related Property, Net	3,876		
Other Assets	(109,330)		
<b>Total Assets</b>	<b>\$ (67,151)</b>	<b>\$ 4,534,203</b>	<b>\$ 1,422,225</b>
<b>LIABILITIES</b>			
Debt	\$ 0	\$ 4,534,203	\$ 1,342,650
Accounts Payable			6,952
Other Liabilities	1,657		25,191
<b>Total Liabilities</b>	<b>\$ 1,657</b>	<b>\$ 4,534,203</b>	<b>\$ 1,374,793</b>
<b>NET POSITION</b>			
Unexpended Appropriations	\$ 0	\$ 0	\$ 0
Cumulative Results of Operations	(68,808)		47,432
<b>Total Net Position</b>	<b>\$ (68,808)</b>	<b>\$ 0</b>	<b>\$ 47,432</b>
<b>Total Liabilities and Net Position</b>	<b>\$ (67,151)</b>	<b>\$ 4,534,203</b>	<b>\$ 1,422,225</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF NET COST As of September 30, 2002 (\$ in Thousands)</b>	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>Program Costs:</b>			
Intragovernmental Gross Cost	\$ 0	\$ 0	\$ 89
<u>Less: Intragovernmental Earned Revenue</u>			
Intragovernmental Net Costs			
Gross Costs With the Public	60,780	4,402,943	
<u>Less: Earned Revenues From The Public</u>			(57)
<b>Net Cost With the Public</b>	<b>\$ 60,780</b>	<b>\$ 4,402,943</b>	<b>\$ (57)</b>
<b>Total Net Costs</b>	<b>\$ 60,780</b>	<b>\$ 4,402,943</b>	<b>\$ 32</b>
Costs not Assigned to Programs			
<u>Less: Earned Revenues not Attributable to Programs</u>			(4,578)
<b>Net Cost of Operations</b>	<b>\$ 60,780</b>	<b>\$ 4,402,943</b>	<b>\$ (4,546)</b>

<b>STATEMENT OF NET COST As of September 30, 2002 (\$ in Thousands)</b>	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>Program Costs</b>			
Intragovernmental Gross Cost	\$ 0	\$ 178,354	\$ 117,114
<u>Less: Intragovernmental Earned Revenue</u>			(66,905)
Intragovernmental Net Costs	\$ 0	\$ 178,354	\$ 50,209
Gross Costs With the Public			191,878
<u>Less: Earned Revenues From The Public</u>	\$ 0	\$ (84,952)	\$ (123,416)
<b>Net Cost With the Public</b>	<b>\$ 0</b>	<b>\$ (84,952)</b>	<b>\$ 68,462</b>
<b>Total Net Costs</b>	<b>\$ 0</b>	<b>\$ 93,402</b>	<b>\$ 118,671</b>
Costs not Assigned to Programs			
<u>Less: Earned Revenues not Attributable to Programs</u>	\$ 0	\$ (93,402)	\$ 0
<b>Net Cost of Operations</b>	<b>0</b>	<b>0</b>	<b>118,671</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF CHANGES IN NET POSITION As of September 30, 2002 (\$ in Thousands)</b>	<b>International Military Education And Training 11*1081</b>	<b>Foreign Military Financing Program Grants 11*1082</b>	<b>Military Debt Reduction Financing 11X4174</b>
<b>Cumulative Results of Operations</b>			
Beginning Balance	\$ 0	\$ 666	\$ 0
Prior Period Adjustments (+/-)			
<b>Beginning Balance, as adjusted</b>	<u>\$ 0</u>	<u>\$ 666</u>	<u>\$ 0</u>
<b>Budgetary Financing Sources</b>			
Appropriation Received	\$ 0	\$ 0	\$ 0
Appropriations Transferred in/out (+/-)			
Other Adjustments (rescissions, etc) (+/-)			
Appropriations Used	60,780	4,402,943	
Nonexchanged Revenue			
Donations and Forfeitures of Cash and Cash Equivalents			
Transfers in/out Without Reimbursement (+/-)			
Other Budgetary Financing Sources (+/-)			
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	\$ 0	\$ 0	\$ 0
Transfers-in/out without reimbursement (+/-)			
Imputed financing from costs absorbed by others			
Other (+/-)			
<b>Total Financing Sources</b>	<u>\$ 60,780</u>	<u>\$ 4,402,943</u>	<u>\$ 0</u>
<b>Net Cost of Operations (+/-)</b>	<u>\$ 60,780</u>	<u>\$ 4,402,943</u>	<u>\$ (4,546)</u>
<b>Ending Balances</b>	<u>\$ 0.00</u>	<u>\$ 666</u>	<u>\$ 4,546</u>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF CHANGES IN NET POSITION As of September 30, 2002 (\$ in Thousands)</b>	<b>Special Defense Acquisition Fund 11X4116</b>	<b>Foreign Military Loan Liquidating Account 11X4121</b>	<b>Foreign Military Financing, Direct Loan Financing 11X4122</b>
<b>Cumulative Results of Operations</b>			
Beginning Balance	\$ (58,808)	\$ 0	\$ 0
Prior Period Adjustments (+/-)			
<b>Beginning Balance, as adjusted</b>	<b>\$ (58,808)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Budgetary Financing Sources</b>			
Appropriation Received	\$ 0	\$ 0	\$ 0
Appropriations Transferred in/out (+/-)			
Other Adjustments (rescissions, etc) (+/-)			
Appropriations Used			166,103
Nonexchanged Revenue			
Donations and Forfeitures of Cash and Cash Equivalents			
Transfers in/out Without Reimbursement (+/-)			
Other Budgetary Financing Sources (+/-)			
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	\$ 0	\$ 0	\$ 0
Transfers-in/out without reimbursement (+/-)	(10,000)		
Imputed financing from costs absorbed by others			
Other (+/-)			
<b>Total Financing Sources</b>	<b>\$ (10,000)</b>	<b>\$ 0</b>	<b>\$ 166,103</b>
<b>Net Cost of Operations (+/-)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 118,671</b>
<b>Ending Balances</b>	<b>\$ (68,808)</b>	<b>\$ 0</b>	<b>\$ 47,432</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF CHANGES IN NET POSITION As of September 30, 2002 (\$ in Thousands)</b>	International Military Education And Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>Unexpended Appropriations</b>			
Beginning Balance	\$ 37,685	\$ 2,592,235	\$ 0
Prior Period Adjustments (+/-)			
<b>Beginning Balance, as adjusted</b>	<u>\$ 37,685</u>	<u>\$ 2,592,235</u>	<u>\$ 0</u>
<b>Budgetary Financing Sources</b>			
Appropriation Received	\$ 6,151	\$ (350,851)	\$ 0
Appropriations Transferred in/out (+/-)			
Other Adjustments (rescissions, etc) (+/-)			
Appropriations Used			
Nonexchanged Revenue			
Donations and Forfeitures of Cash and Cash Equivalents			
Transfers in/out Without Reimbursement (+/-)			
Other Budgetary Financing Sources (+/-)			
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	\$ 0	\$ 0	\$ 0
Transfers-in/out without reimbursement (+/-)			
Imputed financing from costs absorbed by others			
Other (+/-)			
<b>Total Financing Sources</b>	<u>\$ 6,151</u>	<u>\$ (350,851)</u>	<u>\$ 0</u>
<b>Net Cost of Operations (+/-)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Ending Balances</b>	<u>\$ 43,836</u>	<u>\$ 2,241,384</u>	<u>\$ 0</u>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF CHANGES IN NET POSITION As of September 30, 2002 (\$ in Thousands)</b>	<b>Special Defense Acquisition Fund 11X4116</b>	<b>Foreign Military Loan Liquidating Account 11X4121</b>	<b>Foreign Military Financing, Direct Loan Financing 11X4122</b>
<b>Unexpended Appropriations</b>			
Beginning Balance	\$ 0	\$ 0	\$ 0
Prior Period Adjustments (+/-)			
<b>Beginning Balance, as adjusted</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Budgetary Financing Sources</b>			
Appropriation Received	\$ 0	\$ 0	\$ 0
Appropriations Transferred in/out (+/-)			
Other Adjustments (rescissions, etc) (+/-)			
Appropriations Used			
Nonexchanged Revenue			
Donations and Forfeitures of Cash and Cash Equivalents			
Transfers in/out Without Reimbursement (+/-)			
Other Budgetary Financing Sources (+/-)			
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	\$ 0	\$ 0	\$ 0
Transfers-in/out without reimbursement (+/-)			
Imputed financing from costs absorbed by others			
Other (+/-)			
<b>Total Financing Sources</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Net Cost of Operations (+/-)</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Ending Balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)</b>	<b>International Military Education and Training 11*1081</b>	<b>Foreign Military Financing Program Grants 11*1082</b>	<b>Military Debt Reduction Financing 11X4174</b>
<b>BUDGETARY FINANCING ACCOUNTS</b>			
<b>BUDGETARY RESOURCES</b>			
<u>Budget Authority</u>			
Appropriations Received	\$ 0	\$ 357,000	\$ 0
Borrowing Authority			588
Contract Authority			
Net Transfers (+/-)	70,016	3,699,751	
Other			
<u>Unobligated Balance</u>			
Beginning Of Period	5,930	651	
Net Transfers, Actual (+/-)	(31)	(4,500)	
Anticipated Transfers Balances			
<u>Spending Authority From Offsetting</u>			
<u>Collections</u>			
Earned			
Collected			(432)
Receivable From Federal Sources			
Change In Unfilled Customer Orders			
Advance Received			
Without Advance From Federal Sources			
Anticipated For The Rest Of Year, Without			
Advances			
Transfers From Trust Funds			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (432)</b>
Recoveries Of Prior Year Obligations	10,195	4,557	
Temporarily Not Available Pursuant To			
Public Law			
Permanently Not Available	(3,054)	(159)	(7)
<b>Total Budgetary Resources</b>	<b>\$ 83,056</b>	<b>\$ 4,057,300</b>	<b>\$ 149</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)</b>	<b>International Military Education and Training 11*1081</b>	<b>Foreign Military Financing Program Grants 11*1082</b>	<b>Military Debt Reduction Financing 11X4174</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
<u>Obligations Incurred</u>			
Direct	\$ 78,088	\$ 3,749,241	\$ 149
Reimbursable			
<b>Subtotal</b>	<b>\$ 78,088</b>	<b>\$ 3,749,241</b>	<b>\$ 149</b>
<u>Unobligated Balance</u>			
Apportioned	765	3,075	
Exempt From Apportionment		(1)	
Other Available			
Unobligated Balances Not Available		476	
<b>Total, Status of Budgetary Resources</b>	<b>\$ 83,056</b>	<b>\$ 4,057,300</b>	<b>\$ 149</b>
<b>Relationship of Obligations to Outlays</b>			
Obligated Balance, Net - Beginning Of Period	\$ 45,911	\$ 2,592,963	\$ 0
Obligated Balance Transferred, Net (+/-)			
Obligated Balance, Net - End Of Period:			
Accounts Receivable			
Unfilled Customer Order From Federal Sources			
Undelivered Orders	38,868	1,933,990	51
Accounts Payable	15,869	270	
<u>Outlays</u>			
Disbursements	59,067	4,403,388	97
Collections			432
<b>Subtotal</b>	<b>\$ 59,067</b>	<b>\$ 4,403,388</b>	<b>\$ 529</b>
<u>Less: Offsetting Receipts</u>			
<b>Net Outlays</b>	<b>\$ 59,067</b>	<b>\$ 4,403,388</b>	<b>\$ 529</b>



**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)</b>	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>NONBUDGETARY FINANCING ACCOUNTS</b>			
<b>BUDGETARY RESOURCES</b>			
<u>Budget Authority</u>			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority			
Contract Authority			
Net Transfers (+/-)			
Other			
<u>Unobligated Balance</u>			
Beginning Of Period			
Net Transfers, Actual (+/-)			
Anticipated Transfers Balances			
<u>Spending Authority From Offsetting Collections</u>			
<u>Earned</u>			
Collected			
Receivable From Federal Sources			
Change In Unfilled Customer Orders			
Advance Received			
Without Advance From Federal Sources			
Anticipated For The Rest Of Year, Without Advances			
Transfers From Trust Funds			
<b>Subtotal</b>	\$ 0	\$ 0	\$ 0
Recoveries Of Prior Year Obligations Temporarily Not Available Pursuant To Public Law Permanently Not Available			
<b>Total Budgetary Resources</b>	\$ 0	\$ 0	\$ 0

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)</b>	<b>International Military Education and Training 11*1081</b>	<b>Foreign Military Financing Program Grants 11*1082</b>	<b>Military Debt Reduction Financing 11X4174</b>
<b>STATUS OF BUDGETARY RESOURCES</b>			
<u>Obligations Incurred</u>			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Unobligated Balance</u>			
Apportioned	\$ 0	\$ 0	\$ 0
Exempt From Apportionment			
Other Available			
Unobligated Balances Not Available			
<b>Total, Status of Budgetary Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Relationship of Obligations to Outlays</b>			
Obligated Balance, Net - Beginning Of Period	\$ 0	\$ 0	\$ 0
Obligated Balance Transferred, Net (+/-)			
Obligated Balance, Net - End Of Period:			
Accounts Receivable			
Unfilled Customer Order From Federal Sources			
Undelivered Orders			
Accounts Payable			
<u>Outlays</u>			
Disbursements			
Collections			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Less: Offsetting Receipts</u>			
<b>Net Outlays</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>BUDGETARY FINANCING ACCOUNTS</b>			
<b>BUDGETARY RESOURCES</b>			
<u>Budget Authority</u>			
Appropriations Received	\$ 0	\$ 27,000	\$ 166,103
Borrowing Authority			16,419
Contract Authority			
Net Transfers (+/-)			
Other			
<u>Unobligated Balance</u>			
Beginning Of Period	\$ 28,495	\$	\$
Net Transfers, Actual (+/-)	(10,000)		
Anticipated Transfers Balances			
<u>Spending Authority From Offsetting</u>			
<u>Collections</u>			
<u>Earned</u>			
Collected	\$ 2,073	\$ 596,350	\$ 811,286
Receivable From Federal Sources			(44,881)
Change In Unfilled Customer Orders			
Advance Received			
Without Advance From Federal Sources			
Anticipated For The Rest Of Year, Without			
Advances			
Transfers From Trust Funds			
<b>Subtotal</b>	<b>\$ 2,073</b>	<b>\$ 596,350</b>	<b>\$ 766,405</b>
Recoveries Of Prior Year Obligations	9,469		
Temporarily Not Available Pursuant To			
Public Law			
Permanently Not Available		(558,671)	(641,756)
<b>Total Budgetary Resources</b>	<b>\$ 30,037</b>	<b>\$ 64,679</b>	<b>\$ 307,171</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)</b>	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>STATUS OF BUDGETARY RESOURCES</b>			
<u>Obligations Incurred</u>			
Direct	\$ (15)	\$ 64,679	\$ 307,171
Reimbursable			
<b>Subtotal</b>	<b>\$ (15)</b>	<b>\$ 64,679</b>	<b>\$ 307,171</b>
<u>Unobligated Balance</u>			
Apportioned	\$ 0	\$ 0	\$ 0
Exempt From Apportionment			
Other Available	1		
Unobligated Balances Not Available	30,051		
<b>Total, Status of Budgetary Resources</b>	<b>\$ 30,037</b>	<b>\$ 64,679</b>	<b>\$ 307,171</b>
<b>Relationship of Obligations to Outlays</b>			
Obligated Balance, Net - Beginning Of Period	\$ 16,218	\$ 0	\$ 411,878
Obligated Balance Transferred, Net (+/-)			
Obligated Balance, Net - End Of Period:			
Accounts Receivable			(25,238)
Unfilled Customer Order From Federal Sources			
Undelivered Orders	8,251		74,569
Accounts Payable			32,841
<u>Outlays</u>			
Disbursements	\$ (1,517)	\$ 64,679	\$ 681,758
Collections	(2,073)	(596,350)	(811,286)
<b>Subtotal</b>	<b>\$ (3,590)</b>	<b>\$ (531,671)</b>	<b>\$ (129,528)</b>
<u>Less: Offsetting Receipts</u>			
<b>Net Outlays</b>	<b>\$ (3,590)</b>	<b>\$ (531,671)</b>	<b>\$ (129,528)</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>NONBUDGETARY FINANCING ACCOUNTS</b>			
<b>BUDGETARY RESOURCES</b>			
<u>Budget Authority</u>			
Appropriations Received	\$ 0	\$ 0	\$ 0
Borrowing Authority			
Contract Authority			
Net Transfers (+/-)			
Other			
<u>Unobligated Balance</u>			
Beginning Of Period	\$ 0	\$ 0	\$ 0
Net Transfers, Actual (+/-)			
Anticipated Transfers Balances			
<u>Spending Authority From Offsetting Collections</u>			
<u>Earned</u>			
Collected	\$ 0	\$ 0	\$ 0
Receivable From Federal Sources			
Change In Unfilled Customer Orders			
Advance Received			
Without Advance From Federal Sources			
Anticipated For The Rest Of Year, Without Advances			
Transfers From Trust Funds			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Recoveries Of Prior Year Obligations			
Temporarily Not Available Pursuant To Public Law			
Permanently Not Available			
<b>Total Budgetary Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

STATEMENT OF BUDGETARY RESOURCES As of September 30, 2002 (\$ in Thousands)	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>STATUS OF BUDGETARY RESOURCES</b>			
<u>Obligations Incurred</u>			
Direct	\$ 0	\$ 0	\$ 0
Reimbursable			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Unobligated Balance</u>			
Apportioned	\$ 0	\$ 0	\$ 0
Exempt From Apportionment			
Other Available			
Unobligated Balances Not Available			
<b>Total, Status of Budgetary Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Relationship of Obligations to Outlays</b>			
Obligated Balance, Net - Beginning Of Period	\$ 0	\$ 0	\$ 0
Obligated Balance Transferred, Net (+/-)			
Obligated Balance, Net - End Of Period:			
Accounts Receivable			0
Unfilled Customer Order From Federal Sources			
Undelivered Orders			
Accounts Payable			
<u>Outlays</u>			
Disbursements	\$ 0	\$ 0	\$ 0
Collections			
<b>Subtotal</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Less: Offsetting Receipts</u>			
<b>Net Outlays</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF FINANCING</b> <b>As of September 30, 2002</b> <b>(\$ in Thousands)</b>	International Military Education And Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>Resources Used to Finance Activities:</b>			
<u>Budgetary Resources Obligated</u>			
Obligations Incurred	\$ 78,088	\$ 3,749,241	\$ 149
Less: Spending Authority From Offsetting Collections And Recoveries (-)	(10,195)	(4,557)	432
Obligations Net Of Offsetting Collections And Recoveries	\$ 67,893	\$ 3,744,684	\$ 581
Less: Offsetting Receipts (-)			
<b>Net Obligations</b>	<b>\$ 67,893</b>	<b>\$ 3,744,684</b>	<b>\$ 581</b>
<u>Other Resources</u>			
Donations And Forfeitures Of Property Transfers In/Out Without Reimbursement (+/-) Imputed Financing From Costs Absorbed By Others	\$ 0	\$ 0	\$ 0
Other (+/-)			(5,234)
Net Other Resources Used To Finance Activities	<u>0</u>	<u>0</u>	<u>(5,234)</u>
<b>Total Resources Used To Finance Activities</b>	<b>\$ 67,893</b>	<b>\$ 3,744,684</b>	<b>\$ (4,653)</b>
<b>Resources Used To Finance Items Not Part Of The Net Cost Of Operations</b>			
Change In Budgetary Resources Obligated For Goods, Services And Benefits Ordered But Not Yet Provided			
Undelivered Orders (-)	\$ (7,113)	\$ 658,259	\$ (51)
Unfilled Customer Orders			
Resources That Fund Expenses Recognized In Prior Periods			
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost Of Operations			158
Resources That Finance The Acquisition Of Assets Other Resources Or Adjustments To Net Obligated Resources That Do Not Affect Net Cost Of Operations			
Less: Trust Or Special Fund Receipts Related To Exchange In The Entity's Budget (-)			
Other (+/-)			
<b>Total Resources Used To Finance Items Not Part Of The Net Cost Of Operations</b>	<b>\$ (7,113)</b>	<b>\$ 658,259</b>	<b>\$ 107</b>
<b>Total Resources Used To Finance The Net Cost Of Operations</b>	<b>\$ 60,780</b>	<b>\$ 4,402,943</b>	<b>\$ (4,546)</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF FINANCING</b> <b>As of September 30, 2002</b> <b>(\$ in Thousands)</b>	International Military Education And Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11X4174
<b>Components Of The Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>			
<u>Components Requiring Or Generating Resources In Future Periods</u>			
Increase In Annual Leave Liability	\$ 0	\$ 0	\$ 0
Increase In Environmental And Disposal Liability			
Upward/Downward Reestimates Of Credit			
Subsidy Expense (+/-)			
Increase In Exchange Revenue Receivable From The Public (-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Require Or Generate Resources In Future Periods</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Components Not Requiring Or Generating Resources</u>			
Depreciation And Amortization	\$ 0	\$ 0	\$ 0
Revaluation Of Assets Or Liabilities (+/-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Cost Of Operations</b>	<b>\$ 60,780</b>	<b>\$ 4,402,943</b>	<b>\$ (4,546)</b>



**Funds Appropriated to the President  
Administered by the Department of Defense**

<b>STATEMENT OF FINANCING As of September 30, 2002 (\$ in Thousands)</b>	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>Resources Used to Finance Activities</b>			
<u>Budgetary Resources Obligated</u>			
Obligations Incurred	\$ (15)	\$ 64,679	\$ 307,171
Less: Spending Authority From Offsetting Collections And Recoveries (-)	(11,542)	(596,350)	(766,405)
Obligations Net Of Offsetting Collections And Recoveries	\$ (11,557)	\$ (531,671)	\$ (459,234)
Less: Offsetting Receipts (-)			
<b>Net Obligations</b>	<b>\$ (11,557)</b>	<b>\$ (531,671)</b>	<b>\$ (459,234)</b>
<u>Other Resources</u>			
Donations And Forfeitures Of Property	\$ 0	\$ 0	\$ 0
Transfers In/Out Without Reimbursement (+/-)	(10,000)		
Imputed Financing From Costs Absorbed By Others			
Other (+/-)	13,590	596,350	299,302
Net Other Resources Used To Finance Activities	3,590	596,350	299,302
<b>Total Resources Used To Finance Activities</b>	<b>\$ (7,967)</b>	<b>\$ 64,679</b>	<b>\$ (159,932)</b>
<b>Resources Used To Finance Items Not Part Of The Net Cost Of Operations</b>			
Change In Budgetary Resources Obligated For Goods, Services And Benefits Ordered But Not Yet Provided Undelivered Orders (-)	\$ 7,967	\$ 0	\$ 337,241
Unfilled Customer Orders			
Resources That Fund Expenses Recognized In Prior Periods			
Budgetary Offsetting Collections And Receipts That Do Not Affect Net Cost Of Operations			(95,984)
Resources That Finance The Acquisition Of Assets Other Resources Or Adjustments To Net Obligated Resources That Do Not Affect Net Cost Of Operations		(64,679)	37,346
Less: Trust Or Special Fund Receipts Related To Exchange In The Entity's Budget (-)			
Other (+/-)			
<b>Total Resources Used To Finance Items Not Part Of The Net Cost Of Operations</b>	<b>\$ 7,967</b>	<b>\$ (64,679)</b>	<b>\$ 278,603</b>
<b>Total Resources Used To Finance The Net Cost Of Operations</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 118,671</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

STATEMENT OF FINANCING As of September 30, 2002 (\$ in Thousands)	Special Defense Acquisition Fund 11X 4116	Foreign Military Loan Liquidating Account 11*4121	Foreign Military Financing Direct Loan Financing 11X4122
<b>Components Of The Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>			
<u>Components Requiring Or Generating Resources In Future Periods</u>			
Increase In Annual Leave Liability	\$ 0	\$ 0	\$ 0
Increase In Environmental And Disposal Liability			
Upward/Downward Reestimates Of Credit			
Subsidy Expense (+/-)			
Increase In Exchange Revenue Receivable From The Public (-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Require Or Generate Resources In Future Periods</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Components Not Requiring Or Generating Resources</u>			
Depreciation And Amortization	\$ 0	\$ 0	\$ 0
Revaluation Of Assets Or Liabilities (+/-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Cost Of Operations</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**Funds Appropriated to the President  
Administered by the Department of Defense**

STATEMENT OF FINANCING As of September 30, 2002 (\$ in Thousands)	Special Defense Acquisition Fund 11X4116	Foreign Military Loan Liquidating Account 11X4121	Foreign Military Financing, Direct Loan Financing 11X4122
<b>Components Of The Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>			
<u>Components Requiring Or Generating Resources In Future Periods</u>			
Increase In Annual Leave Liability	\$ 0	\$ 0	\$ 0
Increase In Environmental And Disposal Liability			
Upward/Downward Reestimates Of Credit			
Subsidy Expense (+/-)			
Increase In Exchange Revenue Receivable From The Public (-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Require Or Generate Resources In Future Periods</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Components Not Requiring Or Generating Resources</u>			
Depreciation And Amortization	\$ 0	\$ 0	\$ 0
Revaluation Of Assets Or Liabilities (+/-)			
Other (+/-)			
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Components Of Net Cost Of Operations That Will Not Require Or Generate Resources In The Current Period</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Cost Of Operations</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 118,671</b>



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

January 15, 2003

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER

SUBJECT: Independent Auditor's Report on the Department of Defense Fiscal Year  
2002 Agency-Wide Principal Financial Statements  
(Report No. D-2003-050)

The Chief Financial Officers (CFO) Act of 1990, as amended, requires the Inspector General of the Department of Defense to audit the accompanying DoD Consolidated Balance Sheet as of September 30, 2002 and 2001, the related Consolidated Statements of Net Cost and Changes in Net Position, the Combined Statements of Financing and Budgetary Resources, and the Statement of Custodial Activity for the fiscal years then ended. The financial statements are the responsibility of DoD management. DoD is also responsible for implementing effective internal control and for complying with laws and regulations. In addition to our disclaimer of opinion on the financial statements, we are including the required report on internal control and compliance with laws and regulations.

**Disclaimer of Opinion on the Financial Statements**

The Under Secretary of Defense (Comptroller)/Chief Financial Officer has acknowledged that (1) DoD financial management systems do not substantially comply with Federal financial management systems requirements, generally accepted accounting principles, and the U.S. Government Standard General Ledger at the transaction level and (2) DoD financial management and feeder systems cannot currently provide adequate evidence to support various material amounts on the financial statements. Therefore, we did not perform auditing procedures to support material amounts on the financial statements. In addition, other auditing procedures were not performed because Section 1008(d) of the FY 2002 National Defense Authorization Act requires the Inspector General of the Department of Defense to perform only the audit procedures required by generally accepted government auditing standards that are consistent with representations made by DoD management. DoD has also acknowledged, and prior audits have identified, the material weaknesses listed in the Summary of Internal Control. These material weaknesses also affected the reliability of certain financial information contained in the accompanying Management's Discussion and Analysis and certain other information, much of which is taken from the same data sources as the principal financial statements.<sup>1</sup> These deficiencies would have precluded an audit opinion. Based on the representations of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, we did not obtain sufficient, competent, evidential matter to support material amounts on the financial statements and accompanying information. Therefore, we are unable to express, and we do not express, an opinion on the financial statements and the accompanying information.

<sup>1</sup>The annual financial statements are accompanied by Required Supplementary Stewardship Information, Required Supplementary Information, and supporting consolidating and combining financial statements.

*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time. —Constitution of the United States, Article I, Section 9*

## Summary of Internal Control

We considered DoD internal control over financial reporting and compliance to determine our procedures for auditing the financial statements and to comply with Office of Management and Budget guidance but not to express an opinion on internal control. We do not express an opinion on internal control over financial reporting and compliance; however, previously identified reportable conditions,<sup>2</sup> all of which are material, continued to exist in the following areas:

- financial management systems;
- Fund Balance with Treasury and problem disbursements;
- Inventory;
- Operating Materials and Supplies;
- Property, Plant, and Equipment;
- Government-Furnished Material and Contractor-Acquired Material;
- Military Retirement Health Care Liabilities;
- Environmental Liabilities;
- intragovernmental eliminations and other accounting entries;
- Statement of Net Cost; and
- Statement of Financing.

A material weakness is a condition that precludes the entity's internal control from providing reasonable assurance that misstatements, losses, or noncompliance that are material in relation to the financial statements would be prevented or detected on a timely basis. Our internal control work would not necessarily disclose all material weaknesses. See the Attachment for additional details on material internal control weaknesses.

## Summary of Compliance with Laws and Regulations

Our work to determine compliance with selected provisions of laws and regulations applicable to financial reporting was limited because management acknowledged, and prior audits confirm, that instances of material noncompliance continued to exist. The Under Secretary of Defense (Comptroller)/Chief Financial Officer acknowledged to us that DoD financial management systems do not comply substantially with Federal financial management system requirements. These requirements include those established by the Office of Management and Budget (OMB), generally accepted

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<sup>2</sup> Reportable conditions are matters coming to the auditor's attention that, in his or her judgment, should be communicated to management because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to meet the internal control objectives in the report.

*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.* —Constitution of the United States, Article I, Section 9

accounting principles, and the U.S. Government Standard General Ledger at the transaction level. Prior audits support the Department's conclusions and confirm that uncorrected instances of noncompliance continued to exist related to selected provisions of the Prompt Payment Act, Government Information Security Reform Act, and the Government Performance and Results Act.

In order for DoD to comply with statutory reporting requirements and applicable financial management systems requirements, the Under Secretary of Defense (Comptroller)/Chief Financial Officer is developing a DoD-wide financial management enterprise architecture. It is unlikely that DoD will be able to fully comply with the statutory reporting requirements until the architecture is developed and implemented. See the Attachment for additional details on compliance with laws and regulations.

Our objective was not to express an opinion on compliance with applicable laws and regulations; therefore, we did not determine whether DoD was in compliance with applicable laws and regulations related to financial reporting. We caution that other noncompliance may have occurred and not been detected, and the results of our limited procedures may not be sufficient for other purposes.

### **Management Responsibility**

Management is responsible for:

- preparing the financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of section 3512, title 31, United States Code, which incorporates the reporting requirements of the Federal Managers' Financial Integrity Act of 1982, are met;
- ensuring that DoD financial management systems substantially comply with Federal Financial Management Improvement Act (FFMIA) of 1996 requirements; and
- complying with applicable laws and regulations.



David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

Attachment  
As stated

*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time. —Constitution of the United States, Article I, Section 9*

# Report on Internal Control and Compliance with Laws and Regulations

## Internal Control

Management is responsible for implementing effective internal control; for providing reasonable assurance that accounting data is accumulated, recorded, and reported properly; and that assets are safeguarded. We did not perform tests of DoD internal control over financial reporting and we did not obtain sufficient evidence to support or express an opinion on internal control because previously identified reportable conditions, all of which are material, continued to exist. DoD financial management deficiencies are indications of internal control weaknesses that significantly impair the ability of DoD to prepare financial statements in compliance with generally accepted accounting principles and to detect and investigate fraud or theft of assets. A high risk of material misstatements will continue to exist until the internal control deficiencies are corrected.

**Financial Management Systems.** The FFMIA mandates that financial management systems comply with Federal financial system requirements, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. The Under Secretary of Defense (Comptroller)/CFO acknowledged that DoD financial management systems lack the capability to provide reliable and timely information. To overcome the deficiencies, the Secretary of Defense established the Department-Wide Financial Modernization Program with the goal of improving the Department's financial management systems so that they can produce reliable and timely information.

**Fund Balance With Treasury and Problem Disbursements.** DoD is required by the U.S. Treasury Financial Manual and DoD Financial Management Regulation 7000.14-R to resolve financial and accounting inconsistencies to accurately report Fund Balance with Treasury. However, deficiencies continued to exist related to: in-transit disbursements; problem disbursements including unmatched disbursements and negative unliquidated obligations; unreconciled differences in suspense accounts; and unreconciled differences between U.S. Treasury records and DoD disbursing stations for checks issued, deposits and electronic fund transfers, and interagency transfers.

**Inventory.** DoD disclosed in the financial statement notes that the Department primarily records inventory using the latest acquisition cost adjusted for holding gains and losses instead of historical cost as required by the Statement of Federal Financial Accounting Standards (SFFAS) No. 3, "Accounting for Inventory and Related Property." For example, the value for most of the Defense Logistics Agency inventory, which represents a material portion of the Department's overall inventory, is derived from legacy logistics systems that do not maintain the necessary historical cost data. Additionally, DoD does not distinguish between Inventory Held for Sale and Inventory Held in Reserve for Future Sale, as required by SFFAS No. 3, "Accounting for Inventory and Related Property".

**Operating Material and Supplies.** DoD is required by SFFAS No. 3 to calculate and report the value of operating materials and supplies using historical cost and to expense operating materials and supplies when items are consumed. However, DoD has acknowledged that operating material and supplies are valued using the standard

purchase price, and an expense is recorded when materials are purchased or consumed. The Navy, for example, has not taken action to accurately capture and report historical cost data for more than \$35.6 billion of conventional ordnance.

**Property, Plant, and Equipment.** SFFAS No. 6, “Accounting for Property, Plant, and Equipment,” requires that all Property, Plant, and Equipment (PP&E) be recorded at cost. It also requires that depreciation expense be recognized on all general PP&E. Depreciation is to be calculated through the systematic and rational allocation of the cost of general PP&E, less the estimated salvage or residual value, over the estimated useful life. DoD disclosed that due to system limitations, the Department did not capture the correct acquisition date and cost, and therefore could not provide reliable information for reporting account balances and computing depreciation.

For FY 2002, DoD was required by SFFAS No. 8, “Supplementary Stewardship Information,” to report a value for National Defense PP&E, also known as military equipment, in the Required Supplementary Stewardship Information accompanying the financial statements. However, DoD has been unable to accumulate the cost data necessary to prepare an accurate value for National Defense PP&E and did not report a value as required.

**Government Furnished Material and Contractor Acquired-Material.** DoD did not report Government-owned property held by defense contractors. DoD Financial Management Regulation, volume 4 “Accounting Policy and Procedures,” chapter 6, “Property, Plant, and Equipment,” August 2000 sets forth the requirements for accounting for Government-furnished property in the possession of contractors. DoD Components are required to record, in DoD property accountability systems, detailed information on property provided to contractors and DoD property transferred from one contractor to another contractor. DoD acknowledged that accounting for Government-furnished property in the possession of contractors was a material weakness in the FY 2002 DoD Agency-Wide Financial Statements.

**Military Retirement Health Care Liabilities.** For FY 2002, DoD acknowledged that the quality of data within the military health care system impacted the accuracy of the Military Retirement Health Care Actuarial Liability. DoD is considering alternatives for calculating the liability estimate.

**Environmental Liabilities.** DoD acknowledged, and prior audits confirm, that problems with environmental liabilities continued to exist related to guidance, audit trails, the use of estimating models, and inventories of sites. SFFAS No. 5, “Accounting for Liabilities of the Federal Government,” provides guidance for recognition of liabilities in which the future outflow of resources is probable and reasonably estimable. Until the deficiencies are fully corrected, DoD will not be able to report environmental liabilities as required by SFFAS No. 5.

**Intragovernmental Eliminations and Other Accounting Entries.** DoD accounting systems did not capture trading partner data at the transaction level in a manner that facilitated reconciliation of trading partner transactions. DoD currently forces buyer-side transaction data to agree with seller-side transaction data without reconciling differences. In addition, DoD did not have procedures to reconcile all intra-fund transactions. DoD has acknowledged intragovernmental eliminations as a material weakness in the FY 2002 DoD Agency-Wide Financial Statements. During the preparation of the FY 2002 financial statements, DoD also continued to make other accounting entries that were not supported as required by OMB Circular No. A-123, “Management Accountability and Control,” June 21, 1995.



**Statement of Net Cost.** DoD acknowledged the following deficiencies related to the Statement of Net Cost:

- amounts presented in the Statement of Net Cost may not in all cases report actual accrued costs,
- accounting systems do not capture cost data in a manner that enables the Department to determine if costs were incurred to generate Intragovernmental revenue,
- accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations, therefore, DoD was unable to reconcile Intragovernmental revenue balances with its trading partners,
- net costs are not reported by responsibility segments that align with major goals and outputs, and
- revenues and expenses are reported by appropriation categories and not by performance measures as required by the Government Performance and Results Act because current financial processes and systems do not capture and report this type of cost information.

**Statement of Financing.** DoD has acknowledged that the Department cannot reconcile budgetary obligations to net cost, and that budgetary data does not agree with proprietary expenses and assets capitalized. DoD disclosed in the notes to the financial statements that the Statement of Financing was adjusted by a net \$4.1 billion to force Net Cost of Operations on the Statement of Financing to match the Statement of Net Cost. Because the differences are not reconciled, the adjustments are unsupported. Additionally, DoD prepared the Statement of Financing on a combined basis instead of the consolidated basis required by OMB Bulletin No. 01-09.

### **Compliance with Laws and Regulations**

Management is responsible for compliance with existing laws and regulations related to financial reporting. Our work to determine compliance with selected provisions of the applicable laws and regulations was limited because management acknowledged instances of noncompliance, and previously reported instances of noncompliance continued to exist. Therefore, we did not determine whether DoD was in compliance with selected provisions of all applicable laws and regulations related to financial reporting. Our objective was not to express an opinion on compliance with applicable laws and regulations.

**Statutory Financial Management Systems Reporting Requirements.** DoD is required to comply with the following financial management systems reporting requirements.

- Section 3512, title 31, United States Code incorporated the reporting requirements of the Federal Managers' Financial Integrity Act of 1982 and requires DoD to evaluate its systems and to annually report whether those systems are in compliance with applicable requirements.

- The CFO Act of 1990 requires DoD to prepare and annually revise an agency plan to implement the Government-Wide 5-year Financial Management Plan—prepared by the Director of OMB—describing activities that DoD will conduct during the next 5 years to improve financial management.
- The FFMIA of 1996 requires DoD to establish and maintain financial management systems that comply substantially with the Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger. The FFMIA also requires DoD to develop a remediation plan when its financial management systems do not comply with Federal financial management systems requirements. The remediation plan is to include remedies, resources required, and target dates.

For FY 2002, DoD did not fully satisfy its statutory reporting requirements identified in the provisions above. DoD acknowledged that many of its critical financial management and feeder systems do not comply substantially with the Federal financial management systems requirements, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. In an attempt to comply with statutory reporting requirements and applicable financial management systems requirements, DoD is developing a DoD-wide financial management enterprise architecture. As part of that process, DoD has reported that more than 1,800 systems contribute to the Department's financial reporting process. DoD anticipates having a "To Be" architecture and transition plan by April 2003. The transition plan is expected to contain specific actions, priorities, milestones, and improvements necessary to improve the quality of the Department's financial reporting. The enterprise architecture—when completed—is expected to prescribe how the Department's financial management and feeder systems and business processes will interact. It is unlikely that DoD will be able to fully comply with the statutory reporting requirements until the architecture is developed and implemented. Therefore, we did not perform tests of compliance for these requirements.

**Prompt Payment Act of 1982.** DoD is required to review and approve invoices for payment as soon as practicable after receipt to determine if the invoice is proper. DoD is required to make payments by the due date stated in the contract or within 30 days of receipt of a proper invoice if a due date is not stated. However, control deficiencies existed related to the adequacy of documentation and timeliness of vendor and contract payments.

**Government Performance and Results Act of 1993.** The Government Performance and Results Act, along with the subsequent implementation guidance issued by OMB in Circular No. A-11, requires DoD to issue a performance plan covering each program activity set forth in the budget by December 31 for the current fiscal year. DoD did not issue a performance plan for FY 2002 as required, and as a result, could not comply with other performance reporting requirements established by OMB. In addition, DoD has acknowledged that the Department is unable to accumulate costs for major programs based on performance measures identified under the Government Performance and Results Act because of system limitations.

**Government Information Security Reform of FY 2001.** DoD is required to develop and implement information security policies, procedures, and control techniques sufficient to afford security protections. DoD is also required to assess the information security risks associated with assets and operations of systems and programs under the Department's control and to determine the level of information security appropriate for protecting the assets and operations. Further, DoD Directive 5200.28, "Security Requirements for Automated Information Systems," March 21, 1988, required all

automated information systems, including stand-alone systems, communications systems, and computer systems, to be certified and accredited<sup>3</sup>. DoD did not fully comply with the Government Information Security Reform of FY 2001. For example, an estimated 60 percent of the 1,365 unique applications that the Defense Information Systems Agency has residing on its computer systems did not have written, current certifications or accreditations. These applications support DoD installations and include: finance and accounting, pay and disbursement, material shipping, receiving and storing, munitions maintenance, and weapon-systems associated applications. As a result, risks to information technology may not have been fully identified, assessed, and managed.

### **Audit Disclosures**

The Under Secretary of Defense (Comptroller)/Chief Financial Officer acknowledged to us on August 27, 2002, that DoD financial management systems cannot provide adequate evidence supporting various material amounts on the financial statements. As a result, we were unable to obtain adequate evidential matter to form or express an opinion on the financial statements, internal control, and compliance with laws and regulations.

We did not perform audit tests of DoD compliance with selected provisions of the Anti-Deficiency Act, the Debt Collection Improvement Act of 1996, the Federal Credit Reform Act of 1990, and the Pay and Allowance System for Civilian Employees. This report does not include recommendations to correct the material control weaknesses and instances of noncompliance because previous audit reports contained recommendations for corrective actions.

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<sup>3</sup>DoD Directive 5200.28 was canceled on October 24, 2003, and the requirements incorporated into DoD Directive 8500.1, "Information Assurance."