DETER. PREVENT. PREVAIL.

DEFENSE THREAT REDUCTION AGENCY

AGENCY FINANCIAL REPORT (AFR)

Fiscal Year 2024

7 November 2024

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MESSAGE FROM THE DIRECTOR

Defense Threat Reduction Agency

On behalf of the Defense Threat Reduction Agency, I am pleased to present the fiscal year (FY) 2024 Agency Financial Report. The AFR is comprised of management's discussion and analysis, performance, and financial sections which include the financial statements, accompanying footnotes, and the auditor's signed report. I believe the information contained within this report is complete and reliable.

Deter, Prevent, and Prevail are keywords used to express our strategic priorities to deter strategic attack against the United States and our allies; prevent, reduce, and counter Weapons of Mass Destruction (WMD) and emerging threats; and prevail against WMD-armed adversaries in crisis and conflict. DTRA provides unsurpassed counter WMD support to DOD, interagency and international partners, continuously adapting to evolving technical, operational, and geo-strategic demands that determine current and future requirements.

DTRA fully supports the Department's priorities to deliver transparent financial reporting with integrity and agility in support of the National Defense Strategy. Audit is an enterprise-wide endeavor with the entire DTRA workforce focused on improving day-to-day processes to sustain audit posture. DTRA's efforts have increased accountability, communication, and support across all levels of the organization to better focus our attention and align resources to areas with the most critical need and potential impact.

This year, our Independent Public Accounting (IPA) firm, Kearney & Company, issued an unmodified opinion on DTRA's Financial Statements. This means we received the highest possible outcome for our FY 2024 financial statements, and it is an outstanding achievement for our entire organization. The IPA reported material weaknesses in key areas involving accounts payable and related expenses, monitoring and reporting of obligations, and monitoring of feeder systems and journal vouchers. DTRA can provide reasonable assurance that internal controls over financial reporting, operations, and compliance are operating effectively as of September 30, 2024 except for the material weaknesses identified. I am proud of the progress DTRA made this year! Information obtained through this audit will be valuable in our ongoing efforts to improve all aspects of DTRA operations.

In light of the current security environment, our mission has never been more important or urgent. We remain united in the confidence that our work matters – to our national security, to the well-being of our allies and partners around the world, and to the safety and security of families and loved ones here at home.

Sincerely,

HERSMAN.REBECC A.K C.[redacted]

Digitally signed by HERSMAN.REBECCA.K C[redacted]
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REBECCA K.C. HERSMAN
Director

SECTION 1: MANAGEMENT'S DISCUSSION AND ANALYSIS

The Defense Threat Reduction Agency (DTRA) is pleased to present a Management Discussion and Analysis (MD&A) to accompany the financial statements and footnotes for its fiscal year (FY) 2024 Financial Statements.

Mission and Organizational Structure

Mission

As both a Defense Agency and Combat Support Agency, the Defense Threat Reduction Agency (DTRA) provides cross-cutting solutions to enable the Department of Defense (DoD), the United States Government (USG), and international partners to deter strategic attack against the United States and its allies; Prevent, reduce, and counter Weapons of Mass Destruction (WMD) and emerging threats; and Prevail against WMD-armed adversaries in crisis and conflict.

Defense Agency

In this more strategic role, we reduce global WMD and emerging threats by deterring adversaries' acquisition and use of such materials.

We support key DoD policy and priorities through cross-service, DoD-wide programs such as nuclear assurance, treaty support, and building partner capacity.

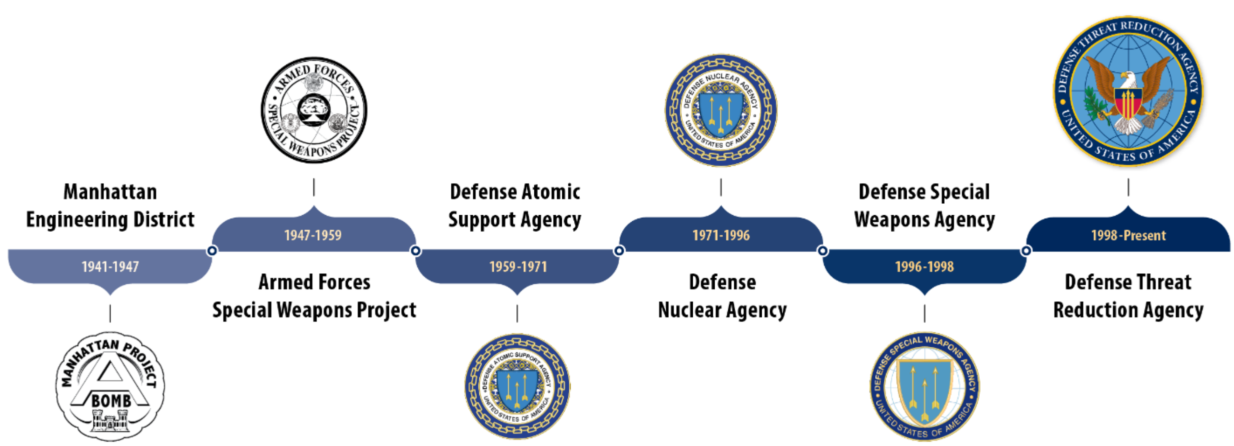
Combat Support Agency

In this more operational role, we work to identify, develop, and field solutions to counter WMD and emerging threats, leveraging unique capabilities and expertise in direct support of Joint Staff and Combatant Command requirements.

Our Legacy

DTRA traces its roots back to the Manhattan Project in 1942. A mission that began strictly as a weapons development program, expanded during the Cold War and eventually included non-nuclear weapons development nonproliferation efforts. The November 1997 Defense Reform Initiative joined the Defense Special Weapons Agency and the On-Site Inspection Agency with two defense programs: the Cooperative Threat Reduction Program (CTR) and Chemical-Biological Defense Program (CBDP), Science and Technology component, forming the core elements of the new agency. DTRA was formally established on October 1, 1998. Additionally, the Joint Improvised Defeat Organization joined DTRA in October 2016 and this department was later merged into DTRA's current Operations Integration Directorate.

Our History



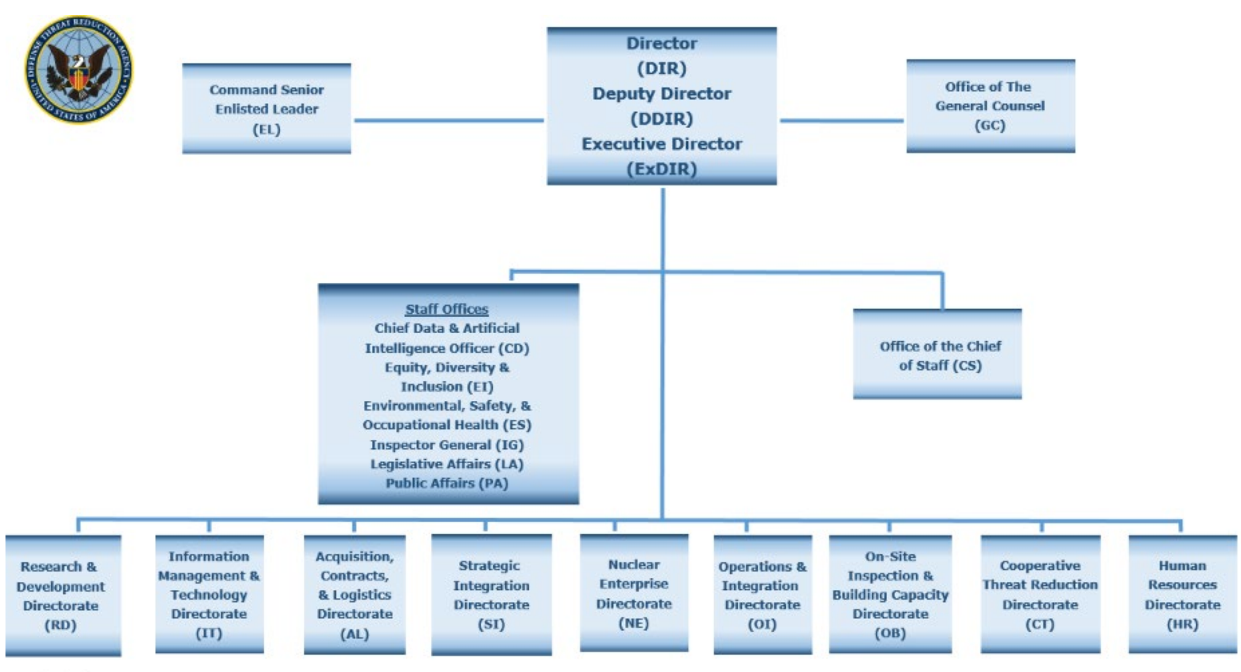
An Agency defined by 80 years of evolution…that continues to evolve…to address the most consequential threats to our national security

DTRA's rich legacy begins with the Manhattan Engineering District, later referred to simply as the "Manhattan Project," which was created to develop the world's first atomic bomb during World War II. Rooted in the success of the TRINITY nuclear test, the first detonation of an implosion-type plutonium device, the Atomic Age was born.

After the end of World War II, the Manhattan Project continued to support atomic weapons testing until the Atomic Energy Act of 1946 split the program into two parts—the Atomic Energy Commission, known today at the Department of Energy (DOE), and the Armed Forces Special Weapons Project (AFSWP). The AFSWP, the military organization responsible for the aspects of the nuclear weapons remaining under military control after the split, was responsible for nuclear weapons maintenance, storage, surveillance, security, and transportation as well as conducting offensive and defensive military training in nuclear weapons operations and supporting nuclear tests.

As technology changes – as the United States National Security landscape changes – DTRA leads the way to Deter, Prevent and Prevail against WMD and Emerging Threats.

DTRA Leadership



DTRA Directorates

Research and Development Directorate - The Research and Development Directorate provides science, technology and capability development investments that maintain the U.S. military's technological superiority in countering weapons of mass destruction & emerging threats, mitigate the risks of technical surprise and respond to the warfighter's urgent technical requirements.

Strategic Integration Directorate - The Strategic Integration Directorate shapes DTRA's response to the challenges and priorities set forth in the National Defense Strategy, focusing the Agency's operations, activities, and investments in a manner that maximizes their cumulative effect in support of our warfighting customers.

Operations and Integration Directorate - The Operations and Integration Directorate provides operational, analytical, and security support for CCMD and DTRA missions in collaboration with Five Eyes (FVEY) and interagency partners to achieve strategic outcomes against National Defense Strategy (NDS) threats.

Information Management & Technology Directorate – The Information Management & Technology Directorate provides enabling and secure technologies, applications, and services anywhere and anytime, to our workforce, mission partners, and external customers to effectively deliver relevant data, information, and situational awareness to successfully perform the Countering Weapons of Mass Destruction and Emerging Threats mission.

Nuclear Enterprise Directorate - The Nuclear Enterprise Directorate provides capabilities to the Department of Defense and interagency stakeholders, allies, and partners to ensure the safety, security, reliability, and effectiveness of the U.S. nuclear deterrent force and the countering weapons of mass destruction mission.

Acquisition, Contracts, and Logistics Directorate - The Acquisition, Contracts, and Logistics Directorate provides responsive solutions in acquisition, contracting, facilities, and logistics to enable the accomplishment of the Agency's mission. The Directorate provides comprehensive, integrated, collaborative, and reliable business solutions that are cost effective and efficient to enable DTRA mission execution and Agency Priority accomplishment.

On-Site Inspection and Building Capacity Directorate - The On-Site Inspection and Building Capacity Directorate enables the Department of Defense, the U.S. Government, and International Partners to counter and deter WMD by conducting Arms Control Treaty Verification and Countering Weapons of Mass Destruction (CWMD) Building Partner Capacity Activities.

Cooperative Threat Reduction Directorate – The Cooperative Threat Reduction Directorate implements the DoD CTR Program by working with partner countries to prevent the proliferation of WMD and eliminate chemical, biological, radiological, and nuclear (CBRN) threats. CTR takes a layered approach: Eliminate, Secure, Detect and Interdict.

Human Resources Directorate – The Human Resources Directorate operates as a collaborative and strategic partner to acquire, develop and sustain a highly competitive and diverse workforce supporting the mission, vision, and values of DTRA.

Performance Goals, Objectives, and Results

Agency Goals, Functions and Objectives

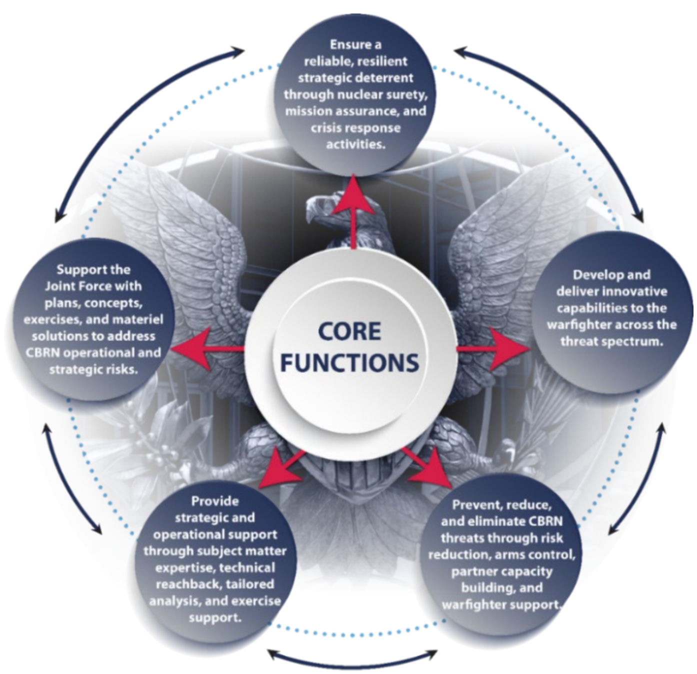
The *DTRA Director's Strategic Intent: 2022-2027* supports national-level guidance through DTRA-specific goals, functions, and objectives. The DTRA goals are the outcomes we seek to achieve as an Agency, while the Agency functions and objectives are the unique ways by which we achieve its Mission and goals. DTRA's goals cut across its many activities and capabilities, including nuclear security and surety; arms control and verification; cooperative threat reduction; building partner capacity; planning, training, and exercising; and developing capabilities.

Table 1 below represents DTRA's core functions and objectives, which underpin the Agency's strategic goals. DTRA's core functions contain many enduring tasks and responsibilities as well as new efforts and initiatives to account for rapidly evolving technological and operational challenges.

Table 1: *Goals, Functions and Objectives*

DTRA Core Functions

DTRA is committed to achieving concrete outcomes and strategic effects through its core functions. Directorates will implement improvements, refinements, and efficiencies to optimize execution in these critical mission areas.



<table>
<tr><td rowspan="3">Ensure a reliable, resilient strategic deterrent through nuclear surety, mission assurance, and crisis response activities.</td><td>Potential adversaries view nuclear weapons as a means to seek coercive advantage, challenge the United States in crisis and conflict, and potentially decouple the United States from its allies. DTRA supports the U.S. nuclear deterrent through nuclear readiness and modernization, mission assurance, force preparedness and response, and treaty verification. The Agency enhances nuclear force resilience, expands nuclear operations expertise, and improves its capacity to implement current and future verification regimes. In an evolving and complex geopolitical environment, the Agency remains dedicated to maintaining a reliable strategic deterrent while increasing the resiliency of our Joint Force capabilities. DTRA leverages its considerable education, modeling, and assessment resources to ensure the Department's success in this no-fail mission.</td></tr>
<tr><td>Strategic Objectives</td></tr>
<tr><td>Increase nuclear warfare planning support to improve the collective nuclear deterrence posture and resilience of the Joint Force, Allies, and partners.
Coordinate efforts with appropriate partners to amplify messaging on the efficacy of our combined capabilities to plan, counter, respond to, and survive WMD threats.</td></tr>
<tr><td rowspan="3">Develop and deliver innovative capabilities to the warfighter across the threat spectrum.</td><td>The Agency remains a key developer of capabilities to counter WMD threats. DTRA's portfolio contains critical technologies that enable the Joint Force to disrupt, defeat, disable, and dispose of WMD and enhance deterrence against their potential use. Capabilities developed by the Agency address our intelligence community's hardest problem sets, Joint Force readiness, and the inspection and detection mechanisms that underpin international stability. As the preeminent science and technology leader across the CWMD enterprise, DTRA must maintain its place at the leading edge of innovation. DTRA employs research and development tools and expertise to create novel CWMD solutions and proactively engages with partners to transition these capabilities to the operational force. Enhanced information technology, AI-enabled data retrieval and management, and advanced visualization and decision-support capabilities augment the Agency's enduring detection, protection, and WMD defeat efforts.</td></tr>
<tr><td>Strategic Objectives</td></tr>
<tr><td>Engage with allies and partners for research outreach.
Develop capabilities that increase situational awareness of adversarial WMD activities.
Expand our capability, capacity, and preparedness to identify and characterize current and emerging WMD threats.
Improve U.S., ally, and partner abilities to counter, disrupt, or defeat adversary WMD infrastructure, modernization efforts, and capabilities.</td></tr>
<tr><td>Prevent, reduce, and</td><td>The Agency remains a key developer of capabilities to counter WMD threats. DTRA's portfolio contains critical technologies that enable the Joint Force to disrupt, defeat, disable, and dispose of</td></tr>
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<table>
<tr><td rowspan="3">eliminate CBRN threats through risk reduction, arms control, partner capacity building, and warfighter support.</td><td>WMD and enhance deterrence against their potential use. Capabilities developed by the Agency address our intelligence community's hardest problem sets, Joint Force readiness, and the inspection and detection mechanisms that underpin international stability. As the preeminent science and technology leader across the CWMD enterprise, DTRA must maintain its place at the leading edge of innovation. DTRA employs research and development tools and expertise to create novel CWMD solutions and proactively engages with partners to transition these capabilities to the operational force. Enhanced information technology, AI-enabled data retrieval and management, and advanced visualization and decision-support capabilities augment the Agency's enduring detection, protection, and WMD defeat efforts.</td></tr>
<tr><td>Strategic Objectives</td></tr>
<tr><td>Increase awareness of WMD risks, mitigation strategies, and vulnerabilities among Allies and partners to prevent, counter, and respond to adversarial WMD activities.
Strengthen strategic stability by upholding international WMD-related norms and treaty obligations and expanding the capabilities of our partners to counter WMD threats.
Improve U.S. relationships with regional and international partners to counter adversarial influence and disinformation campaigns.
Examine and improve USG readiness and ability to develop and implement future verification and risk reduction approaches, while protecting U.S. equities during and after negotiations.</td></tr>
<tr><td></td><td></td></tr>
<tr><td rowspan="3">Provide strategic and operational support through subject matter expertise, technical reachback, tailored analysis, and exercise support.</td><td>DTRA provides a wide range of expert support across operational and scientific disciplines, technologies, and materials to address threats posed by WMD, associated delivery systems, and enabling technologies.

DTRA supports the warfighter with tailored capabilities designed to enable operational CWMD missions. Agency subject matter experts, analysts, planners, and strategists examine the challenges of competition and conflict with WMD-capable adversaries and the means to overcome them. As part of the Defense Intelligence Enterprise, DTRA's intelligence support activities advance analysis and information-sharing efforts through thoughtful collaboration with community partners. External research efforts, table-top exercises, workshops, and other mechanisms help DTRA understand the future CBRN threat landscape to prepare for crisis or conflict related to WMD. DTRA's forward presence among DoD Combatant Commands and other key organizations ensures the Agency's efforts are fully integrated across DoD and broader USG. These efforts include a focus on exercise support tools, data visualization, and interactive platforms.</td></tr>
<tr><td>Strategic Objectives</td></tr>
<tr><td>Prevent unintentional escalation across the spectrum of crisis and conflict by better understanding adversarial intent, doctrine, decision calculus, and emerging capabilities.</td></tr>
</table>

	• Improve U.S., Ally, and partner capability and capacity to prevent the acquisition and proliferation of WMD-related materials, technology, and intellectual property. • Through the authorities and funding of the Military Intelligence Program appropriated to the Agency and under the oversite of USD/I&S, strengthen collaboration with the Defense Intelligence Enterprise by providing insights related to WMD threats to support operational planning and execution. • Improve transparency, confidence-building measures, and strategic messaging to strengthen U.S. influence and strategic stability. • Develop tools that improve knowledge management, collaboration, and information sharing within the Agency and our partners. • Reinforce the culture and practice of integration across internal and external organizational boundaries.
Support the Joint Force with plans, concepts, exercises, and materiel solutions to address CBRN operational and strategic risks.	Plans, concepts, and exercises enable DoD to prepare to deter and defeat WMD-armed adversaries. DTRA mitigates the risks and consequences of conflict by developing CWMD technical solutions, highlighting warfighting challenges and adversary vulnerabilities, and supporting DoD CWMD plans and exercises. The Agency provides the Joint Force, allies, and partners with unique insight into adversary WMD force posture, doctrine, and systems. In particular, DTRA examines how potential adversaries plan to employ and integrate WMD during conflict to inform concepts of operation and materiel solutions U.S. and allied forces need in a WMD battlespace. **Strategic Objectives** • Enhance planning, development, and execution of risk-based integrated deterrence options to deter, disrupt, and deny pursuits within the adversary's WMD activity continuum. • Conduct risk-informed planning and exercises that improve our ability to respond to a broad range of WMD contingencies with flexible, integrated options. • Leverage novel technologies and approaches to enable the Joint Force to prepare for, deter, and defeat WMD use. • Anticipate future requirements and improve posture to achieve better and more sustainable effects.

Performance Measures and Outcomes

In accordance with the GPRA Modernization Act of 2010, DTRA established performance measures of its programs to evaluate Agency performance and improvement. The programs described below map to multiple core functions and strategic objectives described in the beginning of this section.

CYBER PROGRAMS

DTRA's Cyber programs strengthen support to the Nuclear Deterrent by providing visibility on mission assurance risk across the DoD enterprise; conducting integrated threat-based mission assurance assessments that provide risk mitigation strategies for Defense Critical Assets and Infrastructure; and executing assessments to test strategies to defend critical missions against emulated adversarial disruption.

Mission Assurance:
DTRA serves as a Mission Assurance Center of Excellence performing assessments that identify vulnerabilities in critical systems, networks, and architecture that could be exploited well below the level of armed conflict by state or non-state threat networks or could be impacted by natural or accidental hazardous events. This analysis is accomplished through the utilization of the Defense Critical Infrastructure Vulnerability Analysis process, which includes:

- Advanced Cyber Assessments: Consist of both "Blue" and "Red" audits, vulnerability assessments, and penetration tests that evaluate the strengths or weaknesses of software, hardware, processes, and channels over valuable DoD Information flows.

All assessments provide recommendations to mitigate identified risks to critical infrastructure. This analysis is narrowed to specific key missions identified by DoD leadership (most commonly, Defense Critical Missions) and through strategic analysis, identifies mission impacts, trends, and lessons learned. This information is provided to DoD senior leaders, who then decide the best courses of action for vulnerability remediation, mitigation, or acceptance.

Table 2: *Cyber Assessment Metrics*

Type of Assessment	Number of Assessments FY 2024
Mission Assurance	
Pre-site Surveys (Total)	55
Advanced Cyber Assessments	6
Red Team Cyber Assessments	4
Control System Assessments	1
Level I Cyber Assessments	44
Total Assessments	55
Customers	18

NON-PROLIFERATION ACTIVITIES, WMD COMBAT SUPPORT AND OPERATIONS AND CORE MISSION SUSTAINMENT PROGRAMS

DTRA establishes programs that support the Nuclear Enterprise, develop common situational awareness to inform global integrated operations, strategically leverage building partnership capacity to push back on foreign influence, and implement the President's arms control vision. These programs strengthen support to the Nuclear Deterrent by enabling nuclear weapons security through force-on-force tests and exercises; tracking all nuclear weapons to maintain positive control and support emergency verifications; providing visibility on mission assurance risk across the DoD enterprise; conducting integrated threat-based mission assurance assessments that provide risk mitigation strategies for Defense Critical Assets and Infrastructure; and executing assessments to test strategies to defend critical missions against emulated adversarial disruption.

Arms Control Treaties and Agreements:
As an essential element of nonproliferation efforts, arms control activities enhance confidence in treaty and agreement compliance through effective inspection, monitoring, and verification. The United States seeks to reduce the threat from WMD in a number of ways, particularly through treaty and non-treaty efforts to control, safeguard, and eliminate existing weapons and to verify and monitor compliance with agreements intended to prevent the proliferation of nuclear weapons. DTRA trains, equips, organizes, deploys, and exercises operational control over inspection, monitoring, and escort teams, ensuring the U.S. Government can exercise its full treaty rights for on-site inspection and protect U.S. treaty rights with respect to inspected sites or activities. DTRA also installs, operates, maintains, and sustains U.S. nuclear detonation verification and monitoring radionuclide and waveform stations as part of the U.S. contribution to the Comprehensive Nuclear-Test-Ban Treaty Organization's International Monitoring System. DTRA provides technical advice to U.S. Government elements concerned with developing, implementing, or evaluating compliance with arms control treaties and agreements. DTRA's inspectors provide the Secretary of Defense (SECDEF) with first-hand evidence that international commitments are fulfilled through the verifiable reduction of the world's stockpiles of nuclear, chemical, and conventional weapons (which includes the training and equipping of law enforcement and border guard personnel in the former Soviet Union, Eastern Europe, Baltics, Balkans, South Asia, Southeast Asia, and Africa). DTRA's arms control mission directly enhances U.S. security interests.

Table 3: *Treaty and Agreement Metrics*

Type of Mission	Number of Missions FY 2024
New Start Treaty	
Inspection Activity	0
Escort Activity	0
Mock Missions	14
Exhibitions	0
Inspections Operations Missions	
Escort Activity	2
Mock Missions	3
Plutonium Production Reactor Agreement	

Type of Mission	Number of Missions FY 2024
Inspection Activity	0
Escort Activity	0
Mock Missions	1
Joint Implementation & Compliance Commission Discussions	0
International Atomic Energy Agency Integrated Safeguards	4

These efforts ensure: New START Treaty mandated limits of strategic arms are met; Russian plutonium producing reactors are shut down and Russian Federation produced Plutonium Oxide is accounted for; U.S. facilities meet International Atomic Energy Agency Integrated Safeguards standards and DTRA on-site arms control implementers and U.S. Air Force and U.S. Navy facility treaty compliance offices are trained to execute assigned duties to ensure U.S. Government compliance. New START Treaty Program ends in FY 2025.

The United States destroyed 100 percent of its originally declared chemical weapons stockpile. The destruction of the remaining chemical component waste at Blue Grass, Kentucky, the non-contiguous destruction facility located in Anniston, AL, and daily treaty activity is projected to be complete by the end of FY 2025. DTRA will conduct on-site escort of Organization for the Prohibition of Chemical Weapons inspection teams to accomplish treaty verification of the destruction of chemical component waste at the Blue Grass Chemical Agent Pilot Plant. DTRA will conduct a closeout inspection of the destruction facility after completion and after notifications of completion and of intent to inspect are sent to the Organization for the Prohibition of Chemical Weapons.

Other Chemical Weapons Convention Treaty escort activity workload includes systematic inspections at DoD Schedule 1 Facilities located at Ft. Leonard Wood, MO and Edgewood, MD and the annual recovered chemical weapons destruction inspection. Additionally, DTRA will support and participate in DoD and Military Service readiness training/exercises for Challenge Inspections.

These efforts ensure: Russian plutonium producing reactors are shut down and Russian Federation produced Plutonium Oxide is accounted for; U.S. facilities meet International Atomic Energy Agency Integrated Safeguards standards and DTRA on-site arms control implementers and Department of Energy facility and compliance staffs are trained to execute assigned duties to ensure U.S. Government compliance.

Table 4: *Conventional Weapons Metrics*

Type of Mission	Number of Missions FY 2024
Conventional Weapons	
Active Inspection Activity (Formally Inspection Activity)	17
Passive Escort/LNO/Observer Activity (Formally Escort Activity)	16
Mock Missions/Military Cooperation (Formally Mock Missions)	35

Efforts carried out under the Conventional Weapons Missions program contribute to the reduction of conventional arms stockpiles, reduce the risk of conventional offensive strikes in Europe and promote confidence and security building measures through the whole of Eurasia.

Table 5: *Treaty Support Metrics*

Type of Mission	Number of Events FY 2024
Technical Equipment Inspections	25
Language Training Events	18
Recruitment Events	16
Arms Control Treaty Training Events	24

DTRA supports local area and overseas immersion language training for its Russian and Korean linguists and Foreign Area Officers in support of the treaty verification mission. DTRA also provides a small number of other language training events for other-than-Russian Foreign Area Officers to support DTRA's expanding regional focus on non-proliferation.

Inspections Training and Support is designed for newly assigned DTRA personnel and U.S. Government interagency partners who support on-site inspections, monitoring operations, escort activities, and observations to the specific arms control treaties for which DTRA is responsible. DTRA offers courses to future U.S. inspectors and escorts and other Federal Government offices supporting ongoing arms control missions. The program provides courses for the following agreements: International Atomic Energy Agency Integrated Safeguards; the Chemical Weapons Convention Treaty; and requisite courses for arms control treaty team members, which are not treaty specific. The program approach applies to a wide range of policy and implementation factors including treaty compliance, inspection, and escort operations, with respect to treaty implementation monitoring, and verification. This program promotes openness and transparency in military activities while enhancing security through confidence and security building measures; promotes predictability and stability by reporting on the reduction and limitation of offensive strategic and conventional arms; and ensures Chemical Weapons Convention Treaty escorts and facilities are ready to accept Organization for the Prohibition of Chemical Weapons Inspections to confirm U.S. treaty compliance.

Table 6: *Nuclear Assessments Metrics*

Type of Mission	Data Availability % FY 2024
International Monitoring System	
Seismic and Infrasound Stations	99%
Radionuclide Stations	98%

The Nuclear Arms Control Technology operations mission provides for the management and operation of 32 U.S. waveform and radionuclide stations and the U.S. Radionuclide Analysis Laboratory, representing the majority of the U.S. International Monitoring System stations in support of U.S. and DoD objectives. The Nuclear Arms Control Technology operations mission runs its stations as close to requirements established in the International Monitoring System operational manuals as reasonably achievable. The program measures station performance annually through assessments against the key performance indicator, station data availability. Station data availability is the measure of time the stations are providing useable data to the Preparatory Commission for the

Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO) International Data Centre. Seismic and Infrasound stations have a data availability performance metric of 98%; Radionuclide stations have a data availability performance metric of 95%. Radionuclide labs are tested for proficiency annually and the U.S. labs are expected to retain an "A" grade on annual proficiency tests.

Overall, the Nuclear Arms Control Technology operations mission seeks to lead the way for International Monitoring System performance and shares operational advances with the Preparatory Commission for the CTBTO that manages the global International Monitoring System capability, to increase global performance. By collaborating with the CTBTO, the U.S. Government gains access to an additional 274 globally arrayed certified deployed monitoring stations and radionuclide laboratories, enhancing the U.S. capability to detect proliferation of WMD. Access to this additional data increases U.S. confidence in locating, characterizing, and attributing nuclear explosions by gaining more measurements from locations closer to the source of the explosion.

Table 7: *Nimble Elder Training/Exercise Metrics*

Training/Exercise Events	Number of Events FY 2024
USEUCOM	17
USINDOPACOM	11
USCENTCOM	5
USAFRICOM	9
USSOUTHCOM	6
CONUS	30

The Nimble Elder program, through its Technical Support Groups (TSGs), provides CCMDs and other U.S. Government agencies with the capability to address WMD threats. The TSGs conduct specialized CBRN training that normally spans one week. Program personnel also participate in regional/international exercises providing assistance to CCMD-designated forces and enhancing CCMD preparedness and capacity to respond to major CBRN events. Personnel facilitate development of a more robust, skilled, and inter-connected counter WMD crisis response capability at all levels, thereby enhancing U.S. capability to respond to counter WMD threats. Exercises are typically one to two weeks in length but can vary depending on the number of participants, location, and complexity.

Table 8: *Nuclear Surety Metrics*

Type of Assessment/Activity	Number of Assessments/Activities FY 2024
Reports and Security Environments Assessed	38
Safety Activities and Assessments	17
Use Control Activities/Assessments	26
Nuclear Explosive Ordinance Disposal Activities	2
Nuclear Security Reports, Studies and Assessments	4
Force-on-Force Program Exercises	2

The Nuclear Surety program provides expertise related to nuclear surety policy and nuclear weapons systems safety and security. Activities also include nuclear physical security modeling and simulation and conducting physical materials defeat testing on behalf of the Office of the Assistant Secretary of Defense for Nuclear, Chemical, and Biological Defense Programs and the Military Services. The program also serves as the controlling authority for logistics keys and code materials; nuclear explosive ordnance disposal and use control project officer groups to provide reports for DoD in partnership with the National Nuclear Security Administration. DTRA's Force-on-Force program is a series of physical security evaluations, designed to evaluate the effectiveness of nuclear security policy.

Table 9: *Defense Nuclear Surety Inspection Oversight Metrics*

Type of Assessment	Number of Assessments FY 2024
Defense Nuclear Surety Inspection Oversight Assessments	8
Nuclear Procedures Inspections	6
Nuclear Weapons Technical Inspection Course	124

The oversight of Navy and Air Force Nuclear Surety Inspections provides the Office of the Secretary of Defense and Joint Staff with independent assessments of service inspection teams' compliance with inspection directives. This program also provides assurance that Personnel Reliability Assurance Program staff assessments are properly managed at the nuclear capable CCMDs.

Table 10: *Mission Assurance Metrics*

Mission Assurance Assessments:	Number of Assessments FY 2024
Pre-Site Surveys (Total)	68
Assessments:	
Vulnerability "Blue" Assessments"	44
Red Assessments	24
Total Assessments	68
Customers	18
Other Activities	
Technical Support Projects	7
Analytical Projects	38
Combatant Command Anti-Terrorism Program Reviews	0
Mobile Training Teams (Mission Assurance Assessment & All Hazard Threat Assessment Course)	7
Total Other Activities	52

The Mission Assurance program conducts assessments that identify vulnerabilities in critical systems, networks, and architecture that could be exploited well below the level of armed conflict by state or non-state threat networks or could be impacted by natural or accidental hazardous events. This analysis is accomplished through the utilization of the Defense Critical Infrastructure Vulnerability Analysis process, which includes Survivability Assessments, Mission Assurance Assessments, and

Red Team Assessments. All assessment capabilities outlined provide recommendations to mitigate identified risks to critical infrastructure within the DoD portfolio providing DoD leadership with critical information for determining vulnerability remediation, mitigation, or acceptance.

Table 11: *Plans/Exercises Metrics*

Type of Exercise	Number of Exercises FY 2024
Joint Training Plan Exercises focused on training of assigned forces	7
Joint Training Plan Exercises focused on training other than assigned forces	5
Joint Training Plan Senior Leader Seminars, TTXs, and Wargames	5

The Plans and Exercises program prepares DTRA to conduct globally integrated operations in support of the warfighter, as directed by Chairman of the Joint Chiefs of Staff Instruction 3500.01J. Accordingly, this program conducts collective joint staff training to ensure mission readiness in direct coordination with the CCMDs. The program plans, executes, and assesses counter WMD and counter threat exercise scenarios in support of the Joint Strategic Campaign Plan, CCMDs' numbered war plans and contingency plans through the Chairman's Joint Exercise program and national-level exercises in coordination with the Office of the Secretary of Defense (OSD), Joint Staff, Military Services, other U.S. Government departments and agencies, and allied forces. In addition, DTRA participates in a number of CCMD-sponsored exercises where we train other than assigned DTRA forces.

Table 12: *Accident/Incident Exercise Metrics*

Type of Exercise	Number of Exercises FY 2024
Nuclear Weapons Accident/Incident Exercises	34

DTRA worked diligently to strengthen the continental U.S. nuclear weapon incident response capability and will continue to sustain this capability while providing emphasis on the United States European Command nuclear weapon accident/incident response capabilities. The number of exercises supported and associated costs are dependent on the location and training objectives.

These efforts allow for the identification of gaps in nuclear weapons accident/incident response capabilities and means/methods to repair those vulnerabilities; and enhanced synergy and operational compatibility between DoD and nuclear weapon accident/incident response mission partners at the federal, state, local, and tribal levels and with NATO nuclear program of cooperation countries.

Table 13: *Building Partner Capacity Metrics*

Type of Mission	Number of Events FY 2024
International Counterproliferation Events	54
Counter WMD Engagements	72

DTRA continues security cooperation operations with partners globally to enhance Combatant Commands' and U.S. Government identified partners' preparedness to respond to major CBRN incidents/disasters resulting from either accidental or intentional acts, increase interoperability with U.S. Forces, enable partners to prevent proliferation along their land and maritime borders, enhance proliferation security, counter illicit WMD trafficking, and counter improvised WMD. DTRA executes capacity building efforts that leverage U.S. Interagency partners, National Guard and Services to strengthen partner nations' training capabilities and capacity, enhance the professionalization of forces and provide equipment compatible for increased interoperability.

Analysis of Financial Statements and Stewardship Information

DTRA 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). DTRA's financial statements are subject to an independent audit to provide reasonable assurance they are free from material misstatements. In FY 2024, the auditors issued an unmodified opinion. DTRA's management is responsible for the integrity and objectivity of the financial information presented in these financial statements. DTRA's financial statements are a vital component of sound financial management and are intended to provide accurate, accountable, and reliable financial information for assessing performance, allocating resources and for targeting areas for future emphasis.

DTRA's Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources have been prepared to report the financial position and results of operations of DTRA, 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 FY 2023 financial statements are restated.

Summary Table of Key Financial Measures (in thousands)

As of and for the Year-ended September 30, 2024 and 2023				
Condensed Principal Financial Statements (Amounts in Thousands)	**FY 2024**	**FY 2023 Unaudited**	**Increase/Decrease $ and %**	
Gross Program Cost	$ 2,025,508	$ 2,140,008	$ (114,500)	-5%
Less Earned Revenue	(56,230)	(63,262)	7,032	-11%
Net Cost of Operations	$ 1,969,278	$ 2,076,746	$ (107,468)	-5%
Assets:				
Fund Balance with Treasury	$1,777,708	$ 1,856,886	$ (79,178)	-4%
Accounts Receivable	600	1,025	(425)	-41%
Other Assets	5,087	6,374	(1,287)	-20%
Property, Plant & Equipment, Net	51,411	71,866	(20,455)	-28%
Advances and Prepayments	-	-	-	0%
Total Assets	$ 1,834,806	$ 1,936,151	$ (101,345)	-5%
Liabilities:				
Accounts Payable	$ 202,034	$ 221,626	$ (19,592)	-9%
Federal Employee [& Veteran] Benefits Payable	30,252	28,220	2,032	7%
Environmental and Disposal Liabilities	9,665	9,411	254	3%
Other Liabilities	2,977	1,529	1,448	95%
Total Liabilities	244,928	260,786	(15,858)	-6%
Net Position (Assets minus Liabilities)	$ 1,589,878	$ 1,675,365	$ (85,487)	-5%

Balance Sheets

The Balance Sheets present the amounts of future economic benefits owned or managed by DTRA (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). The table above summarizes the fluctuations in the Balance Sheet from FY 2023 to FY 2024.

Total Assets of $1.8 billion as of September 30, 2024, consisted primarily of $1.77 billion in Fund Balance with Treasury (FBWT) and $51.4 million in General Property, Plant and Equipment (PP&E). The decrease in FBWT by $79 million (4%) is primarily driven by an enacted recission of $75 million to the FY 2022 Cooperative Threat Reduction (CTR) appropriation in FY 2024. The recission resulted in the Agency no longer having authority to these funds.

PP&E decreased by $20.5 million (28%) in FY 2024 compared to FY 2023. The decrease in the value of PP&E was primarily due to the completion and transfer of the new facility at Albuquerque, New Mexico from DTRA to the Air Force. This decrease was offset by increases in internal use software and general equipment. For internal use software, increase is related to the development of NCBRE Analysis Toolset and NCBRE Modeling and Simulation Integration Development. The increase in general equipment is attributable to additional ORCA Radiation Detection Systems and information technology equipment.

Total Liabilities of $244.9 million as of September 30, 2024, consisted primarily of Accounts Payable for $202 million, Federal Employee and Veteran Benefits for $30.3 million, and Environmental Liabilities for $9.7 million. Accounts Payable decreased by $19.6 million (9%) in FY 2024 in comparison to FY 2023. The decrease is largely a result of decreased General Services Administration (GSA) accrual activity due to DTRA reducing the use of GSA contracting vehicles and contracting those services directly in-house.

Statements of Net Cost

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

Net Cost of Operations as of September 30, 2024, decreased by $107.5 million (5%) due to a decrease in Gross Costs by $114.5 million (5%). The decrease in Gross Costs is primarily attributable to a decrease in Cooperative Threat Reduction (CTR) expenditures related to Ukraine project activities and a net decrease in non-federal accounts payable accrual activities in FY 2024 compared to FY 2023. The decrease in non-federal accounts payable accruals is driven by a higher gross cost balance in FY 2023 as it was the first year DTRA implemented a new methodology to accrue for non-federal unbilled expenses.

Statements of Budgetary Resources

The Statements of Budgetary Resources provide information on the budgetary resources that were made available to the DTRA 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 DTRA by law to enter into obligations that will result in outlays of federal funds.

Limitations of the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Analysis of Systems, Controls and Legal Compliance

DTRA management is responsible for establishing, maintaining, and assessing internal controls to provide reasonable assurance that the objectives of OMB Circular A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control, the Federal Managers' Financial Integrity Act (FMFIA) (31 U.S. Code (U.S.C.) 3512, Sections 2 and 4), and the Federal Financial Management Improvement Act (FFMIA) (Pub. L. 104-208), as prescribed by U.S. Government Accountability Office (GAO) Green Book, Standards for Internal Control in the Federal Government, are met.

Management Assurance

DEFENSE THREAT REDUCTION AGENCY
8725 JOHN J. KINGMAN ROAD, STOP 6201
FORT BELVOIR, VA 22060-6201

MEMORANDUM FOR UNDERSECRETARY OF DEFENSE (COMPTROLLER) (OUSD(C))
DEPUTY CHIEF FINANCIAL OFFICER (DCFO)

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year 2024

The Defense Threat Reduction Agency (DTRA) is responsible for managing risks and maintaining effective internal control to meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. DTRA conducted its assessment of risk and internal control in accordance with the Office of Management and Budget (OMB) Circular 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*. This internal review also included an evaluation of the internal controls around our Security Assistance Accounts activities. DTRA can provide assurance that the internal controls over operations, reporting (including internal and external reporting) and compliance were operating effectively as of September 30, 2024, except as related to the following material weakness areas identified and reported in *DTRA's Independent Auditor's Report on Internal Controls over Financial Reporting, November 7, 2024*: 1) Accounts payable and related expenses, 2) Monitoring and reporting of obligations, and 3) Monitoring of feeder systems and journal vouchers.

DTRA conducted an internal assessment of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. The *"Summary of Management's Approach to Internal Control Evaluation"* section provides specific information on how DTRA conducted our review. Based on the results of this assessment, DTRA is unable to provide reasonable assurance that the internal controls over the financial systems are in compliance with the FMFIA, Section 4; Federal Financial Management Improvement Act (FFMIA) of 1996, Section 803; and OMB Circular No. A-123, Appendix D, as of September 30, 2024.

DTRA assessed entity-level controls including fraud controls in accordance with the Green Book, OMB Circular A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, we can provide reasonable assurance that the entity-level controls including fraud controls are operating effectively as of September 30, 2024.
No Anti-Deficiency Act violation has been discovered/identified during our assessments of the applicable processes. My point of contact is Ms. Bridget Collins, Chief, Finance and Accounting. She can be reached at bridget.a.collins3.civ@mail.mil or 571-616-5597.

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C.[redacted]
Date: 2024.11.05 15:26:09 -05'00'

Rebecca K.C. Hersman
Director

Summary of Internal Controls Assessment

The objectives of the system of internal control of DTRA are to provide reasonable assurance of:

- Effectiveness and efficiency of operations;
- Reliability of financial and nonfinancial reporting;
- Compliance with applicable laws and regulations; and
- Financial information systems compliance with the FMFIA and FFMIA

Federal Managers' Financial Integrity Act and OMB Circular No. A-123 Appendix A

DTRA management evaluated the system of internal controls in effect during the current fiscal year according to the guidance prescribed in the GAO Green Book and OMB Circular A-123. The evaluation of internal controls extends across DTRA and applies to program, administrative, operational controls, and financial reporting. Furthermore, the concept of reasonable assurance recognizes that: (1) the cost of internal controls should not exceed the expected benefits 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 control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. The projection of any system evaluation to future periods is subject to risks that procedures may be inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate. DTRA considered the five components and seventeen principles defined by the GAO Green Book to conclude. DTRA undertakes a combination of actions to ensure there is a reasonable level of assurance that internal controls are in place and operating effectively. Those actions consist of a combination of management control reviews, inspections and audits conducted throughout the year.

For all identified deficiencies, we are required to create Corrective Action Plans (CAPs) to address those deficiencies. DTRA reports CAPs related to Material Weaknesses and Significant Deficiencies to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). CAP owners provide periodic updates to DTRA leadership. Upon completion of a CAP, CAP owners submit the CAP closure request to the Finance and Accounting Office for validation. If approved, the Chief of Finance and Accounting will submit the validation information to OUSD(C) as part of the Statement of Assurance (SOA). Based on the results of our assessment, DTRA can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of June 30, 2024, except for the material weaknesses reported. DTRA currently has three Internal Controls over Financial Reporting (ICOFR) material weaknesses.

Material Weakness	Corrective Action Plan Summary
1 – Accounts Payable and Related Expenses	Continue implementation of controls for post payment reviews related to payments made without prior receipt and acceptance by DTRA.
2 – Monitoring and Reporting of Obligations	Continue monitoring controls implemented.
3 – Monitoring of Feeder Systems and Journal Vouchers (auditor identified)	Work with Defense Finance and Accounting Service (DFAS) to implement controls around feeder file detail and JV reconciliation.

The Defense Agencies Initiative (DAI) is the principal financial management system used by DTRA for all financial transactions. DAI provides a real-time, web-based system of integrated business processes used by defense financial managers, program managers, auditors, and the Defense Finance and Accounting Service. The DAI core functionality is based on commercially available enterprise resource planning solutions. DAI is compliant with all annual Federal Information Security Management Act (FISMA) requirements and is fully accredited.

The Antideficiency Act

The Antideficiency Act (ADA), which is codified in 31 U.S.C. §§1341(a)(1), 1342, and 1517(a), stipulates that federal agencies may not obligate or expend funds in excess of the amount available in an appropriation, or fund, or in advance of appropriations; accept voluntary services on behalf of the Federal Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property; or obligate, authorize, or expend funds that exceed an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation.

Currently, DTRA does not have any known Antideficiency Act violations. DTRA has policies and procedures in place to monitor and track commitments, obligations, and expenditures to ensure amounts do not exceed available authority. From a systematic perspective, DAI employs funds control mechanisms that prevent transactions from exceeding appropriated amounts.

Prompt Payment Act, 31 U.S.C. §§ 3901–3907

In 1982, Congress enacted the Prompt Payment Act (PPA) to require Federal Agencies to pay their bills on a timely basis, to pay interest penalties when payments are made late, and to take discounts only when payments are made by the discount date. DTRA is compliant with the Prompt Payment Act.

Federal Financial Management Improvement Act of 1996

FFMIA was enacted to advance Federal financial management by ensuring that Federal financial management systems can routinely provide reliable financial information uniformly across the Federal government following OMB Circular A-123 Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996.* The FFMIA requires Agencies to establish and maintain financial management systems that substantially comply with the following three FFMIA Section 803(a) requirements:

- Federal Financial Management System (FFMSRs)
- Federal Accounting Standards

● U.S. Standard General Ledger (USSGL) at the transaction level

OMB Circular A-123, Appendix D provides the compliance determination framework to evaluate compliance with the FFMIA requirements. The FFMIA compliance determination framework includes a series of Federal financial management goals applicable across all Federal Agencies and associated compliance indicators that assist the Agency head in determining whether the Agency has substantially complied with the requirements of FFMIA.

DTRA leveraged the OMB Circular A-123, Appendix D compliance determination framework to perform a review of data for each of the FFMIA compliance indicators and associated analysis to determine compliance with FFMIA. Based on DTRA's reported material weaknesses, DTRA's financial management systems do not substantially comply with the requirements within FFMIA related to FFMSRs and USSGL.

Financial Systems Strategy

DTRA's financial systems improvement strategy supports DTRA's overall strategy, involving continuous monitoring and testing of internal controls over financial management systems through annual internal control testing processes and CAP remediation to ensure compliance. Audit findings from the financial statement audit will be tracked formally and prioritized to closure, working with key internal and external stakeholders closely on identifying root causes and developing corrective actions that address the issues. In addition to the audit findings, DTRA will issue, monitor, and collaborate with business process owners on internally identified deficiencies across multiple assessable units. The areas of internal review are assessed annually based on risk and key areas of interest. Testing encompasses both IT and operational controls that extend to service provider monitoring and implementation of controls required by the service providers. DTRA will also continue monitoring and addressing DoD Chief Information Officer priorities communicated to the DoD community.

Summary

DTRA management remains committed to addressing the material weaknesses identified in audits, evaluations, and assessments of controls in its financial management systems and its business processes to ensure existence of effective internal controls, systems integration, and timely and reliable financial and performance data for reporting purposes. The table below shows the number of material weaknesses, significant deficiencies, and legal requirements not in compliance because of the internal control results of June 30, 2024.

Audit Opinion	Unmodified for 2024				
Restatement	Yes				
Material Weaknesses	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
Fund Balance with Treasury	1	0	1	0	0
Monitoring and Reporting of Obligations	1	0	0	0	1
Accounts Payable and Related Expenses	1	0	0	0	1
Monitoring of Feeder Systems and Journal Vouchers	0	1	0	0	1
Total MWs	3	1	1	0	3

Audit Opinion	Unmodified for FY 2024				
Restatement	Yes				
Significant Deficiencies	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
Property, Plant, and Equipment	1	0	1	0	0
Fund Balance with Treasury	0	1	0	0	1
Total SDs	1	1	1	0	1

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
Federal Financial Management System Requirements	Lack of substantial compliance noted	Lack of substantial compliance noted
Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
USSGL at Transaction Level	Lack of substantial compliance noted	Lack of substantial compliance noted

Forward-Looking Information

DTRA, as the pre-eminent CWMD Agency in the USG, is prepared to meet the challenges of our ever-evolving national security environment. We are ready to support the efforts of our warfighters, the USG, allies, and partners as the nation competes with global competitors. As China and Russia expand their WMD capabilities and challenge the international order, DTRA is readying for, and responding to, the current and emerging WMD threats that pose the gravest risks to our nation. We will continue to provide the necessary capabilities, expertise, and programs to support a robust defense against WMD that ensures the United States and its allies are able to deter, prevent, and prevail across the global security environment. Furthermore, DTRA will continue to build upon its knowledge and expertise by transitioning them into enduring Agency capabilities by FY 2025.

1. Operationalize Campaign Approaches. DTRA will align programs, activities, and investments according to a campaign-based approach, focused on China as the pacing threat, Russia as the acute threat, and North Korea and Iran as high-risk regional destabilizers. DTRA's wide range of global activities and actions across the five core functions must be connected and coordinated to maximize impact. DTRA's campaign plans are living documents that must drive agency-wide activities and investments.

2. Modernize and Enhance Data Analytics and Dynamic Decision Support. Over the next year, DTRA will leverage its cross-Agency capabilities to enhance modeling, simulation, visualization, and decision support—internal to the Agency and external to partners and customers throughout phases of competition, crisis, and conflict. To produce influential information in the current national security environment, DTRA will develop integrated dynamic data visualization for its Combatant Command support, 24/7 reachback, and cross-Agency operating picture in shareable, interoperable, transferable, flexible, and sustainable ways.

3. Strengthen Future Arms Control. Over the last year, existing arms control agreements, particularly the New START and Conventional Armed Forces in Europe treaties, have faced growing challenges. And yet, cooperative, voluntary, and transparent means to reduce threats to regional and global stability remain vital capabilities. Therefore, the Agency will sustain treaty obligation capacity while accelerating its ability to anticipate and adapt for future arms control and risk reduction requirements.

4. Build an Integrated and Forward-Thinking Agency. Based on the National Security Strategy and the National Defense Strategy, DTRA must engage a whole-of-Agency approach to validate assumptions, analyze drivers, and understand future uncertainties through an iterative process with constant re-evaluation by a diverse team of subject matter experts. Processes that foster faster, more corporatized decision-making and flexible management of resources will allow the Agency to meet its mission even as threats grow and resources tighten.

5. Advance the Workforce of the Future. Recruiting, retaining, and empowering a diverse, equitable, inclusive, and highly skilled workforce remains vital to ensuring our human capital advantage. As DTRA sustains strategic management of its total force, we must make progress on critical human capital initiatives that address current and future requirements.

SECTION 2: FINANCIAL SECTION

Message from the Comptroller

It is my pleasure to join the Director in presenting DTRA's FY 2024 financial statements. Our financial statements and accompanying information provide a comprehensive view of the accomplishments and activities undertaken while demonstrating transparency and accountability to Congress and the American people. DTRA remains committed to mission success and ensuring value, efficiency, and effectiveness, as well as ensuring outstanding stewardship to protect against fraud, waste, and abuse in every program we manage.

This was DTRA's second standalone financial statement audit. We worked closely with our auditors, Kearney and Company, throughout the audit to support each step of the audit. As a result, I am pleased to share that Kearney and Company issued an unmodified opinion for fiscal year 2024. I am confident that with each year of the audit, we will consistently improve. This year, we focused on immediate corrective actions. We remain committed across all levels of the agency to correct material weaknesses quickly and thoroughly and to continuously evaluate operational impacts on the financial statements, identify the financial statement and financial reporting risks, and design and implement the appropriate controls to address those risks.

I am pleased to share some key financial accomplishments during FY 2024:

- Fully implemented an accrual process for unbilled non-federal transactions
- Worked closely with DFAS to reduce "unknown" fund balance with treasury balances possibly attributable to DTRA
- Prepared deemed cost packages for capital assets in which original documentation no longer exists; successfully clearing our significant deficiency
- Ensured unmatched disbursements were kept at record lows
- Reduced aged unliquidated obligations (ULO) by $96 Million dollars through an agency-wide ULO review
- Implemented post payment reviews by Directorate responsible parties which allowed us to successfully pass undelivered order beginning balance testing and current year expense testing

It is with great privilege and respect that we reaffirm our commitment to supporting our Warfighters and our Nation through efficient and accountable resource management and making strides toward stronger fiscal transparency and performance.

Sincerely,

MCGUIRE.TAMER.REAU[redacted] Digitally signed by MCGUIRE.TAMER.REAU[redacted] Date: 2024.11.05 16:22:23 -05'00'

Tamer R. McGuire
Comptroller

Independent Auditor's Report

KEARNEY& COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Director of the Defense Threat Reduction Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the General Fund (GF) financial statements of the Defense Threat Reduction Agency (DTRA), which comprise the Balance Sheet as of September 30, 2024, the related Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources (hereinafter referred to as the "financial statements") for the year then ended, and the related notes to the financial statements. We were also engaged to audit the GF financial statements of DTRA, which comprise the Balance Sheet as of September 30, 2023, and the related Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DTRA as of September 30, 2024 and its net cost of operations, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the 2023 Financial Statements

We do not express an opinion on the accompanying financial statements of DTRA, as of September 30, 2023, and for the year then ended. Because of the significance of the matters described in the ***Basis for Disclaimer of Opinion on the 2023 Financial Statements*** 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 financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *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*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of DTRA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements, as of September 30, 2024, and for the year then ended.

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Basis for Disclaimer of Opinion on the 2023 Financial Statements

We were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion that the financial statements are complete and free from material misstatements when taken as a whole. DTRA was unable to assert that the financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.

We were unable to obtain sufficient appropriate audit evidence to support the existence, completeness, and accuracy of reported amounts of Fund Balance with Treasury (FBWT) and Accounts Payable (AP) reported on the Balance Sheet, Gross Costs on its Statement of Net Cost, and the Unobligated balance from Prior-Year Budget Authority, Net on the Statement of Budgetary Resources as discussed in the *Independent Auditor's Report* included in DTRA's fiscal year (FY) 2023 Agency Financial Report (AFR).

Emphasis of Matters

Correction of Material Misstatement

As discussed in Note 28, *Restatements,* to the financial statements, the FY 2023 Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources have been restated to correct material misstatements identified in DTRA's FY 2023 Accounts Payable, Gross Costs, and Unpaid Undelivered Orders. DTRA's restatement also impacts Note 3, *Fund Balance with Treasury*; Note 11, *Liabilities Not Covered by Budgetary Resources*; Note 19, *Disclosures Related to the Statement of Net Cost*; and Note 21, *Disclosures Related to the Statement of Budgetary Resources.* As described in the **Other Reporting Required by *Government Auditing Standards*** section of our report, our consideration of DTRA's internal controls is separately reported on in the *Independent Auditor's Report on Internal Control over Financial Reporting*. Item II of that report provides our consideration of internal controls associated with this restatement. Our opinion is not modified with respect to this matter.

Adoption of Accounting Standard

As discussed in Note 1, *Summary of Significant Accounting Policies*, to the financial statements, in FY 2024, DTRA adopted a new accounting standard to comply with Federal Accounting Standards Advisory Board's (FASAB) SFFAS No. 50, *Opening Balances for Property, Plant, and Equipment*, in establishing opening balances for Property, Plant, and Equipment (PP&E). DTRA's reported balance of $51 million in PP&E as of September 30, 2024 reflects the application of alternative methods permitted by FASAB in establishing opening balances. DTRA's adoption of SFFAS No. 50 also impacts the following notes to the financial statements: Note 9, *Property, Plant, and Equipment, Net*, and Note 24, *Reconciliation of Net Cost to Net Budgetary Outlays (Budget to Accrual Reconciliation)*. Our opinion is not modified with respect to this matter.

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Responsibilities of Management for the Financial Statements

Management is responsible for: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of required supplementary information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of other information included in DTRA's AFR, as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DTRA's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DTRA's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DTRA's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and FASAB, who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the AFR. The other information comprises the Financial Statement Audit and Management Assurances, Management and Performance Challenges, and Payment Integrity Information Act Reporting, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued reports, dated November 7, 2024, on our consideration of DTRA's internal control over financial reporting and on our tests of DTRA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2024. The purpose of those reports is to describe the scope of our testing of

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internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 and should be considered in assessing the results of our audit.

Kearney & Company

Alexandria, Virginia
November 7, 2024

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Director of the Defense Threat Reduction Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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*, the financial statements, and the related notes to the financial statements of the Defense Threat Reduction Agency (DTRA) as of and for the year ended September 30, 2024, which collectively comprise DTRA's financial statements, and we have issued our report thereon dated November 7, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered DTRA'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DTRA's internal control. Accordingly, we do not express an opinion on the effectiveness of DTRA's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

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; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying **Schedule of Findings**, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 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 in DTRA's internal control, as described in the accompanying **Schedule of Findings** as Items I, II, and III, to be material weaknesses.

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A significant deficiency is a deficiency, or 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 in DTRA's internal control, as described in the accompanying **Schedule of Findings** as Item IV, to be a significant deficiency.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to DTRA's management in a separate letter.

The Defense Threat Reduction Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DTRA's response to the findings identified in our audit. DTRA's response is described in a separate memorandum attached to this report in the Financial Section of the Agency Financial Report. DTRA concurred with the findings identified in our audit. DTRA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of DTRA's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering DTRA's internal control. Accordingly, this report is not suitable for any other purpose.

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Alexandria, Virginia
November 7, 2024

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Schedule of Findings

Material Weaknesses

I. Accounts Payable and Related Expenses (*Repeat Condition*)

Background: Federal reporting entities recognize non-payroll expenses throughout the fiscal year (FY). These expenses are reported on the Gross Costs line item of the Statement of Net Costs (SNC), and a liability is recorded in the Accounts Payable (AP) line item on the Balance Sheet at the same time. Non-payroll expenses include activities associated with the procurement of services, equipment, and operating materials and supplies. The Defense Threat Reduction Agency (DTRA) enters into contracts to procure goods and services with both commercial entities and other Federal Government agencies. DTRA reported $1.5 billion in Gross Costs on its SNC for the period ended June 30, 2024.

Receipt and acceptance (R&A) is a necessary element of a Federal agency's internal control environment and should occur as invoices are received to ensure DTRA can attest to the existence and valuation of the expense transactions being recorded in its general ledger (GL) system, the Defense Agencies Initiative (DAI). The purpose of designing and implementing R&A internal controls is so DTRA can ensure payments being made are for goods and services that were actually received. DTRA is responsible for developing policies and procedures to ensure non-payroll expenses are appropriately supported, comply with all relevant regulations, and are properly reviewed and approved, per the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book).

Condition: DTRA has not fully developed and implemented policies and procedures, with supporting internal control activities, to ensure non-payroll expenses are appropriately supported with proper R&A documentation. While DTRA developed an R&A Review Checklist in FY 2024, the checklist process has not been formalized across DTRA Program Offices to promote consistency, sufficiency, and appropriateness of underlying documentation used to support proper R&A of expenditures. DTRA did not readily produce sufficient audit evidence to support the validity of recorded expenses. Testing procedures required extensive follow-up requests with Program Offices to obtain additional documentation that was not initially provided as part of the R&A Checklist or to validate what was included in the R&A Checklist.

In addition, for the period ended June 30, 2024, eight non-payroll expense transactions were identified as invalid and/or unsupported, resulting in a $2.9 million error over expenses. This included:

- Six exceptions associated with capital expenditures which DTRA improperly classified as expense. DTRA corrected all of the exceptions after sample selection, while testing was in process
- Two exceptions in which DTRA recorded expenses which were not valid due to a corrupt file in DTRA's GL system, DAI. The DAI support team is currently in the process of resolving the corrupt file.

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Cause: DTRA did not sufficiently assess financial reporting risks associated with the R&A process as it pertains to the validity and valuation of AP and related expenses for non-payroll expenditure transactions. While DTRA has established processes that align with contractual requirements for payment processing, those processes have not been designed to sufficiently achieve financial reporting objectives. DTRA's newly implemented R&A Review Checklist is in its first year of implementation; therefore, it requires formalization at the entity level to strengthen the consistency, sufficiency, and appropriateness of documentation used to validate R&A. Finally, DTRA did not establish effectively operating internal controls to prevent and detect improper cost classification for expenses.

Effect: Without appropriate R&A of goods and/or services provided to DTRA, there is an increased risk that AP and related expenses recorded by DTRA may be misstated. Improper cost classification also increases the risk that expenses may result in misstatements to Gross Costs on the SNC, as well as AP and Property, Plant, and Equipment (PP&E) on the Balance Sheet. This inhibits DTRA's ability to adequately assert to the validity, accuracy, and completeness of AP and related expenses, as well as other lines items, as reflected in the Balance Sheet and SNC, respectively.

Recommendation: Kearney & Company, P.C. (Kearney) recommends that DTRA perform the following:

1. Evaluate the current internal control environment and formalize control activities to verify R&A of goods/services prior to entitlement and disbursement or through timely post-payment reviews. Internal control activities developed, such as the R&A Review Checklist, should be formalized via documented policies and procedures.
2. Disseminate policies and procedures for the R&A Review Checklist across the entity to promote the consistency, sufficiency, and appropriateness of documentation used for validation. This includes the following recommended procedures:
    a. Formally designate personnel authorized to perform R&A by each Program Office.
    b. Update the review checklist to reflect a review of the period of performance for the expenses being validated, specifically to assess the FY in which the goods/services were received.
    c. Formalize what documentation DTRA will require for proper R&A of goods/services across the entity.
    d. Ensure documentation is appropriately maintained and made available.
3. Assess the results of expense testwork performed and revisit the current internal control environment and control activities associated with proper cost classification, specifically related to capital expenditures.
4. Perform monitoring activities and testwork under the DTRA Risk Management and Internal Control (RMIC) Program to determine if new policies and procedures have been implemented, as well as if current internal controls are operating effectively.

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II. Monitoring and Reporting of Obligations (*Repeat Condition*)

Background: Undelivered Orders (UDO) represent the amount of goods and/or services ordered that have not been actually or constructively received; these can be unpaid or prepaid. Federal agencies record UDOs when they enter into an agreement, such as a Military Interdepartmental Purchase Request (MIPR), contract, or sales order to receive goods and/or services. DTRA reported more than $1.4 billion in UDOs within its Statement of Budgetary Resources (SBR) as of September 30, 2023 and as opening balances as of October 1, 2023. The UDO balance is supported by transactions that contain detailed information such as the document number, obligated amount, undelivered amount, and transaction date, among other unique identifying details.

Agencies should maintain policies, procedures, and effective controls to ensure that UDOs represent valid future outlays and are supported with sufficient documentation, per the GAO's *Standards for Internal Control in the Federal Government*.

Condition: DTRA's opening balance of UDOs recorded within USSGL Account No. 480100, *Undelivered Orders – Obligations Unpaid*, required a prior-period adjustment in FY 2024 in the amount of $96 million. This adjustment was recorded to correct invalid obligations that were previously reported as of September 30, 2023. DTRA's initial journal voucher (JV) of $88 million was incomplete and incorrectly excluded approximately $8 million of invalid UDOs. Additionally, in the opening balance of UDOs, as adjusted, 21 invalid UDOs, totaling $6 million, of $773 million tested, were identified.

Cause: DTRA did not sufficiently implement controls during FY 2024 to ensure invalid UDOs were not reported on Line 1071, *Unobligated balance from prior year budget authority, net*, of the SBR. Although DTRA management performed a review of open obligation balances, errors noted in the condition still existed within the population. During the monitoring process, DTRA management received various data calls and information from Program Offices to assist in determining the validity of open obligations; these data calls/information were not always clear or useful for DTRA management to make decisions over the validity and amount of UDO balances. DTRA personnel responsible for monitoring obligations (e.g., Program Managers or Contracting Officer's Representatives [COR]) did not always provide sufficient or appropriate supporting documentation for retaining dormant obligations. In those cases, the entire open obligation balance was maintained for financial reporting as valid.

Further, DTRA's review and initial JV adjustment was not complete and accurate. DTRA management did not reconcile the JV that was posted to the underlying data, and an additional JV was required.

Effect: DTRA's internal controls over dormant UDOs are not operating effectively, increasing the risk that a material misstatement may occur in the entity's financial statements. As a result, DTRA cannot assert to the validity, accuracy, and completeness of open obligations.

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The errors identified during testing procedures resulted in a misstatement of $6 million on SBR Line 1071, *Unobligated balance from prior year budget authority, net*, as of September 30, 2023.

Recommendation: Kearney recommends that DTRA perform the following:

1. Reassess the current internal control environment to ensure processes are in place to effectively monitor and assess the validity of open UDOs at the COR/Contracting Officer (CO) level. DTRA management should continue performing quarterly certification of monitoring activities to effectively ensure UDOs are appropriately being monitored, the clean-up initiative is performed timely, and audit results reach sustainability.
2. Expand the monitoring program over open obligations included in the Dormant Account Review – Quarterly (DAR-Q) as part of the DTRA RMIC. Internal sampling and testing efforts should be expanded, until which time UDOs can be asserted to for financial reporting accuracy.
3. Communicate with DTRA Program Offices, fund holders, and the acquisition community to ensure all relevant stakeholders are aware of the effect invalid and/or unsupported UDOs may have on DTRA, both operationally and financially.
4. When adjusting entries are applicable, reconcile the underlying data to the UDO JV adjustment that is posted to DTRA's financial statements for completeness and accuracy.

III. Monitoring of Feeder Systems and Journal Vouchers (*New Condition*)

Background: DTRA receives financial statement reporting services from its service organization; this includes receiving the Defense Departmental Reporting System (DDRS) – Audited Financial Statements (AFS) trial balance (TB) each month. The final AFS TB, which populates DTRA's financial statements, is composed of amounts interfaced into DDRS through DTRA's GL (i.e., DAI), data from 21 feeder systems, and JVs posted at different levels within DDRS – Budgetary (B) and DDRS-AFS. DTRA's service organization compiles a summary of the various GL and feeder system adjustments in a monthly Unadjusted Trial Balance (UTB) to Adjusted Trial Balance (ATB) Reconciliation Workbook. The workbook also contains inception to date (ITD) data, which is used to support the balances in the reconciliation for each feeder system, JV, and GL. The ITD data includes both transaction-level detail, as well summary lines containing prior-year transactions combined into one JV.

DTRA utilizes the Interface file included in the UTB-ATB Reconciliation Workbook, provided by its service organization, to perform a review and validate the Interface and Feeder File balances within DDRS. The feeder data is offset by JVs posted in DDRS, primarily in legacy systems which no longer record transactions. DTRA is responsible for monitoring and maintaining the transaction detail and supporting documents which compose its financial statements, per the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*, and SFFAC No. 2, *Entity and Display*.

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Condition: DTRA, in coordination with its service organization, does not have an effectively designed control or business process in place to review feeder system data to confirm accuracy and completeness prior to system interface and consolidation into DTRA's financial statements. DTRA, with its service organization, does not effectively monitor or maintain the feeder system data that populates its final DDRS-AFS TB, which is the source for the reported financial statements. Additionally, DTRA, in coordination with its service organization, does not monitor the UTB to ATB reconciliation effectively, in that there are no procedures performed to reconcile DDRS JVs to the offsetting feeder system data.

Cause: DTRA's financial statements are composed of 21 contributing feeder system sources across the entity. These feeder systems do not interface with DAI; rather, underlying activity from these adjustments is recorded directly into DDRS-B and DDRS-AFS. DTRA's current business process does not include obtaining all transaction data included in its financial statements. While DTRA obtains and reconciles detail from four of the feeder systems that are actively recording new activity, it does not obtain, maintain, or reconcile the detail transactions from the legacy feeder systems which interface directly into DDRS. DTRA relies on the feeder system balances at the summary USSGL account level, as they are provided by DTRA's service organization in the UTB-ATB Reconciliation Workbook, rather than validating and confirming the balances back to source system, transaction-level detail.

This abundance of information systems and adjustments, compounded by the legacy nature of the information systems in use, has created a complex financial reporting environment, necessitating a large volume of JVs to prepare financial statements. Most of the JVs are system-generated adjustments carrying forward legacy transactions used to offset canceled-year data, legacy feeder data, or both. This further necessitates the high volume of JVs in the financial statement preparation process.

Effect: Without effective internal controls and business processes in place to ensure the feeder system amounts reported in DTRA's AFS TB and financial statements, nor consistent maintenance and monitoring of the transaction detail which compose the financial statements, there is an increased likelihood that errors or necessary adjustments may remain undetected by management. This could compromise the reliability of financial reporting, increasing the risk of misstated financial statements and noncompliance with Federal financial management standards.

Recommendation: Kearney recommends that DTRA implement internal control activities to ensure proper review and maintenance of all feeder system data containing transactions which feed into DTRA's final TB for financial reporting. Specifically, Kearney recommends that DTRA perform the following:

1. Develop and implement procedures to timely perform monthly reconciliations of all feeder system data which is imported into DDRS. Specially, DTRA should develop and implement procedures to reconcile the feeder system data reported in DDRS to the source feeder system interface files, at the transaction-level detail, to ensure completeness and accuracy of the financial statements, and not rely solely on the summary-level reports from DDRS.

2. Research and identify feeder system data which is offset by corresponding JVs and does not have an effect on the financial statements. This includes developing and implementing business processes to identify which JVs are associated with feeder systems at the transaction level.
3. Develop and implement procedures to remove legacy system amounts from the reconciliation procedures performed and reports presented. Specifically, DTRA should review its accounting system and various feeder files to identify any transactions that are in canceled-year Periods of Availability (POA) and remove them from the active reconciliation reports used to present and report its financial statements.
4. Implement business process improvements to maintain and have readily available all feeder system data and corresponding reconciliations which show inactive feeder data clearly mapped to offsetting entries in other feeder systems and/or JVs. This includes all data over legacy systems documenting confirmation that the feeder system(s) is in legacy status and that reported amounts do not vary from period to period.

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Significant Deficiency

IV. Fund Balance with Treasury (*Repeat Condition*)

Background: The Defense Threat Reduction Agency (DTRA) is one of many Treasury Index (TI)-97 Defense agencies who share Treasury Account Symbols (TAS) with other Defense agencies and whose funds are aggregated at the Department of the Treasury (Treasury). Treasury maintains and reports Fund Balance with Treasury (FBWT) balances at the TAS level, rather than at the Department of Defense (DoD) limit level, which distinguishes DTRA's FBWT balance from the aggregated TI-97 FBWT amount. DTRA's service organization produces the Cash Management Report (CMR) to provide Other Defense Organizations (ODO) with individual FBWT balances at the limit level. The CMR includes transactions not identified to a specific Defense agency and included in Reconciling Items or Unidentified Variances categories. For some of the transactions in these categories, the owner agency has not been identified at the time of reporting and, therefore, is not reported on any specific ODO's financial statements, including DTRA's. These transactions could potentially result in material misstatements for any one specific TI-97 agency, including DTRA.

DTRA's service organization manages, reports, and accounts for FBWT budget clearing (Suspense) account activities to Treasury. Suspense accounts temporarily hold unidentifiable collections or disbursements that belong to the Federal Government. None of the collections recorded in Suspense accounts are available for obligation or expenditure while in Suspense. Agencies should have a process to research and properly record Suspense account transactions in their general ledgers (GL) timely. Transactions recorded in DoD Suspense accounts are required to be reconciled monthly and moved to the appropriate Line of Accounting (LOA) within 60 business days from the date of transaction. DTRA Suspense transactions, if any, are included and accounted for in TI-97 ODOs, Department of the Navy (TI-17), Department of the Air Force (TI-57), and Department of the Army (TI-21) Suspense accounts based on DoD disbursing processes.

DTRA's service organization provides daily Non-Treasury Disbursing Office (NTDO) disbursing services under various Agency Location Codes (ALC), often referred to as Disbursing Symbol Station Numbers (DSSN), and monthly Treasury reporting services under various reporting ALCs, different than disbursing ALCs. Treasury generates a Statement of Differences (SOD) report each month. The SOD report identifies discrepancies between the collections and disbursements reported to Treasury and the transactions that were processed by the ALCs each month.

As a reporting entity, DTRA is responsible for monitoring and reconciling its FBWT activity and balance monthly, as well as determining whether its transactions are included in the CMR Reconciling Items, CMR Unidentified Variances, Suspense accounts, or SOD reports and erroneously omitted from its financial statements, per the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Treasury Financial Manual (TFM).

Condition: DTRA, in coordination with its service organization, has not implemented sufficient internal control activities to ensure that transactions recorded in the CMR Reconciling Items and Unidentified Variances balances, recorded in Suspense accounts, or which comprise SOD balances in DTRA's primary DSSNs, appropriately exclude DTRA transactions that should instead be recognized in the entity's accounting records. The processes currently in place cannot be relied upon to prevent, detect, or correct misstatements in time for quarterly and fiscal year (FY)-end financial reporting. While DTRA's service organization prepares quarterly materiality assessments for the CMR, Suspense accounts, and SODs to advise DTRA and other Defense agencies of the potential count and dollar amount of transactions in these areas belonging to them, based on previously resolved and cleared transactions, the uncleared transactions included across the assessments are material. Assessments with fully cleared data identified to an entity are not available in a timely manner for DTRA or its service organization to perform sufficient analysis for financial reporting timelines.

In addition, DTRA's service organization has not designed or implemented effective internal controls to ensure the accuracy and completeness of the Suspense Universe of Transactions (UoT). For the period ended March 31, 2024, 33 of 91 samples selected from the Suspense UoT were identified as either requiring on-site testing or containing summary lines, or both. DTRA's service organization did not know the status of these samples until after selection and did not communicate the additional testing efforts required for these samples in a timely manner. Specifically:

- Five samples were identified as summary lines which extrapolated to a total of 188 individual transactions
- Twenty-eight samples were identified as requiring on-site testing for ($38.8 million) net; $125 million absolute value (ABS), or 18% of the total sample selection by ABS dollars.

Cause: DTRA shares TIs and TASs with multiple agencies, which prevents it from obtaining its discrete FBWT balance directly from Treasury. DTRA is dependent on its service organization to provide the FBWT amount on the financial statements in order to balance with the CMR. The entity's Suspense activity is not recorded in unique Suspense accounts, but rather in shared TI-97, TI-57, TI-21, and TI-17 Suspense accounts. DTRA's service organization's process to create the UoT for the CMR, Suspense accounts, and SODs is a time-intensive and manual process that requires the consolidation of multiple files from various sources. The UoTs continue to contain a high volume of collections and disbursements which require manual research and resolution. That manual research and resolution supports the production of the final UoTs and materiality assessment, but takes a significant amount of time, making them unavailable for financial reporting.

DTRA and its service organization have not designed and implemented a methodology to determine the financial reporting impact of the outstanding balances in the CMR Reconciling Items and Unidentified Variances balances, Suspense accounts, or SODs to DTRA's financial statements for financial reporting in a timely manner sufficient for quarterly and annual financial reporting timelines. The quarterly materiality assessments do not identify amounts attributed to DTRA for the current quarter, but estimate the amount based on historical data. Additionally, at the time of UoT availability and when quarterly materiality assessments are prepared, there is a significant volume of transactions, for a material dollar amount, making up the CMR, Suspense account, and SOD balances that have not been identified to an entity and are listed in the UoTs as “to be determined” (TBD).

Effect: DTRA cannot identify or record activity in the CMR Reconciling Items or Unidentified Variances balances, Suspense accounts, or SODs belonging to DTRA into its GL and financial statements pursuant to quarterly financial reporting timelines. The lack of additional compensating internal controls or monitoring procedures and analyses to determine the financial reporting impact of these balances inhibits DTRA’s ability to assert to the completeness and accuracy of reported FBWT on its Balance Sheet and other financial statement line items, as applicable.

The summary lines in the UoT and on-site testing created unforeseen challenges and increased risks to DTRA’s FBWT. These factors provided further evidence of the risk that the Suspense population was inaccurate and incomplete. This also created a risk that the samples could not be supported and tested, either due to limitations of on-site testing or the inability of DTRA’s service organization to provide additional sample documentation timely.

Recommendation: Kearney & Company, P.C. (Kearney) recommends that DTRA implement internal control activities to ensure that material DTRA transactions, individually and in the aggregate, are identified and appropriately included within DTRA’s accounting records. Specifically, Kearney recommends that DTRA, in coordination with its service organization, perform the following:

1. Work with Treasury to establish subaccounts under the shared TAS used by DTRA that are unique to the entity so that it can obtain Treasury Central Accounting Reporting System (CARS) reports to document its FBWT balance directly from Treasury and remove the need for the CMR.
2. Work with Treasury, the Office of the Secretary of Defense (OSD), DTRA’s service organization, and other entities to transition away from using monthly non-CARS reporting ALCs to daily full CARS reporting ALCs.
3. Consider any limitations to DTRA’s service organization’s CMR, Suspense, and SOD reconciliation process and continue developing compensating controls to reconcile the CMR to minimize the risk of a potential material misstatement.
4. Research and resolve Suspense transactions by correcting the transactions in source systems and assist DTRA’s service organization with necessary supporting documentation for corrections, if needed.
5. Assist DTRA’s service organization by providing supporting information to clear transactions reported in SODs timely.
6. Continue to develop and implement procedures to resolve differences between the CMR and CARS monthly and identify the agencies impacted by the differences.
7. Continue to monitor and track the resolution of the various CMR differences categories, Suspense accounts, and SODs cleared to DTRA to enable the entity to perform root cause

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analysis. This includes further research and resolution over the transactions not resolved in the UoTs and listed as "TBD."

8. Continue to develop effective system and process controls to ensure that disbursements and collections are processed with valid TI, TAS, and DoD limits.
9. Continue to develop procedures to determine what portion of the CMR, Suspense balances, and SODs, if any, should be attributed to DTRA for financial reporting in a timely manner and made available for year-end financial reporting purposes.
10. Develop and implement a process to establish unique identifiers for each transaction in Suspense UoTs that roll forward from period to period. DTRA's service organization should develop controls over the establishment and roll-over of those unique identifiers that can be tested for reliance.
11. Assess and identify ALCs that primarily report collection and disbursement activity to Treasury on behalf of DTRA.

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APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the Defense Threat Reduction Agency's (DTRA) fiscal year (FY) 2023 Agency Financial Report (AFR), we noted several issues that were related to internal control over financial reporting. The statuses of the FY 2023 internal control findings are summarized in ***Exhibit 1***.

Exhibit 1: Status of Prior-Year Findings

Control Deficiency	FY 2023 Status	FY 2024 Status
Fund Balance with Treasury	Material Weakness	Significant Deficiency
Accounts Payable and Related Expenses	Material Weakness	Material Weakness
Monitoring and Reporting of Obligations	Material Weakness	Material Weakness
Property, Plant, and Equipment	Significant Deficiency	Closed

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Director of the Defense Threat Reduction Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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*, the financial statements, and the related notes to the financial statements of the Defense Threat Reduction Agency (DTRA) as of and for the year ended September 30, 2024, which collectively comprise DTRA's financial statements, and we have issued our report thereon dated November 7, 2024.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DTRA's financial statements are free from material misstatement, we performed tests of DTRA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts and disclosures, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02, which are described in the accompanying **Schedule of Findings** as Item I.

The results of our tests of compliance with FFMIA disclosed that DTRA's financial management systems did not comply substantially with Section 803(a) requirements related to Federal financial management system requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level, as described in the accompanying **Schedule of Findings** as Item II.

DTRA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DTRA's response to the findings identified in our audit. DTRA's response is described in a separate memorandum attached to this report in the Financial Section of the Agency Financial Report. DTRA concurred with the findings identified in our audit. DTRA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on the effectiveness of DTRA's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering DTRA's compliance. Accordingly, this report is not suitable for any other purpose.

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Alexandria, Virginia
November 7, 2024

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Schedule of Findings

Noncompliance and Other Matters

I. The Federal Managers' Financial Integrity Act of 1982 (*Repeat Condition*)

Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, implements the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). FMFIA and OMB Circular A-123 require agencies to establish a process to document, assess, and assert to the effectiveness of internal control over financial reporting.

The Defense Threat Reduction Agency (DTRA) has not established and implemented controls in accordance with standards prescribed by the Comptroller General of the United States, as codified in the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), as supported by the material weaknesses in the accompanying *Report on Internal Control over Financial Reporting*. Additionally, DTRA's fiscal year (FY) 2024 Annual Statement of Assurance required under FMFIA provided limited assurance that internal controls over operations, financial reporting, and compliance were operating effectively as of September 30, 2024 as a result of material weaknesses identified.

II. The Federal Financial Management Improvement Act of 1996 (*New Condition*)

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that an entity's overall financial management systems environment operate, process, and report data in a meaningful manner to support business decisions. FFMIA states that Federal agencies shall comply substantially with the requirements within Section 803(a). These requirements include:

- Federal financial management system requirements
- Applicable Federal accounting standards
- United States Standard General Ledger (USSGL) at the transaction level.

DTRA's financial management systems do not substantially comply with the requirements within FFMIA, as discussed below.

Federal Financial Management Systems Requirements

FFMIA requires reliable financial reporting, including the availability of timely and accurate financial information, and maintaining internal control over financial reporting and financial system security. The matters described and material weaknesses reported in the accompanying *Report on Internal Control over Financial Reporting* represent noncompliance with the requirement for reliable financial reporting. Specifically:

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- DTRA's opening balance of Undelivered Orders (UDO) recorded within USSGL Account No. 480100, *Undelivered Orders – Obligations Unpaid*, required a prior-period adjustment in FY 2024 in the amount of $96 million. This adjustment was recorded to correct invalid obligations that were previously reported as of September 30, 2023
- As disclosed in Note 28, *Restatements*, in FY 2024, DTRA restated its FY 2023 Statement of Budgetary Resources and accompanying notes to correct DTRA's unpaid UDO balance.

United States Standard General Ledger at the Transaction Level

FFMIA requires that financial events shall be recorded, applying the requirements of the USSGL guidance in the Treasury Financial Manual. DTRA's financial management systems do not always record financial events in accordance with the requirements of USSGL at the transaction level. The matters described and material weakness reported as Item III in the accompanying *Report on Internal Control over Financial Reporting* represent noncompliance with the requirement to record transactions that are traceable to the transaction source. Specifically, DTRA, in coordination with its service organization, does not effectively monitor or maintain the feeder system data that populates its final trial balance, which is the source for the reported financial statements.

* * * * *

Response to Independent Auditor

DEFENSE THREAT REDUCTION AGENCY
8725 JOHN J. KINGMAN ROAD, STOP 6201
FORT BELVOIR, VA 22060-6201

November 7, 2024

Kearney & Company, P.C.
Attn: Mr. Daniel Scarola
1701 Duke Street, Suite 500
Alexandria, VA 22314

Dear Mr. Scarola:

Please accept our gratitude for the Kearney and Company team's extensive efforts with the Defense Threat Reduction Agency (DTRA) Fiscal Year (FY) 2024 financial statement audit. We concur with your audit results and will develop a methodical approach to design and implement corrective actions addressing your findings and recommendations.

We will continue to focus on remediation of material weaknesses. While our FY 2024 corrective actions were successful for substantive testing this year, we will focus on full implementation of our internal controls in FY 2025. We are also working to enhance our Risk Management and Internal Control program. We acknowledge the material weaknesses identified in your "Independent Auditor's Report on Internal Control over Financial Reporting" and the findings identified in your "Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements." We continue to work with team members across DTRA to correct, improve, and refine our implementation of internal controls across the agency.

We swiftly and diligently began efforts immediately for all observations as they were communicated to our team. We will continue to proactively seek opportunities to improve the design and operating effectiveness of our financial processes, systems, and internal controls. We appreciate and extend our sincere thanks to you and your team for their professionalism, due diligence, and commitment.

Sincerely,

COLLINS.BRIDGE
T.A[redacted]

Digitally signed by
COLLINS.BRIDGET.A[redacted]
Date: 2024.11.07 08:44:08 -05'00'

Bridget A. Collins
Chief, Finance and Accounting

Principal Financial Statements

The principal financial statements of DTRA include the four financial statements described below.

1. **Balance Sheet** - Presents DTRA's financial position as of September 30, 2024, and September 30, 2023. Assets reflect the economic benefits controlled by DTRA, Liabilities reflect probable future outflows or other sacrifices of resources as a result of past transactions or events, and Net Position reflects the residual amounts.
2. **Statements of Net Cost** - Presents the Net Cost of DTRA's operations by major program for the years ended September 30, 2024, and September 30, 2023. DTRA's Net Cost of Operations is equal to the gross cost incurred net of exchange revenue earned and gains/losses from actuarial assumption changes for Military Retirement Benefits.
3. **Statements of Changes in Net Position** - Presents the change in the DTRA's Net Position that resulted from the Net Cost of Operations, Budgetary Financing Sources, and Other Financing Sources for the years ended September 30, 2024, and September 30, 2023.
4. **Statements of Budgetary Resources** - Presents information about the Budgetary Resources available to DTRA, the quarter-end status of the resources, and the outlays of resources for the years ended September 30, 2024, and September 30, 2023.

Balance Sheets

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	Restated 2023 (unaudited)
Assets (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 1,777,708	$ 1,856,886
Accounts Receivable, Net (Note 6)	400	932
Other Assets (Note 10)	5,087	6,374
Total Intragovernmental	1,783,195	1,864,192
Other Than Intragovernmental:		
Accounts Receivable, Net (Note 6)	200	93
General Property, Plant and Equipment, Net (Note 9)	51,411	71,866
Total Other Than Intragovernmental	51,611	71,959
Total Assets	$ 1,834,806	$ 1,936,151
Stewardship PP&E (Note 9)		
Liabilities (Note 11)		
Intragovernmental:		
Accounts Payable	$ 15,302	$ 35,550
Other Liabilities (Notes 13 and 15)	1,634	1,529
Total Intragovernmental	16,936	37,079
Other Than Intragovernmental:		
Accounts Payable	186,732	186,076
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	26,711	24,575
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 13)	3,541	3,645
Environmental and Disposal Liabilities (Note 14)	9,665	9,411
Other Liabilities (Notes 15, 16 and 17)	1,343	0
Total Other Than Intragovernmental	227,992	223,707
Total Liabilities	$ 244,928	$ 260,786
Commitments and Contingencies (Note 17)		
Net Position:		
Unexpended Appropriations - Funds Other than Dedicated Collections	$ 1,575,007	$ 1,643,294
Total Unexpended Appropriations (Consolidated)	1,575,007	1,643,294
Cumulative Results of Operations - Funds from Dedicated Collections (Note 18)	773	2,888
Cumulative Results of Operations - Funds Other than Dedicated Collections	14,098	29,183
Total Cumulative Results of Operations (Consolidated)	14,871	32,071
Total Net Position	$ 1,589,878	$ 1,675,365
Total Liabilities and Net Position	$ 1,834,806	$ 1,936,151

Statements of Net Cost

For the periods ended September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	Restated 2023 (unaudited)
Program Costs (Note 19)		
Gross Costs	$ 2,025,508	$ 2,140,008
Operations, Readiness & Support	1,330,232	1,455,833
Procurement	12,196	14,806
Research, Development, Test & Evaluation	683,080	669,369
(Less: Earned Revenue)	(56,230)	(63,262)
Net Program Costs before Losses/(Gains) from Actuarial Assumptions	1,969,278	2,076,746
Net Program Costs Including Assumption Changes	1,969,278	2,076,746
Net Cost of Operations	**$** 1,969,278	**$** 2,076,746

Statements of Changes in Net Position

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	Restated 2023 (unaudited)
UNEXPENDED APPROPRIATIONS		
Beginning Balances (Includes Funds from Dedicated Collections - See Note 18)	$ 1,643,294	$ 1,768,849
Prior Period Adjustments:		
Beginning Balances, as adjusted	1,643,294	1,768,849
Appropriations received	2,090,253	2,017,255
Appropriations transferred in/out	(23,949)	(7,050)
Other adjustments (+/-)	(153,505)	(47,640)
Appropriations used	(1,981,086)	(2,088,120)
Net Change in Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 18)	(68,287)	(125,555)
Total Unexpended Appropriations, Ending Balance (Includes Funds from Dedicated Collections - See Note 18)	$ 1,575,007	$ 1,643,294
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 32,071	$ 3,431
Prior Period Adjustments:		
Corrections of errors (+/-)	0	1,617
Beginning Balances, as adjusted (Includes Funds from Dedicated Collections – See Note 18)	32,071	5,048
Other adjustments (+/-)	0	0
Appropriations used	1,981,086	2,088,120
Non-exchange revenue (Note 20)	(1)	0
Donations and forfeitures of cash and cash equivalents	107	3,500
Transfers in/out without reimbursement	(47,768)	2
Imputed financing	18,456	13,274
Other	198	(1,127)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 18)	1,969,278	2,076,746
Net Change in Cumulative Results of Operations	(17,200)	27,023
Cumulative Results of Operations, Ending (Includes Funds from Dedicated Collections - See Note 18)	14,871	32,071
Net Position	**$ 1,589,878**	**$ 1,675,365**

Statements of Budgetary Resources

As of September 30, 2024 and 2023 *(Amounts in Thousands)*	2024	Restated 2023 (Unaudited)
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	$ 451,926	$ 604,348
Appropriations (discretionary and mandatory)	2,010,304	2,013,932
Spending Authority from offsetting collections (discretionary and mandatory)	78,533	36,733
Total Budgetary Resources	$ 2,540,763	$ 2,655,013
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 2,108,111	$ 2,167,202
Unobligated balance, end of year:		
Apportioned, unexpired accounts	334,657	325,941
Unapportioned, unexpired accounts	523	226
Unexpired unobligated balance, end of year	335,180	326,167
Expired unobligated balance, end of year	97,472	161,644
Unobligated balance, end of year (total)	432,652	487,811
Total Budgetary Resources	$ 2,540,763	$ 2,655,013
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	$ 1,991,976	$ 1,992,552
Distributed offsetting receipts (-)	0	(3,500)
Agency Outlays, net (discretionary and mandatory)	$ 1,991,976	$ 1,989,052

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Defense Threat Reduction Agency (DTRA) is an agency within the United States (U.S.) Department of Defense (DoD). DTRA provides cross-cutting solutions to enable the DoD, the U.S. Government, and international partners to deter strategic attacks against the U.S. and its allies; prevent, reduce, and CWMD and emerging threats; and prevail against WMD-armed adversaries in crisis and conflict. DTRA is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for the Government-wide and DoD reporting because they are offset by assets and liabilities of another U.S. Government entity or another DoD Component. DTRA and other DoD Components who received appropriations under Treasury Index (TI) 97 are grouping our financial activities by the assigned Sub-Allotment Holder Identifier (SAHI) limit. DTRA is only responsible for reporting financial activities associated with SAHI limit 34**, 4201, and 001 on DTRA's financial statements. These financial statements should be read with the realization they are for a component of DoD and the U.S. Government.

B. Accounting Policies

The financial statements have been prepared to report the financial position, financial condition, and results of DTRA operations as required by the Chief Financial Officers Act of 1990, as amended and expanded by the Government and other applicable legislation. The financial statements account for all resources for which DTRA is responsible, unless otherwise noted. Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

To the extent possible, the financial statements have been prepared from the accounting records of the DTRA in accordance with the formats prescribed by Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements, and with GAAP for federal entities, as prescribed by the Federal Accounting Standards Advisory Board (FASAB).

DTRA's financial statements and supporting trial balances are compiled from the underlying financial data and trial balances within our financial systems. DTRA financial transactions are recorded on both a proprietary accrual basis and a budgetary basis of accounting. Under the proprietary accrual basis, revenues are recognized when earned and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Under the budgetary basis, the legal commitment or obligation of funds is recognized in advance of the proprietary accruals and in compliance with legal requirements and controls over the use of federal funds.

DTRA's policy, in accordance with GAAP, requires the recognition of operating expenses in the period incurred. Estimates are made for major items such as payroll expenses, accounts payable, environmental liabilities, and unbilled revenue. DTRA's management makes assumptions and reasonable estimates in the preparation of financial statements based on current conditions which may affect the reported amounts. Actual results could differ materially from the estimated amounts. Significant estimates include such items as environmental liabilities, accruals of accounts payable, and actuarial liabilities related to workers' compensation. As an agency of the federal government, DTRA is exempt from all income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

In FY 2024, DTRA implemented two FASAB Standards: Statement of Federal Financial Accounting Standards (SFFAS) No. 50 and 54.

DTRA used the alternative valuation methods from SFFAS No. 50 based on historical records such as expenditure data, contracts, budget information, and engineering documentation to estimate replacement cost discounted with the Consumer Price Index (CPI) and the Producer Price Index (PPI) to the original acquisition date. DTRA made an unreserved assertion with respect to any PP&E line items in accordance with SFFAS 50 in FY 2024.

DTRA also implemented SFFAS 54 and reported right-to-use lease assets and lease liabilities for non-intragovernmental, non-short-term contracts or agreements when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Starting in FY 2024, DTRA recorded the right-to-use lease assets and a lease liability related to the Overseas Residential Leases/Housing Pool managed by the Department of State.

C. Fund Balance with Treasury and Funds from Dedicated Collections

The Fund Balance with Treasury (FBWT) represents the aggregate amount of DTRA's available budget spending authority available to pay current liabilities and finance future authorized purchases. DTRA's monetary resources of collections and disbursements are maintained in Department of the Treasury (Treasury) accounts. The disbursing offices of the DFAS, the Military Departments, the U.S. Army Corps of Engineers (USACE), and the Department of State's financial service centers currently process the majority of the Department of Defense's (DoD's) cash collections, disbursements, and adjustments worldwide. Monthly, each disbursing station reports to the Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. Treasury maintains and reports fund balances at the Treasury Index appropriation level. Defense Agencies, to include DTRA, are included at the Treasury Index (TI) 97 appropriation level, an aggregate level that does not provide identification of the separate Defense Agencies. As a result, Treasury does not separately report an amount for DTRA. DFAS is responsible for reconciling DTRA activities to the aggregated TI97 balances using the Cash Management Report (CMR).

In addition, DTRA reports to the Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The Treasury records these transactions to the applicable FBWT account.

For additional information, see Note 3, Fund Balance with Treasury.

D. Revenues and Other Financing Sources

As a component of the Government-wide reporting entity, DTRA is subject to the federal budget process, which involves appropriations provided both annually and on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in the DoD and Government-wide financial reports.

DTRA's budgetary resources reflect past congressional action and enable DTRA to incur budgetary obligations, but do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DTRA receives congressional appropriations and funding as general fund and special funds related to contributions from Foreign Partners into the Cooperative Threat Reduction (CTR) Program. DTRA uses these appropriations and contribution funds to execute its missions, and subsequently reports on resource usage.

DTRA general fund appropriations cover costs including personnel, operations and maintenance, research and development, procurement, and military construction.

For additional information, see Note 18, Funds from Dedicated Collections.

In accordance with SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, DTRA recognizes nonexchange revenue when there is a specifically identifiable, legally enforceable claim to the cash or other assets of another party that will not directly receive value in return.

E. Accounting for Intragovernmental and Intergovernmental Activities

Intragovernmental Activities: Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700, provides guidance for reporting and reconciling intragovernmental balances. Accounting standards require an entity to eliminate intra-entity activity and balances from financial statements to prevent overstatement caused by the inclusion of business activity between entity components. Intragovernmental cost and exchange revenue represent transactions made between two reporting entities within the federal government. Cost and earned revenue with the public represent exchange transactions made between DTRA and a non-federal entity. DTRA is implementing replacement systems and a standard financial information structure incorporating the necessary elements to enable DTRA to correctly report, reconcile, and eliminate intragovernmental balances.

Intergovernmental Activities: Goods and services are received from other federal agencies at no cost or at a reduced cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by DTRA are recognized as imputed cost in the Statement of Net Cost and are offset by imputed financing in the Statement of Changes in Net Position. Imputed financing represents the cost paid on behalf of DTRA by another federal entity. In accordance with SFFAS No. 55, Amending Inter-entity Cost Provisions, DTRA recognizes the general nature of imputed costs only for business-type activities and other costs specifically required by OMB, including (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 litigation proceedings that are paid from the Treasury Judgement Fund. Unreimbursed costs of goods and services other than those identified above are not included in DTRA's financial statements.

For additional information, see Note 19, Disclosures Related to the Statement of Net Cost.

F. Budgetary Terms

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The following budgetary terms are commonly used:

Appropriation is a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

An obligation is a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Offsetting receipts are payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and sub-function, but in some cases, they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditures for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. DTRA reports new contributions in the CTR programs as offsetting receipts.

Outlays are the liquidation of an obligation that generally takes the form of an electronic funds transfer. Outlays are reported both gross and net of offsetting collections and they are the measure of Government spending.

G. Fiduciary Activities

DTRA captured interest receivables as non-entity assets. They are not available for use in DTRA's normal operations but turned over to US Treasury general fund upon collection.

H. Parent-Child Reporting

DTRA is a party to allocation transfers with other federal agencies as a transferring (parent) entity and a receiving (child) entity. An allocation transfer is an entity's legal delegation of authority to obligate budget authority and outlay funds on its behalf. A separate fund account (allocation account) is created using Sub-Allocation Holder Identifier (SAHI) as a subset of the parent fund account for tracking and reporting purposes. DTRA child entity starting with limit 34 for identification of sub elements within the account for SAHI management process.

All allocation transfers of balances are credited to this account; and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to allocation transfers (e.g., budget authority, obligations, 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 all activity be reported in the financial statements of the child entity.

DTRA has allocation transfers, as a parent entity, to the following DoD agencies: U.S. Special Operations Command (USSOCOM) and U.S. Army Corps of Engineers (USACE). As a parent entity, DTRA reports in these financial statements certain funds allocated to the USSOCOM and USACE.

I. Pension, Other Retirement Benefits (ORB), and Other Post-employment Benefits (OPEB) Reporting

As an employing entity, DTRA recognizes the annual cost of its civilian employees' pension, other retirement benefit plans, and other postemployment benefit plans including health and life insurance plans. However, as the administering entity, the U.S. Office of Personnel Management (OPM) is responsible for executing the benefit plans including accounting for plan assets, liabilities and associated gains and losses. Accordingly, DTRA does not display gains and losses from changes in long-term assumptions used to measure these liabilities on the Statement of Net Cost.

The majority of DoD employees hired prior to January 1, 1987, participate in the Civil Service Retirement System (CSRS), while the majority of DoD employees hired after December 31, 1983 are covered by the Federal Employees Retirement System (FERS) and Social Security. FERS is a basic annuity benefit. A primary feature of FERS offers a defined contribution plan (Thrift Savings Plan) to which DTRA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. DTRA also contributes to the employer's Social Security matching share for FERS participants.

Similar to CSRS and FERS, OPM reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits (FEHB) Program and Federal Employees' Group Life Insurance (FEGLI) Programs. DTRA reports both the full annual cost of providing these other retirement benefits (ORB) for its retired employees and reporting contributions made for active employees. In addition, DTRA recognizes the cost for other post-employment benefits (OPEB), including all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents.

The difference between the full annual cost of CSRS and FERS retirement, ORB, and OPEB and the amount paid by DTRA is recorded as an imputed cost and offsetting imputed financing source in the accompanying financial statements.

Refer to Note 13, Federal Employee and Veteran Benefits Payable and Note 19, General Disclosures Related to the Statement of Net Cost, for additional information.

Note 2. Non Entity Assets

Table 2. Non-Entity Assets

As of September 30 *(Amounts in Thousands)*	2024	Restated 2023 (unaudited)
1. Non-Federal Assets		
A. Accounts Receivable	$ 0	$ 1
B. Total Non-Federal Assets	0	1
2. Total Non-Entity Assets	0	1
3. Total Entity Assets	1,834,806	1,936,150
4. Total Assets	**$ 1,834,806**	**$ 1,936,151**

In FY 2024, DTRA corrected errors in prior year balances related to assets incorrectly expensed instead of capitalized. The Balance Sheets PP&E balance and the Statement of Changes in Net Position Prior Period Adjustments line were adjusted by $1.6 million. This resulted in a change in the Total Entity Asset line item for FY 2023 by $1.6 million. For additional information related to prior period adjustments for the PP&E balances, refer to Note 28, Restatement.

Note 3. Fund Balance with Treasury

Table 3. Status of Fund Balance with Treasury

As of September 30 *(Amounts in Thousands)*	2024	Restated 2023 (unaudited)
1. Unobligated Balance:		
A. Available	$ 334,657	$ 325,941
B. Unavailable	97,996	161,870
Total Unobligated Balance	432,653	487,811
2. Obligated Balance not yet Disbursed	1,412,149	1,419,472
3. Non-FBWT Budgetary Accounts:		
A. Unfilled Customer Orders without Advance	(65,831)	(42,011)
B. Receivables and Other	(1,263)	(8,386)
Total Non-FBWT Budgetary Accounts	(67,094)	(50,397)
4. Total FBWT	**$ 1,777,708**	**$ 1,856,886**

The Treasury records cash receipts and disbursements on DTRA's behalf; funds are available only for the purposes for which the funds were appropriated. DTRA's Fund Balances with Treasury (FBWT) consist of appropriation accounts and special fund types.

The Status of FBWT, as presented in Table 3, reflects 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. 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 set aside to cover future obligations. The available balance consists primarily of the unexpired, unobligated balance that has been apportioned and available for new obligations. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for special fund accounts are restricted for use by the public law that established the funds.

Obligated Balance Not Yet Disbursed represents funds obligated for goods and services but not paid.

Non-FBWT budgetary accounts create budget authority and unobligated balances, but do not record to FBWT as there has been no receipt of cash or direct budget authority, such as appropriations.

Reimbursable Authority (Spending Authority from Anticipated Collections) does not increase the FBWT when initially posted but does provide budgetary resources. FBWT increases only after the customer payments for services or goods rendered have been collected. Conversely, appropriations received increase FBWT upon receipt of the budget authority.

Unfilled Customer Orders Without Advance and Reimbursements and Other Income Earned is a receivable providing budgetary resources when recorded. FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

The FBWT reported in the financial statements has been adjusted to reflect DTRA's balance as reported by Treasury at the Treasury Index (TI) 97 appropriation level. Defense Agencies, to include DTRA, are included as part of the Treasury Index 97 appropriation level. DFAS is responsible for reconciling the aggregate balance to Treasury and assist with reconciling activities related to each Agency using the Cash Management Report (CMR). The difference between FBWT in DTRA general ledgers and FBWT balance determined by the CMR process is attributable to transactions that have not been posted to the individual detailed accounts in the general ledger as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. DFAS posted the differences between the general ledger and the CMR as the undistributed adjustments. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in DTRA's general ledger accounts.

During FY 2024, DTRA reviewed all open obligations as of September 30, 2023, and identified $96 million of invalid unpaid undelivered orders that should be deobligated at the end of the FY 2023. As a result of the 100 percent review of open ULOs, prior period adjustment entries were approved increasing the FY23 FBwT Unavailable Unobligated balance by $68 million and increasing the Available Unobligated balance by $27 million. This resulted in a $96 million reduction in the obligations from FY23 ending balance.

Note 4. Cash and Other Monetary Assets

Not applicable to DTRA

Note 5. Investments, Net

Not applicable to DTRA

Note 6. Accounts Receivable, Net

Table 6. Accounts Receivable, Net

2024			
As of September 30 *(Amounts in Thousands)*	**Gross Amount Due**	**Allowance For Estimated Uncollectibles**	**Accounts Receivable, Net**
1. Intragovernmental Receivables	$ 400	$ 0	$ 400
2. Non-Federal Receivables (From the Public)	$ 201	$ (1)	$ 200
3. Total Accounts Receivable	$ 601	$ (1)	$ 600

2023 Unaudited			
As of September 30 *(Amounts in Thousands)*	**Gross Amount Due**	**Allowance For Estimated Uncollectibles**	**Accounts Receivable, Net**
1. Intragovernmental Receivables	$ 932	$ 0	$ 932
2. Non-Federal Receivables (From the Public)	$ 94	$ (1)	$ 93
3. Total Accounts Receivable	$ 1,026	$ (1)	$ 1,025

The Statement of Federal Financial Accounting Standards (SFFAS) 1, “Accounting for Selected Assets and Liabilities,” requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. Losses on receivables should be recognized when it is more likely than not that the receivables will not be fully collected. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value through a systematic methodology that is based on analysis of both individual accounts and a group of accounts as a whole.

On behalf of DTRA, DFAS performs a monthly statistical analysis of the Non-Federal uncollectible balance. The reserve percentages by entity are multiplied by the entity's applicable accounts receivable aging to determine if an adjustment is needed to the allowance for loss of accounts receivable. The accountant reviews the data templates provided and determines if an additional reserve is required on a case by case basis. This analysis is completed on a quarterly basis and any adjustments deemed necessary are booked upon receiving approval from the agencies.

Based on methodology used for calculating Federal uncollectible balances, all DTRA Intragovernmental receivables are deemed collectible and no allowance for doubtful accounts is required.

Note 7. Loans Receivable, Net and Loan Guarantee Liabilities

Not applicable to DTRA

Note 8. Inventory and Related Property, Net

Not applicable to DTRA.

Note 9. Property, Plant and Equipment, Net

Table 9A. Major General and Right-to-Use PP&E Asset Classes

2024					
As of September 30 *(Amounts in Thousands)*	**Depreciation/ Amortization Method**	**Service Life**	**Acquisition Value**	**(Accumulated Depreciation/ Amortization)**	**Net Book Value**
1. Major Asset Classes					
A. Software	S/L	2-5 or 10	$ 18,602	$ 0	$ 18,602
B. General Equipment	S/L	Various	70,426	(49,166)	21,260
C. Right-to-Use Lease Asset	S/L	Lease Term	1,532	(199)	1,333
D. Construction-in-Progress	N/A	N/A	10,216	N/A	10,216
E. Total General and Right-to-Use PP&E			**$ 100,776**	**$ (49,365)**	**$ 51,411**

Restated 2023 Unaudited					
As of September 30 *(Amounts in Thousands)*	**Depreciation/ Amortization Method**	**Service Life**	**Acquisition Value**	**(Accumulated Depreciation/ Amortization)**	**Net Book Value**
1. Major Asset Classes					
A. Software	S/L	2-5 or 10	$ 10,600	$ 0	$ 10,600
B. General Equipment	S/L	Various	32,911	(13,996)	18,915
C. **Right-to-Use Lease Asset**	S/L	Lease Term	0	0	0
D. **Construction-in-Progress**	N/A	N/A	42,351	N/A	42,351
E. **Total General and Right-to-Use PP&E**			**$ 85,862**	**$ (13,996)**	**$ 71,866**

Legend for Valuation Methods:
S/L = Straight Line N/A = Not Applicable
* Estimated useful service life is 35 years for structures, 40 years for linear structures, and 45 years for buildings.

Table 9B. Heritage Assets

2024				
For the Period Ended September 30 *(physical count)*	**Beginning Balance**	**Additions**	**(Deletions)**	**Ending Balance**
Museum Collection Items (Objects, Not Including Fine Art)	1,630	10	0	1,640

Table 9C. Stewardship Land

Not applicable to DTRA

Table 9D. General and Right-to-Use PP&E, Net Summary of Activity

For the period ended September 30 ***(Amounts in Thousands)***	**2024**	**Restated 2023 Unaudited**
1. General and right-to-use PP&E, Net beginning of year unadjusted	$ 71,866	$ 44,463
3. Balance beginning of year, adjusted	71,866	44,463
4. Capitalized acquisitions	29,701	33,835
5. Right-to-use lease assets, CY activity	1,343	0
6. CY Amortization of right-to-use lease assets	(209)	0
7. Dispositions	(56)	(2,103)
8. Transfers in/(out) without reimbursement	(47,768)	0
9. Revaluations (+/-)	1,513	750
10. Depreciation expense	(4,979)	(5,079)
11. General and right-to-use PP&E, Net end of year	$ 51,411	$ 71,866

DTRA generally records PP&E at the estimated historical cost. However, DTRA used the alternative valuation methods from Statement of Federal Financial Accounting Standards (SFFAS) No. 50 based on historical records such as expenditure data, contracts, budget information, and engineering to estimate replacement cost discounted with the Consumer Price Index (CPI) and the Producer Price Index (PPI) to the original acquisition date. DTRA is making an unreserved assertion with respect to any PP&E line items in accordance with SFFAS 50.

In FY 2024, DTRA corrected errors in prior year balances related to assets incorrectly expensed instead of capitalized and asset deemed cost acquisition and accumulated depreciation cost updates. The Balance Sheets PP&E balance and the Statement of Change in Net Position Prior Period Adjustments line were adjusted by $1.6 million. For additional information related to prior period adjustments for the PP&E balances, refer to Note 28, Restatement.

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. For additional information related to leases, refer to Note 16, Leases.

DTRA's PP&E consists primarily of general equipment, construction-in-progress of real property, construction-in-progress of general equipment, internal use software in development and Right to Use lease assets. In FY 2024, DTRA's PP&E net book value decreased by $20.5 million which included a reduction of $47.8 million in construction-in-progress of real property. Internal use software in development and general equipment increased by $8 and $2.3 million respectively.

The construction-in-progress line item in the table combines both the balance for construction-in-progress for real property of $1.2 million for the continuation of work on DTRA's new facility at Kirtland Air Force Base, Albuquerque, NM and construction-in-progress for general equipment of $9 million for FY 2024.

PP&E assets are capitalized when an asset has a useful life of two or more years, they are not intended for sale in the ordinary course of operations, they have been acquired or constructed with the intention being used or being available for use by the entity, and the acquisition cost equals or exceeds the relevant capitalization threshold. The costs of modifications/improvements to existing PP&E assets are capitalized if they (1) extend the asset's useful life by two or more years, increase the asset's capability, or increase its capacity or size, and (2) equal or exceed the relevant capitalization threshold. The capitalization threshold for PP&E assets is $250 thousand.

DTRA establishes its useful lives of assets based on asset class in accordance with policy provided in DoD FMR Volume 4, Chapter 25. DTRA depreciates all PP&E assets, other than land, on a straight-line basis.

In accordance with the DoD FMR Volume 4, Chapter 24 "Real Property", DTRA does not report the real property it occupies on its financial statements. Rather, these assets are reported by the Host Installation.

DTRA provides government-owned or leased PP&E (Government-Furnished Property (GFP)) to contractors for performing a contract, for which DTRA must recognize the GFP for accountability and financial reporting purposes.

Contactor-Acquired Property (CAP) is PP&E acquired by a contractor on behalf of DTRA for performing a contract, where the government will ultimately hold the title to the PP&E. If the CAP has a useful life of at least two years and the value of the CAP meets or exceeds the relevant capitalization threshold, Generally Accepted Accounting Principles (GAAP) requires the CAP to be reported on DTRA's Balance Sheet when title passes to DTRA or when the PP&E is delivered to the DTRA.

There are no restrictions on the use or convertibility of PP&E.

DTRA does not have any deferred maintenance and repairs to be reported in FY 2024. All essential repairs and maintenance are completed as necessary with the current year fund.

Heritage Assets and Stewardship Land

The Statement of Federal Financial Accounting Standards (SFFAS) 29 provides guidance on accounting and note disclosures for Heritage Assets and Stewardship Land. DTRA fully commits to the preservation of our history, heritage, and traditions, and meets this commitment through its policy to preserve Heritage Assets, which are items of natural, cultural, educational, architectural, or artistic significance. DTRA defines Heritage Assets as Museum Collection Items: Items are considered unique due to historical, natural, cultural, educational, artistic, technical, or architectural significance.

DTRA does not maintain Stewardship Land. DTRA acquires heritage assets through purchase, transfer from other agencies, donation, or other means. They are major components of weapon casings, foreign missile delivery system models and nuclear weapon models. The overall condition of the historical collection, which is primarily located at Nuclear Weapons Instructional Museum (NWIM) is well maintained as a result of both the professional care from trained conservators and improving exhibit/storage conditions.

The Defense Nuclear Weapons School (DNWS) provides training on various aspects of CWMD to government agencies, in support of DTRA's mission to deter, prevent, reduce CWMD and emerging threats. The school manages and operates Nuclear Weapons Instructional Museum (NWIM). The museum is a repository that traces the history and development of the U.S. nuclear weapons stockpile from its inception to the present. The NWIM contains displays of all U.S. nuclear weapons and their associated components and delivery systems, as well as related training aids.

Note 10. Other Assets

Table 10. Other Assets

As of September 30 *(Amounts in Thousands)*	**2024**	**2023 Unaudited**
1. Intragovernmental		
A. Advances and Prepayments	$ 5,087	$ 6,374
B. Total Intragovernmental	5,087	6,374
2. Total Other Assets	$ 5,087	$ 6,374

Intragovernmental Advances and Prepayments are amounts advanced or prepaid to other federal agencies. Advances are payments made before a good or a service is actually received, such a travel advance. Prepayments are payments made to cover certain periodic expenses before those expenses are incurred, such as prepaid rent. The Intragovernmental Advance and Prepayment balance was prepayment to the Department of Energy.

Other than Intragovernmental Advances and Prepayments are made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets, excluding those made as Outstanding Contract Financing Payments.

Note 11. Liabilities Not Covered by Budgetary Resources

Table 11. Liabilities Not Covered by Budgetary Resources

As of September 30 (Amounts in thousands)	2024	Restated 2023 Unaudited
1. Intragovernmental Liabilities		
A. Accounts Payable	$ 30	$ 1
B. Other	588	721
C. Total Intragovernmental Liabilities	$ 618	$ 722
2. Other than Intragovernmental Liabilities		
A. Accounts payable	$ (298)	$ 233
B. Federal employee and veteran benefits payable	25,096	24,160
C. Environmental and disposal liabilities	9,665	9,411
D. Other liabilities	1,343	0
E. Total Other than Intragovernmental Liabilities	$ 35,806	$ 33,804
3. Total Liabilities Not Covered by Budgetary Resource	$ 36,424	$ 34,526
4. Total Liabilities Covered by Budgetary Resources	$ 208,504	$ 226,260
5. Total Liabilities	**$** 244,928	**$** 260,786

Intragovernmental Other Liabilities consists primarily of unfunded liabilities for Federal Employees Compensation Act and Unemployment Insurance (FECA). 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 Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC Yield Curve) to reflect the average duration of income payments and medical payments. An interest rate for wage benefits of 2.326% was assumed for year one and years thereafter. An interest rate for medical benefits of 2.112% was assumed for year one and years thereafter. The DOL calculates this liability using wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIM). The actual rates for these factors were also used to adjust the methodology's historical payments to current year constant dollars.

Other than Intragovernmental Liabilities - Accounts Payable primarily represents liabilities in canceled appropriations, which if paid, will be disbursed using current year funds.

Federal Employee and Veteran Benefits Payable consists of various employee actuarial liabilities not due and payable during the current fiscal year. In FY 2024, these liabilities primarily consist of $21.6 million in accrued unfunded annual leave and $3.5 million in actuarial FECA liabilities. In FY 2023, these liabilities primarily consist of $20.5 million in accrued unfunded annual leave and $3.6 million in actuarial FECA liabilities.

Other Benefit-Related Payables Included in Intragovernmental Other Liabilities on the Balance Sheet includes Liabilities for Clearing Accounts, amounts that offset undistributed disbursements or collections deposited in clearing accounts awaiting disposition or reclassification. It also includes 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. Unfunded Federal Employees' Compensation Act (FECA) Liability, representing the amount of FECA liability billed to DoD by the Department of Labor for FECA payments made on the DoD's behalf, is also included. This liability will be funded by future years' budgetary resources.

Environmental and Disposal Liabilities represents DTRA's liability for existing and anticipated environmental clean-up and disposal. Refer to Note 14, Environmental and Disposal Liabilities, for additional details.

Other Liabilities represents Unfunded Lessee Lease Liability for the allocation of overseas housing pool leases with the Department of State.

Budgetary Resources includes (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections, and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Additionally, liabilities are covered by budgetary resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB without further action by Congress and without contingency having to be met first.

Total 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, the U.S. 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).

To correct the expenses that were recorded in DTRA's general ledger for FY24 related to goods and services received in a prior period, prior period adjustment entries were approved increasing the FY23 liabilities by $45.1 million. This restated Line 4, Total Liabilities Covered by Budgetary Resources for FY23 from $181 million to $226 million.

Total Liabilities Covered by Budgetary Resources represents all funded liabilities.

Note 12. Debt

Not applicable to DTRA.

Note 13. Current and Former Employee and Veterans Benefits Payable

Table 13A. Federal Employee and Veteran Benefits Liability

2024						
As of September 30 (Amounts in thousands)	**Liabilities**		**(Assets Available to Pay Benefits)**		**Unfunded Liabilities**	
1. Other Benefits						
A. FECA	$	3,541	$	0	$	3,541
B. Other		26,711		(5,155)		21,556
C. Total Other Benefits	$	30,252	$	(5,155)	$	25,097
2. Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet)	$	30,252	$	(5,155)	$	25,097
3. Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	$	1,634	$	(1,046)	$	588
4. Total Federal Employee and Veteran Benefits Payable	$	31,886	$	(6,201)	$	25,685

Actuarial Cost Method Used for Pension and Health Benefits: Aggregate Entry-Age Normal Method
Market Value of Investments in Non-Marketable, Market Based Securities included in Assets Available to Pay Benefits: $6.2 million

1. Other Benefits			
A. FECA	$ 3,645	$ 0	$ 3,645
B. Other	24,575	(4,060)	20,515
C. Total Other Benefits	$ 28,220	$ (4,060)	$ 24,160
2. Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet)	$ 28,220	$ (4,060)	$ 24,160
3. Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	$ 1,529	$ (808)	$ 721

Actuarial Cost Method Used for Pension and Health Benefits: Aggregate Entry-Age Normal Method
Market Value of Investments in Non-Marketable, Market Based Securities included in Assets Available to Pay Benefits: $4.9 million

Note 14. Environmental and Disposal Liabilities

Table 14. Environmental and Disposal Liabilities

As of September 30 (Amounts in thousands)	2024	2023 Unaudited
1. Environmental and Disposal Liabilities—Other than Intragovernmental		
A. Other Accrued Environmental Liabilities—Non-BRAC		
1. Other	$ 9,665	$ 9,411
Total Other Accrued Environmental Liabilities—Non-BRAC	$ 9,665	$ 9,411
2. Total Environmental and Disposal Liabilities	$ 9,665	$ 9,411

Information Related to DTRA's Environmental Liabilities

Other Accrued Environmental Liabilities (non-BRAC)

- Other: $9.7 million in non-current liabilities are for clean-up costs at Kirtland Air Force Base (KAFB).

Other Disclosures

The environmental liabilities at KAFB are for environmental restoration activities that are not included in Defense Environmental Restoration Program (DERP) and are required under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Resource Conservation and Recovery Act (RCRA), and New Mexico laws and regulations. In addition, the following laws and regulations may be applicable to the DTRA's environmental cleanup liabilities at KAFB:

- Superfund Amendments and Reauthorization Act (SARA)
- Clean Air Act
- Clean Water Act
- Safe Drinking Water Act
- Toxic Substances Control Act
- Low Level Radioactive Waste Policy Amendments Act
- National Defense Authorization Acts.

Types of environmental liabilities and disposal liabilities identified

The non-current environmental liabilities at KAFB are for removal of thorium-contaminated soil and debris.

Nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations

A review of the current environmental liability cost estimate for the Thorium sites on KAFB, was completed February 2023. Since the latest estimate was dated more than one year ago, the inflation factor 2.7% was applied for this quarter.

Environmental liabilities are subject to changes in laws and regulations, agreements with regulatory agencies, and advances in technology. DTRA is unaware of any pending changes affecting its estimated cleanup costs.

Uncertainty Regarding Accounting Estimates

The accounting estimates used to calculate the reported environmental liabilities use reasonable judgments and assumptions based on available information. Actual results may materially vary if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. Liabilities can be further affected if investigation of the environmental sites reveals contamination levels differing from estimate parameters.

Note 15. Other Liabilities

Table 15A. Other Liabilities

2024			
As of September 30 (Amounts in thousands)	**Current Liability**	**Non-Current Liability**	**Total**
1. Intragovernmental			
A. Other Liabilities reported on Note 13, *Federal Employee and Veteran Benefits Payable*	$ 1,299	$ 335	$ 1,634
B. Total Intragovernmental	$ 1,299	$ 335	$ 1,634
2. Other than Intragovernmental			
A. Right-to-use lease liability	0	1,343	1,343
B. Total Other than Intragovernmental	$ 0	$ 1,343	$ 1,343
3. Total Other Liabilities	$ 1,299	$ 1,678	$ 2,977

2023 Unaudited			
As of September 30 (Amounts in thousands)	**Current Liability**	**Non-Current Liability**	**Total**
1. Intragovernmental			
A. Other Liabilities reported on Note 13, *Federal Employee and Veteran Benefits Payable*	$ 1,213	$ 316	$ 1,529
B. Total Intragovernmental	$ 1,213	$ 316	$ 1,529
2. Other than Intragovernmental			
A. Right-to-use lease liability	0	0	0
B. Total Other than Intragovernmental	$ 0	$ 0	$ 0
3. Total Other Liabilities	$ 1,213	$ 316	$ 1,529

Other Liabilities reported on Note 15 above and in Note 13, *Federal Employee and Veteran Benefits Payable*, includes 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. Unfunded Federal Employees' Compensation Act (FECA) Liability, representing the amount of FECA liability billed to DoD by the Department of Labor for FECA payments made on the DoD's behalf, is also included.

Right-to-use lease liability includes Unfunded Lessee Lease Liability for the allocation of overseas housing pool leases with the Department of State.

Refer to Note 11, Liabilities Not Covered by Budgetary Resources.

Note 16. Leases

DTRA has four intragovernmental building operating leases with annual renewal and 90 days advance notice for termination with an annual lease expense of $18.3 million. In addition, DTRA also has vehicles and equipment intragovernmental leases with an annual lease expense of $1.3 million.

In accordance to SFFAS 54, Federal reporting entities are required to report a right-to-use lease assets and a lease liabilities for non-intragovernmental, non-short-term contracts or agreements when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Starting in FY 2024, DTRA recorded the right-to-use lease asset and a lease liability related to the Overseas Residential Leases/ Housing Pool managed by the Department of State.

DTRA has employees serving in overseas positions and utilizes the Department of State's overseas housing pools. DTRA's allocation percentage of the overseas housing pools as of September 30, 2024 is 0.05% and estimated total future lease payments is $1.7 million. These future lease payments will be funded by future year's budgetary resources. The discount rates used to calculate the RTU Liability and Asset amounts is based on rates provided by the Department of Treasury. Rates are applied to leases based on their commencement date and total lease term. The range is 3.65% - 5.00% from October 1, 2023 – September 30, 2024.

The right to use asset balance is reported in Note 9 General PP&E and the lease liability balance is reported in Note 15 Other Liabilities.

Table 16A. Entity as Lessee - Future Payments Right-to-Use Leases

2024 Asset Category												
As of September 30	Principal				Interest				Total			
(Amounts in Thousands)	Land and Buildings	Equipment	Other	Total	Land and Buildings	Equipment	Other	Total	Land and Buildings	Equipment	Other	Total
2025	207	0	0	207	59	0	0	59	266	0	0	266
2026	194	0	0	194	50	0	0	50	244	0	0	244
2027	168	0	0	168	41	0	0	41	209	0	0	209
2028	139	0	0	139	34	0	0	34	173	0	0	173
2029	118	0	0	118	28	0	0	28	146	0	0	146
2030 - 2034	328	0	0	328	78	0	0	78	406	0	0	406
2035 - 2039	92	0	0	92	33	0	0	33	125	0	0	125
2040 - 2044	48	0	0	48	17	0	0	17	65	0	0	65
2045 - 2049	34	0	0	34	8	0	0	8	42	0	0	42
2050 - 2055	15	0	0	15	1	0	0	1	16	0	0	16
Total	**1,343**	**0**	**0**	**$ 1,343**	**349**	**0**	**0**	**$ 349**	**1,692**	**0**	**0**	**$ 1,692**

Note 17. Commitments and Contingencies

The Defense Threat Reduction Agency (DTRA) 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 accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS No. 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. DTRA has accrued contingent liabilities for material contingencies where an unfavorable outcome is considered probable, and the amount of potential loss is measurable. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized, and the range is disclosed. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed. No amounts have been accrued for contingencies where the likelihood of an unfavorable outcome is less than probable, where the amount or range of potential loss cannot be estimated due to a lack of sufficient information, or for immaterial contingencies.

DTRA does not have legal contingent liabilities that meet the criteria for a footnote disclosure.

Note 18. Funds from Dedicated Collections

Table 18A. Balance Sheet — Funds from Dedicated Collections

2024				
As of September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Intragovernmental Assets:				
Fund Balance with Treasury	953	953	0	953
Total Intragovernmental Assets	953	953	0	953
Total Assets	953	953	0	953
Other than intragovernmental Liabilities:				
Accounts payable	180	180	0	180
Total Other than Intragovernmental Liabilities	180	180	0	180
Total Liabilities	180	180	0	180
Cumulative results of operations	773	773	0	773
Total Liabilities and Net Position	$ 953	$ 953	$ 0	$ 953

2023 Unaudited				
As of September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Intragovernmental Assets:				
Fund Balance with Treasury	3,404	3,404	0	3,404
Total Intragovernmental Assets	3,404	3,404	0	3,404
Total Assets	3,404	3,404	0	3,404
Accounts payable	516	516	0	516
Total Other than Intragovernmental Liabilities	516	516	0	516
Total Liabilities	516	516	0	516
Cumulative results of operations	2,888	2,888	0	2,888
Total Liabilities and Net Position	$ 3,404	$ 3,404	$ 0	$ 3,404

Table 18B. Statement of Net Cost — Funds from Dedicated Collections

2024				
For the period ended September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations Between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Gross program costs	2,222	2,222	0	2,222
Net program costs	2,222	2,222	0	2,222
Net Cost of Operations	$ 2,222	$ 2,222	$ 0	$ 2,222

2023 Unaudited				
For the period ended September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations Between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Gross program costs	1,190	1,190	0	1,190
Net program costs	1,190	1,190	0	1,190
Net Cost of Operations	$ 1,190	$ 1,190	$ 0	$ 1,190

Table 18C. Statement of Changes in Net Position — Funds from Dedicated Collections

2024				
For the period ended September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations Between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Cumulative Results of Operations:				
Beginning balance	2,888	2,888	0	2,888
Beginning balance, as adjusted	2,888	2,888	0	2,888
Donations and forfeitures of cash and cash equivalents	107	107	0	107
Net cost of operations	2,222	2,222	0	2,222
Net Change in Cumulative Results of Operations	(2,115)	(2,115)	0	(2,115)
Net Position, end of period	$ 773	$ 773	$ 0	$ 773

2023 Unaudited				
For the period ended September 30 (Amounts in thousands)	**Other Funds**	**Total Funds from Dedicated Collections (Combined)**	**Eliminations Between Dedicated Collections Funds**	**Total Funds from Dedicated Collections (Consolidated)**
Cumulative Results of Operations:				
Beginning balance	351	351	0	351
Beginning balance, as adjusted	351	351	0	351
Donations and forfeitures of cash and cash equivalents	3,500	3,500	0	3,500
Other	227	227	0	227
Net cost of operations	1,190	1,190	0	1,190
Net Change in Cumulative Results of Operations	2,537	2,537	0	2,537
Net Position, end of period	$ 2,888	$ 2,888	$ 0	$ 2,888

Note 19. Disclosures Related to the Statement of Net Cost

Table 19. Costs and Exchange Revenue by Appropriation Category

As of September 30 (Amounts in thousands)	2024		Restated 2023 (unaudited)	
Operations, Readiness & Support				
1. Gross Cost	$	1,330,232	$	1,455,833
2. Less: Earned Revenue		(41,134)		(42,869)
Net Program Costs	$	1,289,098	$	1,412,964
Procurement				
1. Gross Cost	$	12,196	$	14,806
2. Less: Earned Revenue		(1,513)		(1,288)
Net Program Costs	$	10,683	$	13,518
Research, Development, Test & Evaluation				
1. Gross Cost	$	683,080	$	669,369
2. Less: Earned Revenue		(13,583)		(19,105)
Net Program Costs	$	669,497	$	650,264
Consolidated				
1. Gross Cost	$	2,025,508	$	2,140,008
2. Less: Earned Revenue		(56,230)		(63,262)
Total Net Cost	**$**	1,969,278	**$**	2,076,746

The Statement of Net Cost (SNC) represents the net cost of programs of DTRA 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. DTRA's current processes and systems capture costs based on appropriation groups as presented in the schedule above. DTRA is in the process of reviewing available data and developing a cost reporting methodology required by statement of Federal Financial Accounting Standards (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government" as amended by SFFAS No. 55, "Amending Inter-Entity Cost Provisions."

DTRA also continues to review the available data and applicability of SFFAS 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," for disclosures related to the pricing of goods and services provided to the public or another Federal entity. Please see Note 1, Significant Accounting Policies, Accounting for Intragovernmental and Intergovernmental Activities, for accounting policy related to intra-entity and inter-entity activities.
To correct the expenses that were recorded in DTRA's general ledger for FY24 related to goods and services received in a prior period, prior period adjustment entries were approved increasing the

FY23 gross cost by $45.1 million. This restated the Total Net Cost for FY23 from $2.031 billion to $2.076 billion.

Note 20. Disclosures Related to the Statement of Changes in Net Position

Reconciliation of Appropriations on the Statement of Budgetary Resources to Appropriations Received on the Statement of Changes in Net Position

As of September 30 (Amounts in thousands)	2024	2023 (unaudited)
Appropriations Received, Statement of Changes in Net Position (SCNP)	$ 2,090,253	$ 2,017,255
Appropriations transferred in/out	(75,000)	(7,050)
Transfers in/out	(4,949)	0
Other Adjustments +/-	0	3,727
Total Reconciling Difference	(79,949)	(3,323)
Appropriations (discretionary and mandatory), Statement of Budgetary Resources (SBR)	$ 2,010,304	$ 2,013,932

The variance between what is being reported in Appropriations Received, on the Statement of Changes in Net Position (SCNP) and Appropriations (discretionary and mandatory), on the Statement of Budgetary Resources (SBR) is directly related to the following:

The SCNP separately presents the appropriation transfers-in and the recission of the Cooperative Threat Reduction (CTR) appropriation per PL 118-47, SEC 8046 for 2024 and the appropriation transfers-in and the receipts of new contributions into the CTR program for 2023, while the SBR combines these separate lines in total on Line 1290 “Appropriations (discretionary and mandatory).”

Note 21. Disclosures Related to the Statement of Budgetary Resources (Restated)

Table 21A. Budgetary Resources Obligated for Undelivered Orders at the End of the Period

As of September 30 (Amounts in thousands)	2024		Restated 2023 (unaudited)	
1. Intragovernmental:				
A. Unpaid	$	267,232	$	330,704
B. Prepaid/Advanced		5,087		6,374
C. Total Intragovernmental	$	272,319	$	337,078
2. Other Than Intragovernmental:				
A. Unpaid		936,407		862,435
B. Total Other Than Intragovernmental	$	936,407	$	862,435
3. Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	**$**	1,208,726	**$**	1,199,513

There were comparative corrections to correct the unobligated ending balance that was recorded in DTRA's general ledger for FY24 related to unpaid undelivered orders in a prior period. Prior period adjustment entries were approved decreasing the FY23 Undelivered Orders- Unpaid Balance by $96 million and increased the Non-Federal accrual by $45 million. This restated Line 3 Total Budgetary Resources Obligated for Undelivered Orders at the end of period FY23 from $1.34 Billion to $1.2 Billion.

Note 22. Disclosures Related to Incidental Custodial Collections

Not applicable to DTRA.

Note 23. Fiduciary Activities

Not applicable to DTRA.

Note 24. Reconciliation of Net Cost to Net Budgetary Outlays

Table 24. Reconciliation of Net Operating Cost & Net Budgetary Outlays

2024			
As of September 30 (Amounts in thousands)	**Intragovernmental**	**Other than Intragovernmental**	**Total**
1. Net Operating Cost (Revenue) reported on Statement of Net Cost	$ 382,829	$ 1,586,449	$ 1,969,278
Components of Net Operating Cost Not Part of the Budgetary Outlays			
2. Property, plant, and equipment depreciation expense	0	(4,979)	(4,979)
3. Property, plant, and equipment disposals and revaluations	0	(46,311)	(46,311)
Lessee Lease Amortization	0	(209)	(209)
Applied overhead/cost capitalization offset			
a. Property, plant, and equipment	0	17,740	17,740
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
6. Accounts receivable, net	(532)	108	(424)
7. Other assets	(1,286)	0	(1,286)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
8. Accounts payable	20,247	(656)	19,591
9. Environmental and disposal liabilities	0	(254)	(254)
10. Federal employee salary, leave, and benefits payable	0	(2,136)	(2,136)
11. Veterans, pensions, and post employment-related benefits	0	105	105
12. Other liabilities	(105)	0	(105)
Financing Sources:			
13. Imputed Cost	(18,456)	0	(18,456)
14. Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (132)	$ (36,592)	$ (36,724)

2024			
As of September 30 (Amounts in thousands)	**Intragovernmental**	**Other than Intragovernmental**	**Total**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
15. Acquisition of capital assets	0	11,961	11,961
Financing Sources:			
16. Donated Revenue	0	(107)	(107)
17. Transfers out (in) without reimbursements	47,768	0	47,768
18. Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	$ 47,768	$ 11,854	$ 59,622
Miscellaneous Items			
19. Custodial/Non-exchange revenue	0	(196)	(196)
20. Total Other Reconciling Items	$ 0	$ (196)	$ (196)
21. Total Net Outlays (Calculated Total)	$ 430,465	$ 1,561,515	$ 1,991,980
22. Budgetary Agency Outlays, Net (SBR 4210)			$ 1,991,976
23. Unreconciled Difference			$ 4

Restated 2023 (unaudited)			
As of September 30 (Amounts in thousands)	**Intragovernmental**	**Other than Intragovernmental**	**Total**
1. Net Operating Cost (Revenue) reported on Statement of Net Cost	$ 583,222	$ 1,493,524	$ 2,076,746
Components of Net Operating Cost Not Part of the Budgetary Outlays			
2. Property, plant, and equipment depreciation expense	0	(5,079)	(5,079)
3. Inventory disposals and revaluations	0	(74)	(74)
4. Applied overhead/cost capitalization offset			
a. Property, plant, and equipment	0	23,935	23,935
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
5. Accounts receivable, net	488	(43)	445
6. Advances and Prepayments	0	(119)	(119)
7. Other Assets	806	0	806
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
8. Accounts payable	49,337	(155,987)	(106,650)
9. Environmental and disposal liabilities	0	(793)	(793)
10. Federal employee salary, leave, and benefits payable	0	7,685	7,685
11. Veterans, pensions, and post-employment-related benefits	0	(979)	(979)
12. Other liabilities	(69)	0	(69)
Financing Sources:			
13. Imputed Cost	(13,274)	0	(13,274)
14. Total Components of Net Operating Cost Not Part of the Budgetary Outlays	37,288	(131,454)	(94,166)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
15. Acquisition of capital assets	$ 1,766	8,135	9,901
Financing Sources:			
16. Donated Revenue	0	(3,500)	(3,500)
17. Transfers out (in) without reimbursements	(2)	0	(2)

Restated 2023 (unaudited)			
As of September 30 (Amounts in thousands)	Intragovernmental	Other than Intragovernmental	Total
18. Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	1,764	4,635	6,399
Miscellaneous Items			
19. Distributed offsetting receipts (SBR 4200)	0	(3,500)	(3,500)
21. Appropriated Receipts for Trust/Special Funds	0	3,726	3,726
22. Total Other Reconciling Items	0	226	226
23. Total Net Outlays (Calculated Total)	$ 622,274	$ 1,366,931	$ 1,989,205
24. Budgetary Agency Outlays, Net (SBR 4210)			$ 1,989,052
25. Unreconciled Difference			$ 153

There is a reported change on the Total Net Outlays which caused an unreconciled difference between the total net outlays and budgetary agency outlays being reported. In 2024, DTRA is reporting a variance of $153 thousand, compared to $1 thousand in 2023. This is due to a Non-Federal Accounts Payable (AP) Prior Period Adjustment to BS 5751 completed by DTRA in FY24. This variance is not material, and it is not a mandatory zero unreconciling difference requirement for certification; therefore, it does not impact the accuracy or completeness of 4QFY24 financial statements.

Note 25. Public-Private Partnerships

Not applicable to DTRA.

Note 26. Disclosure Entities and Related Parties

Not applicable to DTRA.

Note 27. Security Assistance Accounts

Not applicable to DTRA.

Note 28. Restatements

Unpaid Undelivered Orders - Prior Period Adjustment

In FY 2024, The Defense Threat Reduction Agency (DTRA) restated its FY 2023 Statement of Budgetary Resources (SBR) and accompanying notes to correct DTRA's unpaid Undelivered Orders (UDO) balance. The restatement of the UDO balance did not affect the Agency's Net Position.

During the financial statement audit for FY 2023, the Independent Public Accountants (IPAs) identified a material weakness associated with the accuracy of DTRA's unpaid Undelivered Orders balance due to a material amount of aged dormant unliquidated obligations (ULOs) without evidential matter that supported the validity of the balance. During FY 2024, DTRA reviewed all open obligations as of September 30, 2023, and identified $96 million of invalid unpaid undelivered orders that should be deobligated at the end of the FY 2023. As a result of the 100 percent review of open ULOs, DTRA posted a prior period adjustment (PPA) to adjust DTRA's FY 2023 unpaid Undelivered Orders ending balance to correct the beginning balance for FY 2024. The $96 million correction resulted in an overall increase to the FY 2023 Total Budgetary Resources and changes to the following Financial Statement line items:

<u>FY 2023 Restatements:</u>

Statement of Budgetary Resources
- Unobligated balance from prior year budget authority, net
- Total Budgetary Resources
- New obligations and upward adjustments
- Apportioned, unexpired accounts
- Unexpired unobligated balance, end of year
- Expired unobligated balance, end of year
- Unobligated balance, end of year (total)
- Total Budgetary Resources

<u>FY 2024 Impacts:</u>

Statement of Budgetary Resources
- Unobligated balance from prior year budget authority, net

Non-Federal Accounts Payable - Prior Period Adjustment

DTRA restated the FY 2023 Balance Sheets and Statement of Net Cost in FY 2024 to increase the non-federal accounts payable and expense balance by $45 million. During FY 2023 as part of an audit remediation effort, DTRA adopted a new accrual methodology to estimate unbilled expenses and accrue for non-federal accounts payable in the fourth quarter of FY 2023. In FY 2024, DTRA determined the estimate for unbilled expenses as of September 30, 2023, was understated by $45 million. This was due to an influx of disbursements received in the first and second quarter of FY 2024 compared to the first quarter of FY 2023, impacting the initial projected estimate. As a result, a prior period adjustment was needed to correct DTRA's ending accounts payable, expenses, and net position balance for FY 2023. The impact of the $45 million correction resulted in an overall decrease to the FY 2023 Total Net Position, increase in FY 2023 Net Cost of Operations, and changes to the following Financial Statement line items:

FY 2023 Restatements:

Balance Sheet
- Other Than Intragovernmental: Accounts Payable
- Total Other Than Intragovernmental
- Total Liabilities
- Unexpended Appropriations – Funds Other than Dedicated Collections
- Total Unexpended Appropriations (Consolidated)
- Cumulative Results of Operations – Funds from Dedicated Collections
- Total Cumulative Results of Operations
- Total Net Position

Statement of Changes in Net Position
- Unexpended Appropriations: Appropriations Used
- Net Change in Unexpended Appropriations
- Total Unexpended Appropriations, Ending Balance
- Cumulative Results of Operations: Appropriations Used
- Net Cost of Operations
- Net Change in Cumulative Results of Operations
- Net Position

Statement of Net Cost
- Gross Costs
- Net Program Costs before Losses/(Gains) from Actuarial Assumption
- Net Program Costs Including Assumption Changes
- Net Cost of Operations

FY 2024 Impacts:

Statement of Changes in Net Position
- Cumulative Results of Operations: Beginning Balances

General Property, Plant, and Equipment (PPE) – Prior Period Adjustment

DTRA also restated its FY 2023 Balance Sheet and accompanying notes to correct the FY 2024 financial statement balances due to a capitalization of previously expensed assets. During FY 2024 six previously expensed assets were determined to meet capitalization threshold requirements and should have capitalized in a prior period. Based on DTRA's corrections to capitalize the previously expensed assets, DTRA's accounting system's posting logic incorrectly generated entries to equipment, accumulated depreciation, and depreciation expense for FY 2024. Therefore, a prior period adjustment was posted for a net amount of $1.6 million to correctly capture the asset adjustments as of September 30, 2023. The impact of the $1.6 million correction resulted in an overall increase to the FY 2023 Total Net Position and changes to the following Financial Statement line items:

FY 2023 Restatements:

Balance Sheet
- General and Right-to-Use Property, Plant, and Equipment, Net

- Total Other Than Intragovernmental
- Total Assets
- Cumulative Results of Operations – Funds Other than Dedicated Collections
- Total Cumulative Results of Operations
- Total Net Position
- Total Liabilities and Net Position

Statement of Changes in Net Position
- Prior Period Adjustments: Corrections of Errors
- Beginning Balances, as adjusted
- Cumulative Results of Operations, Ending
- Net Position

FY 2024 Impacts:

Balance Sheet
- General and Right-to-Use Property, Plant, and Equipment, Net

Note 29. Subsequent Events

Not applicable to DTRA.

Note 30. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

Not applicable to DTRA.

Required Supplementary Information

Statement of Budgetary Resources

As of September 30, 2024 ***(Amounts in thousands)***	**Operations, Readiness & Support**	**Procurement**	**Research, Development, Test & Evaluation**	**Military Construction/ Family Housing**	**FY 2024 Total**
Unobligated balance from prior year budget authority net (discretionary and mandatory) (Note 21)	$ 317,610	$ 4,276	$ 127,997	$ 2,043	$ 451,926
Appropriations (discretionary and mandatory)	1,287,575	33,107	689,622	0	2,010,304
Spending Authority from offsetting collections (discretionary and mandatory)	63,574	0	14,959	0	78,533
Total Budgetary Resources	1,668,759	37,383	832,578	2,043	2,540,763
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	1,374,811	13,719	718,111	1,470	2,108,111
Unobligated balance, end of year:					
Apportioned, unexpired accounts	230,255	23,602	80,485	315	334,657
Unapportioned, unexpired accounts	523	0	0	0	523
Unexpired unobligated balance, end of year	230,778	23,602	80,485	315	335,180
Expired unobligated balance, end of year	63,169	62	33,983	258	97,472
Unobligated balance, end of year (total)	293,947	23,664	114,468	573	432,652
Total Budgetary Resources	1,668,758	37,383	832,579	2,043	2,540,763
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	1,300,136	13,441	667,522	10,877	1,991,976

As of September 30, 2024 *(Amounts in thousands)*	Operations, Readiness & Support	Procurement	Research, Development, Test & Evaluation	Military Construction/ Family Housing	FY 2024 Total
Distributed offsetting receipts (-)	0	0	0	0	0
Agency Outlays, net (discretionary and mandatory)	1,300,136	13,441	667,522	10,877	1,991,976

As of September 30, 2023 Restated *(Amounts in thousands)*	Operations, Readiness & Support	Procurement	Research, Development, Test & Evaluation	Military Construction/ Family Housing	FY 2023 Total
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	$ 457,894	$ 1,400	$ 138,000	$ 7,054	$ 604,348
Appropriations (discretionary and mandatory)	1,332,690	14,435	666,807	0	2,013,932
Spending Authority from offsetting collections (discretionary and mandatory)	25,339	(351)	11,745	0	36,733
Total Budgetary Resources	1,815,923	15,484	816,552	7,054	2,655,013
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	1,468,434	11,972	681,785	5,011	2,167,202
Unobligated balance, end of year:					
Apportioned, unexpired accounts	225,736	3,456	94,963	1,786	325,941
Unapportioned, unexpired accounts	226	0	0	0	226
Unexpired unobligated balance, end of year	225,962	3,456	94,963	1,786	326,167
Expired unobligated balance, end of year	121,526	56	39,804	258	161,644

As of September 30, 2023 Restated ***(Amounts in thousands)***	**Operations, Readiness & Support**	**Procurement**	**Research, Development, Test & Evaluation**	**Military Construction/ Family Housing**	**FY 2023 Total**
Unobligated balance, end of year (total)	347,488	3,512	134,767	2,044	487,811
Total Budgetary Resources	1,815,922	15,484	816,552	7,055	2,655,013
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	1,336,279	12,562	621,538	22,173	1,992,552
Distributed offsetting receipts (-)	(3,500)	0	0	0	(3,500)
Agency Outlays, net (discretionary and mandatory)	1,332,779	12,562	621,538	22,173	1,989,052

SECTION 3: OTHER INFORMATION

In accordance with OMB A-136, this section contains information related to:

- Financial Statement Audit and Management Assurances
- Management and Performance Challenges
- Payment Integrity Information Act Reporting

This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in DTRA's agency financial report.

Summary of Financial Statement Audit and Management Assurances

The following tables below represent summary information on the results of the FY 2024 DTRA financial statement audit, and internal control testing. DTRA is currently working to develop and implement CAPs to resolve specific findings associated with the material weaknesses and significant deficiency.

Table 15: *Financial Statement Audit*

Audit Opinion	Unmodified for FY 2024				
Restatement	Yes				
Material Weaknesses	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
Fund Balance with Treasury	1	0	1	0	0
Monitoring and Reporting of Obligations	1	0	0	0	1
Accounts Payable and Related Expenses	1	0	0	0	1
Monitoring of Feeder Systems and Journal Vouchers	0	1	0	0	1
Total MWs	3	1	1	0	3

Audit Opinion	Unmodified for FY 2024				
Restatement	Yes				
Significant Deficiencies	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
Property, Plant, and Equipment	1	0	1	0	0
Fund Balance with Treasury	0	1	0	0	1
Total SDs	1	1	1	0	1

Table 16: *Summary of Management Assurances*

Effectiveness of Internal Control over Financial Reporting					
Statement of Assurance	Modified				
Material Weaknesses	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
Fund Balance with Treasury	1	0	1	0	0
Monitoring and Reporting of Obligations	1	0	0	0	1
Accounts Payable and Related Expenses	1	0	0	0	1
Monitoring of Feeder Systems and Journal Vouchers	0	1	0	0	1
Total MWs	**3**	**1**	**1**	**0**	**3**

Effectiveness of Internal Control over Operations					
Statement of Assurance	Modified				
Material Weaknesses	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Ending**
None	0	0	0	0	0
Total MWs	**0**	**0**	**0**	**0**	**0**

Conformance with Federal Financial Management System Requirements						
Statement of Assurance	Federal Systems conform to financial management system requirements.					
Nonconformances	**Beginning Balance from FY 2023**	**New for FY 2024**	**Resolved**	**Consolidated**	**Reassessed**	**Ending**
None	0	0	0	0	0	0
Total Nonconformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
Federal Financial Management System Requirements	Lack of substantial compliance noted	Lack of substantial compliance noted
Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
USSGL at Transaction Level	Lack of substantial compliance noted	Lack of substantial compliance noted

Management and Performance Challenges

In FY 2024 the DoD Office of the Inspector General issued the following top DoD Management and Performance Challenges:

1. Building Enduring Advantages for Strategic Competition
2. Strengthening DoD Cyberspace Operations and Securing Systems, Networks, and Data
3. Maintaining Superiority Through a Resilient and Modern Defense Industrial Base
4. Improving DoD Financial Management and Budgeting
5. Adapting to Climate Change and Accelerating Resilience
6. Protecting the Health and Wellness of Service Members and Their Families
7. Recruiting and Retaining a Diverse Workforce
8. Accelerating the Transformation to a Data-Centric Organization

DTRA's Inspector General's office is not a statutory IG and they do not formally issue an annual report to management on challenges.

Payment Integrity Information Act Reporting

In compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), DTRA has designed a payment recapture audit plan to review and analyze accounting and other records that support payments to identify overpayments and recapture those payments. DTRA's plan includes payments related to Civilian Pay, Travel Pay, Commercial Pay and Government Purchase Card Pay processes.

DTRA maintains robust internal controls validated by Senior Leadership by utilizing several internal controls to prevent and/or identify erroneous or improper payments in addition to the support the DFAS provides. Specifically, DTRA's plan leverages Contracting Officer reviews, Dormant Account Review- Quarterly, two-person reviews of travel vouchers, Manager's Internal Control Program testing, contract reviews, entitlement system reconciliations, and unmatched disbursement reviews. We believe that this combination of controls will ensure we identify control weaknesses in a timely manner and if necessary, make changes to remediate the deficiencies.

APPENDIX A: Acronym List

ACRONYM	DEFINITION
ADA	Antideficiency Act
AFSWP	Armed Forces Special Weapons Project
CARES	Coronavirus Aid, Relief, and Economic Security
CBDP	Chemical Biological Defense Program
CBRN	Chemical Biological Radiological and Nuclear
CEFMS	Corps of Engineers Financial Management System
CFO	Chief Financial Officers
CCMD	Combatant Command
CIP	Construction-in-Progress
CJCS	Chairman Joint Chiefs of Staff
COLA	Cost of Living Adjustments
CONAUTH	Controlling Authority
COVID-19	Coronavirus Disease 2019
CPIM	Consumer Price Index Medical
CSRS	Civil Service Retirement System
CT	Cooperative Threat
CTBT	Comprehensive Nuclear Test Ban Treaty
CTR	Cooperative Threat Reduction
CW	Chemical Weapons
CWC	Chemical Weapons Convention
CWMD	Countering Weapons of Mass Destruction
DAI	Defense Agencies Initiative
DEF	Disaster Emergency Fund
DERP	Defense Environmental Restoration Program
DTRA	Defense Threat Reduction Agency
DoD	Department of Defense
DoE	Department of Energy
DoL	Department of Labor
DoT	Department of Treasury
ERM	Enterprise Risk Management
ESS	Enterprise Solutions and Service
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employee Group Life Insurance
FEHB	Federal Employees Health Benefits
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFMSRs	Federal Financial Management System Requirements
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMR	Financial Management Regulation
FVEY	Five Eyes
GAAP	Generally Accepted Accounting Principles

ACRONYM	DEFINITION
GAO	Government Accountability Office
GCC	Geographic Combatant Commands
GPRA	Government Performance and Results Act
ICOFR	Internal Control over Financial Reporting
IMPERIA	Improper Payments Elimination and Recovery Improvement Act
IMS	International Monitoring System
IPA	Independent Public Accountant
KAFB	Kirtland Air Force Base
NACT	Nuclear Arms Control Technology
NATO	North Atlantic Treaty Organization
NDS	National Defense Strategy
OASD(NCB)	Office of the Assistant Secretary of Defense for Nuclear, Chemical, and Biological
OI	Operations and Integration
OMB	Office of Management and Budget
OPCW	Organization for the Prohibition of Chemical Weapons
OPEB	Other Post-Employment Benefits
ORB	Other Retirement Benefits
OSD	Office of the Under Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PPA	Prompt Payment Act
PP&E	General Property, Plant and Equipment
PRAP	Personnel Reliability Assurance Program
RCRA	Resource Conservation and Recovery Act
S&T	Science and Technology
SARA	Superfund Amendments and Reauthorization Act
SECDEF	Secretary of Defense
SFFAS	Statement of Federal Financial Accounting Standards
SI	Strategic Integration
SNC	Statement of Net Cost
SOA	Statement of Assurance
TFM	Treasury Financial Manual
TI	Treasury Index
TNC	Treasury Nominal Coupon
TSG	Technical Support Group
USACE	United States Army Corps of Engineers
USD/I&S	Under Secretary of Defense for Intelligence and Security
USD(R&E)	Office of the Undersecretary of Defense for Research and Engineering
USEUCOM	United States European Command
USSGL	United States Standard General Ledger
USG	United States Government
USSOCOM	United States Special Operations Command
WMD	Weapons of Mass Destruction