U.S. ARMY

FISCAL YEAR 2024 UNITED STATES ARMY ANNUAL FINANCIAL REPORT

INNOVATION, ACCOUNTABILITY, AND WARFIGHTER READINESS.

...Challenges are nothing new to the United States Army. In fact, they offer us the opportunity to assess and get better. We just have to stay grounded. I've been reflecting on our Army's motto – "This We'll Defend" – which was first used as a battle cry by the Continental Army. Today, it reminds us that our Army's purpose is timeless and clear – to fight and win the Nation's wars...This is our mandate from the American people and it requires action in four focus areas: Warfighting, Delivering Ready Combat Formations, Continuous Transformation, and Strengthening Our Profession...

– GEN Randy A. George, Chief of Staff of the Army

FY 2024 REPORT CONTENTS

SECRETARY OF THE ARMY MESSAGE

"As we adapt to the changing environment and embrace emergent technologies, we are developing modernization programs that ensure the Army maintains the overmatch required for future battlefields.

As the world continues to become more dangerous and uncertain, the Army is transforming to meet the requirements of a complex and volatile security environment. We are transforming our capabilities, force structure, and recruiting enterprise to face future challenges, ensuring the readiness of our combat formations and maintaining our commitment to taking care of our people.

The Army has made significant progress in our most ambitious modernization effort in more than 40 years by maintaining continuity across budgets and meeting major milestones for development and fielding. As we adapt to the changing environment and embrace emergent technologies, we are developing modernization programs that ensure the Army maintains the overmatch required for future battlefields. We are modernizing our high-demand air and missile defense, transforming our Army aviation, and building our capability to strike targets from increasingly long ranges.

The Army is also transforming our force structure to incorporate these new capabilities and refocus on large-scale combat operations. We are eliminating tens of thousands of unfilled spaces in units that were primarily focused on counterinsurgency and counterterrorism and creating space for new formations designed and equipped to provide the capabilities we need to meet current and future demands, such as indirect fire protection battalions, counter small-UAS batteries, and five Multi-Domain Task Forces.

As we build these formations and restructure our Army, we need skilled and dedicated Soldiers to fill our formations and operate our newest systems. To address the recruiting challenges of recent years, we are transforming our recruiting enterprise across the board and redesigning our recruiting workforce.

To support these transformation efforts, the Army is committed to enhancing the reliability and accuracy of financial data, a crucial step toward improving the decision-making process that supports the Army's objectives and priorities. The fiscal year 2024 United States Army Annual Financial Report contains financial results which are significantly improved due to the institution of business process improvements and compliance with policies and procedures to improve the accuracy and transparency of financial reporting. While we acknowledge the progress accomplished this year, the Army recognizes that achieving audit success is integral to mission success. The Army will continue to concentrate resources on remediating the findings that have the most significant impact and drive expected outcomes to achieve an unmodified audit opinion.

Christine E. Wormuth

CHRISTINE E. WORMUTH
Secretary of the Army

ASSISTANT SECRETARY OF THE ARMY MESSAGE
FINANCIAL MANAGEMENT AND COMPTROLLER

"The Army is focused on improving financial processes to ensure compliance with financial laws, regulations, and policies while inspiring trust with our military and civilian leaders, Congress, and the American taxpayer.

It is with great privilege that I introduce the Fiscal Year (FY) 2024 United States Army Annual Financial Report (AFR). This report highlights our firm commitment to the Army's mission and the National Defense Strategy, focusing on protecting Americans, global security, and democratic values through reliable information. In the face of ongoing global security challenges, the United States Army remains dedicated to safeguarding our interests and allies. The Army operates in an increasingly complex global environment characterized by foreign relation and policy changes, manpower challenges, information technology advancements and the continuing emphasis on the efficiency of operations. The FY 2024 AFR highlights our firm commitment to the Army's mission and the National Defense Strategy, transparently aligning dollars and resources for maximum impact, while maintaining our commitment to national and allied security.

The Army is focused on improving financial processes to ensure compliance with financial laws, regulations, and policies while inspiring trust with our military and civilian leaders, Congress, and the American taxpayer. Through streamlined operations, innovation, and increased transparency, the Army strives to meet immediate mission demands while maintaining long-term financial stability, supported by collaboration between military and civilian personnel. Key initiatives focus on enhancing systems, internal controls, and training to improve decision-making and operational effectiveness. To remain agile in critical areas like unmanned systems, Counter-UAS, and electronic warfare, flexible funding is vital, allowing for real-time adjustments instead of being tied to outdated technologies.

Recognizing the significance of an audit opinion in upholding financial and operational credibility, we acknowledge that the success of the audit hinges on the collective efforts of the entire Army community. This reliance on strong partnerships across ranks underscores the pivotal role each financial management professional plays in advancing these endeavors. Army leaders set the tone for fostering a culture of accountability and transparency, ensuring strategic alignment and resource prioritization. Soldiers, by diligently adhering to procedures and maintaining accurate records, contribute to the integrity of financial operations. Civilians, through their expertise and specialized roles, provide continuity and technical support, ensuring compliance and thoroughness in every phase. To ensure clarity and accountability in the Army's financial reporting, collaborative synchronization among Army leaders, soldiers, and civilians is imperative throughout the organization. This collective effort guarantees the seamless integration of processes necessary for a successful audit outcome.

The FY 2024 AFR assesses the Army's financial health and operational performance, detailing financial data, performance metrics, and responses to audit-identified weaknesses. By focusing on the audit, the Army optimizes purchasing power and maximizes taxpayer value. The Army's commitment to efficient resource allocation for national defense includes building a skilled financial management team, maintaining strong business practices, and collaborating with stakeholders. This results in clear, auditable, and timely financial data that enhances stakeholder confidence and improves decision-making.

CARAL E. SPANGLER
Assistant Secretary of the Army, Financial Management and Comptroller

SECTION 1: MANAGEMENT'S DISCUSSION AND ANALYSIS

INNOVATION, ACCOUNTABILITY, AND WARFIGHTER READINESS.


An Army ROTC cadet competes in the one-rope bridge event. (U.S. Army photo by Sarah Windmueller)

ARMY GENERAL FUND OVERVIEW

The United States (U.S.) Department of the Army (Army) consistently provides trained and ready forces for combat operations, while maintaining a standard of excellence. The Army must be innovative and highly adaptable to sustainably meet the demands of an uncertain future. To maintain our land power dominance, we continue concentrating our efforts on these strategic priorities—readiness, transformation and modernization, reform, and people—to ensure the U.S. Army is always ready, now and in the future. These strategic efforts are coupled with our enduring priorities to take care of our Soldiers, Civilians, and their Families; to re-commit to the Army values and warrior ethos that guide us; and to strengthen relationships with allies and partners.

The many demands on the Nation's resources will put downward pressure on future defense budgets, forcing Army to continuously reassess our spending priorities to meet national objectives. The Army requires predictable resources to further improve readiness, transform and modernize the force, implement effective reforms, and protect our people. With consistent, strategy-based funding over time, the Army can increase capacity, train contingency forces, close critical modernization gaps, and rebuild installation and training infrastructure – all while maintaining excellence in the execution of current operations. The Army aims to achieve the objectives in the defense planning guidance, which is critical to the Army accomplishing assigned missions to a standard expected by the American people.

For fiscal year (FY) 2024, Army General Fund (GF) received $204,948 million in appropriated funds. The Army is a performance-based organization and, as such, is committed to working toward specific measurable goals derived from a defined mission to continually improve operations. The following discussion provides an evaluation of the FY 2024 Army GF performance aligned with the Army's four principal strategic goals: readiness, transformation and modernization, reform, and people.

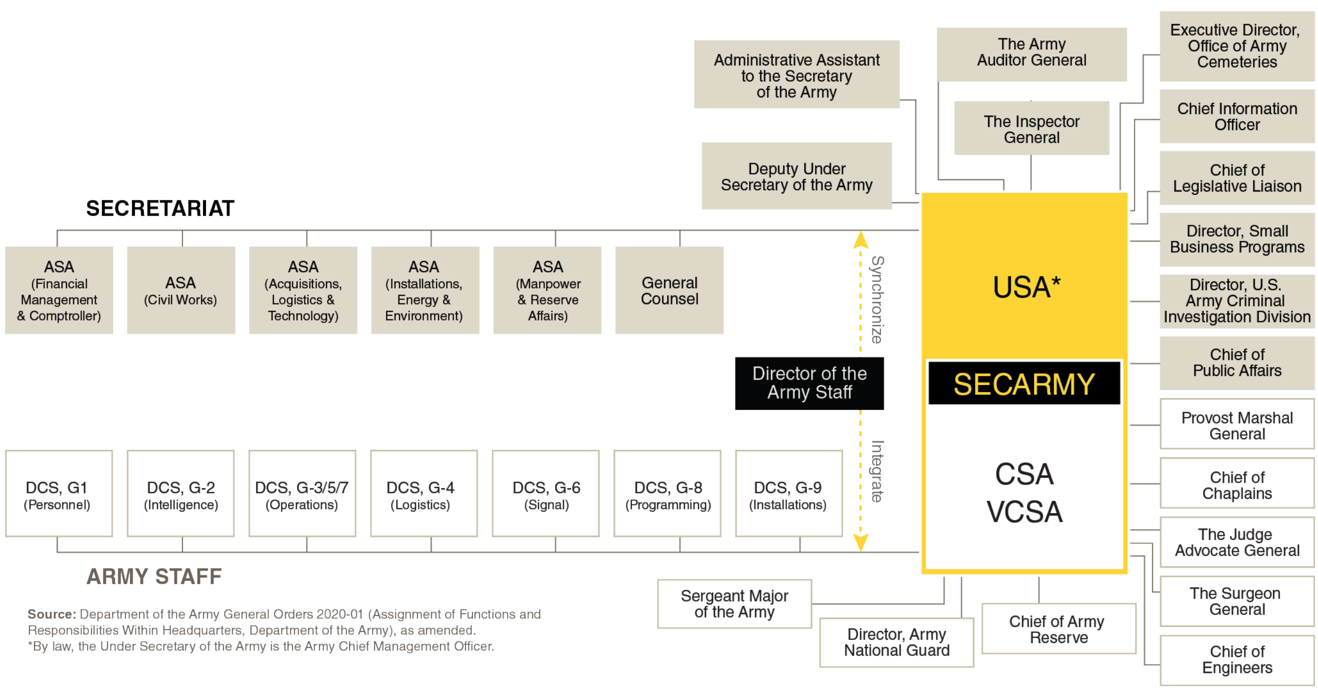
MISSION AND ORGANIZATION OF THE ARMY

The Army mission remains constant: to deploy, fight, and win our Nation's wars by providing ready, prompt, and sustained land dominance by Army forces across the full spectrum of conflict as part of the Joint Force. The Army mission is vital to the Nation because we are a service capable of defeating enemy ground forces and indefinitely seizing and controlling those things an adversary prizes most - its land, resources, and population. The Army uses the GF to accomplish most of its mission. The GF consists of assets and liabilities used to finance the daily and long-term operations of the U.S. Federal Government.

The Army's organization supports and sustains the mobilization, training, and deployment of its Soldiers anywhere in the world. Headquarters, Department of the Army (HQDA) (Figure 1), under the direction of the Secretary of the Army (SECARMY), leads and manages the entire Army. The HQDA Staff is composed of the Secretariat and the Army Staff (ARSTAF). The HQDA Staff:

- Develops policies, plans, and programs.
- Establishes and prioritizes requirements.
- Provides resources to organize, man, train, and equip Soldiers to meet the combatant commands' current and future operational requirements and other needs as defined by the President and the Secretary of Defense.

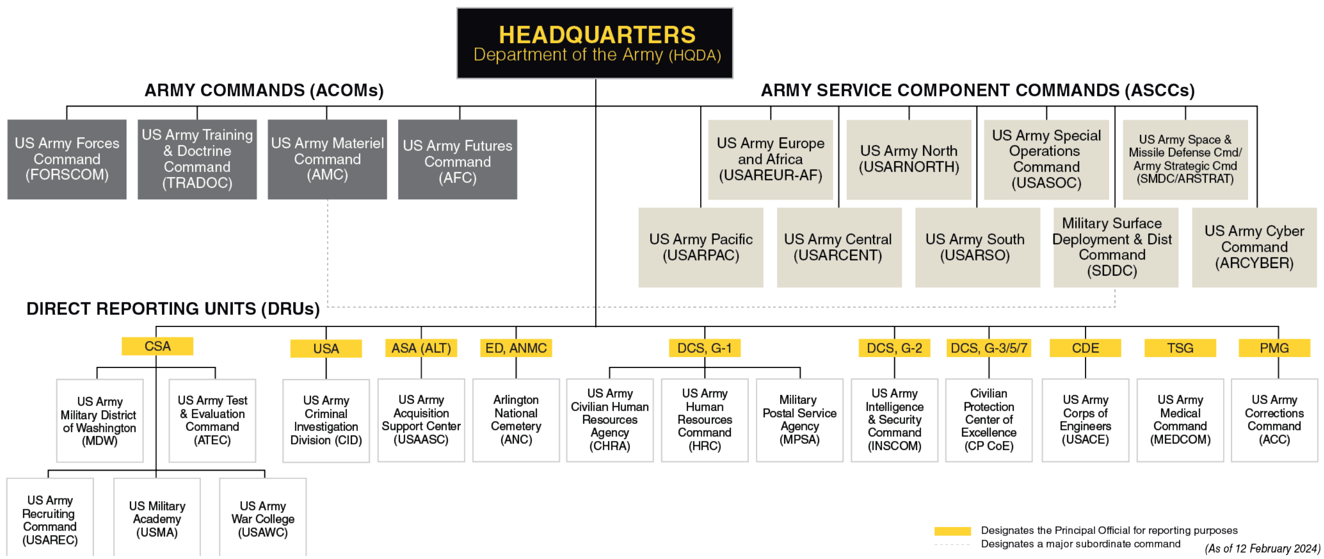
FIGURE 1. Headquarters, Department of the Army (HQDA)



Source: Department of the Army General Orders 2020-01 (Assignment of Functions and Responsibilities Within Headquarters, Department of the Army), as amended.
*By law, the Under Secretary of the Army is the Army Chief Management Officer.

Organizations reporting to HQDA as part of the Army's command structure (Figure 2) include the Army Commands (ACOMs), Army Service Component Commands (ASCCs), and Direct Reporting Units (DRUs). The operational Army consists of numbered armies, corps, divisions, brigades, and battalions that conduct the full range of military operations. The institutional Army supports the operational Army by providing the infrastructure necessary to man, train, equip, deploy, and ensure the readiness of all Army forces.

FIGURE 2. Army Command Structure



PERFORMANCE GOALS, OBJECTIVES, AND RESULTS – GENERAL FUND

Maintaining credible strategic land-power requires that the Army continually assess and refine its readiness, transformation and modernization, reformation, and people; how it operates; manages its human capital; and increases its capabilities. The Army continually builds globally responsive and regionally engaged strategic land forces with a versatile mix of capabilities, formations, and equipment that are mission tailored, scalable, and cost effective. The following sections discuss the Army GF's performance objectives and results as they relate to the Army mission.

Readiness

STRATEGIC GOAL 1: *Provide ready and trained forces, ensuring the Army is ready to engage all enemies, foreign and domestic.*

The Army of 2030 must be able to fight and win decisively in a joint, combined, multi-domain environment with our Decisive Action partners while simultaneously competing in multiple theaters. The Army will do this by first developing and delivering leaders and arming them to drive the training and operations process while building on the gains made by foundational training. People are the priority as the Army builds readiness and modernizes the Force. Training must be tough, realistic, iterative, and dynamic to support Multi-Domain Operations. The Army will enable the Joint Force to maneuver and prevail from competition through conflict with a calibrated force posture of multi-domain capabilities that provide overmatch through speed and range at the point of need. Army formations and capabilities will provide the necessary speed, both physical and cognitive, to achieve decision dominance required for a faster-paced, distributed, and complex operating environment. The Multi-Domain Army will set the conditions for the Joint Force to fight and win integrated campaigns necessary to defeat state actors. All training must contribute to accomplishing the mission and achieving the Vision. Field Manual 7-0, Training (14 June 2021) provides doctrinal guidance on training leaders and Soldiers.

Training and leader development are inextricably linked and mutually supportive. Leaders must train their subordinate leaders to train effectively as the unit plans and prepares, executes, evaluates, and assesses training. Short of combat, unit training provides the best and most practical leader development possible. Every Army leader has the responsibility for the professional development of subordinate leaders as training occurs. Leader development is a proactive process and is an integral part of training plans, meetings, and briefings. Leaders must spend time thinking about how to foster and develop the next generation of Army leaders and implement plans and policies to those ends.

Army training prepares Soldiers, leaders, and units to accomplish their assigned missions. To be prepared for ever-changing conditions and varied operational environments, the training environment must be realistic, challenging, and efficient. Training under these conditions requires leaders to prioritize the tasks needed to achieve individual and unit collective proficiency. This also requires selecting the proper means: live-fire, force-on-force, virtual or constructive simulations. The Army Training Support System delivers capabilities in each because the reality of multi-domain operations – especially extended distances and increased lethality – precludes live training for many situations. The Synthetic Training Environment is developing the expanded capabilities to support training management by leaders, to create realistic conditions to challenge leaders and units as they learn how to increase their proficiency, and to provide effective assessment tools for continuous improvement.

Regionally Aligned Readiness and Modernization Model (ReARMM) is the Army's Force Generation Model. ReARMM, as a strategy, is designed to address the contemporary challenges of the current operational environment within the Competition-Crisis-Conflict-Change framework. The model is designed to meet Competition demand, for both known Global Force Management Allocation Plan (GFMAP) and contingency Directed Readiness Table (DRT) requirements, while remaining flexible enough to respond to limited duration crises or the start of a conflict. ReARMM is an evolution from past models, as it seeks to generate required levels of current readiness while simultaneously generating future readiness by protecting deliberate force modernization efforts. ReARMM is centered on the principles of predictability, stability, and synchronization in concert with regional alignment to generate readiness for competition requirements. This allows a disciplined, resource-informed approach to the generation of readiness for both current and future requirements while allowing leaders and units to accomplish Army People Strategy tasks and SECARMY/CSA "People First" priorities.

Maneuver Combat Training Center (CTC) rotations are multi-echelon leader development opportunities that also enable brigade combat teams to enhance brigade and battalion-level command and control, their ability to maneuver in all forms of terrain, and live fire proficiency. Units at all echelons must practice and rehearse deploying "fort to port" in contested environments, acknowledging that adversaries will likely attempt to disrupt deployment activities with cyber-attacks on critical deployment and transportation nodes, while simultaneously attempting to introduce disinformation to further disrupt deployment operations.

Commanders and leaders must take full advantage of opportunities to maintain and increase readiness while deployed. While OCONUS, units must leverage available ranges, training areas, simulations, and simulators as part of their training and leader development strategies. They must seek opportunities to train with joint and multi-national partners to further enhance the realism of our training environments. Units must also train as they intend to fight, implementing realism in the networks and mission command platforms they are competing in the Combat Training Centers and deployed rotations today. Corps and Divisions will practice establishing a mission partner environment for interoperability with partner nations as our default network.

Army Training continuously adjusts methods and processes to adapt to a wide variety of external forces such as an evolving geopolitical landscape, natural disasters, global pandemics, limited resources, and other unforeseen external / environmental challenges. The Army manages readiness by first looking at unit capabilities, and then by identifying the appropriate training and continually assessing and evaluating that training.

Objective 1.1: **Training Soldiers**

The Army's institutional training and education system for Soldiers includes Initial Entry Training (IET), professional military education, and special skills / functional training. Throughout their career, Soldiers acquire knowledge and skills through resident courses, mobile training teams, and distributed learning. The goal of institutional training is to generate the required quantity of highly proficient Soldiers able to meet the Army's readiness objectives and execute Army missions consistent with their Military Occupational Specialty (MOS).

Performance Indicators: Table 1 displays measures that are performance indicators in determining progress toward meeting this objective.

- Measure 1.1.a: Fill rate. The fill rate or execution rate measures the number of Soldiers sent to training (input) as a percentage of the number of trained Soldiers needed (quota). In Table 1, the fill rate is calculated as Fill % (Qta) = Input/Quota.
- Measure 1.1.b: Graduation rate. The graduation rate measures the number of Soldiers who graduated from their assigned training as a percentage of input. In Table 1, the graduation rate is calculated as Grad % = Grad/Input.

Table 1 displays data from FY 2020 – FY 2023 for 10 categories of institutional training, including IET. The objective of IET is to achieve a quota fill rate of at least 95% and a graduation rate of at least 90%. The Army's overall FY 2023 quota fill rate was consistent with the FY 2022 quota fill rate, but lower than the FY 2021 rate. The decreased fill rate during FYs 2022 – 2023 is attributable to the lingering effects of missed Army accessions goals that impacted the number of student inputs in initial entry training, specifically, BCT, AIT and OSUT. The overall FY 2023 graduation rate remained high and consistent with the previous three fiscal years, showing the Army's efficacy in generating graduates from those recruits and Soldiers in attendance. The Army is working diligently to overcome its recruiting challenges (e.g., adding preparatory courses) and remains committed to maintaining readiness and meeting national security requirements. Note: Complete FY 2024 data was not available at the time of AFR publication as some courses were still in session.

TABLE 1. Individual Training

Training Category	FY 2020					FY 2021					FY 2022					FY 2023				
	Quota	Input	Grad	Fill % (Qta)	Grad %	Quota	Input	Grad	Fill % (Qta)	Grad %	Quota	Input	Grad	Fill % (Qta)	Grad %	Quota	Input	Grad	Fill % (Qta)	Grad %
AIT	91,113	76,383	75,025	84%	98%	93,233	79,559	78,336	85%	98%	85,014	61,353	60,995	72%	99%	85,956	59,580	58,886	69%	99%
BCT	86,950	68,293	64,471	79%	94%	86,258	66,181	62,778	77%	95%	78,925	51,532	48,305	65%	94%	79,395	55,095	51,790	69%	94%
BOLC	15,881	13,715	13,487	86%	98%	16,619	15,228	14,873	92%	98%	16,525	14,160	13,738	86%	97%	16,275	14,238	13,907	87%	98%
IERW/FW	1,057	1,087	1,053	103%	97%	1,280	1,156	1,137	90%	98%	1,268	1,251	1,221	99%	98%	1,262	1,268	1,237	100%	98%
IERW-CC	1,145	1,125	1,088	98%	97%	1,272	1,260	1,227	99%	97%	1,297	1,297	1,306	100%	101%	1,294	1,294	1,271	100%	98%
INITIAL LANG	1,126	974	561	87%	58%	1,275	1,219	651	96%	53%	930	888	605	95%	68%	842	746	475	89%	64%
OCS	3,844	3,394	3,123	88%	92%	3,977	3,996	3,586	100%	90%	3,561	3,827	3,358	107%	88%	3,553	3,485	3,080	98%	88%
OSUT	34,487	29,357	26,285	85%	90%	36,618	30,979	27,844	85%	90%	32,765	21,801	19,644	67%	90%	30,920	22,152	19,895	72%	90%
WOBC	3,639	3,266	3,249	90%	99%	4,103	3,817	3,778	93%	99%	4,198	3,820	3,784	91%	99%	4,577	4,277	4,267	93%	100%
WOCS	2,494	2,510	2,373	101%	95%	2,563	2,644	2,506	103%	95%	3,173	3,092	2,981	97%	96%	3,229	2,867	2,790	89%	97%
TOTAL	241,736	200,104	190,715	83%	95%	247,198	206,039	196,716	83%	95%	227,656	163,021	155,937	72%	96%	227,303	165,002	157,598	73%	96%

Training Categories

AIT: Advanced Individual Training
BCT: Basic Combat Training
BOLC: Basic Officer Leader Course
IERW: Initial Entry Rotary Wing
IERW-CC: Initial Entry Rotary Wing – Common Core
INITIAL LANG: Initial Language
OCS: Officer Candidate School
OSUT: One Station Unit Training
WOBC: Warrant Officer Basic Course
WOCS: Warrant Officer Candidate School

Quota Fill and Grad Rates:

>= 95%
95% - 89%
89% - 79%
<= 79%

Note 1: Data reflects Army students only; all Components
Note 2: All data is based on start date, i.e., if a class starts in FY 2019 and graduates in FY 2020, it is counted as FY 2019 data.
Note 3: Data based on Army Training Requirements and Resources System (ATTRS) reports as of October 4, 2023.
Note 4. Complete FY 2023 data was not available at the time of the AFR publication as some courses were still in session.

Objective 1.2: Developing Adaptive Army Leaders

Unit training and leader development are the Army's lifeblood. Competent, ethical leaders with a warrior mentality are the Army's competitive advantage. No technology or advanced weaponry or platforms can replace the contribution that well-trained leaders bring to the Service. The Army leader development strategy is the key to preparing the Army for large-scale combat operations. The increasingly uncertain, complex, and interconnected global environment demands that the Army invest in leader development. This development is the life-long synthesis of training, education, and experience acquired through opportunities in the operational, institutional, and self-development domains. These efforts will allow the Army to be ready to deploy, fight, and win decisively against any adversary.

Performance Indicators: Table 2 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 1.2.a: Number of graduates in each course as compared to the quota.

Performance Results: Table 2 displays results of professional development courses within the Noncommissioned Officer Professional Development System (NCOPDS) and Officer Education System (OES). The table provides the number of trained Soldiers needed to meet readiness (quota) and the number of Soldiers graduating from training (grads). The Army will continue to strive to meet the quotas for professional development courses.

TABLE 2. Professional Development

		Professional Development									
		Noncommissioned Officer Professional Development System (NCOPDS)				Officer Education System (OES)					
Number of Leaders Trained		Basic Leader Course	Advanced Leader Course	Senior Leader Course	Master Leader Course	Sergeant Major Course Resident/ Phase 2 Non-resident	Warrant Officer Advance Course Resident	Warrant Officer Intermediate Level Education Resident/Non-resident	Warrant Officer Senior Service Education Resident/Non-resident	Intermediate Level Education Resident/ Common Core	Senior Service College/ Resident Distance Learning
FY 2020	Quota	42,984	29,046	18,562	5,601	2,572	2,685	2,045	867	11,122	1,974
	Grads	43,009	24,129	16,296	5,210	2,331	2,577	1,211	797	7,763	1,476
FY 2021	Quota	44,303	41,868	22,178	4,560	2,574	2,490	1,439	937	11,538	1,921
	Grads	44,559	36,297	20,065	4,485	2,333	2,909	1,167	887	11,291	1,456
FY 2022	Quota	44,802	43,728	23,721	6,476	2,667	2,656	1,683	821	12,956	1,930
	Grads	39,741	36,218	19,875	5,804	2,142	2,977	781	652	10,885	1,518
FY 2023	Quota	42,675	59,711	33,770	5,292	2,585	4,177	1,681	955	13,339	2,145
	Grads	34,760	45,926	26,673	4,627	2,060	3,126	930	667	10,153	1,718

Note 1: Data reflects Army students only; all Components.
Note 2: All data is based on start date, i.e., if a class starts in FY 2023 and graduates in FY 2024, it is counted as FY 2023 data.
Note 3: Data based on Army Training Requirements and Resources System (ATTRS) reports as of October 3, 2024.
Note 4: Complete FY 2024 data was not available at the time of AFR publication as some courses were still in session.

Objective 1.3: Training Units

The Army trains, as part of a joint team, to shape Operational Environments (OEs), prevent conflict, and conduct large-scale combat operations. The Army does this by conducting tough, realistic, and challenging training at home stations, at CTC, and while deployed. The Army's CTC Program remains the foundation of an integrated training strategy that builds trained, proficient, and combat-ready units and leaders to conduct operations as part of the Joint Force.

Performance Indicators: Measure 1.3.a: Percent of Brigade Combat Teams scheduled a maneuver CTC rotation that have completed the rotation.

Performance Results: 100% of brigade combat teams scheduled to participate in a CTC rotation during FY 2024 completed training. For FY 2025 and beyond, Army Senior Leaders directed the following rotational scheduling at maneuver CTCs, as a floor: 8 x NTC rotations, 8 x JRTC rotations, 4 x JMRC rotations, and 2 x JPMRCF rotations conducted (one in AK and one in HI) with CONUS CTC support.

TABLE 3. Brigade Combat Team (BCT) Training

	FY 2024	
	Target	Actual
Percent of BCTs scheduled for a maneuver CTC rotation that have completed the rotation	100%	100%

TABLE 4. Army CTCs also train other force elements in addition to BCTs, including:

Army Service Component Commands
Army Corps
Army Divisions
Army Sustainment Brigades
Functional/ Multifunctional Brigades
Army Special Forces

Transformation and Modernization

STRATEGIC GOAL 2: *Transform the Army along a sustainable strategic path to ensure war-winning future readiness to fight and win our nation's wars.*

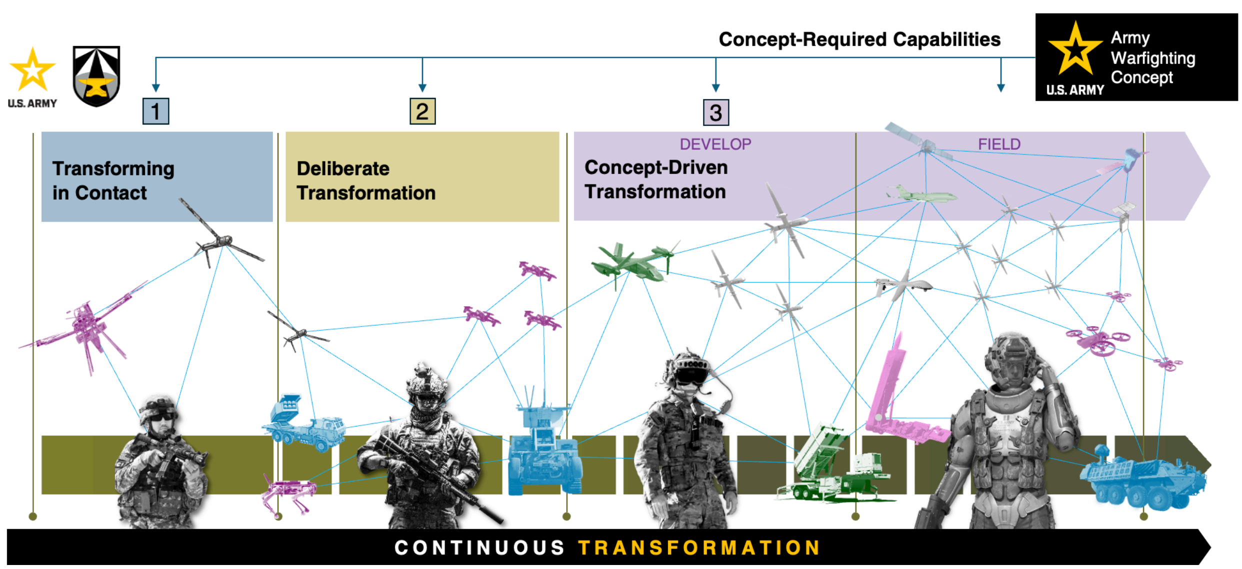
The future operational environment (FOE) is characterized by increasingly transparent battlefields; a proliferation of autonomous-capable systems (e.g., UAS, UGS, UUS, LM); extended, extensive, and advanced lethal / non-lethal strike capabilities; adversary advantages of interior lines and sanctuary; and challenges to Army forces to enable Joint campaigns with protection, sustainment, C2, deep sensing, counter-sensing, and long-range fires. While the pacing challenge remains a priority in the FOE, the Army must also be effective against multiple threats, in different geographies, across the full range of military operations. Transformation is critical to achieving the Army's mission in this regard and must inform changes to the Army along a sustainable strategic path with the flexibility to adopt and integrate emerging technology faster as required.

Continuous Transformation is the Army's strategy for conducting Force Development and Force Design in support of national strategic guidance and informed by the future operational environment across three distinct time horizons.

1. Transforming in Contact captures near-term efforts, inside eighteen to twenty-four months, to rapidly prototype organizational changes and integrate emerging technology. Transforming in Contact is a perpetual and continuous effort, providing the opportunity to learn, fail, refine requirements, and develop solutions faster to stay ahead of our adversaries.
2. Deliberate Transformation uses existing Army processes (Total Army Analysis [TAA] and Planning, Programming, Budget, and Execution) to program and build formations in the two-to-seven-year time horizon.
3. Concept-Driven Transformation looks at the period between 2030 and 2040 to identify potential new concepts, formations, talent, doctrine, technology, or other doctrine, organization, training, materiel, leadership and education, personnel, facilities, and policy (DOTMLPF-P) changes required to compete in the future.

One of the efforts that spans all three planning horizons pertains to Science and Technology (S&T). The Army's S&T portfolio will identify, develop, and demonstrate technology options in the near term that will inform and enable effective and affordable capabilities for the Soldier in the far term and beyond.

TABLE 5. Continuous Transformation



Continuous Transformation is designed to integrate with existing Army and DoD processes to deliver modernized force structure when needed with minimal friction. Continuous Transformation accelerates Army modernization and transformation activities to reconcile the need for prudent Force Design analysis and experimentation with established TAA and Program Objective Memorandum (POM) timelines. Effectively executed, Continuous Transformation results in the modernized Army force structure required to fight and win our nation's wars now and into the foreseeable future.

Transformation in Contact (TiC)

Continuous Transformation begins with a focus on the near-term goal of closing critical capability gaps through prototype formations and commercial off the shelf technologies. Transformation in Contact directed the conversion of three Brigade Combat Teams (BCTs) from existing designs to become one Mobile BCT and two Light BCTs. Additionally, cutting-edge, commercially available capabilities were resourced to these prototype BCTs consisting of small multipurpose equipment transports; short, medium, and long-range reconnaissance capabilities; small UAS; Low Altitude Stalking and Strike Ordinance; Silent Tactical Energy Enhanced Dismount; Proliferated Low Earth Orbit satellites; Integrated Tactical Network; and Infantry Squad Vehicles. The Army is planning additional TiC opportunities in FY 2025.

Deliberate Transformation

Deliberate Transformation focuses on delivering modernized Army Forces by investing, developing, and fielding weapons and platforms with next generation technology that will provide our formations with distinct advantages over peer competitors in six prioritized capability areas of investment:

- Long-Range Precision Fires: Develop platforms, capabilities, munitions, and formations that restore U.S. Army dominance in range, lethality, mobility, precision and target acquisition.
- Next Generation Combat Vehicles: Develop combat vehicles that integrate other close combat capabilities in manned, unmanned, and optionally manned teaming that leverages semiautonomous and autonomous platforms in conjunction with the most modern firepower, protection, mobility, and power generation capabilities.
- Future Vertical Lift: A set of manned, unmanned, and optionally manned platforms that can execute attack, lift, and reconnaissance missions on the modern and future battlefield at greater range, altitude, lethality, and payload.
- Army Network: An integrated system of hardware, software, and infrastructure that is sufficiently mobile, reliable, user-friendly, discreet in signature, expeditionary and which the Army uses to fight effectively in any environment in which the electromagnetic spectrum is denied or degraded. The Army has implemented a strategy for a Unified Network.
- Air and Missile Defense: A series of mobile integrated platforms, capabilities, munitions, and formations that ensure our future combat formations are lethal while remaining protected from modern advanced air and missile delivered fires, to include drones.
- Soldier Lethality: A holistic series of capabilities, equipment, training, and enhancements that span all fundamentals of combat: shooting, moving, communicating, protecting, and sustaining to ensure our Soldiers are more lethal and less vulnerable on the modern battlefield.

The Army also aligned modernization priorities with two new cross functional teams (CFTs) to regain overmatch and competitive advantage in key cross-cutting areas. The Contested Logistics (CL) CFT reached full operational capability (FOC) in early FY 2024. The CL CFT addresses the need to sustain forces and equipment quickly on future battlefields, mitigate risks of dispersed operations across multiple domains, and provides integrated sustainment solutions to design the next Concept Driven Transformation Force. The All-Domain Sensing (ADS) reached initial operational capability in mid-FY 2024 with an anticipated FOC date in FY 2025. ADS CFT addresses multi-sensor dominance, sensing architecture, advanced processing and dissemination of collected data and information at speed and scale, and other key operational enablers to facilitate successful situational understanding and decision-making in the FOE.

Concept-Driven Transformation

Far-term Concept-Driven Transformation continues with the publication of the Army Warfighting Concept (AWC) 2030-2040 in FY 2024/2025. The AWC provides the baseline for experimentation that will determine the future requirements of the Concept Driven Transformation Force. AFC will design the Concept Driven Transformation Force to operate with modernized formations and capabilities that sustain Army asymmetric advantages, enable adaptation, and prioritize endurance.

Continuous Transformation – Execution

Critical to the successful execution of Continuous Transformation is ongoing objective analysis to determine whether the Army is accurately developing the force structure and capabilities needed to fight and win anytime, anywhere. The Army cannot predict what lies ahead, but it can project trends, anticipate threats, and assess progress towards future objectives. Constant learning and quality feedback drives Continuous Transformation and informs S&T investments. To that end, Army Futures Command (AFC) organizes its campaigns of learning, experiments, and exercises into an overarching framework called Persistent Experimentation. Persistent Experimentation aligns learning and experimentation resources roughly along the three elements described within the Continuous Transformation strategy.

- First, the Future Study Program focuses on concept development and wargaming within the Concept-Driven Transformation time horizon.
- Second, Project Convergence is a campaign of learning that centers on developing capabilities within the Deliberate Transformation window.
- Third, Army Future Warfighting Experiments similarly align with Deliberate Transformation equities while also considering aspects of Transformation in Contact.

All of this learning culminates into a routine Capstone event that analyzes anticipated future requirements for applicability in the Combined and Joint Force from now thru the extended planning period. Put simply, Continuous Transformation cannot happen without Persistent Experimentation.

Accelerated formation-based transformation, along with faster technological innovation will provide a key bridge between delivering the Deliberate Transformation Force and designing the Concept Driven Transformation Force. Future formations, especially the Infantry Brigade Combat Team, must achieve increased lethality through the development of kinetic and non-kinetic systems fully informed by DOTMPLF-P (Doctrine, Organization, Training, Materiel, Leadership and Education, Personnel, Facilities, and Policy). Essential to achieving this is Human-Machine Integration where robots working closely with Soldiers increase protection, extend range, and deliver the desired effects. Continuing to build on network transformation will also be necessary. First, the current network must be optimized to provide assured tactical communications, a commander centric common operating picture, and the ability to employ both offensive and defensive fires. Once that is achieved, resources must quickly pivot to delivering the next network – one that takes full advantage of data and artificial intelligence to enable the Army to take full advantage of rapid continually developing information-based operations. Finally, recognizing the criticality of preparing for and developing DOTMLPF-P informed logistics capabilities that can survive in environments contested from home station to the tactical edge represent a key transformation effort as the Army transitions into the more distant future.

Objective 2.1: **Department of Defense Information Network – Army (DoDIN-A) Global Security Strategy.**

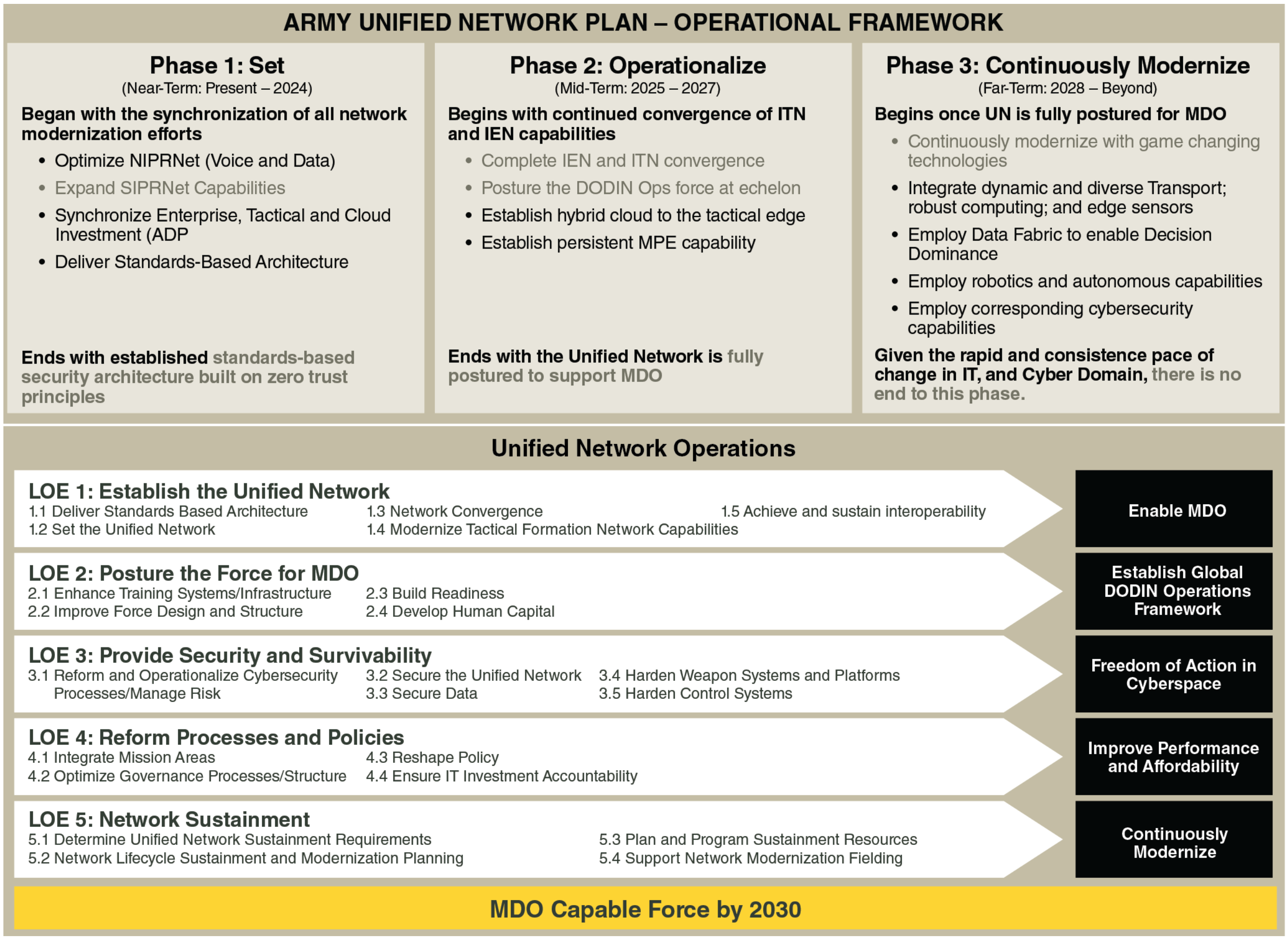
The National Defense Strategy and The Army Strategy note that the global security environment is increasingly complex and characterized by challenges to the free and open international order and the re-emergence of long-term, strategic competition between nations. There are multiple agencies within the Army that are undertaking efforts to modernize the Army's network capabilities. The U.S. Army published the Army Unified Network Plan (AUNP) Framework in September 2021 to organize and coordinate these efforts and to accelerate modernization of the Army's network. The AUNP aligns with the Army Strategy's focus on building readiness, modernizing, reforming the Army, and strengthening alliances and partnerships while taking care of our people and living the Army values. Execution of the AUNP will enable the Army to meet its Title 10 responsibilities to man, train, and equip the force while building and sustaining readiness. Additionally, the AUNP parallels and will enable the Army Campaign Plan over multiple phases and time horizon.

The AUNP mirrors the Army Strategy's priorities and supports the Army's intent to build a multi-domain ready force by 2035. It establishes five Lines of Effort (LOEs) critical to shaping the future Army:

LOE 1: Establish the Unified Network—Enabling Multi-Domain Operations
LOE 2: Posture the Force for Multi-Domain Operations
LOE 3: Security and Survivability—Commander's Freedom of Action in Cyberspace
LOE 4: Reform Processes & Policies—Improve Performance and Affordability
LOE 5: Network Sustainment—Sustain Enterprise and Tactical Networks

Figure 3 below displays the AUNP Operational Framework inclusive of Phases, LOEs, objectives and LOE outcomes for the future state of the network.

FIGURE 3. Army Unified Network Plan Operational Framework



This operational framework is a critical element of achieving the overarching Army Vision. Implementation of the AUNP LOEs and their aligned objectives will modernize, shape, and reform the Army's network and policy to better enable mission accomplishment. The modernization efforts represent changes in policy, equipment, and procedures, as well as, complex system of systems engineering to ensure common environments, responsiveness, and capability, globally. Accordingly, no single measure can serve as an indicator of objective achievement. Therefore, the Army uses measure indices to determine the risk surrounding modernization outcomes arrayed across the AUNP LOEs. The index for each LOE is supported by objectives, which in turn are supported by many metrics that roll-up to establish a risk assessment.

In FY 2024, the Army entered Phase 2 of the Operational Framework and updated the AUNP to keep it current, valid, and driving toward objectives in the evolving environment. The Army is working version 2.0 of the AUNP with updated Objective wording and an update to the associated EXORD with a revised task list. The updated objectives have continuity to the initial AUNP. AUNP 2.0 has matured Zero Trust implementation content and expanded content related to providing assured tactical communications, a commander centric common operating picture, and the ability to employ both offensive and defensive fires. Metrics are being revised to provide valid insight to leadership as the Army continues to transition into the future.

Performance Measure/Indicators: The AUNP is currently supported by key performance indicators (KPIs) that are a combination of quantitative and qualitative metrics. The performance indicators are reported monthly and are housed in an

Army system of record. The indicators are reviewed on a recurring basis to update and apply relevant assessment factors to the objectives as necessary. The indicators selected by the AUNP community, vetted and approved by senior leaders, are outcome-based measures that change over time, in an effort to continue to support the LOE they are assigned.

Below is a sample of the current measures that are performance indicators in determining progress in meeting this objective.

- Measure 2.1.a: Objective 1.2.3-2 Deploy six (6) GSN CSfC Nodes globally at CONUS (2), Europe (1), SWA (1), PAC (1), and Korea (1) and be operational FOC by FY 2025
- Measure 2.1.b: Objective 2.3.1-1 Validation of DoDM 8140 workforce requirements
- Measure 2.1.c: Objective 3.2.3-1 Deployed across 100% of Army Unified Network by 30 SEP 2026

Each metric supports the LOE and Objectives it is grouped under. The AUNP Implementation Execution Order was published in February 2022 and has been amended by Fragmentary Orders to keep it up to date. The LOE leads are tasked with identifying the supporting tasks and indicators. The individual metric performance values are combined to create a performance score that is normalized to a 0 – 10 scale across all elements of the AUNP.

Performance Results: Table 6 below displays the annualized risk assessment, based on all the supporting indicators reported, displaying the score, and represented by a corresponding stoplight color.

TABLE 6. Army Unified Network Plan Framework Annualized Performance Indicators for the overarching plan

	Performance Roll-up		
	FY 2023*	FY 2024*	
Army Unified Network Plan Framework	**Score**	**Score**	**Goal****
The Army Unified Network Plan	6.82	7.74	6.67
LOE 1: Establish the Unified Network	4.24	3.84	6.67
LOE 2: Posture the Force for Multi-Domain Operations	4.93	8.22	6.67
LOE 3: Security and Survivability	7.61	7.74	6.67
LOE 4: Reform Processes & Policies	8.52	8.70	6.67
LOE 5: Network Sustainment	2.85	-	6.67

* A score of 3.33 or less is high risk and indicates 'red' or progress obstacles, and a score of 6.67 or higher is low risk and indicates 'green', meeting or exceeding target score. Blank scores indicate that supporting metrics have not yet been finalized as of AFR publication date.

** Goals are set to 'green' thresholds to identify meeting or exceeding target. A goal of 10 may not be desirable as there is potential it indicates excessive resource allocation that could be applied to other activities.

National Guard soldiers conduct battle drills as part of a readiness training event. (U.S. Army photo by Army Staff. Sgt. Neil Mclean)

TABLE 7. Army Unified Network Plan Framework Annualized LOEs Objectives Performance Indicators

Army Unified Network Plan		Performance Roll-up			
		FY 2022	FY 2023	FY 2024	
Line of Effort	Objective	Score*	Score*	Score*	Goal**
LOE 1: Establish the Unified Network	OBJ 1.1: Deliver a Standards-Based Network Architecture	-	1.11	-	6.67
	OBJ 1.2: Set the Unified Network	-	1.33	-	6.67
	OBJ 1.3: Network Convergence	-	0.56	-	6.67
	OBJ 1.4: Modernize Tactical Formation Network Capabilities	-	4.34	3.84	6.67
	OBJ 1.5: Achieve and Sustain Interoperability	-	3.57	-	6.67
LOE 2: Posture the Force for Multi-Domain Operations	OBJ 2.1: Enhance Training Systems and Infrastructure	-	0.56	10.00	6.67
	OBJ 2.2: Improve Force Design and Structure	-	0.56	10.00	6.67
	OBJ 2.3: Build Readiness	-	4.93	4.67	6.67
	OBJ 2.4: Develop Human Capital	-	1.67	1.67	6.67
LOE 3: Security and Survivability	OBJ 3.1: Reform and Operationalize Cybersecurity Processes/Manage Risk	7.59	7.59	6.67	6.67
	OBJ 3.2: Secure the Unified Network	8.81	8.81	8.81	6.67
	OBJ 3.3: Secure Data	9.33	9.83	8.67	6.67
	OBJ 3.4: Harden Weapons Systems	-	-	-	6.67
	OBJ 3.5: Harden Control Systems	-	4.21	4.21	6.67
LOE 4: Reform Processes & Policies	OBJ 4.1: Integrate Mission Areas	-	10.00	10.00	6.67
	OBJ 4.2: Optimize Governance Processes and Structure	10.00	6.67	-	6.67
	OBJ 4.3: Reshape Policy	7.84	8.33	8.54	6.67
	OBJ 4.4: Ensure Unified Network Investment Accountability	-	8.33	8.54	6.67
LOE 5: Network Sustainment	OBJ 5.1: Determine Unified Network Sustainment Requirements	-	3.17	-	6.67
	OBJ 5.2: Network Life-Cycle Sustainment and Modernization Planning	-	2.92	-	6.67
	OBJ 5.3: Plan and Program Sustainment Resources	-	3.06	-	6.67
	OBJ 5.4: Support Network Modernization Fielding	-	2.27	-	6.67

* A score of 3.33 or less is high risk and indicates 'red' or progress obstacles, and a score of 6.67 or higher is low risk and indicates 'green', meeting or exceeding target score. Blank scores indicate that supporting metrics have not yet been finalized as of AFR publication.

** Goals are set to 'green' thresholds to identify meeting or exceeding target. A goal of 10 may not be desirable as there is potential it indicates excessive resource allocation that could be applied to other activities.

Reform

STRATEGIC GOAL 3: *To maximize the value of every dollar, operate transparently, and use resources wisely.*

To reform the Army's current culture, we must continue to foster a commitment to fiscal responsibility and accountability, while continuing to achieve our mission. Continued attention to controlling and reducing the cost of overhead and management structures, while ensuring the associated activities are not negatively impacted, is essential. Instilling a strong cost- and efficiency-conscious culture across the Army through leadership and policy implementation is critical to enabling the Army of the future to deliver value to the Warfighter. Knowing what it costs to deliver business capabilities allows Army leaders to assess the return on investment, leading to improved decision making across the organization. The objectives below align to the overall goal of reform.

> *Achieving an audit opinion also plays a critical role in shaping the Army's financial future: whether you are a civilian, a Soldier, an action officer, or a leader, working towards a clean audit opinion is a responsibility we all share and can only accomplish together.*
>
> **LT. GEN. PAUL CHAMBERLAIN**
> *Military Deputy to the Assistant Secretary of the Army for Financial Management and Comptroller*

Objective 3.1: **Business Transformation Initiatives**

To optimize cost savings and improve the Army's ability to deliver readiness at the best value, the Army continuously reforms and transforms its business operations through a variety of approaches, including the Army Business Management Plan (ABMP), the Army's Integrated Management System (IMS), continuous process improvement (CPI) and business process re-engineering (BPR). Through the effective deployment of these approaches, the Army optimizes the quality and timeliness of its products and services in support of operational readiness and fulfills its obligation to gain full value from every dollar spent on defense.

The ABMP provides the direction and governance to accomplish this. It contains initiatives that will:

- Improve business processes
- Enable reinvestment of time, money, and manpower savings in higher Army priorities and
- Promote rapid, agile, and effective response to evolving Army business needs

ABMP GOALS AND OBJECTIVES

GOAL 1: People

1.A. Talent Management
1.B. Personnel Management
1.C. Management Training and Education
1.D. Diversity and Inclusion

The Army has the workforce capability and capacity to quickly and effectively address current and emerging business needs; it promotes an organizational culture characterized by high performance, engagement, and valuing of diversity and inclusion.

GOAL 2: Data Enabled Enterprise

2.A. Data Analytics
2.B. Data Infrastructure
2.C. Governance

Army leaders and managers at all levels use data and information effectively to guide process management toward the achievement of key organizational results, anticipate and respond to rapid or unexpected organizational or external changes, and identify best practices to share across the enterprise.

GOAL 3: Business Operations and Processes

3.A. Processes
3.B. Structure
3.C. Acquisition

The Army designs, manages, improves, and innovates business operations and processes to control costs, improve performance, and support readiness and modernization strategic objectives.

The IMS framework facilitates the integration of the Army's people, processes, data, and information. Using this framework, the Army can better manage its business operations to systematically and continuously identify, adjudicate, and implement reforms that respond to both our stewardship mandate and Army priorities as they evolve over time.

In synchronization with the Secretary's second objective to become more data-centric, the U.S. Army moves towards a predominate data driven decision-based approach. The Enterprise Data Analytics Strategy (EDAS) and the ABMP establish the trajectory to meet SECARMY's data goals by building Enterprise-wide decision analytic capabilities to meet and improve the business value of the Army information resources.

The Enterprise Data Services Catalog (EDSC) is the Army's registry of authoritative data sources and analytics registry streamlining data governance to improve the dissemination and reuse of enterprise data assets for decision-making. By implementing the data governance, users can quickly search and share meta-data about data sources and completed analytical products, which greatly streamlines the Software Development Lifecycle (SDLC).

The four main initiatives from EDAS are: HQDA Analytics Laboratory (HAL), Deep Green Challenges, Community of Interest for Data Science and Intelligent Automation (COI), and Business Health Metrics (BHM). HAL's primary goal is to assess and solve analytical business cases across the business mission area. HAL aids in creating data analytics and data management methods to improve data decision across the Army. The Deep Green Challenge is the Army's premier annual Data Science and Artificial Intelligence (AI) Challenge, which supports and trains the Army's workforce in advanced data science, AI, machine learning, and computer science methods, while it also solves the most challenging technological challenges throughout the business mission area and warfighter domains and improve the quality and skills of Army Soldiers and Civilians. The BHM initiative shifted the culture of the Army reports from static data to a dynamic display of the most up-to-date data available from multiple domains, allowing senior leadership to make the informed, timely, data driven decisions based on the most current and relevant data available. These metrics are designed to exactly replicate metrics more broadly available to the Department of Defense and provide a synchronized DoD-wide baseline for Army Business Mission Area performance intelligence.

EDAS GOALS AND OBJECTIVES

GOAL 1: Data Analytics Doctrine & Policy

1.1 Establish Army Analytics Board (AAB) and Project Pipeline
1.2 Codify Army's Approach to Analytics

Army Data Analytics doctrine and policy adapt new capabilities to the Army's circumstances. The Army is oriented and organized around fast experimentation to understand, learn, and improve its business operations through data analytics and, as a result, continuously improves Army readiness.

GOAL 2: Data Analytics Organization & Infrastructure

2.1 Establish Chief Analytics Officer (CAO) and HQDA Analytics Cell
2.2 Conduct Army Collaborative Events
2.3 Strengthen Analytics Community of Practice
2.4 Collaborate with Academia and Industry
2.5 Incentivize Analytics Cells at all Echelons

The Army establishes a federated approach to data analytics and data science that provides a mandate, incentives, and opportunity for the growth and maturation of this capability while supporting the further development of establishment of data analytics cells at other echelons and leveraging existing capabilities currently dispersed across the Army.

GOAL 3: Workforce Capability and Capacity for Data Analytics

3.1 Coordinate the Analytics Community
3.2 Identify Positions, Roles and Skills
3.3. Analytics Expertise Aligned to Capability

Through collaborative teams and a range of competencies the Army expands, matures, and sustains a data analytics capability that captures the full business value of its information resources with a broad range of descriptive, diagnostic, predictive, and prescriptive analytics.

GOAL 4: Leadership for Data

4.1 Executive Leader Analytics Training
4.2 Enterprise Analytics Capability Measures
4.3 Leader Incentives to Use Analytics

Both uniformed and Civilian Army Leaders have a working understanding of data analytics. This understanding, coupled with their knowledge of business problems increases the demand signal for data analytics capability and solutions.

GOAL 3: Business Operations and Processes

5.1 Evaluation of Tools and Workforce
5.2 Analytics-Informed System Requirements
5.3 Enterprise Data Environments and Tools

The Army's materiel solutions for enterprise data analytics continue to address the needs of the broader Army data analytics community and balance technology solutions with the human resources required to employ them in a cost-effective manner.

Continuous Process Improvement/Reengineering (CPI/R) efforts continue to improve logistics, program management, buying practices, headquarters restructuring, and other functions to enhance the effectiveness and efficiency of Army operations. The desired end state is an Army that: (1) strives to eliminate all process activity that does not directly lead to enabling operational capability and adaptability, (2) possesses a multi-disciplinary capability and institutionalizes various levels of this capability in Army training and schools, (3) employs technology to streamline the Army force generation processes, and (4) continues to improve the adaptability of generating processes through an organizational redesign, innovation, and integration. The Army sustains its CPI strategy and approach to ensure that it applies the best methods and tools to the complex challenges that face the Army. The Army measures CPI efforts by accounting for direct cost savings or cost avoidance achieved from the FY 2015 baseline, with a target of a 5% increase annually.

Performance Indicators: The measures below are performance indicators in determining progress in meeting this objective.

- Measure 3.1.a: Financial benefits conferred from CPI/R initiatives
- Measure 3.1.b: Percentage completion of ABMP initiatives
- Measure 3.1.c: Number of students trained in BPR Foundation course
- Measure 3.1.d: Number of students trained in BPR Intermediate course

Performance Results: In FY 2024, the Army Program delivered $1.2 billion in financial benefits, of which $6.2 million was direct cost savings reallocated to support higher priority mission needs.

In FY 2024, the AMBP focus was on executing enterprise level initiatives. Since then, the community has executed enterprise projects impacting critical Army Senior Leader focus areas. Key projects include:

- The United States Army Recruiting Command (USAREC) was directed by the Army Secretary to conduct a re-engineering and process improvement study to identify opportunities to reduce Recruiting Applicant Medical processing time currently averaging 70 days. This required a three-team approach to analyze digital systems, processes, and medical waivers. This study identified over 36 actionable opportunities and recommendations which resulted in a 42% reduction to the recruiting pipeline timeline.

- The Executive Services Agency (ESA) requested support to optimize the organizational design by conducting a mission and functions analysis. This project provided actionable recommendations which enabled ESA to refine their mission understanding and workforce efficiency thru workload balancing across the 112 personnel and enhance strategic clarity and drive sustainable mission effectiveness.
- ASA (FM&C) requested a review of the Army's Risk Mitigation and Internal Control (RMIC) program to effect clarity on the long process for adjudicating material weaknesses that have lingered without remedy and have remained on the Army risk list for a year or more. CPI/R Office mapped (in detail) all the assorted and adjacent processes to include associated systems and data artifacts. The resulting documentation and analysis identified multiple process gaps and opportunities to decrease process time and improved accountability for actions across the Army Enterprise.
- In FY 2024, the Army CPI/R Office provided training to over 329 Army personnel in the areas of Civilian Education for Senior Leaders – Business Transformation, lean Six Sigma, and Business Process Reengineering.

In FY 2024, 120 students completed the BPR Tier One Foundation course, and 64 students completed the BPR Tier Two Intermediate course, with 11 students attaining BPR Tier Three certification. Six students achieved their BPR Professional Certification. To date, the BPR Center of Excellence has trained 1,295 BPR practitioners (885 Foundational, 379 Intermediate, and 31 Advanced).

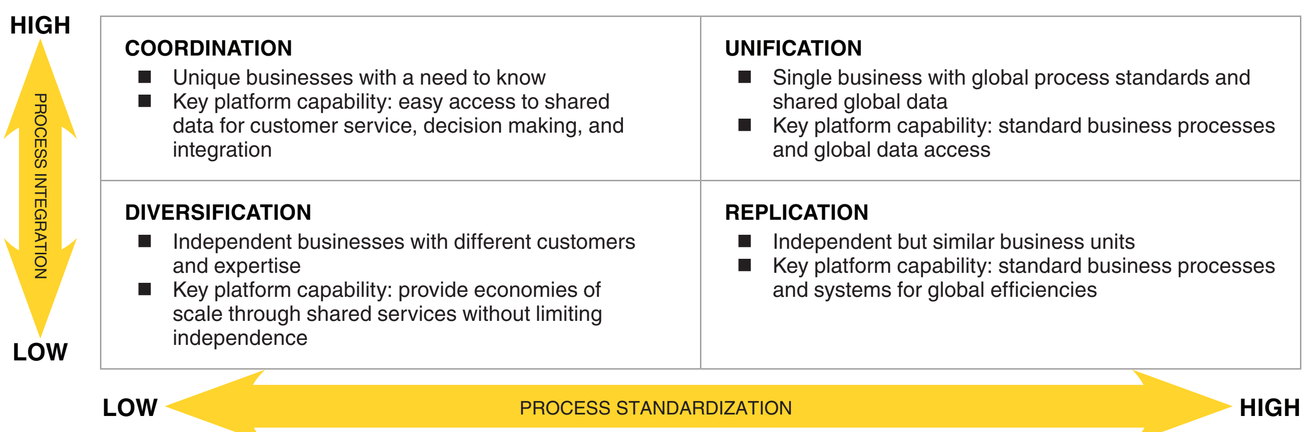
Army Lean Six Sigma student population remained robust: 163 Green Belt, 23 Black Belt, 6 Master Black Belt. Additionally, the Army certified 50 Lean Six Sigma practitioners, which included 42 Green Belts, 4 Black Belts and 4 Master Black Belts.

Each of the projects resulted in significant insights, observations and recommendations that were approved by Army Senior Leaders and an execution strategy implemented.

Objective 3.2: **Establish the Army Business Mission Area (BMA) business system information technology model (Figure 4) with major emphasis on the unification quadrant.**

Define and develop incremental ERP capabilities to support specific lines of business while enhancing overall enterprise agility, performance assessment, accountability, decision-making, and overall effectiveness in an increasingly resource constrained environment.

FIGURE 4. BMA Business System Information



Performance Indicators: Planned system retirements and enduring target systems on schedule completion.

- Measure 3.2.a: Planned legacy system retirements accomplished on time. Target: 95%.

Performance Results: In total, the Army retired 39 legacy DBS investments during FY 2023. The Army continues to conduct aggressive Portfolio Management practices, Business Process Reengineering (BPR) activities and relentlessly seeks opportunities to retire obsolete capabilities sooner.

Enterprise Business Systems – Convergence (EBS-C) is the Army's initiative to modernize and converge logistics and finance enterprise resource planning systems. It also aims to create opportunities for retiring additional defense business systems. A converged EBS-C leverages advancements in business process management from industry, significantly reducing the time Soldiers and Civilians spend addressing the gaps and shortcomings of the current system. Currently, numerous sustainment and financial management processes are fragmented across multiple systems. This fragmentation leads to processing delays, reduced visibility, and present auditability challenges, all which directly affect the readiness of Soldiers and units. To address these issues, the Army chose to converge these processes into a common platform that will deliver clear business and readiness improvements.

EBS-C recently transitioned to an agile software acquisition path and now follows the DODI 5000.87 Operation of the Software Acquisition Pathway process and is beginning work in Phase 3 (Functional Requirements and Acquisition Planning). During FY 2024, the Program Executive Office – Enterprise Information Systems (PEO-EIS) established a Project Management Office (PMO), an increased leadership level from the Product Management Office established in 2020. The PMO is currently executing the acquisition approach outlined by the Army Acquisition Executive (AAE). EBS-C is following the other transactional authority (OTA) acquisition approach and focused on the FY 2024 Army Acquisition Executive approval to proceed to Step 7 of the OTA and award a vendor contract to a single Technology Integration Provider (TIP).

Army Senior Leaders directed strategic outcomes include modernizing defense business system capabilities using industry best practices. This approach, described as "Commercial as Possible, and Military as Necessary" is being integrated into ongoing Army-wide business process reengineering efforts and the newly established Agile Release Trains focused on development with the TIP. The Multifunctional Capabilities Team (MFCT) concentrated its efforts throughout FY 2024 on developing defense business system epics and features aimed at transforming Army operations. This was directed towards supporting the PMO and TIP in delivering the initial capability releases for ammunition warehousing. Additionally, the MFCT laid the foundational groundwork necessary to establish a baseline for subsequent program capability releases. This foundational work is essential for ensuring the seamless integration for follow-on program capability releases.

The functional and acquisition offices are driving toward a user informed first capability releases in FY 2025 supported by measures of effectiveness using success metrics.

Given that EBS-C is not yet an Army program of record, which occurs in FY 2025, performance indicators have not yet been defined and there are no performance results to report at this time.

Participating in a combat medic field training exercise. (Photo by Taylor Curry, Air Force)

We are a unified community with clear goals and measures of success. I am very proud of this community and I am really honored to be a part of it.

HONORABLE CARAL SPANGLER

Assistant Secretary of the Army for Financial Management and Comptroller

A soldier greets a loved one following a redeployment ceremony. (U.S. Army photo by Spc. Dominick Smith)

People

Strategic Goal 4: *The Army must maintain the quality and viability of the all-volunteer force, as well as the many capabilities it provides the Nation, to sustain Soldiers, their Families and Army Civilians in an era of persistent conflict. Sustainment ensures that Soldiers and their Families have the quality of life they deserve which leads to improved retention rates.*

People are the Army's most valuable assets and are critical to achieving all aspects of the Army mission. Taking care of Army Service members, their Families, and Civilian staff is a commitment that the Army continues to honor. The Army will make the most efficient use of the Total Force by targeting areas such as transition and personnel planning to remain agile and responsive, regardless of the current fiscal challenges. The Army will initiate efforts to reinvent the Civilian workforce and military service members everywhere: bringing in and retaining highly skilled people; rewarding and promoting people based on performance and talent; and thinking about ways to broaden experience.

Objective 4.1: Manning the Force—Recruiting and Retaining Soldiers

The Army achieved its active component FY 2024 mandated end strength of 445,000 and will maintain its ability to fulfill its requirements as outlined in the current National Defense Strategy. The Army will continue to consider and develop options that allow us to demonstrate to qualified young people how Army service can contribute to their personal and professional goals.

Performance Indicators: Tables 8-12 display measures that are performance indicators in determining progress in meeting this objective.

- Measure 4.1.a: Quality Percent Tier 1 Educational Credential Holders [Active Component (AC)].
- Measure 4.1.b: Total Enlisted Recruiting.
- Measure 4.1.c: AC End Strength. The number of Soldiers on active duty at the FY-end; data as of September 30, 2024; does not include Soldiers on Active Duty for Operational Support. Goals and minimums for FY 2019 – FY 2022 established by SECARMY, approved by the Secretary of Defense, and within 2% of end-strength limits identified within the NDAA. Other goals and minimums were directed in the corresponding NDAA.

- Measure 4.1.d: Reserve [Army National Guard (ARNG) and U.S. Army Reserve (USAR)] End Strength. The number of Soldiers in ARNG and USAR; data as of September 30, 2024. Goals for FY 2019 – FY 2022 established by SECARMY, approved by the Secretary of Defense, and within 3% of end-strength limits identified within the NDAA.
- Measure 4.1.e: Number of Soldiers reenlisted during a given FY against published goals.

Performance Results: The Army, along with the other Services, is experiencing significant headwinds in recruiting this year. However, the Army remains committed to maintaining standards of excellence and recruiting quality over quantity. The Army's continued commitment is to achieve at least a 90% rate of new recruits with Tier 1 educational credentials. The total Army has achieved approximately 95.94% Tier 1s for FY 2024. All measures of attrition have remained relatively constant and the overall quality of recruits are positive signs that the Army is recruiting, training, and retaining a highly qualified force. In FY 2023, the Army continued to offer monetary, quick-ship bonuses, and non-monetary, duty station of choice, incentives for applicants to contract and ship to basic combat training.

The Army did achieve the AC, and ARNG FY 2024 recruiting missions. The Army exceeded its FY 2024 Regular Army accession mission of 55,000, achieving 55,150 accessions at the close of FY 2024. Additionally, the Army achieved its Active Component FY 2024 mandated end strength of 445,000 maintaining its ability to fulfill its requirements as outlined in the current National Defense Strategy. The Army continues to consider and develop options that allow it to demonstrate to qualified young people how Army service can contribute to their personal and professional goals.

The retention program continued to support Army readiness by retaining Soldiers serving in high demand special skills areas. In FY 2024, the Army continued to utilize the selective retention bonus program to attract and retain personnel in critical skill areas, including Cyber Operations Specialist, Special Forces, and Cryptologic Linguist. These bonuses, which are vital tools in retaining Soldiers who possess valuable combat experience, helped the Army exceed its FY 2024 retention goal. The Army continues to utilize monetary and non-monetary incentives to sustain continued retention success.

TABLE 8. Quality Percent Tier 1 Educational Credential Holders (Active Component)

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Tier 1 Goal	90%	90%	90%	90%	90%	90%*
Tier 1 Actual*	94%	96%	93%	94%	95%	94.5%*

*Actual data as of September 30, 2024.

TABLE 9. Enlisted Recruiting

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Goal	FY 2023 Actual	FY 2024 Goal	FY 2024 Actual	FY 2024 Percent Delta
Active Component	68,185	62,151	57,606	44,901	65,500	50,181	55,000	55,150*	+0.3%
ARNG	39,063	42,730	34,658	24,829	30,880	29,310	34,140	35,013*	+2.6%
USAR	15,304	13,706	11,690	9,095	14,650	9,319	20,850	17,552**	-15.8%

*Actual data as of September 30, 2024. The Percent Delta has no adverse impact on Army Operational Readiness.

** (Includes 2,907 IRR to TPU and 3,976 AC to RC)

TABLE 10. Active Component End Strength

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Goal	478,000**	485,000**	485,900**	476,000**	465,000*	445,000*
Actual	483,941	485,383	486,490	465,625	452,000	449,747
Percent Delta	+1.2%	+0.1%	+0.12%	-2.18%	-2.8%	+0.1%

*Goal and minimum of FY 2023 and FY 2024 identified within the NDAA.

**Goal and minimum of FY 2019 – FY 2022 established by SECARMY, approved by SECDEF, and within 2% of end-strength limits identified within the NDAA.

TABLE 11. Reserve (ARNG and USAR) End Strength

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Goal	FY 2023 Actual	FY 2024 Goal	FY 2024 Actual	Percent Delta
ARNG	335,973	334,828	337,525	329,705	325,000*	325,074	325,000*	323,768*	-0.4%
USAR	190,719	188,964	184,358	176,171	177,000*	177,345	174,800*	172,258*	-1.5%

* Goal and minimum of FY 2023 and FY 2024 identified within the NDAA.

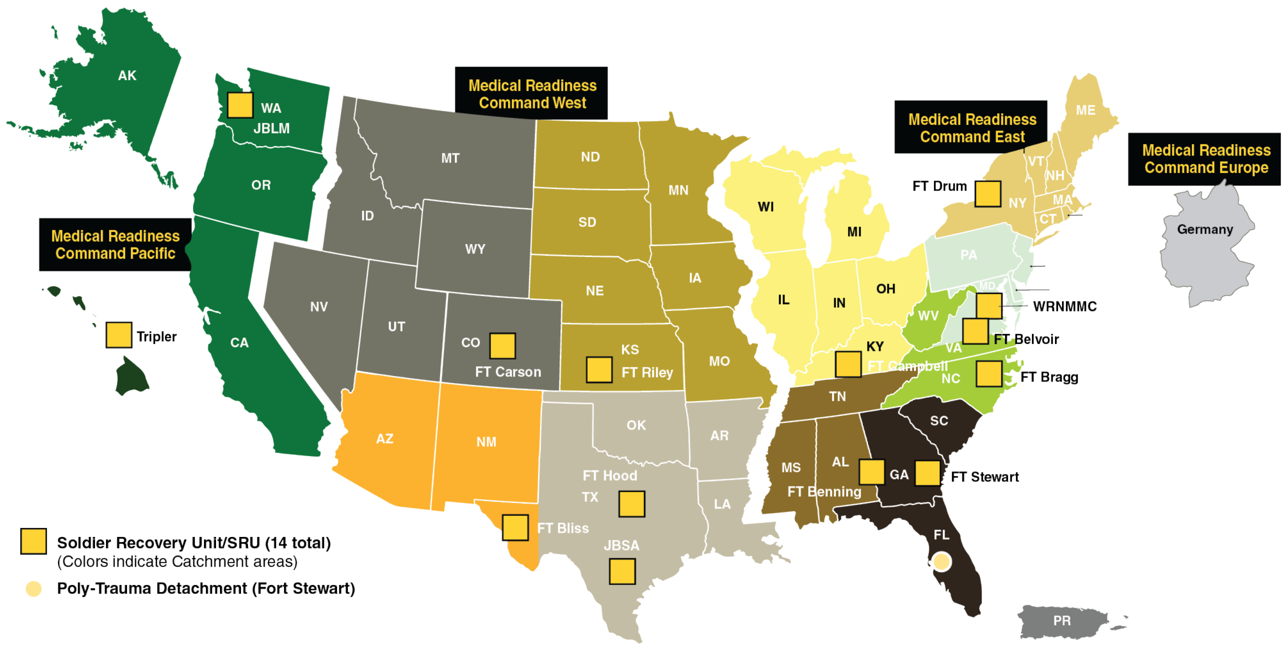
**Goal and minimum of FY 2019 – FY 2022 established by SECARMY, approved by SECDEF, and within 3% of end-strength limits identified within the National Defense Authorization Act (NDAA).

TABLE 12. Active, National Guard and Reserve Component Retention

	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Goal	FY 2023 Actual	FY 2024 Goal	FY 2024 Actual
Active Component	51,331	53,024	58,141	58,303	55,110	56,239	54,700	62,598*
ARNG	36,138	34,260	36,628	31,908	37,497	36,402	39,589	38,565*
USAR	17,089	13,004	12,528	10,513	11,500	11,417	18,000	18,608*

* Actual data as of September 30, 2024. FY 2024 total is for First Term and Career Reenlistments.

Objective 4.2: Providing Warrior Care and Transition to Soldiers in the Army Recovery Care Program (ARCP)



The Army Recovery Care Program (ARCP) has the congressionally mandated mission to provide the Army's wounded, ill, and injured (WII) Soldiers, Veterans, and their Families with the medical management, access to care, and transition support they need and earned. As a staff directorate of U.S. Army Medical Command (USAMEDCOM) G-3/5/7, it is led by its Director, Army Recovery Care Program - (ARCP). The ARCP is the U.S. Army's proponent for overseeing, integrating, and synchronizing policy, advocacy, and implementation of warrior care initiatives that contribute to Army Readiness.

The cornerstone of the program is the Comprehensive Recovery Plan (CRP). For those Soldiers across the Army that are approved entry into the program, the CRP employs six interdisciplinary processes to produce a tangible, achievable plan of action devised by the Soldier in collaboration with Soldier Recovery Unit (SRU) clinicians and SRU leadership. Although standardized, the CRP allows each Soldier to customize their recovery process, enabling them to set and reach their personal goals. Recovery Care Coordinators (RCCs) and the interdisciplinary team of the ARCP support the CRP and ensure access to benefits, resources, and enhanced care throughout the recovery and transition process.

Objective 4.2.1: Provide centralized oversight, guidance, and advocacy to enable wounded, ill, and injured Soldiers (in our program), Veterans, and Families to implement their CRPs to return to the force or to transition to the civilian community with dignity, respect, and self-determination.

Performance Indicators: We assess our mission success based on four primary factors listed below.

Readiness & Oversight:

- Measure 4.2.1.a: Percentage of ARCP Staff Trained in required training.
- Measure 4.2.1.b: Number of ARCP Related Policies Reviewed.
- Measure 4.2.1.c: Percentage of Soldiers in Veteran Phase who have completed a one-on-one counseling with a VA Veterans Rehabilitation and Employment counselor.
- Measure 4.2.1.d: Number of OIP/SAVs Conducted/Scheduled.

Performance Results: Overall, ARCP continues its mission by maintaining current policy, a thorough training program, prioritizing the Soldier's readiness for transition and assisting the SRUs with Staff Assistance Visits (SAV).

Training: ARCP provides a mixture of distance learning and resident training to educate SRU cadre as well as ARCP directorate staff. Among the resident courses ARCP conducts are several designed to meet the needs of SRU personnel, ranging from the SRU command team to squad leaders, nurse case managers, clinicians, and transition coordinators. Training includes ARCP and SRU organization and operation, ARCP policy, behavioral health topics, leadership, patient movement, transition, and resilience. Principal among these courses is the Senior Leaders and Clinicians Course (SLCC), held quarterly. The course provides a program overview highlighting the roles and responsibilities for senior personnel and clinicians. This training prepares them to assume positions at either an SRU or Medical Readiness Commands (MRC) Recovery Care Office (RCO). ARCP hosts an annual Training Summit which provide training and updates to program policy to SRU personnel. ARCP continues to use the virtual platform to conduct training summits on MS Teams.

TABLE 13. Training statistics for the last 4 quarters.

	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024
Percentage of eligible ARCP Staff who have completed required training	96%	99%	99%	99%

Policy: Army Recovery Care Program Policy Branch is currently working on a revision to Army Recovery Care Program, AR 40-58, which will clearly address policy gaps related to the program restructure. This revision is tentatively slated for publication in 2025. Furthermore, the Policy Branch is developing a new DA Pamphlet that will accompany the AR 40-58, which will align the processes and procedures, slated for publication in 2025.

TABLE 14. Status of the policy update process.

	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024
Policies that are maintained and updated each year	Reviewed two internal policies: 1. AR40-58 2. ARCP Processes and Procedures Guide	Reviewed two internal policies: 1. AR 40-58 2. ARCP Processes and Procedures Guide	Reviewed two internal policies: 1. AR 40-58 2. ARCP Processes and Procedures Guide/DA PAM	Reviewed two internal policies: 1. AR40-58 2. Draft DA PAM

Soldier Transition: ARCP's Career and Education Readiness Branch (CERB) is responsible for policies and programs to prepare ARCP Soldiers for transition to Veteran Status and civilian life. CERB implements programs, drafts policy, and coordinates with stakeholders to maintain or improve measures of performance throughout the FY. The CERB's strategic plan includes objectives in the following functional areas: policy, training, evaluation, strategic communication, and external partnerships to continue validating CER participation and documenting its long-term results. CERB establishes the foundation for success for new Transition Coordinators during the Initial Transition Coordinator Training Course. Then, utilizing quarterly Transition Coordinator training sessions and biennial Transition Coordinator Training Conferences, CERB transforms ideas and best practices into policy, thereby continuing the increase of participation rates amongst eligible Soldiers in CERB-sponsored opportunities. Lastly, CERB validates the program via organizational inspections and staff assistance visits conducted at the 14 SRUs.

TABLE 15. Status of the one-on-one counseling with a VA Veterans Rehabilitation and Employment counselor.

	Q4 FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024
Percentage of Soldiers in Veteran phase who have completed a one-on-one counseling with a VA Veterans Rehabilitation and Employment counselor	85%	90%	90%	96%

Policy Oversight and Compliance: The SAV (OIP) Team is currently scheduling visits with SRUs to assist them with meeting the current requirements. As of 3rd Quarter of FY 2024, ARCP has scheduled OIPs/SAVs with each of the MRCs.

Objective 4.3: Improving Soldier and Family Housing

The Army has pledged to provide for Soldiers and their Families a quality of life commensurate with their service. Continued Congressional support to improve both family housing (FH) and unaccompanied housing (UH) enabling the Army to fulfill its pledge. The Army continues to eliminate inadequate FH and UH at enduring locations through replacement and improvement projects, and divestiture of excess or substandard inventory.

The Army's housing resource investment has been shaped to meet the Office of the Secretary of Defense (OSD) directed targets of 90% of the housing inventory with a facility condition index (FCI) of 80% or higher. While OSD uses the FCI, the Army equivalent are Quality (Q) ratings and the ratings Q1 and Q2 are the Army equivalent of ratings that are 80% FCI or higher.

By providing housing allowances, the Army enables Soldiers, with and without dependents, to secure adequate and affordable housing in the local community. Approximately 70% of Soldiers are housed in this manner through the Housing Services Offices at the Army garrisons worldwide. The Army maintains about 9,461 Army-owned FH units and seeks to improve or replace inadequate FH to achieve an inventory that consists of 90% being quality-rated Q1 or Q2. If necessary, the Army programs for FH construction projects to build inventory to reduce quantity deficits or to replace housing not economical to renovate.

The Army has also utilized FH and UH privatization options to deliver adequate and affordable housing on Army installations in the U.S. The Army's privatized housing program exists at 51 installations in the U.S., including Alaska and Hawaii with a current inventory of 86,784 family homes. The Army privatized housing program also has five UH privatization projects at Forts Irwin, Drum, Liberty, Stewart, and Meade with an inventory of 1,592 unaccompanied apartments. The Army oversees and maintains its on-post lodging at locations in the U.S., including Alaska, Hawaii, and Puerto Rico through the Privatized Army Lodging (PAL) program. The PAL program operates at 40 installations with an inventory of 12,325 guestrooms.

As of the end of 3rd Quarter of FY 2024, the UH (barracks) portfolio is vast. The DCS, G-9 oversees about 6,740 UH barracks that can house approximately 470,000 spaces. The types of UH include permanent party (PP), institutional training (IT), and collective training (CT).

The Army has primarily focused on improving the quality of PP UH and has established plans to raise the quality ratings to meet the OSD 90% Q1/Q2 goal in FY 2026. The Army also continues to make investment for IT and CT UH. It is projected to report 86% of IT and 81% of CT UH inventory rated Q1/Q2 by the end of FY 2030 with the Army's Facility Investment Plans (FIPs) and sustainment requirements 100% funded.

Objective 4.3.1: **Family Housing Quality**

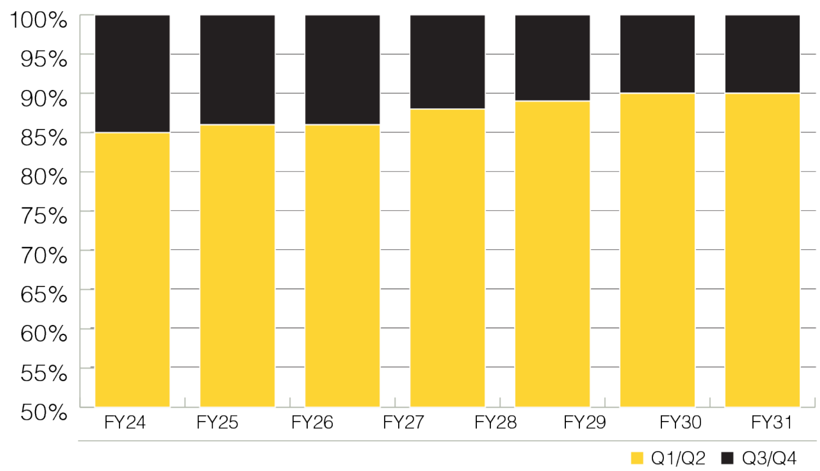
The Deputy Chief of Staff (DCS), G-9 expects the Army-owned FH inventory will reach the OSD 90% Q1/Q2 goal for FH in FY 2029.

Performance Indicators: Figure 5 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 4.3.1.a: The percent of Army FH rated Q1/Q2 versus Q3/Q4.

Performance Results:

FIGURE 5. Family Housing with Quality Rating 1-4



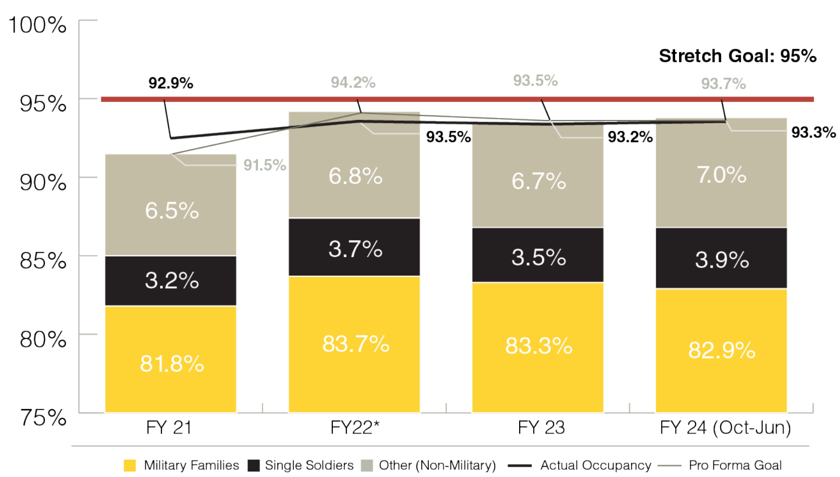
Objective 4.3.2: **Privatized Family Housing Occupancy**

Performance Indicators: Figure 6 displays measures that are performance indicators in determining progress in meeting this objective.

- Measure 4.3.2.a: Occupancy increase/decrease for privatized family housing.

Performance Results:

FIGURE 6. Occupied Privatized Family Housing



*FY24 data is as of June 2024; Q4 data was not available for this reporting period.

Objective 4.3.3: Army Unaccompanied Housing

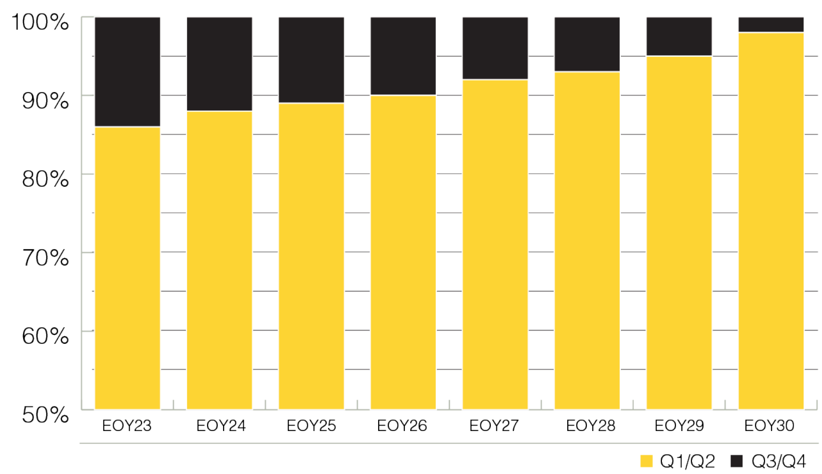
The Deputy Chief of Staff, G-9 anticipates the Army will achieve the OSD 90% Q1-Q2 goal for PP UH in FY 2026, IT and CT UH are projected to report 86% and 81% of the inventory, respectively, rated at Q1/Q2 by the end of FY 2030 with Army's sustainment requirements 100% funded.

Performance Indicators: Figures 7-9 display measures that are performance indicators in determining progress in meeting this objective.

- Measure 4.3.3.a: Percent of permanent party UH rated Q1/Q2 versus Q3/Q4.
- Measure 4.3.3.b: Percent of institutional training UH rated Q1/Q2 versus Q3/Q4.
- Measure 4.3.3.c: Percent of collective training UH rated Q1/Q2 versus Q3/Q4.

Performance Results:

FIGURE 7. Permanent Party UH

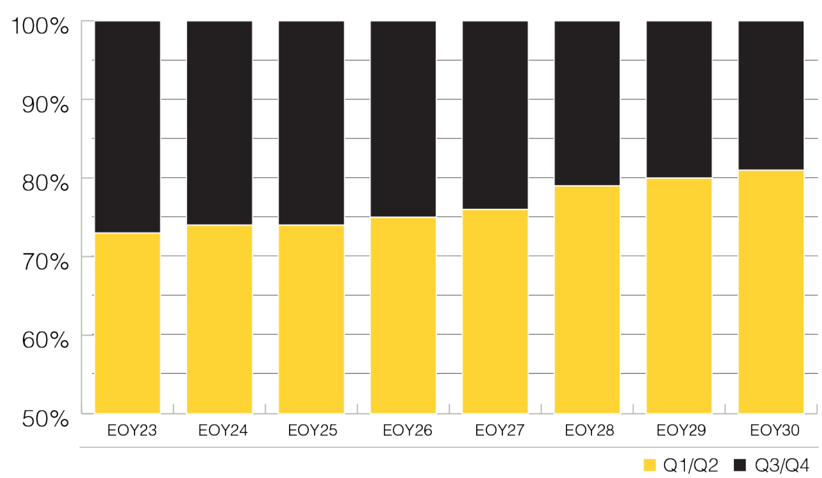


For permanent party UH, the Army had 180,219 bedspaces at the end of 3rd Quarter FY 2024; 86% at Q1/Q2.

FIGURE 8. Institutional Training UH

For institutional training UH, the Army had 109,735 bedspaces at the end of 3rd Quarter FY 2024; 79% at Q1/Q2.

FIGURE 9. Collective Training UH



For collective training UH, the Army had 179,892 bedspaces at the end of 3rd Quarter FY 2024: 73% at Q1/Q2.

Objective 4.4: Enhancing the Civilian Workforce

Enhancing the Civilian workforce includes filling vacant Civilian positions as timely as possible to meet mission requirements while still executing within budget. The Army Civilian workforce includes over 260,000 employees working in approximately 500 unique job series, comprising about 21% of the Total Army Force. Civilians work as Appropriated Fund (AF) Military Function employees (including dual-status military technicians working for the Army National Guard and US Army Reserve); Non-appropriated Fund (NAF) employees in support of Morale, Welfare, and Recreation (MWR) programs and child/youth development; and Civil Works funded employees. The Army also employs foreign nationals (FNs) in both a direct hire and indirect hire status. As of 30 September2024, Civilian strength by category was as follows:

Total Civilians: 263,700	
Appropriated Fund (Military Function):	**210,946**
US Direct Hire:	192,841 ■ 165,765 Army Civilians ■ 27,076 Army National Guard Title 32/Title 5
FN Direct Hire:	5,888
FN Indirect Hire:	12,217
Non-Appropriated Fund:	25,133
Civil Works:	27,613

Objective 4.4.1: Execute Army Civilian positions within 2% (98% - 102%) of authorizations.

Executing Civilian positions within authorizations ensures that the Civilian workforce is staffed to meet mission requirements. Executing above or below authorizations can put the Army at risk for funding in the future and can impact support to the Soldier and to the mission.

Performance Indicators: Table 16 displays measures that are performance indicators in determining progress toward meeting this objective.

- Measure 4.4.1.a: Percentage execution of Civilian positions (end of year on-board versus FY 2024 authorizations in the President's Budget (PB25).

Performance Results: The Army is executing within its FY 2024 goal of 98-102% of authorizations. While under-execution may impact Army Civilian readiness due to being unable to fill all authorized billets, and over-execution can cause the potential reprogramming of funds from other programs, the Army is currently within manageable levels. The Army can affect its execution through natural attrition and/or adjusting hiring practices. The Army can mitigate Civilian personnel shortfalls with contract personnel, increasing the use of overtime, or other workforce management practices. The Army achieved its goal in FY 2024 by finishing the FY within the range of 98-102% of execution.

TABLE 16. Civilian Execution

Measure	Goal	FY 2020	FY 2021	FY 2022	FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024	Q4 FY 2024
Civilian Execution Percentage [On-Board vs. FY 2024 Authorizations (PB25)]	98% - 102%	101.6%	99.1%	99.97%	99.0%	98.6%	98.2%	98.9%	98.4%*

*Data is as of 30 September 2024

Objective 4.4.2: Attain fewer than 9 Mission Critical Occupations (MCOs) below 90% fill.

The Army must ensure that its MCOs are filled adequately. This not only ensures that the Army is executing within budget, but that it is distributing its resources appropriately to support critical missions. Table 17 shows the current 36 MCOs recognized by the Army for FY 2024-2025. The Army updated this list through an analytic and Command-input driven process in FY 2023 for the next two FYs.

Performance Indicators: Table 18 displays measures that are performance indicators in determining progress toward meeting this objective.

- Measure 4.4.2.a: Number of MCOs below 90% fill [on-board versus Table of Distribution and Allowances (TDAs) authorizations].

Performance Results: The number of Army MCOs below 90% fill was 14 at the end of 3rd quarter FY 2024, this exceeds the goal of 9 MCOs below 90% fill. Of the 14 MCOs below 90% fill, 6 of them are at the cusp – between 87.1% and 89.3% - and are close to achieving 90% fill. Additionally, Security Guards are filled at 84.2% and four additional series are between 76.3 and 79.9%. The use of Direct Hire Authorities and an increased focus by Commands on MCOs could improve their fill rates to 90%.

TABLE 17. Army MCOs

Occ Series #	Occupations Series Name	Occ Series #	Occupations Series Name
17	Explosive Safety	630	Dietetics and Nutrition
18	Safety & Occupational Health Management	631	Occupational Therapy
80	Security Administration	671	Health System Specialist
83	Police	801	General Engineering
85	Security Guard	855	Electronics Engineering
101	Social Science	856	Electronics Technical
132	Intelligence	896	Industrial Engineering
180	Psychology	1102	Contracting
185	Social Work	1515	Operations Research
201	Human Resources Mgmt	1550	Computer Science
260	Equal Employment Opportunity	1750	Instructional Systems
501	Financial Admin & Program Management	1910	Quality Assurance
505	Financial Management	2101	Transportation Specialist
510	Accounting	2130	Traffic Management
511	Auditing	2152	Air Traffic Control
560	Budget Analysis	2181	Aircraft Operation
602	Physician	2210	Information Technology Management
610	Nursing	5413	Fuel Distribution System Operating

TABLE 18. Army MCO Fill

Measure	Goal	FY 2020	FY 2021	FY 2022	FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024	Q4 FY 2024
Number of Army MCOs below 90% Fill	Fewer than 11 (FY20-23) Fewer than 9 (FY24-25)	10	14	7	9	11	13	14	13

Data is as of 30 September 2024

Objective 4.4.3: **Average Civilian fill time below 80 days.**

The ability of the Army to fill vacant positions quickly is imperative to ensure that we have people in the right jobs performing the right mission.

Performance Indicators: Table 19 displays the measure that serves as the performance indicator in determining progress toward meeting this objective.

- Measure 4.4.3.a: Average Civilian fill time (Source: Civilian Human Resources Agency Production Books).

Performance Results: The Army's current Civilian time to hire (TtH) stands at 107 days for 4th quarter FY 2024, 25 days above the Office of Personnel Management (OPM) guidance of 80 days. Between FY 2020 and FY 2023, the Army ranged between 81 and 93 days as an FY total. Army TtH at the macro-level can be complicated due to a complex hiring process, the necessity for numerous billets with security clearances, and a broad geographic area with many locations in remote area or markets with a small pool of potential employees. While TtH for FY 2024 is trending upwards, policies and programs implemented over the past several years, to include the expanded use of DHAs and a concerted effort to reduce

TtH, have had an overall positive impact, work remains to be done to meet the OPM standard. Several tasks in the Civilian Implementation Plan to the Army People Strategy seek to reduce TtH and improve overall Civilian HR operations.

TABLE 19. Average Civilian Fill Time

Measure	Goal	FY 2020	FY 2021	FY 2022	FY 2023	Q1 FY 2024	Q2 FY 2024	Q3 FY 2024	Q4 FY 2024
Average Civilian Fill Time	Less than 80 days	83	86	91	93	95	99	102	107

Data is as of 30 September 2024

DFAS and Army's strong partnership continues to help Army advance and achieve their interim Audit Goals with the ultimate objective for a clean audit by FY 2028. In FY 2024, we jointly implemented Corrective Action Plans to close numerous Audit Notice of Findings and Recommendations. We fostered Army's improved oversight of its Fund Balance with Treasury (FBwT) to include supporting FBwT undistributed testing, building new reconciliations, and enhancing internal control documentation; all of which directly contribute to the Army General Fund FBwT Material Weakness Downgrade.

MR. RICHARD DAVIS
Director, Defense Finance and Accounting Service - Indianapolis (DFAS-IN)

Audit Improvements

The Army's ongoing efforts to improve its audit posture are critical to enhancing public confidence in the military's operational readiness and overall fiscal stewardship. In FY 2024, the Army affirmed its strong tone at the top with the Under Secretary of the Army's Audit Acceleration memo, expanding the Army's audit acceleration plan, which began in FY 2023. The memo reaffirmed SECDEF guidance on increased accountability, highlighted the Army's audit governance forums, and outlined the audit material weakness priority objectives for FY 2024. The Army uses its governance forums like the Audit Committee and the newly established Audit Integration Executive Committee (AIEC) to review progress, milestones, and risks against its FY 2024 critical path and to maintain fidelity to the Army's Audit Roadmaps. To further codify audit guidance, the Army published the HQDA Audit Executive Order 261-23, *Army Auditability Plan*, and associated Fragmentary Orders.

With the adoption of material weakness-centered Integrated Project Plans, the Army transitioned to the AIEC in FY 2024, thereby mapping Senior Accountable Officials to material weaknesses and enforcing accountability more rigorously. The Army's General Fund maintained its momentum toward receiving an audit opinion in FY 2027, while simultaneously supporting the DoD in meeting the 2024 National Defense Authorization Act (NDAA) mandate of an unqualified audit opinion by 31 December 2028.

By improving the accuracy and reliability of its financial data, and by enhancing business operations and processes, the Army is demonstrating its dedication to responsibly managing its resources and highlighting its commitment to transparency and accountability. Key FY 2024 remediation accomplishments for the Army's General Fund include:

General Equipment (GE)

The Army strengthened its internal controls in support of the planned GE material weakness downgrade, identifying and addressing gaps in four (4) key control areas (Initial Acceptance, Initial Record, Lateral Transfer, and Issue/Receipt). The Army developed and implemented the Capital Asset Valuation tool to capture and report fully burdened cost for new acquisitions. This included developing and redesigning key controls for the aviation asset group. The Army closed General Equipment findings in FY 2024 by performing a thorough root cause analysis of the issues at hand, followed by strategic collaboration with key stakeholders to develop and implement effective remediation procedures. The Army also successfully designed, developed, and implemented the Logistics Universe of Transactions (LOG UoT) for all GE, which accurately consolidates into one (1) universe the location, condition, and quantity of GE assets across all Accountable Property Systems of Record. LOG UoT helps the Army effectively demonstrate the improved traceability, integrity, and accuracy of its assets in its audit populations.

Additionally, the Army established the Capital Asset Valuation-General Equipment (CAV-GE) workflow within the ServiceNow environment to enable a standardized, documented, and controlled validation of ASA(ALT) Program Executive Office procured GE capital assets for proper valuation, date placed in service, asset identifiers and supporting documentation in accordance with DoDi 5000.64, accounting standards and Army Regulations. The CAV-GE workflow allows the Army to make more informed budget decisions regarding valuation of GE capital assets with comparison to actual costs, to have more accurate accounting of GE capital assets and to improve the internal control environment surrounding GE capital assets.

Finally, the Army made notable progress towards properly valuing its assets by determining a Deemed Cost Methodology for the existing $150 billion population of GE assets. Approximately 97% of the current $150 billion is now covered by a supportable Catalog Price. Also, the Army established processes for GE Construction-In-Progress (CIP) to track costs for pending capital asset procurements spanning $3 billion in additions to the balance sheet CIP Account, a significant step towards more accurate and complete financial reporting.

Real Property (RP)

The Army performed risk assessments for the entire Army RP Military Construction (MILCON) lifecycle in support of the planned RP material weakness downgrade, which involved redesigning the control environment and adding new controls. The Army also successfully implemented a system change request (SCR) within the General Fund Enterprise Business System (GFEBS) to promote the proper recording of RP assets removed from service,

Soldiers use an M777 howitzer during a live-fire exercise. (U.S. Army photo by Staff Sgt. Bruce Daddi) but not yet disposed of. This SCR will potentially remove roughly $300M worth of RP from the Army's financial reports, enabling the Army to reflect its balance more accurately. It will also address compliance issues with the disposal process and reduce the need to perform manual tasks. In addition to implementing the SCR, the Army used the Real Property Inventory Automation (RPIA) tool to automatically update RP records in GFEBS. To date, RPIA updated approximately 199,000 transactions across 50,000 installation records, saving an estimated 33,000 personnel hours. Lastly, the Army published a training course on the Army Training Information System which includes information on key controls of Army's end-to-end sub-processes and aims to ensure RP personnel understand the go-forward environment.

Fund Balance with Treasury (FBwT)

The Army continued its remediation efforts through a strong focus on controls, including conducting testing of key controls and prioritizing the completion of Risk Assessment and Control Matrix (RACM) and Process Cycle Memorandum (PCM). The RACM and PCM provide a map of the Army's business processes and help to assess and mitigate risks. In addition to focusing on controls, the Army developed a FBwT Bank Reconciliation that assists in clearing undistributed balances reported within FBwT. Army designed their bank reconciliation to detect and correct large differences between accounting and Treasury within the required 60-day timeline. Additionally, Army anticipates that this Bank Reconciliation will allow the Army to reduce the unexplained undistributed balances. These remediation activities, combined with increased communications with the Independent Public Accountant (IPA) throughout the audit lifecycle helped the Army demonstrate its improving FBwT control environment. These efforts led to the auditor's downgrade of the FBwT material weakness, a significant accomplishment for the Army GF.

Environmental and Disposal Liabilities (E&DL) – Asset Driven

The Army developed a plan to address findings related to GE as part of the E&DL asset-driven material weakness downgrade. This involved reviewing more than 140,000 capital assets to establish the Army's first General Fund GE E&DL baseline population and identification methodology. In doing so, the Army also developed business process maps for the General Fund GE ED&L identification and valuation processes. Through these actions, the Army improved documentation of its business operations and processes to achieve greater transparency into the impact E&DL have on the Army's financials. The Army also successfully implemented a new Base Realignment and Closures (BRAC) methodology to validate the number of E&DL sites within the BRAC locations identified by Congress. This accomplishment supports the Army's ability to establish a clean baseline population of its assets, demonstrating continued steps toward financial accountability and readiness.

Entity-Level Controls – Enterprise Responsibilities (ELC-ER)

The Army's focus on strengthening its processes resulted in successfully downgrading the ELC-ER material weakness, which the Army's IPA confirmed in September after testing concluded. To improve audit governance, the Army remediated the ELC related to the Army's Audit Committee Charter. The Charter codified the Army Audit Committee as a quarterly, decision-making forum that establishes, oversees, and assesses annual audit priorities and associated objectives. The Army is also focused on improving the annual employee performance appraisal process through the issuance of two (2) memos: one codifying a consistent rating scale and record determination, and one reinforcing requirements for the performance process. The Army also enhanced its Risk Management and Internal Control (RMIC) Program in FY 2024, updating Army Regulation 11-2 and the Department of Army form 11-2 with new RMIC Program standards for all Commands. Additionally, the Army developed the Financial Management Risk Appetite Statement (FM RAS), which complements the FY 2024 RMIC Annual Statement of Assurance (ASOA) Guidance by defining financial management risk appetite and tolerance thresholds. This effort supports the ELC-ER material weakness downgrade and provides a clear and consistent framework to mitigate risk, allowing Army leaders to make more informed decisions.

Accounts Payable and Accounts Receivable (AP/AR)

The Army executed several remediation activities to improve confidence in the balances reported within its AP/AR universe. The Army leveraged materiality assessments to concentrate remediation efforts on the most critical deficiencies. The Army also supported process redesigns to comply with accounting and auditing standards (e.g., to support timeliness of revenue recognition). By adopting a risk-based, collaboration approach, the Army improved its ability to obtain more accurate representations of the underlying transactions within its AP/AR, closing multiple related findings.

IT Controls

The Army remediated more than half of its Information Technology audit findings through facilitating mock walkthroughs, implementing an IT CAP development and validation process, and adhering to the enhanced governance process established by leadership. The result of these efforts, combined with Army's design of reliable IT controls, enabled the IPA to make notable progress to conduct more tests of effectiveness of these controls for the FY 2024 audit cycle. Additionally, the Army's CIO held more proactive interactions with the IPA at the executive level: these interactions were key in helping Army understand the IPA's view on potential findings and their impacts on the financial statements.

Operating Materials and Supplies (OM&S) – Munitions

The Army continued to progress on its OM&S priority objectives and remediation activities focused on downgrading the OM&S material weakness by developing a RACM and implementing procedures and controls to accurately record munitions financial events to the associated USSGL accounts. This involved the execution of a new process enabling Army to record financially relevant transactions, including gains/losses, in real time to the associated USSGL accounts. The Army also successfully implemented procedures to identify and remove items that should not be reported as munitions from the Army's General Fund munitions population such as empty containers, scrap, and residue materials and Special Operations Command (SOCOM) owned assets. Additionally, the Army also achieved progress towards supporting deemed costs for existing OM&S assets and moving the Army closer to establishing an opening balance by assigning deemed cost value for 100% of OM&S-Munitions. To comply with SFFAS 3 financial reporting requirements, the Army developed an automated framework to execute Weighted Average Cost (WAC) calculation of OM&S items on a quarterly basis providing enhanced insight on end-to-end WAC Valuation Process. The Army also made meaningful progress in automating financial reporting processes for OM&S, and for the first time, reported $6.5 billion balance for Spare and Repair Parts on the Army General Fund balance sheet in Q3 FY 2024.

Advana – Universe of Transactions

The Army UoT, developed in ARES, reached critical maturity to support SECDEF audit priorities and Army material weaknesses. ARES now contains relevant data from the Army and DoD feeder systems, serving as the foundation to develop several Feeder, Enterprise Resource Planning (ERP), and financial reporting system reconciliations. Not only does ARES support reconciliations, but it is also the primary reporting and population source across all business process areas, Additionally, ARES data is highly enriched and categorized to support more effective audit testing. As a result of development within ARES, the Army developed more than 20 automated reconciliations and categorized 89% of GFEBS data.

Conclusion

Given the threats and challenges ahead, it is imperative the Army has a clear and coherent vision of where we want to be in the coming years. We must retain our overmatch against all potential adversaries and remain capable of accomplishing our mission in the future. The Army must continue to increase readiness, improve transformation and modernization, and increase capacity through effective reform. Readiness

"Auditable financial statements aren't the objective; they're the outcome, the proof, that the Army has implemented and is adhering to processes that enable Army readiness. We know where our equipment is, its condition, the resources required to effectively maintain it, and that our systems accurately capture and can immediately depict that information to enable informed resource allocations and operational decisions.

MR. DONALD M. COOK
Acting Deputy Chief of Staff for Resource Management, G-8, US Army Materiel Command (AMC)

remains unequivocally our number one priority—it underpins everything the Army does. A 21st century modernization plan and concept of operations would be impossible to achieve under an obsolete 20th century bureaucracy. Therefore, the Army is implementing a series of reforms that will enable continuous advancements in readiness and define American land power for another generation. We have an opportunity to improve readiness and prepare for the future. However, building a professional Army takes time. To build readiness, Soldiers require specialized and sufficient training; modern, properly maintained equipment; sufficient quantities of the proper munitions; and stability. These efforts ensure that our Soldiers are ready for the missions of today, as well as for the unforeseen conflicts of tomorrow.

> *The Army and DFAS have continued our tremendous partnership and laser focus on audit objectives in FY24. Building off the audit success of previous years, Army Working Capital Fund achieved a substantial reduction in Unsupported Journal Vouchers in both LMP and DDRS which drove meaningful Financial Reporting audit improvements. These significant results would not have been achieved if not for the commitment and partnership between our two organizations.*

MS. PAMELA FRANCESCHI
Director, Defense Finance and Accounting Service - Columbus (DFAS-CO)

ANALYSIS OF FINANCIAL STATEMENTS – GENERAL FUND

Army prepares annual financial statements in conformity with generally accepted accounting principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the Office of Management and Budget (OMB). The Army financial statements are subject to an independent audit to provide reasonable assurance they are free from material misstatements. Army management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

The Army GF Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the Army, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. The following sections provide a brief description of the nature of each financial statement and significant fluctuations from FY 2023 to FY 2024. The charts presented in this analysis are "in millions" unless otherwise noted.

Consolidated Balance Sheets

The Army Consolidated Balance Sheets present the amounts of future economic benefits owned or managed by Army (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position).

Figure 10 shows the Army Assets Comparison as of September 30, 2024, and 2023. Total assets amounted to $325,613 million in FY 2024 and $326,251 million in FY 2023, a 0.2% decrease. Whereas FY 2024 end of year Fund Balance with Treasury (FBwT) increased by $19,542 million relative to that as of FY 2023, mainly reflecting outstanding balances within the Procurement and Operation and Maintenance appropriations as a result of the emergency supplemental appropriations received during 3Q (P.L. 118-50) for Ukraine and Israel security (see Army GF, Combined Statements of Budgetary Resources), and by $2,768 million in Operating Materiel and Supplies (OM&S), largely the result of capitalizing spares and replacement parts inventory initially during FY 2024 (see Note 8 to the Army GF Financial Statements). These were largely offset by lower General Property, Plant and Equipment, $25,920 million, due primarily to lower net equipment balances ($27,398 million), reflecting $22,972 million in lower asset revaluations realized during FY 2024, as well as $1,869 million in equipment permanently removed from service prior to disposal, and that the rate of acquisitions recognized during FY 2024 was $2,555 million less than the overall depreciation expense incurred during the fiscal year.

FIGURE 10. Assets Comparison

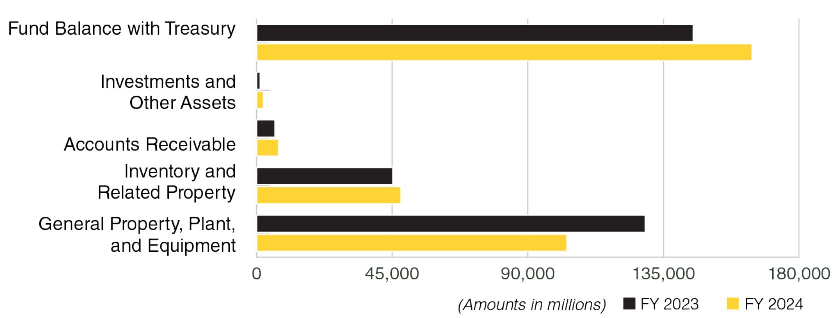
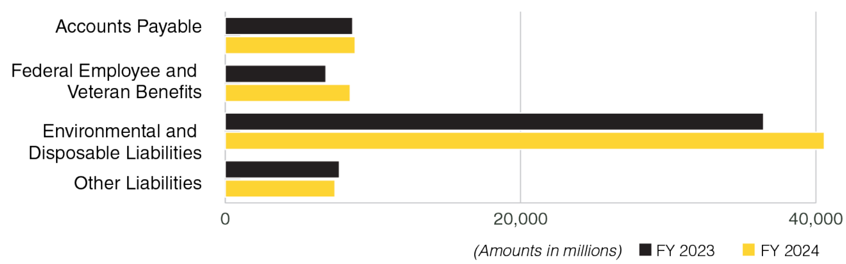


Figure 11 shows the Army Liabilities Comparison as of September 30, 2024, and 2023. Total liabilities amounted to $65,280 in FY 2024 and $59,646 million in FY 2023, a 9.4% increase. This increase is primarily attributed to a $4.1 billion increase in estimated environmental and disposal liabilities, mainly due to incremental estimates related to accrued environmental restoration ($2,907 million, see Note 14 to the Army GF financial statements) and nuclear power military equipment/weapons ($1,024 million). Additional increases were realized within federal employee salary, leave and benefit related liabilities ($1,689 million, see Note 13 to the Army GF Financial Statements).

FIGURE 11. Liabilities Comparison



Consolidated Statements of Net Cost

The Consolidated Statements of Net Cost present the gross costs incurred by Army to conduct its operations less any exchange revenues earned from its activities.

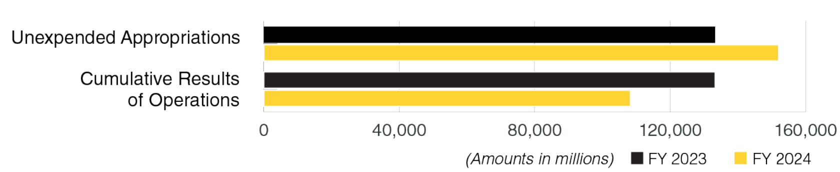
The major elements of the Consolidated Statements of Net Cost include program costs totaling $242,547 million in FY 2024 and $222,330 million in FY 2023 and earned revenues amounting to $27,738 million in FY 2024 and $30,053 million in FY 2023. These amounts are comprised of both intragovernmental and other than intragovernmental costs and revenues. Total net cost of operations increased by $22,532 million, or 11.7%, primarily due to losses realized from net property, plant and equipment revaluation and other asset disposals recognized during FY 2024 ($22,630 million, see Note 24 to the Army GF Financial Statements).

Consolidated Statements of Changes in Net Position

The Consolidated Statements of Changes in Net Position present those accounting items that caused the net position section of the balance sheet to change from the beginning to the end of the reporting period. Various financing sources increase net position. These financing sources include appropriations received and non-exchange revenues, such as donations and forfeitures of property and imputed financing from costs absorbed by other federal agencies. Army net cost of operations and appropriations used reduce net position.

Figure 12 shows the two primary components of the Army net position for FY 2024 and FY 2023. Total net position amounted to $260,333 million in FY 2024 and $266,605 million in FY 2023, a 2.4% decrease. The decrease is largely attributable to the increase in net cost of operations referenced above ($22,532 million), which to a large extent offset the net increase in unexpended appropriations ($18,743 million), realized from higher appropriations received versus FY 2023 ($9,411 million) and incremental recoveries of prior year unobligated balances as of the beginning of FY 2024 ($20,466 million), partially offset by lower net appropriations transferred in ($7,214 million) for the year.

FIGURE 12. Net Position

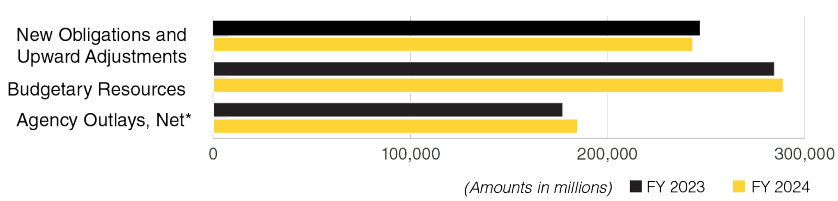


Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the Army for the fiscal years ended September 30, 2024 and 2023, and the status of those budgetary resources. Budget authority is the authority provided to the Army by law to enter into obligations that will result in outlays of federal funds. New obligations and upward adjustments result from an order placed, contracts awarded, or similar transactions, which will require payments during the same or a future period. Gross outlays reflect the actual cash disbursed by the Department of the Treasury for Army obligations.

Figure 13 shows a comparison of budget authority, new obligations and upward adjustments, and net outlays in FY 2024 and FY 2023. The reported total Army budget authority was $289,298 million and $284,729 million as of September 30, 2024, and 2023, respectively, a 1.6% increase. New obligations and upward adjustments amounted to $243,324 million as of September 30, 2024, and $246,861 million as of September 30, 2023, a 1.4% decrease. Net outlays amounted to $184,955 million in FY 2024 and $177,375 million as of September 30, 2023, a 4.3% increase. The overall increase in authority reflects net incremental appropriations and recoveries of prior year obligations totaling $3.0 billion, and an additional $1.6 billion in spending authority from offsetting collections realized by Army GF during the year.

FIGURE 13. Budgetary Resources



*net of Distributed Offsetting Receipts, see Combined Statements of Budgetary Resources (unaudited) on page XX.

Soldiers conduct shoulder-launched munitions training. (U.S. Army photo by Patrick Albright)

> *As the Army continues to modernize, transform and innovate to build the Army of 2030 and beyond, our Soldiers and civilian employees across the enterprise are putting in tremendous work to remediate auditor-identified deficiencies. Not only is this fundamental to meet the pacing challenges of our near-peer adversaries, our adoption of innovative improvements allows us to be more accountable to the American taxpayer. While we've achieved significant milestones this last year, we cannot become complacent. We are fully engaged in maintaining and upholding these new processes and controls.*

COL. MICHELLE WILLIAMS, COMMANDER,
US Army Financial Management Command (USAFMCOM)

INNOVATION, ACCOUNTABILITY, AND WARFIGHTER READINESS.

Army paratroopers conduct maintenance on a CH-47 at an undisclosed location. (U.S. Army photo by Sgt. Vincent Levelev)

ARMY WORKING CAPITAL FUND OVERVIEW

The *National Security Act of 1947* (Public Law 81-216) authorized the creation of working capital funds to more effectively control and account for the cost of programs and work performed in the Department of Defense (DoD). In Fiscal Year (FY) 1992, the Congress established the Defense Business Operating Fund (DBOF), combining all of the DoD working capital fund activities. In FY 1997, the DBOF became the Defense Working Capital Fund (WCF). The Army WCF is one of the five primary WCFs within the Defense WCF. The Army WCF is indicated by fund citation (97X4930.001). The Army WCF operates numerous commercial-like and industrial facilities that provide essential services and support for readiness and sustainability of the warfighting forces.

The Army WCF includes two activity groups: Supply Management Activity (SMA) and Industrial Operations (IO). As with all Defense WCFs it operates under a revolving fund concept, i.e., relying on revenue from sales to finance operations rather than submitting a budget proposal for direct appropriations from Congress. The basic tenet of the revolving fund structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of the Army WCF and decision makers at all levels more aware of costs for goods and services. Unlike profit oriented commercial businesses, the revolving fund's goal is to break even over the long term by returning any monetary gains to appropriated fund customers through lower rates or collecting any monetary losses from customers through higher rates. Revolving fund prices are generally stable during the year of execution to protect customers from unforeseen fluctuations that would impact their ability to execute the programs approved by Congress.

The Army WCF is primarily used to help the Army maintain readiness by providing supplies, equipment, and ordnance necessary to support the projection and sustainment of its forces in the most efficient and cost-effective manner possible. To carry out this mission, Army WCF activities [part of the U.S. Army Materiel Command (AMC)] must control and reduce costs. In addition, the activities must maintain their capability to quickly ramp up from peacetime workload levels to meet wartime requirements.

Appropriated Funds

The Army WCF operates without significant direct appropriations; therefore, operations generally have no fiscal year limitation on obligating funds. The Army may request direct appropriations to maintain capacity and capability to meet mobilization and wartime surge requirements. This enables stable and competitive rates for its peacetime customers. For FY 2024, the Army WCF received appropriations of $149.2 million. For FY 2023, the Army WCF received appropriations and balance transfers of almost $144.9 million.

(Dollars in Millions)	FY 2024	FY 2023
Appropriated Funds	$ 149.2	$ 144.9

Revenues, Expenses, Accumulated and Net Operating Results (AOR and NOR)

The Army WCF incurs expenses and generates revenues from the sale of goods and the provision of services for a fee. The Army WCF is a big business, with an FY 2024 gross revenue totaling about $15.8 billion. Most of the revenue comes from sales to Army and Defense Department customers. To compare Army WCF revenue to private sector firms, its revenue approximates the revenues of recognizable brands like W.W. Grainger, Inc. and O' Reilly Automotive, Inc (*Fortune 500 list – 2024 as of 10/2024. Revenues in billions*):

260	Lowes Corporation	$15.9
261	O' Reilly Automotive, Inc.	$15.8
263	Stanley Black & Decker, Inc.	$15.8
278	The Gap, Inc.	$14.9
286	Nordstrom, Inc.	$14.7
293	Tractor Supply Co.	$14.6

Net Operating Result (NOR)

The NOR measures the activity's net cost of operations within a single fiscal year and is used to monitor how closely the activity performs compared to its budget.

The Army WCF financial statements do not explicitly include the AOR or NOR. Both results are part of the Monthly Accounting Report (AR) 1307 Statement of Operations. This statement discloses the results of the entity's operations for the reporting period, including the changes in its net position from the end of the prior reporting period.

Accumulated Operating Result (AOR)

The AOR measures the activity's accumulated annual net operating results since the fund's inception. Rates are set during budget development with the intent for the fund to break even over the long term. Specifically, rates are set to:

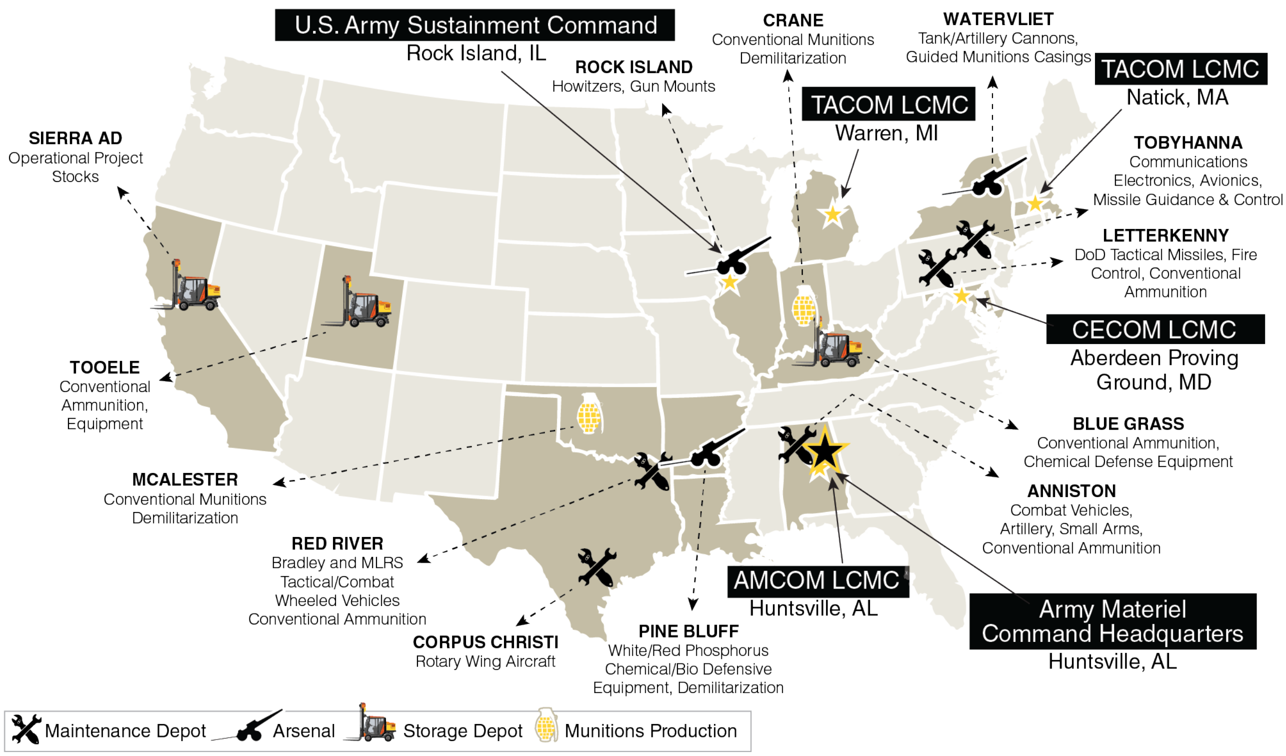
- Recover the activity's costs such as payroll, supplies, contracts, equipment, inventory, depreciation, and maintenance; and
- Maintain sufficient cash corpus to cover operating disbursements and six months of capital disbursements.

See the *Performance Goals* section for additional discussion on the AOR and NOR.

Army Materiel Command

The AMC, headquartered at Redstone Arsenal in Huntsville, AL serves as the major command for Army logistics operations. The AMC is the Army's materiel integrator and the premier provider of materiel readiness – technology, acquisition support, materiel development logistics power projection and sustainment – to the total force, across the spectrum of joint military operations. AMC executes the Army WCF through two activity groups: IO and SMA. The IO activity includes the financial activity of the 13 government-owned, government-operated depots, arsenals, and ammunition plants. The SMA includes the financial activity for managing spare parts. Other commands and activities outside of these two business areas are funded by non-Army WCF sources. Figure 1 displays the Army WCF activities within AMC.

FIGURE 1: Army Materiel Command Army Working Capital Fund Activities



Business Approach

The AMC is responsible for following the budgetary guidelines under which the Army WCF operates. The budgetary guidelines require incurring operating costs and collecting customer fees while budgeting to achieve zero accumulated operating results at the end of the budget period, unless otherwise approved by the Office of the Under Secretary of Defense (Comptroller). To achieve this goal, the Army WCF activities set stabilized rates prior to the beginning of each fiscal year. These rates are based on forecasts of potential workload (revenue) and the cost of meeting workload requirements (expenses). Stabilized rates equate to set unit prices for goods and set unit funded costs for services.

The Army financial statements covering Army WCF reflects the operations of two activity groups, SMA and IO, which are critical to Army equipment and materiel readiness.

Supply Management Activity

The SMA group buys and manages spare and repair parts for sale to its customers, primarily Army operating units. The activity group is committed to supporting and building readiness for present and future challenges. The Army's equipment and operational readiness, and the strength to win the Nation's wars, are directly linked to the availability of equipment and materiel. The SMA administers spare parts inventory for Army managed items, Non-Army Managed Items (NAMI) and war reserve secondary items (WRSI). It also maintains a protected inventory of spares in Army Prepositioned Stocks

(APS), which is released to support deploying combat units. The Life Cycle Management Commands assigned to the AMC manage the SMA, which consists of four major commodity groups:

- Aviation and Missile Command (AMCOM)
- Communications Electronics Command (CECOM)
- Tank-automotive and Armaments Command (TACOM)
- Non-Army Managed Items (NAMI)

The war reserve stocks contain materiel from all commodity groups. As new equipment is added to the Army's operational and training forces, new spare parts are also scheduled for inclusion in the Supply Management inventory.

The SMA manages stocks of materiel for sale to Army operating units and to other DoD customers. The materiel purchased and maintained depends on the area of materiel support at the various command locations. The Army's equipment and operational readiness, and its combat capability, are directly dependent on the timely availability of this materiel.

SMA group is committed to supporting Soldier and weapon system readiness for both peacetime training and overseas operating requirements. The supplies and equipment include spares, repair parts, and major items within any of the four commodity lines. NAMI are items managed by the Defense Logistics Agency (DLA) and the General Services Administration (GSA).

Industrial Operations

The IO activity group provides surge capacity in times of crisis, enabling the Army to respond rapidly to unexpected operational demands. Specifically, the IO activity group provides the Army an organic industrial capability to conduct depot level maintenance, repair, and upgrade; manufacture munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of DoD. Revenue from sales is reinvested into the operations, allowing this activity to maintain and improve capacity. IO is comprised of thirteen government owned and operated installation activities, each with unique core competencies. These include six maintenance depots, three arsenals, two munitions production facilities, and two storage sites. Although comprised of diverse organic industrial capabilities, the preponderance of workload and associated estimates in the IO budget submission relate to depot level maintenance, repair, and upgrade. The complex operational environment continues to place tremendous demands on equipment, resulting in higher usage rates than during routine peacetime operations.

The IO activity group provides the equipment and ordnance necessary to project, sustain, and reconstitute forces as required to satisfy the peace and wartime needs of the DoD. The IO activity provides the Army and DoD with the industrial capability to:

- Perform depot-level maintenance, repair, and modernization of weapon systems and component parts,
- Manufacture, renovate, and demilitarize materiel,
- Produce quality munitions and large caliber weapons,
- Perform a full range of ammunition maintenance services for the DoD and U.S. Allies,
- Perform ammunition receipt, store, and issue functions, and
- Provide installation base support to mission elements and tenant activities.

The IO activity group within the AWCF is critical for sustaining Army readiness and ensuring that equipment is available, repaired, and modernized. For its activities, IO both competes and partners with the private sector to ensure its goods and services are delivered efficiently and effectively. IO activities are set up by commodity/service function.

PERFORMANCE GOALS, OBJECTIVES, AND RESULTS – WORKING CAPITAL FUND

The AMC strategic plan builds upon the Army's Strategic Readiness priority. While many of the AMC strategic activity results are reported as part of Army-wide metrics, the section below discusses Strategic Plan Measures and results as they relate directly to the Army's Working Capital funded activities' achievements.

Operational Measures and Results

Net Operating Results and Accumulated Operating Results

The NOR represents the difference between revenues and costs within a fiscal year. The AOR represents the aggregate of all recoverable and non-recoverable net earnings, including prior year adjustments, since inception of the Army WCF. The goal of the Army WCF is to establish rates that will bring the AOR to zero in the budget year. An activity group's financial performance is measured by comparing actual results to the budget's NOR and AOR. The AOR and NOR do not agree to the Statements of Net Cost and Changes in Net Position because they exclude certain transactions that are included in the financial statements.

TABLE 1. Net and Accumulated Operating Results by Activity Group

(Amounts in millions)	FY 2022		FY 2023		FY 2024	
Industrial Operations NOR	$	(517.5)	$	(71.1)	$	(61.2)
Supply Management NOR	$	1,676.8	$	708.5	$	949.1
Combined NOR	$	1,159.3	$	637.4	$	887.9
Industrial Operations AOR	$	(2,300.6)	$	(2,368.4)	$	(1,807.0)
Supply Management AOR	$	20,324.9	$	21,033.4	$	21,982.6
Combined AOR	$	18,024.3	$	18,665.0	$	20,175.6

Sources:
1) NOR pulled from AR(M) 1307 Part II Changes in Net Position (Line B.1.d & B.2.d).
2) AOR pulled from AR(M) 1307 Part II Changes in Net Position (Line B.4.).

Strategic Plan Measures and Results

Strategic Priority: Strategic Readiness

The Army Working Capital Fund supports the Army's vision to sustain and maintain a scalable, ready, and modern force, recapitalize combat equipment, and reset assets to equip a robust, ready, regionally engaged, and responsive force structure. This effort is in direct support of materiel readiness for operating units.

Performance Goal: Operational Readiness

Operational Readiness is the capability and capacity of The U.S. Army to conduct the full range of military operations. The AMC, through the Organic Industrial Base (OIB), provides the materiel necessary for acceptable levels of Operational Readiness.

Objective 1.1: Performance to Promise (P2P)

Performance to Promise is AMC's commitment to providing support throughout the entire life cycle of an item and is required to assure that materiel can be maintained in its operational environment with minimum resources for achieving operational readiness and sustainability.

Performance Indicator (metric): The Cumulative Performance to Promise Metric illustrates the Army's ability to meet customer requirements by assessing monthly command schedule performance goals. AMC has set a goal to pursue a P2P goal of 100%, indicating expected performance within established timelines.

Performance Results: The below table displays the IO activity group's ability to meet performance requirements within the required time period throughout the fiscal year. While IO met requirements within the planned timeframe more than

90% of the time, IO does not accept the status quo and continues to make improvements through organization culture changes and process improvements. In FY 2024, Army WCF supported a Presidential Determination, an official policy or position issued by the White House, that required adjustments to IO's planned execution schedule. IO remains committed to improving planning and execution processes that result in quality products.

TABLE 2. Cumulative Performance to Promise: All Plants

	Oct23	Nov23	Dec23	Jan24	Feb24	Mar24	Apr24	May24	Jun24	July24	Aug24	Sept24
Met	724	734	818	1,033	1,129	1,197	1,216	1,219	1,199	1,199	1,133	1,027
Not Met	66	71	85	81	71	67	77	74	71	70	54	74
Sum	790	805	903	1,114	1,200	1,264	1,293	1,293	1,270	1,269	1,187	1,101
Percent	92%	91%	91%	93%	94%	95%	94%	94%	94%	94%	95%	93%

The Commanding General of AMC pursues a P2P goal of 100%.
Met: Requirement completed within the planned time period
Not Met: Requirement not completed within the planned time period.
Percent: The percentage of instances when the OIB meets customer requirements for the time period indicated.

Objective 1.2: **Supply Availability**

Supply Availability (SA) is the measure of the depth and breadth of inventory required to meet tactical units' demands across the full range of military operations. The goal is to release orders within the month they are required based on the Required Delivery Date (RDD). SA fill rate is the percentage of orders released out of the total due for the month.

AMC, through its SMA team, leverages this key metric as one the primary indicators for supply operations performance to ensure critical supplies necessary in sustaining equipment and soldier readiness are available across the spectrum of military operations.

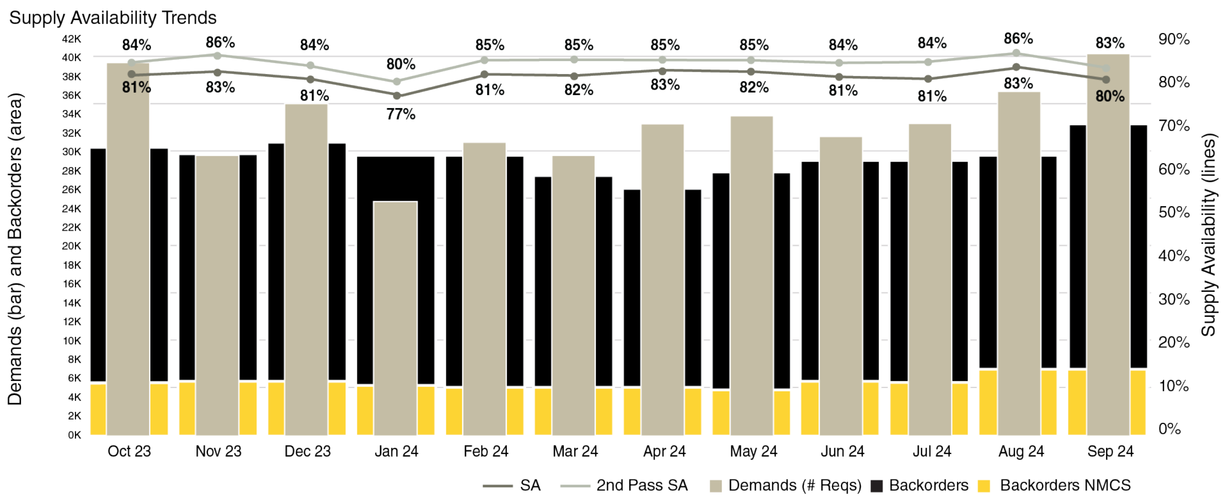
Performance Indicator (metric): Supply availability and equipment readiness are the foundation of materiel readiness, ensuring Soldiers and units have the right equipment, parts, and materiel to achieve their mission -- anytime, anyplace. Life Cycle Management Commands (LCMC) are responsible for ensuring inventory levels are sustained with sufficient material to meet current and contingency operations. The SA metric is a monthly measure that highlights the Army's ability to fill operational requirements contributing to readiness. Material backorders are closely monitored as part of supply availability as they could have a negative impact to equipment readiness. (As an example, if a material is required and not available because it is backordered, equipment may become non-mission capable for a period of time impacting training or other operational activity.)

> *"Each financial management professional holds a critical role in advancing audit efforts, but the success of the audit is the responsibility of the entire Army community and will depend on strong partnerships across the Army. We all have a role in taking care of the Army's business.*
>
> **HONORABLE CARAL SPANGLER**
> *Assistant Secretary of the Army for Financial Management and Comptroller*

Performance Results: The table below shows SA and Backorders in relationship with demand during FY 2024. While the Office of the Secretary of Defense has established an SA goal of 85%, AMC leadership has challenged LCMCs with a target SA rate of 92% for materials considered readiness drivers. While the LCMC's have met this goal in prior years, several factors have contributed to their ability to do so during FY 2024. With the requirement to reduce cost in FY 2024 coupled with increased demands due to European operations and increased training activity, Army WCF depleted inventory at a faster rate than projected.

As a result, by the end of FY 2024, SA dipped down to 80% while backorders have doubled. The table also provides supply availability and a count of outstanding backorders associated with a "Not Mission Capable Supply" (NMCS) condition. These NMCS backorders can prevent a weapon system from preforming its mission or cause delays in maintenance. Army WCF continues to respond to changes in operations while working with vendors and depots to expedite deliveries to meet these demands.

FIGURE 2: Supply Availability (SA) (Percentage)



Audit Improvements

The Army WCF continues progress towards an audit opinion by improving controls, remediating auditor findings, and downgrading material weaknesses. During FY 2024, the Army WCF continued its focus on the Secretary of Defense's audit priorities, material weaknesses, and compliance with regulatory standards across priority areas. Remediating problems in these areas will not only help the Army WCF produce accurate and reliable financial statements but will also improve operations and readiness.

Material Weakness Downgrades

In FY 2024, the Army WCF was able to downgrade three material weaknesses to significant deficiencies. The three material weaknesses that were downgraded are Property, Plant, and Equipment – Real Property; Property, Plant, and Equipment – General Equipment; and Environmental and Disposal Liabilities – Asset Driven.

The biggest driver of the real property and general equipment downgrades was being able to revalue beginning balances by applying a deemed cost methodology allowed under accounting standards. Additionally, the Army WCF was able to pass extensive testing by the auditors related to existence and completeness of its real property and general equipment assets. Controls were also strengthened that included all-inclusive reviews of supporting documentation, monitoring of new assets to ensure accurate accounting, and reconciling changes in the PP&E balance with supported details to ensure accurate financial reporting.

The Army WCF was able to remediate several auditor findings around environmental and disposal liabilities that lead to the material weakness downgrade. The Army WCF was able to pass testing by the auditors around the accuracy and completeness of the year-end liability balance with minimal exceptions. Controls were also developed and documented around the compilation of the environmental and disposal population and liability estimation methodology to ensure accurate financial reporting.

Fund Balance with Treasury

The Army WCF and its service provider, the Defense Finance and Accounting Service (DFAS), made significant progress on reconciling the Army WCF Fund Balance with Treasury (FBwT) in FY 2023, which led to a downgrade of the FBwT material weakness. The Army WCF continues to utilize DoD's big data platform for advance analytics, ADVANA, which supported the reconciliation of Logistics Modernization Program (LMP) data (accounting system) to Treasury data and allowed for improved research and variance categorization using workflow capabilities. During FY 2024, Army WCF and DFAS have continued reducing overaged FBwT reconciliation variances, with trends that indicate timely resolution of variances and decreases from a materiality perspective. Newly implemented processes have improved identification of Treasury reporting errors for remediation prior to fiscal year end. In addition, the Army WCF in partnership with DFAS established risk assessments around FBwT allowing for a supported assertion that there is not a risk of material misstatement in reported balances. Army WCF and DFAS are continuing efforts to remediate the significant deficiency.

Financial Reporting and Journal Entries

During FY 2024, the Army WCF, in collaboration with DFAS, was able to reduce unsupported journal vouchers (JVs) to an immaterial amount. The Army WCF and DFAS were able to research and identify root cause issues that triggered the need for unsupported JVs in the monthly financial reporting process. Once the issues were identified, the Army WCF was able to prioritize corrections in LMP which reduced the amount of the unsupported JVs and reduced the auditor findings to control deficiencies. The Army WCF will continue to research and resolve the remaining balances in these unsupported JVs and monitor new balances to ensure quick resolution as issues are identified.

During FY 2024, the procurement related findings that were previously mapped to the Financial Reporting and Journal Entries material weakness were realigned to its own area – Costs, Disbursements, and Budgetary Obligations. The Army WCF was able to document and create business process maps for all stages of the Procure-to-Pay (P2P) cycle, most notably Contract Vendor Pay and MILSTRIP, which provides more clearly defined processes and controls for Army WCF transactions. Further, through the continuous monitoring of the Joint Reconciliation Program (JRP), the Army WCF made strides in identifying and correcting the root causes behind invalid transactions, in order to more accurately reflect costs, disbursements, and budgetary obligations in the financial statements.

Systemic Reconciliations

In FY 2024, the Army WCF continued making significant progress in developing ADVANA feeder reconciliations. The Army WCF is operating 25 ADVANA reconciliations in FY 2024 to mitigate risk assertions over the completeness and accuracy of financial data, a condition identified in the Completeness material weakness. This effort enabled Army WCF's auditors to begin testing the design and implementation over the ADVANA reconciliation controls during the FY 2024 financial statement audit.

Possible Future Effects of Existing Condition and Financial Demands

Today's geopolitical environment has increased the risk of major contingency efforts across multiple domains. Operations financed by the Army WCF are critical to providing supplies, materiel, and services that promote readiness for current and future contingencies. As Army continues to invest in readiness, the Army WCF business activities may expand investment in modernization efforts to achieve greater future capability and capacity. Efforts to modernize Army WCF business activities will look across the enterprise to address its doctrine, organization, training, materiel, leadership and education, personnel, and facilities.

ANALYSIS OF FINANCIAL STATEMENTS – WORKING CAPITAL FUND

Army WCF prepares annual financial statements in conformity with generally accepted accounting principles prescribed by the Federal Accounting Standards Advisory Board and the formats prescribed by the Office of Management and Budget (OMB). Army management is responsible for the integrity and objectivity of the financial information presented in these financial statements.

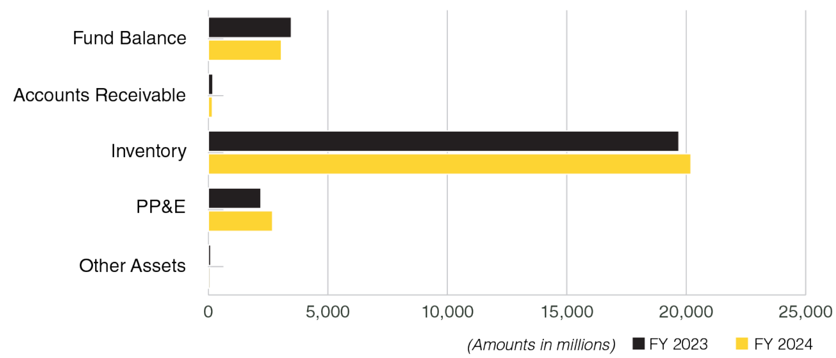
The Army WCF Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the Army WCF, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. The following sections provide a brief description of the nature of each financial statement and significant fluctuations from FY 2023 to FY 2024. The charts presented in this analysis are "in millions" unless otherwise noted.

Consolidated Balance Sheets

The Army WCF Consolidated Balance Sheets present probable future economic benefits obtained or controlled by the Army WCF (Assets), claims against those Assets (Liabilities), and the difference between them (Net Position).

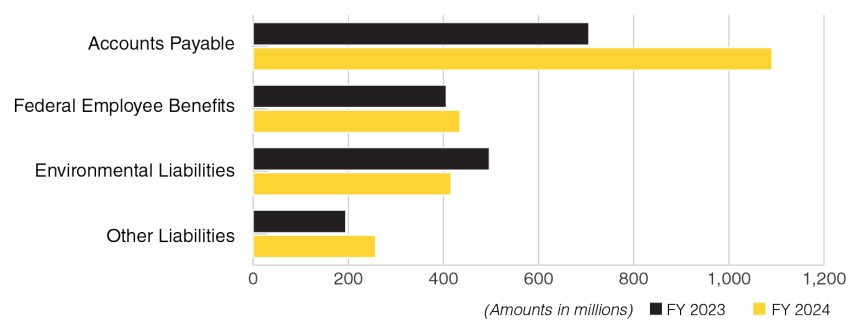
Total assets were $26,200 million at the end of FY 2024, while $25,647 million in total assets were reported at the end of FY 2023. This $553 million increase was due to increases in both the Army WCF's inventory and PP&E balances, which were $508 million and $488 million, respectively. These changes were caused by the increase in customer demand and the revaluation of the Army WCF's real property and general equipment assets. These increases were offset by a $412 million reduction in the Army WCF's FBwT. The reduction in FBwT was the result of $1.3 billion of cash transfers out to Army General Fund in FY 2024 offset by increased collections during the year. Figure 3 shows the Army WCF Assets comparison as of FYs 2024 and 2023.

FIGURE 3. Assets Comparison



Liabilities totaled $2,200 million as of the end of FY 2024, a $397 million increase since FY 2023 when $1,803 million in liabilities were reported. This increase was largely driven by a $385 million increase in the Army WCF's accounts payable which is reflective of the Army WCF's overall increase in costs associated with meeting increased customer demands. Figure 4 shows the breakout of the Army WCF's liabilities as of the end of FYs 2024 and 2023.

FIGURE 4. Liabilities Comparison



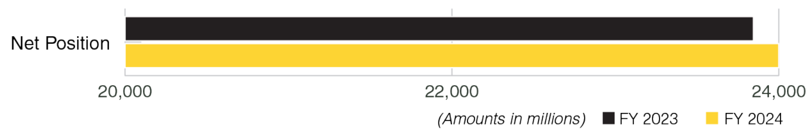
Consolidated Statements of Net Cost

The Consolidated Statements of Net Cost present the gross cost incurred by the Army WCF to conduct its operations, less any exchange revenues earned from its activities. The major elements of the Consolidated Statements of Net Cost include program costs totaling $15,310 million in FY 2024. These costs were offset by earned revenues of $15,751 million, resulting in $441 million in net revenue from operations. During FY 2023, cost exceeded revenue and the Army WCF reported $132 million in net cost from operations. The $573 million change in net cost is related to increased operational activity in FY 2024 for both the SMA and IO.

Consolidated Statements of Changes in Net Position

The Consolidated Statements of Changes in Net Position present the change in net position during the reporting period. The Army WCF's net position is impacted by both the results of operations and receiving or providing other financing sources which include appropriations. Total net position was $24,001 million in FY 2024 and $23,844 million in FY 2023. The Army WCF's net position increased by $157 million during FY 2024. The $157 million increase in net position was driven by an increase in real property and general equipment balances from revaluation under deemed cost and an increase of net revenue from operations realized during the year. These increases were offset by the $1.3 billion in cash transfers out to Army General Fund which reduced the Army WCF's net position. Figure 5 shows the Army WCF's Net Position for FY 2024 and FY 2023.

FIGURE 5. Net Position

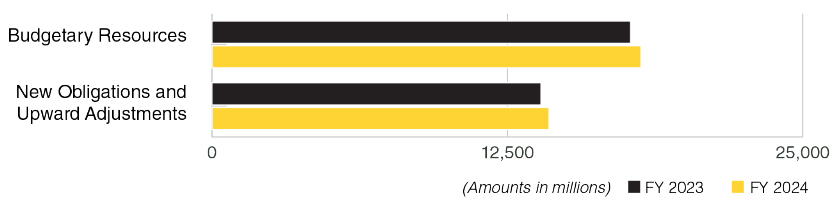


Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources report information related to the budgetary resources that were made available to the Army WCF as of FY 2024 and FY 2023, and the status of those budgetary resources. Budget authority is the authority provided to the Army by law to enter into obligations that will result in outlays of federal funds. New obligations and upward adjustments result from orders placed, contracts awarded, or similar transactions. Gross outlays reflect the actual cash disbursed for Army obligations.

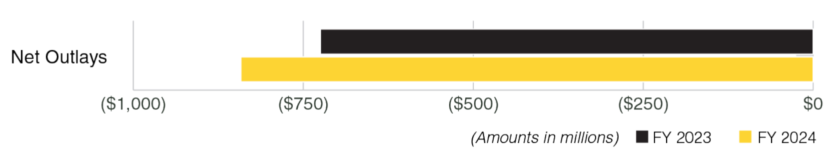
The total Army WCF budgetary resources were $18,157 million and $17,715 million for FYs 2024 and 2023, respectively. The $442 million increase in budgetary resources is due to the Army WCF's increased operations for both supply and maintenance requirements. Figure 6 shows a comparison of budgetary resources and new obligations and upward adjustments in FY 2023 and FY 2024.

FIGURE 6. Budgetary Resources



The Statement of Budgetary Resources reports the Army WCF's Net Outlays, which are gross outlays net of offsetting collections. Figure 7 presents a comparison of net receipts (receipts in excess of outlays) which totaled $726 million and $842 million during FY 2024 and FY 2023, respectively. While there were increases in both collections and disbursements in FY 2024, the $116 million decrease in net receipts is influenced by the timing of receipts and collections.

FIGURE 7. Net Outlays



Two U.S. Army Reserve Soldiers, perform a preflight inspection on a CH-47 Chinook helicopter. (Photo courtesy of the U.S. Army)

GENERAL FUND AND WORKING CAPITAL FUND MANAGEMENT ASSURANCES

Analysis of Systems, Controls and Legal Compliance

United States Department of the Army (Army) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The Army's Commanders and managers conduct their assessment of risk and internal control in accordance with Appendix A of Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Green Book, GAO-14-704G, *Standards for Internal Control in the Federal Government*, to assess the integrity of their reporting systems, programs, and operations annually. These requirements promote the identification of any issues that may preclude the production of reliable, timely, and accurate financial information through efficient and effective internal controls. Through effective internal controls, the Army improves its efficiency and operating effectiveness and enhances public confidence in its stewardship of public resources.

The Army operates a robust Risk Management and Internal Control Program in compliance with OMB Circular A-123 to employ a comprehensive system of continuous evaluation of internal controls. The Army's program is integrated with functional program control assessments. The objectives of the Army's system of internal control are to provide reasonable assurance regarding:

- Effectiveness and efficiency of Army internal control operations
- Reliability of Army's financial and nonfinancial reporting
- Army's overall compliance with applicable laws and regulations; and
- Army's overall financial information systems' compliance with the FMFIA

Internal Controls Governance

The Deputy Assistant Secretary of the Army (DASA) for Financial Operations & Information (FOI), the Director for Financial Operations and Accounting, the Director for Financial Information Management (FIM), and the Commanding General of the U.S. Army Financial Management Command (USAFMCOM) worked jointly to execute the Risk Management and Internal Control Program's Continuous Monitoring Program, using the Army's financial business process standards (BPS). The Army's Process Portal is a roadmap that guides the Department of Army Soldiers, civilians, contractors, and auditors through the process of how the Army performs its financial operations and creates a central source for the latest process documentation, process maps, and key controls. The overarching goal is to improve and optimize Army standardized processes, both classified and unclassified, that pertain to financial policies, systems, and reporting requirements; provide end-to-end field implementation support for processes and deliver campaigns that improve readiness and establish a culture of audit success. The Army will leverage the documentation in the coming years to streamline testing efforts across the organization.

Internal Control Evaluation

In adherence to the Office of the Under Secretary of Defense (Comptroller) guidance, the Army reports levels of assurance over its internal controls in three distinct areas: Reporting, Operations, and Compliance.

Army's evaluation of internal controls extends to the responsibilities and activities undertaken by Army personnel and applies to program, administrative, and operational controls. The concept of reasonable assurance recognizes that (1) the cost of internal controls should not exceed the benefits expected to be derived, and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Errors or irregularities may occur and not be detected because of inherent limitations in any system of internal controls, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Army's statement of assurance is accordingly provided based on an evaluation of supporting evidence obtained from the execution of the program but also within the limits of this description.

During Fiscal Year (FY) 2024 each Reporting Organization (RO) was required to update their risk assessment to develop their internal control evaluation plan (ICEP). Higher risk areas are required to be on a more frequent basis than lower risk areas. Testing results are documented on the Department of the Army (DA) Form 11-2, which is retained with evidence of the completed testing. The internal control assessments include identifying material key processes that were included in the risk assessments, developing test plans (with the consideration of nature, timing, and extent), selecting the testing method, executing testing of automated versus manual controls, and evaluating and classifying the results.

Statement of Assurance

The Army is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 and 4 of the Federal Managers' Financial Integrity Act. The Army conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2024, except for the following material weaknesses reported:

Narrative information reported below reflects the signed Annual Statement of Assurance (ASOA). Subsequent to signature of the ASOA, the following material weaknesses were downgraded or closed.

- GF/WCF Entity Level Controls – Enterprise Responsibilities
- GF Fund Balance with Treasury
- WCF Environmental & Disposal Liabilities (E&DL) – Asset Driven
- WCF Property, Plant, and Equipment (PP&E) – General Equipment
- WCF Property, Plant, and Equipment (PP&E) – Real Property

IPA(GF/WCF) – Entity Level Controls – Enterprise Responsibilities:

Management did not properly design and implement enterprise responsibility controls. Specifically, management did not finalize its internal control oversight body charter to define the purpose, responsibilities, and members of such. Additionally, management did not properly design its risk management internal control program guidance to include all risks and tolerances and did not implement controls to demonstrate performance appraisals were effectively completed.

IPA(GF/WCF) – Entity Level Controls:

Management's inadequate design and implementation of entity level controls resulted in the lack of a reliable internal control system for financial reporting. Deficiencies were observed in the control environment, risk assessment, information and communication, and monitoring. These deficiencies included the absence of oversight bodies, incomplete policies and documentation, inadequate recruitment and accountability of personnel, failure to address risks and changes, and insufficient controls over data quality and communication. The conditions arose due to insufficient allocation of resources, incomplete risk assessments, ineffective control environment design, inadequate dissemination of information, and delayed corrective actions for prior deficiencies. Without effective entity level controls, there is a heightened risk of material misstatements in the consolidated financial statements and ongoing control deficiencies.

Reporting – Material Weaknesses Descriptions

(GF/WCF) Collection of Basic Allowance for Subsistence (BAS) for government provided meals during field duty:

Army Audit Agency cited the lack of collection of the cost of meals provided to Soldiers during field training exercises. This applies only to Soldiers collecting BAS.

IPA (GF/WCF) Internal Use Software (IUS):

Management did not implement IUS policy and procedures, which resulted in Army not providing sufficient and appropriate documentation to demonstrate valuation of IUS, which was not properly reported on Army General Fund balance sheet and related note disclosures.

IPA(GF) – Accounts Payable and Related Accruals:

Management and its service provider did not fully design, implement, and document controls over undelivered orders, expenses, accounts payable, and disbursements to record underlying events completely in the consolidated financial statements.

IPA(GF) – Accounts Receivable and Revenue:

Management and its service provider did not fully design, implement, and document controls over unfilled customer orders revenue, accounts receivable, and collections to record underlying events completely and accurately with proper supporting documentation in the consolidated financial statements.

IPA(GF) – Environmental & Disposal Liabilities (E&DL) – Event Driven:

Management did not consistently design, implement, and document policies, processes, and controls over event-driven environmental and disposal liabilities. Specifically, verify the completeness and accuracy of liability populations used to determine event-driven liabilities, perform reviews over the development and recording of event-driven E&DL to support the completeness and accuracy of estimates, demonstrate that managements review of the quarterly reported event-driven estimates address managements assertions that estimates are complete and accurate, perform complete retrospective reviews to address E&DL estimation uncertainty, review and approve newly identified event-driven E&DL sites for timely recording and recognition of liabilities within the fiscal year of identification, and determine the completeness and accuracy of program management costs and unliquidated obligations reported in event-driven estimates.

IPA(GF) – Financial Reporting:

Management and its service providers encountered deficiencies in the design and implementation of internal controls over financial reporting. These issues included inadequate controls over the presentation of financial information, failure to reconcile budgetary funding transactions, inconsistent adherence to U.S. Standard General Ledger (USSGL) requirements, and a lack of management review controls. These deficiencies primarily arose from a failure to identify and respond to risks, maintain proper documentation, implement policies, control activities, and promptly address control deficiencies.

IPA(GF) – Fund Balance with Treasury (FBwT):

Management and its service provider encountered deficiencies in designing, implementing, and documenting internal controls over FBwT. Specifically, management did not effectively design controls to identify, reconcile, and resolve reconciliation variances in a timely manner and in accordance with U.S. Department of Treasury and DoD policy. Management did not assess and document the risk of financial misstatements or fully design controls over the reconciliation between Army's system of record and Treasury's records, and management did not identify the underlying voucher-level transactional detail associated with variances between the unadjusted trial balance and Treasury. Additionally, Management did not effectively design and document controls over the undistributed adjustment to fully reconcile the voucher level details and resolve variances timely and in accordance with Treasury and Department of Defense policy.

IPA(GF) – General Ledger Adjustments:

Management lacked sufficient controls for manual journal entries and adjustments to the general ledger, resulting in deficiencies such as incomplete and inaccurate entries, failure to identify high-risk entries due to management overrides, inadequate investigation of underlying causes, and inadequate documentation. These deficiencies arose from shortcomings in risk analysis, control design, evaluation of information processing objectives, information system design, monitoring practices, and documentation. Improved management oversight and control implementation are necessary to address these deficiencies.

IPA(GF) – Operating Materials & Supplies (OM&S):

Management within the U.S. Department of the Army lacked consistent and effective controls over Operating Materials and Supplies (OM&S). Deficiencies included inaccurate reporting of OM&S value, inadequate transaction recording, insufficient control over inventory, and a lack of policies and procedures. These issues resulted from a failure to identify financial statement risks, inadequate documentation, inconsistent compliance, and insufficient monitoring.

IPA(GF/WCF) – Beginning Year Balances:

Management, along with its service provider, encountered deficiencies in designing and implementing processes, policies, procedures, and internal controls for accurately preparing beginning balances in the consolidated financial statements. The lack of documentation, inadequate control activities, and delayed resolution of internal control deficiencies contributed to these issues. As a result, there is a risk of incomplete or inaccurate beginning balances, potentially leading to misstatements in the consolidated financial statements.

IPA(GF/WCF) – Completeness:

Management's insufficient design and implementation of controls resulted in the inconsistent validation of financial transactions for accurate reporting in the financial statements. Key control deficiencies included the failure to validate year-end balances for various activities, ensure timely performance and documentation of required reviews, and accurately transfer and record financial information between systems. These deficiencies stemmed from inadequate objective definition, oversight of internal controls, documentation of control systems, personnel recruitment and accountability, design of control activities and information systems, communication of quality information, and monitoring of the internal control system. The lack of adequate controls increases the risk of incomplete, non-existent, or inaccurate information in financial statements.

IPA(GF/WCF) – Environmental & Disposal Liabilities (E&DL) – Asset Driven:

Management did not consistently design, implement, and document policies, processes, and controls over asset-driven environmental and disposal liabilities. Specifically, management did not verify the completeness and accuracy of liability populations and assess those assets within the general equipment asset group, perform reviews over the development and recording of asset-driven environmental and disposal liabilities to support complete and accurate estimates prior to submission of quarterly financial reporting package, and demonstrate that managements review of the quarterly reported asset-driven E&DL estimates addresses managements assertions that the asset-driven estimates are complete and accurate.

IPA(GF/WCF) – Evidential Matter:

Management and its service provider had insufficient supporting documentation to verify the accuracy of financial balances and transactions in various areas. This lack of evidence impacted the completeness and reliability of reported revenue, costs, fund balance, assets, liabilities, and other financial data. Additionally, the absence of effective general information technology controls further compromised the reliability of financial systems. These deficiencies arose from a failure to identify and respond to risks, assign responsibilities, implement appropriate control activities, and promptly address internal control issues. The deficiencies highlighted the risk of unauthorized transactions and inaccuracies in the financial records, potentially leading to misstatements in the consolidated financial statements.

IPA(GF/WCF) – Intra-governmental Transactions and Intra-entity Eliminations:

Management and its service providers encountered deficiencies in designing and implementing controls over transactions with other Federal entities and within the Army General Fund (GF). These issues included a lack of recording trading partner information at the transaction level, inadequate reconciliation of balances with trading partners, inaccurate identification and reconciliation of intra-entity activity, and failure to accurately record Federal attributes during adjustments. These deficiencies primarily resulted from a failure to identify and respond to risks, design appropriate control activities, establish effective information systems, and obtain reliable data. Consequently, there is a risk of misstatements in the consolidated financial statements.

IPA(GF/WCF) – Property, Plant and Equipment (PP&E) – General Equipment:

Management within the U.S. Department of the Army encountered deficiencies in designing, implementing, and documenting internal controls over general equipment and internal use software. These deficiencies included inadequate documentation for proper valuation, ineffective controls for data accuracy, insufficient oversight of acquisitions and disposals, lack of reconciliations between systems, and inadequate controls for deferred maintenance and repairs. These issues arose from a failure to define objectives, identify risks, and implement appropriate control activities.

IPA(GF/WCF) – Property, Plant and Equipment (PP&E) – Real Property:

Management lacked consistent design, implementation, and documentation of internal controls over real property, including land and heritage assets. Deficiencies included inadequate documentation for property valuation; ineffective controls for verifying data accuracy and completeness; insufficient controls over reconciliations; and inadequate processes for recording acquisitions, disposals, transfers, depreciation, impairments, and multi-use heritage assets. These deficiencies resulted from a failure to define objectives, identify risks, respond with appropriate control activities, evaluate information requirements, complete, and monitor corrective actions, and adhere to relevant criteria. As a result, there is a risk of misstatements in the balances of general property, plant, and equipment.

IPA(WCF) – Accruals:

Management has not developed or implemented accrual estimation methodologies to verify that balances on consolidated financial statements reflect actual transactions. Specifically, AWCF did not fully develop, document, and implement controls over accruals for civilian payroll and goods and services. Management did not fully design and implement controls to identify and record accruals for certain goods and services as of year-end, appropriately classify accruals as intragovernmental versus with public, or design and implement quarterly reconciliation processes to account for accrued leave through end of the accounting period for civilian payroll.

IPA(WCF) – Financial Reporting and Journal Entries:

Management and its service providers encountered deficiencies in the design and implementation and operation of internal controls over financial reporting and journal entries. These issues included lack of implemented controls to identify all transactions required to follow the designed journal entry control process, lack of properly designed and implemented controls to fully support certain manual journal entries and timely evidential review of journal entries, inconsistent adherence to U.S. Standard General Ledger (USSGL) requirements, incomplete design and operate of the joint reconciliation program, and lack of effectively implemented policies and controls to properly record and support obligation, undelivered order, upward or downward adjustment, expense, payment, accrual, and accounts payable transactions.

IPA(WCF) – Inventory:

Management did not consistently design, document, and implement internal controls over inventory. Although progress was made towards developing a deemed cost methodology for valuation of opening inventory balances, management had not completed all necessary steps to make an unreserved assertion and thus continued to use historical cost valuation. Army WCF cycle count procedures were not consistently designed across all locations and did not address criteria used to set frequency of counts, segregation of duties requirements, or floor-to-book counts. Management did not fully reconcile and resolve differences between warehouse management systems and accounting systems.

IPA(WCF) – Costs, Disbursements, and Budgetary Obligations:

Management and service providers failed to properly implement policies to record and support financial obligations and transactions, including undelivered orders and accounts payable. Management did not fully design and operate the joint reconciliation program review to timely identify and adjust aged, closed, or invalid amounts related to undelivered orders, goods or invoice receipt, accounts payable, and invalid balances.

IPA(WCF) – Revenue:

Management did not consistently design, document, and implement internal controls over earned revenue, accounts receivable, budget authority, and unfilled customer orders in consolidated financial statement. Specifically, management did not have controls in place to determine that customer orders; stand-price listing for materials; and direct labor rates were completely and accurately entered into accounting system and that proper rates applied were consistent with approved rates. Management did not perform an analysis of agreements that have been executed prior to year-end, but not recorded in general ledger as of year-end. Management did not effectively perform unfilled customer orders and accounts receivable, Joint Review Process (JRP) review in accordance with JRP standard operating procedures.

Compliance – Material Weakness Descriptions

IPA(GF/WCF) – Information Technology Controls:

Management and its service providers continued to make progress in addressing prior year Information Technology (IT) control deficiencies within their systems. However, management and its service providers did not fully implement sufficient and effective IT controls to protect the financial systems and related financial data. In addition, management did not implement compensating controls to address service providers IT controls that were not effectively designed, implemented, or operated. The conditions could affect managements and the service providers ability to provide timely financial data that is complete, valid, and accurate. Specific findings are summarized by the U.S. Government Accountability Office (GAO) Federal Information System Controls Audit Manual information systems control review areas: Access Controls, Segregation of Duties, Configuration Management, Security Management, and Contingency Planning.

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

Army's financial management systems do not comply with financial system requirements in the following areas: 1. Federal Financial Management System Requirements, 2. Applicable Federal Accounting Standards, and 3. USSGL at Transaction Level.

To bring the systems into compliance, Army has updated and is in the process of issuing and distributing FY 2025 FFMIA Compliance Guidance, which includes identified requirements and approaches. Additionally, Army has developed a detailed integrated project plan with key priorities to document, assess, remediate, and strategically implement remediation plans to assist Army in achieving substantial compliance. Army is in a process of establishing functional governance board to enable functional coordination within relevant financial management process, system, and reporting areas for effective oversight, progression, and sustainment of FFMIA substantial compliance.

Further information about the management-identified FMFIA section 2, FMFIA section 4, and FFMIA section 803(a) material weaknesses, relevant corrective actions to resolve the material weaknesses, and a comparison of the management-identified financial reporting material weaknesses to the auditor-identified financial reporting material weaknesses is provided in the Other Information section.

INNOVATION, ACCOUNTABILITY, AND WARFIGHTER READINESS.

SECTION 2A: ARMY GENERAL FUND FINANCIAL SECTION

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of Title 31, United States Code (U.S.C.), Section 3515(b).

While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, and the U.S. generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 8, 2024

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE ARMY, (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Transmittal of the Independent Auditor's Report on the U.S. Department of the Army General Fund Financial Statements and Related Notes for FY 2024 and FY 2023
(Project No. D2024-D000FI-0019.000, Report No. DODIG-2025-023)

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to audit the U.S. Department of the Army (Army) General Fund Financial Statements and related notes as of and for the fiscal years ended September 30, 2024, and 2023. The contract required KPMG to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements, and to report on whether the Army General Fund's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required KPMG to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability . Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," Volume 1, June 2024; Volume 2, June 2024; and Volume 3, July 2024. KPMG's Independent Auditor's Report is attached.

KPMG's audit resulted in a disclaimer of opinion. KPMG could not obtain sufficient, appropriate audit evidence to support the reported amounts within the Army General Fund Financial Statements. As a result, KPMG could not conclude whether the financial statements and related notes were presented fairly and in accordance with Generally Accepted Accounting Principles. Accordingly, KPMG did not express an opinion on the Army General Fund FY 2024 and FY 2023 Financial Statements and related notes.

KPMG's report discusses 17 material weaknesses related to the Army General Fund's internal controls over financial reporting.[*] Specifically, KPMG's report stated that Army General Fund did not:

- prepare complete and accurate populations of transactions and adjustments for the beginning balances;
- identify all key financial statement risks associated with accounting for and reporting Operating Materials and Supplies;
- provide a complete and accurate population and value of Real Property;
- provide a complete and accurate population and value of General Equipment;
- design, document, and implement controls over the valuation of Internal-Use Software;
- perform a complete analysis of agreements to identify and disclose leases appropriately within the note disclosures;
- accurately estimate and verify asset-driven environmental and disposal liabilities;
- accurately estimate and verify event-driven environmental and disposal liabilities;
- consistently have supporting documentation readily available to demonstrate balances and transactions were properly reported on the financial statements;
- ensure the effective design, implementation, and operation of financial information systems controls;
- demonstrate the manual journal entries to the general ledger were complete, accurate, and valid;

[*] A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

- fully implement and document controls over unfilled customer orders, revenue, accounts receivable, and collections;

- fully implement and document controls over undelivered orders, expenses, accounts payable, and disbursements;

- present information and make required disclosures in accordance with Generally Accepted Accounting Principles and prevent or detect and correct misstatements;

- ensure intragovernmental transactions were reconciled and adjusted and intra-entity activity was reconciled and eliminated;

- design, implement, and document controls to validate financial transactions were completely and accurately reported in the financial statements; or

- design and implement entity-level controls to establish a control system to produce reliable financial reporting.

KPMG's report also discusses two instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Specifically, KPMG's report describes instances in which Army's financial systems did not substantially comply with the Federal Financial Management Improvement Act of 1996 and the Federal Manager's Financial Integrity Act of 1982.

In connection with the contract, we reviewed KPMG's report and related documentation and discussed them with KPMG's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the Army General Fund FY 2024 and FY 2023 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal controls over financial reporting, on whether the Army General Fund's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS. KPMG is responsible for the attached November 8, 2024 report and the conclusions expressed within the report.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me.

FOR THE INSPECTOR GENERAL:

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

Attachment:
As stated

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary of the Army and
Inspector General of the Department of Defense:

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of the United States (U.S.) Department of the Army (Army) General Fund (GF), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net costs and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

We do not express an opinion on the accompanying consolidated financial statements of the Army GF. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Basis for Disclaimer of Opinion

Management did not provide sufficient appropriate evidential matter to support the amounts in the consolidated financial statements due to inadequate processes, controls, and records to support transactions and account balances. As a result, we were unable to determine whether any adjustments were necessary related to the consolidated financial statements. Additionally, management revalued a significant portion of general equipment during fiscal year 2020, using standard purchase price prior to the application of depreciation which is not in accordance with U.S. generally accepted accounting principles.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Annual Financial Report* to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Army GF's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget

(OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements,* and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are required to be independent of the Army GF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with GAAS because management did not provide sufficient appropriate evidential matter. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the Army GF's consolidated financial statements as of and for the year ended September 30, 2024, we considered the Army GF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Army GF's internal control. Accordingly, we do not express an opinion on the effectiveness of the Army GF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Army GF management did not report the material weakness Item F. Leases in its *Statement of Assurance*, included in the Management's Discussion and Analysis section of the accompanying *Annual Financial Report*.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Exhibit II to be an area of significant deficiency.

KPMG

Report on Compliance and Other Matters

In connection with our engagement to audit the Army GF's consolidated financial statements as of and for the year ended September 30, 2024, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02, and which is described in Item A of the accompanying Exhibit III.

We also performed tests of the Army GF's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances, described in Item B of the accompanying Exhibit III, in which the Army GF's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

United States Department of Army General Fund's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Army GF's response to the findings identified in our engagement and described in the accompanying Exhibit IV. The Army GF's response was not subjected to the other auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Army GF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 8, 2024

A. Beginning Year Balances

The United States (U.S.) Department of the Army (Army) General Fund (GF) management (management) continues in their efforts to become auditable; however, management, in coordination with its service provider, did not fully design, implement, and document policies and controls to prepare complete and accurate populations of transactions and adjustments for the beginning balances on the consolidated financial statements. Additionally, management did not have policies, procedures, or controls in place to produce and reconcile beginning balance amounts to the reporting system trial balance.

The above condition primarily resulted because management and its service provider did not fully design, implement, and document policies and controls; identify, obtain, process and communicate quality information; and timely document and implement corrective actions over beginning balances.

The criteria is Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*.

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Design, implement, and document processes, policies, procedures, and controls to prepare complete and accurate populations at the transaction-level for beginning balances and reconcile such populations to the trial balance.
- Identify, obtain, process and communicate quality information for beginning balances.
- Continue to work towards documenting and implementing corrective actions for beginning balances.

B. Operating Materials and Supplies

Management did not consistently design, implement, and document internal controls over all aspects of Operating Materials and Supplies (OM&S) as follows:

- Management did not maintain sufficient appropriate documentation to support the value of OM&S was properly reported at historical cost on the balance sheet. In addition, management applied the most recent standard purchase price to value OM&S at period end and did not use an appropriate cost flow assumption to arrive at historical cost.
- Management did not perform an effective risk assessment to identify, analyze, and respond to risks for all OM&S asset types and related transactions. Management did not design and implement controls to accurately record OM&S transactions in the appropriate United States Standard General Ledger (USSGL) account, in the correct accounting period, and disclose all relevant information in accordance with the accounting standards.
- Management did not implement processes and controls over the reconciliation between the cost capitalization offset and the procurement of munitions to ensure all assets have been properly recorded and reported in accordance with the accounting standards.
- Management did not design and implement processes and controls to ensure the excess, obsolete, and unserviceable population is complete and accurate.
- Management did not consistently design and implement controls over OM&S wholesale physical inventory blind counts. Specifically, inventory control (or count) procedures did not consistently demonstrate OM&S amounts were completely and accurately recorded. Additionally, the physical inventory count control at retail installations and theater storage area (TSA) locations did not operate effectively to ensure OM&S assets were completely and accurately recorded in the accountable property system of record (APSR).
- Management did not consistently implement policies, procedures, and controls to support rights and obligations (i.e., ownership) of OM&S assets.
- Management did not design and implement controls and procedures to ensure information recorded in the general ledger is complete, accurate, and recorded timely.
- Management did not design and implement controls and procedures to ensure underlying financial reporting documentation is reviewed and approved prior to recording in the general ledger.
- Management did not develop appropriate policies and controls to provide complete and accurate data.

The above conditions primarily resulted because of the following:

- Management did not consistently assign responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities for valuation of OM&S.
- Management did not sufficiently train and develop individuals to perform their responsibilities.
- Management did not enforce accountability of individuals performing control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.

- Management did not fully design, implement, and document policies and controls to address the objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for OM&S asset listings and transactions.
- Management did not monitor the design and effectiveness of OM&S controls.
- Management did not timely document and implement corrective actions for OM&S processes.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 3: *Accounting for Inventory and Related Property*, Interpretations of Federal Financial Accounting Standards 7: *Items Held for Remanufacture*, Statement of Federal Financial Accounting Concepts (SFFAC) 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial statements*, and SFFAC 7: *Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording*
- Treasury Financial Manual (TFM)
- U.S. Department of Defense (DoD) Financial Management Regulation (FMR) and DoD standard operating procedures, regulations, policies and guidance
- Army standard operating procedures, regulations, policies, and guidance
- Federal Financial Management Improvement Act of 1996 (FFMIA, Public Law 104-m208), Sec. 803 Implementation of Federal Financial Management Improvements

As a result of deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform the following:

- Assign responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities for valuation of OM&S.
- Train and develop individuals to perform their responsibilities.
- Enforce accountability of individuals performing control responsibilities.
- Complete risk assessments to identify all risks, define risks tolerances, analyze risks and respond to risks identified.
- Design, implement and document policies and controls.
- Identify, obtain, process and communicate quality information for OM&S asset listings and transactions.
- Monitor the design, implementation and operating effectiveness of controls.

- Continue to work towards documenting and implementing corrective actions for OM&S processes.

C. Property, Plant and Equipment – Real Property

Management did not consistently design, implement, and document internal controls over real property (RP), inclusive of land and heritage assets, as follows:

- Management did not provide sufficient appropriate documentation to demonstrate the valuation of real property was properly reported at historical cost on the balance sheet and related note disclosures.
- Management did not effectively design, implement, and document controls over real property ownership nor to verify real property and land acreage data elements (e.g., placed-in-service date, acquisition cost, operational status, and facility type) were supported, properly approved, and completely and accurately recorded in the property system in a timely manner.
- Management did not effectively design, implement, and document controls to verify heritage assets and its data elements were completely and accurately recorded in the property system. In addition, management did not demonstrate effectively implemented physical inventory and acquisition controls over heritage assets.
- Management did not design, implement, and document real property physical inventory process controls to include verifying real property balances and heritage assets are complete and accurate.
- Management did not effectively design, implement, and document controls over identifying and recording acquisitions and disposals and recording depreciation of real property acquisitions.
- Management did not effectively design, implement, and document controls to ensure complete and accurate transfer of constructed assets, the timely recording of construction-in-progress transfers that agree to supporting documentation, and the sufficient monitoring and documentation of construction-in-progress reviews to assure completed projects are transferred timely and costs are appropriately expensed in the correct accounting period.

The above conditions primarily resulted because of the following:

- Management did not oversee the design, implementation, and operation of the Army's organizational structure to enable management to fulfill its enterprise responsibilities, including consistently assigning sufficient resources to perform responsibilities, delegating authority to individuals, and communicating policies and assigned responsibilities.
- Management did not enforce accountability of individuals performing control responsibilities.
- Management did not perform a complete risk assessment to define all real property, heritage assets, construction-in-progress, and land acreage objectives. Management did not identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management did not fully design, implement, and document policies and controls to address real property, heritage assets, construction-in-progress, and land acreage objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for real property, heritage assets, and land acreage.
- Management did not timely document and implement corrective actions for real property.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 6: *Accounting for Property, Plant, and Equipment* and SFFAS Technical Release 14: *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment*
- DoD FMR
- DoD policies, regulations, and instructions
- Army policies, regulations and instructions

As a result of deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform the following:

- Complete the process of valuing the opening balances of real property in accordance with SFFAS 50: *Establishing Opening Balances for General, Property, Plant and Equipment, Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23 and Rescinding SFFAS 35*, including updating policies to define what constitutes key supporting documentation for the consistent and accurate reporting of the valuation of real property, communicate the policies throughout the Army, and establish and implement controls to maintain sufficient appropriate supporting documentation to demonstrate that the valuation of real property is properly reported on the balance sheet.
- Timely monitor and update the property system based on differences identified between the property system and inspection documents.
- Design, implement, and document controls to ensure key data elements are timely and properly recorded in the property system to generate complete and accurate real property populations of acquisitions and disposals, and to ensure proper valuation and completeness of real property.
- Design, implement, and document controls to ensure land acreage key data elements are properly recorded.
- Design, implement, and document controls to report ownership of real property assets in the context of financial reporting and retain all relevant supporting documentation to be readily accessible.
- Complete risk assessments to identify all relevant risks around heritage asset existence and completeness.
- Design, implement, and document controls to monitor the review and approval of heritage asset acquisitions and physical inventory inspections.
- Identify risks relevant to financial statement assertions for construction-in-progress transactions including transfers.
- Design, implement, and document policies, procedures, and controls to address the completeness, existence, timeliness and accuracy of capitalized costs at year-end.

- Continue to work towards documenting and implementing corrective actions for real property.

D. Property, Plant and Equipment – General Equipment

Management did not consistently design, implement, and document controls over general equipment (GE) as follows:

- Management did not provide sufficient appropriate documentation to demonstrate that the valuation of general equipment was properly reported at historical cost or that the useful lives of general equipment are appropriate and supported. Management did not design and implement a valuation methodology to record general equipment at historical cost in accordance with SFFAS 6: *Accounting for Property, Plant, and Equipment*, and has not developed a process to fully consider the accounting treatment to determine that general equipment assets are completely and accurately recorded.
- Management did not design and implement controls to verify that general equipment data elements were supported and accurately recorded in the property system and to prepare current year general equipment acquisitions and dispositions populations. Additionally, management did not provide sufficient appropriate documentation to demonstrate that controls were operating effectively over general equipment acquisitions, disposals, and cyclical inventories.
- Management did not properly design and implement controls to correctly record assets that have been marked as unserviceable, condemned, scrap, or excess at net realizable value.
- Management and its service providers did not effectively design and implement controls to produce complete and accurate populations of general equipment to be used for financial reporting.
- Management did not design and implement monitoring controls over cyclical inventory counts of general equipment stored at contractors' facilities.
- Management did not fully design and implement controls to isolate and remove obsolete/damaged capital assets issued for the remanufacturing process or excess defense articles for the foreign military sales program.
- Management did not effectively design and implement general equipment controls over monitoring assets at depots, completeness (floor-to-book) and timely recording of assets.
- Management did not effectively design and implement general equipment controls over capital improvements, adjustments, full impairments and accumulating costs of construction-in-progress.
- Army's property system did not interface with the general ledger and directly post individual equipment record transactions and balances, which is not in accordance with the FFMIA.
- Management did not design policies, procedures or relevant controls to report the portion of funded DM&R (deferred maintenance and repairs) in the Required Supplementary Information (RSI).

The above conditions primarily resulted because of the following:

- Management did not consistently assign responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities for GE.
- Management did not sufficiently train and develop individuals to perform their GE review responsibilities.
- Management did not oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its enterprise responsibilities for GE.

- Management did not enforce accountability of individuals performing service organization control responsibilities over all relevant GE systems.
- Management did not adequately monitor the operating effectiveness of controls for GE.
- Management did not identify, obtain, process and communicate quality information for GE.
- Management did not perform a complete risk assessment to define all GE risk objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to the risks identified.
- Management did not fully design, implement, and document policies and controls to address the GE objectives and risk, or periodically review policies, procedures and controls for continued reliance and effectiveness.
- Management did not timely document and implement corrective actions for GE.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 4: *Managerial Cost Accounting Standards and Concepts*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, SFFAS 21: *Reporting Corrections of Errors and Changes in Accounting Principles*, *Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*, SFFAS 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, and Federal Financial Accounting Technical Release 14: *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*
- Office of Management and Budget (OMB) Circular Number (No.) A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular No. A-123)
- OMB Circular No. A-136: *Financial Reporting Requirements*
- FFMIA
- DoD FMR
- DoD policies, regulations, and instructions
- Army policies, regulations, and instructions

As a result of deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements including RSI.

Recommendations:

We recommend management perform the following:

- Complete the process of valuing the opening balances of general equipment in accordance with SFFAS 50: *Establishing Opening Balances for General Property, Plant, and Equipment, Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23 and Rescinding SFFAS 35*, including updating policies to define what constitutes key supporting documentation for the consistent and accurate reporting of the valuation of general equipment, communicating policies and quality information throughout the Army, and establishing and implementing controls to maintain sufficient appropriate supporting documentation to demonstrate that the valuation of general equipment is properly reported on the balance sheet.

- Monitor the operating effectiveness of controls over cyclical inventories, acquisitions, and disposals of general equipment, to include proper record retention, completeness, and timely entry of general equipment into the property system.
- Design, implement, and document policies, procedures, and control activities to properly record unserviceable assets in the financial statements and note disclosures.
- Design, implement, and document policies, procedures, and control activities over the inventory of general equipment at depots.
- Design and implement policies, procedures, and control activities over the completeness (floor-to-book) of general equipment.
- Design and implement policies, procedures, and control activities to ensure all general equipment assets are included in the property system, with accurate data elements.
- Design and implement policies to generate a complete and accurate capital asset report that is reconciled to the financial reporting system and accurately presents acquisitions, disposals, adjustments, and full impairments.
- Design, implement, and document policies, procedures, and controls over general equipment costs related to construction-in-progress and capital improvements.
- Design and implement preventative controls to isolate and remove excess defense articles identified for the foreign military sales program.
- Design and implement policies, procedures, and controls to address the completeness and accuracy of the deferred maintenance and repairs RSI disclosures in accordance with OMB Circular No. A-136, SFFAS 42: *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32,* and DoD policies and procedures.
- Train and develop individuals to perform their service organization monitoring control responsibilities.
- Complete risk assessments to identify all GE risks, define risk tolerances, analyze risks and respond to risks identified.
- Assign resources to perform general equipment process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Oversee the design, implementation, and operation of the organizational structure to accomplish successful monitoring of acceptance of GE assets.
- Continue to work towards documenting and implementing corrective actions for GE.

E. Property, Plant and Equipment – Internal Use Software

Management's design of policies and procedures to accumulate and monitor costs associated with Internal-Use Software (IUS) assets for certain costs and systems has not been fully or uniformly implemented across all systems. The design also does not include procedures to capitalize and report IUS within the general ledger system. Further, management did not provide sufficient appropriate documentation to demonstrate the valuation of IUS was properly reported at historical cost on the balance sheet and related note disclosures.

The above conditions primarily resulted because of the following:

- Management did not consistently assign IUS responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not fully design, implement, and document policies and controls to address the IUS objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not timely document and implement corrective actions for IUS.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 10: *Accounting for Internal Use Software*
- DoD FMR

As a result of deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform the following:

- Assign IUS responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Fully design, implement, and document IUS policies and controls.
- Continue to work towards documenting and implementing corrective actions for IUS.

F. Leases

Management did not consistently design, implement, and document controls to determine the lease liability and assets that should be reported in the financial statements and note disclosures. Specifically, management did not perform a complete analysis of agreements to identify and disclose leases appropriately within the note disclosures.

The above condition primarily resulted because of the following:

- Management did not oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its responsibilities over leases.
- Management did not perform a complete risk assessment to define all the leases objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management did not identify and respond to all risks in the control environment, including changes in external requirements.
- Management did not design, implement, and document policies and controls to address the leases objectives and risks.

The criteria are GAO *Standards for Internal Control in the Federal Government* and FASAB SFFAS 54: *Leases*.

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management perform the following:

- Oversee the design, implementation, and operation of the organizational structure to accomplish responsibilities over implementation of reporting requirements for leases.
- Complete risk assessments to identify and define all lease risks, to include defining risks tolerances, analyzing risks and responding to risks identified.
- Identify and respond to risks in the control environment, including changes in external requirements.
- Design, implement, and document lease policies and controls to identify and report the lease liability and assets in the financial statements and note disclosures.

G. Environmental and Disposal Liabilities – Asset-Driven

Management did not consistently design, implement, and document policies, processes, and controls over asset-driven environmental and disposal liabilities as follows:

- Verify the completeness and accuracy of the asset-driven environmental and disposal populations.
- Perform reviews over the estimation, methodology, and recording of asset-driven environmental and disposal liabilities prior to submission of the quarterly financial reporting package, including the review of assumptions, inputs, and calculations, to support the completeness and accuracy of the estimates.
- Evidence with documentation that management's review of the quarterly reported asset-driven environmental and disposal liabilities estimates address management's assertions that the asset-driven environmental and disposal liabilities estimates are complete and accurate.
- Determine the completeness and accuracy of changes to the asset-driven environmental and disposal liabilities estimates from interim to the final financial reporting date.
- Perform complete retrospective reviews to address asset-driven environmental and disposal liabilities estimation uncertainty, the reliability, and reasonableness of the estimation process.
- Determine the relevance and reliability of the current cost estimating software, the underlying information within the cost estimating software, and the model used to develop asset-driven environmental and disposal liabilities estimates.

The above conditions primarily resulted because of the following:

- Management did not consistently assign responsibilities, delegate authority, and communicate policies and assignments for asset-driven environmental and disposal liabilities responsibilities.
- Management did not identify, obtain, process, and communicate quality information over the development of asset-driven environmental and disposal liabilities. Additionally, management did not enforce accountability of individuals performing oversight of service providers cost estimations tool relevance and reliability evaluations.
- Management did not perform a complete risk assessment to define all asset-driven environmental and disposal liabilities objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to all risks identified in the control environment. Additionally, management did not fully design, implement, and document policies, processes and controls to address asset-driven environmental and disposal liabilities objectives and risks. Management did not periodically review policies, processes and controls for continued relevance and effectiveness.
- Management did not timely document and implement corrective actions for asset-driven environmental and disposal liabilities.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government* and *Cost Estimating and Assessment Guide*
- FASAB SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment,* and Federal Financial Accounting Technical Release 18: *Implementation Guidance for Establishing Opening Balances*

- DoD policies

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform the following:

Complete risk assessments to identify all applicable asset-driven environmental and disposal liabilities risks and respond to each risk identified by assigning responsibilities, delegating authority to individuals, and communicating policies and assigned responsibilities addressing each risk to:

- Determine the risks of completeness of asset-driven environmental and disposal liability populations.
- Determine the risks over the compilation and review of the asset-driven environmental and disposal estimates, including if estimation uncertainty is applicable to certain estimates.
- Determine the risks over the preparation and review of the quarterly reported asset-driven environmental and disposal liabilities.
- Determine the risks of timely identifying and responding to changes in the asset-driven environmental and disposal liabilities roll forward period.
- Determine the risks associated with the relevance and reliability of the underlying data and information within the cost estimation tool.

Design, implement, and document policies and controls that include requirements to identify, obtain, process, and communicate quality information to:

- Enhance documentation to support the conclusions and rationales within the real property category code analysis.
- Develop the asset-driven completeness methodology and implement policies and procedures to compile and retain the complete listing of asset-driven sites.
- Enhance documentation and execution of existing controls over the review of individual estimate packages to support the completeness and accuracy of recorded environmental and disposal liability estimates. This includes reviewing, annually, existing policies and procedures to determine the methodology and controls are relevant in the current year.
- Timely review and validate the completeness and accuracy of populations received and used to calculate the quarterly reported liability estimate. Document the defined precision of management’s review and how conclusions were determined.
- Develop estimate uncertainty risk assessment procedures and complete test work over management’s retrospective review procedures or alternative procedures performed if prior year cost data is not available.
- Develop and implement the roll forward methodology including documenting procedures, defining timing to complete, and review requirements to identify changes in the asset-driven environmental and disposal liabilities population and cost estimates.

- Annually review verification support to determine the relevance of the cost estimating software and maintain documentation of how management determined the information within the cost estimating software is relevant and reliable.

- Enforce accountability of service providers responsible for providing documentation to management to complete their control responsibilities over the relevant cost estimation tool.

- Continue to work towards documenting and implementing corrective actions for asset-driven environmental and disposal liabilities.

H. Environmental and Disposal Liabilities – Event-Driven

Management did not consistently design, implement, and document policies, processes, and controls over event-driven environmental and disposal liabilities as follows:

- Verify the completeness and accuracy of the event-driven environmental and disposal liabilities populations.
- Perform reviews over the estimation and recording of event-driven environmental and disposal liabilities prior to submission of the quarterly financial reporting package, including the review of certain estimate assumptions, inputs, and site calculations, to support the completeness and accuracy of the estimates.
- Evidence with documentation that management's review of the quarterly reported event-driven environmental and disposal liabilities estimates address management's assertions that event-driven environmental and disposal liabilities estimates are complete and accurate.
- Perform complete retrospective reviews to address event-driven environmental and disposal liability estimation uncertainty and the reliability and reasonableness of the estimation process.
- Review and approve newly identified event-driven environmental and disposal liability sites for timely recognition and recording of the liabilities in the fiscal year the site is identified.
- Determine the relevance and reliability of the current cost estimating software, the underlying information within the cost estimating software, and the model used to develop event-driven environmental and disposal liabilities estimates.
- Determine the completeness and accuracy, including relevance and reliability, of internal and external source data used to estimate the event-driven program management (PM) costs and unliquidated obligations.

The above conditions primarily resulted because of the following:

- Management did not consistently assign responsibilities, delegate authority, and communicate policies and assignments for event-driven environmental and disposal liabilities responsibilities.
- Management did not identify, obtain, process, and communicate quality information over the development of event-driven environmental and disposal liability estimates. Additionally, management did not enforce accountability of individuals performing service provider oversight and evaluation related to cost estimate tool relevance and reliability.
- Management did not perform a complete risk assessment to define all event-driven environmental and disposal liabilities objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to all risks identified in the control environment. Additionally, management did not fully design, implement, and document policies, processes, and controls to address event-driven environmental and disposal liabilities objectives and risks. Management did not periodically review policies, processes and controls for continued relevance and effectiveness.
- Management did not timely document and implement corrective actions for event-driven environmental and disposal liabilities.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government* and *Cost Estimating and Assessment Guide*
- FASAB SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, and Federal Financial Accounting Technical Release 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*
- DoD policies
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform the following:

Complete risk assessments to identify all applicable event-driven environmental and disposal liabilities risks and respond to each risk identified by assigning responsibilities, delegating authority to individuals, and communicating policies and assigned responsibilities addressing each risk to:

- Determine the risks of completeness of the event-driven environmental and disposal liability populations.
- Determine the risks over the compilation and review of the event-driven environmental and disposal liability cost-to-complete estimates, including if estimation uncertainty is applicable to certain cost-to-complete estimates.
- Determine the risks over the preparation and review of the quarterly reported event-driven environmental and disposal liabilities.
- Determine the risk of timely identifying new sites and recognizing the new site in the same fiscal year identified.
- Determine the risks associated with the relevance and reliability of the underlying data and information within the cost estimation tool.
- Determine the risks associated with the data used to determine the unliquidated obligations and program management costs recorded in the event-driven environmental and disposal liabilities estimate.

Design, implement, and document policies and controls that include requirements to identify, obtain, process, and communicate quality information to:

- Perform reviews of the event-driven populations, specifically documenting the review requirements and precision of the review, resolution of findings, and timeline to complete the review.
- Develop the event-driven completeness methodology and implement policies, processes, and controls to compile and retain the complete listing of event-driven sites.
- Enhance documentation and execution of existing controls over the review of individual estimate packages to support the completeness and accuracy of recorded environmental and disposal liability

estimates, including the review procedures and controls over summary level quality control reports and evidence of timely review prior to submission of the quarterly financial reporting package.

- Timely review and validate the completeness and accuracy of populations used to calculate the quarterly reported liability estimate. Document the defined precision of management's review and how conclusions were determined.
- Perform risk assessment procedures, to include completion of test work over management's representative samples, retrospective review procedures, including acceptable thresholds, and consideration of possible cost adjustments.
- Timely review and approve newly identified event-driven environmental and disposal liabilities.
- Annually review verification support to determine the relevance and reliability of the cost estimating software and maintain documentation to support determination.
- Review the completeness and accuracy of unliquidated obligations and PM costs, including relevance and reliability of internal and external source data, reported in event-driven environmental and disposal liabilities.
- Enforce accountability of service providers responsible for providing documentation to management to complete their control responsibilities over the relevant cost estimation tool.
- Continue to work towards documenting and implementing corrective actions for event-driven environmental and disposal liabilities.

I. Evidential Matter

Management and its service providers did not always have sufficient evidential matter (i.e., supporting documentation) readily available to demonstrate that beginning balances, activity, and ending balances for revenue, payroll and non-payroll costs, general property, plant, and equipment, operating materials & supplies, environmental and disposal liabilities, other liabilities, and other transactions were properly reported on the consolidated financial statements. Management and its service providers did not consistently have sufficient evidential matter readily available to demonstrate the performance and effectiveness of control activities. Specifically, the evidential matter requested (a) was not provided as it was not readily available or did not sufficiently support the request, (b) did not sufficiently support transactions recorded in the general ledger used to prepare the consolidated financial statements, and/or (c) was inappropriately reviewed and approved by management, or the review and approval was not documented.

Management and its service provider relied on information produced by the financial and feeder systems to support certain transactions and balances on the consolidated financial statements; however, management did not have effective information technology controls over such systems (discussed further in Item J – Information Technology Controls), and therefore did not provide reliable evidential matter.

The above conditions primarily resulted because of the following:

- Management and its service providers did not consistently assign evidential matter responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities; sufficiently train and develop individuals to perform their responsibilities to maintain sufficient evidential matter to be readily available; and enforce accountability of individuals performing control responsibilities.

- Management and its service providers did not perform a complete risk assessment to define all objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified related to evidential matter.

- Management and its service providers did not fully design, implement, and document policies and controls to address objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness for evidential matter.

- Management and its service providers did not identify, obtain, process, and communicate quality information to maintain evidential matter.

- Management and its service providers did not monitor the design and effectiveness of controls or timely document and implement corrective action plans to maintain evidential matter.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government* and *Cost Estimating and Assessment Guidance*

- FASAB SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and SFFAS 10: *Accounting for Internal Use Software*

- FFMIA

- Federal Managers' Financial Integrity Act of 1982 (FMFIA)

- OMB Circular No. A-123
- DoD FMR
- Army policies and guidance
- National Archives Office of Chief Records Officer General Records Schedules, *Transmittal 32*

As a result of deficiencies noted above, the potential exists that transactions would not be supported by appropriate documentation and controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management perform, or work with its service provider to perform, the following:

- Design, implement, and document policies and controls to maintain evidential matter.
- Identify, obtain, process and communicate quality information to maintain evidential matter.
- Assign responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities; train and develop individuals to perform their responsibilities; and enforce accountability of individuals performing responsibilities to maintain evidential matter.
- Complete risk assessments to identify all evidential matter risks, define risk tolerances, analyze risks, and respond to risks identified.
- Monitor the design and operating effectiveness of controls and continue to work towards documenting and implementing corrective actions to maintain evidential matter.

J. Information Technology Controls

Management and its service providers continued to improve Information Technology (IT) controls; however, they did not effectively design, implement, and operate certain IT controls to protect the financial systems and related financial data. In addition, management did not implement sufficient compensating controls to address service providers' IT controls that were not effectively designed, implemented, or operated. Our findings are summarized as follows:

- **Logical Access.** Management and its service providers did not consistently design, implement, and operate the application, database, and operating system layer access controls around the authorization, provisioning, monitoring, and timely removal of end, privileged, temporary, and system administrative users. In addition, management did not design and implement controls to identify complete IT system user listings, as well as consistently conduct and document periodic reviews of user accounts to remove access for terminated, transferred, or inactive employees and contractors, and to confirm the need for continued and appropriate access based on least privilege principles.

  Management did not consistently provide code, configurations, and queries, to support the generation of user listings as well as user creation/termination dates. Management and its service providers did not consistently design, implement, and/or operate effectively, application, database, and operating system layer audit logging controls. Specifically, management and its service providers did not design and implement system audit logging controls to review the audit log configuration; security event identification, tracking, evaluation, and management review; retention of documentation; response procedures; restrict audit tool and log report access; and review of audit logs performed by an independent person. Further, management and its service providers did not properly design and implement controls around database and operating system layer password security and inactivity configuration parameters.

- **Segregation of Duties.** Management and its service providers did not consistently design, implement, and operate controls preventing and/or detecting the inappropriate use or provisioning of incompatible application, database, and operating system layer privileges, based on least privilege concepts. Additionally, they did not consistently segregate and/or monitor the use of incompatible access privileges related to system support functions that preclude system developers from updating production environments.

- **Configuration Management.** Management and its service providers did not effectively design, implement, and operate configuration change management controls for the application, database, and operating system layers, to include controls that enable approved changes to be traced back to the production environments as well as provide system implementation dates for the changes. In addition, management was unable to consistently produce a complete listing of program and configuration changes.

  For implemented processes, management and its service providers did not consistently design and maintain evidence to support the identification and tracking, testing and/or approval of application, database, and operating system layer changes before migration into the production environment, as well as validate that implemented changes do not impact system data.

- **Job Processing.** Management did not effectively design, implement, and operate controls to restrict access to the job scheduler based on least privilege concepts.

The above conditions primarily resulted because of the following:

- Management did not consistently assign IT responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.

- Management did not sufficiently train and develop individuals to perform their IT responsibilities.
- Management did not enforce accountability of individuals performing IT control responsibilities.
- Management did not perform a complete risk assessment to define all IT objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management did not fully design, implement, and document policies and controls to address the IT system objectives and risks, or periodically review policies and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for IT systems.
- Management did not monitor the design and effectiveness of IT controls.
- Management did not timely document and implement corrective actions for IT application, database, and operating system layers.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53: *Security and Privacy Controls for Information Systems and Organizations, Revision 5*, dated September 2020
- OMB Circular No. A-123
- DoD policies, instructions, memorandums, and other guidance
- Army policies and guidance

As a result of the deficiencies noted above, there is an increased risk over the completeness, accuracy, validity, and availability of the systems and their financial data, and a potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend Army management perform, or work with its service providers to perform, the following:

- Assign IT responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their IT responsibilities.
- Enforce accountability of individuals performing IT control responsibilities.
- Complete risk assessments to identify all IT risks, define risks tolerances, analyze risks and respond to risks identified.
- Design, implement, and document and effectively operate policies and controls for logical access, segregation of duties, configuration management, and job processing at the application, database, and operating system layers.
- Identify, obtain, process, and communicate quality information for all IT systems.

- Monitor the design and effectiveness of logical access, segregation of duties, configuration management, and job processing controls.
- Continue to work towards implementing corrective actions within the application, database, and operating system layers.

K. General Ledger Adjustments

Management and its service provider did not properly design, implement, and document controls over manual journal entries and other adjustments to the general ledger as follows:

- Management and its service provider did not fully design, implement, and document controls to demonstrate the completeness, accuracy, and timeliness of manual journal entry listings, to ensure that all necessary adjustments were accurately reflected in the general ledger, and to verify that they were approved in accordance with management's review thresholds.
- Management and its service provider did not adequately establish controls to identify manual journal entries that pose increased risk due to potential management override of controls in its accounting systems of record.
- Management and its service provider did not investigate root causes of manual journal entries to confirm their necessity and appropriateness. For instance, manual journal entries were made to correct abnormal account relationships, edit checks, and abnormal balances without adequate evidence to ensure the impact on all adjusted accounts and attributes was appropriate.
- Management and its service provider did not properly design and implement controls to maintain appropriate documentation for recorded manual journal entries, including details on the adjusted attributes and the underlying events of the journal entry.

The above conditions primarily resulted because of the following:

- Management did not consistently assign general ledger adjustment responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not enforce accountability of individuals performing general ledger adjustment control responsibilities.
- Management did not perform a complete risk assessment to define all general ledger adjustment objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management did not fully design, implement, and document policies and controls to address the general ledger adjustment objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for general ledger adjustments.
- Management did not timely document and implement corrective actions for general ledger adjustments.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 5: *Accounting for Liabilities of The Federal Government* and SFFAS 21: *Reporting Corrections of Errors and Changes in Accounting Principles*, *Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources*
- FFMIA

- OMB Circular No. A-123
- OMB Circular No. A-136
- TFM
- DoD FMR

As a result of the deficiencies noted above, the potential exists that process level controls may be overridden, and a misstatement may occur potentially causing a material misstatement in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Assign responsibilities over general ledger adjustments, delegate authority to individuals and communicate policies and assigned responsibilities.
- Enforce accountability of individuals performing general ledger adjustment control responsibilities.
- Complete risk assessments to identify all general ledger adjustment risks, define risks tolerances, analyze risks and respond to risks identified.
- Design, implement, and document general ledger adjustment policies and controls.
- Identify, obtain, process and communicate quality information for general ledger adjustments.
- Continue to work towards documenting and implementing corrective actions for general ledger adjustments.

L. Accounts Receivable and Revenue

Management and its service provider did not fully design, implement, and document controls over unfilled customer orders, revenue, accounts receivable, and collections to record underlying events completely and accurately, with proper supporting documentation, in the consolidated financial statements as follows:

- Management and its service provider did not properly recognize earned revenue from services provided and goods sold for certain transactions in the correct accounting period in accordance with U.S. generally accepted accounting principles (GAAP).
- Management and its service provider did not effectively implement controls or follow established policies over the accuracy of the public accounts receivable balance and related allowance.
- Management and its service provider did not sufficiently design and implement controls over recording collections of accounts receivable based on adequate transactional support. Management did not align the posting logic to distinguish between the presentation of intragovernmental accounts receivable versus with the public accounts receivable to reflect the underlying business events.
- Management did not effectively implement controls to reconcile reimbursable revenues to reimbursable expenses.
- Management did not effectively design and implement controls to prevent the recording of transactions prior to documented approval.

The above conditions primarily resulted because of the following:

- Management and its service provider did not perform a complete risk assessment to identify, analyze, and respond to risks related to achieving the defined objectives.
- Management and its service provider did not identify, obtain, process, and communicate quality information in conducting control responsibilities.
- Management and its service provider did not fully design, implement, and document policies and controls to address accounts receivable and related allowance objectives and risks, or periodically review policies, procedures, and controls for continued relevance and effectiveness.
- Management did not enforce accountability and timing of individuals performing control responsibilities.
- Management and its service provider did not complete corrective actions to remediate control deficiencies on a timely basis.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- TFM
- DoD FMR
- Army policies and procedures

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Complete risk assessments to identify and analyze risk points relevant to the revenue process.
- Identify, obtain, process, and communicate quality information in executing controls associated with the revenue process.
- Design, implement, and document accounts receivable and related allowance policies and controls.
- Enforce accountability of personnel performing control responsibilities.
- Continue to work towards documenting and implementing corrective actions for revenue and related processes.

M. Accounts Payable and Related Accruals

Management and its service provider did not fully design, implement, and document controls over undelivered orders, expenses, accounts payable, and disbursements to record underlying events completely in the consolidated financial statements as follows:

- Management and its service provider did not develop and document methodologies to record accruals for goods and/or services received and the resulting receivable earned from reimbursable agreements but not yet invoiced at period end. Further, while Army recorded known amounts for certain activities, no estimate was made to account for goods and services received but not recorded at period end.
- Management and its service provider implemented accrual methodologies for certain expenses, resulting revenues from reimbursable agreements, and military payroll activities, however, the methodologies were not sufficient to record accounts payable and related accounts receivable completely and accurately. Deficiencies included: excluding data or using imprecise data; failure to assess whether accruals are probable, measurable, and meet the criteria to be recorded as a liability; and failure to record the full amount of developed accruals in the general ledger.
- Management and its service provider did not design and implement controls or system requirements for all aspects of the procurement process to consistently validate the receipt and acceptance of goods and/or services prior to recording in the general ledger.

The above conditions primarily resulted because of the following:

- Management and its service provider did not perform a complete risk assessment to define all facets of the accounts payable and related accruals process objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management and its service provider did not fully design, implement, and document policies and controls to address accrual objectives and risks or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management and its service provider did not consistently assign leave balance report documentation responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management and its service provider did not identify, obtain, process, and communicate quality information for accruals.
- Management and its service provider did not timely document and implement corrective actions for accounts payable and related accruals.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 1: *Accounting for Selected Assets and Liabilities* and SFFAS 5: *Accounting for Liabilities of The Federal Government*
- TFM
- DoD FMR

- American Institute of Certified Public Accountants (AICPA), *Auditing Accounting Estimates*

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service providers to perform, the following:

- Complete risk assessments to identify all facets of the accounts payable and related accruals process risks, define risk tolerances, analyze risks and respond to risks identified. Risk assessments should include documentation of key assumptions; validation of completeness and accuracy; and policies, procedures, and controls to identify and record accruals. Further, documentation should demonstrate that liabilities are probable, measurable, and meet the criteria to be recorded.

- Design, implement, and document methodologies to completely and accurately account for activities received or due as of period end. Methodologies should encompass validation of receipt and acceptance of the agreement.

- Assign leave balance report documentation responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities.

- Identify, obtain, process, and communicate quality information for accruals.

- Continue to work towards documenting and implementing corrective actions for accounts payable and related accruals.

N. Financial Reporting

Management and its service provider did not effectively design, implement, and document controls over financial reporting as follows:

- Management and its service provider did not sufficiently design, implement, and document controls over the financial statements and related note disclosures to validate that information is presented in accordance with U.S. GAAP, to include:
  - Reviewing policies and procedures that may represent a departure from U.S. GAAP, including performing and documenting a qualitative and quantitative assessment of the impact to the financial statements and related note disclosures resulting from such policies and procedures.
  - Determining the appropriate accounting treatment for the movement of certain funds between general and trust funds.
  - Properly recognizing earned revenue from services provided and goods sold for certain transactions in accordance with U.S. GAAP in the appropriate period.
  - Supporting specific disclosures for public-private partnerships, the reconciliation of net cost of operations to net outlays, elements of property, plant, and equipment, operating materials and supplies, leases and intra-entity eliminations between dedicated collection funds.
  - Properly recording budgetary transactions to include obligations, recoveries, and upward adjustments only when supported by valid contract actions, ensuring they were recorded in the correct accounting period and represent a legally binding agreement.
- Management and its service provider did not effectively design and implement controls to correctly classify the status and application of budgetary resources. Management and its service provider did not perform timely reconciliations to identify variances within the Statement of Budgetary Resources.
- Management and its service provider did not design and implement controls to consistently record transactions in accordance with TFM or USSGL requirements.
- Management and its service provider did not consistently design, implement, and document management review controls over the legal representation data call spreadsheet, environmental and disposal liabilities reporting package, journal entries, and note disclosures.

The above conditions primarily resulted because of the following:

- Management did not oversee the design, implementation, and operation of the organizational structure, nor did it adequately identify and respond to all risks in the control environment to enable management to fulfill its enterprise responsibilities related to lease reporting requirements.
- Management did not consistently assign environmental and disposal liabilities or asset classification internal control responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not enforce accountability of individuals performing quarterly contingent legal liabilities data call request control responsibilities.
- Management did not perform a complete risk assessment to define all financial reporting and note disclosure requirement objectives, identify all risks and information, define risk tolerance, analyze risks, and respond to risks identified.

- Management did not fully design, implement, and document policies and controls to address the financial reporting and note disclosure requirement objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for financial reporting and note disclosure requirements.
- Management did not monitor the design and effectiveness of the quarterly contingent legal liability data call request, general ledger adjustments and asset documentation/classification controls.
- Management did not timely document and implement corrective actions for financial reporting and note disclosure requirements.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 3: *Accounting for Inventory and Related Property*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, SFFAS 29: *Heritage Assets and Stewardship Land*, SFFAS 42: *Deferred Maintenance and Repairs*, SFFAS 44: *Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use*, SFFAS 49: *Public-Private Partnerships: Disclosure Requirements*, SFFAS 54: *Leases,* and SFFAS 59: *Accounting and Reporting of Government Land*
- FFMIA
- OMB Circular No. A-11: *Preparation, Submission, and Execution of the Budget* (OMB Circular No. A-11)
- OMB Circular No. A-123
- OMB Circular No. A-136
- TFM
- DoD FMR
- Army policies

As a result of the deficiencies noted above, the potential exists that misstatements or misclassifications would fail to be prevented, or detected and corrected in the consolidated financial statements and related note disclosures.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Oversee the design, implementation, and operation of the organizational structure, and adequately identify and respond to all risks in the control environment to enable management to fulfill its enterprise responsibilities related to lease reporting requirements.
- Assign environmental and disposal liabilities or asset classification internal control responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities.
- Enforce accountability of individuals performing quarterly contingent legal liabilities data call request control responsibilities.

- Complete risk assessments to identify all financial reporting and note disclosure requirement risks, define risks tolerances, analyze risks and respond to risks identified.
- Design, implement, and document financial reporting and note disclosure requirement policies and controls.
- Identify, obtain, process and communicate quality information for financial reporting and note disclosure requirements.
- Monitor the design and operating effectiveness of the quarterly contingent legal liability data call request, general ledger adjustments and asset classification controls.
- Continue to work towards documenting and implementing corrective actions for financial reporting and note disclosure requirements.

O. Intra-governmental Transactions and Intra-entity Eliminations

Management and its service provider did not effectively design and implement controls over transactions with other Federal entities and within the Army GF as follows:

- Management and its service provider did not properly record and present intra-entity obligations in accordance with guidance.
- Management and its service provider did not validate completeness of feeder system data and did not record trading partner entity codes at the transaction level to facilitate reconciling and eliminating intragovernmental transactions to the related general ledger transactional details. In addition, management did not design existing controls to be sufficiently precise, including establishing specific criteria and thresholds for reconciliations, and appropriately presenting adjustments to the correct sub-caption in the Statement of Net Cost.
- Management and its service provider did not develop methodologies, procedures and thresholds to timely reconcile intra-entity activity to determine whether accounts in the trial balance correlate to reciprocal balances prior to elimination in the financial reporting system.

The above conditions primarily resulted because of the following:

- Management and its service provider did not perform a complete risk assessment to define all control objectives, identify all risks and information, define risk tolerances, and analyze risks to fully design, implement, and document policies and controls to address risks.
- Management did not fully design and implement policies and procedures to address completeness risks to ensure the completeness of information before recording journal entries.
- Management and its service provider did not obtain relevant data from reliable internal and external sources in a timely manner based on the identified information requirements.
- Management and its service provider did not timely document and implement corrective actions for intra-governmental transactions and intra-entity eliminations.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-11
- OMB Circular No. A-136
- TFM

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements. Further, the deficiencies could result in a misclassification with certain line items presented in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Complete risk assessments to identify all risks and relevant information, define risk tolerances and control objectives, analyze risks, and respond to risk tolerances related to intra-Treasury Appropriation Fund Symbol transactions identified.
- Design and implement policies and procedures to validate the completeness of feeder system data prior to performing periodic reconciliations and recording journal entries.
- Obtain relevant and reliable trading partner and intra-entity transactional detail, in a format that accurately interfaces to the general ledger system, in a timely manner to meet financial reporting objectives. Until such process updates are made, management should continue to design and implement compensating controls that derive accurate trading partner information.
- Evaluate the significance of the risk of misstatement posed by not resolving unreconciled differences and develop and implement specific criteria and thresholds for researching and resolving discrepancies in a manner that meets financial reporting objectives.
- Continue to work towards documenting and implementing corrective actions for intra-governmental transactions and intra-entity eliminations.

P. Completeness

Management and its service providers did not sufficiently design, implement, and document controls to validate financial transactions are completely and accurately reported in the financial statements as follows:

- Management and its service providers did not fully design, implement, and document controls to validate the completeness and accuracy of financial information from the general ledger systems for year-end balances for operating materials and supplies, property, plant, equipment, environmental and disposal liabilities, procurement, and revenue activities.
- Management and its service providers did not ensure control operators consistently performed and documented required reviews in a timely manner and with thresholds used to identify and resolve exceptions, errors and/ or variances.
- Management and its service providers did not fully design and implement reconciliation processes to validate that financial information is transferred completely and accurately between feeder systems and from feeder systems to the general ledger system, and that adjustments are completed timely for period end financial reporting.

The above conditions primarily resulted because of the following:

- Management and its service providers did not consistently assign responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities to achieve objectives.
- Management and its service providers did not enforce accountability of individuals performing review responsibilities to ensure completeness and accuracy of data.
- Management and its service providers did not perform a complete risk assessment to define all objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management and its service providers did not design, implement, and document policies and controls to address the completeness objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management and its service providers did not identify, obtain, process, and communicate quality information for completeness and accuracy.
- Management and its service providers did not monitor the design and effectiveness of review controls to ensure completeness and accuracy.
- Management and its service providers did not timely document and implement corrective actions for completeness.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government* and *Cost Estimating and Assessment Guide*
- FASAB SFFAS 3: *Accounting for Inventory and Related Property*, SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment,* and Federal Financial Accounting Technical Release 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*

- DoD FMR and DoD policies, and guidance
- Army and Defense Finance and Accounting Service (DFAS) policies, regulations, and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management perform, or work with its service providers, to perform the following to ensure completeness and accuracy:

- Assign responsibilities, delegate authority to individuals and communicate policies and assigned responsibilities.
- Enforce accountability of individuals performing review responsibilities.
- Complete risk assessments to identify all risks, define risk tolerances, analyze risks and respond to risks identified.
- Design, implement, and document policies and controls to record transactions completely and accurately. Such policies should define requirements to demonstrate the completeness and accuracy of reports and require timely completion of control activities at year-end.
- Identify, obtain, process and communicate quality information by supporting the completeness and accuracy of data.
- Monitor the design and operating effectiveness of review controls.
- Continue to work toward documenting and implementing corrective actions, including implementation of integrated systems and validation that new processes and functionality address existing deficiencies.

Q. Entity Level Controls – Other

Management did not properly design and implement entity level controls to establish a control system that will produce reliable financial reporting as follows:

Control Environment. Management did not establish an effective control environment. For example, management did not consistently:

- Oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its enterprise responsibilities.
- Assign responsibilities, delegate authority to individuals, develop and maintain sufficient documentation, and communicate policies and assigned responsibilities within the organization.
- Train and develop individuals to perform their assigned responsibilities to achieve financial reporting objectives.
- Enforce accountability of individuals and service organizations performing internal control responsibilities.

Risk Assessment. Management did not effectively design and implement its risk assessment controls. For example, management did not consistently:

- Perform a complete risk assessment to define all objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks for all financial statements and note disclosures.
- Identify and respond to all risks in the control environment.

Control Activities. Management did not effectively design and implement its control activities as described here in Exhibit I and below in Exhibit II. For example, management did not consistently:

- Fully design, implement, and document policies, information systems, and controls to address the objectives and risks, periodically review policies to ensure policies were appropriate, and review procedures and controls to assess continued relevance and effectiveness.

Information and Communication. Management did not fully design and implement its information and communication controls. For example, management did not consistently:

- Identify, obtain, process, and communicate quality information to support the reliability of financial data and supporting documentation.

Monitoring. Management did not fully design and implement monitoring controls. For example, management did not consistently:

- Monitor the design and effectiveness of entity level, manual, automated, general information technology, and service organization controls for key financial statement line items, note disclosures, and financial risks.
- Perform the risk management and internal controls program as certain groups did not identify and document financial statement assertions and related controls, design and document test procedures, test the controls, and document test results consistent with the guidance.
- Define service organization responsibilities, identify and evaluate service organization and complementary user entity controls, and assess controls not covered by service organization examinations.

- Design, implement, and operate controls to address control deficiencies at service organizations.
- Document, implement, and monitor corrective actions necessary to remediate control deficiencies from prior financial statement audits.

The above conditions primarily resulted because management did not assign the responsibilities to achieve control objectives, enforce accountability across the organization, consistently perform risk assessment procedures to identify all relevant risks, properly design the control environment to respond to risks, properly design and implement its control activities to achieve an effective internal control system, disseminate quality information on a timely basis across the entity, consistently monitor the control environment, and timely complete its corrective action efforts for previously identified deficiencies.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FMFIA
- OMB Circular No. A-123
- Army policies and guidance

Without effective entity level controls, the risk exists that the consolidated financial statements are materially misstated. In addition, there is an increased risk that management will continue to have material weaknesses over financial reporting.

Recommendations:

We recommend that management perform the following:

- Oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its enterprise responsibilities.
- Assign responsibilities, delegate authority to individuals, develop and maintain sufficient documentation and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their assigned responsibilities to achieve financial reporting objectives.
- Enforce accountability of individuals and service organizations performing internal control responsibilities.
- Complete risk assessments to define all objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks in the financial statements and note disclosures.
- Identify and respond to all risks in the control environment.
- Design, implement, and document policies, information systems, and controls to achieve financial reporting objectives, periodically review policies to ensure policies were appropriate, and review procedures and controls to assess continued relevance and effectiveness.
- Identify, obtain, process and communicate quality information for internal controls to support the reliability of financial data and supporting documentation.

- Monitor the design and operating effectiveness of entity level, manual, automated, general information technology, and service organization controls.
- Identify and document financial statement assertions and related controls, design and document test procedures, test the controls, and document test results consistent with Army's risk management and internal controls program guidance.
- Define service organization responsibilities, identify and evaluate service organization and complementary user entity controls, and assess controls not covered by service organization examinations.
- Design, implement, and operate controls to address control deficiencies at service organizations.
- Continue to work towards documenting, implementing, and monitoring corrective actions to remediate control deficiencies from prior financial statement audits.

A. Fund Balance with Treasury

Management and its service provider did not consistently design, implement, and effectively operate controls over the Fund Balance with Treasury (FBwT) reconciliation for the entirety of the fiscal year as follows:

- Management and its service provider did not effectively implement their designed controls, including thresholds, to assign, track, age, research, and resolve FBwT reconciliation variances in a timely manner, in accordance with the Treasury Financial Manual (TFM) and Department of Defense (DoD) policy.
- Management and its service provider did not identify the underlying voucher-level transactional detail for all variances between the unadjusted trial balance and Treasury, nor fully reconcile the voucher-level detail to the undistributed adjustments.

The above conditions primarily resulted because management and its service provider did not fully implement policies and controls to address the FBwT objectives and risks. Management and its service provider did not obtain, process, and communicate all quality information necessary to timely complete its FBwT reconciliation control. Management and its service provider did not fully and timely document and implement corrective actions for its FBwT reconciliation.

The criteria are as follows:

- Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*
- Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1: *Accounting for Selected Assets and Liabilities*
- TFM
- DoD Financial Management Regulation (FMR)

As a result of the deficiencies noted above, the potential exists that controls could fail to prevent, or detect and correct misstatements in the consolidated financial statements. Further, the deficiencies could affect management's ability to report accurate information to Treasury and manage operations at the Treasury Account Fund Symbol (TAFS) level.

Recommendations:

We recommend management perform, or work with its service provider to perform, the following:

- Ensure policies and controls surrounding FBwT are implemented for the entire period covered by the financial statements and note disclosures.
- Obtain, process, and communicate quality information necessary to timely complete its FBwT reconciliation control.
- Continue to work towards fully documenting and implementing corrective actions for the FBwT reconciliation.

A. Federal Managers' Financial Integrity Act of 1982

The United States (U.S.) Department of the Army (Army) General Fund (GF) management (management) performed an internal control assessment as required under the Federal Managers' Financial Integrity Act (FMFIA) of 1982; however, management's assessment did not substantially comply with FMFIA and the related Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB Circular No. A-123), requirements as follows:

- Management did not effectively execute its internal control assessments as management did not consistently document the internal control evaluation plans, financial statement assertions, testing procedures, sample sizes, testing results, and evidence of management review.
- Management did not test all relevant controls, fully develop and update corrective action plans, and effectively monitor corrective action plans.

The above conditions primarily resulted because of the following:

- Management did not enforce accountability of individuals performing FMFIA compliance responsibilities.
- Management did not perform a complete risk assessment to define all FMFIA compliance objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Management did not monitor the design and effectiveness of its FMFIA internal control assessment program.
- Management did not timely implement corrective actions for compliance with FMFIA.

The criteria are as follows:

- FMFIA
- Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-123
- Army policies and guidance

The Army GF did not substantially comply with FMFIA and the related OMB Circular No. A-123 requirements, which may lead to not identifying the appropriate risks, key controls, and not detecting internal control or compliance deficiencies. The risk of not detecting and correcting deficiencies could cause misstatements to the consolidated financial statements.

Recommendations:

We recommend that management perform the following:

- Design, document, and perform the internal control evaluation plans, financial statement assertions, testing procedures, sample sizes, testing results, and evidence of management review.
- Perform and document the internal control assessment for all relevant entity level controls, manual controls covering key financial statement line items and risks, general information technology controls, and system application controls.

- Develop, update, and effectively monitor corrective action plans.
- Enforce accountability of individuals performing FMFIA compliance responsibilities.
- Perform a complete risk assessment to define all FMFIA compliance objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Monitor the design and effectiveness of its FMFIA internal control assessment program, inclusive of whether all identified material weaknesses were reported and attested to in Army's Statement of Assurance.
- Continue to work towards implementing corrective actions for compliance with FMFIA.

B. Federal Financial Management Improvement Act of 1996

The Army GF financial systems did not substantially comply with the following Federal Financial Management Improvement Act of 1996 (FFMIA) requirements as follows:

- **Federal Financial Management Systems Requirements.** As discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiency, management and its service providers did not implement sufficient and effective financial and information technology controls to consistently support reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. As a result, the Army GF did not substantially comply with the federal financial management systems requirements.

- **Federal Accounting Standards.** As discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiency, management and its service providers did not properly design, implement, and effectively operate controls, which affected management's ability to prepare the consolidated financial statements and support the amounts reported in the consolidated financial statements in accordance with the federal accounting standards. Additionally, management's guidance and self-assessment did not address the federal accounting standard requirements. As a result, the Army GF did not substantially comply with the federal accounting standard requirements.

- **U.S. Standard General Ledger.** Management did not configure certain financial management systems and processes to comply with the United States Standard General Ledger (USSGL) requirements at the transaction level. In addition, management did not fully demonstrate that management analyzed all financial processes to determine transactions are recorded consistently with USSGL requirements. Additionally, self-assessment did not address the USSGL requirements. As a result, the Army GF did not substantially comply with the USSGL requirements.

The above conditions primarily resulted because of the following:

- The Army GF did not substantially meet FFMIA requirements because of the reasons discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiency.

- Management did not perform a complete risk assessment to define all FFMIA compliance objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.

- Management did not fully design, implement, and document policies and procedures to address the FFMIA compliance objectives and risks.

- Management did not monitor FFMIA compliance.

- Management did not timely implement and document corrective actions for compliance with FFMIA.

The criteria are as follows:

- FFMIA

- OMB Circular No. A-123

- Treasury Financial Manual (TFM)

As a result of the deficiencies noted above, the financial systems did not substantially comply with FFMIA, and the potential exists that transactions are incorrectly recorded to the general ledger, impacting the completeness, existence, and accuracy of the balances in the consolidated financial statements.

Recommendations:

We recommend that management perform, or work with its service providers to perform, the following:

- Design, implement, and document policies to comply with FFMIA requirements.
- Address the federal accounting standard and USSGL requirements in management's guidance and self-assessments.
- Configure financial management systems and processes to comply with the USSGL requirements and analyze all financial processes to determine transactions are recorded consistently with USSGL requirements.
- Implement the recommendations discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiency to support compliance with the federal financial management system and federal accounting standard requirements.
- Complete risk assessments to define all FFMIA compliance objectives, identify all risks and information, define risk tolerances, analyze risks, and respond to risks identified.
- Monitor FFMIA compliance.
- Continue to work towards documenting and implementing corrective actions for compliance with FFMIA.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-FOI

MEMORANDUM FOR KPMG LLP

SUBJECT: Management Response to the Fiscal Year 2024 Army General Fund Financial Statement Audit Report

1. We appreciate the opportunity to respond to the audit report. We concur with the findings described in the report and remain committed to taking corrective actions to address the identified material weaknesses and instances of non-compliance.

2. As a result of the Audit Acceleration Plan and focusing on its most material areas, the Army exhibits its dedication to resolving long-standing financial reporting issues. In FY 2024, the Army General Fund was able to close one material weakness, Entity Level Controls – Enterprise Responsibilities, and downgrade one material weakness to a significant deficiency, Fund Balance with Treasury. For FY 2025, we will prioritize and focus our remediation efforts in the following areas:

- Secretary of Defense Audit Priorities
  - Advance the Universe of Transactions
  - Strengthen Risk Management and Internal Controls
  - Optimize Asset Valuations and Procurements

- Army General Fund Audit Priorities
  - Execute the FY 2025 Material Weakness Downgrade Plan
  - Enhance the Army's Risk Management and Internal Controls Program
  - Continue to leverage the Army's Continuous Monitoring Program under the Risk Management and Internal Control Program
  - Address and/or close new and legacy audit findings documented by the Army Audit Agency and Department of Defense Inspector General
  - Maintain Army's focus on the Federal Financial Management Improvement Act

3. The Army is looking forward to the opportunities that lie ahead in FY 2025: its continued investment in the Army Audit Acceleration Plan, maintaining its position as the DoD leader of closing IT audit findings, as well as the impending material weakness downgrades in areas such as Environmental and Disposal Liabilities. The Army remains committed to secure an unmodified audit opinion and is positioned to reinvigorate its focus on business processes and internal controls: cornerstones of sound financial management. All of this is done with the American warfighter and their families at the center, because without, the U.S. Army would not be the world's most formidable fighting force.

ROBINSON.RONALD.WESLEY.[redacted] Digitally signed by ROBINSON.RONALD.WESLEY.[redacted] Date: 2024.11.07 15:59:01 -05'00'

R. Wesley Robinson, Jr.
Deputy Assistant Secretary of the Army
(Financial Operations and Information)

Department of Defense – Army General Fund

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of September 30, 2024 and 2023

(Amounts in Thousands)		2024 Consolidated		2023 Consolidated
Assets (Note 2)				
Intragovernmental:				
Fund Balance with Treasury (Note 3)	$	164,441,895	$	144,900,350
Investments (Note 5)		3,674		3,572
Accounts Receivable (Note 6)		1,924,357		1,479,806
Advances and Prepayments (Note 10)		188,057		195,568
Total Intragovernmental		166,557,983		146,579,296
Other than Intragovernmental:				
Cash and Other Monetary Assets (Note 4)		381,893		560,253
Accounts Receivable, Net (Note 6)		5,408,023		4,611,340
Inventory and Related Property (Note 8)		47,904,639		45,136,550
General and Right-to-Use Property, Plant, and Equipment, Net (Note 9)		103,010,185		128,930,043
Advances and Prepayments (Note 10)		379,679		433,435
Other Assets (Note 10)		1,970,963		-
Total Other than Intragovernmental		159,055,382		179,671,621
Total Assets	$	325,613,365	$	326,250,917
Stewardship Property, Plant & Equipment (Note 9)				
Liabilities (Note 11)				
Intragovernmental:				
Accounts Payable	$	2,739,554	$	2,506,896
Advances from Others and Deferred Revenue (Note 15)		12,825		27,138
Other Liabilities (Note 13 and 15)		984,870		1,821,563
Total Intragovernmental		3,737,249		4,355,597
Other than Intragovernmental:				
Accounts Payable		6,060,401		6,123,883
Federal Employee Salary, Leave, and Benefits Payable (Note 13)		7,600,624		5,911,682
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 13)		866,313		910,033
Environmental and Disposal Liabilities (Note 14)		40,580,337		36,458,130
Advances from Others and Deferred Revenue (Note 15)		644,566		659,754
Other Liabilities (Note 15, 16, and 17)		5,790,535		5,227,267
Total Other than Intragovernmental		61,542,776		55,290,749
Total Liabilities	$	65,280,025	$	59,646,346
Commitments and Contingencies (Note 17)				
Net Position				
Unexpended Appropriations – Other Funds	$	152,059,589	$	133,317,045
Cumulative Results of Operations - Dedicated Collections (Note 18)		118,836		127,720
Cumulative Results of Operations - Other Funds		108,154,915		133,159,806
Total Net Position		260,333,340		266,604,571
Total Liabilities and Net Position	$	325,613,365	$	326,250,917

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

Department of Defense – Army General Fund

CONSOLIDATED STATEMENTS OF NET COST (UNAUDITED)

For the Years Ended September 30, 2024 and 2023

(Amounts in Thousands)	2024 Consolidated	2023 Consolidated
Program Costs (Note 19)		
Gross Costs	$ 242,546,948	$ 222,330,368
Military Personnel	70,909,064	69,726,924
Operations, Readiness & Support	83,367,950	72,820,862
Procurement	55,928,210	32,096,162
Research, Development, Test & Evaluation	21,475,948	35,851,659
Family Housing & Military Construction	10,865,776	11,834,761
(Less: Earned Revenue)	$ (27,737,608)	$ (30,053,164)
Net Cost Before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Note 19)	214,809,340	192,277,204
Net Program Costs Including Assumption Changes	214,809,340	192,277,204
Net Cost of Operations	$ 214,809,340	$ 192,277,204

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

Department of Defense – Army General Fund

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION (UNAUDITED)

For the Year Ended September 30, 2024

(Amounts in Thousands)	Dedicated Collections (Note 18)	All Other Funds	Consolidated
Unexpended Appropriations:			
Beginning Balance	$ -	$ 133,317,045	$ 133,317,045
Appropriations Received	-	199,217,267	199,217,267
Appropriations Transferred-in/out	-	7,970,290	7,970,290
Other Adjustments	-	(3,709,754)	(3,709,754)
Appropriations Used	-	(184,735,259)	(184,735,259)
Net Change in Unexpended Appropriations	-	18,742,544	18,742,544
Total Unexpended Appropriations	-	152,059,589	152,059,589
Cumulative Results of Operations			
Beginning Balance	127,720	133,159,806	133,287,526
Other Adjustments	-	81	81
Appropriations Used	-	184,735,259	184,735,259
Non-exchange Revenue	159	1,198	1,357
Donations and Forfeitures of Cash and Cash Equivalents	20,559	394	20,953
Transfers-in/out without Reimbursement	-	2,856,492	2,856,492
Imputed Financing	-	1,877,882	1,877,882
Other	(891)	304,432	303,541
Net Cost of Operations	28,711	214,780,629	214,809,340
Net Change	(8,884)	(25,004,891)	(25,013,775)
Cumulative Results of Operations	118,836	108,154,915	108,273,751
Net Position	$ 118,836	$ 260,214,504	$ 260,333,340

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

Department of Defense – Army General Fund

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION (UNAUDITED)

For the Year Ended September 30, 2023

(Amounts in Thousands)	Dedicated Collections (Note 18)	All Other Funds	Consolidated
Unexpended Appropriations:			
Beginning Balance	$ -	$ 112,850,910	$ 112,850,910
Appropriations Received	-	189,805,964	189,805,964
Appropriations Transferred-in/out	-	15,184,378	15,184,378
Other Adjustments	-	(3,890,704)	(3,890,704)
Appropriations Used	-	(180,633,503)	(180,633,503)
Net Change in Unexpended Appropriations	-	20,466,135	20,466,135
Total Unexpended Appropriations	-	133,317,045	133,317,045
Cumulative Results of Operations			
Beginning Balance	122,372	141,484,746	141,607,118
Other Adjustments	-	(182)	(182)
Appropriations Used	-	180,633,503	180,633,503
Non-exchange Revenue	101	7,585	7,686
Donations and Forfeitures of Cash and Cash Equivalents	63,258	383	63,641
Transfers-in/out without Reimbursement	-	1,545,161	1,545,161
Imputed Financing	-	1,489,327	1,489,327
Other	(28,515)	246,991	218,476
Net Cost of Operations	29,496	192,247,708	192,277,204
Net Change	5,348	(8,324,940)	(8,319,592)
Cumulative Results of Operations	127,720	133,159,806	133,287,526
Net Position	$ 127,720	$ 266,476,851	$ 266,604,571

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

Department of Defense – Army General Fund

COMBINED STATEMENTS OF BUDGETARY RESOURCES (UNAUDITED)

For the Years Ended September 30, 2024 and 2023

(Amounts in Thousands)	2024 Combined	2023 Combined
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 21)	$ 57,488,824	$ 59,135,793
Appropriations (Discretionary and Mandatory)	204,947,998	200,294,491
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	26,860,740	25,298,503
Total Budgetary Resources	$ 289,297,562	$ 284,728,787
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$ 243,324,276	$ 246,860,561
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	38,003,359	29,483,938
Exempt from Apportionment, Unexpired Accounts	84,857	85,166
Unapportioned, Unexpired Accounts	82,049	28,396
Unexpired Unobligated Balance, End of Year	38,170,265	29,597,500
Expired Unobligated Balance, End of Year	7,803,021	8,270,726
Unobligated Balance, End of Year (Total)	45,973,286	37,868,226
Total Budgetary Resources	$ 289,297,562	$ 284,728,787
Outlays, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	185,372,365	177,691,144
Distributed Offsetting Receipts (-)	(417,646)	(316,380)
Agency Outlays, Net (Discretionary and Mandatory)	$ 184,954,719	$ 177,374,764

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

NOTE 1. Significant Accounting Policies

1.A. Description and Mission of Reporting Entity

The United States (U.S.) Department of the Army (Army) mission remains constant: To deploy, fight, and win our Nation's wars by providing ready, prompt, and sustained land dominance by Army forces across the full spectrum of conflict as part of the Joint Force. This mission encompasses the intent of the Congress, as defined in Title 10 and Title 32 of the United States Code (U.S.C.), to preserve peace and security and provide for the defense of the U.S., its territories, commonwealths, possessions, and any areas occupied by the U.S.; support national policies; implement national objectives; and overcome any nations responsible for aggressive acts that imperil the peace and security of the U.S.

This mission has been unchanged for the 249-year life of the Army, but the environment and nature of conflict have undergone many changes over that time, especially with overseas contingency operations. These contingency operations have required that the Army simultaneously transform the way that it fights, trains, and equips its Soldiers. This transformation is progressing rapidly, but it must be taken to its full conclusion if the Army is to continue to meet the Nation's domestic and international security obligations today and into the future.

The Army General Fund (GF) has relationships with Non-Appropriated Funds Instrumentalities (NAFIs) and Federally Funded Research and Development Centers (FFRDCs) that meet certain control elements regarding risk of loss or expectation of benefits. However, the Army GF does not meet enough control elements to consider them consolidated entities. See Note 26, *Disclosure Entities and Related Parties*, for additional information.

1.B. Basis of Presentation and Accounting

The accompanying financial statements and note disclosures have been prepared to report the financial position, financial condition, and results of operations of the Army GF as required by the *Chief Financial Officers Act of 1990*, expanded by the *Government Management Reform Act of 1994*. The financial statements have been prepared from the books and records of the Army GF sub-entities (Army Active, Army Reserve, and Army National Guard) in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB) Circular Number (No.) A-136, *Financial Reporting Requirements.* The accompanying financial statements account for all resources for which the Army GF is responsible.

The accounting structure of the Army GF is designed to reflect both accrual and budgetary accounting transactions. The budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction, such as in the recording of obligations for undelivered orders. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to the receipt or payment of cash.

Statement of Federal Financial Accounting Standards (SFFAS) 56, *Classified Activities*, requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The Army GF has presented comparative financial statements for the Consolidated Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position and Combined Statements of Budgetary Resources, in accordance with OMB financial statement reporting guidelines.

The Army is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded by Army GF.

1.C. Fund Types

The Army GF reporting entity combined Statements of Budgetary Resources include the total available budgetary resources, and their status, for the following fund types:

General Funds: General Funds are used for financial transactions funded by congressional appropriations, which include, but are not limited to, military personnel; operations, readiness, and support; procurement; research, development, test, and evaluation; and family housing and military construction.

Trust Funds and Special Funds: Trust funds contain receipts and expenditures of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute. Special fund accounts are used to record government receipts reserved for a specific purpose. Certain trust and special funds may be designated as funds from dedicated collections.

Deposit Funds: Deposit funds are used to record amounts held temporarily until paid to the appropriate government or public entity. They are not funds of the Army GF and, as such, are not available for the Army GF's operations. The Army GF is acting as an agent or a custodian for funds awaiting distribution.

1.D. Revenues and Other Financing Sources

When authorized by legislation, the Army GF appropriations are supplemented by revenues generated by sales of goods or services. The Army GF recognizes revenue as a result of costs incurred for goods and services provided to other federal agencies and to the public, under the proprietary accrual basis, when earned and without regard to the timing of receipt or payment of cash.

The Army GF excludes nonmonetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statements of Net Cost and in Note 24, *Reconciliation of Net Cost to Net Outlays*. The U.S. has cost-sharing agreements with countries having a mutual or reciprocal defense agreement, where U.S. troops are stationed.

In accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the Army GF records accrued interest from U.S. Treasury securities and user fees transferred from custodial activities in trust and special funds as non-exchange revenue. Exchange revenues arise when the Army GF provides goods and services to the public or to another Government entity for a price.

1.E. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. Significant estimates reported within the Army GF financial statements include useful lives and salvage values of general property, plant, and equipment; accounts payable; probable and measurable contingent legal and other liabilities; and environmental and disposal liabilities.

1.F. Accounting for Intragovernmental Activities

The Treasury Financial Manual (TFM), Part 2 – Chapter 4700, *Agency Reporting Requirements for the Financial Report of the United States Government*, guides for reporting and reconciling intragovernmental balances. Accounting standards require an entity to eliminate intra-entity activity and balances from consolidated financial statements to prevent an overstatement for the business itself.

In certain instances, goods and services are received from other federal agencies at no cost or at a cost less than the full cost to the Army GF. Imputed financing represents the cost paid on behalf of the Army GF by another federal entity. Consistent with SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, certain costs of the providing entity that are not fully reimbursed by the Army GF are recognized as imputed cost in the Statements of Net Cost and are offset by imputed financing in the Statements of Changes in Net Position. The Army GF recognizes imputed costs for:

(1) employee pension, post-retirement health, and life insurance benefits; (2) post-employment benefits for terminated and inactive employees to include unemployment and workers' compensation under the *Federal Employees' Compensation Act*; and (3) losses in litigation proceedings. Consistent with the implementation of SFFAS 55, *Amending Inter-entity Cost Provisions*, certain unreimbursed inter-entity costs of goods and services other than those previously identified are not included in the financial statements.

1.G. Transactions with Foreign Governments and International Organizations

The Army is responsible for implementing individual Foreign Military Sales cases and the sale of U.S. Government-approved defense articles and services to foreign partners and international organizations as approved by the U.S. Department of State under the provisions of the *Arms Export Control Act of 1976*. The cost of administering these sales is required to occur at no cost to the Federal Government. Payment in U.S. dollars is required in advance for each sale.

1.H. Entity and Non-Entity Assets

Entity assets are those assets that the Army GF has the authority to use in its operations. The authority to use funds in an entity's operations indicates either that the Army GF management has the authority to decide how funds are used or that management is legally obligated to use funds to meet entity obligations (e.g., salaries and benefits).

Non-entity assets are those assets held by the Army GF that are not available for use in its operations. The Army GF maintains accountability and reporting responsibility over these assets. Non-entity assets are offset by corresponding liabilities. See Note 2, *Non-Entity Assets* for detail regarding non-entity assets.

1.I. Fund Balance with Treasury

Fund Balance with Treasury (FBwT) represents the aggregate amount of funds in the Army GF's accounts held with the Department of the Treasury (Treasury) for which the Army GF is authorized to make expenditures and pay liabilities. The disbursing offices of Defense Finance and Accounting Service (DFAS), Military Departments, U.S. Army Corps of Engineers (USACE) Finance Center and the financial service centers of the U.S. Department of State process the majority of the worldwide collections, disbursements, and transfers of the Army GF. Monthly, each disbursing office reports to the Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

The Treasury records these summarized transactions to the applicable FBwT account. On a monthly basis, Army GF reconciles FBwT to the Treasury accounts.

See Note 3, *Fund Balance with Treasury*, for detail regarding Fund Balance with Treasury.

1.J. Cash and Other Monetary Assets

Cash is the total of cash resources under the control of the Army GF including coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of both purchased and non-purchased foreign currencies held in foreign currency fund accounts. Foreign currency is valued using the U.S. Treasury prevailing rate of exchange. Due to system limitations that preclude revaluation at period-end, the rate of latest purchase is used as an approximation.

The majority of cash and all foreign currency is classified as "non-entity" and is restricted. Amounts reported consist of cash and foreign currency held by disbursing officers to carry out their paying, collecting, and foreign currency accommodation exchange missions.

The Army GF conducts a significant portion of operations overseas. The Congress established a special account to handle the gains and losses from foreign currency transactions for five GF appropriations: (1) operation and maintenance; (2) military personnel; (3) military construction; (4) family housing operation and maintenance; and (5) family housing construction. The gains and losses are calculated as the variance between the current exchange rate at the date of payment and a budget rate established at the beginning of each fiscal year. Foreign currency fluctuations related to other appropriations require adjustments to the original obligation amount at the time of payment. The Army GF does not separately identify currency fluctuation transactions.

See Note 4, *Cash and Other Monetary Asset*s, for detail regarding cash and other monetary assets.

1.K. Investments and Related Interest

The Army GF reports investments in nonmarketable market-based U.S. Treasury securities at cost, net of amortized premiums or discounts. Premiums or discounts are amortized over the term of the investments using the effective interest rate method. The intent of the Army GF is to hold investments to maturity unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities.

The U.S. Treasury Bureau of Fiscal Service (BFS), on behalf of the Army GF, invests in nonmarketable market-based U.S. Treasury securities. These securities are not traded on any financial exchange but are priced consistently with publicly traded U.S. Treasury securities.

See Note 5, *Investments and Related Interest*, for detail regarding investments and related interest.

1.L. Accounts Receivable

Accounts receivable from other federal entities or the public include accounts receivable, claims receivable, and refunds receivable. Gross accounts receivable, both intragovernmental and with the public, are reduced to net realizable value by an allowance for doubtful accounts for amounts that are deemed uncollectible based on factors such as the aging of the individual accounts receivable, evaluation of the debtor's ability to pay, and payment history by aging category over the previous three years. The Army GF regards its intragovernmental accounts receivable balance, as substantially collectible, as there is no history of material uncollectible balances. Claims for accounts receivable from other federal agencies are resolved between the agencies in accordance with the *Intra-Governmental Transactions (IGT) Guide, Appendix 5*, Overall Intra-Governmental Transactions (IGT) Processes/General Information.

See Note 6, *Accounts Receivable, Net* for detail regarding accounts receivable.

1.M. Inventory and Related Property

The Army GF manages only military or government-specific materiel under normal conditions. Related property includes operating materiel and supplies (OM&S). OM&S is categorized as Held for Use; Held in Reserve for Future Use; Held for Repair; or Excess, Obsolete, and Unserviceable (EOU). OM&S is further classified into OM&S Munitions, consisting of ammunition not held for sale and OM&S Remainder consisting of spare parts, and repair parts.

OM&S is valued at the standard purchase price based upon on the catalog price. Ammunition not held for sale, spare parts, and repair parts are centrally managed and stored, and reported on the Balance Sheets as Inventory and Related Property. As of FY 2023, Army has implemented the consumption method for OM&S items.

See Note 8, *Inventory and Related Property*, for detail regarding inventory and related property.

1.N. General and Right-to-Use Property, Plant, and Equipment, Net

In 2018, the Army GF adopted SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, for land balances, which permitted the disclosure of land acreage information and removal of the land dollar value in opening balances. The Army GF's stewardship land consists mainly of mission-essential land and therefore stewardship land is not presented separately.

General equipment is capitalized at standard purchase price, based upon catalog price, when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the Army GF capitalization threshold. All other assets are capitalized at historical acquisition cost. The Army GF capitalizes improvements to existing General Property, Plant, and Equipment (PP&E) if the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. The Army GF depreciates real property and general equipment, other than Construction-in-Process (CIP), on a straight-line basis.

The capitalization threshold is $250 thousand. The capitalization threshold applies to asset acquisitions and modifications/improvements placed into service after September 30, 2013. PP&E assets acquired prior to October 1, 2013, were capitalized at prior threshold levels ($100 thousand for equipment and $20 thousand for real property) and are carried at their remaining net book value.

As of October 1, 2019, the Army GF follows the Office of the Under Secretary of Defense (Comptroller) policy which requires the financial reporting of real property to be the responsibility of the installation host on whose installation a real property asset is located.

When it is in the best interest of the government, the Army GF provides government property to contractors to complete contract work. The Army GF either owns or leases such property. The Army GF is required to maintain, in its property systems, information on all property furnished to contractors.

See Note 9, *General and Right-to-Use Property, Plant, and Equipment, Net* for detail regarding PP&E.

1.O. Stewardship Property, Plant, and Equipment

Stewardship PP&E includes heritage assets that are not included in the General PP&E caption presented on the Balance Sheets. Heritage assets are unique due to their historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. In general, heritage assets are expected to be preserved indefinitely. These heritage assets consist of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures. The cost of improving, reconstructing, or renovating heritage assets is recognized as an expense in the period incurred. Similarly, the cost to acquire or construct a heritage asset is recognized as an expense in the period incurred. Due to their nature, heritage assets are not depreciated because matching costs with specific periods would not be meaningful.

Heritage assets can serve two purposes: a heritage function and a general government operational function. If a heritage asset serves both purposes, but is predominantly used for general government operations, the heritage asset is considered a multi-use heritage asset, which is depreciated and included in General PP&E on the Balance Sheets.

See Note 9, *General and Right-to-Use Property, Plant, and Equipment, Net* for detail regarding heritage assets.

1.P. Advances and Prepayments

The Army GF reports advances and prepayments that are permitted by law, legislative action, or presidential authorization within other assets on the Balance Sheets. The Army records advances and prepayments to nonfederal entities for various events to include, but not limited to, advances for travel to personnel, advances for military allowances such as living quarter allowances, pay and housing, and for local national payroll down payments.

See Note 10, *Other Assets*, for detail regarding advances and prepayments.

1.Q. Leases

Leases by Army GF, primarily for operating facilities, are classified as either intragovernmental, short term or right-to-use asset leases. An intragovernmental, short-term lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47, *Reporting Entity*, whereby one entity (lessor) conveys the right to control the use of the underlying asset to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. Intragovernmental, short-term leases also include, non-intragovernmental leases with terms of 24 months or less. As lessee, Army GF recognizes intragovernmental, short-term lease payments as expense based on the payment provisions of the lease contract or agreement. Similarly, as lessor Army GF recognizes intragovernmental, short-term lease receipts as revenue.

For leases not classified as intragovernmental, short term, and including its provisions regarding materiality, the Army GF as lessee records the applicable asset under lease as though purchased, with an offsetting liability for the present value of payments expected to be made during the lease term, and amortization on the asset during the respective lease term. The interest rate used in the determination of the present value of the lease is based upon the interest rate on marketable Treasury securities. Similarly, as lessor, Army GF records the present value of the lease as a receivable and recognize unearned revenue.

SFFAS 54, *Leases*, was not implemented for leases.

See Note 9, *General and Right-to-Use Property, Plant, and Equipment, Net,* Note 10, *Other Assets*, Note 15, *Other Liabilities*, and Note 16, *Leases*, for detail regarding leases.

1.R. Other Assets

Other assets include certain contract financing payments not reported elsewhere on the Army GF's Balance Sheet.

The Army GF conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the Army GF may provide financing payments. Contract financing payments are defined in the *Federal Acquisition Regulations (FAR), Part 32 - Contract Financing*, as authorized disbursements to a contractor before acceptance of supplies or services by the government. Contract financing payments clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advances and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts. The Army GF records certain contract financing payments as other assets.

Contract financing payments for Army GF do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion. The *Defense Federal Acquisition Regulation Supplement* authorizes progress payments based on a percentage or a stage of completion only for construction of real property, shipbuilding and ship conversion, alteration, or repair. Progress payments, based on a percentage or stage of completion, are reported as Construction-in-Progress.

See Note 10, *Other Assets*, for detail regarding contract financing payments.

1.S. Contingent and Other Liabilities

Other liabilities include deposit funds and suspense account liabilities, liabilities associated with disbursing officer cash, judgment fund liabilities, the *Federal Employees' Compensation Act* (FECA) reimbursement to the Department of Labor (DOL), custodial liabilities, contract holdbacks, and contingent and other liabilities.

The Army GF recognizes contingent liabilities when past events or exchange transactions occur, such as those arising from legal claims, a future loss is probable, and the loss amount can be reasonably estimated. The Army GF discloses contingent losses when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses.

See Note 15, *Other Liabilities*, and Note 17, *Commitments and Contingencies*, for detail regarding contingent and other liabilities.

1.T. Environmental and Disposal Liabilities

Environmental and disposal liabilities (E&DL) are estimated for the anticipated remediation, cleanup, and disposal costs resulting from the use of the Department's assets or operations. Consistent with SFFAS 5, Accounting for Liabilities of the Federal Government; SFFAS 6, *Accounting for Property, Plant, and Equipment*; SFFAS Technical Release 2: *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.*; Army Gf recognizes an anticipated liability when there is a probable and measurable future outflow of resources.

Interpretation SFFAS 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6* (Interpretation 9), requires component entities that report general PP&E should also recognize the associated E&DL cleanup costs.

For additional information, see Note 14, *Environmental and Disposal Liabilities*.

1.U. Accrued Leave

The Army GF reports liabilities for military leave and accrued compensatory, annual, and credit hour leave for Civilians. Sick leave is expensed as taken. The liabilities are based on current pay rates.

See Note 13, *Federal Employee and Veteran Benefits Payable*, for additional information regarding accrued leave.

1.V. Treaties for Use of Foreign Bases

The Army GF has the use of the land, buildings, and other overseas facilities that are obtained through various international treaties and agreements negotiated by the U.S. Department of State. The Army GF capitalizes assets purchased overseas with appropriated funds; however, the host country retains title to the land and capital improvements. Treaty terms allow the Army GF continued use of these properties until the treaties expire. In the event treaties or other agreements are terminated, use of the foreign bases is prohibited, and losses are recorded for the value of any non-retrievable capital assets. The settlement due to the U.S. or host nation is negotiated and considers the value of capital investments and may be offset by the cost of environmental cleanup.

1.W. Funds from Dedicated Collections

Consistent with SFFAS 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds*, funds from dedicated collections are financed by specifically identified revenues; required by statute to be used for designated activities, benefits, or purposes; and remain available over time. The Army GF is required to account separately for and report on the receipt, use, and retention of revenues and other financing sources for funds from dedicated collections. The portion of cumulative results of operations attributable to funds from dedicated collections is shown separately on both the Statements of Changes in Net Position (SCNP) and the Balance Sheets.

See Note 18, *Funds from Dedicated Collections*, for detail regarding funds from dedicated collections.

1.X. Fiduciary Activities

The Army GF fiduciary activities are, as indicated in SFFAS 31, *Accounting for Fiduciary Activities*, related to the collection or receipt and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which nonfederal individuals or entities have an ownership. The Army GF distinguishes the information relating to its fiduciary activities from all other activities. Fiduciary activities are not recognized within the accompanying financial statements.

See Note 23, *Fiduciary Activities*, for detail regarding fiduciary activities.

1.Y. Federal Employee and Veteran Benefits

The Army GF's actuarial liability for employee compensation benefits is developed by the DOL and provided to the Army GF at the end of each fiscal year. The liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred-but-not-reported claims. The Army GF reported no gains and losses in retirement benefits during this fiscal year. Actuarial assumptions related to Military Retirement and Other Federal Employee and Veterans Benefits Payable are detailed in Note 13, *Current and Former Employee and Veterans Benefits Payable.* The Army GF's policy is to recognize its liability reported by the DOL.

See Note 13, *Current and Former Employee and Veterans Benefits Payable*, for detail regarding federal employee and veteran benefits.

1.Z. Allocation Transfers

The Army GF is a party to allocation transfers with other federal agencies, representing legal delegations of authority to obligate budget authority on its behalf, as a transferring (parent) entity or receiving (child) entity. An allocation transfer is an entity's legal delegation of authority to obligate budget authority and outlay funds on its behalf. All financial activity related to allocation transfers (e.g., budget authority, obligations, and outlays) is reported in the financial statements of the parent entity. Exceptions to this general rule apply to specific funds for which OMB has directed that all activity be reported in the financial statements of the child entity. These exceptions include U.S. Treasury-Managed Trust Funds, Executive Office of the President (EOP), and all other funds specifically designated by OMB.

As a child entity, the Army GF has received allocation transfers from the Department of Health and Human Services, Federal Highway Administration and the U.S. Forest Service that do not meet the OMB exception and that are not reported within these financial statements. In addition, the Army GF receives allocation transfers for the Security Assistance programs that meet the OMB exception for EOP funds. However, the activities for these programs are reported separately from the Army's financial statements based on an agreement with OMB. As a parent entity, the Army GF reports in these financial statements the funds allocated to the U.S. Department of Transportation for the active Army and Army National Guard.

1.AA. Restatements

Not Applicable

1.BB. Standardized Balance Sheet and Related Footnotes – Comparative Year Presentation

The actuarial FECA liability previously reported on the balance sheet as federal employee benefits payable was reclassified to post-employment benefits payable. And the accrued funded payroll and leave liability previously reported on the balance sheet as other liabilities was reclassified to federal employee salary, leave, and benefits payable. Amounts related to prior year have been reclassified to conform to the current year presentation.

NOTE 2. Non-Entity Assets

As of September 30 *(Amounts in thousands)*	2024	2023
1. Intragovernmental Assets		
A. Fund Balance with Treasury	$ 831,270	$ 853,848
B. Total Intragovernmental Assets	$ 831,270	$ 853,848
2. Other than Intragovernmental Assets		
A. Cash and Other Monetary Assets	$ 381,893	$ 560,253
B. Accounts Receivable	19,513	21,911
C. Total Non-Federal Assets	$ 401,406	$ 582,164
3. Total Non-Entity Assets	$ 1,232,676	$ 1,436,012
4. Total Entity Assets	$ 324,380,689	$ 324,814,905
5. Total Assets	$ 325,613,365	$ 326,250,917

Non-Entity Assets

Non-Entity Fund Balance with Treasury consists of deposit funds for payroll tax withholding, other payroll withholding, and cancelled year collections.

Non-Entity Cash and Other Monetary Assets, in addition to cash held by disbursing officers to carry out their paying and collecting missions, includes foreign currency, which is valued using the U.S. Treasury prevailing rate of exchange. Due to system limitations that preclude revaluation at period-end, the rate of latest purchase is used as an approximation.

Non-Entity Other than Intragovernmental Accounts Receivable are from cancelled year appropriations and interest receivables. Collections related to these receivables will be returned to the U.S. Treasury as miscellaneous receipts.

See Note 1.H for additional information.

NOTE 3. Fund Balance with Treasury

As of September 30 *(Amounts in thousands)*	2024	2023
1. Unobligated Balance:		
A. Available	$ 38,088,217	$ 29,569,104
B. Unavailable	7,886,342	8,300,394
C. Total Unobligated Balance	$ 45,974,559	$ 37,869,498
2. Obligated Balance not yet Disbursed	$ 154,630,222	$ 141,823,496
3. Non-Budgetary FBWT:		
A. Clearing Accounts	10,691	8,716
B. Deposit Funds	830,952	843,347
C. Other Non-Entity	317	10,501
D. Total Non-Budgetary FBWT	$ 841,960	$ 862,564
4. Non-FBWT Budgetary Accounts:		
A. Investments – Treasury Securities	$ (3,620)	$ (3,518)
B. Unfilled Customer Orders without Advance	(32,669,947)	(32,231,074)
C. Receivables and Other	(4,331,279)	(3,420,616)
D. Total Non-FBWT Budgetary Accounts	$ (37,004,846)	$ (35,655,208)
5. Total FBWT	$ 164,441,895	$ 144,900,350

Status of Fund Balance with Treasury

The Status of FBwT reflects the budgetary resources to support the FBwT and is a reconciliation between budgetary and proprietary accounts. It consists of unobligated and obligated balances. The balances reflect the budgetary authority remaining for disbursement against current and future obligations.

Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. The unavailable balance consists of funds temporarily precluded from obligation by law which are held by U.S. Treasury. Unobligated balances include balances in expired appropriations that are available only for approved adjustments to prior obligations. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by the public law that established the funds.

Obligated Balance Not Yet Disbursed represents funds against which budgetary obligations have been incurred for goods and services, but disbursements have not been made.

Non-budgetary FBwT includes accounts with no corresponding budgetary authority and therefore not included within unobligated balances above, such as deposit funds, unavailable receipt accounts, clearing accounts, and other non-entity FBwT.

Non-FBwT Budgetary Accounts reduce the Status of FBwT but have no impact on FBwT and must therefore be deducted from the Status of FBwT. Examples include unfilled customer orders without advance, reimbursements, other income earned-receivable, and investment accounts.

The FBwT reported in the Army GF financial statements has been reconciled to the Army GF's balance as reported by Treasury. The differences between FBwT in the Army GF's general ledger and FBwT reflected in the Treasury accounts are attributable to transactions that have not been posted to the Treasury Account Fund Symbol in the Army GF's general ledger as a result of timing differences or errors requiring correction, which are brought into balance before the financial statements are final.

As of September 30, 2024 and 2023, the unused funds in expired appropriations that were returned to the Department of Treasury at the end of the fiscal year were $3.5 billion and 3.7 billion, respectively. These balances are excluded from amounts reported as FBwT.

NOTE 4. Cash and Other Monetary Assets

As of September 30 *(Amounts in thousands)*	2024	2023
1. Cash	$ 233,046	$ 323,700
2. Foreign Currency	148,847	236,553
3. Total Cash, Foreign Currency, & Other Monetary Assets	$ 381,893	$ 560,253

Cash and Other Monetary Assets are non-entity assets and by nature the Army GF may not obligate against these assets. See Note 2, *Non-Entity Assets*, for additional information regarding Cash and Other Monetary Assets.

Foreign currency is required to be valued using the U.S. Treasury prevailing rate of exchange as of the financial statement date. Due to current system limitations that preclude revaluation at period-end, the rate of latest purchase is used as an approximation.

NOTE 5. Investments and Related Interest

As of September 30	2024					
(Amounts in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value Disclosure
1. Intragovernmental Securities						
A. Nonmarketable, Market-Based						
i. Gift Funds	$ 3,620	$ 54	$ -	$ 3,674	$ 75	$ 3,749
B. Accrued Interest	-	-	-	-	-	-
C. Total Intragovernmental Securities	$ 3,620	$ 54	$ -	$ 3,674	$ 75	$ 3,749

As of September 30	2023					
(Amounts in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value Disclosure
1. Intragovernmental Securities						
A. Nonmarketable, Market-Based						
i. Gift Funds	$ 3,518	$ 52	$ 2	$ 3,572	$ 68	$ 3,640
B. Accrued Interest	-	-		-		-
C. Total Intragovernmental Securities	$ 3,518	$ 52	$ 2	$ 3,572	$ 68	$ 3,640

Information Related to Investments and Related Interest
Investments and Related Interest are comprised of the Army Gift Fund. The Army Gift Fund, a fund from dedicated collections, was established to control and account for the disbursement and use of monies donated to the Army GF along with interest received from the investment of such donations. The related earnings are allocated to the appropriate Army GF activities to be used in accordance with the directions of the donor. These funds are recorded as Nonmarketable Market-Based U.S. Treasury Securities, which are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. The amortization method used is the effective interest rate.

See Note 18, *Funds from Dedicated Collections*, for detail regarding funds from dedicated collections.

NOTE 6. Accounts Receivable, Net

As of September 30	2024		
(Amounts in thousands)	Gross Amount Due	Allowance For Uncollectible Accounts	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 1,926,015	$ (1,658)	$ 1,924,357
2. Other than Intragovernmental	$ 5,677,283	$ (269,260)	$ 5,408,023
3. Total Accounts Receivable	$ 7,603,298	$ (270,918)	$ 7,332,380

As of September 30	2023		
(Amounts in thousands)	Gross Amount Due	Allowance For Uncollectible Accounts	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 1,481,463	$ (1,657)	$ 1,479,806
2. Other than Intragovernmental	$ 4,786,344	$ (175,004)	$ 4,611,340
3. Total Accounts Receivable	$ 6,267,807	$ (176,661)	$ 6,091,146

Accounts Receivable represent the Army GF's claim for payment from other entities. Intragovernmental receivables report amounts outstanding to be received from other federal agencies; other than intragovernmental amounts report corresponding amounts owed from all other, nonfederal parties. Amounts reported reflect their net realizable values.

The Army GF recognizes an allowance for doubtful accounts (estimated uncollectible amounts) for accounts receivable for both intragovernmental and other than intragovernmental. The allowance for uncollectible amounts for accounts receivable for both intragovernmental and other than intragovernmental accounts receivable are derived by applying specific percentages by aging category. Intragovernmental uncollectible balances up to two years overdue are not recognized, while those over two years overdue are recognized at 100%. Other than intragovernmental uncollectible balances up to 90 days overdue are not recognized, while those over two years overdue are recognized at 100%. For other than intragovernmental uncollectible balances between 90 days and two years overdue, the allowance percentage is calculated using the average uncollectible balances over the preceeding 36 months.

NOTE 7. Loans Receivable, Net and Loan Guarantee Liabilities

Not Applicable

NOTE 8. Inventory and Related Property

As of September 30 *(Amounts in thousands)*	2024	2023
1. Operating Materiel & Supplies: Munitions, Net	$ 41,302,475	$ 45,136,550
2. Operating Materiel & Supplies: Remainder, Net	6,602,164	-
3. Total Operating Materiel & Supplies	$ 47,904,639	$ 45,136,550

Operating Materials and Supplies: Munitions

As of September 30	2024	
(Amounts in thousands)	OM&S	Valuation Method
1. OM&S Categories		
A. Held for Use	$ 36,471,754	Standard Price
B. Held in Reserve for Future Use	2,087,651	Standard Price
C. Held for Repair	2,743,070	Standard Price
D. Excess, Obsolete, and Unserviceable	-	NRV
E. Total OM&S Munitions	$ 41,302,475	

*NRV = Net Realizable Value

As of September 30	2023		
(Amounts in thousands)	OM&S		Valuation Method
1. OM&S Categories			
A. Held for Use	$	39,239,723	Standard Price
B. Held in Reserve for Future Use		2,869,957	Standard Price
C. Held for Repair		3,026,870	Standard Price
D. Excess, Obsolete, and Unserviceable		-	NRV
E. Total OM&S Munitions	$	45,136,550	

*NRV = Net Realizable Value

Operating Materials and Supplies: Remainder

As of September 30	2024		
(Amounts in thousands)	OM&S		Valuation Method
1. OM&S Categories			
A. Held for Use	$	4,031,000	Standard Price
B. Held in Reserve for Future Use		184,522	Standard Price
C. Held for Repair		2,386,642	Standard Price
D. Excess, Obsolete, and Unserviceable		-	NRV
E. Total OM&S Remainder	$	6,602,164	

*NRV = Net Realizable Value

As of September 30	2023		
(Amounts in thousands)	OM&S		Valuation Method
1. OM&S Categories			
A. Held for Use	$	-	Standard Price
B. Held in Reserve for Future Use		-	Standard Price
C. Held for Repair		-	Standard Price
D. Excess, Obsolete, and Unserviceable		-	NRV
E. Total OM&S Remainder	$	-	

*NRV = Net Realizable Value

The Army GF reports OM&S comprised of ammunition (OM&S Munitions), spare parts and repair parts (OM&S Remainder). There are no restrictions on OM&S.

Managers determine which items are costlier to repair than to replace, or those that are hazardous and/or unrepairable, and the value of these items are reported as unserviceable within the overall excess, obsolete, and unserviceable category. OM&S stocks that exceed the amount expected to be used in normal operations and are not held in reserve for future use are considered excess. Army GF incorporates a series of analyses based on current OM&S stocks in combination with current and contingent operational conditions to make this assessment. Materiel that are no longer needed, relevant, or usable due to changes in technology, laws, customs, or operations are considered obsolete. All items assigned attributes to be reflected within the excess, obsolete, and unserviceable category are valued at their estimated net realizable value (NRV).

As a result of Army GF performing a series of analyses over OM&S items, e.g., materiel required for the period, relevant cost, and availability of materiel in the future, those items not identified as excess can be aligned to the OM&S held in reserve for future use population, provided that they have been assigned specific condition codes. Items in these condition codes are held pending determination of use or resolution of suspension and may be used in specific emergency or other specified instances or otherwise eventually deemed usable and needed, although not necessarily in the normal course of operations.

For OM&S EOU items, Army GF has determined their estimated NRV to be $0. Army GF confirms this assessment on an annual basis. For the year ended FY 2024 and FY 2023, Army GF recognized a loss of approximately $222.5 million and $233.9 million, respectively, for Army-owned OM&S assets that have entered into OM&S EOU from OM&S Held for Use, OM&S Held in Reserve for Future Use, and OM&S Held for Repair.

NOTE 9. General and Right-to-Use Property, Plant, and Equipment, Net

Major General and Right-to-Use PP&E Asset Classes

As of September 30 (Amounts in thousands)	2024 Useful Life*	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes				
A. Land (see narrative)				
B. Buildings, Structures, and Facilities	35, 40 or 45	$ 114,007,867	$ (55,221,091)	$ 58,786,776
C. Leasehold Improvements	Lease term	-	-	-
D. Software	2-5 or 10	501,718	(206,237)	295,481
E. General Equipment	Note**	150,146,894	(112,309,069)	37,837,825
F. Right-to-Use Lease Assets (Note 16)		527,644	-	527,644
G. Construction-in- Progress	N/A	5,562,459	-	5,562,459
H. Other	N/A	-	-	-
I. Total General PP&E		$ 270,746,582	$ (167,736,397)	$ 103,010,185

As of September 30 (Amounts in thousands)	2023 Useful Life*	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes				
A. Land (see narrative)				
B. Buildings, Structures, and Facilities	35, 40 or 45	$ 112,112,501	$ (53,297,687)	$ 58,814,814
C. Leasehold Improvements	Lease term	-	-	-
D. Software	2-5 or 10	501,718	(206,237)	295,481
E. General Equipment	Note**	192,236,006	(127,000,212)	65,235,794
F. Construction-in- Progress	N/A	4,583,954	-	4,583,954
G. Other	N/A	-	-	-
H. Total General PP&E		$ 309,434,179	$ (180,504,136)	$ 128,930,043

* Depreciation method (where applicable) = Straight Line

** Note: Useful lives range from 2 to 50 years

General and Right-to-Use PP&E, Net – Summary of Activity

As of September 30 (Amounts in thousands)	2024
General and Right-to-Use PP&E, Net, Beginning Balance	$ 128,930,043
Acquisitions	10,196,675
Right-to-Use Lease Assets, Current Year Activity	527,644
Depreciation/Amortization	(11,960,324)
Disposals/Transfers/Revaluations	(22,814,387)
PP&E Permanently Removed but Not Yet Disposed	(1,869,466)
General PP&E, Net, End of Year	$ 103,010,185

As of September 30 (Amounts in thousands)	2023
General PP&E, Net, Beginning of Year	$ 136,478,842
Acquisitions	14,025,010
Depreciation/Amortization	(16,801,641)
Disposals/Transfers/Revaluations	(4,772,168)
Other	-
General and Right-to-Use PP&E, Net, End of Year	$ 128,930,043

General PP&E

The Army GF has no restrictions on the use or convertibility of General PP&E.

Army GF does not partially impair general equipment assets and therefore does not disclose impairment loss for assets. Real property assets can be considered partially impaired due to permanent damages. As such, these are flagged as no intent to repair or to be marked for eventual disposal.

As of September 30, 2024, the Army GF owned 12,199,382 acres of land and 659,487 leased acres for a total of 12,858,869 acres in land rights. As of September 30, 2023, the Army GF reported 11,618,240 acres of land and leased 599,501 acres for a total of 12,217,741 acres in land rights. The Army GF's stewardship land consists mainly of mission-essential land and therefore stewardship land is not presented separately.

General PP&E deferred maintenance and repair totals are reported as Required Supplementary Information.

Heritage Assets and Stewardship Land Information
The Army GF is unable to identify all quantities of heritage assets and stewardship land added through donation or devise in FY 2024 due to limitations of the Army GF's financial and nonfinancial management processes and systems.

Relevance to Army Mission
The Army GF has stewardship responsibilities for heritage assets that date not only from the military history of the land, but also from prior historic occupations. The Army GF relies upon heritage assets, such as historic buildings and stewardship land, for daily use in administering, housing, and training Soldiers. Heritage assets not currently employed as multi-use, such as archeological collections or museum collections, are items that embody the multi-faceted history of the land, the military, the local communities, and the Nation. In that mission, the Army GF, with minor exceptions, uses most of the buildings and stewardship land in its daily activities and includes the buildings on the Balance Sheets as multi-use heritage assets (capitalized and depreciated).

Stewardship Policy
SFFAS 29, *Heritage Assets and Stewardship Land*, requires note disclosures for these types of assets. The Army GF's policy is to preserve its heritage assets, which are items of historical, cultural, educational, or artistic importance.

Heritage Asset Categories

Buildings and Structures – Buildings and structures, including multi-use heritage assets which are listed on, or eligible for listing on, the National Register of Historic Places in accordance with Section 110, *National Historical Preservation Act*.

Archaeological Sites – Sites that have been identified, evaluated, and determined to be eligible for, or are listed on, the National Register of Historical Places in accordance with Section 110, *National Historical Preservation Act.*

Museum Collection Items – Items that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant technical or architectural characteristics.

Heritage Asset Category	As of Oct 1, 2023	Increase	Decrease	As of Sept 30, 2024
Buildings and Structures	15,521	1,279	(1,799)	15,001
Archaeological Sites	11,355	-	(45)	11,310
Museum Collection Items	567,241	958	(6,448)	561,751

Acquisition and Withdrawal of Heritage Assets
Buildings and structures become eligible for listing in the National Register when they become 50 years old. They are determined eligible for listing on the National Register of Historic Places in conjunction with the State Historic Preservation Officer, or through an official Determination of Eligibility from the Keeper of the National Register, against the eligibility criteria in the *National Historic Preservation Act* (NHPA). Of the total increase of 1,279 buildings, an increase of 458 is due to Army infrastructure aging into eligibility for the National Register, and an increase of 821 is a result of data improvement efforts. The decrease of 1,799 buildings is due to disposal of Army infrastructure that previously aged into eligibility for the National Register.

Archaeological sites are determined eligible for listing on the National Register of Historic Places in conjunction with the State Historic Preservation Officer, or through an official Determination of Eligibility from the Keeper of the National Register, against the eligibility criteria in NHPA. Increases in National Register-eligible archaeological sites are due to additional surveys that identified eligible archaeological sites and previously recorded sites that have been newly determined eligible or listed in the current FY and for which a determination of eligibility has been made. Additionally, Army determined that 36 of the sites previously reported under GF are located on WCF installations, representing the majority of decreases in FY 2024. The remaining decreases in National Register-eligible archaeological sites are due to disposal of land or destruction.

Increases in the Army Museum Collection mostly represent the number of artifacts gifted (467 of 958 are gifts) or transferred to the Army. A small portion of this number represents data clean up including objects found in collection (on installation) without documentation and reactivation of records of artifacts previously processed as missing but found during subsequent inventory.

Decreases to the Army Museum Collection mostly represent artifacts determined as irrelevant or excess to the Army's mission and were appropriately transferred or disposed. The U.S. Army Center of Military History executed all transfers to other federal entities. Defense Logistics Agency or General Services Administration handled all dispositions or transfers of assets to qualified, non-federal entities. A small portion of this number represents data clean up across the Army Museum Enterprise.

Deferred Maintenance and Repair

For information on the condition of heritage assets, to include Stewardship Land, refer to the *Required Supplementary Information* section of the report.

NOTE 10. Other Assets

As of September 30 *(Amounts in thousands)*		2024		2023
1. Intragovernmental Other Assets				
A. Advances and Prepayments	$	188,057	$	195,568
B. Total Intragovernmental Other Assets	$	188,057	$	195,568
2. Other than Intragovernmental Other Assets				
A. Outstanding Contract Financing Payments	$	9,691	$	9,691
B. Advances and Prepayments		369,988		423,744
C. Other Assets		1,970,963		
D. Subtotal Other than Intragovernmental Other Assets		2,350,642		433,435
E. Less: "Outstanding Contract Financing Payments" and "Advances and Prepayments" totaled and presented on the Balance Sheet as "Advances and Prepayments"		(379,679)		(433,435)
F. Net Other than Intragovernmental Other Assets	$	1,970,963	$	-
3. Total Other Assets	$	2,159,020	$	195,568

Advances and Prepayments

Advances and prepayments to both federal entities and with the public entities are made by the Army GF to cover certain periodic expenditures before those expenses are incurred, or for goods and services to provide for future benefits over a specified time period. They apply when it is the generally accepted industry practice to pay for items in advance of the service being provided and the prepayment is authorized by Army GF.

Outstanding Contract Financing Payments

As defined within the *Federal Acquisition Regulation*, Part 32, *Contract Financing*, paragraph 32.001, a contract financing payment is an authorized Government disbursement of monies to a contractor prior to acceptance of supplies or services by the Government, and may include:

(i) Advance payments;

(ii) Performance-based payments;

(iii) Commercial advance and interim payments;

(iv) Progress payments based on cost;

(v) Interim payments under a cost reimbursement contract.

Contract financing payments include specific types of payments that convey certain rights to the Army GF that protect the contract work from state or local taxation; liens or attachment by the contractors' creditors; transfer of property; or disposition in bankruptcy. However, these rights should not be misconstrued to mean that ownership of the contractor's work has transferred to the Army GF. The Army GF does not have the right to take the work, except as provided in contract clauses related to termination or acceptance, and the Army GF is not obligated to make payment to the contractor until delivery and acceptance.

Other than Intragovernmental, Other Assets include $1.9 billion of equipment permanently removed from service, primarily combat and tactical vehicles, not yet disposed, and $0.1 billion of right-to-use lessor lease receivables (see Note 16, Leases, for additional information).

NOTE 11. Liabilities Not Covered by Budgetary Resources

As of September 30 *(Amounts in thousands)*	2024	2023
1. Intragovernmental Liabilities		
A. Accounts Payable	$ -	-
B. Other	254,928	$ 254,599
C. Total Intragovernmental Liabilities	$ 254,928	$ 254,599
2. Other than Intragovernmental Liabilities		
A. Accounts Payable	$ 3,407,048	$ 2,357,314
B. Federal Employee and Veteran Benefits Payable	5,554,324	5,465,046
C. Environmental and Disposal Liabilities	38,721,425	35,172,345
D. Other Liabilities	4,186,138	4,160,787
E. Total Other than Intragovernmental Liabilities	$ 51,868,935	$ 47,155,492
3. Total Liabilities Not Covered by Budgetary Resources	$ 52,123,863	$ 47,410,091
4. Total Liabilities Covered by Budgetary Resources	$ 11,926,178	$ 10,747,058
5. Total Liabilities Not Requiring Budgetary Resources	$ 1,229,984	$ 1,489,197
6. Total Army GF Liabilities	$ 65,280,025	$ 59,646,346

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intragovernmental Liabilities, Other, consists of the unfunded FECA liability of $172.9 million, liabilities related to the Judgment Fund of $27.0 million, and $54.9 million of other unfunded employment-related liabilities, as of September 30, 2024, and of the unfunded FECA liability of $172.6 million, liabilities related to the Judgment Fund of $56.6 million, and $25.4 million of other unfunded employment-related liabilities, as of September 30, 2023.

Other than Intragovernmental Liabilities Accounts Payable represent amounts that are related to canceled appropriations. These amounts will require resources funded from future-year appropriations, which will be paid from funds available for obligation and outlay in the respective years.

Federal employee and veteran benefits payable consist of various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities are comprised of accrued unpaid annual leave of $4.7 billion and the actuarial FECA benefits liability of $0.9 billion as of September 30, 2024 and accrued unpaid annual leave of $4.6 billion and the actuarial FECA benefits liability of $0.9 billion as of September 30, 2023. Refer to Note 13, *Current and Former Employee and Veterans Benefits Payable*, for additional details and disclosures.

Environmental and Disposal Liabilities represent the Army GF's liability for existing and anticipated environmental cleanup and disposal (see Note 14, *Environmental and Disposal Liabilities*).

Certain Environmental and Disposal Liabilities; Federal Employee and Veteran Benefits payable; contingent liabilities; and Accounts Payable from Canceled Appropriations are not covered by budgetary resources because there are no current or immediate appropriations available for liquidation. These liabilities will require resources funded from future-year appropriations.

Other than Intragovernmental, Other Liabilities consists primarily of $2.0 billion in conventional munitions disposal; $1.1 billion in contracted Army cadet scholarship liabilities; and $1.1 billion in contingent legal liabilities as of September 30, 2024, and

$1.9 billion in conventional munitions disposal, $1.1 billion in contracted Army cadet scholarship liabilities, and $1.2 billion in contingent legal liabilities as of September 30, 2023 (see Note 15, *Other Liabilities*).

Liabilities not requiring budgetary resources in both fiscal years 2024 and 2023 consist of those recorded for deposit funds and suspense accounts.

NOTE 12. Federal Debt and Interest Payable

Not Applicable

NOTE 13. Current and Former Employee and Veterans Benefits Payable

As of September 30	2024		
(Amounts in thousands)	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
1. Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)			
A. Pensions, Other Post-employment, and Veterans Benefits Payable			
1. FECA	$ 866,313	$ -	$ 866,313
B. Total Pensions, Other Post-employment and Veterans Benefits Payable	$ 866,313	$ -	$ 866,313
C. Federal Employee Salary, Leave, and Benefits Payable	$ 7,600,624	$ (2,912,613)	$ 4,688,011
2. Total Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	$ 8,466,937	$ (2,912,613)	$ 5,554,324
3. Other Benefit-Related Payables Included in Intragovernmental Other Liabilities on the Balance Sheet	$ 528,168	$ (328,219)	$ 199,949
4. Total Federal Employee and Veteran Benefits Payable	$ 8,995,105	$ (3,240,832)	$ 5,754,273

As of September 30	2023		
(Amounts in thousands)	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
1. Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)			
A. Pensions, Other Post-employment, and Veterans Benefits Payable			
1. FECA	$ 910,033	$ -	$ 910,033
B. Total Pensions, Other Post-employment and Veterans Benefits Payable	$ 910,033	$ -	$ 910,033
C. Federal Employee Salary, Leave, and Benefits Payable	$ 5,013,812	$ (458,799)	$ 4,555,013
2. Total Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	$ 5,923,845	$ (458,799)	$ 5,465,046
3. Other Benefit-Related Payables Included in Intragovernmental Other Liabilities on the Balance Sheet	$ 1,182,380	$ (984,391)	$ 197,989
4. Total Federal Employee and Veteran Benefits Payable	$ 7,106,225	$ (1,443,190)	$ 5,663,035

Federal Employees' Compensation Act (FECA)

Actuarial Cost Method

The Department of Labor (DOL) annually determines the liability for future workers' compensation benefits including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred-but-not-reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the final payment related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value based on interest rate assumptions on the U.S. Treasury's Yield Curve for U.S. Treasury Nominal Coupon Issues (TNC Yield Curve) which reflects the average duration of income payments and medical payments.

Assumptions

The DOL calculates this liability using wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPI-M). The actual rates for these factors for charge back year (CBY) 2023 were also used to adjust the methodology's historical payments to current year constant dollars. The projected annual benefit payments are discounted to the present value using the Office of Management and Budget's economic assumptions for 10-year U.S. Treasury notes and bonds. COLA and CPI-M provided by the DOL are also applied to the calculation of projected future benefits. The estimated actuarial liability is updated only at the end of each fiscal year.

Interest rate assumptions utilized for discounting were as follows:

2024 Discount Rates
For wage benefits:
2.648% in Year 1 and years thereafter.
For medical benefits:
2.399% in Year 1 and years thereafter.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, COLAs and CPI-Ms were applied to the calculation of projected future benefits. The actual rates for these factors for the chargeback year (CBY) 2024 were used to adjust the historical payments associated with the methodology to current year constant dollars.

The compensation COLAs and CPI-Ms used in the projections for various CBYs were as follows:

CBY	COLA	CPI-M
2024	N/A	N/A
2025	4.27%	2.55%
2026	4.42%	2.85%
2027	4.17%	3.21%
2028	3.17%	3.37%
2029	2.57%	3.98%

The resulting projections from the model were analyzed to ensure that the estimates were reliable. The analysis was based on four tests: (1) a sensitivity analysis of the model in comparison to economic assumptions; (2) a comparison, by agency, of the percentage change in the liability amount to the percentage change in the actual incremental payments; (3) a comparison of the incremental paid losses per case (a measure of case-severity) in CBY 2024 to the average pattern observed during the most current three CBYs; and (4) a comparison of the estimated liability per case in the CBY 2024 projection to the average pattern for the projections of the most recent three years.

2023 Discount Rates
For wage benefits:
2.326% in Year 1 and years thereafter.
For medical benefits:
2.112% in Year 1 and years thereafter.

To provide more specifically for the effects of the inflation on the liability for future workers' compensation benefits, COLAs and CPI-Ms were applied to the calculation of projected future benefits. The actual rates for these factors for the CBY 2023 were used to adjust the historical payments associated with the methodology to current year constant dollars.

The compensation COLAs and CPI-Ms used in the projections for various CBYs were as follows:

CBY	COLA	CPI-M
2023	N/A	N/A
2024	4.04%	3.25%
2025	4.29%	3.21%
2026	4.38%	3.51%
2027	4.13%	3.87%
2028	3.13%	4.03%

The resulting projections from the model were analyzed to ensure that the estimates were reliable. The analysis was based on four tests: (1) a sensitivity analysis of the model in comparison to economic assumptions; (2) a comparison, by agency, of the percentage change in the liability amount to the percentage change in the actual incremental payments; (3) a comparison of the incremental paid losses per case (a measure of case-severity) in CBY 2023 to the average pattern observed during the most current three CBYs; and (4) a comparison of the estimated liability per case in the CBY 2023 projection to the average pattern for the projections of the most recent three years.

Federal Health and Other Benefits
OPM, as the administrating agency for the Army GF's life and other insurance programs covering civilian employees, establishes the types of insurance, options for coverage, the premium amounts to be paid by the employees and the amount of benefit received. The Army GF has no role in negotiating these insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholding related to the insurance and employer contributions are submitted to OPM.

Other Federal Employment Benefits
Other Benefits, Other consists of Employer Contributions and Payroll Taxes Payable, other than health, life and retirement benefits.

The Other Benefit-Related Payables included in Intragovernmental Other Liabilities on the Balance Sheet
The Other Benefit-Related Payables included in Intragovernmental Other Liabilities on the Balance Sheet amount is consistent with the Intragovernmental Other Liabilities, reported on the Note 13, *Current and Former Employee and Veterans Benefits Payable Current Liability* line in Note 15. The reference is included here to demonstrate the summary balances align with the Army GF's balance sheet. These balances include employer contributions and payroll taxes payable for health, life and retirement benefits and required FECA Reimbursements to the DOL. The liabilities for the FECA reimbursement to the DOL represents balances due under the Federal Employee Compensation Act. This amount includes balances due in both FY 2024 and FY 2025 for both incurred and estimated costs.

Other Disclosures
DFAS Financial Reporting – Audited Financial Statements Division provides updated Army actuarial liabilities during the fourth quarter of each fiscal year. The Army GF portion of the total Army actuarial liability is based on the FECA expense as reported by the DOL.

NOTE 14. Environmental and Disposal Liabilities

As of September 30 *(Amounts in thousands)*	2024	2023
1. Environmental Liabilities		
A. Accrued Environmental Restoration Liabilities		
i. Active Installations – Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	$ 4,266,262	$ 3,458,022
ii. Active Installations – Military Munitions Response Program (MMRP)	1,900,761	1,793,414
iii. Formerly Used Defense Sites – IRP and BD/DR	4,080,008	3,535,977
iv. Formerly Used Defense Sites – MMRP	12,012,230	10,564,530
B. Other Accrued Environmental Liabilities—Non-Base Realignment and Closure (BRAC)		
i. Environmental Corrective Action	5,063,026	4,835,352
ii. Environmental Closure Requirements	1,527,662	1,468,630
iii. Environmental Response at Operational Ranges	-	-
iv. Asbestos	2,671,310	2,995,932
v. Other	11,005	8,149
C. Base Realignment and Closure Installations		
i. Installation Restoration Program	1,276,363	1,176,001
ii. Military Munitions Response Program	1,194,405	961,816
iii. Environmental Corrective Action / Closure Requirements	358,266	463,602
D. Military Equipment and Weapons Program		
i. Nuclear Powered Military Equipment / Spent Nuclear Fuel	6,217,758	5,193,542
ii. Non-Nuclear Powered Military Equipment	3	-
E. Red Hill Response		
i. Community Involvement	1,278	3,163
2. Total Environmental Liabilities	$ 40,580,337	$ 36,458,130

Types of Environmental and Disposal Liabilities (E&DL) Identified

The Army GF's Environmental & Disposal Liability (E&DL) consists of both event-driven and asset-driven liabilities. Event-driven liabilities address past releases of contamination to the environment that require future cleanup. Asset-driven liabilities include the environmental disposal costs incurred at the end of an asset's useful life for General PP&E. The Army GF addresses cleanup of contamination resulting from previous waste disposal practices, leaks, spills, and other past activities. This cleanup requirement applies to releases of hazardous substances and wastes that create risk to public health and/or environment or risk caused by exposure to unexploded ordnance, discarded military munitions, and munitions constituents at sites other than active operational ranges. However, cleanup costs related to hazardous substances that migrated off operational ranges are included in the liability. The Army GF's E&DL are reported in six general categories:

A. Accrued Environmental Restoration Liabilities [Active Installations and Formerly Used Defense Sites (FUDS)];
B. Other Accrued Environmental Liabilities (Non-BRAC);
C. Base Realignment and Closure (BRAC) Installations;
D. Environmental Disposal for Military Equipment / Weapons Programs;
E. Chemical Weapon Disposal Program; and
F. Red Hill Response

The Army GF addresses event-driven liabilities for 1) Accrued Environmental Restoration Liabilities under the Defense Environmental Restoration Program (DERP) including Active Installations, Base Realignment and Closure (BRAC), and Formerly Used Defense Sites (FUDS); 2) Environmental Corrective Actions to include the Compliance-Related Cleanup (CC) Program, or corrective actions, not covered by DERP; 3) Chemical Weapons Disposal Program; and 4) Red Hill Response.

The Army GF separated asset-driven liabilities for closure and disposal under Other Accrued Environmental Liabilities and Environmental Disposal for Military Equipment / Weapons Programs. Asset-driven liabilities reported under Other Accrued Environmental Liabilities include: 1) Environmental Closure Requirements on Line 1.B.ii such as : Resource Conservation Recovery Act (RCRA) Hazardous Waste Facilities, Landfills, asbestos wrapping on steam pipes, underground storage tanks (USTs), aboveground storage tanks (ASTs), above (ABV) and underground (UNDR) piping associated with storage tanks, and other asset closures; 2) Asbestos on Line 1.B.iv which includes buildings and structures with Asbestos Containing Material (ACM) or Other Regulated Material (ORM); 3) Environmental Response at Operational Ranges on Line 1.B.iii which includes inactive ranges and; 4) Other Non-BRAC on Line 1.B.v including operational landfills. Asset-driven liabilities reported under Environmental Disposal for Military Equipment / Weapons Programs include: 1) Nuclear Powered Equipment / Spent Nuclear Fuel on Line 1.D.i to include Nuclear Regulatory Commission (NRC) license holders (previously low-level radioactive waste) and the decommissioning of nuclear reactors and 2) Non-Nuclear Powered Miliary Equipment, commonly referred to as General Equipment.

For each category, the E&DL reflects the estimated future work required to address legal and environmental disposal or closure requirements.

Applicable Laws and Regulations

This section provides the guidance, policies, laws, and regulations that govern the development and reporting of the environmental and disposal liabilities.

The DERP statute was established by Section 211 of the *Superfund Amendments and Reauthorization Act* (SARA) of 1986 codified in Title 10 of the United States Code (U.S.C.) 2700 et. seq. For Active Army installations, DERP eligibility requirements will determine whether liabilities are reported under line 1.A or 1.C. The Army GF also reports remediation costs resulting from waste disposal practices, leaks, and spills governed by DoD Instruction (DoDI) 4715.05, *Environmental Compliance at Installations Outside the United States*; DoDI 4715.06, *Environmental Compliance in the United States*; and other activities at overseas locations in accordance with DoDI 4715.08, *Remediation of Environmental Contamination Outside the United States*, under the Compliance Cleanup Program. Cleanup sites located overseas that qualify for cleanup cannot be part of an imminent installation/site handover to host nation governments where a residual value determination may occur as part of the turnover.

Applicable laws and regulations addressing environmental restoration and asset closure include:

- Army Regulation (AR) 50-7, *Army Reactor Program*
- AR 200-1, *Environmental Protection and Enhancement*
- DODM 4715.20, *Defense Environmental Restoration Program (DERP) Management*

- *Comprehensive Environmental Response, Compensation, and Liability Act* (CERCLA)
- *Superfund Amendments and Reauthorization Act* (SARA)
- *Resource Conservation and Recovery Act* (RCRA)
- *Toxic Substances Control Act* (TSCA)
- *Low-Level Radioactive Waste Policy Act* (LLRWPA)
- *Asbestos Hazard Emergency Response Act* (AHERA)
- *Atomic Energy Act* (AEA)
- U.S. Department of Energy, Nuclear Regulatory Commission Regulations (NUREG) – (e.g. *NUREG 1757 - Consolidated Decommissioning Guidance* and *NUREG CR6477 - Revised Analyses of Decommissioning Reference Non-Fuel-Cycle Facilities*)

Methods for Assigning Estimated Total Cleanup Costs to Current Operating Periods

Event-Driven

The Army GF uses one or more of the following cost estimating approaches: parametric cost estimates using the Remedial Action Cost Engineering Requirements (RACER®) software, site- specific cost estimate in a feasibility study (FS) or corrective measures study (CMS), cost estimate from a similar site (e.g., FS or CMS), engineering estimates, historical costs, or awarded contract information including contract options are awarded but not exercised. For recurring actions, such as sites in a remedial operation or long-term management (LTM) phase, cost estimates will rely on historical cost data to generate the estimate. When engineering estimates are used to develop cost projections, these estimates must be informed by documented assumptions and supported by contracts, invoices, or actual costs on similar completed sites. In circumstances where historical costs or other engineering estimates are not available, RACER® may be used to calculate an initial estimate or supplement portions of other estimates. Army uses the Web Compliance Assessment & Sustainment System – Enterprise (WEBCASS-E), FUDS Management Information System (FUDSMIS), or General Fund Enterprise Business System (GFEBS) to record and report the event-driven cost estimates once calculated.

Asset-Driven

GFEBS, Planning Resource for Infrastructure Data and Evaluation (PRIDE), Defense Property Accountability System (DPAS), Army Enterprise System Integration Program (AESIP), and GCSS-Army as the accountable property systems of record (APSRs) are the sources of asset data used to develop the E&DL estimates for Army assets, except for non-APSR assets, NRC licenses, and nuclear reactors. The non-APSR asset inventory comes from Army's G-9 Annual Environmental Quality (EQ) data call. The Army Safety Office (ASO) and the United States Army Nuclear and Countering Weapons of Mass Destruction Agency (USANCA) track the Army's NRC Licenses and nuclear reactors, respectively, for radioactive materials.

The Army uses RACER® software to estimate liabilities for aboveground and underground storage tanks, tank piping, and steam piping. Cost estimates for storage tank closure are developed considering the size of tank. RACER cost estimates are developed for various sizes within the tank inventory. The length of the piping is used to calculate the piping estimates. The cost estimates are adjusted using area cost factors when reporting the tank or piping E&DL. To account for location variance, the liabilities are reported in aggregate and adjusted for area cost variations using the USACE ACFs published annually.

The Army also uses RACER® software to estimate environmental closure liabilities for landfills. Landfill estimates use permit closure requirements and federal or state solid waste closure requirements. The future closure costs for operating landfills consider the type of landfill [e.g., hazardous waste, sanitary, municipal, construction and demolition debris (C&D)], acreage, and location. The reported environmental liability also includes post-closure requirements for operational landfills or uses the historic cost of post-closure requirements to project the liability.

RCRA Hazardous Waste liabilities are associated with the Treatment, Storage, or Disposal Facility (TSDF) for hazardous materials or waste. These facilities are part of the Army's industrial base where certain processes require treatment, storage, management, and/or disposal of hazardous materials or waste in a fashion that prevents discharge to the environment. The Army utilizes the RACER® software to estimate closure liabilities at time of closure.

Open Burn/Open Detonation (OB/OD) units are specialized waste treatment facilities operating under a regulatory permit. The future closure costs for active OB/OD units only estimates the initial post-closure requirements as it is not reasonably estimable to calculate the total liability for OB/OD units in an active status. The Army utilizes the RACER® software to estimate closure liabilities at time of closure.

Asset-driven liabilities for facility closures/disposal include the environmental costs associated with a building abatement and are made up of the costs for Asbestos Containing Material (ACM) and Other Regulated Materials (ORM). The costs include a cost for pre-demolition surveys and a cost for potential abatement.

ORM covers all other environmentally regulated materials under TSCA that would need to be removed and properly disposed of as part of the building closure. The historical costs to support the estimating model are taken from various sites located within the United States and updated annually. The costs for the historical contracted demolitions are leveraged to establish a Unit Cost Factor (UCF) for ACM/ORM. UCFs are applied to asset inventory data to develop the abatement liabilities. Liabilities for individual building demolition will vary depending on location. To account for such environmental related building closure, liabilities are reported in aggregate and adjusted for area cost variations.

The Army does not recognize E&DL for active operational ranges because the liability is not reasonably measurable due to the munitions rule. The munitions rule provides that munitions used for their intended purpose are not a solid waste; thus, as the munitions on the operational ranges are not solid waste they cannot, by the RCRA statute, be a hazardous waste. In the event Army closes a current operational range or OB/OD unit, the Army will perform a full environmental assessment and report the E&DL, as appropriate.

Army NRC license holders are regulated under the *Low-Level Radioactive Waste Policy Ac*t, and disposal is conducted in accordance with the NRC regulations. Engineering estimates, leveraging the NRC regulations, are used to develop the NRC license holder estimates.

The Army also has specialized facilities for nuclear reactors. The decommissioning of nuclear reactors requires extensive closure requirements in accordance with AR 50-7. Although these facilities are not under the jurisdiction of the NRC, the Army adheres to the substantive requirements of the NRC regulations. The estimation process requires a detailed engineering study and financial analysis to report the decommissioning and disposal costs.

The Army GF added the liability for General Equipment (GE) derived from GFEBS, DPAS, AESIP, and GCSS-Army as the APSRs for GE assets. This methodology assesses the reportable liability based on the Federal Supply Classification System (FSCS). If the GE asset is captured in a reported FSCS category, the Army uses publicly available databases, market research, and historical contracts to estimate the disposal cost of the asset. Note: select assets are covered by NRC license holders and therefore are not reported as a GE liability.

Prior Year Funds

The Army GF includes unliquidated obligations (ULOs) which represent the total amount of obligated funding associated with environmental liabilities not yet expensed as of the end of a given fiscal year. Army reports open ULOs across the active years of the specific appropriations. However, Army does not primarily report ULOs for asset-driven liabilities as those liabilities only exist due to the presence of the assets; asset removal is not paid for with environmental appropriations and remaining contamination beyond the asset removal would constitute an event-driven liability. Note: due to the life-cycle of decommissioned reactors, ULOs are assessed for these assets.

Unrecognized costs of the estimated total cleanup, closure, or disposal costs associated with General Property, Plant, and Equipment (PP&E)

Unrecognized cleanup costs are based on the remaining useful life allocated to future periods where the PP&E is in service. These costs, which are separated for asset-driven E&DL, are not reported in the current environmental liability. The unrecognized costs amounted to $462 million as of September 30, 2024 compared with $144 million as of September 30, 2023. The recognized amounts are included in the Environmental Closure Requirements (Line 1.B.ii), Asbestos (Line 1.B.iii), and Non-Nuclear Powered Military Equipment (Line 1.D.ii) over the useful life of assets.

Unrecognized costs for other liabilities or assets will be reported in future years based on further process improvements.

Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, or Applicable Laws and Regulations

The Army GF estimates are updated annually to reflect changes in previously unknown information, re-estimation based on different assumptions, price growth (inflation), increases in labor rates and materials, and lessons learned.

Environmental liabilities may change in the future due to changes in laws and regulations, agreements with regulatory agencies, and advancements in technology. Environmental liabilities may also change due to updated criteria and revised financial reporting requirements for determining current categories on the disclosure.

All environmental liabilities as of September 30, 2024 and 2023 are stated in FY 2024 and 2023 dollars, respectively. Future inflation could cause actual costs to be substantially higher than the recorded liability. The Army GF estimates as of FY 2024 were not substantially revised based on new cost estimating methodologies.

Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities
The E&DL is an accounting estimate, which requires certain professional judgment and assumptions that are believed to be reasonable based upon information available to the Army GF at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated. The E&DL can be further impacted if the investigation of environmental sites discloses contamination levels different than known at the time of the estimates.

The Army GF is investigating sites where Per- and polyfluoroalkyl substances (PFAS) containing materials and other emerging chemicals may have been used, stored, or disposed. Depending on program eligibility, the future outflow of financial resources would be reported as appropriate. The Army GF is currently reporting PFAS requirements through the Decision Document, to include possible interim actions, as required by the probable and reasonably estimable provisions provided in FASAB Technical Release 2.

The Army GF reports asbestos survey costs at the time of the building renovation or demolition. However, due to estimation uncertainty in identification of costs between friable and non-friable asbestos, the allocation of these costs is not reasonably estimable. Friable asbestos abatement estimates are based on historical costs of asbestos abatement during facility demolition.

Certain Army GF asset-driven liabilities are dependent on the APSR and require certain technical judgments, historical cost information, and assumptions that are believed to be reasonable based upon information available at the time of calculating the estimates. Due to the dependencies on the APSRs, the asset-driven liability methodologies assume that the APSRs are accurate and the data used from these systems is up to date. Discrepancies, inaccuracies, and incompleteness of APSR data may cause the environmental liabilities for assets to be reported inaccurately on the Army's GF financial statements.

In 2022, the DoD issued a report on the Red Hill Response Cost Projections to inform Congress of DoD's known and projected costs to remediate and permanently close the Red Hill Bulk Fuel Storage Facility (RHBFSF) to comply with a State of Hawaii Emergency Order. The projections included allocations to the Army for Military Personnel and Operations & Maintenance (O&M). Army first reported liabilities associated with the RHBFSF environmental remediation in FY 2023. In 2024, the DoD issued final policy on the reporting and disclosure of RHBFSF expenses.

NOTE 15. Other Liabilities

As of September 30	2024		
(Amounts in thousands)	Current Liabilities	Noncurrent Liabilities	Total
1. Intragovernmental			
A. Disbursing Officer Cash	$ 384,995	$ -	$ 384,995
B. Liabilities for Non-Entity Assets	(142)	16,870	16,728
C. Other Liabilities	54,979	-	54,979
D. Subtotal	439,832	16,870	456,702
E. Other Liabilities Reported on Note 13	431,096	97,072	528,168
F. Total Intragovernmental Other Liabilities	$ 870,928	$ 113,942	$ 984,870
2. Other than Intragovernmental			
A. Withholdings Payable	$ 43,071	$ -	$ 43,071
B. Liability for Non-fiduciary Deposit Funds and Undeposited Collections	830,952	-	830,952
C. Contract Holdbacks	101,124	-	101,124
D. Contingent Liabilities	88,230	1,013,389	1,101,619
E. Other Liabilities Without Related Budgetary Obligations	140,579	2,943,940	3,084,519
F. Other Liabilities With Related Budgetary Obligations	109	-	109
G. Right-to-Use Lease Liability	527,644	-	527,644
H. Unearned Right-to-Use Lease Revenue	101,497	-	101,497
I. Total Other than Intragovernmental Other Liabilities	1,833,206	3,957,329	5,790,535
3. Total Other Liabilities	$ 2,704,134	$ 4,071,271	$ 6,775,405

As of September 30 *(Amounts in thousands)*	2023 Current Liabilities		2023 Noncurrent Liabilities		2023 Total	
1. Intragovernmental						
A. Disbursing Officer Cash	$	566,529	$	-	$	566,529
B. Liabilities for Non-Entity Assets		(3,343)		19,386		16,043
C. Other Liabilities		56,611		-		56,611
D. Subtotal		619,797		19,386		639,183
E. Other Liabilities Reported on Note 13		1,085,580		96,800		1,182,380
F. Total Intragovernmental Other Liabilities	$	1,705,377	$	116,186	$	1,821,563
2. Other than Intragovernmental						
A. Withholdings Payable	$	54,086	$	-	$	54,086
B. Liability for Non-fiduciary Deposit Funds and Undeposited Collections		913,952		-		913,952
C. Contract Holdbacks		98,330		-		98,330
D. Contingent Liabilities		69,331		1,088,255		1,157,586
E. Other Liabilities Without Related Budgetary Obligations		288,370		2,714,831		3,003,201
F. Other Liabilities With Related Budgetary Obligations		112		-		112
G. Total Other than Intragovernmental Other Liabilities	$	1,424,181	$	3,803,086	$	5,227,267
3. Total Other Liabilities	$	3,129,558	$	3,919,272	$	7,048,830

Advances from Others and Deferred Revenue (reported separately from Other Liabilities on the Balance Sheet)

As of September 30 *(Amounts in thousands)*	2024		2023	
A. Intragovernmental	$	12,825	$	27,138
B. Other than Intragovernmental		644,566		659,754
Total Advances from Others and Deferred Revenue	$	657,391	$	686,892

Intragovernmental Other Liabilities

Disbursing Officer Cash represents liabilities for currency on hand; cash on deposit at designated depositories; cash in the hands of deputy disbursing officers, cashiers, and agents; negotiable instruments on hand; and similar notes advanced from the Treasury under various authorities. Disbursing Officer Cash is non-entity, restricted cash. Liabilities for non-entity assets represent liabilities for non-entity collections reported as custodial revenues in which the Army GF is acting on behalf of another Federal entity.

Other liabilities represent Judgment Fund liabilities. For information on Judgment Fund Liabilities, see Note 17, *Commitments and Contingencies*.

Other liabilities reported on Note 13, *Current and Former Employee and Veterans Benefits Payable,* include (1) the *Federal Employees' Compensation Act* (FECA) Reimbursement to the Department of Labor which represents liabilities for billed amounts payable in the subsequent two fiscal years and unbilled amounts, including both incurred and an estimated accrual and (2) Employer Contributions and Payroll Taxes Payable, representing the employer portion of payroll taxes and benefit contributions for health benefits, retirement, life insurance, and voluntary separation incentive payments.

Other than Intragovernmental Other Liabilities

Withholdings payable represent the amount withheld from employees' salaries for taxes, employee benefit contributions, wage garnishments, and other withholdings.

Liability for Non-fiduciary Deposit Funds and Undeposited Collections represent liabilities for receipts held in suspense, temporarily, for distribution to another fund or entity or held as an agent for others and paid at the direction of the owner.

Contract Holdbacks are amounts earned by contractors or suppliers during the production period but not yet paid to the contractor/supplier to ensure future performance.

Contingent Liabilities include the accrual for various legal actions in which the Army Office of General Counsel (OGC) considers an adverse decision probable and the amount of loss measurable.

Other Liabilities without related budgetary obligations include for both fiscal years: (1) the Munitions Non-Environmental Disposal ($2.0 billion), related to the final demilitarization disposition of munitions considered non-nuclear, which involve the use of cost estimates reflecting management judgment regarding timing and that consider the anticipated level of effort required to dispose of the items; and (2) the accrued liability for contract Reserve Officers' Training Corps (ROTC) cadet scholarships ($1.1 billion) for eligible candidates. The Munitions Non-Environmental Disposal liability, based upon current estimated future demilitarization activity related to specific OM&S assets, excludes items identified as potential excess as management has determined that, because of uncertainty regarding their disposition they do not meet the basic criteria for recognition as a measurable, probable future liability, as well as materiel in transit (MIT) or retail level items aligned to the demilitarization account or which are deemed unserviceable. The liability for ROTC cadet scholarships represents the estimated full cost of tuition for eligible candidates, in addition to allowances for books and personal expenses.

Right-to-Use lease liability represents the sum total of the present values of lease payments required to be paid to lessors during the respective lease terms for the right to use the underlying assets that will be funded by future years' budgetary resources. See Note 16, *Leases*, for additional information.

Unearned right-to-use lease revenue represents the sum total of the present values of lease revenues expected to be received during the respective lease terms in which lessees will make payments for the right to use the underlying assets. See Note 16, *Leases*, for additional information.

NOTE 16. Leases

As of September 30, 2024 the Army GF incurred a total $81.4 million in related lease expense for a total 1,236 short-term leases, all of less than two years in duration, as well as approximately 283 intragovernmental occupancy lease agreements with the General Services Administration, primarily for offices, family housing and buildings, of varying maturities from 1 to over 100 years. SFFAS 54, *Leases*, was not implemented for leases.

Entity as Lessee – Right-to-Use Leases

As of September 30	2024 Asset Category		
(Amounts in thousands)	Principal	Interest	Total
Land and Buildings			
Future Payments Due			
Fiscal Year			
2025	$ 96,929	$ 22,161	$ 119,090
2026	101,080	18,090	119,170
2027	90,605	13,845	104,450
2028	84,976	9,458	94,434
2029 – 2033	87,002	13,124	100,126
2034 and After	67,052	5,713	72,765
Total Future Lease Payments Due	$ 527,644	$ 82,391	$ 610,035

As of September 30, 2024 the Army GF has a total 1,993 right-to-use leases (other than short-term, contracts or agreements that transfer ownership, and intragovernmental leases), primarily for offices, family housing and buildings, of varying maturities of from more than 2 to over 100 years.

Entity as Lessor – Short-Term Leases

As of September 30	2024 Asset Category
(Amounts in thousands)	Land and Buildings
Short-Term Leases	
Fiscal Year	
2025	$ 1,963
2026	1,325
2027	-
2028	-
2029 – 2033	-
2034 and After	-
Total Future Projected Receipts	$ 3,288

As of September 30, 2024 the Army GF has a total 301 short-term leases, as lessor. Leases are granted to private companies and individuals to operate restaurants, cell towers and other business on Army GF installations.

Entity as Lessor – Right-to-Use Leases

As of September 30 *(Amounts in thousands)*	2024 Asset Category Principal	Interest	Total
Land and Buildings			
Future Payments Due			
Fiscal Year			
2025	$ 2,862	$ 4,263	$ 7,125
2026	1,254	3,964	5,218
2027	2,849	3,744	6,593
2028	5,719	3,468	9,187
2029 – 2033	1,343	13,980	15,323
2034 and After	87,470	10,955	98,425
Total Future Lease Payments Due	$ 101,497	$ 40,374	$ 141,871

As of September 30, 2024 the Army GF has a total 950 leases, right-to-use leases (other than short-term, contracts or agreements that transfer ownership, and intragovernmental leases). Leases are granted to private companies and individuals to operate restaurants, cell towers and other business on Army GF installations. Lease terms range from more than 2 to over 100 years.

NOTE 17. Commitments and Contingencies

The Army GF is a party in various administrative proceedings and legal actions related to claims for environmental damage, equal opportunity matters, and contractual bid protests.

Summary of Legal Contingent Liabilities

Summary of Legal Contingent Liabilities

As of September 30, 2024 *(Amounts in thousands)*	Accrued Liabilities	Estimated Range of Loss Lower End	Upper End
Legal Contingent Liabilities			
Probable	$ 1,101,619	$ 1,101,619	$ 2,103,819
Reasonably Possible	$ N/A	$ 954,462	$ 2,269,782

Summary of Legal Contingent Liabilities

As of September 30, 2023 *(Amounts in thousands)*	Accrued Liabilities	Estimated Range of Loss Lower End	Upper End
Legal Contingent Liabilities			
Probable	$ 1,157,586	$ 1,157,586	$ 2,162,336
Reasonably Possible	$ N/A	$ 172,526	$ 1,537,858

The Army GF has accrued contingent liabilities for legal actions when an adverse decision is probable, and the amount of loss is measurable. In the event of an adverse judgment against the Federal Government, some of the liabilities may be payable from the U.S. Treasury Judgment Fund. The Army GF reports contingent liabilities in Note 15, *Other Liabilities*.

The Army GF has other contingent liabilities for which the possibility of loss is considered reasonably possible. These liabilities are not accrued in the Army GF's financial statements. As of September 30, 2024, the Army GF had $4.4 billion in claims considered reasonably possible. As of September 30, 2023, the Army GF had $3.3 billion in claims considered reasonably possible.

As of September 30, 2024, the Army has cases with claim amounts totaling approximately $200 million for which the loss is undetermined, however there is a probable outcome for a loss. As of September 30, 2024, the Army has cases with claim amounts totaling approximately $235 million for which the loss is undetermined, however there is a reasonably possible outcome for a loss. Army determined that the historical payout percentage for similar cases is less than 3%.

As of September 30, 2024 and 2023, legal claims existed for which the estimated loss amount or the range of loss could not be reasonably measured. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect the Army GF's financial position or results of operation.

NOTE 18. Funds from Dedicated Collections

As of September 30 *(Amounts in thousands)*	2024 Total Funds From Dedicated Collections	2023 Total Funds From Dedicated Collections
Balance Sheets		
1. Assets		
A. Fund Balance with Treasury	$ 128,842	$ 134,005
B. Investments	3,674	3,572
C. Accounts and interest Receivable	(535)	20
D. Other Assets	-	-
E. Total Assets	$ 131,981	$ 137,597
2. Liabilities and Net Position		
A. Accounts Payable and Other Liabilities	13,145	9,877
B. Total Liabilities	$ 13,145	$ 9,877
C. Cumulative Results of Operations	118,836	127,720
D. Total Liabilities and Net Position	$ 131,981	$ 137,597

For the years ended September 30 *(Amounts in thousands)*	2024 Total Funds From Dedicated Collections	2023 Total Funds From Dedicated Collections
Statements of Net Cost		
1. Program Costs	$ 53,569	$ 36,807
2. Less Earned Revenue	(24,858)	(7,311)
3. Net Program Costs	$ 28,711	$ 29,496
4. Less Earned Revenues Not Attributable to Programs	-	-
5. Net Cost of Operations	$ 28,711	$ 29,496
Statements of Changes In Net Position		
1. Net Position Beginning of the Period	$ 127,720	$ 122,372
2. Donations and Other Non-Exchange Revenue	20,718	63,359
3. Other Financing Sources	(891)	(28,515)
4. Less: Net Cost of Operations	(28,711)	(29,496)
5. Change in Net Position	$ 8,884	$ 5,348
6. Net position End of Period	$ 118,836	$ 127,720

In accordance with SFFAS 43, F*unds from Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds*, the Army GF's policy is to display a combined presentation of the non-exchange revenue and other financing sources, including appropriations, and net cost of operations for funds from dedicated collections with all other funds.

Funds from dedicated collections are financed by specifically identified revenues, required by statute to be used for designated activities or purposes, and remain available over time. The Army GF has identified the following such funds and their related statutory citations:

021X5095 – Wildlife Conservation, Military Reservations, Army. Funds are received from the sales of forest products harvested from forests on military installations and distributed to the respective states involved in the sales. Each state is entitled to 40% of the sales of products from its forest after reimbursement of Army GF appropriations for the costs of production. Title 16 U.S.C. 670b provides authority for this fund.

021X5098 – Restoration, Rocky Mountain Arsenal, Army. Funds are received from private industry for the cleanup of contaminated areas of Rocky Mountain Arsenal. Public Law (PL) 99-661, Section 1367, provides the authority for this explicit use.

021X5285 – Department of Defense, Forest Products Program, Army. Funds are received from the sale of forestry products produced on land owned or leased by the Army. Title 10 U.S.C. 2665 provides authority for this fund.

021X5286 - National Science Center, Army. Funds received from the collection of fees are used for the operation and maintenance of the National Science Center as authorized under PL 99-145, Defense Authorization Act, 1986, Section 1459.

021X5752 – Department of Defense Korean War Commemoration Fund, Army. Funds are used to support the commemorative program related to the 60th anniversary of the Korean War as authorized under PL 111-383, Section 574.

021X5756 – Department of Army Special Fund. Funds used to oversee the land sale / disposal of three U.S. Army owned parcels at the U.S. Army Natick Soldier Systems Center in the vicinity of Hudson, Wayland, and Needham, Massachusetts as authorized under PL 115-91 131 STAT 1283 and section 2844 of the FY 2018 Defense Authorization Act.

021X8063 – Bequest of Major General Fred C. Ainsworth to Walter Reed Army Medical Center. Funds received from interest on investments are used for purchasing supplies and equipment for the library at the Walter Reed Army Medical Center. A Joint Resolution of the 74th Congress dated May 23, 1935, is the statutory citation that provides authority for the use of this fund (49 Stat. 287).

021X8721 – Payments from Lessee, Heritage Center for the National Museum of the United States Army. Established in 1983 as a charitable 501(c)(3) nonprofit organization, funds received are used to acquire and conserve Army historical art and artifacts, support Army history educational programs, research, and publication of historical materials on the American Soldier. (Title 10 USC 7772(e)(f))

021X8927 – Department of the Army General Gift Fund. Funds received from private parties and estates that are used for various purposes. Title 10 U.S.C. 2601 establishes the authority governing the use of this fund.

The U.S. Treasury securities are issued to the Army Gift Fund as evidence of its receipts and are an asset to the Army GF and a liability to the U.S. Treasury. The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash generated from the Army Gift Fund is deposited in the U.S. Treasury, which uses the cash for general government purposes. Since the Army GF and the U.S. Treasury are both part of the Federal Government, these assets and liabilities offset each other from the standpoint of the Federal Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government wide financial statements.

The U.S. Treasury securities provide the Army GF with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Army GF requires redemption of these securities to make expenditures, the Federal Government will meet the requirement by using accumulated cash balances, raising taxes or other receipts, borrowing from the public, repaying less debt, or curtailing other expenditures. The Federal Government uses the same method to finance all other expenditures.

NOTE 19. General Disclosures Related to the Consolidated Statements of Net Cost

Other Information Regarding Costs

The Statements of Net Cost (SNC) represent the net cost of programs and organizations of the Army GF supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity.

Schedule of Cost and Revenue by Strategic Goal

For the year ended September 30 *(Amounts in thousands)*		2024 Consolidated		2023 Consolidated
Strategic Goals				
1. Readiness				
A. Gross Costs	$	161,278,051	$	160,478,258
B. Less: Earned Revenue		(16,854,220)		(16,941,360)
C. Total Net Readiness Costs	$	144,423,831	$	143,536,898
2. Transformation and Modernization				
A. Gross Costs	$	80,732,598	$	67,951,961
B. Less: Earned Revenue		(18,738,423)		(22,074,908)
C. Total Net Modernization Costs	$	61,994,175	$	45,877,053
3. Alliance and Partnership				
A. Gross Costs	$	(60,635)	$	(83,394)
B. Less: Earned Revenue		(47)		28,332
C. Total Net Alliance and Partnership Costs	$	(60,682)	$	(55,062)
4. People and Families				
A. Gross Costs	$	5,540,539	$	5,300,366
B. Less: Earned Revenue		(599,947)		(665,918)
C. Total Net People and Families Costs	$	4,940,592	$	4,634,448
Other Goals				
A. Gross Costs	$	3,520,964	$	(1,716,133)
B. Less: Earned Revenue		(9,540)		-
C. Total Net Other Costs	$	3,511,424	$	(1,716,133)
Intra-Entity Elimination Costs		(8,464,569)		9,600,690
Less: Intra-Entity Earned Revenue		8,464,569		(9,600,690)
Consolidated goals				
A. Gross Costs	$	242,546,948	$	222,330,368
B. Less: Earned Revenue		(27,737,608)		(30,053,164)
C. Total Net Costs	$	214,809,340	$	192,277,204
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes (Note 15)		-		-
Net Strategic Goals, Including Assumption Changes		214,809,340		192,277,204
Net Cost of Operations	$	214,809,340	$	192,277,204

Note: Intra-entity elimination totals reflect revenue/expense activity between Army GF's sub-entities (Army Active, Army Reserve, and Army National Guard) and reported within the above goals.

NOTE 20. Disclosures Related to the Consolidated Statement of Changes in Net Position

Cumulative Results of Operations, Other

Cumulative Results of Operations, Other primarily consist of gains and losses related to foreign currency fluctuations.

Appropriations Received

The FY 2024 Appropriations Received line item on the SCNP should not and will not agree with the Appropriations line item on the Statement of Budgetary Resources (SBR) due to differences between proprietary and budgetary accounting concepts and reporting requirements. The $5.73 billion in FY 2024 Appropriations (Appropriations, SBR of $204,948 less Appropriations, SCNP of $199,217), and $10.5 billion difference in FY 2023 Appropriations, is due to additional resources included in the Appropriations line item on the SBR. See schedule below.

For the year ended September 30, 2024 *(Amounts in millions)*		Total
Reconciliation of Appropriations on the Statement of Budgetary Resources to Appropriations Received on the Statement of Changes in Net Position		
1. Appropriations, Statement of Budgetary Resources	$	204,948
2. Appropriations Received, Statement of Changes in Net Position		199,217
3. Total Reconciling Amount	$	5,731
4. Items Reported as Reductions to Appropriations, Statement of Budgetary Resources		
A. Permanent Reductions	$	(221)
B. Temporary Adjustment		1
5. Items Reported as Reductions, Statement of Budgetary Resources		
A. Transfers		5,905
6. Items Not Reported as Appropriations Received on the Statement of Changes in Net Position		
A. Dedicated Appropriations and Earmarked Receipts		46
7. Total Reconciling Items	$	5,731

NOTE 21. Disclosures Related to the Statements of Budgetary Resources

Net Adjustments to Unobligated Balances, Brought Forward

Net adjustments to FY 2024 unobligated balance brought forward increased by $19.6 billion over the FY 2023 end of year total primarily due to recoveries of prior year unpaid obligations.

Undelivered Orders at the End of the Period

Undelivered Orders presented in the SBR include Undelivered Orders-Unpaid for both direct and reimbursable funds.

For the years ended September 30 *(Amounts in thousands)*		2024		2023
1. Intragovernmental:				
A. Unpaid	$	41,151,949	$	41,993,231
B. Prepaid/Advanced		691,779		574,248
C. Total intragovernmental	$	41,843,728	$	42,567,479
2. Other than Intragovernmental:				
A. Unpaid	$	103,921,356	$	91,078,517
B. Prepaid/Advanced		379,679		433,436
C. Total Other Than Intragovernmental	$	104,301,035	$	91,511,953
3. Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$	146,144,763	$	134,079,432

Permanent Indefinite Appropriations

The following permanent indefinite appropriations are considered available for the Army GF and cover a wide variety of purposes to help the Army GF complete their mission:

- Department of the Army General Gift Fund (10 U.S.C. §2601(c)(1))
- Forest Program (10 U.S.C. §2665)
- Wildlife Conservation (16 U.S.C. §§670-670f)
- Ainsworth Bequest (31 U.S.C. §1321)
- Rocky Mountain Arsenal, Restoration [United States Statutes at Large, Volume 100, page 4003, section 1367 (100 Stat. 4003 §1367)]
- Medicare-Eligible Retiree Health Fund Contribution, Army (10 U.S.C. §1116)
- Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army (10 U.S.C. §1116)
- Department of Defense Vietnam War Commemoration Fund, Defense (Public Law 110-181, 122 Stat. 141 §598)

Legal Arrangements Affecting the Use of Unobligated Balances

The Army GF has no legal arrangements that affect the use of unobligated balances of budget authority.

Explanation of Differences between the FY 2023 SBR and the Budget of the U.S. Government

(Amounts in millions)	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Agency Outlays	Explanation for reconciling differences
Combined Statement of Budgetary Resources	$ 284,729	$ 246,861	$ (316)	$ 177,691	
Reconciling difference	$ 11,743	$ -	$ -	$ -	Less: schedule P, obligations "upward adjustments," expired accounts (included within SBR line 2190, New obligations and upward adjustments (Note 1)
Reconciling difference	$ 8,271	$ -	$ -	$ -	Less: SF 133 line 2413 – Expired unobligated balance, end of year (Note 2)
Reconciling difference	$ -	$ -	$ -	$ -	Less: distributed offsetting receipts (Note 3)
Reconciling difference (unidentified)	$ (7)	$ (15)	$ 316	$ (2)	
Total	$ 264,722	$ 246,876	$ -	$ 177,689	
Budget of the U.S. Government	$ 264,722	$ 246,876	$ -	$ 177,689	
Difference	$ -	$ -	$ -	$ -	

The corresponding *Budget of the U.S. Governmen*t with the actual amounts for FY 2024 will be available at a later date on the OMB website.

Note 1: Per the OMB Circular No. A-11, paragraph 130.11, upward adjustments of obligations to expired appropriation accounts are subtracted from expired unobligated balances as reported on line 2403, Unobligated Balance, Unapportioned: Other, a component of total budgetary resources as reported on SBR line 2500 (under Status of Budgetary Resources); and consequently, must also be excluded from line 1910 (also total budgetary resources).

Note 2: Per prior OMB Circular No. A-136 guidance "…expired unobligated balances are reported in the SBR and SF-133, but not in the Budget (of the U.S. Government)".

Note 3: The OMB *FY 2025 Appendix* does not report distributed offsetting receipts for FY 2023 at the Army GF level.

NOTE 22. Disclosures Related to Incidental Custodial Collections

Not Applicable

NOTE 23. Fiduciary Activities

For the years ended September 30 *(Amounts in thousands)*	2024	2023
Schedule of Fiduciary Activity		
1. Fiduciary Net Assets, Beginning of Year	$ (12,713)	$ (18,777)
2. Contributions	55,973	28,268
3. Distributions to and on Behalf of Beneficiaries	(28,313)	(22,204)
4. Increase/(decrease) in Fiduciary Net Assets	$ 27,659	$ 6,064
5. Fiduciary Net Assets, End of Period	$ 14,946	$ (12,713)
Schedule of Fiduciary Net Assets		
Fiduciary Assets		
1. Fund Balance with Treasury	$ 14,946	$ (12,713)
2. Total Fiduciary Net Assets	$ 14,946	$ (12,713)

Fiduciary activities are those activities that relate to the collection or receipt of cash or other assets in which nonfederal individuals or entities have an ownership interest that the Federal Government must uphold. Fiduciary activities also include managing, protecting, accounting for, investing, and disposing of such cash or other assets. The Army GF has a fiduciary duty to the Savings Deposit Program in which the Army GF participates. PL 89-538 authorizes DoD, which includes Army GF, through the Savings Deposit Program, to collect a voluntary allotment from the current pay of members of the armed forces deployed outside the United States or its possessions in designated areas.

The Army GF collects the savings and allotments of Soldiers', and the collections and accrued earned interest are transferred to the U.S. Department of the Navy, the program's executive agent. These fiduciary assets are not assets of the Army GF and are not recognized on its Balance Sheets. Detail on contributions and distributions on behalf of beneficiaries are provided by the U.S. Treasury.

The fiduciary activity amount noted above is provided by the U.S. Treasury.

Fiduciary assets are not recognized on the Balance Sheet or on Note 3, *Fund Balance with Treasury*, in accordance with SFFAS 31, *Accounting for Fiduciary Activities*.

NOTE 24. Reconciliation of Net Cost to Net Outlays

For the year ended September 30	2024		
(Amounts in thousands)	Intragovernmental	Other than Intragovernmental	Total
1. Net Cost of Operations (SNC)	$ 34,693,580	$ 180,115,760	$ 214,809,340
Components of Net cost That are Not Part of Net Outlays:			
2. Property, Plant, and Equipment – Depreciation	-	(11,960,324)	(11,960,324)
3. Property, Plant, and Equipment – Disposal and Revaluation	-	(22,629,546)	(22,629,546)
4. Inventory – Consumption	(1,282)	(3,467,323)	(3,468,605)
5. Inventory – Disposals and Revaluations	-	4,724,640	4,724,640
6. Applied Overhead/Cost Capitalization Offset			
A. Inventory and Related Property	-	1,257,440	1,257,440
B. Property, Plant, and Equipment	-	2,039,068	2,039,068
7. Increase/(Decrease) in Assets:			
A. Accounts Receivable	(407,528)	796,515	388,987
B. Other Assets	(386,191)	47,804	(338,387)
8. (Increase)/Decrease in Liabilities			
A. Accounts Payable	619,423	63,482	682,905
B. Environmental and Disposal Liabilities	-	(4,122,207)	(4,122,207)
C. Other Liabilities (Advances From Others, Deferred Revenue, Unfunded Leave, Unfunded FECA, Actuarial FECA)	1,050,812	(1,688,145)	(637,333)
9. Other Financing Sources:			
A. Imputed Costs	(1,877,882)	-	(1,877,882)
10. Total Components of Net Cost That are Not Part of Net Outlays	$ (1,002,648)	$ (34,938,596)	$ (35,941,244)
Components of Net Outlays That are Not Part of Net Cost:			
11. Acquisitions of Inventory	-	1,257,440	1,257,440
12. Acquisitions of PP&E	-	8,157,607	8,157,607
13. Other	(2,955,235)	(762,715)	(3,717,950)
14. Total Components of Net Outlays That are Not Part of Net Cost	$ (2,955,235)	$ 8,652,332	$ 5,697,097
15. Other Temporary Timing Differences	$ -	$ 389,526	$ 389,526
16. Net Outlays	$ 30,735,697	$ 154,219,022	$ 184,954,719
17. Agency Outlays, Net, Statement of Budgetary Resources			$ 184,954,719

For the year ended September 30 (Amounts in thousands)	2023 Intragovernmental	2023 Other than Intragovernmental	2023 Total
1. Net Cost of Operations (SNC)	$ 22,530,344	$ 169,746,860	$ 192,277,204
Components of Net Cost That are Not Part of Net Outlays:			
2. Property, Plant, and Equipment - Depreciation	-	(16,801,641)	(16,801,641)
3. Property, Plant, and Equipment - Disposal and Revaluation	-	(6,877,432)	(6,877,432)
4. Inventory - Consumption	-	(820,634)	(820,634)
5. Increase/(Decrease) in Assets:			
A. Accounts Receivable	(883,304)	(51,220)	(934,524)
B. Other Assets	212,623	(1,824,352)	(1,611,729)
6. (Increase)/Decrease in Liabilities:			
A. Accounts Payable	19,152	(672,495)	(653,343)
B. Environmental and Disposal Liabilities	-	(1,103,665)	(1,103,665)
C. Other Liabilities	(690,672)	(376,455)	(1,067,127)
7. Other Financing Sources:			
A. Imputed Costs	(1,489,327)	97,784	(1,391,543)
8. Total Components of Net Cost That are Not Part of Net Outlays	$ (2,831,528)	$ (28,430,110)	$ (31,261,638)
Components of Net Outlays That are Not Part of Net Cost:			
9. Investments	30	-	30
10. Acquisitions of Inventory	-	2,195,064	2,195,064
11. Acquisitions of PP&E	-	-	-
12. Other	-	(63,641)	(63,641)
13. Total Components of Net Outlays That are Not Part of Net Cost	$ 30	$ 16,156,433	$ 16,156,463
14. Other Temporary Timing Differences	$ -	$ 202,735	$ 202,735
15. Net Outlays	$ 19,698,846	$ 157,675,918	$ 177,374,764
16. Agency Outlays, Net, Statement of Budgetary Resources			$ 177,374,764

The Reconciliation of Net Cost to Net Outlays demonstrates the relationship between the Army GF's Net Cost of Operations, reported on an accrual basis, and Net Outlays, reported on a budgetary basis. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period. The accrual basis of financial accounting is intended to provide a picture of the Army GF's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by the Army GF. Outlays are payments to liquidate an obligation.

NOTE 25. Public-Private Partnerships

Public-Private Partnerships (P3s) are risk-sharing agreements between public and private sector entities with expected lives greater than five years. P3s can be extremely complex agreements which transfer or share various forms of risk among the P3 partners, some of which involve government assets. Disclosure of P3s fosters accountability and improves understanding of the nature and magnitude of risk of loss, including potential risk of loss, when material to the financial statements. SFFAS 49, *Public-Private Partnerships: Disclosure Requirement*s, requires the disclosure of the nature of the Government's relationship with the private entities and helps achieve the operating performance and budgetary integrity objectives outlined in Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, by making P3s more understandable.

Overview

The Army Military Housing Privatization Initiative (MHPI) agreements are private sector/market driven businesses established as Limited Liability Companies or Limited Partnerships (LLC/LP) single purpose entities. These entities allow the Army to work with the private sector to build, renovate and sustain military housing by obtaining private capital to leverage government dollars. By engaging in MHPI agreements, the government benefits through the use of private industry expertise and tools, improving the condition of military housing more expediently and efficiently than the traditional military construction process would allow. The MHPI authority stems from the National Defense Authorization Act for Fiscal Year 1996, Public Law 104-106 (110, Stat 186, Section 2801). Title 10 U.S.C. §§ 2871-2885 codifies the Military Department Secretaries' MHPI authority for acquisition and improvement of military housing. The Private Partner serves as the majority managing member which ensures performance objectives are met over the expected life of the operating agreement. The Army serves as the minority member, enters into a long-term ground lease (generally 50 years), and conveys the associated real property assets (buildings, structures, facilities, and utilities) to the LLC or LP. The contractual terms and termination clauses vary by agreement. The

Army is not involved in the day-to-day operations and management of the LLC or LP but is provided approval rights for certain "Major Decisions" detailed in the operating agreements.

Funding and Contributions

The Army provides funding to the LLC or LP through:

- Equity Investments (§2875) - Provision of cash and transfer of real property ownership (land, housing units, and other structures) to a project and, in return, the DoD receives a portion of that project's profits and losses. In addition, the DoD also receives compensation if the investment is sold.
- Government Loan Guarantees (§2873) - Agreement to pay a percentage of the outstanding balance on a non-Government loan in the event of nonpayment by the project only due to the reduction of military personnel below a specific number at the installation as detailed in the guarantee.

Within the Army MHPI program, the lease hold interest of local family housing portfolios at 51 Army installations were transferred to a unique Limited Liability Company (LLC) (36 projects), with joint ownership between Army and the private company. The private entity manages the LLC, as they are the majority owner within each of the LLCs. All of the MHPI agreements were initiated from 1999 to 2024, with the expected life of the agreements being 50 years plus a 25-year extension option. The contractual terms of these agreements as well as the termination clauses are varied between each of the LLC agreements.

The following table represents the aggregated contributions by the Army to the LLCs/LPs through September 30, 2024:

TABLE 1. Cumulative Contribution

	FY 2024		FY 2023		Expected Life	
(Amounts in millions)	Actual Amount Received	Actual Amount Paid	Actual Amount Received	Actual Amount Paid	Estimated Amount to be Received Over Expected Life ***	Estimated Amount to be Paid Over Expected Life ***
DoD Initial Contributions to the MHPI Programs (FHIF/MUHIF) *						
Direct cash contributions (see Note 5, Other Investments)	$ -	$ 37.1	$ -	$ -	$ -	$ 1,944.1
Real property contributions to the MHPI Project LLCs and LPs (value of Real Property Assets (RPA) conveyed, per OMB scoring documents) (see Note 5, *Other Investments*)	$ -	$ 83.7	$ -	$ -	$ -	$ 2,362.7
Bonds Purchased	$ -	$ -	$ -	$ -	$ -	$ -
Direct loans disbursed	$ -	$ -	$ -	$ -	$ -	$ -
DoD On-Going Contributions to the MHPI Partnerships						
DoD direct payments**	$ -	$ 96.3	$ -	$ 53	$ -	Not Estimable
Indirect third-party payment of Basic Allowance for Housing (BAH) under § 403 of Title 37 from members living in privatized housing**	$ -	$ 1,764.7	$ -	$ 1,671	$ -	Not Estimable
Differential lease payments	$ -	$ -	$ -	$ -	$ -	$ -
Property, cash, bonds, and direct loans	$ -	$ 33.7	$ -	$ -	$ -	$ 183.6
Private Partner Initial Contributions to the MHPI Partnerships						
Direct cash contributions	$ -	$ -	$ -	$ -	$ 167	$ -
Real property and land contributions to the LLCs & LPs	$ -	$ -	$ -	$ -	$ -	$ -
Bonds issued and construction loans obtained	$ 495	$ -	$ -	$ -	$ 10,565.4	$ -
Private **Partner On-Going Contributions to the MHPI Partnerships**						
Direct cash contributions	$ -	$ -	$ -	$ -	$ -	$ -
Return of contributions to Partner	$ -	$ -	$ -	$ -	$ -	$ 167
Real property and land contributions	$ -	$ -	$ -	$ -	$ -	$ -
Bonds issued and construction loans obtained*	$ -	$ -	$ -	$ -	$ -	$ -
Bonds and direct loans payment	$ -	$ 164.9	$ -	$ 128	$ -	$ 10,565.4

*Note 1: The disclosures above are currently presented in the DoD's consolidated financial statements and are not presented within the Military Department's financial statements.

TABLE 2. Cumulative Acreage of Ground Leases in MHPI Agreements

Military Department	Ground Lease in Acres
ARMY	35,853

Assess other agreements for potential P3 disclosure.
SFFAS 49 establishes disclosure requirements for "risk-sharing arrangements or transactions lasting more than five years between public and private sector entities." The Army GF has assessed its agreements applying the SFFAS 49 requirements and has not identified any additional Public-Private Partnerships requiring disclosure to date.

NOTE 26. Disclosure Entities and Related Parties

The Army's Nonappropriated Fund Instrumentalities (NAFIs) are fiscal entities supported in whole or in part by nonappropriated funds (NAFs). NAFs are generated from sales and user fees. The Army's NAFIs are governed by sections of Title 10. The Army's NAFIs consist of the Army exchanges and morale, welfare, and recreation (MWR) entities. The NAFIs are intended to enhance the quality of life for members of the uniformed services, retired members and their dependents, and to support military readiness, recruitment, and retention.

The Army has an advisory group for its NAFIs. The group ensures the NAFI is responsive to authorized patrons and to the purposes for which the NAFI was created. Additionally, the NAFIs are subject to financial reporting requirements and financial audits conducted by independent public accounting firms. Therefore, while the Army GF does not control NAFIs, nor are they considered related parties, Army NAFI financial activity is not included in the Army GF financial statements.

DoD FFRDC relationships are entities created to conduct research for the Department of Defense but are administered by colleges, universities, or other non-profit entities and conduct agency-specific research under contract or cooperative agreement. (Analytical Perspectives, *FY 2023 Budget of the U.S. Government*, p. 183). DoD *Federal Acquisition Regulation* (FAR) Part 35.017 provides federal policy for the establishment and use of FFRDCs, independent, not-for-profit organizations established and funded to meet special long-term engineering, research, development, or other analytical needs. The Rand Army Research Center (the Arroyo Center) is the Department of the Army's sole FFRDC for studies and analysis. It is a division of the RAND Corporation (a nonprofit, tax-exempt corporation) dedicated to supporting the U.S. Army (Army Regulation 5-21, June 29, 2018, Chapter 2, RAND Arroyo Center). As an FFRDC, the Arroyo Center enables the Army to maintain a strategic relationship with an independent, nonprofit source of high-quality objective analysis, that can sustain deep expertise in domains of direct relevance to perennial Army concerns to meet research or development needs that cannot be met as effectively by existing government or contractor resources. Funding for FFRDC work is provided through the DoD's contract with the parent organization that operates each FFRDC. Army provided approximately $42.4 million to the RAND Arroyo Center in FY 2024.

The Army GF receives significant benefits from the work of the RAND Arroyo Center, which is critical to national security. All related Army research work undertaken by the Arroyo Center will be ordered through a single contract between Army and the RAND Corporation through an annual program, for which either party may recommend projects to be included [paragraph 2-2, (b)]. The regulation provides a RAND Arroyo Center Policy Committee (ACPC) to establish overall objectives for the Center and broad supervisory and policy guidance and reviews and approves the annual Center research agenda. While the Army GF does not control the Arroyo Center, nor is it considered a related party, the Arroyo Center must agree that it will conduct its business in a manner befitting its special relationship with the Army GF, operate in the public interest with objectivity and independence, and be free from organizational conflicts of interest. The RAND Arroyo Center may be used only for work that is within its purpose, mission, and general scope of effort, as set forth within its sponsoring agreement with the Army and the provisions of Army Regulation 5-21.

NOTE 27. Security Assistance Accounts

Not Applicable

NOTE 28. Restatements

Not Applicable

NOTE 29. Subsequent Events

Army identified damages at the government-owned, contractor-operated (GOCO) Radford Army Ammunition Plant located in Montgomery and Pulaski Counties in southwest Virginia as a result of Hurricane Helene. The damages were estimated in the amount of $125.1 million.

Department of Defense –Army General Fund

SCHEDULE OF DISAGGREGATED BUDGETARY RESOURCES

For the Years Ended September 30, 2024 and 2023

(Amounts in thousands)	Research, Development, Test & Evaluation	Procurement	Military Personnel	Family Housing & Military Construction	Operations, Readiness & Support	2024 Combined	2023 Combined
Budgetary Resources:							
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 21)	7,729,865	20,469,434	4,127,695	8,341,672	16,820,158	57,488,824	59,135,793
Appropriations (Discretionary and Mandatory)	17,079,093	37,496,120	69,896,670	3,267,422	77,208,693	204,947,998	200,294,491
Spending Authority From Offsetting Collections (Discretionary and Mandatory)	6,793,573	3,042,322	362,055	6,712,785	9,950,005	26,860,740	25,298,503
Total Budgetary Resources	31,602,531	61,007,876	74,386,420	18,321,879	103,978,856	289,297,562	284,728,787
Status of Budgetary Resources:							
New Obligations and Upward Adjustments (Total)	24,620,169	37,757,771	73,912,328	10,166,994	96,867,014	243,324,276	246,860,561
Unobligated Balance, End of Year:							
Apportioned, Unexpired Accounts	6,732,698	22,162,150	41,536	7,484,902	1,582,073	38,003,359	29,483,938
Exempt From Apportionment, Unexpired Accounts	-	-	-	-	84,857	84,857	85,166
Unapportioned, Unexpired Accounts	560	2,427	2	1	79,059	82,049	28,396
Unexpired Unobligated Balance, End of Year	6,733,258	22,164,577	41,538	7,484,903	1,745,989	38,170,265	29,597,500
Expired Unobligated Balance, End of Year	249,104	1,085,528	432,554	669,982	5,365,853	7,803,021	8,270,726
Unobligated Balance, End of Year (Total)	6,982,362	23,250,105	474,092	8,154,885	7,111,842	45,973,286	37,868,226
Total Budgetary Resources	31,602,531	61,007,876	74,386,420	18,321,879	103,978,856	289,297,562	284,728,787
Outlays, Net:							
Outlays, Net (total) (Discretionary and Mandatory)	14,578,824	25,499,778	69,342,039	1,848,781	74,102,943	185,372,365	177,691,144
Distributed Offsetting Receipts (-)	-	-	-	-	(417,646)	(417,646)	(316,380)
Agency Outlays, Net (Discretionary and Mandatory)	14,578,824	25,499,778	69,342,039	1,848,781	73,685,297	184,954,719	177,374,764

DEFERRED MAINTENANCE

Department of Defense – Army General Fund

Real Property Deferred Maintenance and Repair

For Fiscal Year Ended September 30, 2024 and 2023

	FY 2024			FY 2023		
(Amounts in millions)	1. Plant Replacement Value	2. Required Work (Deferred Maintenance & Repair)	3. Percentage (Required Work/Plant Replacement Value)	1. Plant Replacement	2. Required Work (Deferred Maintenance & Repair)	3. Percentage Value (Required Work/Plant Replacement Value)
Active Real Property						
Category 1: Buildings, Structures, and Linear Structures (Enduring Facilities)	$519,614	$101,729	20%	$473,464	$71,047	15%
Category 2: Buildings, Structures and Linear Structures (Heritage assets)	$68,306	$16,770	25%	$62,346	$12,981	21%
Inactive Real Property						
Category 3: Buildings, Structures, and Linear Structures (Excess Facilities or Planned for Replacement)	$29,893	$18,365	61%	$25,649	$7,102	28%

Department of Defense – Army General Fund

Military Family Housing — Real Property Deferred Maintenance and Repair

For Fiscal Year Ended September 30, 2024 and 2023

	FY 2024			FY 2023		
(Amounts in millions)	1. Plant Replacement Value	2. Required Work (Deferred Maintenance & Repair)	3. Percentage (Required Work/Plant Replacement Value)	1. Plant Replacement	2. Required Work (Deferred Maintenance & Repair)	3. Percentage Value (Required Work/Plant Replacement Value)
Active Real Property						
Category 1: Buildings, Structures, and Linear Structures (Enduring Facilities)	$11,304	$1,504	13%	$9,533	$1,118	12%
Category 2: Buildings, Structures and Linear Structures (Heritage assets)	$264	$64	24%	$786	$146	19%
Inactive Real Property						
Category 3: Buildings, Structures, and Linear Structures (Excess Facilities or Planned for Replacement)	$466	$140	30%	$610	$144	24%

Per DoD Financial Management Regulation 7000 14-R (September 2023), Volume 6B, Chapter 12, the Army GF's deferred maintenance estimates for FY 2024 and FY 2023 include all facilities in which DoD has ownership interest under the control of the Army GF and are not funded for sustainment by another service, non-appropriated funds, commissary surcharges, or non-DoD sources. Assets that have been fully disposed, damaged beyond repair, obsolete, or have been privatized are excluded.

The deferred maintenance estimates are based on the facility Quality ratings (Q-ratings)/ Facility Condition Index assessments performed with the Sustainment Management System (SMS) BUILDER, Installation Status Report – Infrastructure (ISR-I) condition ranges, or by application of business rule, aged-based ratings for non-inspected facilities. A Q-rating is a numerical value ranging from 0-100 and assesses the condition of a facility.

Deferred maintenance is calculated as follows:

Deferred Maintenance = (100 – Q-rating) x 0.01 x plant replacement value (PRV).

Q-ratings are determined by the Installation Status Report (ISR) for most facilities and by business rule for the remaining facilities. During ISR data collection, facility occupants evaluate the condition of each facility against published standards. The inspection generates a quality improvement cost estimate for each facility based on the condition rating of each component of the facility and the component improvement cost factor. Improvement cost factors are developed using industry standards for each facility component within each facility type. The business rule assignment of Q-ratings is based on degradation curves modeled for various building design life expectancies. For assets with a Non-Functional operational status, assigned Q-ratings are 100 if the asset is under full renovation, 59 if the asset is undergoing environmental repair or if the facility is not functional due to storm or other type of damage. An acceptable operating condition represents facilities with no deferred maintenance. Facilities of all ownership interests are included in the data set; Relocatable buildings are considered equipment and excluded.

Property Categories are as follows:

- Category 1: Buildings, Structures, and Linear Structures that are enduring and required to support an ongoing mission including multi-use Heritage Assets. Facilities that are Permanent, Semi-Permanent, or Temporary with an Operational Status of "Active" or "Semi-Active" are included, less those that meet the following criteria:
  1. The asset has a Planned Program Event of Abandon in Place, Caretaker/Mothball, or Disposal or Replacement with a Planned Date within the current or subsequent fiscal year.
  2. The asset is designated as a Heritage Asset.
  3. A Disposal Completion Date is associated with the asset. 4. A Disposal Reason Code is associated with the asset.
- Category 2: Buildings, Structures, and Utilities that are Heritage Assets. Facilities that are Permanent, Semi-Permanent, or Temporary with an Operational Status of "Active" or "Semi-Active" and a Historic Status Code that designates it as Heritage, are included, less those that meet the following criteria:
  1. The asset has a Planned Program Event of Abandon in Place, Caretaker/Mothball, Disposal or Replace with a Planned Date within the current or subsequent fiscal year.
  2. A Disposal Completion Date is associated with the asset. 3. A Disposal Reason Code is associated with the asset.
- Category 3: Buildings, Structures, and Utilities that are excess to requirements or planned for replacement or disposal including multi-use Heritage Assets. Facilities with an Operational Status of "Caretaker", "Excess", "Non-Functional", "Outgrant", "Surplus" or "Closed" plus "Active" and "Semi-active" with a Disposal Reason Code plus "Active" and "Semi-active" with a Planned Program Event of Abandon in Place, Caretaker/Mothball, Disposal or Replace with a Planned Date within the current or subsequent fiscal year.

The Army GF reports $136.9 billion and $91.1 billion in deferred maintenance and repair associated with its real property for FY 2024, and FY 2023, respectively. This increase is largely due to a change in the methodology used to determine estimated deferred maintenance and repair costs. In 2024, Army revised its estimation methodology for aged-based facility ratings. These changes resulted in recognition of deferred maintenance beyond the asset's design life that was previously capped at 70, indicating 30% of the asset's required maintenance and repair. For older facilities this resulted in a significant increase in deferred maintenance estimates, particularly for assets with short design lives. Army believes this revised calculation provides a better assessment of the actual conditions of the non-inspected assets.

Department of Defense – Army General Fund

Equipment Deferred Maintenance and Repair (DM&R)

For Fiscal Year Ended September 30, 2024

(Amounts in thousands)	FY 2023 DM&R	FY 2024 OP-30/PB-45/ PB-61 Amounts	Adjustments	FY 2024 Totals
Major Categories				
Aircraft	220,195	424,193	-	424,193
Automotive Equipment	8,805	24,740	-	24,740
Combat Vehicles	21,113	356,064	-	356,064
Construction Equipment	-	-	-	-
Electronics and Communications Systems	92,417	153,538	-	153,538
General Purpose Equipment	57,516	58,589	-	58,589
Missiles	216,251	75,999	-	75,999
Ordnance Weapons and Munitions	-	-	-	-
Other	618,167	286,302	-	286,302
Ships	71,348	3,063	-	3,063
Grand Total	**$1,305,812**	**$1,382,488**	**-**	**$1,382,488**

The OP-30 from the FY 2024 Budget of the U.S. Government was used to compile the deferred depot level maintenance. Depot Maintenance Operations and Planning System is the automated system for capturing depot-level deferred maintenance data. The data is for sub-activity group 123, all active components. There has been no significant change in reporting methodology in deferred maintenance and repairs from prior years.

Funding provided to support the Program Objective Memorandum (POM) 12-16 for depot maintenance adequately supported the Army's most critical modernization and equipping strategies. The program ensured that Soldiers have the equipment needed to execute their assigned mission as they progress through the Army Force Generation (ARFORGEN) cycle. The bottom-line is that depot maintenance requirements continue to grow while the Army continues to get fewer resources with reduced budgets.

The funding also provided the resources necessary for Land Forces Depot Maintenance to meet the requirements of an Army transitioning from operations in theater to home station training – an expeditionary Army engaged in full spectrum operation (FSO) training and poised for future contingency response. In recent years, the Army has leveraged Overseas Contingency Operation (OCO) dollars to offset depot maintenance through equipment reset for redeploying units. Redeployed units will demand greater equipment to support FSO training and future contingencies. To meet the exigencies of war, Army has generated a digitally dependent force. The digitally integrated Army of today is far different from the analog Army that went to war at the beginning of the decade. These technologies must now be sustained.

LAND AND LAND RIGHTS

In accordance with the Statement of Federal Financial Accounting Standards 59, *Accounting and Reporting of Government Land*, the Army GF estimated acreage of GPP&E land and stewardship land is presented in three predominant use subcategories: Conservation and Preservation Land, Operational Land, and Commercial Use Land.

Department of Defense –Army General Fund

Estimated Acreage by Predominant Use – GPP&E Land and Permanent Land Rights

For the Year Ended September 30, 2024

	Commercial	Conservation or Preservation	Operational	Total Estimated Acreage
Held for Use				
September 30, 2022	-	159	11,035,989	11,036,148
September 30, 2023	-	159	11,618,081	11,618,240
September 30, 2024	-	160	12,199,166	12,199,326
Held for Disposal or Exchange				
September 30, 2022	-	-	59	59
September 30, 2023	-	-	56	56
September 30, 2024	-	-	56	56

The acquisition and use of land is critical to the Army's mission to deploy, fight and win our nation's wars by providing ready, prompt and sustained land dominance by Army forces across the full spectrum of conflict as part of the joint force. This mission includes land, air, and marine operations to support the National Military Strategy. The Army's land provides an area for facilities, training ranges, housing, and transportation, including airfields. These ranges, transportation modes, and facilities are used to recruit, train, equip, and deploy the military, civilians, and contractors from other tenant organizations.

Army Land Policies

The Secretary of the Army (SecArmy) has real estate procurement and management authority under United States statutes. 10 USC § 2663(h), "Land Acquisition Authorities", establishes monetary authority levels for purchasing land. Funding for land purchases is authorized by Congress under the Military Construction (MILCON) appropriations. The Army operates under the Department of Defense Directive (DoDD) 4165.06, *Real Property and Army Regulation* (AR) 405-10, *Acquisition of Real Property and Interests Therein*, which establishes policy for land acquisition.

The disposal of land is governed by Department of Defense Instruction (DoDI) 4165.72, *Real Property Disposal*, and AR 405-90, *Disposal of Real Property*. The Army GF may nominate excess land for disposal and submit a Report of Availability through the Army for approval and Congressional notification. Army-controlled real property in the United States that is excess to DoD requirements, and above dollar delegations outlined in Part 102–75, Subchapter C, Title 41, *Code of Federal Regulations* (41 CFR 102–75) *Federal Management Regulation* (FMR), will be reported to the General Services Administration (GSA) for disposal. The disposal process includes a check of requirements for the land by other DoD agencies and other Federal Agencies. If there is no government need, the GSA may sell it for commercial use or to a local government.

HERITAGE ASSETS AND STEWARDSHIP LAND

Heritage Assets and Stewardship Land Condition Information for Fiscal Year Ended September 30, 2024

The conditions of archeological sites across the Army remain varied from poor to excellent based on a number of factors including the environmental setting and natural disasters, the type of the site, and impacts from Army activities. If an Army activity has the potential to adversely impact an archeological site eligible for the National Register, the Garrison's Installation Cultural Resources Management Plan (ICRMP) contains provisions for how the installation might proceed to avoid, minimize, or mitigate those impacts. The ICRMPs provide installations the information and tools necessary to manage their cultural resources, including archeological sites, in compliance with federal requirements. These plans provide for site protection, site condition monitoring, and mitigation procedures for adverse impacts to sites. Overall, the conditions of sites on Army installations are fair, based on the Army's cultural resource management procedures.

SECTION 2B: ARMY WORKING CAPITAL FUND FINANCIAL SECTION

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of Title 31, United States Code (U.S.C.), Section 3515(b).

While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, and the U.S. generally accepted accounting principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

November 8, 2024

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Transmittal of the Independent Auditor's Report on the U.S. Department of the Army Working Capital Fund Financial Statements and Related Notes for FY 2024 and FY 2023
(Project No. D2024-D000FI-0023.000, Report No. DODIG-2025-024)

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to audit the U.S. Department of the Army (Army) Working Capital Fund Financial Statements and related notes as of and for the fiscal years ended September 30, 2024, and 2023. The contract required KPMG to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, contracts, and grant agreements, and to report on whether the Army Working Capital Fund's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required KPMG to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," Volume 1, June 2024; Volume 2, June 2024; and Volume 3, July 2024. KPMG's Independent Auditor's Report is attached.

KPMG's audit resulted in a disclaimer of opinion. KPMG could not obtain sufficient, appropriate audit evidence to support the reported amounts within the Army Working Capital Fund Financial Statements. As a result, KPMG could not conclude whether the financial statements and related notes were presented fairly and in accordance with Generally Accepted Accounting Principles. Accordingly, KPMG did not express an opinion on the Army Working Capital Fund FY 2024 and FY 2023 Financial Statements and related notes.

KPMG's report discusses 12 material weaknesses related to the Army Working Capital Fund's internal controls over financial reporting.* Specifically, KPMG's report stated that the Army Working Capital Fund did not:

- prepare complete and accurate populations for beginning balances;
- design, document, and implement controls to accurately record, reconcile, and support inventory balances, gains and losses, and Costs of Goods Sold;
- design, document, and implement controls over the valuation of internal use software;
- verify that revenue, accounts receivable collections, spending authority, unfilled customer orders, supply turn-in, and credit memorandum balances recorded in the consolidated financial statements were complete, accurate, valid, and supported by appropriate documentation;
- consistently design, document, implement, and operate controls over the procure-to-pay and related processes, including costs, accounts payable, disbursements, new obligations, upward or downward adjustments, and undelivered order transactions and balances;
- consistently have supporting documentation readily available to demonstrate that transactions were properly reported in the consolidated financial statements;
- ensure the effective design, implementation, and operation of financial information system controls;
- identify, classify, and record accruals for goods and services;
- consistently design, implement, and operate controls over journal entries, financial reconciliations, and note disclosures;
- ensure intragovernmental transactions were reconciled and adjusted and intra-entity activity was reconciled and eliminated;

* A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statements in a timely manner.

- design controls, such as reconciliations, to ensure the completeness and accuracy of financial reporting and journal entries; or

- design and implement entity-level controls to establish a control system that will produce reliable financial reporting.

KPMG's report also discusses two instances of noncompliance with provisions of applicable laws and regulations, contracts, and grant agreements. Specifically, KPMG's report describes instances in which the Army's internal control assessment and financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996 and the Federal Managers' Financial Integrity Act of 1982.

In connection with the contract, we reviewed KPMG's report and related documentation and discussed them with KPMG's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the Army Working Capital Fund FY 2024 and FY 2023 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal controls over financial reporting, on whether the Army Working Capital Fund's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations, contracts, and grant agreements. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS. KPMG is responsible for the attached November 8, 2024 report and the conclusions expressed within the report.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me.

FOR THE INSPECTOR GENERAL:

Lorin T. Venable

Lorin T. Venable, CPA
Assistant Inspector General for Audit
Financial Management and Reporting

Attachment:
As stated

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary of the Army and
Inspector General of the Department of Defense:

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of the United States (U.S.) Department of the Army (Army) Working Capital Fund (WCF), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net costs, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (collectively, the consolidated financial statements).

We do not express an opinion on the accompanying consolidated financial statements of the Army WCF. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

Basis for Disclaimer of Opinion

Management did not provide sufficient appropriate evidential matter to support the amounts in the consolidated financial statements due to inadequate processes, controls, and records to support transactions and account balances. As a result, we were unable to determine whether any adjustments were necessary related to the consolidated financial statements. Also, the Army WCF valued a significant portion of inventory using deemed cost as of October 1, 2018. However, deemed cost is not an acceptable valuation method for the opening balance of inventory until the Army WCF makes an unreserved assertion that its inventory is presented fairly in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Notes 1.Q and 9 to the consolidated financial statements, the Army WCF adopted Statement of Federal Financial Accounting Standard (SFFAS) 50, *Establishing Opening Balances for General Property, Plant, and Equipment*: *Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35* to establish real property and general equipment opening balances as of October 1, 2023.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Annual Financial Report* to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Army WCF's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards,* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are required to be independent of the Army WCF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with GAAS because management did not provide sufficient appropriate evidential matter. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit the Army WCF's consolidated financial statements as of and for the year ended September 30, 2024, we considered the Army WCF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Army WCF's internal control. Accordingly, we do not express an opinion on the effectiveness of the Army WCF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibit II to be areas of significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the Army WCF's consolidated financial statements as of and for the year ended September 30, 2024, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02, and which is described in item A of the accompanying Exhibit III.

We also performed tests of the Army WCF's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances, described in item B of the accompanying Exhibit III, in which the Army WCF's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

United States Department of the Army Working Capital Fund's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Army WCF's response to the findings identified in our engagement and described in the accompanying Exhibit IV. The Army WCF's response was not subjected to the other auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Army WCF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 8, 2024

A. Beginning Year Balances

Management has undergone significant efforts to become auditable; however, management and its service providers did not consistently develop and implement processes and controls to prepare complete and accurate populations for the beginning balances in the consolidated financial statements.

The above condition primarily resulted because management and its service providers did not consistently design appropriate control activities, maintain sufficient and appropriate detailed transactions and supporting documentation to be readily available for inspection, consistently and timely obtain reliable and quality information, process the data into populations that supports the beginning balances, monitor the design and effectiveness of the control system, and timely document and implement corrective actions to remediate the deficiencies.

The criteria are Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* and Office of Management and Budget (OMB) Circular Number (No.) A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*.

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Develop and implement processes and controls to prepare complete and accurate populations at the transaction-level for beginning balance sheet and statement of budgetary resource balances.
- Maintain sufficient and appropriate detailed transactions and supporting documentation for the beginning balance sheet and statement of budgetary resource balances.
- Monitor the design and effectiveness of the beginning balance controls.
- Continue to work towards documenting and implementing corrective actions for beginning balances.

B. Inventory

Management did not consistently design, document, implement, and operate controls over inventory as follows:

Inventory Valuation

- Management valued a significant portion of inventory using deemed cost as of October 1, 2018; however, deemed cost is not an acceptable valuation method for the opening balance of inventory until management makes an unreserved assertion that its inventory was presented fairly in accordance with U.S. generally accepted accounting principles.

- Management did not design, implement, and operate controls to record inventory at the proper valuation and demonstrate inventory valuation was supported by documentation readily available for inspection. In addition, management did not fully design, document, and implement controls to prepare a population of inventory price changes.

- Management did not sufficiently design, document, and implement controls to monitor moving average cost transactions to identify and resolve transactions that incorrectly impacted the moving average cost calculation and demonstrate that costs were appropriate and supported. In addition, management did not design and implement controls over the data used in monitoring the moving average costs or document its rationale for certain inputs and assumptions used to determine the control thresholds.

- Management did not fully design, document, and implement policies and controls to completely identify, appropriately account for, and report all excess, obsolete, and unserviceable inventory. Additionally, management did not fully establish policies and controls over its methodologies, assumptions, thresholds, estimation uncertainty, susceptibility to management bias, retrospective review, data, and reports used to identify excess, obsolete, and unserviceable inventory or consistently maintain documentation to support its determination and controls. Management also did not consistently recognize excess, obsolete, and unserviceable inventory at net realizable value.

Inventory Existence and Completeness

- Management did not effectively design, implement, and perform reconciliations between the financial system and warehouse management systems, timely resolve differences between such systems, document the reconciliations including how differences were resolved, and maintain reconciliation documentation.

- Management did not consistently design, document, and implement consistent policies and controls over inventory receipt, issuance, transfer, disposal, and shop floor return transactions.

- Management did not effectively design, document, and implement inventory count policies and controls across all warehouse locations that define items and attributes to be counted/evaluated, document rationale for items/locations exempt from counts, support the applied thresholds, address resulting precision risk, resolve count differences and differences between the warehouse management and financial systems, monitor count execution and results, and require documentation supporting adjustments and demonstrating execution of all controls.

- Management did not effectively implement and operate inventory count controls. Counts were not consistently conducted in accordance with the documented policies, counts were not conducted at all warehouse locations, and required documentation was not consistently maintained to evidence the performance of counts and count adjustments.

- Management did not fully design and implement controls over the appropriate classification of inventory and did not effectively operate controls to properly store and label inventory with identifying attributes.

- Management did not effectively design, document, and implement controls to monitor open stock transport orders (i.e., inter-plant transfers) and adjust inventory records for invalid stock transport orders. Additionally, management did not fully design and implement controls over the criteria, assumptions, thresholds, and reports used to monitor open stock transport orders.

- Management did not consistently design, document, and implement controls to maintain accurate inventory data in the warehouse management and financial systems.

- Management did not obtain information over the design, implementation, and operating effectiveness of controls for inventory held at Defense Logistics Agency warehouses; specifically, inventory controls related to data transmission, receipts (recordation/acceptance), completeness, existence, ownership/rights, condition/valuation, adjustments, timeliness of fulfilling orders, shipping, and safeguarding. Additionally, management did not design compensating controls to overcome deficiencies related to inventory held at Defense Logistics Agency warehouses.

- Management did not have a fully documented understanding of contractors' information, locations, processes, and controls over inventory held at all contractor sites. Management also did not fully design and implement monitoring and reconciliation controls over inventory held at contractor sites as management did not reconcile its records to contractor records for certain contractors, and management's records did not always agree to the contractors' records. In addition, management did not design, document, and implement controls to consistently identify, and report government furnished inventory and contractor acquired inventory.

Inventory Held for Repair, Work In Process, and Other Costs

- Management did not fully design, document, and implement policies and controls over inventory held for repair, including the repair cost methodology, calculations, assumptions, underlying data used, estimation uncertainty, susceptibility to management bias, and retrospective reviews. Management also did not design, document, and implement controls to properly classify and value inventory as work in process, held for repair or other inventory classification. Additionally, management did not implement controls to demonstrate held for repair documentation was properly maintained and readily available for inspection.

- Management did not design, document, and implement controls to monitor work in process projects to identify and adjust for completed projects that should be moved to inventory held for sale, identify and adjust unused parts on the shop floor, and document controls performed. Additionally, management did not design, document, and implement controls to expense repair costs in excess of serviceable value and determine that amounts are properly supported and recorded in the correct fiscal year.

- Management did not effectively design, implement, and operate controls to monitor gains, losses, costs of goods sold, and other costs resulting from inventory transactions to determine the transactions were supported, accurate, and recognized in the proper accounting period.

The above conditions primarily resulted because of the following:

- Management did not consistently assign inventory and related process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.

- Management did not sufficiently train and develop individuals to perform their inventory and related process control responsibilities.
- Management did not enforce accountability of individuals performing inventory and related process control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for inventory and related processes.
- Management did not fully design, document, and implement policies and controls to address all significant inventory and related process objectives and risks, or periodically review policies, procedures, and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for inventory and related processes.
- Management did not monitor the design and effectiveness of inventory and related process controls.
- Management did not timely document and implement corrective actions for inventory and related processes.

The criteria are as follows:

- GAO Standards for Internal Control in the Federal Government
- Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 1: *Accounting for Selected Assets and Liabilities*, SFFAS 3: *Accounting for Inventory and Related Property*, SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, and SFFAS 48: *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*
- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*
- Treasury Financial Manual
- Federal Acquisition Regulation (FAR)
- United States Code
- Federal Financial Management Improvement Act of 1996
- Department of Defense (DoD) policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Record deemed cost adjustments when management is ready to make an unreserved assertion and design and implement controls to consistently apply deemed cost adjustments.
- Design, implement, and operate controls to record inventory at the proper valuation, and demonstrate inventory valuation is supported by documentation and populations are readily available for inspection.
- Design, document, and implement controls to monitor moving average cost transactions to identify and resolve transactions that incorrectly impact the moving average cost calculation, and demonstrate that the costs, data, inputs, assumptions, and thresholds used are appropriate and supported.
- Design, document, and implement policies and controls over methodologies, assumptions, thresholds, estimation uncertainty, susceptibility to management bias, retrospective review, data, reports, and supporting documentation used to completely identify and recognize excess, obsolete, or unserviceable inventory at net realizable value.
- Complete the design, implement, and perform reconciliations between the financial system and warehouse management systems to include timely resolving differences between such systems, and maintaining reconciliation documentation.
- Design, document, and implement consistent policies and controls over inventory receipt, issuance, transfer, disposal, and shop floor return transactions.
- Design, document, and implement consistent inventory count policies and controls across all warehouse locations that define items and attributes to be counted/evaluated, document rationale for items/locations exempt from counts, support the applied thresholds, address resulting precision risk, indicate how to resolve count differences and differences between warehouse management and financial systems, monitor count execution and results, and require documentation to support adjustments and demonstrate execution of all controls.
- Effectively implement and operate inventory count controls across all warehouse locations and retain all count and adjustment documentation.
- Design, implement, and operate controls over the appropriate classification of inventory and properly storing and labelling inventory.
- Design, document, and implement monitoring controls over open stock transport orders to adjust the inventory records for invalid stock transport orders and support the criteria, assumptions, thresholds, and reports used to monitor open stock transport orders.
- Design, document, and implement controls to maintain accurate inventory data in the warehouse management and financial systems.
- Monitor the service provider controls and design and implement compensating controls when service provider controls over inventory held at Defense Logistics Agency warehouses are not effectively designed, implemented, or operated.

- Document contractors' information, locations, processes, and controls over inventory held at contractor sites. In addition, design and implement monitoring and reconciliation controls over inventory held at contractor sites, government furnished inventory, and contractor acquired inventory.
- Design, document, and implement policies and controls over inventory held for repair, including repair cost methodologies, calculations, assumptions, underlying data used, estimation uncertainty, susceptibility to management bias, and retrospective reviews. In addition, implement controls to properly classify and value inventory as work in process, held for repair, or other inventory classification, and demonstrate held for repair documentation is properly maintained and readily available for inspection.
- Design, document, and implement controls to identify and adjust for completed work in process projects that should be moved to inventory held for sale, identify and adjust unused parts on the shop floor, expense repair costs in excess of serviceable value, and properly support and record project amounts in the correct fiscal year.
- Design, implement, and operate controls to monitor gains, losses, costs of goods sold, and other costs resulting from inventory transactions to determine the transactions are supported, accurate, and recognized in the correct accounting period.
- Assign inventory and related process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their inventory and related process control responsibilities.
- Enforce accountability of individuals performing inventory and related process control responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for inventory and related processes.
- Identify, obtain, process, and communicate quality information for inventory and related processes.
- Monitor the design and effectiveness of inventory and related controls.
- Continue to work towards documenting and implementing corrective actions for inventory and related processes.

C. Property, Plant and Equipment – Internal Use Software

Management did not design, document, and implement controls over the valuation of internal use software.

The above condition primarily resulted because of the following:

- Management did not consistently assign internal use software responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not fully design, document, and implement policies and controls to address all significant internal use software objectives and risks, or periodically review policies, procedures, and controls for continued relevance and effectiveness.
- Management did not timely document and implement corrective actions for the internal use software balances.

The criteria are GAO *Standards for Internal Control in the Federal Government*, FASAB SFFAS 6: *Accounting for Property, Plant, and Equipment*, FASAB SFFAS 10: *Accounting for Internal Use Software*, and DoD policies and guidance.

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Design, document, and implement policies and controls over the valuation and recording of internal use software.
- Assign internal use software responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Continue to work toward documenting and implementing corrective actions for the software balances.

D. Revenue

Management and its service providers did not consistently design, document, implement, and operate controls over revenue, accounts receivable, collections, spending authority, supply turn-in, and unfilled customer order balances as follows:

- Management did not design, document, and implement controls to consistently recognize revenue transactions when inventory is delivered to and accepted by the customer.
- Management did not fully develop, document, and implement policies, controls, and proper segregation of duties to verify that labor rates, labor hours, material prices, material quantities, project costs, and other project information used to determine revenue were complete and accurate.
- Management did not fully design, document, and implement policies and controls for the cost estimate methods, assumptions, and data to determine that cost estimates were properly developed, valued, supported, and reported.
- Management did not effectively operate controls to verify that supporting documentation, such as support for funded amount, collection amount, quantity shipped, and other information, is consistently maintained and readily available for inspection for revenue, accounts receivable, collections, spending authority, and unfilled customer order transactions.
- Management did not develop, document, and implement policies and controls to properly record and present, in the consolidated financial statements, a revenue provision for potential returns, allowances, price redeterminations, or other reasons.
- Management and its service providers did not consistently design, document, implement, and operate controls to verify that revenue, accounts receivable, collections, spending authority, unfilled customer order, supply turn-in, and manual debit and credit memo transactions were appropriate, recorded in the proper account, in the proper accounting period, and at the correct amount.
- Management did not design, document, and implement controls to consistently adjust customer orders for price changes, communicate the related order changes to customers, and retain documentation for such communication.
- Management did not fully design and operate controls, such as the joint reconciliation program review, to timely identify and adjust aged, closed, or invalid unfilled customer order and accounts receivable balances. Furthermore, management did not consistently adhere to its policies and procedures for performing these controls.
- Management did not properly design, document, and implement the material price and credit value reconciliations between financial systems to determine that transactions are complete and accurate.

The above conditions primarily resulted because of the following:

- Management did not consistently assign revenue and related process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not enforce accountability of individuals performing revenue and related process control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for revenue and the related processes.

- Management and its service providers did not fully design, document, and implement policies and controls to address all significant revenue and related process objectives and risks.
- Management did not identify, obtain, process, and communicate quality information for revenue and related processes.
- Management and its service providers did not monitor the design and effectiveness of revenue and related process controls.
- Management and its service providers did not timely document and implement corrective actions for the revenue and related processes.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*, and GAO *Cost Estimating and Assessment Guidance*
- FASAB SFFAS 3: *Accounting for Inventory and Related Property* and SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- OMB Circular No. A-11: *Preparation, Submission and Execution of the Budget*, OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*, and OMB Circular No. A-136: *Financial Reporting Requirements*
- Treasury Financial Manual
- Federal Financial Management Improvement Act of 1996
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design, document, and implement processes and controls to recognize revenue transactions when inventory is delivered to and accepted by the customer.
- Develop, document, and implement policies, controls, and segregation of duties to verify that labor rates, labor hours, material prices, material quantities, project costs, and other project information used to determine revenue are consistently approved, and completely and accurately recorded in the financial system.
- Design, document, and implement policies and controls for the cost estimate methods, assumptions, and data to determine that cost estimates are properly developed, valued, supported, and reported.
- Effectively operate controls to verify that supporting documentation is consistently maintained and readily available for inspection for revenue, accounts receivable, collections, spending authority, and unfilled customer order transactions.

- Develop, document, and implement policies and controls to properly record and present, in the consolidated financial statements, a revenue provision for returns, allowances, price redeterminations, or other reasons.
- Design, document, implement, and operate controls to verify that revenue, accounts receivable, collections, spending authority, unfilled customer order, supply turn-in, and manual debit and credit memo transactions are recorded in the proper account, correct accounting period, and at the correct amount.
- Design, document, and implement controls to consistently adjust customer orders for price changes, communicate the related order changes to customers, and retain documentation for such communication.
- Design and operate controls to timely record adjustments to unfilled customer orders and accounts receivable for inclusion in the consolidated financial statements and perform enforcement and monitoring to verify compliance with the policies and controls.
- Design, document, and implement the material price and credit value reconciliations between financial systems to verify that transactions are complete and accurate.
- Assign revenue and related process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Enforce accountability of individuals performing revenue and related process control responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for revenue and the related processes.
- Identify, obtain, process, and communicate quality information for revenue and related processes.
- Monitor the design and effectiveness of revenue and related processes.
- Continue to work towards documenting and implementing corrective actions for the revenue and related processes.

E. Costs, Disbursements, and Budgetary Obligations

Management and its service providers did not consistently design, document, implement, and operate controls over the procure-to-pay and related processes that includes costs, accounts payable, disbursements, new obligations, upward or downward adjustments, and undelivered order transactions and balances as follows:

- Management and its service providers did not design and implement controls to consistently validate the receipt and acceptance of goods and/or services prior to recording the transactions in the consolidated financial statements.
- Management and its service providers did not consistently design, document, implement, and operate controls to determine that cost, liability, and disbursement transactions were recorded in the proper account, in the correct accounting period, and at the correct amount.
- Management did not properly design and implement policies and controls to capitalize, rather than expense, costs incurred for purchasing or repairing inventory and property, plant, and equipment.
- Management and its service providers did not effectively design and implement policies and controls to properly record advance payments for goods purchased and not yet received and contract financing payment transactions.
- Management did not consistently design, document, implement, and operate controls to determine that budgetary transactions, to include new obligations, upward or downward adjustments, and undelivered orders, were properly recorded and supported by valid contract actions and agreements.
- Management did not fully design and operate the joint reconciliation program review to timely identify and adjust aged, closed, or invalid dollar amounts related to undelivered orders, goods or invoice receipts, and accounts payable. Furthermore, management did not adhere to its policies and procedures for performing the joint reconciliation program review to timely correct invalid balances.
- Management did not properly design and implement policies and controls to prepare a complete account payable listing that accurately distinguished between the Federal and non-Federal balances. In addition, management did not properly design, document, and implement the obligation, cost, disbursement, and accounts payable reconciliations between financial systems to determine that transactions are completely and accurately recorded.

The above conditions primarily resulted because of the following:

- Management did not consistently assign procure-to-pay process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not sufficiently train and develop individuals to perform their procure-to-pay process control responsibilities.
- Management did not enforce accountability of individuals performing procure-to-pay process control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for the procure-to-pay process.

- Management and its service providers did not fully design, document, and implement policies and controls to address all significant procure-to-pay process objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not identify, obtain, process, and communicate quality information for the procure-to-pay process.
- Management and its service providers did not monitor the design and effectiveness of the procure-to-pay process controls.
- Management and its service providers did not timely document and implement corrective actions for the procure-to-pay process.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 1: *Accounting for Selected Assets and Liabilities*, SFFAS 3: *Accounting for Inventory and Related Property*, SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, and SFFAS 7: *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- OMB Circular No. A-11: *Preparation, Submission and Execution of the Budget*
- Treasury Financial Manual
- United States Code
- Federal Financial Management Improvement Act of 1996
- National Archives Office of Chief Records Officer General Records Schedules, *Transmittal 32*
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design and implement controls to consistently validate the receipt and acceptance of goods and/or services prior to recording the transactions in the consolidated financial statements.
- Design, document, implement, and operate controls to determine that cost, liability, and disbursement transactions were recorded in the proper account, in the correct accounting period, and at the correct amount.
- Design and implement policies and controls to capitalize, rather than expense, costs incurred for purchasing or repairing inventory and property, plant, and equipment.

- Design and implement policies and controls to properly record advance payments for goods purchased and not yet received and contract financing payment transactions.
- Design, document, implement, and operate controls to determine that budgetary transactions, to include new obligations, upward or downward adjustments, and undelivered orders, were properly recorded and supported by valid contract actions and agreements.
- Enhance the joint reconciliation program policies and timeline to timely record adjustments to undelivered orders, goods or invoice receipts, and accounts payable for inclusion in the consolidated financial statements.
- Design, document, and implement policies and controls to prepare a complete account payable listing that accurately distinguishes between the Federal and non-Federal balances and reconcile obligation, cost, disbursement, and accounts payable amounts between financial systems to determine that transactions are completely and accurately recorded.
- Assign procure-to-pay process responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their procure-to-pay process control responsibilities.
- Enforce accountability of individuals performing procure-to-pay process control responsibilities.
- Complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for the procure-to-pay process.
- Identify, obtain, process, and communicate quality information for the procure-to-pay process.
- Monitor the design and effectiveness of the procure-to-pay process controls.
- Continue to work towards documenting and implementing corrective actions for the procure-to-pay process.

F. Evidential Matter

Management and its service providers did not consistently have sufficient evidential matter (i.e., supporting documentation) readily available to demonstrate that beginning balances, activity, and ending balances for accounts receivable, inventory, internal use software, land, accounts payable, other liabilities, revenue, cost, budgetary, and other transactions were properly reported in the consolidated financial statements. Management and its service providers did not consistently have sufficient evidential matter readily available to demonstrate the performance and effectiveness of control activities. Specifically, the evidential matter that we requested (a) was not readily available and thus not provided, (b) did not sufficiently support the control or transactions recorded in the general ledger used to prepare the consolidated financial statements, and (c) was not effectively reviewed and approved by management, or the review and approval was not documented.

Management and its service providers relied on information produced by the financial and feeder systems to support certain transactions and balances in the consolidated financial statements; however, management and its service providers did not have effective information technology controls over such systems (discussed further in Section G - Information Technology Controls), and therefore did not provide reliable evidential matter.

The above conditions primarily resulted because of the following:

- Management and its service providers did not sufficiently train and develop individuals to properly perform the controls and retain documentation of the operation of controls and to support financial amounts.
- Management and its service providers did not enforce accountability of individuals to timely locate and provide evidential matter.
- Management and its service providers did not perform a complete risk assessment to identify all risks and information, analyze risks, and respond to risks for evidential matter and record retention.
- Management and its service providers did not fully design, document and implement policies and controls to maintain evidential matter and evidence of supervisory review.
- Management and its service providers did not timely document and implement corrective actions for evidential matter.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-11: *Preparation, Submission and Execution of the Budget*, OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*, and OMB Circular No. A-136: *Financial Reporting Requirements*
- DoD policies and guidance
- Army policies and guidance

As a result of deficiencies noted above, the potential exists that transactions would not be supported by appropriate documentation and controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design, document, and implement procedures and controls to effectively review, document review of, and maintain evidential matter.
- Update policies and procedures to define the key evidential matter that is required to support financial statement amounts and performance of controls, require evidential matter to agree with the general ledger detail, and require evidential matter to be readily available for inspection.
- Continue to improve information technology access, configuration management, and job processing controls to be able to rely on information produced by the financial and feeder systems to support certain transactions and balances.
- Train and develop individuals to properly perform the controls and retain documentation of the operation of controls and to support financial amounts.
- Enforce accountability of individuals to timely locate and provide evidential matter.
- Complete risk assessments to identify all risks and information, analyze risks, and respond to risks for retaining records to support financial amounts and controls.
- Continue to work towards documenting and implementing corrective actions for evidential matter.

G. Information Technology Controls

Management and its service providers continued to improve Information Technology (IT) controls; however, they did not effectively design, implement, and operate certain IT controls to protect the financial systems and related financial data. In addition, management did not implement sufficient compensating controls to address service providers' IT controls that were not effectively designed, implemented, or operated. Our findings are summarized as follows:

- **Logical Access**: Management and its service providers did not consistently design, implement, or operate application, database, and operating system logical access controls around the authorization, provisioning, monitoring, and deactivation of system user accounts. In addition, management did not design and implement controls to identify complete IT system user listings. Management and its service providers did not consistently conduct and document periodic reviews of user accounts to validate the appropriateness of user access, based on least privilege principles. In addition, management and its service providers did not effectively design, implement, and operate application, database, and operating system audit logging controls, including audit log configuration, as well as security event identification, tracking, review, and response procedures. Management also did not consistently restrict audit log report access to appropriate personnel. Finally, management and its service providers did not consistently design and implement operating system password security and inactivity configuration parameters.

- **Configuration Management**: Management and its service providers did not consistently operate application, database, and operating system configuration management controls, including evidencing production environment change approvals. In addition, management and its service providers did not consistently validate that users with access to the development, staging, and production environments did not have the ability to develop code and migrate code to the production environment.

- **Job Processing**: Management did not consistently design, implement, and operate controls to appropriately restrict access to the job scheduler. In addition, management did not implement controls to prepare a complete list of job processing success and failures that occurred during the fiscal year for certain systems.

The above conditions primarily resulted because of the following:

- Management did not sufficiently train and develop individuals to perform their IT responsibilities.

- Management and its service providers did not enforce accountability of individuals performing IT control responsibilities.

- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for IT systems.

- Management and its service providers did not fully design, document, and implement policies and controls to address all significant IT system objectives and risks, or periodically review policies and controls for continued relevance and effectiveness.

- Management did not identify, obtain, process, and communicate quality information for IT systems.

- Management and its service providers did not monitor the design and effectiveness of IT controls.

- Management and its service providers did not timely document and implement corrective actions for IT systems.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*
- National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53: *Security and Privacy Controls for Information Systems and Organizations, Revision 5*, dated September 2020
- Army policies and guidance

As a result of the deficiencies noted above, there is an increased risk over the completeness, accuracy, validity, and availability of the systems and their financial data, and a potential that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design, document, implement, and effectively operate policies and controls for logical access controls, configuration management, and job processing at the application, database, and operating system layers.
- Train and develop individuals to perform their IT control responsibilities.
- Enforce accountability of individuals performing IT control responsibilities.
- Complete risk assessments to define objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for IT systems.
- Identify, obtain, process, and communicate quality information for all IT systems.
- Monitor the design and effectiveness of logical access, configuration management, and job processing controls.
- Continue to work towards implementing corrective actions for IT application, database, and operating system systems.

H. Accruals

Management and its service providers did not fully design, document, and implement controls over goods and service accruals as follows:

- Management and its service providers did not fully design, document, and implement controls to completely identify and record accruals for certain goods or services as of period-end, review accrual reports and transactions, and appropriately classify accruals as intragovernmental versus with the public.
- Management did not fully design and implement controls to determine that goods and service transactions were valid and recorded at the proper amount and in the correct accounting period.

The above conditions primarily resulted because of the following:

- Management and its service providers did not enforce accountability of individuals performing accrual control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for accruals.
- Management and its service providers did not fully design, document, and implement policies and controls to address all significant accrual objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management and its service providers did not monitor the design and effectiveness of accrual controls.
- Management and its service providers did not timely document and implement corrective actions for accruals.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Environment*
- FASAB SFFAS 1: *Accounting for Selected Assets and Liabilities*, SFFAS 3: *Accounting for Inventory and Related Property*, and SFFAS 5: *Accounting for Liabilities of the Federal Government*
- Treasury Financial Manual
- United States Code
- Federal Financial Management Improvement Act of 1996
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design, document, and implement controls to completely identify and record accruals, review accrual reports and transactions, and configure the financial system to properly classify accruals as intragovernmental versus with the public.
- Design and implement controls and configure the financial system to determine that accruals and transactions are recorded at the proper amount and in the correct accounting period.
- Enforce accountability of individuals performing accrual control responsibilities.
- Perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks related to the recording and classification of goods and service accrual transactions.
- Monitor the design and operating effectiveness of accrual controls.
- Continue to work towards documenting and implementing corrective actions for accruals.

I. Financial Reporting and Journal Entries

Management and its service provider continued to make progress improving controls over financial reporting and journal entries; however, they did not effectively design, implement, and operate controls as follows:

- Management and its service provider did not fully design, document, and implement controls to identify all transactions that are required to follow the designed manual journal entry control processes.
- Management did not effectively design, document, implement, and operate management review controls over certain manual journal entries to determine that they are properly recorded and supported.
- Management and its service provider did not fully design and implement controls over budgetary to proprietary reconciliations, where management recorded journal entries to resolve differences.
- Management did not consistently design, document, and implement controls to address the completeness and accuracy of land acreage and archaeological sites recorded in the property system and disclosed in the notes to the consolidated financial statements.

The above conditions primarily resulted because of the following:

- Management did not enforce accountability of individuals performing journal entry control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for financial reporting.
- Management and its service provider did not fully design, document, implement, and operate policies and controls to address all significant financial reporting and journal entry objectives and risks.
- Management and its service provider did not identify, obtain, process, and communicate quality information for financial reporting and certain journal entries.
- Management did not consistently monitor the implementation and effectiveness of journal entry controls.
- Management and its service provider did not timely document and implement corrective actions for certain financial reporting and journal entry processes.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 6: *Accounting for Property, Plant, and Equipment* and SFFAS 59: *Accounting and Reporting of Government Land*
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service provider to continue to perform, the following:

- Design, document, and implement controls to identify all transactions that are required to follow the designed manual journal entry control processes.
- Effectively design, document, implement, and operate management review controls over manual journal entries to determine that they are properly recorded and supported.
- Fully design, document, and implement controls over budgetary to proprietary reconciliations to identify the cause of reconciliation differences and support journal entries recorded to resolve such differences.
- Design, document, and implement controls to address the completeness and accuracy of land acreage and archaeological sites.
- Enforce accountability of individuals performing journal entry control responsibilities.
- Complete risk assessments to define all objectives, define risks tolerances, identify all risks and information, analyze risks, and respond to risks identified for financial reporting and journal entry processes.
- Identify, obtain, process, and communicate quality information for financial reporting and manual journal entries.
- Monitor the implementation and effectiveness of manual journal entry controls.
- Continue to work towards documenting and implementing corrective actions for the financial reporting and journal entry processes.

J. Intragovernmental Transactions and Intra-entity Eliminations

Management and its service providers did not properly design and implement controls over intragovernmental and intra-entity transactions as follows:

- Management and its service providers did not properly design and implement controls for intragovernmental transactions as they did not record the trading partner information at the transaction level needed to facilitate reconciling and adjusting intragovernmental transactions.
- Management did not fully design, document, and implement policies and controls to reconcile with its trading partners or sufficiently support adjustments recorded to match amounts provided by trading partners or properly configure reports used to record adjustments.
- Management and its service providers did not consistently design and implement controls to determine that all intra-entity transactions are identified and eliminated, and did not fully support elimination adjustments.

The above conditions primarily resulted because of the following:

- Management and its service providers did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for intragovernmental and intra-entity processes.
- Management and its service providers did not fully design, document, and implement policies and controls to address all significant intragovernmental and intra-entity objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management and its service providers did not identify, obtain, process, and communicate quality information at the detailed transaction level for intragovernmental and intra-entity activity, and the financial systems were not configured to properly record certain transactions.
- Management and its service providers did not timely document and implement corrective actions for intragovernmental and intra-entity transactions.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-136: *Financial Reporting Requirements*
- Treasury Financial Manual
- DoD policies and guidance
- Army policies and procedures

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend management continue to perform, or work with its service providers to continue to perform, the following:

- Configure the financial system to record the trading partner information at the transaction level to enable management and its service providers to report, reconcile, and adjust intragovernmental balances.
- Design, document, and implement policies and controls to properly reconcile with trading partners at the transaction level and have evidence to support reconciliation adjustments.
- Design and implement controls, including configuring the financial system, to appropriately identify, eliminate, and support intragovernmental and intra-entity adjustments.
- Complete risk assessments to define all objectives and risk tolerances, identify all risk and information, analyze risks, and respond to risks identified for intragovernmental and intra-entity processes.
- Identify, obtain, process, and communicate quality information at the detailed transaction level for intragovernmental and intra-entity transactions.
- Continue to work towards documenting and implementing corrective actions for intragovernmental and intra-entity transactions.

K. Completeness

Management and its service providers continued to improve completeness controls; however, they did not fully design, document, and implement controls to validate that financial transactions are completely and accurately reported in the consolidated financial statements as follows:

- Management and its service providers did not fully design and implement reconciliation controls to validate that financial information is transferred completely and accurately between feeder systems and from feeder systems to the financial system.
- Management and its service providers did not fully design and implement controls to retain source populations and demonstrate that financial transactions are completely and accurately included in service provider platforms for use in reconciliations.
- Management and its service providers did not fully design and implement controls to support the appropriateness of the materiality thresholds used when performing reconciliations.
- Management and its service providers did not design and implement an appropriate reconciliation timeline to research and resolve reconciliation differences for financial reporting and retain sufficient reconciliation documentation.
- Management and its service providers did not design, document, and implement controls to determine that the configuration of the reconciliation reports was properly completed, reviewed, and approved.

The above conditions primarily resulted because of the following:

- Management and its service providers did not consistently assign reconciliation control responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management and its service providers did not enforce accountability of individuals performing reconciliation control responsibilities.
- Management and its service providers did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for reconciliations.
- Management and its service providers did not fully design, document, and implement policies and controls to address all significant reconciliation objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management and its service providers did not identify, obtain, process, and communicate quality information for use in reconciliations.
- Management and its service providers did not monitor the design and effectiveness of reconciliation controls.
- Management and its service providers did not timely document and implement corrective actions to reconcile transactional data between systems.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*

- FASAB SFFAS 3: *Accounting for Inventory and Related Property* and SFFAS 7: *Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting*
- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*
- Federal Financial Management Improvement Act of 1996
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct material misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Design, document, and implement reconciliation processes and controls to validate that financial information is transferred completely and accurately between systems.
- Design, document, and implement controls to retain source populations and demonstrate that financial transactions are completely and accurately included in service provider platforms for use in the reconciliation.
- Design, document, and implement controls to support the appropriateness of the materiality thresholds used when performing reconciliations.
- Design and implement a reconciliation timeline to research and resolve reconciliation differences for financial reporting requirements and retain documentation.
- Design, document, and implement controls to verify that the configuration of the reconciliation reports is properly completed, reviewed, and approved.
- Assign reconciliation responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Enforce accountability of individuals performing reconciliation control responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for reconciliations.
- Identify, obtain, process, and communicate quality information for use in reconciliations.
- Monitor the design and effectiveness of reconciliation controls.
- Continue to work towards documenting and implementing corrective actions to reconcile transactional data between systems.

L. Entity Level Controls

Management did not properly design and implement entity level controls to establish a control system that will produce reliable financial reporting. Specifically:

Control Environment. Management did not establish an effective control environment. For example, management did not consistently:

- Oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its enterprise responsibilities.
- Assign responsibilities, delegate authority to individuals, develop and maintain sufficient documentation, and communicate policies and assigned responsibilities within the organization.
- Train and develop individuals to perform their assigned responsibilities to achieve financial reporting objectives.
- Enforce accountability of individuals and service organizations performing internal control responsibilities.

Risk Assessment. Management did not effectively design and implement its risk assessment controls. For example, management did not consistently:

- Perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks for all financial statements and note disclosures.
- Identify and respond to all risks in the control environment.

Control Activities. Management did not effectively design and implement its control activities as described in previous sections of Exhibit I and in Exhibit II. For example, management did not consistently:

- Design, document, and implement policies, information systems, and controls to address all objectives and risks, periodically review policies to ensure policies were appropriate, and review procedures and controls to assess continued relevance and effectiveness.

Information and Communication. Management did not effectively design and implement its information and communication controls. For example, management did not consistently:

- Identify, obtain, process, and communicate quality information to support the reliability of financial data and supporting documentation.

Monitoring. Management did not effectively design and implement monitoring controls. For example, management did not consistently:

- Monitor the design and effectiveness of entity level, manual, automated, general information technology, and service organization controls for key financial statement line items, note disclosures, and financial risks.
- Perform the risk management and internal controls program as certain groups did not identify and document financial statement assertions and related controls, design and document test procedures, test the controls, and document test results consistent with the guidance.

- Define service organization responsibilities, identify and evaluate service organization and complimentary user entity controls, and assess controls not covered by service organization examinations.
- Design, implement, and operate controls to address control deficiencies at service organizations.
- Document, implement, and monitor corrective actions to remediate control deficiencies from prior years.

The above conditions primarily resulted because management did not assign responsibilities to achieve control objectives, enforce accountability across the organization, consistently perform risk assessment procedures to identify all relevant risks, properly design the control environment to respond to risks, properly design and implement its control activities to achieve an effective internal control system, disseminate quality information on a timely basis across the entity, consistently monitor the control environment, and timely complete its corrective action efforts for previously identified deficiencies.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*
- Federal Managers' Financial Integrity Act of 1982
- Army policies and guidance

Without effective entity level controls, the risk exists that the consolidated financial statements are materially misstated. In addition, there is an increased risk that management will continue to have material weaknesses over financial reporting.

Recommendations:

We recommend that management continue to perform the following:

- Oversee the design, implementation, and operation of the organizational structure to enable management to fulfill its enterprise responsibilities.
- Assign responsibilities, delegate authority to individuals, develop and maintain sufficient documentation, and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their assigned responsibilities to achieve financial reporting objectives.
- Enforce accountability of individuals and service organizations performing internal control responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks in the consolidated financial statements and note disclosures.
- Identify and respond to all risks in the control environment.

- Design, document and implement policies, information systems, and controls to achieve financial reporting objectives, periodically review policies to ensure policies are appropriate, and review procedures and controls to assess continued relevance and effectiveness.
- Identify, obtain, process, and communicate quality information for internal controls to support the reliability of financial data and supporting documentation.
- Monitor the design and operating effectiveness of entity level, manual, automated, general information technology, and service organization controls.
- Identify and document financial statement assertions and related controls, design and document test procedures, test the controls, and document test results consistent with Army's risk management and internal controls program guidance.
- Define service organization responsibilities, identify and evaluate service organization and complimentary user entity controls, and assess controls not covered by service organization examinations.
- Design, implement, and operate controls to address control deficiencies at service organizations.
- Continue to work towards documenting, implementing, and monitoring corrective actions to remediate control deficiencies from prior years.

A. Property, Plant, and Equipment – Real Property

Management improved the controls for the real property process; however, management did not consistently implement and operate certain controls over the real property process as follows:

- Management did not consistently implement and operate controls over its real property deemed cost implementation.
- Management did not consistently implement controls to verify real property data elements (e.g., placed in-service date, category code, quantity, operational status, and useful life) were completely and accurately recorded in the real property system.
- Management did not fully design, document, and implement controls over real property physical inventory observations.
- Management did not consistently operate controls over real property acquisitions and disposals.

The above conditions primarily resulted because of the following:

- Management did not fully design, document, and implement policies and controls to address all significant real property objectives and risks.
- Management did not identify, obtain, process, and communicate quality information for the real property process.
- Management did not monitor the design and effectiveness of real property controls.
- Management did not timely document and implement corrective actions for the real property process.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 6: *Accounting for Property, Plant, and Equipment*
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Effectively implement and operate controls over the implementation of accounting standards.
- Effectively implement controls to verify real property data elements are completely and accurately recorded in the real property system.
- Design, document, and implement controls over real property physical inventory observations.
- Effectively operate controls over real property acquisitions and disposals.
- Identify, obtain, process, and communicate quality information for the real property process.

- Monitor the design and operating effectiveness of real property controls.
- Continue to work towards documenting and implementing corrective actions for the real property process.

B. Property, Plant, and Equipment – General Equipment

Management improved the controls for the general equipment process; however, management did not consistently implement and operate certain controls over the general equipment process as follows:

- Management did not consistently implement and operate controls over general equipment deemed cost implementation.
- Management did not consistently implement and operate controls to verify general equipment data elements (e.g., placed in-service date, gross cost, useful life, and accumulated depreciation) were properly recorded in the property system.
- Management did not consistently implement and operate controls over general equipment acquisitions, disposals, construction-in-progress, physical inventory, and record retention.

The above conditions primarily resulted because of the following:

- Management did not enforce accountability of individuals performing general equipment control responsibilities.
- Management did not fully design, document, and implement policies and controls to address all significant general equipment objectives and risks.
- Management did not identify, obtain, process, and communicate quality information for the general equipment process.
- Management did not monitor the design and effectiveness of general equipment controls.
- Management did not timely document and implement corrective actions for the general equipment process.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB Technical Release 14: *Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment* and SFFAS 50: *Establishing Opening Balances for General Property, Plant, and Equipment*
- DoD policies and guidance
- Army policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Effectively implement and operate controls over the implementation of accounting standards.
- Effectively implement and operate controls to verify general equipment data elements are properly recorded in the property system.

- Effectively implement and operate controls over general equipment acquisitions, disposals, construction-in-progress, physical inventory, and record retention.
- Enforce accountability of individuals performing general equipment process control responsibilities.
- Identify, obtain, process, and communicate quality information for the general equipment process.
- Monitor the design and effectiveness of the general equipment process controls.
- Continue to work towards documenting and implementing corrective actions for the general equipment process.

C. Environmental and Disposal Liabilities – Asset Driven

Management improved environmental and disposal liability controls; however, management did not consistently document the design and implementation of certain processes and controls over environmental and disposal liabilities as follows:

- Management did not fully design, document, and implement policies and controls over certain models, assumptions, populations, and information used to determine environmental and disposal liabilities.
- Management did not consistently design, document, and implement processes and controls to identify and evaluate activity from the interim assessment period through year-end that may require management to update environmental and disposal liabilities.

The above conditions primarily resulted because of the following:

- Management did not consistently assign environmental and disposal liabilities responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Management did not sufficiently train and develop individuals to perform their environmental and disposal liabilities control responsibilities.
- Management did not enforce accountability of individuals performing environmental and disposal liabilities control responsibilities.
- Management did not perform a complete risk assessment to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for environmental and disposal liabilities.
- Management did not fully design, document, and implement policies and controls to address all significant environmental and disposal liabilities objectives and risks, or periodically review policies, procedures and controls for continued relevance and effectiveness.
- Management did not fully identify, obtain, process, and communicate quality information for environmental and disposal liabilities.
- Management did not timely document and implement corrective actions for environmental and disposal liabilities.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*, and *Cost Estimating and Assessment*
- FASAB SFFAS 5: *Accounting for Liabilities of The Federal Government*, SFFAS 6: *Accounting for Property, Plant, and Equipment*, and Technical Release 11: *Implementation Guidance on Cleanup Costs Associated with Equipment*
- DoD policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Design, document, and implement policies and controls over models, assumptions, populations, and information used to determine environmental and disposal liabilities.
- Design, document, and implement processes and controls to identify and evaluate activity from the interim assessment period through year-end and update environmental and disposal liabilities for such.
- Assign environmental and disposal liabilities responsibilities, delegate authority to individuals, and communicate policies and assigned responsibilities.
- Train and develop individuals to perform their environmental and disposal liabilities control responsibilities.
- Enforce accountability of individuals performing environmental and disposal liabilities control responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for environmental and disposal liabilities.
- Identify, obtain, process, and communicate quality information for environmental and disposal liabilities.
- Continue to work towards documenting and implementing corrective actions for the environmental and disposal liability process.

D. Fund Balance with Treasury

Management and its service providers continued to improve the precision of fund balance with Treasury reconciliation controls; however, management and its service providers did not design and implement the controls, including the year-end reconciliation control to fully research, resolve, and correct all reconciling items in accordance with policies and guidance.

The above conditions primarily resulted because management and its service providers process a large volume of fund balance with Treasury transactions, and did not fully implement policies and controls for the undistributed adjustments; timely identify, obtain, process, and communicate quality information; and timely implement corrective actions for the fund balance with Treasury reconciliation.

The criteria are as follows:

- GAO *Standards for Internal Control in the Federal Government*
- FASAB SFFAS 1: *Accounting for Selected Assets and Liabilities*
- OMB Circular No. A-136: *Financial Reporting Requirements*
- DoD policies and guidance

As a result of the deficiencies noted above, the potential exists that controls would fail to prevent, or detect and correct misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue to perform, the following:

- Continue to design and implement controls to fully research, resolve, and correct all fund balance with Treasury reconciling items in accordance with policies and guidance.
- Work with the Office of the Secretary of Defense to design and implement processes and controls to accelerate resolution of all fund balance with Treasury reconciling items and verify that undistributed journal vouchers are properly recorded and supported.
- Design and complete the year-end fund balance with Treasury reconciliation so that all variances are resolved and adjusted for the year-end financial statements.
- Timely identify, obtain, process, and communicate quality information for the fund balance with Treasury reconciliation.
- Continue to work towards implementing corrective actions for the fund balance with Treasury reconciliation.

A. Federal Managers' Financial Integrity Act of 1982

Management performed an internal control assessment as required under the Federal Managers' Financial Integrity Act of 1982; however, management's assessment did not substantially comply with the Federal Managers' Financial Integrity Act of 1982 and the related OMB Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requirements as follows:

- Management did not effectively execute its internal control assessments as management did not consistently design, document, and perform the internal control evaluation plans, financial statement assertions, testing procedures, sample sizes, testing results, and evidence of management review.
- Management did not test all relevant controls, fully develop and update corrective action plans, and effectively monitor corrective action plans.

The above conditions primarily resulted because of the following:

- Management did not enforce accountability of individuals performing Federal Managers' Financial Integrity Act of 1982 compliance responsibilities.
- Management did not perform a complete risk assessment to define all Federal Managers' Financial Integrity Act of 1982 compliance objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified.
- Management did not fully design, document, and implement policies and processes to address all significant Federal Managers' Financial Integrity Act of 1982 compliance objectives and risks.
- Management did not monitor the design and effectiveness of its Federal Managers' Financial Integrity Act of 1982 internal control assessment program.
- Management did not timely implement corrective actions for compliance with Federal Managers' Financial Integrity Act of 1982.

The criteria are as follows:

- Federal Managers' Financial Integrity Act of 1982
- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*
- GAO *Standards for Internal Control in the Federal Government*
- Army policies and guidance

The Army WCF did not substantially comply with Federal Managers' Financial Integrity Act of 1982 and the related OMB No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control r*equirements, which may lead to not identifying the appropriate risks, key controls, and not detecting internal control or compliance deficiencies. The risk of not detecting and correcting deficiencies could cause misstatements in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform the following:

- Design, document, and perform the internal control evaluation plans, financial statement assertions, testing procedures, sample sizes, testing results, and evidence of management review.
- Perform and document the internal control assessment for all relevant entity level controls, manual controls covering key financial statement line items and risks, general information technology controls, and system application controls.
- Develop and update corrective action plans, and effectively monitor corrective action plans.
- Enforce accountability of individuals performing Federal Managers' Financial Integrity Act of 1982 compliance responsibilities.
- Complete risk assessments to define all objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified for Federal Managers' Financial Integrity Act of 1982 compliance.
- Monitor the design and effectiveness of its Federal Managers' Financial Integrity Act of 1982 internal control assessment program.
- Continue to work towards implementing corrective actions for compliance with Federal Managers' Financial Integrity Act of 1982.

B. Federal Financial Management Improvement Act of 1996

The Army WCF financial systems did not substantially comply with the following Federal Financial Management Improvement Act of 1996 (FFMIA) requirements:

- **Federal Financial Management Systems Requirements.** As discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiencies, management and its service providers did not implement sufficient and effective financial and information technology controls to consistently support reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. As a result, the Army WCF did not substantially comply with the federal financial management systems requirements.

- **Federal Accounting Standards.** As discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiencies, management and its service providers did not consistently design, implement, and effectively operate controls, which affected management's ability to prepare the consolidated financial statements and support the amounts reported in the consolidated financial statements in accordance with the federal accounting standards. Additionally, management's guidance and self-assessment did not address the federal accounting standard requirements. As a result, the Army WCF did not substantially comply with the federal accounting standard requirements.

- **U.S. Standard General Ledger.** Management did not configure certain financial management systems and processes to comply with the United States Standard General Ledger (USSGL) requirements at the transaction level. In addition, management did not fully demonstrate that management analyzed all financial processes to determine transactions are recorded consistently with USSGL requirements. Additionally, the self-assessment did not address the USSGL requirements. As a result, the Army WCF did not substantially comply with the USSGL requirements.

The above conditions primarily resulted because of the following:

- The Army WCF did not substantially meet FFMIA requirements because of the reasons discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiencies.

- Management did not perform a complete risk assessment to define all FFMIA compliance objectives, define risk tolerances, identify all risks and information, analyze risks and respond to risks identified.

- Management did not fully design, document, and implement policies and procedures to address all FFMIA compliance objectives and risks.

- Management did not monitor FFMIA compliance.

- Management did not timely document and implement corrective actions for compliance with FFMIA.

The criteria are as follows:

- FFMIA

- OMB Circular No. A-123: *Management's Responsibility for Enterprise Risk Management and Internal Control*

- Treasury Financial Manual

As a result of the deficiencies noted above, the financial systems did not substantially comply with FFMIA, and the potential exists that transactions are incorrectly recorded to the general ledger, impacting the completeness, existence, and accuracy of the balances in the consolidated financial statements.

Recommendations:

We recommend that management continue to perform, or work with its service providers to continue perform, the following:

- Design, document, and implement policies to comply with FFMIA requirements.
- Address the federal accounting standard and USSGL requirements in management's guidance and self-assessments.
- Configure financial management systems and processes to comply with the USSGL requirements and analyze all financial processes to determine transactions are recorded consistently with USSGL requirements.
- Implement the recommendations discussed in Exhibit I – Material Weaknesses and Exhibit II – Significant Deficiencies to support compliance with the federal financial management system and federal accounting standard requirements.
- Complete risk assessments to define all FFMIA compliance objectives, define risk tolerances, identify all risks and information, analyze risks, and respond to risks identified.
- Monitor FFMIA compliance.
- Continue to work towards documenting and implementing corrective actions for compliance with FFMIA.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

SAFM-FOI

MEMORANDUM FOR KPMG LLP

SUBJECT: Management Response to the Fiscal Year 2024 Army Working Capital Fund Financial Statement Audit Report

1. We appreciate the opportunity to respond to the audit report. We concur with the findings described in the report and remain committed to taking corrective actions to address the identified material weaknesses, significant deficiencies, and instances of non-compliance.

2. The outcomes of our ongoing audit readiness efforts, including the implementation of corrective actions from previous audit findings, highlight the Army's dedication to resolving long-standing financial reporting issues. In FY 2024, the Army Working Capital Fund (WCF) was able to close one material weakness, Entity Level Controls – Enterprise Responsibilities, and downgrade three material weaknesses to significant deficiencies:

    1. Property, Plant, and Equipment – Real Property
    2. Property, Plant, and Equipment – General Equipment
    3. Environmental and Disposal Liabilities – Asset Driven

Additionally, the Army WCF was able to reduce long-standing unsupported journal vouchers (JVs) to immaterial amounts and reduce the auditor findings around these unsupported JVs to control deficiencies.

The Army WCF currently has a significant deficiency for Fund Balance with Treasury (FBwT). The Army WCF and its service provider, Defense Finance and Accounting Service, have made great strides in reducing overaged variances in the FBwT reconciliation. At the end of FY 2024, the financial statement impact of these overaged variances was less than $2 million net on the $3 billion FBwT line item.

We have prioritized and focused our remediation efforts on the following areas for FY 2025:

- Secretary of Defense Audit Priorities
    - User Access Controls
    - Universe of Transactions and Financial Reporting Internal Controls
    - Optimization of Asset Valuations

- Army Working Capital Fund Audit Priorities for the following material weaknesses
    - Accruals
    - Financial Reporting
    - Inventory Internal Controls
    - Revenue
    - Completeness
    - Intra-Government Transactions and Intra-Entity Eliminations
    - Evidential Matter
    - IT Controls over Financially Significant Systems

3. We are committed to resolving our material weaknesses, significant deficiencies, and improving all aspects of operations and financial management.

4. The Army will maintain its collaborative approach, both internally and externally, with all stakeholders to implement the systems, processes, and internal controls necessary to achieve accurate

financial statements prepared in accordance with generally accepted accounting principles. This commitment aims to not only secure an unmodified audit opinion but, more importantly, to improve the quality and timeliness of the data used to efficiently and effectively manage the resources provided to us by the Congress and the American taxpayer.

ROBINSON.RONALD.WESLEY.[redacted] Digitally signed by ROBINSON.RONALD.WESLEY.[redacted] Date: 2024.11.07 15:57:03 -05'00'

R. Wesley Robinson, Jr.
Deputy Assistant Secretary of the Army
(Financial Operations and Information)

Department of Defense – Army Working Capital Fund

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

As of September 30, 2024 and 2023

(Amounts in thousands)	2024 Consolidated	2023 Consolidated
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 3,060,345	$ 3,472,498
Accounts Receivable, Net (Note 6)	170,805	182,130
Total Intragovernmental Assets	$ 3,231,150	$ 3,654,628
Other Than Intragovernmental		
Cash and Other Monetary Assets (Note 4)	$ 3,988	$ 3,916
Accounts Receivable, Net (Note 6)	990	7,152
Inventory and Related Property, Net (Note 8)	20,199,480	19,691,775
General and Right-to-Use Property, Plant, and Equipment, Net (Note 9)	2,686,197	2,198,283
Advances and Prepayments (Note 10)	78,408	91,533
Total Other Than Intragovernmental	22,969,063	21,992,659
TOTAL ASSETS	$ 26,200,213	$ 25,647,287
Stewardship Property, Plant, and Equipment (Note 9)		
LIABILITIES (Note 11)		
Intragovernmental:		
Accounts Payable	$ 131,655	$ 185,389
Advances from Others and Deferred Revenue (Note 15)	6	738
Other Liabilities (Note 13)	68,884	60,959
Total Intragovernmental Liabilities	$ 200,545	$ 247,086
Other Than Intragovernmental		
Accounts Payable	$ 959,403	$ 520,323
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	239,650	222,648
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 13)	195,196	183,160
Environmental and Disposal Liabilities (Note 14)	415,941	496,435
Advances from Others and Deferred Revenue (Note 15)	183,913	110,210
Other Liabilities (Notes 15 & 17)	4,903	22,916
Total Other Than Intragovernmental	1,999,006	1,555,692
TOTAL LIABILITIES	$ 2,199,551	$ 1,802,778
COMMITMENTS AND CONTINGENCIES (Note 17)		
NET POSITION		
Unexpended Appropriations – Funds Other than Dedicated Collections	$ 109,208	$ 119,314
Total Unexpended Appropriations (Consolidated)	109,208	119,314
Cumulative Results of Operations - Funds Other than Dedicated Collections	23,891,454	23,725,195
Total Cumulative Results of Operations - (Consolidated)	23,891,454	23,725,195
TOTAL NET POSITION	$ 24,000,662	$ 23,844,509
TOTAL LIABILITIES AND NET POSITION	$ 26,200,213	$ 25,647,287

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

Department of Defense – Army Working Capital Fund

CONSOLIDATED STATEMENTS OF NET COST (UNAUDITED)

For the Years Ended September 30, 2024 and 2023

(Amounts in thousands)	2024 Consolidated	2023 Consolidated
Program Costs		
Gross Costs	$ 15,309,493	$ 14,933,507
Operations, Readiness & Support	15,309,493	14,933,507
(Less: Earned Revenue)	(15,750,663)	(14,801,133)
Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	(441,170)	132,374
Net Program Costs Including Assumption Changes	$ (441,170)	$ 132,374
Net Cost of Operations (Note 19)	$ (441,170)	$ 132,374

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

Department of Defense – Army Working Capital Fund

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION (UNAUDITED)

For the Years Ended September 30, 2024 and 2023

(Amounts in thousands)	2024 Consolidated	2023 Consolidated
UNEXPENDED APPROPRIATIONS		
Beginning Balance	$ 119,314	$ 460,001
Beginning Balance, as adjusted	119,314	460,001
Appropriations transferred-in/out	149,213	144,937
Appropriations used	(159,319)	(485,624)
Net Change in Unexpended Appropriations	(10,106)	(340,687)
Total Unexpended Appropriations, Ending Balance	$ 109,208	$ 119,314
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	$ 23,725,195	$ 23,591,372
Prior Period Adjustments	-	-
Changes in accounting principles (Note 20)	553,167	-
Beginning Balance, as adjusted	24,278,362	23,591,372
Appropriations used	159,319	485,624
Non-exchange revenue (Note 20)	-	8
Transfers-in/out without reimbursement (+/-)	(1,210,572)	(413,627)
Imputed financing	223,175	194,200
Other (+/-) (Note 20)	-	(8)
Net Cost of Operations (+/-)	(441,170)	132,374
Net Change in Cumulative Results of Operations (+/-)	(386,908)	133,823
Cumulative Results of Operations, Ending	23,891,454	23,725,195
Net Position	$ 24,000,662	$ 23,844,509

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

Department of Defense – Army Working Capital Fund

COMBINED STATEMENTS OF BUDGETARY RESOURCES (UNAUDITED)

For the Years Ended September 30, 2024 and 2023

(Amounts in thousands)	**2024 Combined**	**2023 Combined**
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	$ 2,809,136	$ 2,865,524
Appropriations (discretionary and mandatory)	149,213	144,937
Contract Authority (discretionary and mandatory)	9,179,680	8,807,416
Spending Authority from offsetting collections (discretionary and mandatory)	6,018,522	5,896,741
Total Budgetary Resources	$ 18,156,551	$ 17,714,618
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 14,268,338	$ 13,925,208
Unobligated balance, end of year:		
Apportioned, unexpired accounts	3,888,213	3,789,410
Unexpired unobligated balance, end of year	3,888,213	3,789,410
Unobligated balance, end of year (total)	3,888,213	3,789,410
Total Budgetary Resources	$ 18,156,551	$ 17,714,618
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	(725,558)	(842,624)
Agency Outlays, net (discretionary and mandatory)	$ (725,558)	$ (842,624)

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

NOTE 1. Significant Accounting Policies

1.A. Reporting Entity

The United States (U.S.) Department of the Army's ("Army") mission is to support the national security and defense strategies by providing well-trained, well-led, and well-equipped forces to the Combatant Commanders. This mission encompasses the intent of the Congress, as defined in Title 10 and Title 32 of the U.S.C., to preserve peace and security and provide for the defense of the U.S., its territories, commonwealths, possessions, and any areas occupied by the U.S.; support national policies; implement national objectives; and overcome any nations responsible for aggressive acts that imperil the peace and security of the U.S.

In support of the Army's overarching mission discussed above, the mission and purpose of the Army Working Capital Fund (WCF) is to provide Army General Fund (GF) and other DoD entities, the supplies, equipment, and ordnance necessary to protect, sustain, and reconstitute forces. The Army WCF reporting entity and related financial statements includes two activity groups: Supply Management Activity (SMA) and Industrial Operations (IO). The SMA group buys and manages spare and repair parts for sale to its customers, primarily Army operating units. The IO activity group provides the Army an organic industrial capability to conduct depot level maintenance, repair, and upgrade; manufacture munitions and large caliber weapons; and store, maintain, and demilitarize materiel for all branches of the Department of Defense (DoD).

1.B. Basis of Presentation and Accounting

The Army WCF's financial statements have been prepared to report the consolidated financial position, net cost of operations, changes in net position, and combined budgetary resources of the U.S. Department of the Army WCF operations, as required by the *Chief Financial Officers Act of 1990*, expanded by the *Government Management Reform Act of 1994*, and other applicable legislation.

The financial statements have been prepared from the records of the Army WCF in accordance with and to the extent possible, U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB). The Army WCF has presented comparative financial statements for the Consolidated Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position and Combined Statements of Budgetary Resources, in accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. Accounting standards also allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The Army WCF financial statements and supporting trial balances are compiled from the underlying financial data and trial balances of the Army WCF business areas. The Army WCF derives reported values and information for major asset and liability categories largely from nonfinancial systems, such as inventory and logistics systems.

1.C. Appropriations and Funds

The Army WCF received its initial cash corpus through an appropriation from Congress to finance initial operations. The Army WCF provides goods and services to customers on a reimbursable basis and maintains the corpus. Reimbursable receipts fund future operations and generally are available in their entirety for use without further congressional action. The Army WCF uses contract authority which permits obligations to be incurred in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. While reimbursable authority may be subject to apportionment by the OMB, recovered (deobligated) contract/reimbursable authority is subject to automatic reapportionment. In addition, Congress may appropriate funds to finance specific programs within the Army WCF.

1.D. Basis of Accounting

The Army WCF's financial statements and supporting trial balances are compiled from the underlying proprietary and budgetary financial data of the Army WCF. The Army WCF records financial transactions on a proprietary accrual and a budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned, and costs/expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Whereas, under the budgetary basis the legal commitment or obligation of funds may be recognized in advance of the proprietary accruals. Budgetary basis of accounting facilitates compliance with legal requirements and controls over the use of Federal funds. Under the budgetary basis of accounting, Army WCF records budgetary authority when authorized through legislation or agreements with customers and records new obligations when the Army WCF signs a contract for goods or services or takes other actions that requires Army WCF to make payments. In addition, Army WCF records outlays when disbursements are made and receipts when received.

1.E. Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements. Significant estimates that affect Army WCF financial statements include, but are not limited to, estimates for Environmental & Disposal Liabilities (E&DL), the valuation of some classes of inventory, payroll and benefit accruals, contingent liabilities, goods and services accruals, and useful lives of property, plant, and equipment. Actual results may differ from those estimates; therefore, estimates are adjusted to reflect actuals during the period they become available.

1.F. Revenues and Other Financing Sources

The Army WCF earns revenue as a result of costs incurred for goods and services provided to the Army GF, other federal agencies, and to the public. Army WCF utilizes full-cost pricing, as defined in Statement of Federal Financial Accounting Standards (SFFAS) 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, for services provided as required by OMB Circular A-25, *User Charges*.

The Army WCF revenue is primarily the result of exchange transactions, which arise when the Army WCF provides goods and services to the public or to another government entity for a price. The IO business area recognizes revenue related to services according to the percentage-of-completion method. Additionally, the IO business area recognizes revenue related to the sale of scrap upon disposition of the assets to the customer. The SMA business area recognizes revenue when inventory is sold and issued to customers.

1.G. Recognition of Expenses

The Army WCF recognizes costs at the time the expense is incurred, or benefit received, regardless of whether an invoice has been received. Cost is the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce goods or to perform services. The costs that apply to the Army WCF operations in that period are recognized as either cost of goods sold or operating expenses in that period.

1.H. Accounting for Intragovernmental and Intergovernmental Activities

The Treasury Financial Manual, Volume 1, Part 2 – Chapter 4700, *Federal Entity Reporting Requirements for the Financial Report of the United States Government*, provides guidance for reporting and reconciling intragovernmental balances. Accounting standards require an entity to eliminate intra-entity activity and balances from consolidated financial statements to prevent an overstatement for business with itself.

However, the Army WCF cannot accurately identify its buyer-side transactions by intragovernmental entity because there are some instances when Army WCF systems do not track buyer data at a detailed level. DoD and other federal entities who sell to the Army WCF (“sellers”) provide detailed balances for revenue, accounts receivable, and unearned revenue to the Army WCF. In most cases, the Army WCF adjusts its reciprocal buyer-side account balances (i.e. expenses, accounts payable) to agree with the seller’s details, allowing intragovernmental balances to be eliminated at the consolidated DoD level. The Army WCF is implementing replacement systems and a standard financial information structure that will incorporate the necessary elements to enable the Army WCF to correctly report, reconcile, and eliminate buyer-side intragovernmental balances.

Imputed financing represents the cost paid on behalf of the Army WCF by another Federal entity. The Army WCF recognizes imputed costs for: (1) employee pension, post-retirement health, and life insurance benefits; (2) post-employment benefits for terminated and inactive employees to include unemployment and workers' compensation under the *Federal Employees' Compensation Act* (FECA); and (3) losses in certain litigation proceedings. Consistent with SFFAS 55, *Amending Inter-entity Cost Provisions*, certain unreimbursed inter-entity costs of goods and services other than those previously identified are not included in the financial statements.

The Army WCF's proportionate share of public debt is not included in the financial statements. The Federal Government does not apportion debt and its related costs to federal agencies.

1.I. Transactions with Foreign Governments and International Organizations

The DoD implements the administration's foreign policy objectives under the provisions of the Arms Export Control Act of 1976 through the Foreign Military Sales (FMS) trust fund, which facilitates the sale of U.S. Government-approved defense articles and services to foreign partners and international organizations. In doing so, the Army WCF may perform reimbursable activities on behalf of the FMS trust fund. The cost of administering these sales is required to occur at no cost to the Federal Government. For each sale, the foreign government makes an advance payment in U.S. dollars as required to the FMS trust fund. The FMS trust fund subsequently reimburses the Army WCF.

1.J. Non-entity Assets

The Army WCF classifies assets as either entity or non-entity. Entity assets are those that the Army WCF has authority to use for its operations. Non-entity assets are not available for use in the Army WCF's normal operations. Non-entity assets are offset by liabilities to third parties and have no impact on Net Position.

In prior years, the Army WCF recognized non-entity interest receivable and a related custodial liability for interest related to outstanding receivables. For FY 2024, these receivables and the related custodial liability are reported by the Army General Fund, per DoD policy.

For additional information, see Note 2, *Non-entity Assets*.

1.K. Fund Balance with Treasury

The Army WCF maintains its monetary resources of collections and disbursements in U.S. Treasury accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), Military Departments, U.S. Army Corps of Engineers (USACE), and the financial service centers of the Department of State process the majority of worldwide cash collections, disbursements, and adjustments of the Army WCF. Each disbursing station prepares monthly reports to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

In addition, DFAS and the USACE Finance Center submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable Fund Balance with Treasury (FBwT) account. On a monthly basis, the Army WCF FBwT is reconciled and adjusted to agree with the U.S. Treasury accounts. For additional information, see Note 3, *Fund Balance with Treasury*.

1.L. Cash and Other Monetary Assets

Cash is the total of cash resources under the control of the Army WCF including coin, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. For additional information, see Note 4, *Cash and Other Monetary Assets*.

1.M. Accounts Receivable

Accounts receivable from other federal entities or the public include reimbursements, claims receivable, and refunds receivable. Allowances for doubtful accounts (estimated uncollectible amounts) due from the public are based upon factors such as: aging of accounts receivable, debtor's ability to pay, and payment history by aging category. In addition, any claims for accounts receivable from other federal agencies are resolved between the agencies in accordance with the Intragovernmental Business Rules published in Appendix 5 of the Treasury Financial Manual, Volume I, Part 2, Chapter 4700. For additional information, see Note 6, *Accounts Receivable, Net*.

In prior years, the Army WCF recorded interest receivable as non-entity assets. Non-entity assets are not available for use in the Army WCF's normal operations. For additional information, see 1.J. above and Note 2, *Non-entity Assets*.

1.N. Direct Loans and Loan Guarantees

Not Applicable

1.O. Inventories and Related Property

On October 1, 2018, the Army WCF adjusted the value of certain inventory from moving average cost to deemed cost. However, the Army WCF use of deemed cost was not in accordance with SFFAS 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials* because Army WCF did not make an unreserved assertion that its inventory is presented fairly in accordance with U.S. GAAP. The Army WCF is implementing corrective actions to be able to make an unreserved assertion for inventory beginning balances in the future.

The Army WCF Inventory and Related Property is categorized as follows:

Inventory Held for Sale – This includes both consumable, non-reparable as well as reparable spare parts owned and managed by the Army WCF. Inventory held for sale is valued using the moving average cost method for inventory recorded after considering the deemed cost adjustment as of October 1, 2018, that is discussed above.

Inventory Held for Repair – This includes damaged inventory that requires repair to make it suitable for sale. Often, it is more economical to repair these items rather than to procure them. The Army WCF customers often rely on weapon systems and machinery no longer in production. As a result, the Army WCF supports a process that encourages the repair and rebuilding of certain items. This repair cycle is essential to maintaining a ready, mobile, and armed military force. Army WCF values inventory held for repair using the direct method. SFFAS 3, *Accounting for Inventory and Related Property*, and Interpretation 7, *Items Held for Remanufacture* require that inventory held for repair and resale reflects the accumulation of capitalized rebuild costs to include the costs of the unserviceable carcasses. During repairs, these costs are accumulated and capitalized in a work in process account.

Raw Materiel – This includes material to be used in the IO mission. Raw materiel is valued using the moving average cost method.

Excess, Obsolete, and Unserviceable (EOU) – Excess inventory is inventory that exceeds management requirements to meet the Army WCF mission. Obsolete inventory is inventory that is no longer needed due to changes in technology, laws, customs, or operations. Unserviceable inventory is damaged inventory that is non-reparable or more economical to dispose of than repair. Army WCF values EOU inventory at its expected net realizable value using an allowance account.

Work in Process – Work in Process includes (1) the reparable item from inventory held for repair which is valued using standard price (less the estimated cost to repair) and (2) the repair costs incurred to date. Repair costs include material, labor, and applied overhead. When the repair is completed, the capitalized costs are moved to the inventory held for sale account.

Operating Materiel and Supplies (OM&S) – OM&S includes stocked items to be used for equipment and facilities maintenance at the Industrial Operations sites. OM&S is valued at the moving average cost method. There are no restrictions on the use of OM&S. For additional information, see Note 8, *Inventory and Related Property, Net*.

1.P. Investments and Related Interest

The Army WCF does not currently have Investments in U.S. Treasury Securities.

1.Q. General Property, Plant and Equipment

The Army WCF has elected to apply SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment* for real property (Buildings, Structures, and Facilities), General Equipment, and land and land rights.

During FY 2024, the Army WCF applied deemed cost and established opening balances for real property and general equipment in accordance with SFFAS 50, as of October 1, 2023, and makes an unreserved assertion that the Army WCF's real property and general equipment are presented fairly in accordance with GAAP as of October 1, 2023.

The use of deemed cost is intended to provide a one-time, cost-effective approach to the adoption of SFFAS 6, as amended, where historical records and systems do not support such balances. The Army WCF's real property and general equipment opening balances were established using a combination of replacement costs at the time of acquisition and estimated historical costs.

In accordance with SFFAS 50, paragraph 40.f.i, the Army WCF excludes land and land rights from its reported property, plant and equipment balances on the balance sheet. Instead, the Army WCF discloses acreage information and expenses acquisitions.

Consistent with SFFAS 6, *Accounting for Property, Plant, and Equipment*, real property and General Equipment assets acquired after October 1, 2023, are capitalized at historical acquisition cost when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the Army WCF capitalization threshold. Additionally, the Army WCF currently reports known acquisition costs for Software; Construction-In-Progress; and Leasehold Improvements. The Army WCF capitalizes improvements to existing General PP&E assets if the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. The Army WCF depreciates all General PP&E, other than Construction-in-Progress, on a straight-line basis over the estimated useful life.

For FY 2024, the Army's WCF General PP&E capitalization threshold is $250 thousand. The Army WCF applied the capitalization threshold retroactively to establish opening balances for real property and general equipment as of October 1, 2023, in accordance with SFFAS 50.

For FY 2023, the Army's WCF's General PP&E capitalization threshold is $250 thousand. With the exception of general equipment, the $250 thousand capitalization threshold applies to asset acquisitions and modifications/improvements placed into service after September 30, 2013. For general equipment, the capitalization threshold was applied retroactively. All other Army WCF General PP&E assets acquired prior to October 1, 2013 were capitalized at prior threshold levels of $100 thousand except for real property, which is $20 thousand, and are carried at their remaining net book value.

As of October 1, 2019, the Army follows the Office of the Under Secretary of Defense (Comptroller) policy which requires the financial reporting of real property to be the responsibility of the installation host on whose installation a real property asset is located.

For additional information, see Note 9, *General and Right- to-Use PP&E, Net*.

1.R. Leases

SFFAS 54, *Leases*, establishes the accounting and reporting requirements for leases. The standard states that leases are either short-term (defined as a non-intragovernmental lease with a lease term of 24 months or less), intragovernmental (defined as a contract or agreement between two or more consolidated entities), or other than short-term or intragovernmental. The standard requires the recognition of both a right-to-use asset and lease liability for the lessee and unearned revenue and lease receivables for the lessor for other than short-term and intergovernmental leases.

For short-term and intragovernmental leases, the Army WCF recognizes expenses over the lease term. The Army WCF has not recognized any right-to-use assets or related liabilities under SFFAS 54 as an assessment of other than short-term and intragovernmental leases resulted in an immaterial amount. Also, the Army WCF has not identified any instances where the Army WCF is the lessor and required to report unearned revenue and related accounts receivable balances.

For additional information, see Note 16, *Leases*.

1.S. Other Assets

Other Assets, presented as Advances and Prepayment on the Balance Sheet, includes civil service employee pay advances, travel advances, and certain contract financing payments. The Army WCF reports payments made in advance of the receipt of goods and services as an asset on the Balance Sheet. The Army WCF recognizes an expense or asset when the related goods and services are received.

The Army WCF conducts business with commercial contractors under two primary types of contracts: fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the Army WCF may provide financing payments. Contract financing payments are defined in the Federal Acquisition Regulations (FAR), Part 32 – *Contract Financing*, as authorized disbursements to a contractor before acceptance of supplies or services by the government. Contract financing payments clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advances and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts.

Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion. The Defense Federal Acquisition Regulation Supplement (DFARS) authorizes progress payments based on a percentage or a stage of completion only for construction of real property, shipbuilding and ship conversion, alteration, or repair. Progress payments, based on a percentage or stage of completion, are reported as Construction-in-Progress.

For additional information, see Note 10, *Other Assets*.

1.T. Commitments and Contingencies

SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation*, defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. The Army WCF recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

The Army WCF discloses contingent losses when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses. The risk of loss and resultant contingent liabilities and disclosures for the Army WCF arises from pending or threatened litigation or claims and assessments due to events such as aircraft, vessel, and vehicle accidents; property or environmental damages; and contract disputes.

The Army WCF reports environmental contingencies separate from legal contingencies. The environmental contingencies are reported in Note 14, *Environmental and Disposal Liabilities*. The legal environmental cases are recorded as legal contingencies.

For additional information, see Note 17, *Commitments and Contingencies*.

1.U. Federal Employee and Veteran Benefits

Accrued Payroll consists of estimates for salaries, wages, and other compensation earned by employees but not disbursed as of the end of the accounting period.

The Army WCF also reports liabilities for accrued leave for civilians when earned by the employee and is reduced as leave is taken. The balances in the accrued leave accounts are adjusted to reflect the liability at current pay rates and leave balances. The Army WCF expenses sick leave when used and no liability is recognized because employees do not vest in these benefits.

The FECA program provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred work-related injuries and occupational diseases, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Army WCF for these paid claims.

The FECA liability consists of two elements. The first element, accrued FECA liability, is based on claims paid by DOL but not yet reimbursed by the Army WCF. The second element, actuarial FECA liability, is the estimated liability for future benefit payments and is recorded as a component of federal employee and veterans' benefits. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The actuarial FECA liability is not covered by budgetary resources and will require future funding. Assumptions related to Current and Former Employee and Veteran Benefits Payable are detailed in Note 13, *Current and Former Employee and Veterans Benefits Payable*.

SFFAS 51, *Insurance Programs*, established accounting and financial reporting standards for insurance programs. The Office of Personnel Management (OPM) administers insurance benefit programs available for coverage to the Army WCF civilian employees; however, they are not required to participate. These programs include life, health, and long-term care insurance. OPM, as the administrating agency, establishes the types of insurance plans, options for coverage, the premium amounts to be paid by the employees and the amount and timing of the benefit received. The Army WCF has no role in negotiating these insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholding related to the insurance and employee matches are submitted to OPM.

1.V. Environmental and Disposal Liabilities (E&DL)

E&DL are estimated costs for the anticipated remediation, cleanup, and disposal costs resulting from the use of the Army's assets or operations. Consistent with SFFAS 5, *Accounting for Liabilities of the Federal Government*; SFFAS 6, *Accounting for Property, Plant, and Equipment;* SFFAS Technical Release 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*; and SFFAS Technical Release 11, *Implementation Guidance on Cleanup Costs Associated with Equipment*, the Army WCF recognizes an anticipated environmental and disposal liability when the general property, plant, and equipment is placed into service and the liability is probable and measurable.

Interpretation of SFFAS 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6 (Interpretation 9*), requires component entities that report general PP&E should also recognize the associated E&DL cleanup costs. For additional information, see Note 14, *Environmental and Disposal Liabilities*.

1.W. Other Liabilities

In prior years, the Army WCF recognized custodial liabilities associated with non-entity interest receivable. For FY 2024, these liabilities and the related non-entity assets are reported by the Army General Fund, per DoD policy.

Starting in FY 2024, in accordance with SFFAS 54, *Leases*, federal reporting entities are required to report a right-to-use lease asset and a corresponding lease liability for material leases except for non-intragovernmental short-term leases, contracts or agreements that transfer ownership, or intragovernmental leases. The Army WCF has not recognized any right-to-use assets or related liabilities under SFFAS 54 as an assessment of right-to-use assets and related liabilities resulted in an immaterial amount.

For additional information, see Note 15, *Other Liabilities.*

1.X. Net Position

Net position consists of unexpended appropriations and cumulative results of operations.

Unexpended appropriations represent the amounts of budget authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred.

Cumulative results of operations represent the net difference between expenses and losses and financing sources (including appropriations, revenue, and gains) since inception. The cumulative results of operations also include transfers in and out of assets that were not reimbursed.

1.Y. Treaties for Use of Foreign Bases

Not Applicable

1.Z. Fiduciary Activities

Not Applicable

1.AA. Subsequent Events

Subsequent events are events or transactions which occur subsequent to the end of the reporting period and prior to the issuance of the financial report, that affect the financial statements. The Army WCF adjusts the financial statements for significant recognized subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period and affect the financial statements. The Army WCF discloses significant non-recognized subsequent events when applicable.

The Army WCF does not have subsequent events as of November 8, 2024.

For additional information, see Note 29, *Subsequent Events*.

1.BB. Tax Exempt Status

As an agency of the Federal Government, the Army WCF is exempt from all income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

1.CC. Standardized Balance Sheet and Related Note Disclosures-Comparative Year Presentation

In compliance with OMB Circular A-136, Federal Employee and Veteran Benefits Payable was split into two lines: “Federal Employee Salary, Leave, and Benefits Payable” and “Pensions, Other Post-employment and Veterans Benefits Payable.” As a part of this breakout, Accrued funded Payroll and Leave moved from Other than Intragovernmental Other Liabilities to Federal Employee Salary, Leave, and Benefits Payable. The presentation of the fiscal year 2023 balance sheet and the related note disclosures (Note 13, *Current and Former Employee and Veterans Benefits Payable*, Note 15, *Other Liabilities*, and Note 24, *Reconciliation of Net Cost to Net Budgetary Outlays*) were modified to be consistent with the fiscal year 2024 presentation.

NOTE 2. Non-entity Assets

As of September 30

As of September 30 *(Amounts in thousands)*	2024	2023
1. Total Intragovernmental Assets	$ -	$ -
2. Other Than Intragovernmental Assets		
A. Accounts Receivable	-	396
B. Total Other Than Intragovernmental Assets	$ -	$ 396
3. Total Non-entity Assets	$ -	$ 396
4. Total Entity Assets	$ 26,200,213	$ 25,646,891
5. Total Assets	$ 26,200,213	$ 25,647,287

Information Related to Non-entity Assets

Assets are categorized as either entity or non-entity. Entity assets consist of resources that are available for use in the operations of the Army WCF. Non-entity assets are assets belonging to other entities for which the Army WCF maintains stewardship accountability and reporting responsibility. These assets are not available for the Army WCF's normal operations and are offset by liabilities to third parties to accurately reflect net position.

Non-entity Other Than Intergovernmental Accounts Receivable as of FY 2023 are interest receivables. Collections related to these receivables will be returned to the U.S. Treasury as miscellaneous receipts. For FY 2024, these receivables and the related custodial liability are reported under the Army General Fund, per DoD policy.

NOTE 3. Fund Balance with Treasury

Status of Fund Balance with Treasury

As of September 30 *(Amounts in thousands)*	2024	2023
1. Unobligated Balance		
A. Available	$ 3,888,213	$ 3,789,410
2. Obligated Balance not yet Disbursed	$ 11,177,458	$ 9,748,181
3. Non-FBwT Budgetary Accounts		
A. Unfilled Customer Orders without Advance	(7,844,216)	(7,668,156)
B. Contract Authority	(3,988,682)	(2,211,977)
C. Receivables and Other	(172,428)	(184,960)
D. Total Non-FBwT Budgetary Accounts	$ (12,005,326)	$ (10,065,093)
4. Total FBwT	$ 3,060,345	$ 3,472,498

The Treasury records cash receipts and disbursements on the Army WCF's behalf. Funds are available only for the purposes for which the funds were appropriated. The Army WCF's FBwT consists of both revolving and appropriated funds.

Status of Fund Balance with Treasury Definitions

The Status of FBwT table displays the reconciliation between the budgetary resources supporting FBwT (largely consisting of Unobligated Balance and Obligated Balance Not Yet Disbursed) and those resources provided by other means (Non-FBwT Budgetary Accounts). The total FBwT reported on the Balance Sheet reflects the budgetary authority remaining for disbursements against current or future obligations.

Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not yet been obligated. The available balance consists primarily of the unexpired, unobligated balance that has been apportioned and available for new obligations.

Obligated Balance not yet Disbursed represents funds that have been obligated for goods and services not received, and those received but not paid.

Non-FBwT Budgetary Accounts create budgetary resources and unobligated balances, but do not impact FBwT as there has been no receipt of funds. For the Army WCF, these Non-FBwT budgetary accounts include unfilled customer orders without an advance, reimbursements and other income earned receivable, and contract authority.

Total FBwT does not include funds held as a result of allocation transfers received from other federal agencies. The Army WCF did not receive allocation transfers from other federal agencies for execution on their behalf or provide allocation transfers to other federal agencies.

The FBwT reported in the financial statements has been reconciled and adjusted to reflect the Army WCF's balance as reported by Treasury. Prior to adjustment, the differences between FBwT in the Army WCF's general ledgers and FBwT reflected in the Treasury accounts are attributable to transactions that have not been posted to the individual detailed accounts in the Army WCF's general ledger, mainly as a result of timing differences. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the Army WCF's general ledger accounts.

NOTE 4. Cash and Other Monetary Assets

As of September 30 *(Amounts in thousands)*	2024	2023
1. Cash	$ 3,988	$ 3,916
2. Total Cash, Foreign Currency, & Other Monetary Assets	$ 3,988	$ 3,916

Cash includes unrestricted entity assets for collections on hand that were not deposited during the accounting period.

NOTE 5. Investments and Related Interest

Not Applicable

NOTE 6. Accounts Receivable, Net

As of September 30	2024		
(Amounts in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 170,857	$ (52)	$ 170,805
2. Other Than Intragovernmental Receivables	$ 1,121	$ (131)	$ 990
3. Total Accounts Receivable	$ 171,978	$ (183)	$ 171,795

As of September 30	2023		
(Amounts in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
1. Intragovernmental Receivables	$ 182,136	$ (6)	$ 182,130
2. Other Than Intragovernmental Receivables	$ 9,350	$ (2,198)	$ 7,152
3. Total Accounts Receivable	$ 191,486	$ (2,204)	$ 189,282

Accounts receivable represent the Army WCF's claim for payment from other entities. Allowances for uncollectible accounts are based upon an analysis of the aging of accounts receivable, a debtor's ability to pay and payment history by aging category. Claims with other federal agencies are resolved in accordance with the business rules published in *Appendix 10 of Treasury Financial Manual*, Volume I, Part 2, Chapter 4700. For FY 2024, the Army WCF decreased the Allowance for Estimated Uncollectibles by $2.0 million and reduced expenses by a related amount. During FY 2023, the Army WCF reduced the Allowance for Estimated Uncollectibles by $704 thousand and reduced expenses by a related amount.

NOTE 7. Loan Receivable, Net and Guarantee Liabilities

Not Applicable

NOTE 8. Inventory and Related Property, Net

As of September 30 *(Amounts in thousands)*	2024	2023
1. Inventory, Net	$ 20,192,262	$ 19,684,882
2. Operating Materiel & Supplies, Net	7,218	6,893
3. Total Inventory and Related Property, Net	$ 20,199,480	$ 19,691,775

Inventory, Net

As of September 30 *(Amounts in thousands)*	2024 Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Valuation Method
Inventory Categories				
A. Inventory Held for Sale	$ 11,337,704	$ -	$ 11,337,704	MAC
B. Inventory Held for Repair	6,424,450	-	6,424,450	MAC
C. Raw Materiels	1,597,986	-	1,597,986	MAC
D. Work In Process	832,122	-	832,122	*SP/AC
E. Excess, Obsolete, and Unserviceable Inventory	801,932	(801,932)	-	NRV
F. Total Inventory, Net	$ 20,994,194	$ (801,932)	$ 20,192,262	

As of September 30 *(Amounts in thousands)*	2023 Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Valuation Method
Inventory Categories				
A. Inventory Held for Sale	$ 11,489,845	$ -	$ 11,489,845	MAC
B. Inventory Held for Repair	6,078,218	-	6,078,218	MAC
C. Raw Materiels	1,563,340	-	1,563,340	MAC
D. Work In Process	553,479	-	553,479	*SP/AC
E. Excess, Obsolete, and Unserviceable Inventory	654,030	(654,030)	-	NRV
F. Total Inventory, Net	$ 20,338,912	$ (654,030)	$ 19,684,882	

Legend for Valuation Methods:
MAC = Moving Average Cost NRV = Net Realizable Value *SP/AC = Standard Price /Actual Cost
* WIP value reflects the standard price of the inventory item (less the estimated cost of repairs) and the repair costs incurred to date.

Operating Materiel and Supplies, Net

As of September 30 *(Amounts in thousands)*	2024 Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Valuation Method
1. OM&S Categories				
A. OM&S Held for Use	$ 7,218	$ -	$ 7,218	MAC
B. Total OM&S	$ 7,218	$ -	$ 7,218	

As of September 30 *(Amounts in thousands)*	2023 Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Valuation Method
1. OM&S Categories				
A. OM&S Held for Use	$ 6,893	$ -	$ 6,893	MAC
B. Total OM&S	$ 6,893	$ -	$ 6,893	

Legend for Valuation Methods: MAC: Moving Average Cost

Inventory

The Army WCF Inventory is categorized as follows:

Inventory Held for Sale includes both consumable, non-reparable as well as reparable spare parts owned and managed by the Army WCF. Inventory held for sale is valued using the moving average cost method which is an approximation of historical cost.

Inventory Held for Repair is damaged inventory that requires repair to make it suitable for sale. Often, it is more economical to repair these items than to procure them. The Army WCF customers often rely on weapon systems and machinery no longer in production. As a result, the Army WCF supports a process that encourages the repair and rebuilding of certain items. This repair cycle is essential to maintaining a ready, mobile, and armed military force. Army WCF values inventory held for repair using the direct method. SFFAS 3, *Accounting for Inventory and Related Property* and Interpretation 7, *Items Held for Remanufacture*, require that inventory held for repair and resale reflect all capitalized rebuild costs to include the costs of the unserviceable carcasses. During repairs, these costs are accumulated and capitalized in a work in process account.

Excess, Obsolete, and Unserviceable (EOU) Inventory includes excess inventory that exceeds management requirements to meet the Army WCF mission; obsolete inventory, which is inventory that is no longer useful due to changes in technology, laws, customs, or operations; and unserviceable inventory, which is damaged, non-reparable or more economical to dispose of than repair. Army WCF values EOU inventory at its expected net realizable value using an allowance account. In FY 2024, the Army WCF's $802 million carrying value of EOU is offset by an $802 million allowance to reflect no net realizable value. In FY 2023, the Army WCF's $654 million carrying value of EOU is offset by a $654 million allowance balance to reflect no net realizable value.

Raw Materiel includes materiel to be used in the IO's mission. Raw materiel is valued using the moving average cost method which is an approximation of historical cost.

Work in Process includes (1) the reparable item from inventory held for repair which is valued using standard price (less the estimated cost of repairs) and (2) the repair costs incurred to date. Repair costs include material, labor, and applied overhead. When the repair is completed, the capitalized costs are moved to the inventory held for sale account.

There are restrictions on the use, sale, and disposition of inventory classified as war reserve, which includes petroleum products, subsistence items, spare parts, and medical materiel. These reserves are set aside for use during times of war.

Operating Materiel and Supplies

Operating Materiel and Supplies (OM&S) includes stocked items to be used for equipment and facilities maintenance at the IO sites. OM&S is valued using the moving average cost method. There are no restrictions on the use of OM&S.

NOTE 9. General Property and Right-to-Use PP&E, Net

As of September 30	2024				
(Amounts in thousands)	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
A. Buildings, Structures, and Facilities	S/L	Various*	$ 4,040,273	$ (1,960,515)	$ 2,079,758
B. Software	S/L	5	1,794,455	(1,676,801)	117,654
C. General Equipment	S/L	Various**	419,605	(65,926)	353,679
D. Construction-in-Progress	N/A	N/A	135,106	N/A	135,106
E. Leasehold Improvements	S/L	10	668	(668)	-
F. Total General and Right-to-Use PP&E			$ 6,390,107	$ (3,703,910)	$ 2,686,197

As of September 30	2023				
(Amounts in thousands)	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
A. Buildings, Structures, and Facilities	S/L	Various*	$ 3,865,923	$ (2,290,223)	$ 1,575,700
B. Software	S/L	5	1,755,060	(1,645,350)	109,710
C. General Equipment	S/L	Various**	1,769,681	(1,393,976)	375,705
D. Construction-in-Progress	N/A	N/A	137,168	N/A	137,168
E. Leasehold Improvements	S/L	10	668	(668)	-
F. Total General and Right-to-Use PP&E			$ 7,528,500	$ (5,330,217)	$ 2,198,283

S/L = Straight Line N/A = Not Applicable

* Service lives for categories of real property are as follows: Buildings (capital improvements) = 20 Years; Structures (capital improvements) = 15 Years; Linear Structures (capital improvements) = 20 Years; Buildings = 45 Years; Structures = 35 Years; Linear Structures = 40 Years.

** Service lives for categories of general equipment are as follows: General Purpose Vehicles, ADP Systems, Hardware, and Communication Equipment = 5 Years; Locomotives = 20 Years; Fire Trucks = 12-20 Years; All Other GE = 10 Years.

The Army WCF's General and Right-to-Use PP&E is comprised of buildings, structures, and facilities, software, general equipment, construction-in-progress, leasehold improvements, and other PP&E.

The DFARS authorizes progress payments based on a percentage or stage of completion only for construction of real property, alteration, or repair. Progress payments based on percentage or stage of completion are reported as construction-in-progress.

The Army WCF has elected to apply deemed cost in establishing opening balances for real property (Buildings, Structures, and Facilities) and General Equipment in accordance with SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment.* The Army WCF adopted SFFAS 50 for real property and general equipment as of October 1, 2023, and makes an unreserved assertion that the Army WCF's real property and general equipment are presented fairly in accordance with GAAP as of October 1, 2023.

In accordance with SFFAS 50, the Army WCF used a combination of replacement cost, estimated historical cost, and fair value methodologies to establish a deemed cost for its real property and general equipment assets. The Army WCF determined the placed in service date for real property and general equipment assets based on available historical records or an estimated date. The estimated date used a midpoint of the range of years that the asset may have been placed into service. In addition, the Army WCF used updated useful lives for each asset in accordance with the DoD Financial Management Regulation with exceptions for locomotives and fire trucks. Locomotives have a 20-year useful life, while fire trucks useful lives range from 12 – 20 years.

Adjustments to general equipment from application of SFFAS 50 resulted in a $1.4 billion decrease in acquisition values and a $1.4 billion decrease in accumulated depreciation as of October 1, 2023. For real property, there was a $156.5 million increase in acquisition values and a $409 million decrease in accumulated depreciation as of October 1, 2023. These entries were recorded as prior period adjustments due to a change in accounting principle and resulted in a $553.2 million net impact on the Balance Sheet and the Statement of Changes in Net Position as of October 1, 2023.

SFFAS 50 Deemed Cost Adjustments

(Amounts in thousands)	Change in Acquisition Value	Change in Accumulated Depreciation	Prior Period Adjustment
General Equipment	$ (1,406,365)	$ (1,393,977)	$ (12,388)
Building, Structures & Facilities	$ 156,528	$ (409,027)	$ 565,555
Total	**$ (1,249,837)**	**$ (1,803,004)**	**$ 553,167**

In accordance with SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment*, paragraph 40.f.i, the Army WCF excludes land and land rights from its reported property, plant, and equipment balances. Instead, the Army WCF discloses acreage information and expenses acquisitions. As of FY 2024, the Army WCF reports 199,600 acres of land and 85 acres of leased land, for a total of 199,685 acres in land and land rights. As of FY 2023, the Army WCF reported 202,699 acres of land and 88 acres of leased land, for a total of 202,787 acres in land and land rights. During FY 2024, the Army WCF's land and lease land acreage decreased by 3,102 acres. The changes in land acreage were due to the acquisition of less than an acre of land due to a right of way easement for a pipeline project and a reduction in 3,099 acres of land due to ongoing data clean-up efforts. There was a reduction of 3 acres of leased land due to expiration of two land leases.

Heritage Assets

For the Period Ended September 30	2024			
(physical count)	Beginning Balance	Additions	(Deletions)	Ending Balance
Categories:				
Buildings and Structures	4,787	1	(5)	4,783
Archaeological Sites	0	37	(1)	36

For the Period Ended September 30	2023			
(physical count)	Beginning Balance	Additions	(Deletions)	Ending Balance
Categories:				
Buildings and Structures	4,966	4	(183)	4,787

Heritage Assets

The Army WCF has stewardship responsibilities for heritage assets that date not only from the military history of the land, but also from prior historic occupations. The Army WCF relies upon heritage assets such as historic buildings, for daily use in conducting mission activities. These buildings and structures are included on the balance sheet as multi-use heritage assets (capitalized and depreciated).

SFFAS 29, *Heritage Assets and Stewardship Land*, requires note disclosures for these types of assets. The Army policy is to preserve its heritage assets, which are items of historical, cultural, educational, or artistic importance.

Buildings and Structures

Buildings and Structures, including multi-use heritage assets, are listed on, or eligible for listing on, the *National Register of Historic Places* (NR) in accordance with Section 110, *National Historical Preservation Act*. The Army WCF reported 4,783 and 4,787 heritage buildings and structures as of FY 2024 and FY 2023, respectively.

Buildings and structures must be at least 50 years of age to be considered eligible for NR listing. During FY 2024, 1 asset was added after meeting the chronological threshold of 50 years old and meeting the NR eligibility requirements. Also, 5 assets were removed due to a change in historical status classification.

Archaeological Sites

Archaeological sites are determined to be eligible for listing on the National Register of Historic Places (NRHP) in conjunction with the State Historic Preservation Officer, or through an official Determination of Eligibility from the Keeper of the National Register, against the eligibility criteria in accordance with Section 110, *National Historical Preservation Act* (NHPA). Archaeological sites include farmsteads, traditional cultural properties, and sites sacred to Native American tribes that are located on Army WCF installations and are preserved to maintain their historical, cultural, and educational significance.

In FY 2024, Army WCF added 36 archeological sites that were previously being reported by Army General Fund in accordance with DoD policy.

During FY 2024, 1 archaeological site was determined to be NRHP eligible or newly NRHP listed and added to the population and 1 archaeological site was determined to be NRHP ineligible and removed from the population.

Stewardship Land

Stewardship land includes acquired land and land rights owned by the Army WCF intended to be held indefinitely. The Army WCF's stewardship land consists mainly of mission-essential land that was acquired for or in connection with items of General PP&E. As a result, stewardship land is not presented separately.

General PP&E deferred maintenance and repair totals, along with land and land rights acreage by predominant use are reported as Required Supplementary Information within the FY 2024 Army WCF Annual Financial Report.

General PP&E, Net – Summary of Activity

As of September 30 *(Amounts in thousands)*	2024	2023
1. General and Right-to-Use PP&E, Net beginning of year	$ 2,198,283	$ 2,083,876
2. Capitalized acquisitions	104,212	69,897
3. Dispositions	(6,325)	(611)
4. Transfers in/(out) without reimbursement	81,906	167,889
5. Revaluations (+/-)	490,246	47,900
6. Depreciation expense	(182,125)	(170,668)
7. General PP&E, Net end of year	$ 2,686,197	$ 2,198,283

NOTE 10. Other Assets

As of September 30 *(Amounts in thousands)*	2024	2023
1. Total Intragovernmental Other Assets	$ -	$ -
2. Other Than Intragovernmental Other Assets		
A. Outstanding Contract Financing Payments	$ 78,403	$ 91,528
B. Advances and Prepayments	5	5
C. Subtotal	78,408	91,533
D. Less: "Outstanding Contract Financing Payments" and "Advance and Prepayments" totaled and presented on the Balance Sheet as "Advances and Prepayments"	$ (78,408)	$ (91,533)
E. Net Other than Intragovernmental	-	-
3. Total Other Assets	$ -	$ -

Information Related to Other Assets

Outstanding Contract Financing Payments are a separate classification of advances and prepayments and reflect contract financing payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures or receipt of other assets.

Advances and prepayments are made by the Army WCF to cover certain periodic expenditures before those expenses are incurred, or for goods and services to provide for future benefits over a specified time period. Advances and prepayments are recorded when it is generally accepted industry practice to pay for items in advance of the service being provided and the prepayment is authorized.

NOTE 11. Liabilities Not Covered by Budgetary Resources

As of September 30 *(Amounts in thousands)*	2024	2023
1. Intragovernmental Liabilities		
A. Other	$ 42,000	$ 36,636
B. Total Intragovernmental Liabilities	$ 42,000	$ 36,636
2. Other Than Intragovernmental Liabilities		
A. Pensions, Other Post-Employment and Veterans Benefits Payable	$ 195,196	$ 183,160
B. Environmental and Disposal Liabilities	415,941	496,435
C. Other Liabilities	914	19,000
D. Total Other Than Intragovernmental Liabilities	$ 612,051	$ 698,595
3. Total Liabilities Not Covered by Budgetary Resources	$ 654,051	$ 735,231
4. Total Liabilities Covered by Budgetary Resources	$ 1,541,512	$ 1,063,631
5. Total Liabilities Not Requiring Budgetary Resources	$ 3,988	$ 3,916
6. Total Liabilities	$ 2,199,551	$ 1,802,778

Liabilities not covered by budgetary resources represent amounts owed without available budgetary authority to cover them. Liabilities that do not require the use of budgetary resources are covered by monetary assets that are not budgetary resources.

Intragovernmental Liabilities, Other, are unfunded FECA liabilities the Army WCF owes to the DOL for payments made by DOL to Army WCF beneficiaries totaling $42.0 million as of the end of FY 2024. As of the end of FY 2023, unfunded FECA liabilities were $36.6 million.

Pensions, Other Post-Employment, and Veterans Benefits Payable consists of the $195.2 million actuarial FECA benefits liability as of the end of FY 2024 and $183.1 million as of the end of FY 2023. Refer to Note 13, *Current and Former Employee and Veterans Benefits Payable*, for additional details and disclosures.

E&DL consists of the liabilities associated with the Army WCF that include disposal liabilities for operational assets. E&DL are not covered by the Army WCF's current budgetary resources. See Note 14, E*nvironmental and Disposal Liabilities*, for additional details and disclosures.

Other than Intragovernmental Liabilities, Other reflects contingent liabilities for material claims with probable possibilities of loss of $914 thousand and $19 million for FY 2024 and FY 2023, respectively.

As of the end of FY 2024 and FY 2023, Liabilities Not Requiring Budgetary Resources reflect liabilities for undeposited collections.

NOTE 12. Federal Debt and Interest Payable

Not Applicable

NOTE 13. Current and Former Employee and Veterans Benefits Payable

As of September 30 *(Amounts in thousands)*	2024 Liabilities	2024 (Assets Available to Pay Benefits)	2024 Unfunded Liabilities
1. Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)			
A. Pensions, Other Post-employment, and Veterans Benefits Payable			
1. FECA	$ 195,196	$ -	$ 195,196
B. Total Pensions, Other Post-employment and Veterans Benefits Payable	$ 195,196	$ -	$ 195,196
C. Federal Employee Salary, Leave, and Benefits Payable			
1. Employer Contributions and Payroll Taxes Payable	12,548	(12,548)	-
2. Accrued Funded Payroll and Leave	227,102	(227,102)	-
D. Total Federal Employee Salary, Leave, and Benefits Payable	$ 239,650	$ (239,650)	$ -
2. Total Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	$ 434,846	$ (239,650)	$ 195,196
3. Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	$ 68,884	$ (26,884)	$ 42,000
4. Total Current and Former Employee and Veterans Benefits Payable	$ 503,730	$ (266,534)	$ 237,196

As of September 30 *(Amounts in thousands)*	2023 Liabilities	2023 (Assets Available to Pay Benefits)	2023 Unfunded Liabilities
1. Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)			
A. Pensions, Other Post-employment, and Veterans Benefits Payable			
1. FECA	$ 183,160	$ -	$ 183,160
B. Total Pensions, Other Post-employment and Veterans Benefits Payable	$ 183,160	$ -	$ 183,160
C. Federal Employee Salary, Leave, and Benefits Payable			
1. Employer Contributions and Payroll Taxes Payable	10,997	(10,997)	-
2. Accrued Funded Payroll and Leave	211,651	(211,651)	-
D. Total Federal Employee Salary, Leave, and Benefits Payable	$ 222,648	$ (222,648)	$ -
2. Total Current and Former Employee and Veterans Benefits Payable (presented separately on the Balance Sheet)	$ 405,808	$ (222,648)	$ 183,160
3. Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	$ 60,563	$ (23,927)	$ 36,636
4. Total Current and Former Employee and Veterans Benefits Payable	$ 466,371	$ (246,575)	$ 219,796

Federal Employees' Compensation Act (FECA)

The DOL annually determines the liability for future workers' compensation benefits including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred-but-not-reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the final payment related to that period.

In FY 2024 and FY 2023, the methodology for billable projected liabilities included, among other things: (1) an algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model) and (2) incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPI-Ms) were applied to the calculation of projected future benefits.

DOL selected the COLA factors, CPI-M factors, and discount rate by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The FY 2024 and FY 2023 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2024 and FY 2023 methodologies for averaging the CPI-M rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI.

The compensation COLAs and CPI-Ms used in the projections on a charge back year (CBY) basis were as follows:

CBY	COLA	CPI-M
2024	n/a	n/a
2025	4.27%	2.55%
2026	4.42%	2.85%
2027	4.17%	3.21%
2028	3.17%	3.37%
2029	2.57%	3.98%
2030	2.39%	3.93%
2031	2.30%	3.93%
2032	2.30%	3.93%
2033	2.30%	3.93%
2034	2.30%	3.93%

[and thereafter]

The compensation COLAs and CPI-Ms used in the projections as of FY 2023 were as follows:

CBY	COLA	CPI-M
2023	n/a	n/a
2024	4.04%	3.25%
2025	4.29%	3.21%
2026	4.38%	3.51%
2027	4.13%	3.87%
2028	3.13%	4.03%

[and thereafter]

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. FY 2024 and 2023 discount rates were based on averaging the TNC Yield Curves for the current and prior four years, respectively. Interest rate assumptions utilized for FY 2024 were as follows:

Discount Rates

For wage benefits:

2.648% in year 1 and years thereafter;

For medical benefits:

2.399% in year 1 and years thereafter.

Interest rate assumptions utilized for FY 2023 discounting were as follows:

Discount Rates

For wage benefits:

2.326% in year 1 and years thereafter;

For medical benefits:

2.112% in year 1 and years thereafter.

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well.

The *American Rescue Plan Act of 2022* (ARPA), P.L. 117-2, section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that the FECA Special Benefits Fund assume an unreimbursed liability (i.e., a liability that is not chargeable to the agencies) for approved claims of certain covered employees for injuries proximately caused by exposure to the novel coronavirus that causes COVID-19 (or another coronavirus declared to be a pandemic by public health authorities) while performing official duties during the covered exposure period. Pursuant to the ARPA, COVID-19 claims filed or adjudicated under the ARPA standards after March 11, 2022 and where COVID-19 is diagnosed on or before January 27, 2024 are included in the non-billable liabilities; accordingly, the methodology properly omits these future payments.

Federal Health and Other Benefits

OPM, as the administrating agency for the Army WCF's life and other insurance programs covering civilian employees, establishes the types of insurance, options for coverage, the premium amounts to be paid by the employees and the amount of benefit received. The Army WCF has no role in negotiating these insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholding related to the insurance and employer contributions are submitted to OPM.

Other Federal Employment Benefits

Other Benefits, Other consists of Employer Contributions and Payroll Taxes Payable, other than health, life and retirement benefits.

The Other Benefit-Related Payables included in Intragovernmental Other Liabilities on the Balance Sheet

The Other Benefit-Related Payables included in Intragovernmental Other Liabilities on the Balance Sheet amount is consistent with the Intragovernmental Other Liabilities, reported on the Note 13, *Current and Former Employee and Veterans Benefits Payable* Current Liability line in Note 15. The reference is included here to demonstrate the summary balances align with the Army WCF's balance sheet. These balances include employer contributions and payroll taxes payable for health, life and retirement benefits and required FECA Reimbursements to the DOL. The liabilities for the FECA reimbursement to the DOL represents balances due under the *Federal Employee Compensation Act*. This amount includes balances due in both FY 2024 and FY 2025 for both incurred and estimated costs.

NOTE 14. Environmental and Disposal Liabilities

As of September 30 *(Amounts in thousands)*	2024	2023
1. Environmental and Disposal Liabilities – Other Than Intragovernmental		
A .Other Accrued Environmental and Disposal Liabilities – Non-BRAC		
1. Environmental Closure Requirements (Non-Asbestos)	$ 88,493	$ 109,726
2. Asbestos	327,277	386,637
3. Non-Military Equipment	1	21
B. Environmental Disposal for Military Equipment / Weapons Programs		
1. Nuclear Powered Military Equipment / Spent Nuclear Fuel	170	51
2. Total Environmental and Disposal Liabilities	$ 415,941	$ 496,435

Types of Environmental and Disposal Liabilities (E&DL) Identified

The Army WCF E&DL consists of only asset-driven liabilities (closure and disposal) for general PP&E. Event-driven liabilities caused by the release of contamination to the environment that require future cleanup are covered under the Army General Fund. Asset-driven liabilities are the environmental closure and disposal costs incurred at the end of the asset's use. The Army WCF E&DL is reported in the following categories:

Environmental Closure Requirements
Asbestos
Non-Military Equipment
Nuclear Powered Military Equipment / Spent Nuclear Fuel

The Army WCF E&DL addresses asset-driven disposal liabilities for operational assets such as underground storage tanks (USTs), aboveground storage tanks (ASTs), above (ABV) and underground (UNDR) piping associated with storage tanks, steam piping, landfills, Resource Conservation and Recovery Act (RCRA) Hazardous Waste Facilities, Open Burn/Open Detonation (OB/OD) Units, buildings (asbestos, and other environmentally regulated materials), Non-Military Equipment, and Nuclear Regulatory Commission (NRC) Licensed commodities.

For each category, the E&DL reflects the estimated future work required to address legal and environmental disposal requirements.

Applicable Laws, Guidance and Regulations

This section provides the guidance, policies, laws, and regulations that govern the development and reporting of the environmental and disposal liabilities.

Applicable laws and regulations addressing cleanup requirements include:

- *Toxic Substances Control Act* (TSCA)
- *Low-Level Radioactive Waste Policy Act* (LLRWPA)
- *Resource Conservation and Recovery Act* (RCRA)
- *Asbestos Hazard Emergency Response Act* (AHERA)
- *Appendix A, Title 41 Code of Federal Regulations* (CFR), Part 102-40, November 2022
- *Appendix B, Title 41 CFR*, Part 102-40 February 10, 2015
- U.S. Department of Energy, *Nuclear Regulatory Commission Regulation* (NUREG) – (e.g., NUREG 1757 - *Consolidated Decommissioning Guidance* and NUREG CR6477 - *Revised Analyses of Decommissioning Reference Non-Fuel-Cycle Facilities*)

Methods for Assigning Estimated Total Cleanup Costs to Current Operating Periods

The General Fund Enterprise Business System (GFEBS) is the accountable property system of record (APSR) for assets other than NRC licenses and Non-Military Equipment. This is supplemented by RCRA permits, NRC licenses, and other regulatory documents. This information is used to develop the E&DL estimates for Environmental Closure Requirements, Asbestos, and Nuclear-Powered Military Equipment. The Defense Property Accountability System (DPAS) is the APSR for Non-Military Equipment assets.

Asset-driven liabilities include building/facility closures and disposal costs associated with building abatement and/or the removal of Asbestos Containing Materials (ACM) and Other Regulated Materials (ORM). For asbestos, the estimated costs include a cost for pre-demolition surveys and a cost for potential abatement. ORM covers all other environmentally regulated materials that need to be removed and properly disposed as part of the building closure and the cost for the environmental survey. The historical costs to support the estimating model is taken from various sites located within the United States and updated annually. The costs for the historical contracted demolitions are leveraged to establish a Unit Cost Factor (UCF) for Asbestos and ORM. The UCF is applied to asset inventory data to develop closure liabilities. Liabilities for individual building demolition will vary depending on location, so to account for such environmental related building closure, liabilities are reported in aggregate and adjusted for area cost variations.

On July 12, 1989, the Environmental Protection Agency (EPA) issued a final rule banning most asbestos-containing products. The Army uses an excel-based cost estimation model to estimate the removal and disposal of asbestos wrappings on steam pipelines. The model includes separate cost functions for the abatement and closure processes related to steam piping closure. Cost estimates for steam piping closure are developed using asbestos abatement methodologies and length of piping in the estimation model.

RCRA Hazardous Waste facilities are associated with a Treatment, Storage, or Disposal Facility (TSDF) of hazardous materials/waste. These facilities are part of the Army's industrial base where certain processes require treatment, storage, management, and/or disposal of hazardous materials/waste in a manner that prevents discharge to the environment. The Army utilizes the excel-based cost estimating templates to determine the environmental and disposal liabilities for these assets at the time of closure.

OB/OD units are real property assets that are used for the treatment of waste military munitions and waste explosives for which there is no other safe mode of treatment. These units are operated under a RCRA Subpart X permit that specifies the type and quantity of waste that may be treated in the unit, establishes conditions for safe operation, and identifies monitoring requirements necessary to ensure that operations do not result in negative impacts to human health or the environment. The Army utilizes RACER to develop Unit Cost Factor Study Costs based on historical study actual costs escalated to current year dollars.

The Army also uses excel-based cost estimating templates for aboveground and underground storage tanks and piping. Cost estimates for storage tank closure were developed considering the size of the tank. Cost estimates are developed for tank sizes within the tank inventory. The length of the piping is used to calculate the piping estimate. The costs estimates are adjusted using area cost factors when reporting the tank or piping E&DL.

The Army uses the excel-based cost estimate templates for landfills. Permitted landfills are estimated based on the RCRA permit and regulatory requirements. The future closure costs for operating landfills considers the type of landfill (e.g., hazardous waste, sanitary/municipal), construction and demolition debris (C&D), acreage, and location. The reported environmental liability also includes post-closure requirements.

Army NRC license holders are regulated under the *Low-Level Radioactive Waste (LLRW) Policy Act*, and LLRW disposal is conducted in accordance with U.S. Department of Energy regulations. Engineering estimates, leveraging the regulatory requirements, are used to develop the NRC license estimates. The Army Safety Office (ASO) tracks the NRC licenses for radioactive materials.

The Army WCF estimates and reports an E&DL associated with Non-Military Equipment when future disposal activities involve non-routine removal of hazardous waste and/or an environmental response that is explicitly required (by permit or other policy or law). The Army WCF identified the population of capital assets within DPAS that would require hazardous waste removal prior to disposition of the asset, where the hazardous waste is not routinely removed and disposed of during equipment operation. The Army WCF developed cost estimates using existing contracts and/or workorder cost estimates for non-routine disposal of hazardous waste for similar pieces of equipment. As of FY 2024, the Army WCF's estimated Non-Military Equipment E&DL is $1,183. For FY 2023, the Army WCF's estimated Non-Military Equipment E&DL was $20,615.

Unrecognized costs of the estimated total cleanup, closure, or disposal costs associated with General PP&E

Unrecognized cleanup costs are based on the remaining useful life allocated to future periods where the PP&E is in service. These costs, which are separated only for tanks, piping, buildings, and Non-Military Equipment, are not included in the current liability. The unrecognized costs amounted to $10.8 million as of FY 2024 compared to the $4.6 million reported as of FY 2023. The recognized amounts are included in the respective line items proportionate to the remaining useful life of the asset, as appropriate.

Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, or Applicable Laws and Regulations

The Army WCF estimates are updated annually to reflect changes in previously unknown information, re-estimation based on different assumptions, price growth (inflation), increase in labor rates and materials, and lessons learned. Environmental and disposal liabilities may change in the future due to changes in laws and regulations, agreements with regulatory agencies, and advancements in technology.

All environmental and disposal liabilities as of FY 2024 and FY 2023 are stated in 2024 and 2023 dollars, respectively. Future inflation could cause actual costs to be higher than the recorded liability. The Army WCF real property environmental closures estimation methodologies were substantially revised and implemented in FY 2023 to eliminate use of outdated RACER cost estimation software inputs to the reported E&DL. The RACER cost book was updated as of 2022 and escalated to 2024 dollars. RACER is used in a limited capacity to estimate OB/OD survey costs.

Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental and Disposal Liabilities

Certain asset driven E&DL estimates for the Army are dependent on the APSR data and require certain professional judgments and assumptions that are reasonable based upon information available to the Army at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated.

The Army WCF reports asbestos survey costs at the time of building renovation or demolition. However, due to estimation uncertainty in identification of costs between friable and non-friable asbestos, the allocation of these costs are not reasonably estimable. Friable asbestos abatement estimates are based on historical costs of asbestos abatement during facility demolition.

NOTE 15. Other Liabilities

As of September 30 *(Amounts in thousands)*	2024		
	Current Liability	Noncurrent Liability	Total
1. Intragovernmental			
A. Liabilities for Non-entity Assets	$ -	$ -	$ -
B. Other Liabilities reported on Note 13, *Current and Former Employee and Veterans Benefits Payable*	42,932	25,952	68,884
C. Total Intragovernmental Other Liabilities	$ 42,932	$ 25,952	$ 68,884
2. Other Than Intragovernmental			
A. Liability for Non-fiduciary Deposit Funds and Undeposited Collections	$ 3,988	$ -	$ 3,988
B. Contract Holdbacks	1	-	1
C. Contingent Liabilities	914	-	914
D. Total Other than Intragovernmental Other Liabilities	$ 4,903	$ -	$ 4,903
3. Total Other Liabilities	$ 47,835	$ 25,952	$ 73,787

As of September 30 *(Amounts in thousands)*	2023		
	Current Liability	Noncurrent Liability	Total
1. Intragovernmental			
A. Liabilities for Non-entity Assets	$ 396	$ -	$ 396
B. Other Liabilities reported on Note 13, *Current and Former Employee and Veterans Benefits Payable*	39,316	21,247	60,563
C. Total Intragovernmental Other Liabilities	$ 39,712	$ 21,247	$ 60,959
2. Other Than Intragovernmental			
A. Liability for Non-fiduciary Deposit Funds and Undeposited Collections	$ 3,916	$ -	$ 3,916
B. Contract Holdbacks	-	-	-
C. Contingent Liabilities	-	19,000	19,000
D. Total Other than Intragovernmental Other Liabilities	$ 3,916	$ 19,000	$ 22,916
3. Total Other Liabilities	$ 43,628	$ 40,247	$ 83,875

Intragovernmental

Liabilities from Non-entity Assets

Intragovernmental Liabilities from Non-entity Assets represent offsetting liabilities for non-entity assets for which the Army WCF is acting on behalf of another Federal entity. Army WCF collects interest payments, penalties, and administrative fees from both individuals and organizations that are remitted to U.S. Treasury.

Non-entity Other Than Intergovernmental Accounts Receivable as of FY 2023 are interest receivables. Collections related to these receivables will be returned to the U.S. Treasury as miscellaneous receipts. For FY 2024, these receivables and the related custodial liability are reported under the Army General Fund, per DoD policy.

Current and Former Employee and Veterans Benefits Payable

See Note 13, *Current and Former Employee and Veterans Benefits Payable*, for disclosures regarding amounts reported on line 1.B.

Other Than Intragovernmental

Liability for Non-fiduciary Deposit Funds and Undeposited Collections

Liability for Non-fiduciary Deposit Funds and Undeposited Collections represent collections not yet deposited.

Contract Holdbacks

Contract holdbacks consist of amounts withheld from payments to contractors to assure compliance with contract terms.

Contingent Liabilities

Contingent liabilities include the accrual of various legal actions for which the Army Office of General Counsel considers an adverse decision probable and the amount of loss measurable. See Note 17, *Commitments and Contingencies*.

Advances from Others and Deferred Revenue (reported separately from Other Liabilities on the Balance Sheet):

As of September 30 *(Amounts in thousands)*	2024	2023
A. Intragovernmental	$ 6	$ 738
B. Other than Intragovernmental	183,913	110,210
Total Advances from Others and Deferred Revenue	$ 183,919	$ 110,948

Advances from Others and Deferred Revenue

Advances from Others represent liabilities for collections received from the customer to cover Army WCF's future expenses incurred, or assets to be acquired related to fulfillment and delivery of the respective goods or services.

NOTE 16. Leases

SFFAS 54, *Leases*, defines a lease as a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E to another entity (lessee) for a period of time as specified by the contract or agreement in exchange for consideration. Additionally, the standard identifies that a lease can be a part of a contract or agreement where the primary component is a lease or where the primary component is non-lease (such as services), and the lease is a secondary component.

For contracts and agreements where the primary component is a lease, the Army WCF recognizes expenses over the lease term for short-term and intragovernmental leases. The Army WCF's intragovernmental leases are leases for vehicles and other machinery. The Army WCF assessment of leases for other than short-term and intragovernmental leases resulted in an immaterial amount. Therefore, SFFAS 54 was not implemented for this category of leases.

For contracts and agreements where the primary component is non-lease and the lease is a secondary component, in accordance with SFFAS 62, *Transitional Amendment to SFFAS 54*, the Army WCF has elected to apply the transitional accommodation in SFFAS 54 (as amended by SFFAS 62), paragraphs 96A-96E, as of October 1, 2023, through September 30, 2026. The election allows for costs associated with these contracts and agreements to be expensed when incurred.

The Army WCF's intragovernmental leases are motor vehicles and other equipment obtained for indefinite assignment under the General Services Administration (GSA) Interagency Fleet Management System (IFMS) program (Federal Property Management Regulation Section 101-39.204). The Army WCF's intragovernmental lease expenses for FY 2024 are listed below by category.

Army WCF Intragovernmental Annual Lease Expense by Underlying Asset Category

Major Underlying Asset Category *(Amounts in thousands)*	2024
Equipment	$ 155
Vehicles	$ 19,521
Total	$ 19,676

NOTE 17. Commitments and Contingencies

Nature of Contingency

The Army WCF is a party in various administrative proceedings, legal actions, and other claims awaiting adjudication which may result in settlements or decisions adverse to the Federal Government. These matters arise in the normal course of operations; generally relate to environmental damage, equal opportunity, and contractual matters; and their ultimate disposition is unknown. In the event of an unfavorable judgment against the Government, some of the settlements are expected to be paid from the Treasury Judgment Fund. In most cases, the Army WCF does not have to reimburse the Judgment Fund; reimbursement is only required when the case comes under either the *Contracts Disputes Act* or the *No FEAR Act*.

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS 12, *Recognition of Contingent Liabilities Arising from Litigation*, an assessment is made as to whether the likelihood of an unfavorable outcome is considered probable, reasonably possible, or remote.

As of FY 2024, Army WCF accrued $910 thousand contingent liability for a *Fair Labor Standards Act* grievance and a $4 thousand contingent liability for property damage due to a probable possibility of loss.

In addition, the Army WCF has an estimated range of loss between $215 thousand and $2.9 million related to Equal Employment Opportunity related grievances where the possibility of loss is considered reasonably possible.

As of FY 2023, Army WCF accrued a $16 million contingent liability for legal claim from a contractor with a range of loss between $16 million and $19 million. In addition, $3 million in contingent liabilities were accrued for material claims related to an equal employment opportunity and a Fair Labor Standards Act grievance with a probable possibility of loss. In addition, the Army WCF had an estimated range of loss between $1.7 million and $13.3 million related to overtime and hazard duty/ environmental differential pay grievances where the possibility of loss is considered reasonably possible.

Summary of Legal Contingent Liabilities

Summary of Legal Contingent Liabilities			
As of September 30, 2024	Estimated Range of Loss		
(Amounts in thousands)	**Accrued Liabilities**	**Lower End**	**Upper End**
Probable	$ 914	$ 914	$ 914
Reasonably Possible	$ -	$ 215	$ 2,900

Summary of Legal Contingent Liabilities			
As of September 30, 2023	Estimated Range of Loss		
(Amounts in thousands)	**Accrued Liabilities**	**Lower End**	**Upper End**
Probable	$ 19,000	$ 19,000	$ 22,000
Reasonably Possible	$ -	$ 1,700	$ 13,250

As of FY 2024 and FY 2023, other legal claims existed for which the estimated loss amount or the range of loss could not be reasonably measured. The ultimate outcomes in these matters cannot be predicted at this time. Sufficient information is not currently available to determine if the ultimate resolution of the proceedings, actions, and claims will materially affect the Army WCF's financial position or results of operation.

NOTE 18. Funds from Dedicated Collections

Not Applicable

NOTE 19. General Disclosures Related to the Statements of Net Cost

For the Period Ended September 30 *(Amounts in thousands)*	2024			
	Industrial Operations	Supply Management Activities	Summary Adjustments	Consolidated
Operations, Readiness & Support				
1. Program Costs				
A. Gross Costs	$ 5,244,061	$ 12,131,183	$ (2,065,751)	$ 15,309,493
B. (Less: Earned Revenue)	(4,771,414)	(13,042,979)	2,063,730	(15,750,663)
C. Net Cost before Losses/(Gains) from Actuarial Assumption Changes	472,647	(911,796)	(2,021)	(441,170)
D. Net Program Costs Including Assumption Changes	472,647	(911,796)	(2,021)	(441,170)
2. Net Cost of Operations	$ 472,647	$ (911,796)	$ (2,021)	$ (441,170)

For the Period Ended September 30 *(Amounts in thousands)*	2023			
	Industrial Operations	Supply Management Activities	Summary Adjustments	Consolidated
Operations, Readiness & Support				
1. Program Costs				
A. Gross Costs	$ 4,817,247	$ 11,752,797	$ (1,636,537)	$ 14,933,507
B. (Less: Earned Revenue)	(4,329,723)	(12,098,562)	1,627,152	(14,801,133)
C. Net Cost before Losses/(Gains) from Actuarial Assumption Changes	487,524	(345,765)	(9,385)	132,374
D. Net Program Costs Including Assumption Changes	487,524	(345,765)	(9,385)	132,374
2. Net Cost of Operations	$ 487,524	$ (345,765)	$ (9,385)	$ 132,374

Information Related to the Statements of Net Cost

The Statements of Net Cost (SNC) represents the net cost of programs and organizations of the Army WCF that are supported by spending authority, appropriations, or other resources. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The Army WCF's current process and systems capture costs of its IO and SMA activities. Earned Revenue during FY 2024 was $15.8 billion and is presented net of $1.7 billion in material returns. Earned Revenue as of FY 2023 was $14.8 billion and is presented net of $1.5 billion in material returns.

NOTE 20. Disclosures Related to the Statement of Changes in Net Position

Information Related to the Statement of Changes in Net Position

In FY 2024, Army WCF adopted SFFAS 50 for General Equipment and Real Property (Buildings, Structures, and Facilities) beginning balances as of October 1, 2023. As a result, the Cumulative Results of Operations Beginning Balance has been adjusted for a prior period adjustment due to a change in accounting principle in the amount of $553.2 million.

SFFAS 50 Deemed Cost

(Amounts in thousands)	Change in Acquisition Value	Change in Accumulated Depreciation	Prior Period Adjustment
General Equipment	$ (1,406,365)	$ (1,393,977)	$ (12,388)
Building, Structures & Facilities	$ 156,528	$ (409,027)	$ 565,555
Total	**$ (1,249,837)**	**$ (1,803,004)**	**$ 553,167**

Cumulative Results of Operations, Other for FY 2023 reflects the offset of interest revenue reported on Cumulative Results of Operations Non-Exchange Revenue that will be remitted to Treasury upon collection. For FY 2024, this interest revenue is reported under the Army General Fund, per DoD policy.

NOTE 21. Disclosures Related to the Statement of Budgetary Resources

Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net adjustments to unobligated balance brought forward, October 1 represents the total of recoveries of prior year unpaid obligations and other changes in unobligated balance, together impacting the obligated balance, end of the prior year and brought forward, October 1, as reported.

Terms of Borrowing Authority Used

The Army WCF has no borrowing authority.

Available Borrowing/Contract Authority, End of Period

The Army WCF has no available borrowing or contract authority as of the end of FY 2023 or 2024.

Budgetary Resources Obligated for Undelivered Orders at the End of the Period

As of September 30 *(Amounts in thousands)*	2024	2023
1. Intragovernmental:		
A. Unpaid	$ 1,182,306	$ 2,299,292
B. Prepaid/Advanced	-	-
C. Total Intragovernmental	$ 1,182,306	$ 2,299,292
2. Other Than Intragovernmental:		
A. Unpaid	$ 8,615,771	$ 6,453,293
B. Prepaid/Advanced	78,408	91,533
C. Total Other Than Intragovernmental	$ 8,694,179	$ 6,544,826
3. Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 9,876,485	$ 8,844,118

Intra-Entity Transactions

The Army WCF SBR includes intra-entity transactions because the statements are presented as combined.

Legal Arrangements Affecting the Use of Unobligated Balances

The Army WCF has no legal arrangements that affect the use of unobligated balances of budgetary authority.

Explanation of Differences between the SBR and the Budget of the U.S. Government

There are no material differences between the prior year amounts reported on the Army WCF SBR and actual FY 2023 amounts on the Budget of the U.S. Government. The Budget with the actual amounts for FY 2024 will be available at a later date on the OMB website.

Contributed Capital

The Army WCF does not have contributed capital.

NOTE 22. Disclosures Related to Incidental Custodial Collections

Not Applicable

NOTE 23. Fiduciary Activities

Not Applicable

NOTE 24. Reconciliation of Net Cost to Net Budgetary Outlays

The Reconciliation of Net Cost to Net Budgetary Outlays demonstrates the relationship between the Army WCF's Net Cost of Operations, reported on an accrual basis, and Net Outlays, reported on a budgetary basis. While budgetary and financial accounting are complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period. The accrual basis of financial accounting is intended to provide a picture of the Army WCF's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by the Army WCF. Outlays are payments to liquidate an obligation.

Miscellaneous Reconciling Items, Other includes the net impact of intragovernmental transfers, backdated Treasury transactions, and the impact of the change in accounting principle that resulted in the change in valuation for general equipment and real property. These line items are required to adjust the change in net assets for items that do not result in a current year budgetary outlay or are not reflected in the Statement of Net Cost.

As of September 30, 2024	2024		
(Amounts in thousands)	Federal	Non-Federal	Total
1. Net Cost of Operations (SNC)	$ (8,594,543)	$ 8,153,373	$ (441,170)
Components of Net Cost Not Part of Net Budgetary Outlays			
2. Change in General Property, Plant, and Equipment, Net	$ -	$ 487,914	$ 487.914
3. Change in Inventory and Related Property, Net	-	507,705	507,705
4. Increase/(Decrease) in Assets:			
A. Accounts Receivable, Net	(11,325)	(6,162)	(17,487)
B. Advances & Prepayments		(13,125)	(13,125)
C. Other Assets	-	72	72
5. (Increase)/Decrease in Liabilities:			
A. Accounts Payable	53,734	(439,080)	(385,346)
B. Federal Employee Salary, Leave, and Benefits Payable	-	(17,002)	(17,002)
C. Pensions, Other Post-employment, and Veterans Benefits Payable		(12,036)	(12,036)
D. Environmental and Disposal Liabilities	-	80,494	80,494
E. Advances from Others and Deferred Revenue	732	(73,703)	(72,971)
F. Other Liabilities	(7,925)	18,013	10,088
6. Financing Sources:			
A. Imputed Cost	(223,175)	-	(223,175)
7. Total Components of Net Cost Not Part of Net Budgetary Outlays	$ (187,959)	$ 533,090	$ 345,131
Components of Net Budgetary Outlays Not Part of Net Cost			
8. Total Components of Net Budgetary Outlays Not Part of Net Cost	$ -	$ -	$ -
Miscellaneous Reconciling Items			
9. Transfers (in)/out Without Reimbursements	$ (76,356)	$ -	$ (76,356)
10. Other	4	(553,167)	(553,163)
11. Total Other Reconciling Items	$ (76,352)	$ (553,167)	$ (629,519)
12. Total Net Outlays	$ (8,858,854)	$ 8,133,296	$ (725,558)
13. Agency Outlays, Net (Statement of Budgetary Resources)			$ (725,558)
14. Unreconciled Difference			$ 0

As of September 30, 2023 *(Amounts in thousands)*	2023					
	Federal		Non-Federal		Total	
1. Net Cost of Operations (SNC)	$	(7,940,345)	$	8,072,719	$	132,374
Components of Net Cost Not Part of Net Budgetary Outlays						
2. Change in General Property, Plant, and Equipment, Net	$	-	$	114,407	$	114,407
3. Change in Inventory and Related Property, Net		-		(519,089)		(519,089)
4. Increase/(Decrease) in Assets:						
A. Accounts Receivable, Net		5,763		(724)		5,039
B. Advances & Prepayments		-		(15,303)		(15,303)
C. Other Assets				(6,091)		(6,091)
5. (Increase)/Decrease in Liabilities:						
A. Accounts Payable		(68,785)		(264,068)		(332,853)
B. Federal Employee Salary, Leave, and Benefits Payable		-		(1,749)		(1,749)
C. Pensions, Other Post-employment, and Veterans Benefits Payable		-		(5,656)		(5,656)
D. Environmental and Disposal Liabilities		-		195,612		195,612
E. Advances from Others and Deferred Revenue		0		(39,342)		(39,342)
F. Other Liabilities		(3,359)		(9,854)		(13,213)
6. Financing Sources:						
A. Imputed Cost		(194,200)		-		(194,200)
7. Total Components of Net Cost Not Part of Net Budgetary Outlays	$	(260,581)	$	(551,857)	$	(812,438)
Components of Net Budgetary Outlays Not Part of Net Cost						
8. Total Components of Net Budgetary Outlays Not Part of Net Cost	$	-	$	-	$	-
Miscellaneous Reconciling Items						
9. Transfers (in)/out Without Reimbursements	$	(155,656)	$	-	$	(155,656)
10. Other		-		(6,904)		(6,904)
11. Total Other Reconciling Items	$	(155,656)	$	(6,904)	$	(162,560)
12. Total Net Outlays	$	(8,356,582)	$	7,513,958	$	(842,624)
13. Agency Outlays, Net (Statement of Budgetary Resources)					$	(842,624)
14. Unreconciled Difference					$	0

NOTE 25. Public-Private Partnerships

Public-Private Partnerships are defined as “risk-sharing arrangements or transactions lasting more than five years between public and private sector entities.” SFFAS 49, *Public-Private Partnerships* establishes disclosure requirements. The Army WCF has assessed its agreements and has not identified any Public-Private Partnerships requiring disclosure.

NOTE 26. Disclosure Entities and Related Parties

Not Applicable

NOTE 27. Security Assistance Accounts

Not Applicable

NOTE 28. Restatements

Not Applicable

NOTE 29. Subsequent Events

The Army WCF does not have subsequent events as of November 8, 2024.

NOTE 30. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

Not Applicable

Department of Defense — Army Working Capital Fund

SCHEDULE OF DISAGGREGATED BUDGETARY RESOURCES

For the Periods Ended September 30, 2024 and 2023

(Amounts in thousands)	Industrial Operations	Supply Management Activities	Component	2024 Combined	2023 Combined
Budgetary Resources:					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 4,004,265	$ (1,195,129)	$ -	$ 2,809,136	$ 2,865,524
Appropriations (discretionary and mandatory)	147,551	1,662	-	149,213	144,937
Contract Authority (discretionary and mandatory)	79,488	9,100,192	-	9,179,680	8,807,416
Spending Authority from offsetting collections (discretionary and mandatory)	4,731,594	1,286,928	-	6,018,522	5,896,741
Total Budgetary Resources	$ 8,962,898	$ 9,193,653	$ -	$ 18,156,551	$ 17,714,618
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	$ 5,161,697	$ 9,106,641	$ -	$ 14,268,338	$ 13,925,208
Unobligated balance, end of year:					
Apportioned, unexpired accounts	3,801,201	87,012	-	3,888,213	3,789,410
Unexpired unobligated balance, end of year	3,801,201	87,012	-	3,888,213	3,789,410
Unobligated balance, end of year (total)	3,801,201	87,012	-	3,888,213	3,789,410
Total Budgetary Resources	$ 8,962,898	$ 9,193,653	$ -	$ 18,156,551	$ 17,714,618
Outlays, net:					
Outlays, net (total) (discretionary and mandatory)	29,384	(753,255)	(1,687)	(725,558)	(842,624)
Agency Outlays, net (discretionary and mandatory)	$ 29,384	$ (753,255)	$ (1,687)	$ (725,558)	$ (842,624)

Department of Defense — Army Working Capital Fund

Real Property Deferred Maintenance and Repair

For the Years Ended September 30, 2024 and 2023

(Amounts in millions)	Fiscal Year 2024			Fiscal Year 2023		
Property Type	**Plant Replacement Value**	**Required Work (Deferred maintenance and repair)**	**Percentage (Required Work/ Plant Replacement Value)**	**Plant Replacement Value**	**Required Work (Deferred maintenance and repair)**	**Percentage (Required Work/ Plant Replacement Value)**
Active Real Property						
Category 1: Buildings, Structures, and Linear Structures (Enduring Facilities)	$ 28,218	$ 5,572	20%	$ 26,570	$ 4,601	17%
Category 2: Buildings Structures, and Linear Structures (Heritage Assets)	$ 15,116	$ 4,345	29%	$ 11,429	$ 2,579	23%
Inactive Real Property						
Category 3: Building, Structures, and Linear Structures (Excess Facilities or Planned for Replacement	$ 1,315	$ 514	39%	$ 1,317	$ 295	22%

In accordance with DoD Financial Management Regulation 7000 14-R (September 2023), Volume 6B, Chapter 12, the Army's deferred maintenance estimates for FY 2024 and FY 2023 include all facilities in which DoD has ownership interest under the control of the Army WCF and are not funded for sustainment by another service, Non-Appropriated Funds, commissary surcharges or non-DoD sources. Assets that are fully disposed, damaged beyond repair, obsolete, or have been privatized are excluded.

The deferred maintenance estimates are based on the facility Quality ratings (Q-ratings)/ Facility Condition Index assessments performed with the Sustainment Management System (SMS) BUILDER, Installation Status Report – Infrastructure (ISR-I) condition ranges, or by application of business rule, aged-based ratings for non-inspected facilities. A Q-rating is a numerical value ranging from 0-100 and assesses the condition of a facility.

Deferred Maintenance = (100 – Q-rating) x 0.01 x plant replacement value (PRV)

Q-ratings are determined by the Installation Status Report (ISR) for the majority of facilities, and by business rule for the remaining facilities. During ISR data collection, facility occupants evaluate the condition of each facility against published standards. The inspection generates a quality improvement cost estimate for each facility based on the condition rating of each component of the facility, and the component improvement cost factor. Improvement cost factors are developed using industry standards for each facility component within each facility type. The business rule assignment of Q-ratings is based on degradation curves modeled for various building design life expectancies. For assets with a Non-Functional operational status, assigned Q-ratings are 100 if the asset is under full renovation, 59 if the asset is undergoing environmental repair, and 59 if the facility is not functional due to storm or other type of damage. An acceptable operating condition represents facilities with no deferred maintenance. Facilities of all ownership interests are included in the data set; Relocatable buildings are considered equipment and excluded.

Property Categories are as follows:

- Category 1: Buildings, Structures, and Linear Structures that are enduring and required to support an ongoing mission including multi-use Heritage Assets. Facilities that are Permanent, Semi-Permanent, or Temporary with an Operational Status of "Active" or "Semi-Active" are included, less those that meet the following criteria:
  1. The asset has a Planned Program Event of Abandon In Place, Caretaker/Mothball, Disposal or Replace with a Planned Date within the current or subsequent fiscal year
  2. The asset is designated as a Heritage Asset
  3. A Disposal Completion Date is associated with the Asset
  4. A Disposal Reason Code is associated with the asset

- Category 2: Buildings, Structures, and Utilities that are Heritage Assets. Facilities that are Permanent, Semi-Permanent, or Temporary with an Operational Status of “Active” or “Semi-Active” and a Historic Status Code that designates it as Heritage, are included, less those that meet the following criteria:
  1. The asset has a Planned Program Event of Abandon In Place, Caretaker/Mothball, Disposal or Replace with a Planned Date within the current or subsequent fiscal year
  2. A Disposal Completion Date is associated with the asset
  3. A Disposal Reason Code is associated with the asset

- Category 3: Buildings, Structures, and Utilities that are excess to requirements or planned for replacement or disposal including multi-use Heritage Assets. Facilities with an Operational Status of “Caretaker,” “Excess,” “Non- Functional,” “Outgrant,” “Surplus” or “Closed” plus “Active” and “Semi-active” with a Disposal Reason Code plus “Active” and “Semi-active” with a Planned Program Event of Abandon In Place, Caretaker/Mothball, Disposal or Replace with a Planned Date within the current or subsequent fiscal year.

The Army WCF reports $10.4 billion and $7.5 billion in deferred maintenance and repair associated with its real property for FY 2024, and FY 2023, respectively. This increase is largely due to a change in the methodology used to determine estimated deferred maintenance and repair costs. In 2024, Army revised its estimation methodology for aged-based facility ratings. These changes resulted in recognition of deferred maintenance beyond the asset’s design life that was previously capped at 70, indicating 30% of the asset’s required maintenance and repair. For older facilities this resulted in a significant increase in deferred maintenance estimates, particularly for assets with short design lives. Army believes this revised calculation provides a better assessment of the actual conditions of the non-inspected assets.

Department of Defense — Army Working Capital Fund

Equipment Deferred Maintenance and Repair

For the Years Ended September 30, 2024 and 2023

Equipment Deferred Maintenance and Repair Costs		
(Amounts in thousands)	**FY 2024**	**FY 2023**
Estimated DM&R Costs	$ 2,963	$ 4,266

The Army WCF’s depot maintenance requirements for equipment are developed during the annual budget process and updated based on work completion, shifts in priorities, work stoppages, or additional requirements. Generally, maintenance for equipment is scheduled on a monthly, quarterly, semi-annual, or annual basis. For commercial equipment, the manufacturer’s guidance is referenced in assessing the frequency of maintenance. In addition to regular equipment maintenance, some assets require maintenance and repair throughout the year that may not be scheduled. The Army WCF prioritizes maintenance and repair of these assets based on both operational needs and the availability of funds. The Army WCF developed a methodology to identify deferred maintenance and repair requirements for both its capital and non-capital equipment using condition assessment surveys and life cycle cost forecasts. As of the end of Fiscal Year 2024, the Army WCF reports $3 million in deferred maintenance requirements associated with its equipment.

LAND AND LAND RIGHTS

In accordance with the Statement of Federal Financial Accounting Standards 59, *Accounting and Reporting of Government Land*, the Army WCF's estimated acreage of GPP&E land and stewardship land is presented in three predominant use subcategories: Conservation and Preservation Land, Operational Land, and Commercial Use Land. The Army WCF's stewardship land consists mainly of mission-essential land that was acquired for or in connection with items of General PP&E.

Department of Defense — Army Working Capital Fund

Estimated Acreage by Predominant Use – GPP&E Land and Permanent Land Rights

For the Year Ended September 30, 2024

	Commercial	Conservation or Preservation	Operational	Total Estimated Acreage
Held for Use				
September 30, 2022	-	-	203,308	203,308
September 30, 2023	-	-	202,787	202,787
September 30, 2024	-	-	199,685	199,685
Held for Disposal or Exchange				
September 30, 2022	-	-	-	-
September 30, 2023	-	-	-	-
September 30, 2024	-	-	-	-

The acquisition and use of land is critical to the Army's mission to deploy, fight and win our nation's wars by providing ready, prompt and sustained land dominance by Army forces across the full spectrum of conflict as part of the joint force. This mission includes land, air, and marine operations to support the National Military Strategy. The Army's land provides an area for facilities, training ranges, housing, and transportation, including airfields. These ranges, transportation modes, and facilities are used to recruit, train, equip, and deploy the military, civilians, and contractors from other tenant organizations.

Army Land Policies

The Secretary of the Army (SecArmy) has real estate procurement and management authority under U. S. statutes. 10 USC § 2663(h), "Land Acquisition Authorities", establishes monetary authority levels for purchasing land. Funding for land purchases is authorized by Congress under the Military Construction (MILCON) appropriations. The Army operates under the Department of Defense Directive (DoDD) 4165.06, *Real Property and Army Regulation* (AR) 405-10, *Acquisition of Real Property and Interests* Therein, which establishes policy for land acquisition.

The disposal of land is governed by Department of Defense Instruction (DoDI) 4165.72, *Real Property Disposal*, and AR 405-90, *Disposal of Real Property*. The Army WCF may nominate excess land for disposal and submit a Report of Availability through the Army for approval and Congressional notification. Army-controlled real property in the U.S. that is excess to DoD requirements, and above dollar delegations outlined in Part 102–75, Subchapter C, Title 41, *Code of Federal Regulations* (41 CFR 102–75) *Federal Management Regulation* (FMR), will be reported to the GSA for disposal. The disposal process includes a check of requirements for the land by other DoD agencies and other Federal Agencies. If there is no government need, the GSA may sell it for commercial use or to a local government.

SECTION 3: OTHER INFORMATION

The Other Information section provides other financial and non-financial information that are required by various laws and regulations to be included in the Annual Financial Report.

Payment Integrity Information Act Reporting

In accordance with the Payment Integrity Information Act of 2019 (P. L. 116-117, 31 U.S.C § 3352 and § 3357), DoD reports payment integrity information (i.e., improper payments) at the agency-wide level in the consolidated DoD Agency Financial Report. For detailed reporting on DoD payment integrity, refer to the "Other Information" section of the consolidated DoD AFR.

Summary of Financial Statement Audit and Management Assurances

The table below summarizes the material weaknesses reported by the Army's auditors in the Audit Report.

TABLE 1. Summary of Financial Statement Audit

Audit Opinion	Disclaimer of Opinion (General Fund and Working Capital Fund)							
Material Weakness Areas	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	General Fund	Working Capital Fund
Accounts Payable and Related Accruals	1					1	Yes	No
Accounts Receivable and Revenue	1					1	Yes	No
Accruals	1					1	No	Yes
Beginning Year Balances	1					1	Yes	Yes
Completeness	1					1	Yes	Yes
Entity Level Controls - Enterprise Responsibilities	1		1			0	No	No
Entity Level Controls - Other	1					1	Yes	Yes
Environmental & Disposal Liabilities - Asset Driven	1					1	Yes	No
Environmental & Disposal Liabilities - Event Driven	1					1	Yes	No
Evidential Matter	1					1	Yes	Yes
Financial Reporting	1					1	Yes	No
Financial Reporting and Journal Entries	1					1	No	Yes
Fund Balance with Treasury	1		1			0	No	No
General Ledger Adjustments	1					1	Yes	No
Information Technology Controls	1					1	Yes	Yes
Intra-governmental Transactions and Intra-entity Eliminations	1					1	Yes	Yes
Inventory	1					1	No	Yes
Operating Materials & Supplies	1					1	Yes	No
Costs, Disbursements, and Budgetary Obligations*	0				1	1	No	Yes
Property, Plant and Equipment (PP&E) - Real Property	1					1	Yes	No
Property, Plant and Equipment (PP&E) - General Equipment	1					1	Yes	No
Property, Plant and Equipment (PP&E) - Internal Use Software**	0				1	1	Yes	Yes
Revenue	1					1	No	Yes
Total Material Weaknesses	**21**	**0**	**2**	**0**	**2**	**21**		

*This material weakness was previously identified under another material weakness, Financial Reporting and Journal Entries, and was split out during FY 2024 to its own material weakness.

**This material weakness was previously identified under another material weakness, Property, Plant and Equipment (PP&E) - General Equipment, and was split out during FY 2024 to its own material weakness.

The tables below summarize the material weaknesses reported as part of the Army's Statement of Assurance located in the Management's Discussion and Analysis – Analysis of Systems, Controls and Legal Compliance section.

During FY 2024, Contingency Payment Audit Trails was resolved. Equipment Tracking and Transparency, Logistic Modernization Program, and Mass Transit Benefit Program were reassessed and downgraded to Significant Deficiencies. Army continues mitigation actions towards the remainder 24 material weaknesses.

TABLE 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Statement of Assurance	Modified Assurance							
Material Weakness Area	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	General Fund	Working Capital Fund
Accounts Payable and Related Accruals	1					1	Yes	No
Accounts Receivable and Revenue	1					1	Yes	No
Accruals	1					1	No	Yes
Beginning Year Balances	1					1	Yes	Yes
Collection of Basic Allowance for Subsistence	1					1	Yes	Yes
Contingency Payment Audit Trails	1		1			0	Yes	Yes
Completeness	1					1	Yes	Yes
Environmental & Disposal Liabilities - Asset Driven	1					1	Yes	Yes
Environmental & Disposal Liabilities - Event Driven	1					1	Yes	No
Equipment Tracking and Transparency	1				1	0	Yes	No
Evidential Matter	1					1	Yes	Yes
Financial Reporting	1					1	Yes	No
Financial Reporting and Journal Entries	1					1	No	Yes
Fund Balance with Treasury	1					1	Yes	No
General Ledger Adjustments	1					1	Yes	No
Internal Use Software	1					1	Yes	Yes
Intra-governmental Transactions and Intra-entity Eliminations	1					1	Yes	Yes
Inventory	1					1	No	Yes
Logistic Modernization Program	1				1	0	No	Yes
Mass Transit Benefit Program	1				1	0	Yes	No
New Equipment in Transit Reporting*	1			1		0	Yes	No
Operating Materials & Supplies	1					1	Yes	No
Costs, Disbursements, and Budgetary Obligations**	0				1	1	No	Yes
Property, Plant and Equipment (PP&E) - Real Property	1					1	Yes	Yes
Property, Plant and Equipment (PP&E) - General Equipment	1					1	Yes	Yes
Revenue	1					1	No	Yes
Total Material Weaknesses	**25**	**0**	**1**	**1**	**4**	**21**		

*New Equipment in Transit Reporting was consolidated into Property, Plant and Equipment (PP&E) - General Equipment.

**This material weakness was previously identified under another material weakness, Financial Reporting and Journal Entries, and was split out during FY 2024 to its own material weakness.

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Modified Assurance							
Material Weakness Area	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	General Fund	Working Capital Fund
Entity Level Controls - Enterprise Responsibilities	1					1	Yes	Yes
Entity Level Controls - Other	1					1	Yes	Yes
Total Material Weaknesses	**2**	**0**	**0**	**0**	**0**	**2**		

Conformance with Federal Financial Management System Requirements (FMFIA § 4)

Statement of Assurance	Modified Assurance							
Non-Conformances Area	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance	General Fund	Working Capital Fund
Information Technology Controls	1					1	Yes	Yes
Total Non-Conformances	**1**	**0**	**0**	**0**	**0**	**1**		

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. Federal Financial Management System Requirements	Lack of Substantial Compliance Noted	Lack of Substantial Compliance Noted
2. Applicable Federal Accounting Standards	Lack of Substantial Compliance Noted	Lack of Substantial Compliance Noted
3. USSGL at Transaction Level	Lack of Substantial Compliance Noted	Lack of Substantial Compliance Noted

U.S. ARMY

1 An infantry soldier-in-training rappels down a tower. (U.S. Army photo by Capt. Stephanie Snyder); **2** Soldiers demonstrate medical evacuation capabilities. (U.S. Army photo by Staff Sgt. Catessa Palone); **3** Soldiers with the U.S. Army Medical Center of Excellence secure the area during a combat medic field training exercise. (Photo Taylor by Curry, Air Force); **4** A crew chief conducts a search and rescue mission in an HH-60 Black Hawk helicopter. (U.S. Army photo by Pfc. Eli Johnson); **5** Army paratroopers descend over a drop zone after jumping from a Marine Corps KC-130J Super Hercules during joint airborne operations. (Photo by Julia Lebens, Air Force); **6** Artillerymen prepare for the helicopter to sling load a M119 A3 105mm howitzer. (U.S. Army photo by Spc. Thomas Madrzak); **7** Florida National Guard soldiers conduct storm response preparations. (U.S. Army photo by Sgt. Neysa Huertas Quinones); **8** Career counseling focused questions during the written testing stage of the 2024 U.S. Army Reserve Career Counselor of the Year competition. (U.S. Army photo by Sgt. Derick Call); **9** Performing sling load operations with a CH-47 Chinook helicopter. (U.S. Army photo by Staff Sgt. Bruce Daddi); **10** Service members board an aircraft. (U.S. Army photo by Sgt. Xavier Legarreta); **11** An Army High Mobility Artillery Rocket System fires a missile at simulated targets. (U.S. Army photo by Sgt. Alec Dionne); **12** Soldiers run through a small river while training on an obstacle course. (U.S. Army photo by 1st Lt. Angeline Tritschler); **13** Soldiers prepare to conduct airborne operations. (U.S. Army photo by Capt. Molly Treece); **14** Soldiers return home from a nine-month deployment. (U.S. Army photo by Staff Sgt. Robert Wormley); **15** Senior leaders from the 3d U.S. Infantry Regiment (The Old Guard). (U.S. Army photo by Cpl. Christopher Grey); **16** A U.S. Army Patriot launcher. (U.S. Army photo by Capt. Leara Shumate); **17** U.S. soldiers fire rounds from an M1A2 Abrams tank during a live-fire exercise. (U.S. Army photo by Sgt. Alex Soliday); **18** Army Air Assault students familiarize themselves with rotary wing aircraft. (U.S. Army photo by Sgt. Vincent Levelev)

We are interested in your feedback regarding the content of this report. Feel free to e-mail your comments to AAFS@hqda.army.mil or write to:

DEPARTMENT OF THE ARMY

Office of the Deputy Assistant Secretary of the Army – Financial Management and Comptroller

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