



DEFENSE THREAT
REDUCTION AGENCY

AGENCY FINANCIAL REPORT

FY 2025

Nov. 10, 2025



ABOUT THE AGENCY FINANCIAL REPORT

In alignment with the Executive Order 14347, this Fiscal Year (FY) 2025 Agency Financial Report (AFR) refers to the Department of Defense (DoD) as the Department of War (DoW). Additionally, per Executive Order 14347 and the Chief of Staff's communication, the Secretary will be referred to as the "Secretary of War" (SoW) and offices will be referred to by the updated name.



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MESSAGE FROM THE ACTING DIRECTOR



The fiscal year (FY) 2025 Agency Financial Report (AFR) for the Defense Threat Reduction Agency (DTRA) reflects a year of transformation and accomplishments. The DTRA team is unwavering in their commitment to our mission: *Deter* strategic attacks against the United States; *Prevent*, reduce and counter weapons of mass destruction (WMD); and *Prevail* against WMD-armed adversaries in crisis and conflict.

I am pleased to report that DTRA achieved our second consecutive unmodified opinion for FY 2025, issued by our Independent Public Accounting (IPA) firm, Kearney & Company. This is a remarkable accomplishment which represents the hard work, resilience, and dedication to excellence displayed by our workforce and demonstrates to the rest of the Department that auditability is possible.

This AFR provides a summary of our financial and performance results, both from an external and internal perspective. DTRA conducted its own assessment of the effectiveness of internal controls over reporting in accordance with OMB Circular A-123, Appendix A. Based on the results of this assessment and the results of the independent audit, I can provide reasonable assurance that the information contained in this report is complete and reliable and that internal controls over financial reporting, operations, and compliance are operating effectively as of September 30, 2025 except for the material weaknesses identified.

We extend our appreciation to our IPA for their review and insights. Their expertise is instrumental in strengthening financial practices and ensuring the accuracy and reliability of reporting. While the IPA reported material weaknesses in key areas involving accounts payable and related expenses and monitoring and reporting of obligations, DTRA is committed to continuous improvement and working collaboratively to develop solutions to improve auditability. Our goal is to set the benchmark for financial excellence across the federal government. We share best practices across the DoW Financial Management (FM) community through panels, podcasts and presentations and will continue to do so.

DTRA is committed to the Secretary of War's priorities to restore the warrior ethos, rebuild our military, and reestablish deterrence. We do this by ensuring rigorous financial stewardship and transparency. DTRA remains dedicated to protecting national security, while also fulfilling our duties of fiscal responsibility. I am confident with the Agency's ability to support our warfighters.

Sincerely,

A handwritten signature in blue ink that reads "Lyle K. Drew". The signature is fluid and cursive, with the first letters of the first and last names being capitalized.

Maj Gen Lyle K. Drew
Acting Director



SECTION 1:

MANAGEMENT'S DISCUSSION AND ANALYSIS

- About the Defense Threat Reduction Agency
- Performance Goals, Objectives, and Results
- Analysis of Financial Statements and Stewardship Information
- Analysis of Systems, Controls, and Legal Compliance
- Summary of Internal Controls Assessment
- Forward-Looking Information

Section I: Management's Discussion and Analysis

ABOUT THE DEFENSE THREAT REDUCTION AGENCY

Mission and Organization

As both a Defense Agency and Combat Support Agency, the Defense Threat Reduction Agency (DTRA) provides cross-cutting solutions to enable the Department of War (DoW), 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 DoW policy and priorities through cross-service, DoW-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



Acting Director
Maj. Gen. Lyle K. Drew



Acting Executive Director
Mr. Hunter Lutinski



Senior Enlisted Leader
Sergeant Major Daniel E. Mangrum

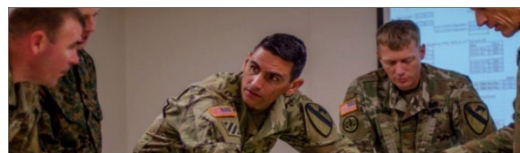
Organizational Components

DTRA accomplishes its mission through the following organizational components:



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.

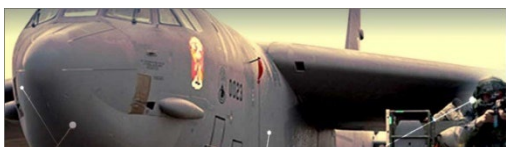
Strategic Integration Directorate - The Strategic Integration Directorate shapes DTRA's response to the challenges and priorities set forth in the National Defense Strategy, focusing the Agency's operations, activities, and investments in a manner that maximizes their cumulative effect in support of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





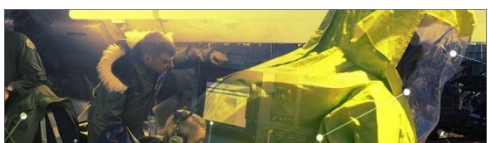
Operations and Integration Directorate - The Operations and Integration Directorate provides operational, analytical, and security support for Combatant Command (CCMD) and DTRA missions in collaboration with Five Eyes (FVEY) and interagency partners to achieve strategic outcomes against National Defense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



Note: DTRA underwent a reorganization and implemented the J-code structure as of October 1, 2025. This change is not currently reflected in this year's AFR since the audit period covers FY 2025, but will be included in DTRA's FY 2026 AFR.

For more information regarding our organization and what we do, visit [DTRA's website](#).

PERFORMANCE GOALS, OBJECTIVES, AND RESULTS

Agency Goals, Functions and Objectives

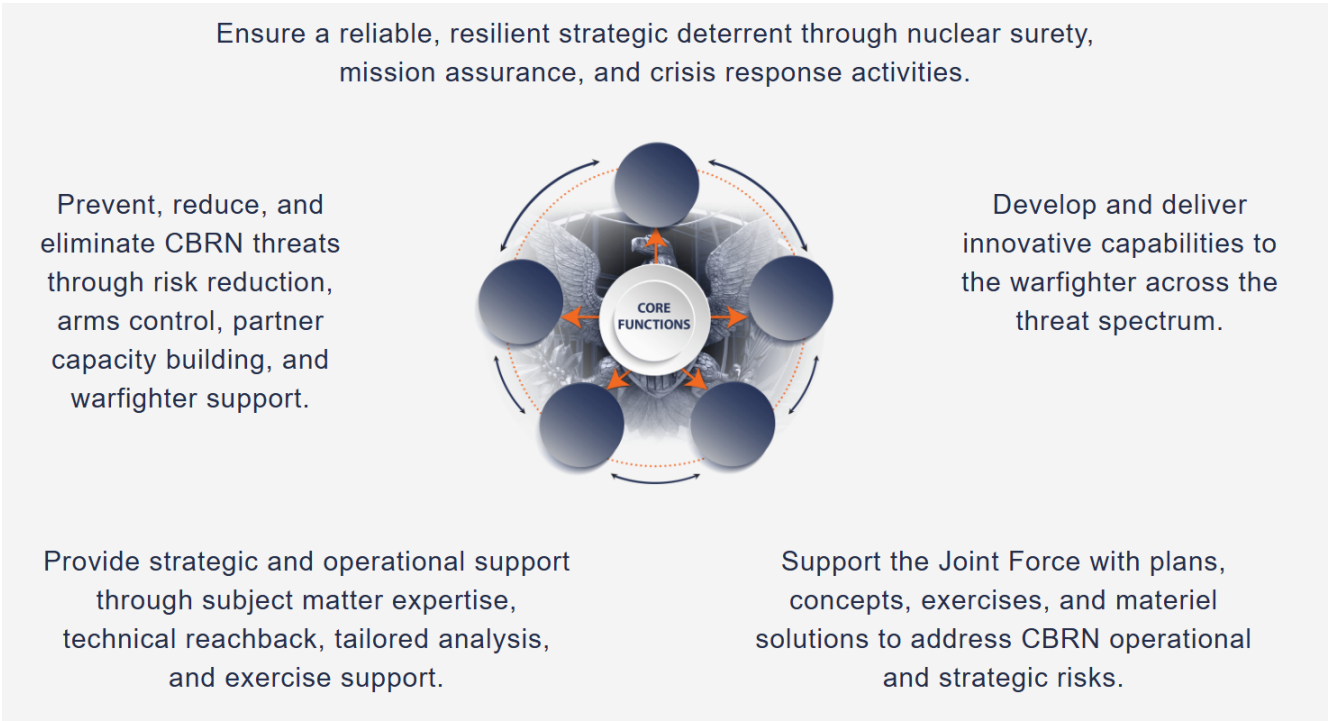
The *DTRA Director’s Strategic Intent: 2022-2027* supports national-level guidance through DTRA-specific goals, functions, and objectives. The DTRA goals are the outcomes we seek to achieve as an Agency, while the Agency functions and objectives are the unique ways by which we achieve its Mission and 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.

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 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



<i>Ensure a reliable, resilient strategic deterrent through nuclear surety, mission assurance, and crisis response activities.</i>	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 and expands nuclear operations expertise. 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.
	<div>Strategic Objectives</div> <ul style="list-style-type: none">• 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.
<i>Develop and deliver innovative capabilities to the warfighter across the threat spectrum.</i>	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 nation’s hardest CWMD 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 maintains 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.
	<div>Strategic Objectives</div> <ul style="list-style-type: none">• Develop capabilities that increase situational awareness of adversarial WMD activities.

	<ul style="list-style-type: none"> Expand our capability, capacity, and preparedness to identify and characterize current and emerging WMD threats. Improve U.S. abilities to counter, disrupt, or defeat adversary WMD infrastructure, modernization efforts, and capabilities.
<i>Prevent, reduce, and eliminate CBRN threats through risk reduction, arms control, partner capacity building, and warfighter support.</i>	<p>Cooperative threat reduction, treaty implementation and verification, and building partner capacity efforts, in collaboration with USG and international partners, improve DoW's ability to interdict WMD proliferation, secure vulnerable WMD materials and promote and implement effective arms control. By combining innovative technology with sustained engagement and security cooperation initiatives, DTRA enhances U.S. and partner nation abilities to mitigate the dangers posed by nuclear, chemical, and biological weapons, as well as advance delivery systems and other enabling technologies. DTRA continues to shape the Cooperative Threat Reduction program in accordance with the administration's Foreign Assistance Review and increased focus on ally and partner burden sharing. DTRA also supports warfighter requirements to deny and disrupt adversaries from acquiring WMD materiel and delivery systems.</p> <p>Strategic Objectives</p> <ul style="list-style-type: none"> 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.
<i>Provide strategic and operational support through subject matter expertise, technical reachback, tailored analysis, and exercise support.</i>	<p>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. 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 DoW Combatant Commands and other key organizations ensures the Agency's efforts are fully integrated across DoW and broader USG. These efforts include</p>

	<p>a focus on exercise support tools, data visualization, and interactive platforms.</p> <div>Strategic Objectives</div> <ul style="list-style-type: none">• Prevent unintentional escalation across the spectrum of crisis and conflict by better understanding adversarial intent, doctrine, decision calculus, and emerging capabilities.• 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.
<p><i>Support the Joint Force with plans, concepts, exercises, and materiel solutions to address CBRN operational and strategic risks.</i></p>	<p>Plans, concepts, and exercises enable DoW 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 DoW 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.</p> <div>Strategic Objectives</div> <ul style="list-style-type: none">• 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.

The Agency Performance Report can be accessed at the following link:

<https://www.dtra.mil/About/Agency-Financial-Report/> and is estimated to be available by 12/15 due to the government shutdown, as OUSW(C) indicated that they expect about a 30 day delay.

Operations & Maintenance (O&M)

DTRA establishes programs that support the nuclear enterprise, develop common situational awareness to inform global integrated operations, targeted and focused building partnership capacity efforts to enhance homeland defense, while maintaining and implementing capacity for Arms Control. These programs strengthen our nuclear deterrent through force-on-force exercises and wargaming; tracking nuclear weapons to maintain positive control and support emergency verifications; providing visibility on mission risk across the DoW enterprise; conducting mission assurance assessments that provide risk mitigation strategies for Defense Critical Assets and Infrastructure; and to testing strategies to defend critical missions against emulated adversarial disruption. Additionally, DTRA supports Combatant Command (CCMD) responses to WMD and emerging CBRN threats through planning and exercise support; monitoring and verification activities; CBRN material security and elimination, creation of decision support tools to increase awareness of consequence of action and implications of WMD attack; and allied and partner capacity/capability for interoperability, crisis/conflict division of labor, and awareness of current and future WMD threats.

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 Survivability Assessments, Mission Assurance Assessments, and Red Team Assessments.

DTRA's Cyber programs strengthen support to the Nuclear Deterrent by providing visibility on mission assurance risk across the DoW 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 Advanced Cyber Assessments consist of both risk-based vulnerability assessments (Blue) and adversarial emulation (Red) audits, vulnerability assessments, and penetration tests that evaluate the strengths or weaknesses of software, hardware, processes, and channels over valuable DoW Information flows.

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

Sample accomplishments include:

- Performed complex cyber assessments
- Conducted in-depth control system assessments
- Assisted customers across the DoW

DTRA works diligently to strengthen the continental U.S. nuclear weapon incident response capability and will continue to sustain this capability while providing emphasis on the U.S. 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 enable 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 DoW and nuclear weapon accident/incident response mission partners at the federal, state, local, and tribal levels and with NATO nuclear program of cooperation countries.

A sample accomplishment includes having successfully completed several nuclear weapons accident/incident exercises.

As an essential element of nonproliferation efforts, arms control activities enhance confidence in treaty and agreement compliance through effective inspection, monitoring, and verification. The U.S. seeks to reduce the threat from WMD in several ways, particularly through 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 USG 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 USG elements concerned with developing, implementing, or evaluating compliance with arms control agreements. DTRA's inspectors provide the Secretary of War with first-hand evidence that international commitments are fulfilled through the verifiable reduction of the world's stockpiles of nuclear, chemical, and conventional weapons. DTRA's arms control mission directly enhances U.S. security interests.

These efforts ensure that 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.

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, Alabama, and daily treaty activity is projected to be complete by the end of FY 2026. 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 and DTRA will also 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 DoW Schedule 1 Facilities located at Ft. Leonard Wood, Missouri and Edgewood, Maryland and the annual recovered chemical weapons destruction inspection. Additionally, DTRA will support and participate in DoW and Military Service readiness training/exercises for Challenge Inspections.

Sample accomplishments include:

- Completed escort activities and mock missions under Inspections Operations
- Completed inspection activities, escort activities and mock missions under the Plutonium Production Reactor Agreement
- Completed Joint Implementation & Compliance Commission Discussions
- Completed International Atomic Energy Agency Integrated Safeguard Missions

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, promote confidence and security building measures through the whole of Eurasia and reinforce deterrence by demonstrating readiness, strength, and lethality of the U.S. forces.

Sample accomplishments include:

- Completed active inspection activities
- Completed passive escort/LNO/Observer Activity
- Completed mock missions/military cooperation missions

DTRA also offers arms control treaty implementation courses to 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.

The Nuclear Arms Control Technology (NACT) 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 DoW 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 USG 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.

Sample accomplishments include:

- Achieved a 99% data availability on all seismic and infrasound stations
- Achieved a 98% data availability on all radionuclide stations

The Nimble Elder program, through its Technical Support Groups (TSGs), provides CCMDs and other USG 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.

A sample accomplishment includes having completed training and exercise events across USEUCOM, USINDOPACOM, USCENTCOM, USAFRICOM, USSOUTHCOM and CONUS.

The Nuclear Surety program supports nuclear weapons Use Control acquisition and modernization efforts and 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 War for Nuclear Deterrence, 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 execute nuclear weapons acquisition and modernization efforts 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.

Sample accomplishments include:

- Completed assessments and activities
- Completed force-on-force program exercises

The oversight of Navy and Air Force Nuclear Surety Inspections provides the Office of the Secretary of War (OSW) 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.

Sample accomplishments include:

- Completed nuclear procedures inspections
- Completed defense nuclear surety inspection oversight assessments
- Completed inspection courses

The Plans and Exercises program helps enable U.S. forces 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 OSW, Joint Staff, Military Services, other USG 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.

Sample accomplishments include:

- Completed joint training plan exercises
- Completed joint training plan senior leader seminars, tabletop exercises and wargames

DTRA continues security cooperation operations with partners globally to enhance CCMD and USG 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.

Sample accomplishments include:

- Hosted international counterproliferation events
- Hosted counter WMD engagements



DTRA made headlines living up to our mission to deter strategic attacks against the United States and our allies. Chairman of the Joint Chiefs of Staff General Dan Caine credited DTRA as, "the world's leading expert on deeply buried underground targets." DTRA was recognized for providing scientific, technical, engineering, and research expertise for the characterization of hard and deeply buried targets (HDBT) in support of the Combatant Commands (CCMDs). Our DTRA engineers conducted developmental and operational Test & Evaluation, and our Subject Matter Experts updated weaponeering tools, providing vital targeting support to the CCMDs.

Research, Development, Test & Evaluation (RDT&E)

DTRA's RDT&E portfolio generates customer focused, threat informed, trusted technical solutions to deter and counter critical WMD problems for today and tomorrow, and is accomplished through DTRA's core functions. The RDT&E portfolio is risk balanced to support the National Defense Strategy (NDS) and the Nuclear Posture Review (NPR), and address complex WMD threat problems for the warfighter, including understanding the environment, threats and vulnerabilities; controlling, defeating, disabling, and disposing of threats; and enhancing DoW's ability to safeguard the force and manage consequences and outcomes.

To achieve its CWMD RDT&E objectives, DTRA executes its RDT&E appropriation across several RDT&E Budget Activities (BAs), including but not limited to:

- Applied Research
- Advanced Technology Development (ATD)
- Advanced Component Development and Prototypes (ACD&P)
- System Development and Demonstration (SDD)

Applied Research

The DTRA CWMD Applied Research program element advances basic scientific knowledge to develop novel materials, devices, systems, and methods supporting next generation concepts and technologies, to include advances in Weapons of Mass Destruction (WMD) surveillance, detection, defeat, prevention, nonproliferation, counter proliferation, consequence management, and treaty verification.

DTRA's Applied Research portfolio is aligned with strategic planning objectives and Science and Technology (S&T) investment direction established annually by DTRA, which directly support policy and planning guidance from the Executive Office of the President, the DoW, and the broader WMD threat reduction community.

The portfolio advances DTRA's CWMD mission by investing in DTRA's applied research capabilities and increase the CWMD technology base to maximize future pay-off; capitalizing on opportunities to deliver innovative, cost-effective solutions to technical challenges that must be resolved prior to system-specific technology investigations and development; and ensuring applied research efforts are directly aligned to the mission-specific capability requirements of DTRA, the Military Departments, Combatant Commanders, other DoW and federal agencies, and international partners.

The CWMD Cross-Cutting Technical and Information Sciences project develops concepts and technologies in the areas of high-speed information processing, modeling and simulation, signal detection, and data-driven decision analysis in support of DTRA's technical reachback teams. This project develops and maintains continuously improving collaborative architectures and WMD

modeling and simulation codes that drive an integrated suite of decision support tools serving the Combatant Commands, other DoW agencies, and national and international CWMD partners.

Sample accomplishments include:

- Supported Nuclear Weapons Effects survivability testing at the National Ignition Facility; executed experiments for the optimization of X-ray, neutron, and combined environment sources for strategic testing at the National Ignition Facility (NIF); and supported 41 weeks of strategic user testing and 14 weeks of development testing at the West Coast Facility.
- Finished the first two out of three tests of the Agent Defeat Modeling and Simulation Baseline (ADMB) capstone test series; began performing post-test validation of agent release/defeat models and source term generation for collateral effects assessment using initial test data and comparing to pre-test results.
- Delivered four test campaigns across three novel test activities to refine collection of Tactics, Techniques and Procedures; validated new sensors; and broadened U.S. Government search, collection, and characterization capabilities.

Advanced Technology Development (ATD)

The CWMD Advanced Technology Development portfolio is aligned with National and DoW strategic objectives and with S&T investment direction established annually by the DTRA. The objectives directly support policy and planning guidance from the Executive Office of the President, the DoW, and the broader WMD threat reduction community.

The portfolio advances the CWMD mission by selecting advanced technology development initiatives that meet the following criteria: (1) efforts that are clearly defined and directly linked to mission-specific capability requirements of DTRA, the Military Departments, Combatant Commanders, other DoW and federal agencies, and international partners; (2) preliminary assessments of subsystems and components that offer the highest potential for technological feasibility, operability, and producibility upon transition out of S&T research; and (3) activities that demonstrate cost effectiveness or cost reduction potential of technologies during field testing or simulation at scale.

ATD focuses on the systematic identification and maturation of technologies capable of defeating WMD, then integrating them into weapons, delivery systems, detection systems, and sensors for countering WMD.

Sample accomplishments include:

- Demonstrated interdependent infrastructure models using water, petroleum, and transportation modeling with coupling to a significant nuclear weapons effect environment and deliver 14 new integrated or updated capabilities through Nuclear Capabilities Services (NuCS) 2025 for strategic contingency planning and damage estimation efforts.

- Delivered moving receiver radiation dose, eye damage/flash blindness, and radiation hardness standard computation tool to U.S. Army via Enhanced Nuclear Weapons Effects Database (eNWEDS) for maneuver planning and NATO support.
- Released Integrated Munitions Effect Assessment (IMEA) V13.0 in new, modular architecture that enables greater sharing with key allies, cloud computing and supports seamless interoperability with targeting community.
- Provided Targeting Weaponeeing Assistance Cell (TWAC) weaponeeing Subject Matter Experts (SME) to deliver Targeting Recommendation Packages and participate in Targeting Planning Conferences in support of USINDOPACOM and USEUCOM.

Advanced Component Development and Prototypes (ACD&P)

This project enables DTRA's Catapult Information System Program to design, develop, test and deliver mission capabilities that support the ability to aggregate and analyze data on global emerging threats, threat actors and threat networks. Catapult enables DTRA to rapidly develop, engineer, test and deploy analytical tools, data science methodologies and software applications in support of the warfighter. Catapult and its associated Attack the Network Tool Suite (ANTS) integrates data sources that support the detection and identification of emerging threats, threat networks and actors, command and control, operations, intelligence, and engagement for neutralizing, attacking and defeating both current and emerging threats and threat networks.

System Development and Demonstration (SDD)

The CWMD Systems Development and Demonstration program supports the development and demonstration of technologies and systems for the CWMD mission, including modeling and simulation (M&S) capabilities, verification and monitoring technologies, and decision support systems. The Mission Assurance Risk Management System (MARMS) is DoW's risk management system that directly supports the Secretary of War's Mission Assurance (MA) responsibilities as defined in the DoD Directive (DoDD) 3020.40; Mission Assurance, with the objectives of creating resilience and supporting critical processes to enable the protection of assets and ensuring defense critical missions across 17 Mission Assurance Related Programs and Activities (MARPA).

Cooperative Threat Reduction (CTR)

The DoW Cooperative Threat Reduction (CTR) Program's mission is to work with foreign partners to secure, eliminate, detect, and interdict WMD-related systems and materials, deter and attribute WMD employment to disincentivize WMD proliferation and provide an early warning of emergent biological threat outbreaks that could affect the U.S. Armed Forces.

The strategic threat reduction objectives for the DoW CTR Program are to:

- Prevent the proliferation and illicit trafficking of WMD-related materials and expertise, including being prepared to secure and eliminate WMD and associated material and delivery systems;
- Constrain and delay adversary WMD and delivery system programs;
- Deter adversary WMD use by denying adversaries the perceived operational and political utility of using WMD;
- Reduce the threat to the U.S. of a deliberate attack, accidental release, or natural outbreak of a high threat pathogen; and
- Prevent the proliferation, acquisition, and use of WMD and related material by non-state actors.

To achieve these objectives, the DoW CTR Program works through five program lines of effort: the Biological Threat Reduction Program (BTRP), the Proliferation Prevention Program (PPP), Global Nuclear Security (GNS), Chemical Security and Elimination (CSE), and Delivery Systems Threat Reduction (DSTR), as well as a supporting line of effort called Other Assessments and Administrative Costs (OAAC).

Biological Threat Reduction Program (BTRP)

The BTRP protects the United States and its Armed Forces from biological threats by enabling partner nations to prevent, detect, and prepare for outbreaks caused by high threat pathogens. BTRP enhances biosafety and biosecurity at facilities that store and handle high threat pathogens to prevent accidental release, theft, or diversion. BTRP currently works regionally and bilaterally with 25 partner nations in Europe, the Middle East and Central Asia, Africa, and the Indo-Pacific.

Sample accomplishments include:

- Completed renovation of the Biosafety Level 3 laboratory at the Foot and Mouth Disease Regional Reference Laboratory in Thailand to strengthen the capability of Thai partners to safely store and secure biological materials and prevent the sale, theft, or accidental release of high threat pathogens.
- Delivered and installed laboratory diagnostic equipment for the Republic of Indonesia Defense University's newly established Biological Safety and Security training laboratory to enhance Indonesia's capability to prevent, detect, diagnose, and report on biological threat incidents.

Proliferation Prevention Program (PPP)

The PPP reduces the domestic requirements to prevent, detect, deter, and interdict the illicit trafficking of WMD materials by enforcing strategic trade controls at partner land and seaports of entry, hardening land borders, and improving maritime domain awareness. PPP currently works regionally and bilaterally in 16 partner nations in Europe, the Middle East, Africa, and the Indo-Pacific.

Sample accomplishments include:

- Delivered WMD detection and interdiction equipment to the Romanian Border Police, to provide Romania the capability to detect and interdict proliferation attempts of WMD components or materials.
- Trained 32 Moldova Border Police Front Line Officers in radiation detection using PPP provided detection devices. The train-the-trainer approach will enable Moldova to sustain the capability.

Global Nuclear Security (GNS)

The GNS Program implements the cooperative dismantlement of nuclear weapons programs, conducts transportation and disposition of fissile and radiological materials from less secure to more secure locations, and secures nuclear weapons, nuclear weapons materials, nuclear weapons components, high-threat radiological material, and related items at the source. GNS currently works in six partner nations in Europe and Eurasia, Central Asia, and the Indo-Pacific, while conducting global efforts to provide nuclear material transportation and disposition.

Sample accomplishments include:

- Completed commissioning, startup, and operationalization of the renovated Kazakhstan National Nuclear Center (NNC) Emergency Technical Center (ETC) heavy equipment garage to consolidate vehicle and field equipment maintenance and sustainment functions at the Semipalatinsk Test Site.
- Conducted a combined Republic of Korea (ROK)-U.S. exercise in the ROK that validated ROK Nuclear Characterization Teams can perform their wartime mission-essential tasks to standard.

Chemical Security and Elimination Program (CSE)

The CSE program eliminates declared chemical weapons stockpiles, related materials, and infrastructure and ensures that dual use chemical weapon precursors are secure, as well as securing associated components, materials, equipment, technology, and expertise. CSE currently works in nine partner nations in Europe, Africa, the Middle East, and the Indo-Pacific, as well maintaining readiness for chemical weapons elimination missions.

Sample accomplishments include:

- Trained 20 personnel from the Royal Moroccan Gendarmerie's Forensic Institute on bio-toxin threat identification, response, and analysis, to give Morocco the capability to identify, characterize, secure, and transport chemicals and biotoxins of security concern.

The Delivery Systems Threat Reduction Program (DSTR)

The DSTR Program supports the cooperative elimination of WMD delivery systems, related materials, and infrastructure, including disposition of interdicted delivery systems and related commodities.

Sample accomplishments include:

- Completed disposition of one million pounds of sodium perchlorate missile fuel precursor seized by a partner nation, preventing the construction and use of several adversary ballistic missiles.

Other Assessment and Administrative Costs (OAAC)

Through OAAC, the DoW CTR Program coordinates its worldwide logistics, including shipping, travel, export controls, and language services, as well as cross-cutting support for the other programs in areas such as acquisition support and cost estimation. OAAC funds the operating costs for DoW CTR offices at U.S. Embassies in partner nations.

Sample accomplishments include:

- Completed operational evaluations of CTR activities in Cameroon and Vietnam, which ensured that CTR-provided assistance was properly accounted for and used effectively and efficiently in accordance with program objectives.

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. During FY 2025, DTRA underwent its third year of financial statement audit performed by Kearney and Company and achieved an Unmodified Opinion. DTRA continues to strive towards excellence and remediate any material weaknesses and identified deficiencies. Details of DTRA's audit performance can be found in the Independent Auditors' Report in Section II.

DTRA's Balance Sheet, Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources have been prepared to report the financial position, condition 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 2024 to FY 2025.



Military members of the Italian and Danish arms control and verification agencies, along with representatives from DTRA, U.S. Department of State, U.S. Army Europe and Africa, and U.S. Air Forces in Europe - Air Forces Africa, visited the 48th Fighter Wing. The exercise included a simulated evaluation designed to reinforce the principles of the 2011 Vienna Document, a politically binding agreement aimed at increasing confidence and security building measures through transparency in the safety and security of military operations among the 57 participating states, encompassing three continents - North America, Europe and Asia.

Summary Table of Key Financial Measures (in thousands)

As of and for the Year-ended September 30, 2025	
Condensed Principal Financial Statements (Amounts in thousands)	FY 2025
Gross Program Cost	\$ 1,935,540
Less Earned Revenue	(61,342)
Net Cost of Operations	1,874,198
Assets:	
Fund Balance with Treasury	1,634,226
Accounts Receivable	306
Other Assets	2,190
Property, Plant & Equipment, Net	64,382
Advances and Prepayments	1,157
Total Assets	1,702,261
Liabilities:	
Accounts Payable	197,397
Federal Employee [& Veteran] Benefits Payable	29,578
Environmental and Disposal Liabilities	9,878
Other Liabilities	5,082
Total Liabilities	241,935
Net Position (Assets minus Liabilities)	\$ 1,460,326

The following is a summary of DTRA's financial statements. The complete statements with accompanying notes are available in Section II of this report.

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 current year position in the Balance Sheet.

Total Assets of \$1.7 billion as of September 30, 2025, consisted primarily of \$1.6 billion in Fund Balance with Treasury (FBWT) and \$64.4 million in General Property, Plant and Equipment (PP&E). The decrease in FBWT by \$143.5 million (8%) is primarily driven by the administration's shift in priorities that mandated eight percentage budget cut across all executive branch agencies.

The PP&E increased by \$13 million (25%) in FY 2025 compared to prior year due to the increase in the software in development balance associated with the Nuclear, Chemical, Biological, Radiological, and high Explosive (NCBRE) Analysis Toolset, A NCBRE Modeling and Simulation Integration Development. Furthermore, in FY 2025, DTRA added 14 new Information Technology and Research and Development capital assets into inventory. DTRA's allocated balance for the right-to-use overseas housing pool leases with Department of State increased due to the change of the allocation percentage from 0.05% to 0.08% for FY 2025.

Total Liabilities of \$241.9 million as of September 30, 2025, consisted primarily of Accounts Payable for \$197.4 million, Federal Employee and Veteran Benefits for \$29.6 million, and Environmental Liabilities for \$9.9 million. Accounts Payable decreased by \$4.6 million (2%) in FY 2025 in comparison to prior year. The decrease was largely a result of the executive order which required agencies to terminate or modify grants and contracts to align spending with priorities.

Statement 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, 2025 decreased by \$95.1 million (4.8%) due to a decrease in Gross Costs by \$90 million (4.4%). The decrease in Gross Costs is primarily attributable to the reduction of funding supporting General Services Administration (GSA) operating costs associated with contract management and administration, including labor, program management, planning, strategy, operational effects, special access programs, and indirect material handling/equipment. Additionally, due to changes in the administration's focus there was a decrease in contracts and a significant decrease in costs due to reductions in grants and a refocus of certain Cooperative Threat Reduction programs.

Statement of Net Changes in Position

The Statement of Changes in Position presents the change in 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, 2025.

Statement 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, 2025 and the status of those budgetary resources. Budget authority is the authority provided to the DTRA by law to enter 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.



Members from the Defense Threat Reduction Agency's (DTRA), Audit Team were announced as the winner of the Large Team Achievement Award from the Society of Defense Financial Management (SDFM), Washington Chapter at a ceremony at the Washington Convention Center, March 26th. Throughout calendar year 2024, this exceptional group of professionals demonstrated unwavering commitment and expertise, leading the way within the Department by earning an unmodified opinion for FY 2024 - in the second year of audit.

Management Assurance (SOA Letter from Director)



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

MEMORANDUM FOR UNDERSECRETARY OF WAR (COMPTROLLER) (OUSW(C))
DEPUTY CHIEF FINANCIAL OFFICER (DCFO)

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year 2025

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, 2025, 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, 2025*: 1) Accounts payable and related expenses, 2) Monitoring and reporting of obligations.

DTRA conducted an internal review surrounding the effectiveness of internal controls over 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 this assessment. DTRA can provide reasonable assurance that controls surrounding the Federal Financial Management Improvement Act (FFMIA) of 1996, Section 803; and OMB Circular No. A-123, Appendix D, are operating effectively.

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, 2025.

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.

A handwritten signature in blue ink, reading "Lyle K. Drew".

LYLE K. DREW
Maj Gen, USAF
Acting Director

SUMMARY OF INTERNAL CONTROLS ASSESSMENT

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.

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 on the system of internal controls. 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, and 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 War (Comptroller) (OUSW(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 OUSW(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 September 30, 2025, except for the material weaknesses reported. DTRA currently has two Internal Controls over Financial Reporting (ICOFR) material weaknesses.

Material Weakness	Corrective Action Plan Summary
1 – Accounts Payable and Related Expenses	Continue implementation of controls and begin automation 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 and begin automation.

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. DTRA's financial management systems substantially comply with the requirements within FFMIA.

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 DoW Chief Information Officer priorities communicated to the DoW 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 tables below show the number of material weaknesses, significant deficiencies, and legal requirements not in compliance because of the internal control results of September 30, 2025.

Audit Opinion	Unmodified for 2025				
Restatement	No				
Material Weaknesses	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Ending Balance
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	1	0	1	0	0
Total MWs	3	0	1	0	2

Audit Opinion	Unmodified for FY 2025				
Restatement	No				
Significant Deficiencies	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Ending Balance
Fund Balance with Treasury	1	0	0	0	1
Total SDs	1	0	0	0	1

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

In accordance with the Interim National Defense Strategic Guidance, DTRA will support the Department in its actions to:

- Defend the Homeland, including by sealing our borders, advancing America's interests in the Western Hemisphere, and defending the American people through President Trump's Golden Dome.
- Deter China in the Indo-Pacific by prioritizing combat credible military forces postured in the Western Pacific to deter by denial.
- Increase burden-sharing with allies and partners to address all threats.

DTRA will continue to prioritize crisis readiness for WMD use by state actors, to include the potential for limited nuclear use, across a range of scenarios. DTRA will identify both internal and CWMD enterprise gaps, seams, and risks to align our crisis decision-making with the Department and the USG, and ensure we can enable the United States to prevail during moments of acute crisis. DTRA will implement the Agency's enhanced crisis response framework and develop crisis readiness training and exercises while improving cross-DoW, interagency, and international cooperation for regional WMD crisis preparedness.





SECTION 2:

FINANCIAL INFORMATION

- Message from the Comptroller
- Independent Auditor's Report
- Response to Independent Auditor
- Principal Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

MESSAGE FROM THE COMPTROLLER



I am honored to join the Acting Director in presenting DTRA's FY 2025 Agency Financial Report, including this year's audited financial statements, on behalf of DTRA. This report reflects DTRA's dedication to accountability and the effective stewardship of the resources entrusted to us. In our third year of a standalone financial statement audit, I am pleased to share that we achieved our second consecutive unmodified opinion.

This accomplishment underscores our shared responsibility for strong internal controls, accurate financial reporting, and the efficient use of taxpayer dollars in pursuit of our mission. We knew sustaining an unmodified opinion would require continued emphasis and determination. Despite this year's challenges, DTRA remained focused on fulfilling the Department's priorities, adapted where needed, and managed to responsibly oversee and account for over \$1.8 billion in taxpayer dollars.

In our role as fiscal stewards, we have thoroughly reviewed our financial management processes as part of our continuous commitment to excellence. We acknowledge the material weaknesses reported and have proactively developed corrective action plans to address the deficiencies, with a focus on understanding root causes. We continue to pursue improvements where we can further automate processes and successfully overcome challenges. Most importantly, our agency continues to be engaged at every level, working tirelessly to ensure we are sustaining mature processes and remediating issues.

DTRA's clean audit opinion is a testament to the collective effort to uphold the public trust and demonstrate sound financial stewardship. We understand auditability cannot be achieved by working in silos. We are thankful to our partners, including the Office of the Under Secretary of War – Comptroller (OUSW(C)), Defense Finance and Accounting Services (DFAS), DoD Inspector General (DoDIG), and the Defense Agencies Initiative (DAI) Program Office for their extraordinary support and will continue to work together and identify opportunities that accelerate auditability for the Department.

As a small agency within the Department, we recognize the opportunity to make a big difference by helping others achieve success in meeting the FY 2028 audit goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Tamer McGuire". The signature is fluid and stylized, with a long horizontal line extending to the right.

Tamer McGuire
Comptroller



Section II: Financial Information

INDEPENDENT AUDITOR'S REPORT

- Report on the Audit of the Financial Statements
- Report on Internal Control over Financial Reporting
- Reporting on Compliance with Laws, Regulations, Contracts and Grant Agreements



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, 2025, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DTRA as of September 30, 2025 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.

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.

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 Agency Financial Report (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
- 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 the Combining Statement of Budgetary Resources 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 the Federal Accounting Standards Advisory Board (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 10, 2025 on our consideration of DTRA's internal control over financial reporting and on our tests of DTRA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DTRA's 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 in considering DTRA's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is stylized and cursive.

Alexandria, Virginia
November 10, 2025



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, 2025, which collectively comprise DTRA's financial statements, and we have issued our report thereon dated November 10, 2025.

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 opinion 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 and II, to be material weaknesses.



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 III, 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.

A handwritten signature in blue ink that reads "Kearney & Company".

Alexandria, Virginia
November 10, 2025



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. In addition to the commercially procured goods listed above, the Defense Threat Reduction Agency (DTRA) enters into Reimbursable Work Order (RWO) agreements to procure goods or services from other entities such as Department of War (DOW) organizations and Federal civilian agencies. DTRA reported \$1.4 billion in gross costs on its SNC for the period ended June 30, 2025 and \$915 million in gross costs on its SNC for the period ended March 31, 2025.

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 the general ledger, Defense Agencies Initiative (DAI). This control process should include a three-way match between the invoice, receiving report, and purchase order. 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 and expenses are recorded in the correct period. 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's internal control over R&A was not operating effectively during FY 2025. While DTRA developed the R&A internal control in 2024, the control was not operating consistently across DTRA Program Offices to promote consistency, sufficiency, and appropriateness of underlying documentation used to support proper R&A of expenditures. Specifically, sample-based testing of non-payroll expenses identified the following tests of operating effectiveness (TOE) deficiencies:

- Five exceptions for which sufficient and appropriate audit evidence was not provided to support that the personnel performing R&A procedures and signing the review checklist was an appropriate individual associated with the contract to be performing R&A
- Seven exceptions for which underlying supporting documentation identified in the review checklist was not readily provided or available during testing procedures.

In addition, FY 2025 testing identified exceptions in four of 111 sampled transactions, resulting in a \$2 million error over expenses. All four exceptions were advance payments which were inappropriately booked as expenses.



Cause: DTRA does not consistently obtain and/or maintain sufficient supporting documentation to validate if goods and services are received prior to accepting the invoice and processing payment. While DTRA has established processes that align with contractual requirements for payment processing, those processes have not yet been consistently implemented across the programs of DTRA to achieve financial reporting objectives. Additionally, DTRA's process for cost classification (e.g., expense or advance) was not consistently implemented across the agency.

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 Advances and Prepayments on the Balance Sheet and Transfers-In/Out Without Reimbursement on the Statement of Changes in Net Position (SCNP). This inhibits DTRA's ability to adequately assert to the validity, accuracy, and completeness of AP and related expenses, as well as other line items, as reflected in the Balance Sheet, SCNP, and SNC.

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

1. Disseminate policy and procedures for the R&A Review Checklist. Team members should also be continually trained across the organization to promote consistency, sufficiency, and appropriateness of documentation used for validation. Specifically, DTRA should:
 - a. Ensure personnel authorized to perform R&A are formally designated by each Program Office.
 - b. Update the 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 receipted.
 - c. Formalize what documentation DTRA will require for proper R&A of goods/services across the organization.
 - d. Ensure documentation is appropriately maintained and made available.
2. 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 advances.
3. Perform monitoring activities and testwork under the DTRA Risk Management and Internal Control Program to determine if new policy and procedures have been implemented and if current internal controls are operating effectively.



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 approximately \$1.1 billion and \$1.0 billion in UDOS on its March 31, 2025 and June 30, 2025 trial balances, respectively. The UDO balances are supported by transactions that detail information such as the document number, obligated amount, undelivered amount, and transaction date, among other unique identifying details for each UDO balance.

In FY 2024, DTRA implemented a control to review and monitor all potentially stale open obligations. This included an adjustment (if applicable) for dormant UDOS, in which DTRA would post an on-the-top journal voucher (JV) to reduce the obligation balance by the amount identified. DTRA's dormant UDO control identifies potentially dormant UDO balances as uncollected orders aged greater than 90 days with no recent expenditure activity.

Agencies should maintain policies and procedures 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 dormant UDO monitoring control was not operating effectively during the FY 2025. Sample-based testing over DTRA's March 31, 2025 balance of open UDOS identified 12 UDOS, totaling \$3.1 million, for which sufficient, appropriate audit evidence could not be provided to demonstrate the obligation should remain open. These were determined to be invalid due to expiration of the period of performance, expired fund availability, and/or lack of recent activity.

Cause: DTRA did not sufficiently implement controls during FY 2025 to ensure invalid UDOS were not reported on Line 2190, *New Obligations and Upward Adjustments (Total)*, of the Statement of Budgetary Resources (SBR). Although DTRA management performed a review of open obligation balances, errors noted in the condition still existed within the population. Responses to data calls and information received to determine the validity of open obligations were not always sufficiently clear, consistent, and informative for DTRA management to make decisions over the validity and amount of UDO balances.

Effect: When DTRA's internal controls over dormant UDOS are not operating effectively, there is an increased risk that a material misstatement may exist in DTRA's financial statements. Line 2190, *New Obligations and Upward Adjustments (Total)*, of the SBR is potentially misstated by at least \$3.1 million as of March 31, 2025; however, it is likely that additional errors exist within the population.



Recommendations: Kearney recommends that DTRA perform the following:

1. Continue to assess the current internal control environment to ensure processes in place to effectively monitor and assess the validity of open UDOs at the Contracting Officer's Representative (COR)/Contracting Officer (CO) level are being performed appropriately and as designed.
2. Continue to implement quarterly certification of monitoring activities to effectively ensure UDOs are appropriately being monitored and the clean-up initiative is performed timely.
3. Continue to coordinate 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.

* * * * *



Significant Deficiency

III. 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 War (DOW) 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 DOW 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 DOW 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 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, 2025, 18 of 199 samples selected from the Suspense UoT were identified as containing summary lines. 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.

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. DTRA’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, resulting in them being unavailable for financial reporting.

The quarterly materiality assessments, prepared by DTRA’s service organization, 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 Suspense UoT 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 due to the inability of DTRA’s service organization to provide additional sample documentation timely as sample numbers increase with each new summary line.

Recommendations: 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 War (OSW), 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 SOD transactions timely.
6. Continue to develop and implement procedures to resolve differences between the CMR and CARS monthly and identify the agencies for which the differences impact.
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 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, FY inputs, and DOW 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. Assess and identify ALCs that primarily report collection and disbursement activity to Treasury on behalf of DTRA.

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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, 2025, which collectively comprise DTRA's financial statements, and we have issued our report thereon dated November 10, 2025.

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 is described in the accompanying **Schedule of Finding** as Item I.

The results of our tests of compliance with FFMIA disclosed no instances in which 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.

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 report. 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 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.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia
November 10, 2025



Schedule of Finding

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) 2025 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, 2025 as a result of material weaknesses identified.

* * * * *

RESPONSE TO INDEPENDENT AUDITOR



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

November 10, 2025

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) 2025 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 2025 corrective actions helped moved us forward, we will focus on automation in FY 2026. 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.

DTRA appreciates the audit insight and where observations were identified, we immediately started working on corrections. 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,

A handwritten signature in blue ink that reads "Bridget A. Collins".

Bridget Collins
Chief, Finance and Accounting

PRINCIPAL FINANCIAL STATEMENTS

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

Balance Sheet - Presents DTRA's financial position as of September 30, 2025. 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.

Statements of Net Cost - Presents the Net Cost of DTRA's operations by major program for the year ended September 30, 2025. 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.

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 year ended September 30, 2025.

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 year ended September 30, 2025.



Members of the Defense Threat Reduction Agency (DTRA) in continued partnership with the Government of Armenia (GoAM), conducted a five-day, multiple-location, Counter-Weapons of Mass Destruction Field Training Exercise (FTX) throughout Armenia. The goals and objectives for the FTX involved identifying gaps and training GoAM personnel so the United States Government can assess and assist other Armenian interagency partners with fulfilling those gaps outside of the exercise. The week-long FTX consisted of multiple scenarios touching all aspects of WMD threats in the Chemical, Biological, Radiological, and Nuclear (CBRN) space.

Balance Sheet

As of September 30, 2025	2025
(Amounts in thousands)	
Assets	
Intragovernmental:	
Fund Balance with Treasury (Note 2)	\$ 1,634,226
Accounts Receivable, Net (Note 3)	127
Other Assets (Note 5)	2,190
Total Intragovernmental	1,636,543
Other Than Intragovernmental:	
Accounts Receivable, Net (Note 3)	179
General Property, Plant and Equipment, Net (Note 4)	64,382
Advances and Prepayments (Note 5)	1,157
Total Other Than Intragovernmental	65,718
Total Assets	\$ 1,702,261
Stewardship PP&E (Note 4)	
Liabilities (Note 6)	
Intragovernmental:	
Accounts Payable	\$ 26,447
Other Liabilities (Notes 7 and 9)	1,747
Total Intragovernmental	28,194
Other Than Intragovernmental:	
Accounts Payable	170,950
Federal Employee Salary, Leave, and Benefits Payable (Note 7)	27,020
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 7)	2,558
Environmental and Disposal Liabilities (Note 8)	9,878
Other Liabilities (Notes 9, 10 and 11)	3,335
Total Other Than Intragovernmental	213,741
Total Liabilities	\$ 241,935
Commitments and Contingencies (Note 11)	
Net Position:	
Unexpended Appropriations - Funds Other than Dedicated Collections	\$ 1,435,220
Cumulative Results of Operations - Funds from Dedicated Collections (Note 12)	(153)
Cumulative Results of Operations - Funds Other than Dedicated Collections	25,259
Total Cumulative Results of Operations (Consolidated)	25,106
Total Net Position	\$ 1,460,326
Total Liabilities and Net Position	\$ 1,702,261

Statement of Net Cost

For the periods ended September 30, 2025	2025
(Amounts in thousands)	
Program Costs (Note 13)	
Gross Costs	\$ 1,935,540
Operations, Readiness & Support	1,250,198
Procurement	8,852
Research, Development, Test & Evaluation	676,490
(Less: Earned Revenue)	(61,342)
Net Program Costs before Losses/(Gains) from Actuarial Assumptions	1,874,198
Net Program Costs Including Assumption Changes	1,874,198
Net Cost of Operations	\$ 1,874,198

Statement of Changes in Net Position

As of September 30, 2025	2025
(Amounts in thousands)	
UNEXPENDED APPROPRIATIONS	
Beginning Balances (Includes Funds from Dedicated Collections - See Note 12)	\$ 1,575,007
Appropriations received	1,851,413
Appropriations transferred in/out	(2,901)
Other adjustments (+/-)	(126,306)
Appropriations used	(1,861,993)
Net Change in Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 12)	(139,787)
Total Unexpended Appropriations, Ending Balance (Includes Funds from Dedicated Collections - See Note 12)	\$ 1,435,220
CUMULATIVE RESULTS OF OPERATIONS	
Beginning Balances (Includes Funds from Dedicated Collections - See Note 12)	\$ 14,871
Appropriations used	1,861,993
Donations and forfeitures of cash and cash equivalents	9
Transfers in/out without reimbursement	(310)
Imputed financing	22,753
Other	(12)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 12)	1,874,198
Net Change in Cumulative Results of Operations	10,235
Cumulative Results of Operations, Ending (Includes Funds from Dedicated Collections - See Note 12)	25,106
Net Position	\$ 1,460,326

Statement of Budgetary Resources

As of September 30, 2025	2025
(Amounts in thousands)	
Budgetary Resources:	
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 14)	\$ 522,987
Appropriations (discretionary and mandatory)	1,760,465
Spending Authority from offsetting collections (discretionary and mandatory)	64,364
Total Budgetary Resources	\$ 2,347,816
Status of Budgetary Resources:	
New obligations and upward adjustments (total)	1,862,590
Unobligated balance, end of year:	
Apportioned, unexpired accounts	366,005
Unapportioned, unexpired accounts	602
Unexpired unobligated balance, end of year	366,607
Expired unobligated balance, end of year	118,619
Unobligated balance, end of year (total)	485,226
Total Budgetary Resources	\$ 2,347,816
Outlays, Net:	
Outlays, net (total) (discretionary and mandatory)	\$ 1,865,696
Agency Outlays, net (discretionary and mandatory)	\$ 1,865,696

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 War (DoW). DTRA provides cross-cutting solutions to enable the DoW, 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 DoW reporting because they are offset by assets and liabilities of another U.S. Government entity or another DoW Component. DTRA and other DoW 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 0001 on DTRA's financial statements. These financial statements should be read with the realization they are for a component of DoW 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.

DTRA 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.

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 War's (DoW'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 2, 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 DoW 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 mission, 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 12, 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 13, 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 activities 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 DoW 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 DoW employees hired prior to January 1, 1987, participate in the Civil Service Retirement System (CSRS), while the majority of DoW 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 7, Federal Employee and Veteran Benefits Payable and Note 13, General Disclosures Related to the Statement of Net Cost, for additional information.

Note 2. Fund Balance with Treasury

Table 2. Status of Fund Balance with Treasury

As of September 30	2025
(Amounts in thousands)	
1. Unobligated Balance:	\$ 485,225
2. Obligated Balance not yet Disbursed	1,220,733
3. Non-FBWT Budgetary Accounts:	
A. Unfilled Customer Orders without Cash Advances	(70,672)
B. Budgetary Receivables from Federal Sources	(1,060)
Total Non-FBWT Budgetary Accounts	<u>(71,732)</u>
4. Total FBWT	\$ <u>1,634,226</u>

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 2, 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.

Note 3. Accounts Receivable, Net

Table 3. Accounts Receivable, Net

As of September 30	2025		
	Gross Amount Due	Allowance For Uncollectible Accounts	Accounts Receivable, Net
(Amounts in thousands)			
1. Intragovernmental	\$ 127	\$ 0	\$ 127
2. Other than Intragovernmental	184	(5)	179
3. Totals	\$ 311	\$ (5)	\$ 306

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.

DFAS performs a statistical analysis of the Non-Federal uncollectible balance on a monthly basis. 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 DFAS’ methodology for calculating Federal uncollectible balances, all DTRA Intra-governmental receivables are deemed collectible and no allowance for doubtful accounts is required.

*Note 4. General and Right-to-Use PP&E, Net***Table 4A. Major General and Right-to-Use PP&E Asset Classes**

As of September 30	2025				
	Deprecia- tion/ Amorti- zation Method	Service Life (Years)	Acquisition Value	(Accumulated Deprecia- tion/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Internal Use Software	S/L	2-5 or 10	\$ 26,995	\$ 0	\$ 26,995
B. General Equipment	S/L	Various	74,194	(44,427)	29,767
C. Right-to-Use Lease Asset	S/L	Lease term	3,208	(752)	2,456
D. Construction-in-Progress	N/A	N/A	5,164	N/A	5,164
E. Total General and Right-to-Use PP&E			\$ 109,561	\$ (45,179)	\$ 64,382

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.

**Estimated useful service life of capitalized IUS is determined during the planning phase of IUS development and is based on how long the IUS is expected to provide economic benefit or service potential to the Department. Estimated useful service life of licensed IUS is the term of the license agreement, or 5 years for perpetual licenses

Table 4B. Reconciliation: General and Right-to-Use PP&E, Net

For the period ended September 30	2025
(Amounts in thousands)	
1. Balance beginning of year	\$ 51,411
2. Capitalized acquisitions	16,310
3. Right-to-use lease assets	1,142
4. Amortization of right-to-use lease assets	(448)
5. Dispositions	15
6. Transfers in/(out) without reimbursement	(310)
7. Revaluations (+/-)	1,800
8. Depreciation expense	(5,538)
9. Balance end of year	\$ 64,382

Table 4C. Heritage Assets

For the Period Ended September 30 (physical count)	2025			
Categories:	Beginning Balance	Additions	(Withdrawals)	Ending Balance
Museum Collection Items (Objects, Not Including Fine Art)	1,640	0	(1,499)	141

DTRA's General 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 asset. DTRA's PP&E net book value balance total to \$64.4 million.

General PP&E assets are capitalized when an asset has a useful life of two or more years and the acquisition cost equals or exceeds the relevant capitalization threshold. The costs of modifications/improvements to existing General 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 General PP&E assets is \$250,000.

DTRA establishes its useful lives of assets based on asset class in accordance with policy provided in Department of War (DoW) Financial Management Regulation (FMR) Volume 4, Chapter 25. DTRA depreciates all General 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.

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

Contactor-Acquired Property (CAP) is General PP&E acquired by a contractor on behalf of DTRA for performing a contract, where the government will ultimately hold the title to the General 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 the Department's Balance Sheet when title passes to the Department or when the General PP&E is delivered to the Department.

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 10, Leases.

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

DTRA does not have any deferred maintenance and repairs to be reported in FY 2025. DTRA's general equipment is used for a wide range of activities focused on countering WMD and emerging threats. Given the critical nature and operational use of DTRA's capital assets, all essential repairs and maintenance are completed as necessary with the current year fund. A substantial portion of these assets support training programs and daily IT functions, underscoring the importance of their continued maintenance and reliability.

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 historical, natural, cultural, educational, architectural, or artistic significance.

DTRA does not maintain Stewardship Land. DTRA acquires heritage assets through purchase, transfer from other agencies, donation, or other means. Many of the heritage assets are located at Nuclear Weapons Instructional Museum (NWIM) at Kirtland Air Force Base, New Mexico. They are major components of weapon casings, foreign missile delivery system models and nuclear weapon models. The overall condition of the museum collection is well maintained by the professional care from trained conservators to improve exhibit/storage conditions.

The Defense Nuclear Weapons School (DNWS) provides training on various aspects of counter weapons of mass destruction (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.

DTRA defines heritage assets as museum collection items: focusing on preservation, display, and study of assets and having connection to DTRA or nuclear weapons history in the U.S. Additional criteria were considered in the determination of the heritage asset included: the asset's replaceability in case of damage or loss; its rarity and potential replacement cost; and DTRA's commitment to preserving the item in perpetuity.

For fiscal year 2025, DTRA leadership approved a refined definition and criteria for items to be classified as "heritage asset". By applying the approved definition and criteria, DTRA was able to refine the fiscal year 2024 list to a more accurate representation of DTRA's most significant and historically valuable holdings classified under heritage assets. The revised list is better aligning with DTRA leadership's standards and guidelines. Assets that no longer met the updated definition were reclassified from the heritage asset category.

A comprehensive re-evaluation of all previously reported heritage assets based on the revised criteria resulted in a reduction from 1,640 to 141 assets as of September 30, 2025.

In conjunction with this effort, DTRA transitioned from a manual tracking method to the use of its Accountable Property System of Record (APSR) system for recording and maintaining heritage asset information. Heritage assets are now tracked in DTRA's property system, Enterprise Logistics Management System (ELMS). This system-based approach enhances the accuracy, traceability, and governance of heritage asset records.

Note 5. Other Assets

Table 5. Other Assets

As of September 30	2025
(Amounts in thousands)	
1. Intragovernmental	
A. Advances and Prepayments	\$ 2,190
B. Total Intragovernmental	2,190
2. Other than Intragovernmental	
A. Advances and Prepayments	1,157
B. Subtotal	1,157
C. Less: Advances and Prepayments totaled and presented on the Balance Sheet as "Advances and Prepayments"	(1,157)
D. Net Other than Intragovernmental	0
3. Total Other Assets	\$ 2,190

Intragovernmental Advances and Prepayments are amounts advanced or prepaid to other 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 and Department of Transportation.

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 6. Liabilities Not Covered by Budgetary Resources

Table 6. Liabilities Not Covered by Budgetary Resources

As of September 30	2025
(Amounts in thousands)	
1. Intragovernmental Liabilities	
A. Accounts Payable	\$ 34
B. Other	543
C. Total Intragovernmental Liabilities	<u>577</u>
2. Other than Intragovernmental Liabilities	
A. Accounts payable	6
B. Federal employee salary, leave, and benefits payable	21,018
C. Pension, post-employment, and veterans benefits payable	2,558
D. Environmental and disposal liabilities	9,878
E. Other liabilities	3,335
F. Total Other than Intragovernmental Liabilities	<u>36,795</u>
3. Total Liabilities Not Covered by Budgetary Resources	37,372
4. Total Liabilities Covered by Budgetary Resources	<u>204,563</u>
5. Total Liabilities	<u>\$ 241,935</u>

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 2.648% was assumed for year one and years thereafter. An interest rate for medical benefits of 2.399% 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 2025, these liabilities primarily consist of \$21.0 million in accrued unfunded annual leave and \$2.6 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 DoW by the Department of Labor for FECA payments made on the DoW's behalf, is also included. This liability will be funded by future years' budgetary resources.

Environmental and Disposal Liabilities represents the Department's liability for existing and anticipated environmental clean-up and disposal. Refer to Note 8, 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).

Total Liabilities Covered by Budgetary Resources represents all funded liabilities.

Note 7. Federal Employee and Veterans Benefits Payable

Table 7A. Federal Employee and Veteran Benefits Liability

As of September 30	2025		
	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)			
1. Other Benefits			
A. FECA	\$ 2,558	0	\$ 2,558
B. Total Other Benefits	2,558	0	2,558
2. Pensions, other Post-employment, and Veteran Benefits Payable (presented separately on the Balance Sheet)	2,558	0	2,558
3. Federal Employee Salary, Leave, and Benefits Payable	27,020	(6,002)	21,018
4. Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	1,747	(1,204)	543
5. Total Federal Employee and Veteran Benefits Payable	\$ 31,325	\$ (7,206)	\$ 24,119

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: \$7.2 Million

Note 8. Environmental and Disposal Liabilities

Table 8. Environmental and Disposal Liabilities

As of September 30	2025
(Amounts in thousands)	
1. Environmental and Disposal Liabilities—Other than Intragovernmental	
A. Other Accrued Environmental Liabilities—Non-BRAC	
1. Other	\$ 9,878
Total Other Accrued Environmental Liabilities—Non-BRAC	9,878
2. Total Environmental and Disposal Liabilities	\$ 9,878

Other Accrued Environmental Liabilities (non-BRAC)

- Other: \$9.9 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 2.2% 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 9. Other Liabilities

Table 9. Other Liabilities

As of September 30	2025		
	Current Liability	Non-Current Liability	Total
(Amounts in thousands)			
1. Intragovernmental			
A. Other Liabilities reported on Note 7, <i>Federal Employee and Veterans Benefits Payable</i>	\$ 1,446	\$ 301	\$ 1,747
B. Total Intragovernmental	1,446	301	1,747
2. Other than Intragovernmental			
A. Contingent liabilities	850	0	850
B. Right-to-use lease liability	0	2,485	2,485
C. Total Other than Intra-governmental	850	2,485	3,335
3. Total Other Liabilities	\$ 2,296	\$ 2,786	\$ 5,082

Other Liabilities reported on Note 9 above and in Note 7, *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 DoW by the Department of Labor for FECA payments made on the DoW'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 6, Liabilities Not Covered by Budgetary Resources.

Note 10: Leases

DTRA has four intragovernmental building operating leases with annual renewal and 90 days advance notice for termination with an annual lease expense of \$21.7 million. In addition, DTRA also has vehicles and equipment intragovernmental leases with an annual lease expense of \$1.2 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, 2025 is 0.08% and estimated total future lease payments is \$3.1 million. These future lease payments will be funded by future year's budgetary resources. The discount rates used to calculate the right-to-use leases 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 right to use asset balance is reported in Note 4 General PP&E and the lease liability balance is reported in Note 9 Other Liabilities.

Table 10A. Entity as Lessee - Future Payments Right-to-Use Leases

As of September 30	2025											
	Asset Category											
	Principal				Interest				Total			
(Amounts in thousands)	Land and Build-ings	Equip-ment	Other	Total	Land and Buildings	Equip-ment	Other	Total	Land and Build-ings	Equip-ment	Other	Total
2026	407	0	0	\$ 407	106	0	0	\$ 106	513	0	0	\$ 513
2027	369	0	0	369	88	0	0	88	457	0	0	457
2028	309	0	0	309	72	0	0	72	381	0	0	381
2029	264	0	0	264	59	0	0	59	323	0	0	323
2030	219	0	0	219	48	0	0	48	267	0	0	267
2031-2035	576	0	0	576	136	0	0	136	712	0	0	712
2036 and After	341	0	0	341	102	0	0	102	443	0	0	443
Total	2,485	0	0	\$ 2,485	611	0	0	\$ 611	3,096	0	0	\$ 3,096

Note 11: 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 the event of an unfavorable judgment against the Government, some of the settlements are expected to be paid from the Treasury Judgment Fund. In most cases, DTRA does not have to reimburse the Judgment Fund; reimbursement is only required when the case comes under either the Contracts Disputes Act or the No FEAR Act.

In accordance with SFFAS 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. The presented amounts accrued for legal contingent liabilities are included within the contingent liabilities amount reported in Note 9, Other Liabilities.

For 4th Quarter, FY 2025, DTRA accrued \$850 thousand of contingencies related to employment matters where the likelihood of an unfavorable outcome is probable.

Table 11A. Summary of Legal Contingent Liabilities

As of September 30 (Amounts in thousands)	2025				
	Accrued Liabilities		Estimated Range of Loss		
			Lower End	Upper End	
Legal Contingent Liabilities					
Probable	\$	850	\$	850	\$ 1,150
Reasonably Possible	\$	0	\$	0	\$ 0

*Note 12: Funds from Dedicated Collections***Table 12A. Balance Sheet — Funds from Dedicated Collections**

As of September 30 (Amounts in thousands)	2025						
	Harbor Maintenance and Related Funds	Rivers and Harbors Contributed and	Burden Sharing and Relocation Activities	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	\$ 0	0	0	(153)	(153)	0	(153)
Total Intragovernmental Assets	0	0	0	(153)	(153)	0	(153)
Total Assets	0	0	0	(153)	(153)	0	(153)
Total Liabilities	0	0	0	0	0	0	0
Cumulative results of operations	0	0	0	(153)	(153)	0	(153)
Total Liabilities and Net Position	\$ 0	0	0	(153)	(153)	0	(153)

Table 12B. Statement of Net Cost — Funds from Dedicated Collections

For the period ended September 30 (Amounts in thousands)	2025						
	Harbor Maintenance and Related Funds	Rivers and Harbors Contributed and	Burden Sharing and Relocation Activities	Other Funds	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collections Funds	Total Funds from Dedicated Collections (Consolidated)
Gross program costs	\$ 0	0	0	935	935	0	935
Net program costs	0	0	0	935	935	0	935
Net Cost of Operations	\$ 0	0	0	935	935	0	935
For the period ended September 30 (Amounts in thousands)	2025						
	Harbor Maintenance and Related Funds	Rivers and Harbors Contributed and	Burden Sharing and Relocation Activities	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	\$ 0	0	0	773	773	0	773
Beginning balance, as adjusted				773	773	0	773
Donations and forfeitures of cash and cash equivalents	0	0	0	9	9	0	9
Net cost of operations	0	0	0	935	935	0	935
Net Change in Cumulative Results of Operations	0	0	0	(926)	(926)	0	(926)
Net Position, end of period	\$ 0	0	0	(153)	(153)	0	(153)

The abnormal balance reported in FY2025 for Total Liabilities and Net Position in Table 12A. Balance Sheet — Funds from Dedicated Collections and Net Position, end of period in Table 12C. Statement of Changes in Net Position — Funds from Dedicated Collections is driven by an appropriation (BS5751) for Cooperative Threat Reduction (CTR) contributions. Specifically, the abnormal balance is caused by known variances related to duplicate disbursements and return of funds to foreign contributors within X-Year funds. A corrective action plan and coordination with DFAS is currently in place to resolve these variances.

Note 13: Disclosures Related to the Statement of Net Cost

Suborganization Program Net Costs

Table 13. Supporting Schedule by Suborganization

This table is designated for component use only and should not be utilized for agency-wide reporting.

For the Period Ended September 30	2025
(Amounts in thousands)	
Operations, Readiness & Support	
1. Gross Cost	\$ 1,250,198
2. Less: Earned Revenue	(51,343)
Net Program Cost	1,198,855
Procurement	
1. Gross Cost	8,852
2. Less: Earned Revenue	0
Net Program Cost	8,852
Research, Development, Test & Evaluation	
1. Gross Cost	676,490
2. Less: Earned Revenue	(9,999)
Net Program Cost	666,491
Consolidated	
1. Gross Cost	1,935,540
2. Less: Earned Revenue	(61,342)
Total Net Cost	\$ 1,874,198

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.

Note 14: Disclosures Related to the Statement of Budgetary Resources**Table 14A. Net Adjustments to Unobligated Balance, Brought Forward, October 1**

For the Period Ended September 30	2025
(Amounts in thousands)	
1000. Unobligated balance brought forward, October 1	\$ 432,653
1010. Unobligated balance transferred to other accounts	(2,953)
1020. Adjustment to unobligated balance brought forward, October 1	9
1021. Recoveries of prior year unpaid obligations	128,152
1029. Other balances withdrawn to Treasury	(35,307)
1033. Recoveries of prior year paid obligations	433
1071. Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 522,987

Table 14B. Budgetary Resources Obligated for Undelivered Orders at the End of the Period

As of September 30	2025
(Amounts in thousands)	
1. Intragovernmental:	
A. Unpaid	\$ 204,501
B. Prepaid/Advanced	2,190
C. Total Intragovernmental	<u>206,691</u>
2. Other Than Intragovernmental:	
A. Unpaid	811,602
B. Prepaid/Advanced	1,157
C. Total Other Than Intragovernmental	<u>812,759</u>
3. Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ <u>1,019,450</u>

DTRA manages six different appropriations and one special fund. All six appropriations are classified as general funds and the special fund is designated for the receipt of money from Contributors. Below are the listing of purpose and availability of each fund:

Symbol	Appropriation Title	Period of Availability	Budget Enforcement Act (BEA) Category
097*0100	Operation and Maintenance (O&M)	1 Year	Discretionary
097*0134	Cooperative Threat Reduction (CTR)	3 Years	Discretionary
097*0300	Procurement, Defense-Wide (Procurement)	3 Years	Discretionary
097*0400	Research, Development, Test, and Evaluation, Defense-Wide (RDT&E)	2 Years	Discretionary
097*0500	Military Construction (MILCON)	5 Years	Discretionary
097*2093	Joint Improvised-Threat Defeat Fund (JIDO)	3 Years	Discretionary
097*5751	Cooperative Threat Reduction Contribution	4 Years	Mandatory

The National Defense Authorization Act (NDAA) of 2010 authorizes the DoD CTR program to enter into agreements and receive contributions from a foreign government, international organization, or multinational entity (also known as a Contributor). The public law 111-84, sec 1303, grants the authority for the use of contributions to the Department of Defense CTR program as defined under the memorandum of agreement. The public law also stipulated that contributions must be returned to the contributor if they are not obligated or expended within three years.

DTRA has extensive Congressional reporting requirements for the use of funds within CTR program that reflects the importance of ensuring transparency and accountability in the use of funds for Weapon of Mass Destruction (WMD) threat reduction. The reporting requirements are typically outlined in the annual NDAA with the specifics may vary from year to year. At minimum, DTRA is also required to provide congressional notification at least 15 days before obligating CTR funds.

Note 15: Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Table 15. Reconciliation of Net Operating Cost & Net Budgetary Outlays

As of September 30	2025		
	Intragovernmental	Other than Intragovernmental	Total
(Amounts in thousands)			
1. Net Operating Cost (Revenue) reported on Statement of Net Cost	\$ 349,727	\$ 1,524,470	\$ 1,874,197
Components of Net Operating Cost Not Part of the Budgetary Outlays			
2. Property, plant, and equipment depreciation expense		(5,538)	(5,538)
3. Property, plant, and equipment disposals and revaluations		1,505	1,505
4. Lessee Lease Amortization		(448)	(448)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
5. Accounts receivable, net	(273)	(21)	(294)
6. Advances and Prepayments	(2,898)	1,157	(1,741)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
7. Accounts payable	(11,145)	15,782	4,637
8. Environmental and disposal liabilities		(213)	(213)
9. Federal employee salary, leave, and benefits payable		(309)	(309)

As of September 30	2025		
	Intragovernmental	Other than Intragovernmental	Total
10. Veterans, pensions, and post employment-related benefits		983	983
11. Other liabilities	(113)	(850)	(963)
Financing Sources:			
12. Imputed Cost	(22,753)	0	(22,753)
13. Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(37,182)	12,048	(25,134)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
14. Acquisition of capital assets	0	16,310	16,310
Financing Sources:			
15. Donated Revenue	0	(9)	(9)
16. Transfers out (in) without reimbursements	310	0	310
17. Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	310	16,301	16,611
Miscellaneous Items			
18. Custodial/Non-exchange revenue	0	13	13
19. Appropriated Receipts for Trust/Special Funds	0	9	9
20. Total Other Reconciling Items	0	22	22
21. Total Net Outlays (Calculated Total)	\$ 312,855	\$ 1,552,841	\$ 1,865,696
22. Budgetary Agency Outlays, Net (SBR)		\$	1,865,696
23. Unreconciled Difference		\$	0

REQUIRED SUPPLEMENTARY INFORMATION

Combining Statement of Budgetary Resources

As of September 30, 2025 (Amounts in thousands)	Operations Readiness & Support	Procurement	Research, Development, Test & Evaluation	Military Construction / Family Housing	FY 2025 Total
Unobligated balance from prior year budget authority net (discretionary and mandatory) (Note 14)	\$ 372,769	25,188	124,457	573	\$ 522,987
Appropriations (discretionary and mandatory)	1,107,857	14,966	637,833	(191)	1,760,465
Spending Authority from offsetting collections (discretionary and mandatory)	50,908	0	13,456	0	64,364
Total Budgetary Resources	1,531,534	40,154	775,746	382	2,347,816
Status of Budgetary Resources:					
New obligations and upward adjustments (total)	1,185,949	13,652	662,884	105	1,862,590
Unobligated balance, end of year:					
Apportioned, unexpired accounts	258,246	26,398	81,342	19	366,005
Unapportioned, unexpired accounts	602	0	0	0	602
Unexpired unobligated balance, end of year	258,848	26,398	81,342	19	366,607
Expired unobligated balance, end of year	86,737	104	31,520	258	118,619
Unobligated balance, end of year (total)	345,585	26,502	112,862	277	485,226
Total Budgetary Resources	1,531,534	40,154	775,746	382	2,347,816
Outlays, Net:					
Outlays, net (total) (discretionary and mandatory)	1,178,986	8,837	677,081	792	1,865,696
Agency Outlays, net (discretionary and mandatory)	\$ 1,178,986	8,837	677,081	792	\$ 1,865,696



SECTION 3:

OTHER INFORMATION

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

Section III: Other Information

In accordance with OMB Circular 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.



Military personnel from the 113th Wing, 316th Medical Group, 317th Recruiting Squadron, and Defense Threat Reduction Agency attended the Seventh Annual Aerospace Summit at Joint Base Andrews. The summit featured exhibits and demonstrations in science, technology, engineering, art and mathematics. More than 250 students from eight Maryland high schools engaged in drone operations, virtual reality simulations, medical procedures and chemical warfare identification. DTRA hosted an “escape room” featuring chemistry, radiology, and bioscience activities, along with sessions about the agency’s mission.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables below represent summary information on the results of the FY 2025 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.

Summary of Financial Statement Audit

Audit Opinion	Unmodified for 2025				
Restatement	No				
Material Weaknesses	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Ending Balance
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	1	0	1	0	0
Total MWs	3	0	1	0	2

Audit Opinion	Unmodified for FY 2025				
Restatement	No				
Significant Deficiencies	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Ending Balance
Fund Balance with Treasury	1	0	0	0	1
Total SDs	1	0	0	0	1

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Statement of Assurance	Modified				
Material Weaknesses	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Ending Balance
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	1	0	1	0	0
Total MWs	3	0	1	0	2

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
Material Weaknesses	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total MWs	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Nonconformances	Beginning Balance from FY 2024	New for FY 2025	Resolved	Consolidated	Reassessed	Ending Balance
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
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

MANAGEMENT AND PERFORMANCE CHALLENGES

In FY 2025, the DoDIG issued the following top DoW Management and Performance Challenges:

- 1. Increasing Military Readiness
- 2. Strengthening the Capabilities and Capacities of Allies and Partners
- 3. Protecting Defense Critical Infrastructure
- 4. Improving Financial Management
- 5. Improving Quality of Life for Military Families
- 6. Building the Future Force

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

Challenges	Key Concerns
1. Increasing Military Readiness	<ul style="list-style-type: none">• Shortages of military recruits, civilian personnel, and military healthcare workers• Aging equipment and inadequate maintenance• Barriers to Service member healthcare access
2. Strengthening the Capabilities and Capacities of Allies and Partners	<ul style="list-style-type: none">• Increased global influence from the People’s Republic of China and Russia• Limited oversight of security cooperation efforts• Obstacles to information sharing and interoperability with partners
3. Protecting Defense Critical Infrastructure	<ul style="list-style-type: none">• Continued cyber threats to defense critical infrastructure networks and the defense industrial base• Vulnerability to climate and extreme weather
4. Improving Financial Management	<ul style="list-style-type: none">• Inadequate controls over financial data and accounting records• Shortages of skilled personnel• Outdated financial data management systems• Inconsistent availability of resources
5. Improving Quality of Life for Military Families	<ul style="list-style-type: none">• Inconsistent availability, quality, and cost of healthcare, housing, and childcare• Limited spousal support opportunities• Barriers to financial stability• Limited availability and quality of beneficiary programs
6. Building the Future Force	<ul style="list-style-type: none">• Delayed and over budget acquisitions• Adverse effects of the consolidated defense industrial base• Inconsistent administration of modernization programs• Increased competition in cyber, space, and electromagnetic operations

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.



APPENDICES

- Appendix A: Acronym List
- Appendix B: Connect with DTRA

Appendix A: Acronym List

ACRONYM	DEFINITION
ADA	Antideficiency Act
ACD&P	Advanced Component Development and Prototypes
ADMB	Agent Defeat Modeling and Simulation Baseline
AFSWP	Armed Forces Special Weapons Project
ANTS	Attack the Network Tool Suite
APSR	Accountable Property System of Record
ATD	Advanced Technology Development
BTRP	Biological Threat Reduction Program
CBDP	Chemical Biological Defense Program
CBRN	Chemical Biological Radiological and Nuclear
CCMD	Combatant Command
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CFO	Chief Financial Officers
CIP	Construction-in-Progress
CMR	Cash Management Report
COLA	Cost of Living Adjustments
CONUS	Continental United States
CPI	Consumer Price Index
CPIM	Consumer Price Index Medical
CSE	Chemical Security and Elimination
CSRS	Civil Service Retirement System
CT	Cooperative Threat Reduction Directorate
CTBTO	Comprehensive Nuclear Test Ban Treaty Organization
CTR	Cooperative Threat Reduction
CW	Chemical Weapons
CWMD	Countering Weapons of Mass Destruction
DAI	Defense Agencies Initiative
DCAS	Defense Casualty Analysis System
DERP	Defense Environmental Restoration Program
DNWS	Defense Nuclear Weapons School
DoD	Department of Defense
DoDD	DoD Directive
DoE	Department of Energy
DoL	Department of Labor
DoT	Department of Treasury
DoW	Department of War
DSTR	Delivery Systems Threat Reduction
DTRA	Defense Threat Reduction Agency
ELMS	Enterprise Logistics Management System
eNWEDS	Enhanced Nuclear Weapons Effects Database

ACRONYM	DEFINITION
ERM	Enterprise Risk Management
ETC	Emergency Technical Center
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
GAO	Government Accountability Office
GNS	Global Nuclear Security
GPRA	Government Performance and Results Act
GSA	General Services Administration
ICOFr	Internal Control over Financial Reporting
IMEA	Integrated Munitions Effect Assessment
IPA	Independent Public Accountant
IPERA	Improper Payments Elimination and Recovery Act of 2010
KAFB	Kirtland Air Force Base
M&S	Modeling & Simulation
MA	Mission Assurance
MARMS	Mission Assurance Risk Management System
MARPA	Mission Assurance Related Programs and Activities
MWs	Material Weaknesses
NACT	Nuclear Arms Control Technology
NATO	North Atlantic Treaty Organization
NDS	National Defense Strategy
NIF	National Ignition Facility
NNC	National Nuclear Center
NPR	Nuclear Posture Review
NUCS	Nuclear Capabilities Services
NWIM	Nuclear Weapons Instructional Museum
OAAC	Other Assessments and Administrative Costs
OI	Operations and Integration Directorate
OMB	Office of Management and Budget
OPEB	Other Post-Employment Benefits
ORB	Other Retirement Benefits
OSW	Office of the Under Secretary of War
OUSW(C)	Office of the Under Secretary of War (Comptroller)
PP&E	General Property, Plant and Equipment
PPA	Prompt Payment Act
PPP	Proliferation Prevention Program
RCRA	Resource Conservation and Recovery Act

ACRONYM	DEFINITION
RDT&E	Research, Development, Test & Evaluation
ROK	Republic of Korea
RSI	Required Supplementary Information
S&T	Science and Technology
SAHI	Sub-Allocation Holder Identifier
SARA	Superfund Amendments and Reauthorization Act
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SDD	System Development and Demonstration
SDs	Significant Deficiencies
SFFAS	Statement of Federal Financial Accounting Standards
SI	Strategic Integration Directorate
SME	Subject Matter Experts
SNC	Statement of Net Cost
SOA	Statement of Assurance
SoW	Secretary of War
TFM	Treasury Financial Manual
TI	Treasury Index
TNC	Treasury Nominal Coupon
TSG	Technical Support Group
TWAC	Targeting Weaponneering Assistance Cell
USACE	United States Army Corps of Engineers
USAFRICOM	United States Africa Command
USCENTCOM	United States Central Command
USEUCOM	United States European Command
USG	United States Government
USINDOPACOM	United States Indo-Pacific Command
USSGL	United States Standard General Ledger
USSOCOM	United States Special Operations Command
USSOUTHCOM	United States Southern Command
USW/I&S	Under Secretary of War for Intelligence and Security
WMD	Weapons of Mass Destruction

Appendix B: Connect with DTRA

Thank you for your interest in DTRA and its Fiscal Year 2025 Agency Financial Report. On behalf of DTRA, we sincerely thank and acknowledge all the individuals who provided support, either through content contribution or review feedback. Electronic copies of this report and prior years' reports are available on [DTRA's Agency Financial Reports website](#).

You may also stay connected with DTRA via social media and the following multimedia platforms:



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In addition, DTRA publishes a podcast series, *Discussions with DTRA*, to provide agency members with a platform to discuss interesting mission-related, morale-boosting or special interest item topics. The goal is to deliver cross-talk that educates and informs audiences in an effort to support employee engagement and target potential outreach opportunities. Listeners can anticipate hearing conversations that are agency director-supported, amplify agency's core functions and convey mission intent in segments that range from 20 to 40 minutes. The podcast series is available on Spotify and Google Podcasts. You can also access the series on [DTRA's website](#).



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