Audit Report

INSPECTOR GENERAL, DOD, OVERSIGHT OF THE ARMY AUDIT AGENCY AUDIT OF THE FY 1999 U.S. ARMY CORPS OF ENGINEERS, CIVIL WORKS PROGRAM, FINANCIAL STATEMENTS

Report No. D-2000-093 February 28, 2000

Office of the Inspector General
Department of Defense

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Acronym

AAA	Army Audit Agency

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2885

February 28, 2000

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

SUBJECT: Audit Report on Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, Financial Statements (Report No. D-2000-093)

We are providing this audit report for your information and use and for transmittal to the Director, Office of Management and Budget. It includes our endorsement of the Army Audit Agency disclaimer of opinion on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements, along with the Army Audit Agency report, "FY 99 Financial Statements: U.S. Army Corps of Engineers, Civil Works," February 18, 2000. An audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements is required by the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994. Because this report contains no findings or recommendations, written comments are not required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Richard B. Bird at (703) 604-9159 (DSN 664-9159) (rbird@dodig.osd.mil) or Ms. Addie M. Beima at (703) 604-8912 (DSN 664-8912) (abeima@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-093 **February 28, 2000**
(Project No. 0FI-2118)

Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, Financial Statements

Executive Summary

Introduction. An audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements is required by Public Law 101-576, the "Chief Financial Officers Act of 1990," November 15, 1990, as amended by Public Law 103-356, the "Federal Financial Management Act of 1994," October 13, 1994. We delegated the audit of FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements to the Army Audit Agency. This report provides our endorsement of the Army Audit Agency disclaimer of opinion on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements, along with the Army Audit Agency report, "FY 99 Financial Statements: U.S. Army Corps of Engineers, Civil Works."

Objectives. Our objective was to determine the accuracy and completeness of the Army Audit Agency audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements. This report focuses on the oversight objective. The consistency and accuracy of financial data compiled by the Corps of Engineers Finance Center will be discussed in a separate report. See Appendix A for a discussion of the audit process.

Results. The Army Audit Agency Report, "FY 99 Financial Statements: U.S. Army Corps of Engineers, Civil Works," February 18, 2000, states that the Army Audit Agency was unable to express an opinion on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements. We concur with the Army Audit Agency disclaimer of opinion; our endorsement of that disclaimer is Exhibit 1. The Army Audit Agency report is Exhibit 2.

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Appendix A. Audit Process

Scope and Methodology

Audit Work Performed. To fulfill our responsibilities under Public Law 101-576, the "Chief Financial Officers Act of 1990," as amended by Public Law 103-356, the "Federal Financial Management Act of 1994," we performed oversight of the independent audit conducted by the Army Audit Agency (AAA) of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements. We reviewed the AAA audit approach and planning and monitored audit progress at key points.

Reviewing the AAA Audit Approach. We used the "Federal Financial Statement Audit Manual," January 1993, issued by the President's Council on Integrity and Efficiency, and the "Financial Audit Manual," December 12, 1997, issued by the General Accounting Office, as the criteria for reviewing the AAA audit approach. Specifically, we attended the entrance conference, assisted in formulating the audit strategy, and commented on audit plans and programs. We also participated in audit planning and audit working group meetings of the General Accounting Office; the Inspector General, DoD; and AAA.

Monitoring Audit Progress. Through the DoD Financial Statement Audit Executive Steering Committee, we provided a forum for a centrally managed exchange of guidance and information leading to a focused DoD-wide audit of the DoD Consolidated financial statements, including the supporting financial statements of major DoD Components. We participated in audit working groups on significant topics in financial reporting relating to the Corps of Engineers, Civil Works Program. For example, we participated in the audit Working Groups for DoD-wide real property, Statement of Budgetary Resources, Fund Balance With Treasury, and eliminating entries. We also reviewed and commented on the AAA draft audit opinion report and the report on internal controls and compliance with laws and regulations.

In addition to the oversight procedures, we performed other procedures necessary to determine the fairness and accuracy of the AAA audit approach and conclusions. For example, we co-performed audit steps with AAA, the General Accounting Office, and the public accounting firm of PricewaterhouseCoopers, LLP, to determine the adequacy of the internal control environment surrounding the Corps of Engineers Financial Management System. We also worked closely with AAA in performing its audit work related to the Statement of Budgetary Resources, Fund Balance With Treasury, and real property.

Audit Type, Period, and Standards. We performed this financial statement audit from March 2, 1999, through February 24, 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use computer-processed data to conduct this audit.

Contacts During the Audit. We visited or contacted individuals and organizations in the DoD audit and accounting community Further details are available upon request

DoD-Wide Corporate-Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Secretary of Defense established 2 DoD-wide corporate-level goals, 8 subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures

- **FY 2001 Corporate-Level Goal 2** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure **(01-DoD-2)**

- **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. **(01-DoD-2.5)**

- **FY 2001 Performance Measure 2.5.1:** Reduce the number of noncompliant accounting and finance systems. **(01-DoD-2.5.1)**

- **FY 2001 Performance Measure 2.5.2:** Achieve unqualified opinions on financial statements **(01-DoD-2.5.2)**

DoD Functional Area Reform Goals. Most major DoD functional areas also have established performance improvement reform objectives and goals This report pertains to achievement of the following functional area objective and goal

- **Financial Management Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers' Financial Integrity Act. **(FM-5.3)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Financial Management high-risk area

Prior Coverage

The General Accounting Office and the Inspector General, DoD, have conducted multiple reviews related to financial statement issues. General accounting office reports can be accessed on the Internet at http //www GAO.gov Inspector General, DoD, reports can be accessed on the Internet at http.//www dodig.osd.mil.

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
  Director for Accounting Policy
Director, Defense Logistics Studies Information Exchange

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Commander, U S Army Corps of Engineers

Department of the Navy

Naval Inspector General
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Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

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Director, Defense Finance and Accounting Service
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

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Office of Management and Budget
General Accounting Office
  National Security and International Affairs Division,
    Technical Information Center

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Exhibit 1. Inspector General, DoD, Endorsement Memorandum

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2885

February 18, 2000

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
AND CHIEF FINANCIAL OFFICER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE

SUBJECT: Endorsement of the Disclaimer of Opinion on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, Financial Statements (Project No. 0FI-2118)

The Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994, requires financial statement audits by the Inspectors General. We delegated to the Army Audit Agency (AAA) the audit of the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements. Summarized as follows are the AAA disclaimer of opinion on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements and the results of our review of the AAA audit. We endorse the disclaimer of opinion expressed by AAA

Disclaimer of Opinion. The AAA disclaimer of opinion on the FY 1999 U.S Army Corps of Engineers, Civil Works Program, financial statements, February 18, 2000, states that AAA was unable to express an opinion on the financial statements We concur with the AAA disclaimer of opinion.

The AAA could not express an opinion on the financial statements for the following reasons:

- The U.S. Army Corps of Engineers lacked adequate supporting documentation for AAA to verify the reported amounts for general property, plant, and equipment. Also, AAA was not able to apply other auditing procedures to verify the fairness of the financial data presented.

- The U.S. Army Corps of Engineers general and application review has not been completed, and AAA could not rely on the computer-processed data as support for day-to-day transactions.

Internal Controls. The AAA performed limited tests of controls, but not enough to provide assurance that internal controls over financial reporting contained no material errors. Consequently, AAA did not provide an opinion on internal controls. However, AAA identified areas in which internal controls needed improvements, including general property, plant, and equipment; information systems; and year-end compilation and adjustments. Details on those matters are discussed in the significant matters section and the internal controls section of the AAA audit report.

Compliance With Laws and Regulations. The AAA also identified areas of noncompliance with laws and regulations, which are discussed in more detail in the laws and regulations section of the AAA audit report. Under the Federal Financial

Management Improvement Act of 1996 and Office of Management and Budget Bulletin No. 98-08, "Audit Requirements for Federal Financial Statements," August 24, 1998, the AAA work showed that the financial management system did not substantially comply with generally accepted accounting principles relating to general property, plant, and equipment. Real property values reported in the financial management system and subsidiary ledger did not always agree. The U.S. Army Corps of Engineers financial management system does not have a relationship between budgetary and proprietary accounts. As a result, the financial statements required on-line and off-line adjustments and the preparation of the Statement of Budgetary Resources required a manual cross-walk from the proprietary general ledger. Further, the U.S. Army Corps of Engineers did not always comply with Office of Management and Budget Bulletin No. 97-01, "Form and Content of Agency Financial Statements," November 20, 1998, and Statement of Federal Financial Accounting Standards No. 4, "Managerial Cost Accounting Standards," February 28, 1997. For example, the U.S. Army Corps of Engineers general ledger did not update properly and fully incorporate the U.S. Government Standard General Ledger at the transaction level or comply with requirements to present the Statement of Net Cost by business programs.

Review of Army Audit Agency Work. To fulfill our responsibilities for determining the accuracy and completeness of the independent audit that AAA conducted, we reviewed the audit approach and planning and monitored the progress at key points. We also performed other procedures to determine the fairness and adequacy of the audit approach and conclusions.

We reviewed the AAA work on the FY 1999 U.S. Army Corps of Engineers, Civil Works Program, financial statements from March 2, 1999, through February 18, 2000, in accordance with generally accepted Government auditing standards. We found no indication that we could not rely on the AAA audit work or its related evaluation of internal controls and compliance with laws and regulations.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Exhibit 2. Army Audit Agency Report, "FY 99 Financial Statements: U.S. Army Corps of Engineers, Civil Works"

FY 99 Financial Statements

U.S. Army Corps of Engineers, Civil Works

U.S. Army Audit Agency

18 February 2000
Audit Report: AA 00-186

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
OFFICE OF THE AUDITOR GENERAL
3101 PARK CENTER DRIVE
ALEXANDRIA, VA 22302-1596

18 February 2000

Secretary of the Army
Commander, U.S. Army Corps of Engineers

This report summarizes the results of our efforts to audit the U.S. Army Corps of Engineers, Civil Works Principal Financial Statements for the fiscal year ended 30 September 1999. The Commander, U.S. Army Corps of Engineers and The Auditor General signed an engagement letter in August 1999 defining this audit. We performed our work pursuant to the Chief Financial Officers Act of 1990 as expanded by the Government Management Reform Act of 1994.

We were unable to express an opinion on the financial statements primarily because of inadequate support for the amounts reported for general property, plant and equipment. We were not able to apply other auditing procedures at this time to satisfy ourselves as to the fairness of the data presented. In addition, the general and application control review of the Corps financial management system has not been completed, so we could not rely on the computer-processed data as support for day to day transactions.

This report doesn't contain recommendations, but it does include brief discussions of our results and conclusions. More detailed discussions of our results and conclusions are in supporting audit reports (see Annex B).

I appreciate the cooperation and courtesies extended to us during the audit.

FRANCIS E. REARDON, CPA
The Auditor General

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BACKGROUND

BACKGROUND

Mission and Organization

The U.S. Army Corps of Engineers is a complex organization with civil works and military missions. As the largest public engineering, design, and construction management agency, it employs a workforce of about 36,000 civilians and 600 military personnel. The Corps also contracts with commercial architectural, engineering, and construction firms for most design work and for all construction work.

Within the civil works program, the Corps develops, maintains, and manages many of the nation's water and related environmental resources. This mission includes designing, constructing, and operating projects for:

- Commercial navigation of rivers, harbors, and channels.
- Flood control.
- Hydroelectric power development.
- Restoration of fish and wildlife.
- Recreation areas.

Under its military program, the Corps manages and administers contracts for engineering services for the Army. When requested, the Corps provides these services to the Air Force, other DOD and government agencies, and foreign governments. The Corps also does research and development in engineer support (specialized equipment and procedures) of combat operations.

The Corps had appropriations totaling about $4.1 billion for its FY 99 Civil Works Program. It operates a revolving fund for common services that apply to multiple projects.

The Corps uses a decentralized management structure consisting of 65 major operations located worldwide that include a headquarters, divisions, districts, laboratories, centers, and field operating activities.

Federal Accounting Standards

The Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General are the co-principles of the Joint Financial Management Improvement Program. They are responsible for setting Federal Government accounting standards and are accomplishing this task through the Federal Accounting Standards Advisory Board (FASAB). Federal agencies are to use the following hierarchy to prepare financial statements:

1. Individual standards (Statements of Federal Financial Accounting Standards) agreed to by the Director of the Office of Management and Budget, the Comptroller General, and the Secretary of the Treasury and published by the Office of Management and Budget and the General Accounting Office.

2. Interpretations related to the Statements of Federal Financial Accounting Standards issued by the Office of Management and Budget in accordance with the procedures outlined in its Circular A-134, "Financial Accounting Principles and Standards."

3. Requirements contained in the Office of Management and Budget Form and Content Bulletin in effect for the period covered by the financial statements.

4. Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

5. United States Government Standard General Ledger published by the Department of the Treasury, Financial Management Service, through its Treasury Financial Manual.

6. Policies and guidance published in the DOD Financial Management Regulation.

7. Interim policies and guidance issued by the Office of the Under Secretary of Defense (Comptroller) through various memoranda.

Financial Statements

Federal Agencies are required to submit a set of financial statements, overview and notes that were standardized by the Federal Accounting Standards Advisory Board. The statements include the following:

- Balance Sheet.
- Statement of Net Cost.
- Statement of Changes in Net Position.
- Statement of Budgetary Resources.
- Statement of Financing.

According to Office of Management and Budget Bulletin 97-01, as amended, comparative financial statements are permitted but not required until reporting periods beginning after 30 September 1999 (FY 00). Further guidance on comparative reporting will be provided in a future form and content bulletin.

Balance Sheet

The balance sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). The balance sheet presents assets available for use by the reporting entity (entity assets) separately from those managed by the reporting entity but not available for use in its operations (non-entity assets). The balance sheet also separately presents liabilities covered by budgetary resources and liabilities not covered by budgetary resources.

Statement of Net Cost

The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. Net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program (non-production costs are costs linked to events other than the production of goods and services). The net cost of a program consists of gross cost less related exchange revenues. By disclosing the gross and net cost of the entity's programs, the Statement of Net Cost provides information that can be related to the outputs and outcomes of the programs and activities.

Preparers of the Statement of Net Cost should decide the exact classification of major programs. This decision should be based on the missions and outputs described in its Government Performance and Results Act strategic and annual plans, the entity's budget structure, and the guidance for defining and structuring responsibility segments presented in accounting standards.

Statement of Changes in Net Position

The Statement of Changes in Net Position reports the beginning net position, the items which caused net position to change during the reporting period, and the ending net position. The entity should display information on the Statement of Changes in Net Position organized in the same manner as was done for the Statement of Net Cost.

Statement of Budgetary Resources

The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. This statement should be prepared by reporting entities whose financing comes wholly or partially from budgetary resources. Monitoring of budget execution is at the individual account level. Accordingly, budgetary information aggregated for the Statement of Budgetary Resources should be disaggregated for each of the reporting entity's major budget accounts and presented as supplementary information. Small budget accounts may be aggregated.

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in Office of Management and Budget Circular A-34, "Instructions on Budget Execution," dated 26 December 1995.

A consolidating statement of budgetary resources is preferred but not required for FY 99. Instead, reporting entities may prepare a combining statement. Reporting entities that prepare a combining statement must disclose in a note that the statement is combining and, as such, intra-entity transactions have not been eliminated. Also, the statement must be properly titled "consolidating" or "combining," as appropriate.

Statement of Financing

Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. In order to understand these differences, information is

needed to reconcile financial (proprietary) net cost of operations with obligations of budget authority. This reconciliation also makes sure there is a proper relationship between proprietary and budgetary accounts in the reporting entity's financial management system. The Statement of Financing is designed to report those differences and facilitate the reconciliation. Preparers of financial statements have flexibility as to the level of detail presented.

AUDITOR'S REPORT

AUDITOR'S REPORT

DEPARTMENT OF THE ARMY
U.S. ARMY AUDIT AGENCY
OFFICE OF THE AUDITOR GENERAL
3101 Park Center Drive
Alexandria, VA 22302-1596

Secretary of the Army
Commander, U.S. Army Corps of Engineers

In accordance with the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, the U.S. Army Corps of Engineers prepared the accompanying financial statements for fiscal year 1999. The Corps engaged us to audit its Balance Sheet as of 30 September 1999, and the Statements of Net Cost, Budgetary Resources, Financing, and Changes in Net Position for the fiscal year ended 30 September 1999. The financial statements are the responsibility of Corps management.

The Corps lacked adequate supporting documentation for us to verify the reported amounts for general property, plant and equipment. In addition the general and application control review of the Corps financial management system has not been completed, so we could not rely on the computer-processed data as support for day to day transactions. We were not able to apply other auditing procedures at this time to satisfy ourselves as to the fairness of the data presented. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the U.S. Army Corps of Engineers financial statements. Except for the limitations on the scope of our work on the principal statements described above, we performed our work in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin 98-08 (Audit Requirements for Federal Financial Statements) as amended.

We performed limited tests of internal controls in order to determine if controls were working as designed. Our review showed that there were areas in which internal controls needed improvements including general property, plant, and equipment; information systems, and support for year-end compilation and adjustments. Internal controls consist of the following components: control environment, risk assessment, control activities, information and communication, and monitoring. Effective implementation of these controls provides reasonable assurance that accounting data are accumulated, recorded, and reported properly by

management and their assets are safeguarded. Management is responsible for internal controls. Our tests of internal controls do not provide sufficient evidence to support an opinion; therefore, we do not express an opinion on the internal controls. We also could not assess the risk of material misstatement in the financial statements.

We also reviewed the Corps compliance with laws and regulations in relation to its financial statements. Our objective was to assess compliance, not to express an opinion. Therefore, we do not express an opinion on compliance with laws and regulations. Our review indicated that the Corps did not fully comply with the requirements of the Federal Financial Management Improvement Act of 1996. The Corps did not comply with Office of Management and Budget Bulletin No. 97-01 (Form and Content of Agency Financial Statements) and Statement of Federal Financial Accounting Standards No. 4, (Managerial Cost Accounting Standards) requirements to present the Statement of Net Cost by business programs. In addition, the U.S. Army Corps of Engineers general ledger did not incorporate the U.S. Standard General Ledger at the transaction level.

We also reviewed the information presented in the Corps overview section accompanying its financial statements. We do not express an overall opinion on this information. However, we found no material inconsistencies between the information presented in the overview and the information presented in the financial statements.

FRANCIS E. REARDON, CPA
The Auditor General

18 February 2000

SIGNIFICANT MATTERS

SUMMARY

The U.S. Army Corps of Engineers is a leader among the major DOD commands in striving to meet the goals of the Chief Financial Officers Act. In FY 93, the Corps was among the first to prepare and submit a separate set of financial statements. In FY 94, the Corps volunteered as a pilot project under the Government Performance and Results Act. During FY 98, the Corps completed fielding of its new financial management system and made changes in business practices to strengthen internal controls and meet the requirements of both Acts.

We couldn't determine if the category of General Property, Plant and Equipment was fairly stated because sufficient documentation wasn't available to support the values recorded for individual items. Since this category represents about $33.9 billion (85 percent) of the Corps assets, we were unable to express an opinion on the balance sheet. On a positive note, we didn't find significant problems during our FY 99 audit work on several material asset and liability categories such as Fund Balance With Treasury, Investments, and Other Liabilities.

We performed, under a contract led by the General Accounting Office and an independent auditor, a comprehensive test of general and application controls over the Corps of Engineers Financial Management System. Preliminary results identified control weaknesses associated with general and application controls. As a result, we were unable to rely on the system controls when developing audit procedures. In addition, the Corps didn't present the Statement of Net Cost by business programs.

During previous audits we discovered a number of significant problems that required correction Corps-wide before we could attempt an audit of the entire Corps. During the FY 99 audit, we followed up to ensure action was taken to correct problems we identified in FY 97 and FY 98 related to the following areas:

- Fund Balance with Treasury.
- Accounts Receivable.
- Real Property.

Details of our follow-up review are discussed in the Report on Internal Controls section of this report.

DISCUSSION

We discuss in detail the problems we found, our recommendations for the Corps financial statements, and the Corps comments concerning those recommendations in a separate report.

In this section we discuss three areas:

- General property, plant and equipment.
- Statement of Net Cost.
- General and application controls review.

General Property, Plant and Equipment

The Corps general property, plant and equipment is the most significant asset category on its financial statements. For FY 99, the Corps reported a net value of about $33.9 billion for general property, plant and equipment. The breakout by individual category was as follows:

Category	Acquisition Value ($000)	Net Book Value ($000)
Land	$ 7,360,455	$ 7,360,455
Buildings, Structures, and Leasehold Improvements	29,940,161	19,030,455
Automatic Data Processing Software	37,093	29,938
Equipment	1,105,479	625,022
Construction In Progress	6,861,391	6,861,391
Total	$45,304,579	$33,907,261

About $9.5 billion of the land, buildings, and structures are related to Corps power producing projects. The power produced is sold by the government through various Power Marketing Agencies. As part of their rate-setting practices, these Power Marketing Agencies engage independent public accounting firms to perform annual audits of the recorded values for these power-producing assets. We reviewed the work of the public accounting firms and were able to rely on it to agree with the recorded values for the power producing assets. For the remaining $16.9 billion recorded for land, buildings, and structures, we used sampling techniques to verify the accuracy of the recorded values.

To verify the recorded values for land, we used dollar unit sampling to select 40 projects and verify a point amount for each project. For many of the projects, that point amount related to administrative costs to acquire the land. Because of the age of most Corps land acquisitions, we weren't able to verify the accuracy of these administrative costs. We will continue to explore using analytical techniques to verify the recorded values for these administrative costs.

To verify the recorded values for buildings and structures, we selected a statistical sample of 391 buildings and structures from a universe of 31,180. Corps management provided available documentation in an effort to support the recorded values for the sample items. Our review showed that 50 percent of the sample items tested as of 17 February were not supported. Many sample items were still undergoing review. However, with the number of sample items that were unsupported, and the time required to obtain additional support or develop alternate procedures for items without support, we were unable to accept the recorded values. We will continue to work with Corps management to develop alternative procedures to validate recorded costs for the Corps buildings and structures.

In addition, because of the difficulties encountered and time taken to verify the recorded values for land buildings, and structures we were unable to complete our testing to ensure that recorded assets existed and that all assets were recorded. These difficulties also caused us to limit the amount of testing we performed in other general property, plant and equipment areas such as equipment and construction in progress.

Statement of Net Cost

The Corps didn't fully implement the requirements established by the Federal Accounting Standards Advisory Board for its FY 99 Statement of Net Cost. The Federal Accounting Standards require the Corps to present the statement by business programs, but the Corps presented the statement by appropriation. However, the Corps did comply with the requirements of the DOD Financial Management Regulation. This regulation requires DOD activities to report program costs by appropriation rather than by business program.

The Statement of Net Cost explains and analyzes the net cost of operations of an entity. The total net cost of operations is the gross cost of the outputs of an entity less any exchange revenue from its activities. The statement displays revenue and expense information by business program or sub-organization. The reporting entity must determine its different business programs based on the missions and outputs described in it's Government Performance and Results Act strategic and

annual plans. The Corps has the capability to report by business programs since it has fielded its new standard financial management system.

General and Application Controls Review

The Corps needs to improve general and application controls related to network and data processing activities. The initial review of the general and application controls concluded that we couldn't rely on the data in the Corps financial management system as support for day-to-day transactions. Because of the control environment related to the financial management system, we were unable to do sufficient work to provide an opinion on the statements of net cost, changes in net position, budgetary resources and financing. We will continue the general and application control review and monitor corrective actions taken by Corps management. When controls are improved and the review is completed, we should be able to rely on the financial data recorded in the financial system. We will issue a separate report that addresses the general and application control review in detail.

REPORT ON INTERNAL CONTROLS

INTERNAL CONTROLS

For financial reporting purposes, the Corps internal control objectives are to ensure that:

- Transactions properly record and maintain accountability for assets and permit the preparation of accurate and reliable financial statements.

- Funds, property, and other assets are safe from loss, unauthorized use, or misappropriation.

- Transactions are in accordance with applicable laws and regulations.

Numerous factors, both individually and collectively, comprise the overall control environment. For example:

- Management's perceptions and integrity concerning the importance of controls will reflect in the entity's overall attitude.

- Policies designed to establish some measure of control must be strictly enforced.

Procedures implemented by management should adhere to fundamental control techniques, such as segregating key duties, providing for tests and reconciliations, and limiting access. A comprehensive internal control structure consisting of checks and balances ensures that the control objectives will be met.

FY 99 Review

In planning and performing our audit, we:

- Obtained an understanding of the Corps internal controls.

- Determined whether these internal controls had been placed in operation.

- Assessed control risk.

- Performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

We judgmentally selected seven districts, one laboratory, two system processing centers, and the finance center and conducted limited testing of internal controls related to:

- Property, plant and equipment.
- Revenues and receipts.
- Expenses and disbursements.
- Payroll.
- Budgetary resources.
- Information systems.

Our tests of internal controls did not provide sufficient evidence to support an opinion; therefore, we do not express an opinion on the internal controls. We also could not assess the risk of material misstatement in the financial statements. Our review showed that there were three areas in which controls needed some improvements:

- Construction in progress.
- Outgrants.
- Information systems.

Construction in Progress

Some Corps districts didn't correctly classify asset work items. The districts classified expense items as capitalized items in the Construction in Progress account. Items capitalized in error included studies and dredging. In addition, districts had credit balances in the Construction in Progress account, which is an asset account. Credit balances occurred because districts:

- Transferred amounts out of the Construction in Progress account that were larger than the cumulative amount.
- Credited a collection from a sponsor to the Construction in Progress account.
- Collected revenues but credited the wrong asset.

Corps guidance, "Standard Operating Procedures for Transferring Costs from Construction in Progress Accounts," dated 30 September 1998, states that all costs associated with the creation of an asset become part of the asset's value and will be capitalized. Costs incurred that do not contribute to the creation of an asset are an expense. Examples of capitalized items are:

- Personnel property over $25,000.
- Construction costs.
- Land payments.
- Engineering and design costs.
- Supervision and administration costs.
- Materials.

Examples of expensed items are:

- Reconnaissance and feasibility studies.
- Excavation and dredging of channels.
- Engineering and design, and supervision and administration costs related to expense items.

Proper recognition and classification of work items begins when the district establishes the project hierarchy. In order for costs to be accurately captured, managers must correctly identify parent work items, asset work items, or expense work items. Also, districts must review Construction in Progress accounts to ensure that they only include proper costs. However, personnel didn't effectively review the Construction in Progress accounts to ensure that they only included the proper costs in the accounts.

As a result, assets are overstated and the expenses for the period are understated. Our limited review didn't show this to be a material problem. However, the Corps should ensure that only proper costs are capitalized as Construction in Progress.

Outgrants

Districts haven't recorded all active, billable outgrants in the Corps of Engineers Financial Management System. In addition, outgrants recorded in the financial system weren't always recorded correctly.

Outgrant is a term used to describe a lease of Corps property to an individual or entity outside the Corps. After conversion from the legacy financial system (the Corps of Engineers Management Information System), districts didn't enter all outgrants into the current financial management system. The Corps can't produce automated bills or make collections if it hasn't entered the outgrants in the system. In addition, the lease period or rental amount for the outgrants the districts had recorded in the system didn't always agree with the terms of the actual lease. The bills are dependent upon the lease period and amount entered into the system.

Districts didn't always record outgrants in the financial system because they didn't perform reconciliations to ensure that outgrants recorded in the real estate system were recorded in the financial management system. And they didn't know that some of the outgrants they did record were recorded improperly because they didn't monitor those outgrants.

As a result, the districts had no assurance that outgrants were properly billed and resulting revenues collected and recorded. Therefore, the value of accounts receivable and the amount of revenue reported are probably understated. Although we didn't find this to be a material problem, the Corps should ensure that all outgrants are properly recorded, billings are processed and revenues are collected and recorded.

Information Systems

The testing of Corps information system general and application controls is currently in process and we will address the final results of those tests in a separate report. However, during the initial phase of the testing, general and application control weaknesses were identified and the Corps has taken action to address those weaknesses.

Follow-up Reviews

We also conducted follow-up reviews on previously reported material control problems and found that the Corps had taken actions to correct problems related to:

- Fund balance with Treasury.

- Accounts receivable.
- Real property.
- Statement of Budgetary Resources

Fund Balance with Treasury

During FY 99, the Corps completed the effort it started in FY 98 to reconcile aged discrepancies in its accounts with Treasury. These differences existed because prior to FY 98, the Corps disbursing sites hadn't reconciled differences between their reported disbursements and collections with the Treasury records. Treasury recorded these unreconciled differences in budget clearing accounts. As of 30 September 1998, the Corps had a net total of $10 million in its deposits clearing account and $8.23 million in its disbursements clearing account. However, those differences were completely reconciled as of 30 September 1999. The only outstanding issue was $41,000 in deposits not yet recorded by Treasury.

Accounts Receivable

The Corps made improvements to accurately record and report accounts receivable in accordance with generally accepted accounting principles for the Federal government.

The Corps FY 98 financial statements understated accounts receivable and payable for amounts related to long term contracts. The Corps didn't estimate and record an allowance for loss on accounts receivable and the corresponding bad debt expense.

During FY 99, the Corps implemented its financial management system functionality for recording and reporting amounts related to long-term contracts. The Corps recorded and reported $914 million in long-term receivables related to long-term contracts. We tested and confirmed that this balance was materially correct. In addition, the Corps recorded and reported the corresponding liability.

Also, we reviewed the presentation of the financial statements to ensure that the Corps estimated an allowance for loss on accounts receivable to properly present accounts receivable at its net realizable value in accordance with Federal Accounting Standards. The Corps applied an allowance for loss on accounts receivable using predetermined percentages calculated based on write-offs to outstanding public accounts receivable during prior fiscal years. We didn't evaluate the

percentages or the reasonableness of the allowance. However, the allowance isn't significant.

Real Property

The Corps significantly reduced the differences for real property values recorded in its financial management system's general and subsidiary ledgers and reduced the number of zero-valued assets recorded in the system.

On 30 September 1998, the net difference between the general and subsidiary ledgers for real property assets was about $4 billion, and the absolute difference was over $6 billion. Generally, differences between the general and subsidiary ledgers were caused by problems that occurred during the conversion to the current financial management system. Activities didn't load the system's subsidiary ledger (asset cost table) with individual asset information (from the Real Estate Management Information System) before the conversion process loaded the current financial management system's general ledger with the general ledger data from the old financial management system. However, as of 30 September 1999, the net difference was only $9.9 million and the absolute difference was only $10.4 million.

In addition, at the end of FY 98 there were about 29,000 real property assets in the financial management system with no recorded book value. These assets were almost entirely land tracts. As a result of the Corps efforts to summarize land costs at the project level (no longer managing individual tracts in the financial system), there were only 155 land properties with no value as of 30 September 1999.

However, the properties were still in the Real Estate Management Information System with no recorded value. These properties were typically easements for the right to access or flood land. The Corps acquired an entire tract of land in order to get the easement and then disposed of the land by turning it over to local interests. The amount the Corps paid to the owner for the land was recorded in the property record for the tract, and then reduced when the Corps disposed of the tract. The additional costs to the Corps to acquire and dispose of the land were recorded as administrative costs. The Corps generally recorded the administrative costs in a property record called "ADMIN." The cost of the associated easement right that was kept after disposing of the land was considered part of the administrative land expenses. Therefore, in order to maintain property accountability for the easement, the property record for the easement is still in the real property system with an acquired cost of $0. The costs to acquire those easements are included in the administrative record as part of the total project costs for land. We are

currently testing the reasonableness of the recorded costs for project land.

Statement of Budgetary Resources

The Corps implemented the Federal Accounting Standards Advisory Board's requirements for the Statement of Budgetary Resources. The Corps made significant improvements to how it reports transactions when it produces the Statement of Budgetary Resources.

Specifically, the Corps:

- Correctly reported revolving fund collections on line 1 (Budget Authority), instead of line 4 (Spending Authority from Offsetting Collections) of the statement.

- Made FY 99 prior period adjustments totaling $22.3 million directly to Line 2 (Unobligated Balance-Beginning of Period) of the statement—with appropriate explanations in note 18 to the financial statements. FY 98 adjustments of about $388.8 million were corrected on the FY 98 Statement of Budgetary Resources.

- Prepared the Report on Budget Execution (SF-133) using the Federal Agencies Centralized Trial-Balance System II which replaced individual agency submissions of the SF-133 report.

Additionally, the Corps presented the supplementary information on individual budget accounts related to the disaggregated Corps Statement of Budgetary Resources that the Office of Management and Budget has determined is necessary to supplement.

Limitations

We didn't consider any of the control weaknesses we found to be reportable conditions. However, our review of the Corps internal controls wouldn't necessarily disclose all matters related to financial reporting that might be considered reportable conditions. Under standards issued by the American Institute of Certified Public Accountants:

- Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Corps ability to record, process, summarize, and report financial data consistent with the financial statements.

- Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce—to a relatively low level—the risk that misstatements in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Therefore, losses, noncompliance, or misstatements may occur and not be detected because of the inherent limitations in any system of internal controls. We caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate due to changes in conditions or the degree of compliance with controls may deteriorate.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

COMPLIANCE WITH LAWS AND REGULATIONS

We evaluated the Corps compliance with the provisions of the laws and regulations listed in the Audit Scope and Methodology section of this report. Our objective was to assess compliance with laws and regulations in relation to the financial statements, not to express an opinion. Therefore, we do not express an opinion on compliance with laws and regulations.

The audit identified instances of material noncompliance with selected laws and regulations. An instance of material noncompliance is reportable if it could result in a material misstatement to the financial statements, or if the sensitivity of the matter would cause others to perceive it as significant. The noncompliance problems we found were directly or indirectly tied to generally accepted accounting standards as discussed in the Significant Matters section of this report.

Chief Financial Officers Act of 1990

We evaluated Corps compliance with the Chief Financial Officers Act of 1990, as expanded by the Government Management Reform Act of 1994, and various implementing regulations issued by the Office of Management and Budget and DOD, as they relate to financial statement presentation. The Corps has made a concerted effort to meet the act's requirements. In this report, we discuss areas in which the Corps can achieve financial reporting improvements and become fully compliant with the act and its implementing regulations.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 requires the Corps to report annually to the Secretary of the Army about whether its management controls comply with the act's requirements. In its FY 99 annual assurance statements, the Corps reported several management control weaknesses. However, the statement did not identify any new management control weaknesses related to the financial statements. We didn't find any control weaknesses during our audit that were material or significant enough for the Corps to include in its annual assurance statement.

Federal Financial Management Improvement Act of 1996

Under the Federal Financial Management Improvement Act of 1996, we are required to report whether the Corps financial management system substantially complied with the Federal financial management systems requirements, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet this requirement, we performed some tests of compliance and reviewed prior audit work performed during the system's development.

The results of our tests disclosed the Corps financial management system substantially complied with the first requirement:

- **Federal Financial Management System Requirements**. Federal financial management system requirements have been well-established in Office of Management and Budget Circular A-127, "Financial Management Systems," 23 July 1993, that requires financial management systems to provide complete, reliable, consistent, timely, and useful information. To achieve this goal, the Corps established and maintained a single, integrated financial management system.

However, the Corps financial management system didn't fully comply with the second and third requirements:

- **Federal Accounting Standards.** Federal agencies reporting under the Government Management Reform Act of 1994 are to follow accounting standards and concepts agreed to by the Director of the Office of Management and Budget, the Comptroller General, and the Secretary of the Treasury. Currently, there are 14 accounting standards and 2 accounting concepts. For FY 99 the financial management system didn't substantially comply with the Federal Accounting Standard related to accounting for property, plant, and equipment. At the time of review, the Corps couldn't provide adequate support to show that it met the requirement of the standard to record asset values at cost or based on accurate estimates.

- **U.S. Standard General Ledger at the Transaction Level**. The U.S. Standard General Ledger must be implemented at the transaction level. Federal agencies are permitted to supplement their application of the U.S. Standard General Ledger to meet agency-specific information requirements. However, agency standard general ledgers must maintain consistency with the U.S. Standard General Ledger. The Corps financial management

system has a standard, transaction-driven general ledger, but the Corps general ledger accounts don't always conform to the U.S. Standard General Ledger accounts.

Office of Management and Budget Bulletin 97-01 and Statement of Federal Financial Accounting Standards #4

The Corps didn't fully implement the requirements established by the Federal Accounting Standards Advisory Board and format included in Office of Management and Budget Bulletin 97-01 for its FY 99 Statement of Net Cost. The Federal Accounting Standards and Bulletin require the Corps to present the statement by business programs, but the Corps presented the statement by appropriation. However, the Corps did comply with the requirements of the DOD Financial Management Regulation. This regulation requires DOD activities to report program costs by appropriation rather than by business program.

OTHER MATTERS

OTHER MATTERS

Overview Information

The Corps overview information is incorporated into the Army's financial statements overview. We reviewed the following information presented in the Corps overview:

- Mission.
- Strategic goals and objectives.
- Performance measures.

We don't express an overall opinion on this information. However, we compared this information for consistency with the financial statements. Based on this limited work, we found no material inconsistencies between the information presented in the overview and the information presented in the financial statements.

Required Supplementary Stewardship Information

The Stewardship Statement addresses only heritage assets because that is the only type of stewardship assets managed under the Corps Civil Works program. This information is not required to be audited.

Required Supplementary Information for Deferred Maintenance

The Supplementary Information for Deferred Maintenance is not a required part of the basic financial statements. We did not audit and do not express an opinion on that information. We did not apply to the information certain procedures prescribed by professional standards because the official accounting guidance regarding the measurement criteria and reporting placement of deferred maintenance on the financial statements was not fully developed.

AUDIT SCOPE AND METHODOLOGY

AUDIT SCOPE AND METHODOLOGY

Corps management is responsible for:

- Preparing the annual financial statements in conformity with applicable accounting principles.
- Establishing and maintaining internal controls and systems to provide reasonable assurance that the control objectives of the Federal Managers' Financial Integrity Act are met.
- Complying with applicable laws and regulations.

We were responsible for auditing the financial statements and evaluating related internal controls and compliance with laws and regulations. In carrying out these responsibilities we:

- Evaluated and, as necessary, tested relevant internal controls encompassing:
  - Property, plant and equipment.
  - Revenues and receipts.
  - Expenses and disbursements.
  - Payroll.
  - Budgetary resources.
  - Information systems.
- Conducted limited follow-up reviews on previously reported problems related to:
  - Fund balance with Treasury.
  - Accounts receivable.
  - Property, plant and equipment.
- Evaluated compliance with selected provisions of the following laws and regulations:

- Chief Financial Officers Act of 1990 (Public Law 101-576).

- Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255).

- Budget and Accounting Procedures Act of 1950 (31 U.S.C.; Ch. 946; 64 Stat. 832).

- Anti-Deficiency Act (31 U.S.C. 1341,1342, 1351, 1517).

- Federal Financial Management Improvement Act of 1996 (in Public Law 104-208, Omnibus Consolidated Appropriations Act).

- Office of Management and Budget Bulletin 97-01, Form and Content of Agency Financial Statements as amended.

- Office of Management and Budget Circular A-127, Financial Management Systems.

We conducted our audit in accordance with generally accepted auditing standards; 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 Bulletin 98-08 (Audit Requirements for Federal Financial Statements) as amended.

ANNEXES

[1] *Footnote (for Objectives 1 and 2) The Corps is currently working on a revised performance measurement package for the Regulatory Program that may result in revised goals for these objectives.

FY 99 FINANCIAL STATEMENTS

U.S. ARMY CORPS OF ENGINEERS
CIVIL WORKS

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U.S. ARMY CORPS OF ENGINEERS

CIVIL WORKS

OVERVIEW

Year in Review

Navigation

The U.S. Army Corps of Engineers (Corps) navigation program includes improvement and maintenance of the navigation system that handles the nation's maritime commerce—stewardship of approximately 25,000 miles of navigable waterways; development and maintenance of America's port and harbor channels; and operation and maintenance of our inland and intracoastal waterways. During Calendar Year 1998, the Corps provided 781 billion ton-miles of low-cost transportation of waterborne commodities. To maintain the system, the Corps removed 242 million cubic yards of dredged material, at a cost of $2.40 per cubic yard in FY 1999.

Flood and Coastal Storm Damage Reduction

There are two general approaches to limiting potential flood damage. The first approach aims to prevent the occurrence of flooding in areas where property might be damaged, and entails the use of large-scale engineering projects. The second approach aims to minimize the damage caused by floodwater, calling for the modification of property susceptible to flood damage. Corps civil works projects usually use a combination of both approaches. During FY 1998, the Corps prevented $13.4 billion of flood damage. This can be compared to our 10-year rolling average of $21.0 billion in average annual damages prevented. Data for FY 99 was not available at the time of printing.

Environment

The Corps has authority to incorporate measures for restoration of the ecosystem in plans for new projects, as a modification of existing projects, and when determining the disposal of dredged material from navigation projects. The Corps also includes mitigation measures to compensate for environmental losses that can not be avoided when constructing new projects. During FY 1999, the Corps managed 724,224 acres of mitigation lands at existing projects and achieved 76 percent of mitigation requirements—exceeding our performance target of 70 percent. We also participated in 484 separate habitat recovery programs for 63 federally listed species.

Regulatory

The Corps operates a comprehensive regulatory program that protects navigation and the aquatic environment. Our target is to complete 85 percent of all permit actions in 60 days, and to complete 70 percent of individual permits in 120 days. During FY 1999, we completed 83,508 permit actions in 60 days or less, a 92

percent clearance rate. This performance exceeded our target by 7 percent. We also completed 72 percent of standard permit actions in less than 120 days, exceeding our target by 2 percent.

Hydropower

The Corps operates 75 hydroelectric power-generating units at many of our multipurpose projects, supplying a significant amount of electricity to federal power marketing agencies. During FY 1999, we generated 99.1 billion kilowatt-hours, at a cost of 2.36 cents per hour. This output represents an increase of 17 percent from FY 1998. Our goal is to maintain a high degree of generating unit availability by minimizing unplanned forced outages. Our goal is to keep forced outages below a rate of 4.5 percent. During FY 1999, the Corps experienced a forced outage rate of 3.6 percent. This was a slight increase from the FY 1998 level of 3.15 percent, but still consist with a good downward trend from a high of 5.98 percent in FY 1995.

Recreation

Many Corps lakes were originally authorized and built for just one or two major purposes, but most have since been authorized and modified for multiple-uses such as recreation. The Corps has built 4,338 recreation areas at these reservoirs for camping, swimming, boating, picnicking, and other activities. We operate and maintain 2,487 of these areas ourselves. During FY 1999, the number of visitors to our outdoor recreation areas increased by 4 million from FY 1998 to 217 million. Our cost per visitor day increased from $0.83 to $0.88 as a result of increased funding to answer deferred maintenance work that had been adversely affecting the quality of recreation experiences at our recreation sites.

Emergency Management

The Civil Works Program includes a disaster response and recovery program to supplement state and local efforts. Because of our engineering skills and management capabilities, which we are obliged to maintain at a high level of preparedness even during peacetime, we are able to respond to a broad range of natural disasters and emergencies rather than simply to water resource-related disasters. Our emergency preparedness planning and disaster response capability make a significant and direct contribution to national security objectives.

Financial Resources

The Civil Works budget authority for FY 1999 was $6.96 billion, a 15 percent increase from the previous year. Levels of funding affect every aspect of operations, including the ability to attract high-quality people, the amount of

training they receive, the maintenance of equipment and infrastructure, and the pace of modernization.

Overview

The U.S. Army Corps of Engineers Civil Works Program is responsible for the development, management, operation and maintenance, protection, and enhancement of our nation's water and related land resources for commercial navigation, flood damage reduction, environmental restoration, and allied purposes. The program provides stewardship of America's water resources infrastructure and associated natural resources, and also provides emergency services for disaster relief. The Civil Works Program supports the Army in peacetime pursuits, during national emergencies, and in times of war.
The Civil Works Program employs more than 28,000 people, including engineers, architects, economists, biologists, archeologists, and other technical experts. Through the program, we are able to provide a broad range of engineering services throughout the life cycle of a project, from planning and design to operating it once completed. We also maintain a comprehensive contract management capability that ensures the nation receives value for each dollar it spends on civil works contracts.

What We Do for the Nation

The Civil Works Program is divided into nine distinct business programs. All are capable of contributing to the military preparedness of the United States, but more importantly contribute to the economic well-being and to the quality-of-life of the nation's citizens. Eight of the nine business programs receive direct funding from Congress and therefore are included in this report. The ninth program, Support for Others, is conducted on a fully reimbursable basis, and the financial accounting for the work performed is covered in the financial statements of the sponsoring agencies.

Navigation
The Civil Works Program ensures that the nation's port and harbor channels, and inland and intracoastal waterways are safe, reliable, and efficient for the movement of commerce and for meeting national security needs. Our ports and waterways are essential components of our commercial transportation system. In FY 1998, 625 million tons of commercial traffic move on our inland and intracoastal waterways and more than 2.3 billion tons of cargo pass through our ports.

The program provides for the maintenance of approximately 11,000 miles of inland and intracoastal waterways, known as the Fuel-Taxed Inland Waterway System. Waterborne traffic on this system is increasing steadily, rising from 200 million tons in 1950 to the current 625 million tons in 1999. Although user fees paid by the commercial towing industry provide for half of the cost of new construction and major rehabilitation of the system, the burden of the increasing cost of maintenance is 100 percent federally funded. The growing traffic increases the demand for new, higher-capacity locks and the need to rehabilitate or replace existing ones. Fifty percent of our lock chambers now exceed their original 50-year design life. This underscores the importance of evaluating the need to rehabilitate and replace existing locks and dams in order to maintain the viability of the Inland Waterway System.

The growth of the global marketplace underscores the increasing importance of having a modern port structure. Foreign trade by sea accounts for 20 percent of our gross domestic product, and 98 percent of that trade traverses through 75 deep-draft ports; the other 2 percent traverses the remaining 224 deep-draft ports and 627 shallow-draft harbors. We need to improve the channel depth of our ports, and landside port facilities if we are to maintain this level of trade in the face of foreign competition. Many ports have channel depths that will not be sufficient to accommodate the next generation of cargo ships, and this will put us at a disadvantage in competing for foreign trade.

Flood and Coastal Storm Damage Reduction

The second responsibility of the Civil Works Program is to save lives and reduce the property damage caused by storms and floods. This must be achieved at minimal cost and at minimal environmental impact on the nation's inland and coastal flood plains. We pursue a dual approach to minimizing flood damage that involves both modifying susceptibility to floods and modifying the flood itself.

Modifying floods implies the use of physical flood control measures. These measures are designed to contribute to the general public welfare in the regions of our waterways, and their effectiveness can thus be measured in terms of cost avoidance. Since 1950, we have spent approximately $100 billion on the construction of more than 400 major lake and reservoir projects and more than 8,500 miles of levees and dikes. At the end of FY 1998 this work has saved the nation an estimated $500 billion in flood damages. We have also constructed more than 80 shore protection projects to protect more than 200 miles of our nation's shoreline. These projects have prevented an estimated $1.8 billion in damages, at a cost of approximately $670 million. Both efforts represent excellent returns on taxpayer dollars. Data for FY 99 was not available when this report was prepared.

Modifying the susceptibility to flood damage involves two approaches. The first modifies the susceptibility of property to damage. This includes the permanent relocation of structures out of the flood plain, the flood proofing of structures, and the development of flood warning/preparedness plans. The second aims to influence decision-making in instances where property might otherwise be put in harm's way. This approach relies on the use of flood plain and hazard information to guide local land-use planning and development.

The Civil Works Program receives project authorizations and funding from Congress that provide for the modification of properties susceptible to flooding. The program also provides free flood plain information, technical assistance, and planning guidance to state and local governments intent on reducing the potential for future flood damage through land-use planning. We respond to more than 50,000 requests a year for site-specific and community flood hazard information from public and private agencies and from other groups and individuals.

Environment

The environment is an area of ever-growing concern within the Civil Works Program. We manage almost 12 million acres of land and water resources, an area the combined size of Maryland and Massachusetts. In so doing, we are striving to do more than merely comply with environmental requirements - - we are working to realize goals and establish policies related to environmental restoration, protection, and stewardship. While we must achieve this within our funding limitations, we are making progress with increasing the resources available to our environmental projects. In the past 10 years we have more than doubled the funding for environmental programs, so that it now comprises more than 20 percent of the Civil Works budget. On any given day during FY 1999, we had more than 50 studies underway to determine the feasibility of restoring degraded ecosystems or of protecting threatened ecosystems from future damage.

Environmental restoration is a priority for the Civil Works Program. We were once limited to applying our environmental efforts to existing Civil Works projects, but in recent years we have received the additional authorization to address environmental restoration needs and opportunities in areas unrelated to existing Civil Works projects. Our primary focus is on wetlands, riparian, and aquatic ecosystems to which we may employ either structural or operational remedies. Our activities include reviewing existing projects to determine if modifications would improve the environment; using dredged material to improve or create aquatic habitats; and offering technical expertise in support of state and tribal initiatives to develop comprehensive water resource plans. Other work includes the investigation of ways to restore the Everglades of south Florida and participation in a regional program to restore the coastal wetlands of Louisiana. We are also playing a leading role in improving the quality of Lake Tahoe water.

We take a proactive approach to assuring compliance with environmental regulations, and conduct periodic assessments of our operations using the Environmental Review Guide for Operations. Each of our facilities develops its own pollution prevention plans and identifies ways to improve its operations relative to the needs of the environment. The success of our efforts is evidenced by the fact that there were no major environmental clean-up (Superfund) efforts necessary at any of our more than 500 sites during FY 1999.

Regulatory

The Civil Works Program oversees a regulatory program designed to protect the nation's waters for the benefit of current and future generations. Originally, the focus of the program was to protect navigation, but it has since grown to where it is now the principal program by which the federal government protects our aquatic environments, while continuing to protect navigation.

Most regulatory control is managed through the issuance of permits. Any person, firm, or government agency planning to dredge, perform other construction work, or discharge dredged or fill material in U.S. waters or wetlands must first obtain a permit. The decision to grant such a permit is reached by balancing the environmental and public interest benefits of a proposed project with its potential detriments. A permit request will be denied if it is found to be contrary to the public interest or not in compliance with federal guidelines.

Though the total number of permit applications has increased by 27 percent since 1990, evaluation time has decreased by 14 percent. The average evaluation time for all permit applications is currently less than 30 days.

Hydropower

The Civil Works Program is the largest producer of hydroelectric power in the United States and the fourth-largest electric utility overall, behind only the Tennessee Valley Authority, Commonwealth Edison, and Texas Electric utilities companies. We operate and maintain 75 multiple-purpose hydroelectric projects, producing an average of 78 billion kilowatt-hours of electricity per year. Total capacity of the systems is approximately 21,000 megawatts. This low-cost renewable resource produces no airborne emissions, thus reducing the greenhouse gas emissions related to fossil fuel electric power production. Hydropower's operational flexibility contributes to the reliability of the nation's electricity supply.

Recreation
The Civil Works Program is the second-largest Federal provider of outdoor recreational facilities and services in the United States, behind only the U.S. Forest Service. We have an annual budget of about $208 million, with which we manage over 4,300 recreational areas in 43 states. Our facilities include campgrounds, picnic areas, beaches, boat ramps, bike and hiking trails, and visitor and interpretive centers. In a typical year we host more than 380 million visitors and account for almost 1 percent of the revenues generated by the $200 billion U.S. travel and tourism industry.

Despite the evident capacity of the program to generate dollar turnover, funding in the last decade for the maintenance of recreation facilities has been inadequate. Recreation is a growth area in the Civil Works Program, and the combination of heavy use, lack of routine maintenance, and changes in visitor needs have caused significant deterioration in customer service and the natural resource base that draws visitors to the lakes.

Emergency Management
The Civil Works Emergency Management Program is responsible for preparing for, responding to, and assisting recovery from natural and national emergencies both in peacetime and in war. The emergency work undertaken by the program is authorized directly to the Corps by instruction from the Federal Emergency Management Agency (FEMA) or other agencies, and executive order. Under Public Law 84–99, we perform preventive work, flood fighting, and rehabilitation of damaged flood control works. At the request of a state governor, we can also provide emergency supplies of water in the event of contamination or drought.

FEMA, under the provisions of the Stafford Act, relies on the Corps to provide public works and engineering assistance in the event of major disasters. We work directly with FEMA to provide temporary repair and construction of roads, bridges, and utilities; to remove debris; to provide emergency water supplies, ice, and power; to provide the temporary restoration of public facilities and to build temporary housing and roofing; to ensure emergency access; and to provide other technical assistance.

Our mission holds top priority within the Civil Works Program, which devotes 4 percent of its annual budget to planning and preparedness measures for natural and national disasters. In FY 1999, we responded to 15 emergencies, comprising six floods, three major hurricanes, two tropical storms, three tornadoes, and the drought that was experienced throughout much of the United States. FEMA requests for assistance required the provision of approximately $200 million for support work. In addition, the Corps received approximately $85 million in direct funding under the provisions of its Flood Control and Coastal Emergencies program authority.

Water Supply
The Civil Works Program has been engaged in the supply of public water since 1853. Although the individual states and local interests now have primary responsibility for developing and managing their own water supplies, our role continues to evolve, shaped by budgetary guidance and other legislation.

We have the authority to include storage for municipal and industrial (M&I) water supply in new and existing reservoir projects at 100 percent nonfederal cost. We may also set aside storage for present and future M&I use as long as not more than 30 percent of the total allocated costs are for future needs. Currently, we have about 9.5 million acre-feet of storage in 118 reservoir projects dedicated to M&I water supply. This is equivalent to a 3.1 trillion-gallon container filled with water.

Planning for the Future

A major goal of the DOD is to reengineer itself and achieve a 21st century infrastructure. The Civil Works Program is aiming to streamline its infrastructure and the way we do business by following the vision of the Revolution in Military Affairs (RMA) and the Revolution in Military Logistics (RML).

Reengineering Product Delivery Services
Our business has changed. Our traditional way of delivering products and services no longer meets customer needs. We are facing keener competition, more demanding customers, rapidly changing technology, and an ever-changing workforce. We exist in an environment that demands increased productivity from every employee if we are to continue to contribute to the nation's welfare in the manner expected.

Responding to these challenges, the Civil Works Program has embraced the Program and Project Management Business Process (PMBP) to shape the way in which we deliver services now and in the future.

In the past, we tended to deliver services in a fragmented manner, with each department or individual concerned only with their limited area of responsibility within a project. PMBP emphasizes instead the importance of teamwork. Each project manager is now expected to lead and coordinate the individual efforts of the team, and at a minimum achieve the goal of meeting or exceeding customer expectations through-out the entire project life cycle. It will take considerable effort to fully realize this change, and we recognize that we are not there yet. A study by the Engineer Inspector General completed during FY 1999 revealed that only 35 percent of our organizations have a good understanding of what is required to achieve this change. We are nonetheless confident of success.

PMBP requires that teamwork exist at two levels: the corporate level and the project level. There must be a corporate board that is aware of the capabilities of all departments in the organization, and which is capable of measuring incoming work against the organization's ability to handle that work. We expect leaders at this level to be able to direct the overall performance of the organization toward meeting its commitment to customers, and when necessary to reprioritize resources to meet customer needs. We believe this is not possible if a project is viewed as the collection of a series of separate processes and activities. Under PMBP, we are making the customer's requirements the focal point of each project and will apply all necessary resources to meet those requirements.

We are also fostering teamwork at the project team level. We view project teams as a group of individuals, each of whom contributes to the skills needed to meet our commitments to our customers. These individuals cannot work in a vacuum: each member of the team must understand how his or her contribution fits within the context of the entire project, and must work toward the common goal of meeting or exceeding customer expectations.

Another key aspect of PMBP is that it will make available to our customers the full capabilities of the Corps of Engineers. Modern information and communications technologies enable us to create "virtual teams" of people from all parts of the organization, regardless of location. A single project manager is assigned to each team; guided by PMBP, that manager defines the roles and responsibilities of each team member and ensures that each understands the role of the others.

Improving the Way We Do Business

As we prepare for the 21st century, it is important that we change the way in which we deliver our services. In a time of ever-diminishing resources, it is equally important that we manage our programs efficiently and effectively so that we can continue to provide consistent, high-quality service within an aging infrastructure.

In 1997, we released a report on cost savings initiatives to our field offices. The report included a cost-analysis tool and benchmarks against which the field offices could judge their own performance. By focusing attention on areas of inefficiency, we are successfully reducing costs. Indeed, our managers have reduced their costs by almost $124 million annually, freeing up resources that we can apply toward infrastructure maintenance. One example of this progress is an agreement between the Portland District and Lane County, Oregon, and the Oregon Department of Parks. This agreement, a Hammer Award winner, consolidated several recreation areas, and assigned sole responsibility for the areas to the agency that could provide the best service at the lowest cost. Annual savings are expected to be $100,000. Most other initiatives are less striking, and

may save only $5,000 annually, but the total adds up. Our managers are successfully stretching their scarce resources and improving the service they offer.

In addition to the work of our field office managers, we are also taking steps at the strategic level to improve performance. In FY 1999 we continued with our five-year implementation of the Operations and Maintenance Business Information Link (OMBIL). Full implementation, scheduled for 2002, will link numerous databases and provide managers with a one-stop source of business information. By providing all managers with nationally consistent information on output and cost performance, we expect OMBIL to become a valuable tool in managing service levels and prioritizing our goals.

Bringing our infrastructure in line with the needs of the 21st century is an important goal of the DOD, and we are working toward that end. The value-added activities of our district offices must be assured. Managers will be allowed to buy support services from the most economical, effective, and responsive source, be it the manager's parent district, a sister district, a regional office, or a contractor. This approach will force support functions to improve their business processes in order to be more competitive.

We are also regionalizing some activities to improve efficiency, and are consolidating some functions within regional offices where this will not degrade service to the customer. We have already achieved some success in this area. For example, we transferred Southwestern Division's regional role in hydropower to the Tulsa District office that is collocated with the Power Marketing Agency.

Implementing Leading-Edge Technology

It is essential that we capitalize on the latest technological advances as we take the Civil Works Program into the 21st century. We have a history of applying new technology to increase both our efficiency and effectiveness, and we aim to continue that tradition with strategic plans for the research and development, acquisition, and application of new technologies to high-priority needs. Examples of current strategic research areas are discussed below.

Ecosystem Restoration and Management

Strategic needs in this focus area require new technologies to restore, manage, and regulate aquatic ecosystems at the watershed and river basin scale. Research initiatives underway include development of comprehensive engineering guidance for stream corridor restoration, decision-support technologies to assist development of water management/allocation strategies for multi-purpose water resources projects, watershed numerical modeling and prioritization and remediation strategies for non-point source water quality problems impacting

upon Corps reservoir projects, and state-of-the-art test, evaluation, and management procedures for managing contaminated bottom sediments.

Regional Sediment Management

Improved sediment management at navigation and flood damage reduction projects offers tremendous potential for future project cost avoidance. Strategic research in this area is focused on sedimentation prediction and control techniques, regional sand management strategies, optimization of channel depths and dimensions (including more cost-effective deep-draft channel design criteria to safely and efficiently accommodate future international shipping requirements), reduction of dredging costs, increased navigation channel safety and reliability, and increased options and opportunities for beneficial uses of dredged sediment.

Innovative Design and Construction of Navigation Projects

Strategic needs in this focus area include the reduction of the cost and time of construction and the minimization of the adverse impact of construction upon navigation traffic flow and the environment. Research is focused on the development of innovative construction methods such as float-in, lift-in, and underwater construction techniques for navigation projects. The results of these studies will provide the needed technologies for rapid construction and modernization of navigation projects at much reduced cost (approximately 20 percent cost reduction) and with little or no impact on navigation during construction. Development of cost-reducing design and construction techniques will permit the construction and rehabilitation of more navigation projects with limited funds in the Inland Navigation Trust Fund and will reduce the potential for major disruptions in inland navigation and decrease operating costs to the inland navigation industry.

High-Performance Materials

High-performance materials research focuses on evaluating and developing high-performance construction materials that will enable the Corps to construct more durable structures with significant reductions in project delivery times and construction costs. Research initiatives include the development of new materials and technologies for maintenance and repair of Corps' civil works structures, environmentally acceptable lubricants, new coating technologies, and high-performance paint systems. The results of this research will furnish the Corps with improved materials and technologies to ensure a continued high level of safety and reliability of Civil Works facilities. It will also enable the more economic design and construction of Corps' civil works projects.

Geospatial Technology

Strategic needs in this area include the development of integrated, interoperable data collection, management, and decision-support systems. Research is underway to develop linked corporate databases and flood damage analysis using geographic information systems techniques, a framework for integrating water resources numerical models and spatial technology, automated watershed planning tools, a technique for the near-real time survey of structural conditions, and web-based mapping technologies.

Earthquake Engineering

Many of the Corps' dams would be judged seismically inadequate using traditional methods of evaluation and they would require expensive remediation. This can be avoided in many cases by re-evaluating the structures using improved methods of engineering analysis that clearly discriminate between safe and unsafe structures. The strategic focus of this research is to develop well-verified, practical engineering tools to assess the safety of dams and reservoir control structures and to remediate those structures that are found to be seismically inadequate. It is estimated that these new engineering tools will reduce the number of structures needing remediation by more than 50 percent with an overall projected cost avoidance of more than $100 million dollars.

Summary

The Civil Works Program is an important contributor to the well-being of the nation. By supervising the country's water resources infrastructure, we are able to assist the smooth passage of trade with our overseas partners. Moreover, providing inexpensive hydroelectric power, acting to mitigate the impact of natural disasters, contributing to a cleaner environment, and providing recreational facilities enable us to contribute to the welfare of the nation and its people.

Our mission has been evolving since we first constructed the fortifications at Bunker Hill over 200 years ago. We have a solid record of success, but we also know we must change with the times and we are actively engaged in efforts to improve the delivery of our services. We are changing the way our project teams are organized and we are taking advantage of emerging technologies to further increase our efficiency and our effectiveness. We aim to continue to contribute to the economic and environmental security and prosperity of the nation.

Performance Results

The Government Performance and Results Act (GPRA) of 1993 seeks to improve government-wide program effectiveness, government accountability, and ultimately public confidence by requiring federal agencies to identify measurable annual performance goals against which actual achievements can be compared. In addition, each agency is required to submit a comprehensive strategic plan that identifies its major goals and objectives.

The Army Corps of Engineers Civil Works strategic goals comply with the requirements of the GPRA. The goals provide a framework for identifying and reporting on measurable outcomes, focusing on results achieved rather than on the efforts expended. The following strategic goals define our vision for the future, and describe how we aim to strengthen and improve our performance in our traditional mission areas to ensure that we continue to meet the needs of the nation. These goals and their supporting business program performance measurements together provide the framework for our future direction.

Strategic Goals

Goal 1: Enhance the nation's economic well-being and sustainable development through water resources management and infrastructure.

Through anticipating, identifying, and addressing water resource infrastructure problems and needs the Army Corps of Engineers Civil Works Program is able to enhance our nation's economic well-being. By maintaining our coastal harbors and intercoastal waterways, we strengthen America's ability to export its products to the world and to move those products around the nation. We have defined the following objectives to ensure that we continue to effectively manage our water resources and to maintain our waterway infrastructure.

Objective: Augment the navigation program infrastructure by implementing changes whose benefits exceed their costs.

Measure: The benefit-to-cost ratio at the completion of project construction should at least equal the benefit-to-cost ratio at the time of initial project funding.

Results: In FY 1999 there were no scheduled project completions. Fifty projects were under continuing construction, and three new projects were begun.

Objective: Augment the flood and coastal storm damage reduction program infrastructure by implementing changes whose benefits exceed their costs.

Measure: The benefit-to-cost (B/C) ratio at the completion of project construction should at least equal the benefit-to-cost ratio at the time of initial project funding.

Results: In FY 1999 there were 10 scheduled project completions. Of these, seven projects had B/C ratios at completion that equaled or exceeded the ratio forecast at the start of construction. The remaining three projects had positive B/C ratios at completion that were within 10 percent of the B/C ratio forecast at the start of construction.

Conclusion: All projects in this program that were completed in FY 1999 will contribute as required to national economic growth.

Goal 2: Lead in the management, protection, and restoration of the nation's water and related land resources.

The Corps Regulatory Program requires the creation, enhancement, restoration, and preservation of wetlands to compensate for wetlands lost to projects approved under the permit application evaluation process.

Objective: To achieve zero net loss of wetlands, in support of the Administration's goal of no net loss.

Measure: Acreage of wetlands created, enhanced, restored, and preserved, as reported quarterly.

Results: In FY 1999, the program required the mitigation (creation, restoration, enhancement, and preservation) of 46,433 acres of wetlands to compensate for 21,556 acres of wetlands permitted to be filled.

Objective: To promote environmental stewardship of Corps projects and to assure that environmental mitigation at Corps projects meets the requirements of authorizing legislation or of the relevant Corps decision documents.

Project mitigation lands are those lands on which measures are taken to compensate for any unavoidable adverse ecological impact caused by Corps projects or activities. These lands are designated by Congress or approved by Corps Headquarters in a formally documented decision.

Measure: Acreage of designated Corps-administered mitigation lands meeting mitigation requirements, divided by the total acreage of designated Corps-administered mitigation lands.

Results: In FY 1999, the area of Corps-administered mitigation lands amounted to 724,224 acres. The Corps achieved the required mitigation requirements for 553,191 acres, or 76 percent.

Goal 3: Provide timely, effective, and efficient disaster mitigation, response, and recovery.

By developing and implementing new ways to improve flood plain management, the Corps is able to reduce potential flood damage and save our nation billions of dollars. Every year we strive to further reduce the risks associated with flooding and to increase our responsiveness to natural disasters. Constant monitoring of our performance helps us to provide timely, effective, and efficient disaster mitigation, response, and recovery. The following objective assists us in ensuring that we meet our customers' needs in reducing flood damage.

Objective: To achieve customer satisfaction that the Corps successfully performed its mission.

Measure: Customer satisfaction with USACE performance of FEMA missions.

Results: Data collection will take place in the fourth quarter of FY 2000.

Business Programs Performance Results

The Civil Works Program aims to accomplish these three strategic goals by providing services in seven business programs. Program performance goals are being established for each of the seven programs to demonstrate our progress toward achievement of the strategic goals. The measures used in FY 1999 to assess our performance in pursuit of our program goals are described below.

Navigation

The navigation program includes improvement and maintenance of the port and harbor channels that handle all of the nation's maritime commerce. The Corps combines direct appropriations with funds distributed from the Harbor Maintenance Trust Fund to maintain navigability in 299 deep-draft harbors and 627 shallow-draft harbors. The Corps also has stewardship responsibilities for approximately 25,000 miles of navigable waterways, including approximately 11,000 miles of commercially navigable inland and intracoastal waterways and 238 lock chambers at 192 sites. Major improvements to inland waterway facilities are financed in part by the Inland Waterways Trust Fund. In 1998, 2.3 billion tons of commerce moved through these ports, harbors, and navigable channels, comprising 1.2 billion tons of foreign trade, valued at $664 billion, and 1.1 billion tons of domestic traffic. Maintaining the port and harbor channels, and inland waterways of our navigation system requires the removal of 235 million cubic yards on average of dredged material each year.

Goals: Two program strategies have been established to support pursuit of the strategic goals. They are as follows:

1. New investments will be undertaken that meet the criteria for Federal participation and that promise benefits in excess of costs.

2. Existing navigation infrastructure will be operated and managed to maximize the value of the services provided, given the funds available.

Objective 1: The provision by Corps facilities of low-cost commercial transportation infrastructure.

Measure 1: Compare the volume of commerce and the operational cost of the fuel-taxed waterways component of the navigation system.

Results 1: During Calendar Year (CY) 1998, the Corps provided 781 ton-miles of low cost transportation of commodities to world markets.

	FY 1997	**FY 1998**	**FY 1999**
Ton-miles of commerce carried (billions)*	814	781	Data not available at time of printing.
Cost per ton-mile	$0.00071	$0.00081	
* Ton-mile data is reported on a calendar basis. Costs are on a fiscal year basis.			

Objective 2: Maximize availability of Corps inland navigation infrastructure (waterways, harbors, channels, and structures) to commercial traffic. Corps facilities to be available for 95 percent of the time they are scheduled to be available.

Measure 2: Percentage of time Corps facilities are open to commercial traffic.

Results 2: During FY 1999, the availability of inland navigational infrastructure was 96.2 percent.

Performance Achieved	**FY 1997**	**FY 1998**	**FY 1999**
Actual Availability	95.6%	96.1%	96.2%

Objective 3: Minimize costs of dredging while assuring safe and reliable harbor and channel availability.

Measure 3: The volume of material dredged is largely dependent upon acts of nature and factors beyond the control of man. No performance target has therefore been established. The depth of material to be dredged and the disposal of dredged material are the two main factors influencing the cost of dredging.

Results 3: During FY 1999, the Corps removed 242 million cubic yards of dredged material at a cost of $580 million for maintenance dredging. This is an increase of 14 percent in quantities over FY 1998, while decreasing the cost per cubic yard 5.1 percent.

	FY 1997	FY 1998	FY 1999
Cubic yards removed (millions)*	253	211	242
Cost per cubic yard	$1.96	$2.53	$2.40
*Volume of material dredged reflects maintenance dredging only, and does not include dredging done for new construction projects.			

Flood and Coastal Storm Damage Reduction

There are two general approaches to reducing flood damage. The first approach calls for the use of large-scale engineering projects to prevent floodwaters from inundating property. The second approach calls for the modification of property susceptible to flooding to minimize the risk of damage. Corps projects usually use a combination of both approaches. Most Corps flood and coastal storm damage reduction projects are constructed as joint ventures between the Federal government and non-Federal sponsors, and are subsequently owned, operated, and maintained by the non-Federal sponsor. Some older projects, mostly reservoirs, are still operated and maintained by the Corps, however. Through FY 1998, the nation had invested $33 billion ($103 billion, adjusted for inflation) in flood damage reduction projects, and has successfully prevented an estimated $319 billion ($626 billion, adjusted for inflation) in flood damage. Adjusted for inflation, these figures show a return on investment of more than six dollars in damage prevented for each dollar spent. With proper maintenance, these flood control projects will remain sound and should continue to yield additional benefits for many years to come.

Goals: Two program strategies have been established in this area to support pursuit of the Corps' strategic goals:

1. New investments will be undertaken that meet the criteria for Federal participation and that promise benefits in excess of costs.

2. Existing Federal infrastructure will be operated and managed to provide appropriate levels of service.

Objective: Maintain Corps facilities to ensure flood damage protection continues at the levels originally conceived.

Measure: Actual performance of Corps facilities in reducing damage where flooding would have otherwise been experienced.

Results: During FY 1998, the Corps prevented $13.4 billion of flood damage. This can be compared to our 10-year rolling average of $21.0 billion which is used to smooth out the significant fluctuations in year to year flood damages prevented.

(Dollars in billions)	FY 1997	FY 1998	FY 1999
Flood damage	$45.5	$13.4	N/A*
10-year rolling	$15.7	$21.0	N/A*

* Not available at time of printing

Environment

The environment program is similar to the preceding two programs in that it has a new-investment component as well as an operation and maintenance component for existing projects. New investment is used to either restore ecosystems which were degraded prior to project development or to mitigate the adverse consequences of project construction. The Corps has authority to incorporate ecosystem restoration into plans for new projects, as a modification of existing projects, and in determining placement of dredged material from authorized navigation projects. In this context, restoration is treated as a project benefit. Investment in mitigation differs from restoration in that measures are developed to compensate or replace environmental losses, which may be unavoidable in constructing new projects. In this context mitigation is treated as a cost of project development. The Corps also has new authority for restoring ecosystems in settings not associated with an existing Corps project. Operation funds are used to achieve environmental goals at completed projects which have been retained by the Corps for operation and maintenance. At existing Corps-operated projects, we provide stewardship of the environment and the natural resources in accordance with authorizing decision documents and the Environmental Review Guides for Operations. The Review Guides are management documents, which outline the location and corrective action that should be taken where environmental compliance has been deficient. District authorities, regulatory agencies, and private contractors offer support to facility

managers who are responsible for monitoring the environmental compliance of operations at Corps projects.

Goals: Three program strategies have been established to support the Corps' strategic goals. They are as follows:

1. Invest in Corps mitigation and restoration projects or features to make a positive contribution to the nation's environmental resources.

2. Invest in Corps mitigation and restoration projects and in the operation of Corps facilities to assist in the recovery of federally listed threatened and endangered species.

3. Ensure that the operation of all Civil Works facilities and management of associated lands, including out-granted areas, complies with the environmental requirements of the relevant Federal, state, and local laws and regulations.

Objective 1: Fulfilment of mitigation requirements for Corps-administered mitigation lands. Target for FY 1999 was to meet requirements for 70 percent of mitigation lands.

Measure 1: Percentage of Corps-administered mitigation land meeting the requirements of the authorizing legislation or of the relevant Corps of Engineers decision document. This measure is calculated as a percentage (acres) of all designated Corps-administered mitigation land for which the Corps meets mitigation requirements.

Results 1: During FY 1999, the Corps administered 553,191 mitigation acres, representing a 35 percent decrease over the previous fiscal year. The decrease was the result of inventory records for mitigation lands being amended to remove land not administered for mitigation purposes. The Corps achieved 76 percent of mitigation requirements, exceeding the performance target of 70 percent. The figure of 70 percent was set as an initial target to give the Corps experience in both baseline measurement and in linking performance levels to resourcing levels.

	FY 1997	FY 1998	FY 1999
Total acreage designated as Corps-administered mitigation land	1,105,637	1,109,063	724,224
Mitigation land for which requirements were met (acres)	591,446	618,535	553,191
Percentage of Corps-administered mitigation lands for which mitigation requirements were met	53%	56%	76%

Objective 2: Undertake or accomplish Recovery Plan requirements at 30 percent of the Corps projects for which Recovery Plans for federally listed species apply.

Measure 2: The percentage in which the Corps engaged of the total opportunities to participate in Recovery Plan projects for federally listed species.

Results 2: During FY 1999, the Corps participated in recovery programs for 63 federally listed species, engaging in 484 separate projects designed to benefit these species or their habitats.

	FY 1997	FY 1998	FY 1999
Number of opportunities to participate in recovery of Federally listed species	N/A	465	484
Number of opportunities taken	N/A	418	450
Percentage of opportunities taken to assist in the recovery of Federally listed species	N/A	90%	93%

Objective 3 (Compliance): To correct significant findings and major findings identified during FY 1999. The target for FY 1999 is to correct 100 percent of the significant findings and 65 percent of the major findings.

Measure 3: The percentage of all significant findings and of all major findings corrected annually.

Results 3: During FY 1999, the corps corrected 50 percent of the significant findings and 41 percent of the major findings.

	FY 1997	FY 1998	FY 1999
Number of Significant Findings	11	18	10
Percent Corrected	100%	72%	50%
Number of Major Finding	798	597	522
Percent Corrected	49%	56%	41%

Regulatory

The Corps operates a comprehensive regulatory program, which through extensive coordination and evaluation, protects navigation and the aquatic environment.

Goals: The following program strategies have been established to support the pursuit of the Corps' strategic goals:

1. Administer the Regulatory Program in a manner that renders fair and reasonable decisions for applicants.

2. Administer the Regulatory Program in a manner that enables efficient decision-making.

Objective 1*: To minimize the amount of time taken to process decisions on requests for permits to work in U.S. waters. Target is to complete 85 percent of all actions within 60 days.

Measure 1: The number of all permit decisions completed within 60 days expressed as a percentage of all permit decisions in that time frame.

Results 1: During FY 1999, the Corps completed 83,413 permit actions in 60 days or less, representing a 92 percent success rate. This figure exceeds the performance target of 85 percent, although it is a 2 percent decrease from the performance level achieved in FY 1998.

1 *Footnote (for Objectives 1 and 2): The Corps is currently working on a revised performance measurement package for the regulatory program

	FY 1997	FY 1998	FY 1999
Number of permit actions completed in less than 60 days	80,613	84,598	83,413
Percentage of actions completed within 60 days	94%	94%	92%

Objective 2*: To minimize the amount of time taken to process standard permit decisions on requests for individual permits and letters of permission to work in U.S. waters. Standard permits are those for larger projects that require extensive review. Target is to complete 70 percent of decisions on standard permits within 120 days.

Measure 2: The number of standard permit decisions completed within 120 days expressed as a percentage of all requests for standard permit decisions.

Results 2: During FY 1999, the Corps completed 72 percent of standard permit actions in less than 120 days. Although this level of performance exceeded the performance target, it represented a decline of 8 percent from FY 1998's performance level.

Hydropower

The Corps operates 75 hydroelectric power-generating units at its multipurpose reservoirs, providing a significant supply of renewable-source energy to the nation. The electricity is distributed by Federal power marketing agencies.

Goal: We have established a single program strategy to support pursuit of the Corps' strategic goals: To maintain a high level of hydroelectric power production at a competitive cost. We use two program performance measures, as follows:

Objective 1: To generate a high level of hydroelectric power at Corps multipurpose reservoir projects, at a competitive cost.

Measure 1: Two measures are operative—kilowatt-hours, for total power generation, and cost per kilowatt-hour, to measure generating efficiency. No performance targets were set for FY 1999.

2 *Footnote (for Objectives 1 and 2): The Corps is currently working on a revised performance measurement package for the regulatory program.

Results 1: During FY 1999, the Corps generated 99.1 billion kilowatt-hours, representing an increase of 17 percent from FY 1998 (within normal annual variations). The cost per kilowatt-hour was 2.36 cents, a 15.7 percent decrease.

	FY 1997	FY 1998	FY 1999
Kilowatt-hours generated	100.5	84.7	99.1
Cost per kilowatt-hour	2.59 ¢	2.80 ¢	2.36 ¢

Objective 2: Maintain a high degree of hydroelectric power availability at Corps multipurpose reservoir projects. Our goal is to keep the forced (unplanned) outage rate at less than 4.5 percent. The lower the force outage rate, the more reliable and lower cost is the electric service we provide our customers.

Measure 2: Forced (unplanned) outage rate. Maintain rate below 4.5 percent.

Results 2: During FY 1999, the Corps had a forced (unplanned) outage rate of 3.69 percent. Although it increased slightly from FY 1998, the general trend is a decrease from a high of 5.98 percent in FY 1995.

	FY 1997	FY 1998	FY 1999
Performance target	4.5%	4.5%	4.5%
Unplanned Outage	4.49 %	3.15%	3.69%

Recreation

The Corps has built 4,338 recreation areas at its multi-purpose reservoirs, of which we operate and maintain 2,487. These areas provide facilities for camping, swimming, boating, picnicking, and other related activities. Most federal lakes were originally built exclusively for one or two primary purposes, and benefited mainly the adjacent population. Public needs and values have changed, however, and we have sought to serve the evolving public interest by adapting our reservoirs for multiple uses. Lake managers have also found that by so doing they can also stretch their resources further, and also successfully conserve and reuse water. From the same lake resources, the public is thus receiving a wider range of benefits.

Goals: We have established the following program strategies to support the broader strategic goals of the Corps:

1. Provide outdoor recreation opportunities in an effective and efficient manner at Corps-operated water resource projects.

2. Provide outdoor recreation opportunities to meet the needs of present and future generations.

Objective: Achieve maximum cost effectiveness in the provision of outdoor recreation services.

Measure: Cost per visitor-day of providing outdoor recreation facilities. The cost per visitor-day is determined by a number of variables. While the Corps is able to manage the cost of providing recreation facilities, the number of visitors who use these facilities is governed in large part by external factors such as the weather and prevailing economic conditions. Historically, no management performance target has therefore been specified.

Results: During FY 1999, the number of visitors to our outdoor recreation areas increased from 213 to 217 million. Preliminary estimates indicate our cost per visitor day increased from $0.83 to $0.88 which is consistent with our expectations due to increased funding in FY 1999 to begin correcting deferred maintenance work that is adversely affecting the quality of the recreation visitor experiences.

	FY 1997	**FY 1998**	**FY 1999**
Visitor-days (millions)	213	217	224 *
Cost per visitor-day	$0.83	$0.83	$0.88 *
* Preliminary data estimates.			

Emergency Management

The Civil Works Program includes a disaster response and recovery program, maintained by the Corps under Public Law 84–99 and under the Federal Response Plan in coordination with the Federal Emergency Management Agency (FEMA) and others. Corps response activities are intended to be supplemental to state and local efforts. Our disaster preparedness and response capabilities are not limited to water-related disasters, but draw on the engineering skills and management capabilities of the Corps to encompass a broad range of natural disasters and national emergencies. Through our emergency preparedness planning and disaster response capability, we are able to make a significant and direct contribution to U.S. national security objectives.

Strategy. We have established four program strategies to support the strategic goals of the Corps. They are as follows:

1. Attain and maintain a high and consistent state of preparedness.

2. Provide a rapid, effective, and efficient all-hazards response capability, prepared for deployment anywhere worldwide.

3. Provide the leadership to ensure effective and efficient long-term crisis recovery, emphasizing recovery of the nation's water resources infrastructure.

4. Provide professional emergency management program services to international customers.

Performance measures for this program are being developed.

Management Issues and Initiatives

Progressive Financial Management
The U.S. Army Corps of Engineers is in the process of upgrading its financial management systems and tools. It is essential that we are able to properly manage and account for our resources, and in order to ensure this we have developed a proprietary financial tool known as the Corps of Engineers Financial Management System (CEFMS). Designed and built by the Corps with the aid of external contractors, the system delivers a broad range of functionality. It integrates our financial management processes with internal program and project management processes and provides automated linkage to the Department of the Army, the DOD, and the Office of Management and Budget.

We invested approximately $76 million in development of the CEFMS. The process of implementation and gaining acceptance of the system among our Corps family has required a major cultural adjustment. Our efforts have proven extremely successful, and today, CEFMS is a powerful financial tool that has become a key component of successful program execution and customer care. The DOD is developing a similar system, the Defense Joint Accounting System, based on the CEFMS, supporting our belief that the CEFMS is now one of the best cost accounting systems in the government.

In addition to our work on the CEFMS, we have undertaken over the last several years the challenge of complying with the full requirements of the Chief Financial Officers Act of 1990. One of the major requirements of the act is that we submit the financial aspects of our Civil Works program to external audit. Only one small DOD activity has received an unqualified audit opinion to date. The Corps has made significant progress in FY 1999 toward achieving such an opinion from the Army Audit Agency.

Electronic Commerce
Our efforts to improve the effectiveness of our resource management include the gradual migration of our financial processes to an automated electronic environment, as required by the Debt Collection Improvement Act of 1996. Realization of this goal will require extensive cooperation between government agencies—payment data, for example, must pass reliably between compatible automated systems without the need for a Treasury check—and we have worked hard to ensure that the CEFMS can operate in this new environment.

We have used electronic funds transfer (EFT) for payment to vendors and to settle employee travel claims since FY 1998. In FY 1999, we also made on-line payments and collection (OPAC) available. OPAC is part of the Treasury's Government On-Line Accounting Link System (GOALS), providing the capability to electronically transfer disbursements and collections between government agencies without the need to mail bills or Treasury checks.

We also initiated the use of remittance express (REX) in FY 1999. REX is a Federal Reserve system that enables government agencies to electronically receive remittances from public vendors. Funds from the vendor's bank are transferred to the U.S. Army Corps of Engineers Finance Center account in Millington, TN. The Finance Center certifies collection of the funds and completes the CEFMS deposit process. The system enables funds to be posted to a CEFMS funding account within three days.

Fully utilized, these electronic commerce measures will eliminate the use of Treasury checks, reduce accounts receivable between government agencies, and decrease fund transfer delays. In FY 2000, we plan to increase the use of the measures described and develop additional policies to further capitalize on the advantages of e-commerce technology.

Inventory Management
During FY 1999, we completed the initial two phases of a program that will improve our ability to manage our assets and that will provide centralized asset visibility. In the first phase, we placed more than $100 million worth of inventory assets, each valued at more than $10,000, in the CEFMS Inventory Management Module. This module is designed to afford us full control and accountability of all inventory assets. We also assessed our inventory and warehouse requirements, conducted a physical inventory of all on-hand repair parts and materials, established the physical location of our stocks, and appointed accountable officers who in turn appointed ordering and receiving officials. In the second phase, we added all stocked items (supplies and material) not destined for immediate consumption, regardless of their dollar value.

The program when completed will facilitate our shift to just-in-time (JIT) delivery, governed by the rule of "buy it when you need it"—just enough and just in time—

and then only in the minimum quantity required to prevent mission failure. By reducing inventory to a minimum, the JIT process will return significant savings in warehousing and will afford us much greater liquidity. We no longer will stock supplies that can be readily obtained from other sources on a JIT basis.

To help commanders get the most from this program, we are working with them to develop management reports and queries that will give them positive oversight of supplies and material held in inventory. We are also working to develop quality assurance measures to help maintain data integrity.

Summary

CEFMS is the centerpiece of our efforts to bring progressive financial management to the Corps of Engineers. It also is part of a broader effort to conduct business in a more effective and efficient manner, in order to derive the greatest benefit from the resources entrusted to us. By leveraging CEFMS's capabilities and capitalizing on technological advances such as e-commerce, we will improve the way we do business and the way in which we serve our customers. At the same time CEFMS powerful capabilities are furthering our efforts to comply with the mandates of the CFO Act and our quest for better financial stewardship. Improved customer service through technology and better financial stewardship will be mandates for public organizations in the 21st century.

U.S. ARMY CORPS OF ENGINEERS

CIVIL WORKS

PRINCIPAL STATEMENTS

SEPTEMBER 30, 1999

UNAUDITED

Department of Defense
US ARMY CORPS OF ENGINEERS
CONSOLIDATED BALANCE SHEET
As of September 30, 1999
($ in Thousands

ASSETS	FY 1999
1. Entity Assets:	
A. Intragovernmental	
1. Fund Balance with Treasury (Note 2)	$2,490,401
2. Investments (Note 3)	1,978,156
3. Accounts Receivable, Net (Note 4)	210,742
4. Other Assets (Note 5)	
5. Total Intragovernmental	$4,679,299
B. Accounts Receivable, Net (Note 4)	$3,948
C. Loans Receivable and Related Foreclosed Property, Net (Note 6)	
D. Cash and Other Monetary Assets (Note 7)	
E. Inventory and Related Property, Net (Note 8)	$54,820
F. General Property, Plant and Equipment, Net (Note 9)	$33,907,261
(See Required Supplementary Stewardship Information)	
G. Other Assets (Note 5)	$47,963
H. Total Entity Assets	$38,693,291
2. Non-Entity Assets:	
A. Intragovernmental	
1. Fund Balance with Treasury (Note 2)	$34,609
2. Accounts Receivable, Net (Note 4)	2
3. Other Assets (Note 5)	
4. Total Intragovernmental	$34,611
B. Accounts Receivable, Net (Note 4)	40,944
C. Cash and Other Monetary Assets (Note 7)	444
D. Other Assets (Note 5)	913,509
E. Total Non-Entity Assets	989,508
3. Total Assets	$39,682,799

The accompanying notes are an integral part of these statements.

Department of Defense
U.S. Army Corps of Engineers
CONSOLIDATED BALANCE SHEET
As of September 30, 1999
($ in Thousands)

LIABILITIES	FY 1999
4. Liabilities Covered by Budgetary Resources	
A. Intragovernmental	
1. Accounts Payable	$96,968
2. Debt (Note 11)	606
3. Environmental Liabilities (Note 12)	
4. Other Liabilities (Note 13)	59,081
5. Total Intragovernmental	156,655
B. Accounts Payable	604,899
C. Military Retirement Benefits & Other Employee Related Actuarial Liabilities (Note 14)	
D. Environmental Liabilities (Note 12)	
E. Other Liabilities (Note 13)	475,482
F. Total Liabilities Covered by Budgetary Resources	$1,237,036
5. Liabilities Not Covered by Budgetary Resources	
A. Intragovernmental	
1. Accounts Payable	
2. Debt (Note 11)	22,877
3. Environmental Liabilities (Note 12)	
4. Other Liabilities (Note 13)	969,014
5. Total Intragovernmental	991,891
B. Accounts Payable	
C. Military Retirement Benefits and Other Employment Related Actuarial Liabilities (Note 14)	194,268
D. Environmental Liabilities (Note 12)	
E. Other Liabilities (Note 13)	14
F. Total Liabilities Not Covered by Budgetary Resources	1,186,173
6. Total Liabilities	$2,423,209
NET POSITION (Note 15)	
7. Expended Appropriations (note 15)	$1,210,206
8. Cumulative Results of Operations	36,049,384
9. Total Net Position	37,259,590
10. Total Liabilities and Net Position	$39,682,799

Department of Defense
U.S. Army Corps of Engineers
CONSOLIDATED STATEMENT OF NET COST
For the year ending September 30, 1999
($ in Thousands)

	FY 1999
1. Program Costs	$ 781,279
A. Intragovernmental	4,248,804
B. With the Public	5,030,083
C. Total Program Cost	(674,376)
D. (Less: Earned Revenues)	4,355,707
E. Net Program Costs	
2. Costs Not Assigned to Programs	
3. (Less: Earned Revenues Not Attributable to Programs)	
4. Net Cost of Operations	$4,355,707
5. Deferred Maintenance (See Required Supplementary Information)	

Additional information included in Note 16.

Department of Defense
U.S. Army Corps of Engineers
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
As of September 30, 1999
($ in Thousands)

	FY 1999
1. Net Cost of Operations	$4,355,707
2. Financing Sources (other than exchange revenues)	
A. Appropriations Used	4,847,714
B. Taxes and other nonexchange revenue	781,997
C. Donations – nonexchange revenue	7,071
D. Inputed Financing (Note 17.B)	148,946
E. Transfers-in	
F. (Transfers-out)	(14,460)
G. Other	167
H. Total Financing Sources (other than exchange revenues)	5,771,435
3. Net Results of Operations (Line 2H less Line 1)	1,415,728
4. Prior Period Adjustments	(1,116,586)
5. Net Change in Cumulative Results of Operations	299,142
6. Increase (Decrease) in Unexpended Appropriations	197,406
7. Change in Net Position	101,736
8. Net Position-Beginning of the Period	37,157,854
9. Net Position-End of Period	37,259,590

Additional information included in Note 17.

Department of Defense
U.S. Army Corps of Engineers
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the year ending September 30, 1999
($ in Thousands)

	FY 1999
BUDGETARY RESOURCES:	$4,546,837
1. Budget Authority:	2,850,878
2. Unobligated Balance – Beginning of Period	
3. Net Transfers Prior-Year Balance, Actual (+/-)	
4. Spending Authority from Offsetting Collections (Gross)	3,742,952
5. Adjustments (+/-)	(8,524)
6. Total Budgetary Resources	$11,132,143
STATUS OF BUDGETARY RESOURCES:	
7. Obligations Incurred	8,978,860
8. Unobligated Balances – Available	2,150,339
9. Unobligated Balances – Not Available	2,944
10. Total Status of Budgetary Resources	11,132,143
OUTLAYS	
11. Obligations Incurred	8,978,860
12. Less: Spending Authority from Offsetting Collections and Adjustments	(3,744,178)
13. Obligated Balance, Net – Beginning of Period	(355,387)
14. Obligated Balance Transferred, Net	
15. Less: Obligated Balance, Net – End of Period	(380,691)
16. Total Outlays	$4,498,604
Additional information included in Note 18.	

Department of Defense
U.S. Army Corps of Engineers
COMBINED STATEMENT OF FINANCING
For the year ending September 30, 1999
($ in Thousands)

	FY 1999
1. OBLIGATIONS AND NONBUDGETARY RESOURCES	
A. Obligations Incurred	$8,978,860
B. Less: Spending Authority from Offsetting Collections and Adjustments	(3,744,178)
C. Donations Not in the Entity's Budget	
D. Financing Inputed for Cost Subsidies	148,946
E. Transfers-in (out)	(14,460)
F. Less: Exchange Revenue Not in the Entity's Budget	(448)
G. Other	44,810
H. Total Obligations as Adjusted and Nonbudgetary Resources	5,412,530
2. RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS	
A. Change in Amount of Goods Services and Benefits Ordered but Not Yet Received or Provided – (Increases)/Decreases	(625,443)
B. Costs Capitalized on the Balance Sheet – (Increases)/Decreases	(1,651,756)
C. Financing Sources that Fund Costs of Prior Periods	(1,115,492)
D. Other – (Increases)/Decreases	32,374
E. Total Resources That Do Not Fund Net Costs of Operations	(3,360,317)
3. COSTS THAT DO NOT REQUIRE RESOURCES	
A. Depreciation and Amortization	1,384,408
B. Revaluation of Assets and Liabilities – Increases/(Decreases)	
C. Other – Increases/(Decreases)	668,313
D. Total Costs That Do Not Require Resources	$2,052,721
4. Financing Sources Yet to be Provided	$ 249,773
5. Net Cost of Operations	$4,355,707

Additional information included in Note 19.

U. S. ARMY CORPS OF ENGINEERS

CIVIL WORKS

NOTES TO THE PRINCIPAL STATEMENTS

SEPTEMBER 30, 1999

Note 1. Significant Accounting Policies:

A. Basis of Presentation:

These financial statements have been prepared to report the financial position and results of operations of the U.S. Army Corps of Engineers Civil Works, as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The financial statements have been prepared from the books and records of the U.S. Army Corps of Engineers (USACE) in accordance with "Department of Defense Financial Management Regulation" (DODFMR) as adapted from the Office of Management and Budget (OMB) Bulletin Number 97-01, "Form and Content of Agency Financial Statements" and to the extent possible the Statements of Federal Financial Accounting Standards (SFFAS). The USACE's financial statements are in addition to the financial reports also prepared by the USACE pursuant to OMB directives that are used to monitor and control the USACE's use of budgetary resources.

The USACE's financial statements are prepared from the consolidation of general ledger financial data reported from the Corps of Engineers Financial System (CEFMS) to the Corps of Engineers Enterprise Management Information System (CEEMIS).

General Ledger account balances have been validated to the yearend departmental budget execution and expenditure reports. The Corps of Engineers Funds with Treasury balances have been adjusted to agree with Treasury's balances in accordance with Treasury policy.

B. Reporting Entity:

Some of the missions of the Corps of Engineers include maintaining navigation channels, reducing flooding, assisting during natural disasters and other emergencies and making waterways passable. The financial statements are presented on the accrual basis of accounting as required by federal financial accounting standards.

The accounts used to prepare the principal financial statements are classified as entity/non-entity and by type of fund. Entity accounts consist of resources that the agency has the authority to decide how to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are not available for use in operations.

The Corps of Engineers Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. Program funding is also received from non-Federal project sponsors who share in project costs

according to formulas established by project authorization acts. A third source of funding comes through the Support for Others Program, which is conducted under reimbursable agreements with Federal agencies.

Entity Accounts:

General Funds

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
96X3122	Construction, General
96X3123	Operation and Maintenance, General
963/73123	Operation and Maintenance, General (fiscal year)
96X3124	General Expenses
96953124	General Expenses (fiscal year)
96X3125	Flood Control and Coastal Emergencies
963/73125	Flood Control and Coastal Emergencies (fiscal year)
96X3126	Regulatory Program
96X3128	Washington Aqueduct Capital Improvements
96X3130	FUSRAP
96X3930	Consolidated Working Fund

Revolving Funds

96X4902	Revolving Fund

Special Funds

96X5007	Special Recreation Use Fees
96X5066	Hydraulic Mining in California, Debris
96X5090	Payments to States, Flood Control Act of 1954
96X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters

Trust Funds

96X8333	Coastal Wetlands Restoration Trust Fund
96X8861	Inland Waterways Trust Fund
96X8862	Rivers and Harbors Contributed and Advance Funds
96X8868	Oil Spill Research

Transfer Funds

96 12X1105	State and Private Forestry, Forest Service
96 13X2050	Economic Development Administration
96 14X1039	Construction National Park Service
96 21X2020	OMA, American Samoa Projects
96 46X0200	Appalachian Regional Development Program
96 47X4542	GSA Building Delegation Program
96 89X0224	Energy supply, Department of Energy
96 89X4045	Bonneville Power Administration
96 72 99 1021	Development Assistance, Agency for International Development
96 69X8083	Federal Aid Highways

Non-Entity:

Deposit Funds

96X6075	Withheld Allotment of Compensation for Payment of Employee Organization Dues
96X6094	Advances from the District of Columbia
96X6134	Amounts Withheld for Civilian Pay Allotments
96X6145	Technical Assistance, United States Dollars Advanced from Foreign Government
96X6302	Moneys Withheld from Contractors
96X6875	Suspense
96X6999	Accounts Payable, Check Issue Underdrafts

Clearing Accounts

96F3875	Budget Clearing Account
96F3880	Unavailable Check Cancellations and Overpayments
96F3886	TSP

Receipt Accounts

960891	Miscellaneous fees for regulatory and judicial services, not otherwise classified
961099	Fines, Penalties, and forfeitures not otherwise classified
961435	General Fund Proprietary Interest, Not Otherwise Classified
963220	General Fund Proprietary Receipts. Not Otherwise Classified, All Other
965007	Special Recreation Use Fees, Bureau of Land Management, Interior
965090	Receipts from leases of lands acquired for flood control, navigation, and allied purposes
965125	Licenses under Federal Power Act, Improvements of navigable water, maintenance and operation of dams, etc., (50%)

The accompanying financial statements account for all resources for which the Corps is responsible except that information relative to classified assets, programs and operations have been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified. When possible, the financial statements are presented on the accrual basis of accounting as required by federal financial accounting standard.

C. Budgets and Budgetary Accounting:

The Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts (general), trust, special, revolving and deposit funds. Program funding also come from non-Federal project sponsors who share in project costs according to formulas established by project authorization acts.

In 1997, the Corps received borrowing authority from the Treasury for the next three years (1997 through 1999) to finance capital improvements to the Washington Aqueduct. Appropriation 96X3128 was established to record financial transactions for these capital improvements.

Trust funds represent the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement or statute.

Special funds account for receipts of the government that are earmarked for a specific purpose.

Deposit funds generally are used to (1) hold assets for which the USACE is acting as an agent or a custodian or whose distribution awaits legal determination, or (2) account for unidentified remittances.

D. Basis of Accounting:

The USACE generally records transactions on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance legal and internal control requirements associated with the use of federal funds.

During fiscal year 1998, the Corps completed the deployment of the Corps of Engineers Financial Management System (CEFMS) to all its divisions, districts, centers, laboratories and field offices. CEFMS is a fully automated, comprehensive financial management system that simplifies the management of

all aspects of the Corps business, including civil, military, revolving funds and reimbursable activity.

In addition, the Corps identifies programs based upon the major appropriation groups provided by Congress.

E. Revenue and Other Financing Sources:

Financing sources for general funds are provided primarily through congressional appropriations that are received on both an annual and a multi-year basis. When authorized, these appropriations are supplemented by revenues generated by sales of goods or services through a reimbursable order process. Revenue is recognized to the extent the revenue is payable to the Corps from other federal agencies and the public as a result of costs incurred or services performed on their behalf. Revenue is recognized when earned under the reimbursable order process.

For financial reporting purposes, DOD policy requires the recognition of operating expenses in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in the Corps' operations. Unexpended appropriations are recorded as equity of the U.S. Government.

F. Accounting for Intragovernmental Activities:

The Corps, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the Corps as though the agency was a stand-alone entity.

The Corps' proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related interest costs are not apportioned to federal agencies. The Corps' financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues

The Corps' civilian employees participate in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The Corps funds a portion of the civilian and military pensions. Reporting civilian pension benefits under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The Corps recognizes an imputed expense for the portion of civilian employee

pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue for the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

The DOD reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Trust Fund (MRTF) financial statements. The DOD recognizes the actuarial liability for the military retirement health benefits in the DOD Agency-wide statements.

To prepare reliable financial statements, transactions occurring between entities within the DOD or between two or more federal agencies must be eliminated. However, the Corps, as well as the rest of the federal government, cannot accurately identify all intragovernmental transactions by customer. For FY 1999, the Corps provided summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side departmental accounting offices and require the adjustment of the buyer-side records to recognize unrecorded costs and accounts payable. Internal DOD intragovernmental balances were then eliminated. In addition, the Corps implemented the policies and procedures contained in the Intragovernmental Fiduciary Transactions Accounting Guide thereby eliminating and reconciling intragovernmental transactions pertaining to investments in federal securities, borrowings from Treasury and the Federal Financing Bank, Federal Employee Compensation Act transactions with the Department of Labor, and benefit program transactions with the OPM.

G. Funds with the U.S. Treasury and Cash:

The Corps' financial resources are maintained in the U.S. Treasury accounts. Cash collections, disbursements, and adjustments are processed worldwide at Defense Finance and Accounting Service (DFAS) and Military Service disbursing stations as well as Department of State financial service centers. Each disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, interagency transfers and deposits. In addition, the DFAS centers and the U.S. Army Corps of Engineers Finance Center submit reports to Treasury by appropriation, on collections received and disbursements issued. Treasury then records this information to the appropriation Fund Balance With Treasury (FBWT) account maintained in the Treasury's system. Differences between the Corps' recorded balance in the FBWT account and Treasury's FBWT often result and are reconciled. Material Disclosures are provided at Note 2.

The Corps' fund resources are maintained in U. S. Treasury accounts. Its cash receipts and disbursements are processed by the Treasury Department and the balance with the Treasury represents the aggregate of all unexpended balances. Material disclosures are provided at Note 2.

H. Foreign Currency:

The Corps conducts operations overseas. Foreign Currency fluctuations related to other appropriations require adjustment to the original obligation amount at the time of payment. These currency fluctuations are not separately identified.

I. Accounts Receivable:

As presented in the balance sheet statement, accounts receivable includes accounts, claims and refunds receivable from other federal or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type of aged receivable. The Code of Federal Regulations (4 CFR 101) prohibits the write-off of receivables from another federal agency. As such, no allowance for estimated uncollectible amounts is recognized for these receivables, Material disclosures are provided at Note 4.

J. Loans Receivable:

Loans are accounted for as receivables after funds have been disbursed. The amounts of loans obligated but not disbursed are disclosed in Note 6. For loans obligated prior to October 1,1991,loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the present value of the subsidy costs (due to the interest rate differential between the loans and the U.S Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

K. Inventory and Related Property:

Inventories are reported at their Latest Acquisition Cost (LAC) adjusted for holding gains and losses to approximate historical cost.

The related property portion of the amount reported on the Inventory and Related Property line includes OM&S, stockpile materials, seized property, and forfeited property. OM&S are valued at standard purchase price. The DOD is moving to the consumption method of accounting for OM&S in future years, except on those cases that meet the requirement for the purchase method as defined in the SFFAS No. 3.

Material disclosures related to inventory and related property are provided at Note 8.

L. Investments in U.S. Treasury Securities:

Investments in U.S. Treasury securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using effective interest rate method or other method if similar results are obtained. The Corps' intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity. Material disclosures are provided at Note 3.

M. General PP&E:

General Property, Plant, and Equipment (PP&E) assets are capitalized when an asset has a useful life of two or more years, and when the acquisition cost equals or exceeds the DOD capitalization threshold of $25 thousand All General PP&E, other than land, is depreciated on a straight-line basis unless otherwise noted. General PP&E land is not depreciated.

When it is in the best interest of the government, the Corps provides to contractors government property necessary to complete contract work. This property is either owned or leased by the Corps, or purchased directly by the contractor based on contract terms and in most instances should be included in the value of General PP&E reported on the Corps' Balance Sheet. However, the DOD's system for capturing and maintaining data on property in the possession of contractors was designed to aid in maintaining property accountability and not for reporting Government property on financial statements. As such, the Corps currently reports only government property in the possession of contractors that is maintained in their own property systems. Therefore, this may immaterially understate the value of property in the possession of contractors.

To bring the Corps into compliance with federal accounting standards, the DOD will issue new property accountability regulations that require the DOD Components to maintain, in DOD Component property systems, information on all property furnished to contractors. This action and other DOD proposed actions will be structured to provide the information necessary for compliance with federal-wide accounting standards.

Material disclosures are provided at Note 9.

N. Prepaid and Deferred Charges:

Payments in advance of the receipt of goods and services are recorded as prepaid and deferred charges at the time of prepayment and reported as an asset on the Balance Sheet. Prepaid charges are recognized as expenditures and expenses when the related goods and services are received.

O. Leases:

Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease) and the value equals or exceeds the current DOD capitalization threshold, the applicable asset and liability are recorded. The amount recorded is the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor. Capital assets overseas are purchased with appropriated funds; however, title is retained by the host country. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses during the period.

P. Other Assets:

The Corps conducts business with commercial contractors under two primary types of contracts, fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that these long-term contracts can cause, the Corps provides financing payments. One type of financing payment that the Corps makes is based upon a percentage of completion. In accordance with SFFAS No 1. "Accounting for Selected Assets and Liabilities," these payments are treated as work in process and are not reported as advances or prepayments in the "Other Assets" line item. In addition, based on the provision of the Federal Acquisition Regulations, the Corps makes financing payments under fixed price contracts that are not based on a percentage of completion. The Corps reports these financing payments as advances or prepayments in the "other Assets line item. The Corps treats these payments as advances or prepayments because the Corps becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the Corps in not obligated to reimburse the contractor for its costs and the contractor is liable to repay the Corps for the full amount of the advance. The Corps does not believe that SFFAS No 1. addresses this type of financing payment. The auditor's disagree with the Corps application of the accounting standard pertaining to advances and prepayments because they believe that the SFFAS No. 1 is applicable to this type of financing payment.

Q. Liabilities and Contingencies:

The Corps engaged in contractual commitments requiring future financial obligations. Disclosure of some of these commitments is required. Adoptions of these disclosures for the Corps commitments are still evolving.

The SFFAS defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to the Corps. The uncertainty will be resolved when one or more future events occur or fail to occur. The Corps only records loss contingencies. These contingencies are recognized as a liability when it is probable that the future event or events will confirm the loss or the incurrence of a liability for the reporting entity and the amount of loss can be reasonably estimated. Other contingencies are disclosed when conditions for liability recognition do not exist but there is at least a reasonable possibility that a loss or additional loss will be incurred. Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, possible claims and assessments. The Corps' loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as aircraft, ship and vehicle accidents, medical malpractice, property or environmental damages, and contract disputes.

R. Accrued Leave:

Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the FY reflect current pay rates for the leave that is earned but not taken. Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent appropriations are not available to fund annual leave earned but not take, funding will be obtained from future financing sources.

S. Equity:

Equity consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of authority, which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which neither legal liabilities for payments have been incurred nor actual payments made.

Cumulative results of operations represents the difference since inception of an activity, between expenses and losses and financing sources including appropriations, revenue, and gains. Beginning with FY1998 this included the cumulative amount of donations and transfers of assets in and out without

reimbursement. In addition, cumulative amounts are no longer segregated into investments in capitalized assets (such as PP&E) precredit reform loans, or future funding requirements.

T. Treaties for Use of Foreign Bases:

The Corps has no existing treaties for use of foreign bases.

U. Comparative Data:

Comparative data is not required by OMB 97-01until FY2000 annual financial statements. Comparative data will be presented starting in FY 2000.

V. Undelivered Orders:

The Corps was obligated to pay for undelivered orders (good and services that have been ordered but not yet received) amounting to $1.239B at fiscal-year end. No liability for payment has been established in the financial statements because good/services have yet to be delivered.

Note 2. Fund Balances with Treasury:

1. Fund Balances:			
Fund Type	Entity Assets	Non-Entity Assets	Total
a. Appropriated Funds	$1,636,493		$1,636,493
b. Revolving Funds	852,636		852,636
c. Trust Funds	1,272		1,272
d. Other Fund Types		$34,609	34,609
e. Total	$2,490,401	$34,609	$2,525,010
2. Fund Balance Per Treasury Versus Agency:			
a. Fund Balance Per Treasury	$2,478,394	$42,042	
b. Fund Balance Per USACE	2,490,401	34,609	
c. Reconciling Amount	(12,007)	7,433	

3. Explanation of Reconciliation Amount:

Fund Balance Per USACE includes $14.599 million in transfer appropriations that were not reported on the FMS 2108. Transfer appropriations are reported by the parent agency on the FMS 2108. However, they must be included in the financial statements of the receiving entity. Therefore, we have included financial data for transfer appropriations in our financial statements for the period ending

September 30, 1999. Also included in this balance are immaterial cash balances reported by Treasury for trust funds for which the Corps is identified as the lead agency for reporting.

Fund Balance Per USACE excludes $2.592 million spending authority for the Coastal Wetlands Restoration Trust Fund account which was reported on the FMS 2108. Coastal Wetlands is financed from transfers from the Aquatic Resources Trust Fund. Treasury has identified DOT as the lead agency for reporting the Aquatic Resources account. Therefore, USACE has not reported activity for this account.

Fund Balance Per Treasury – Non-Entity includes funds available in appropriation 96X6094 in the amount of $7.432 million. This account was established to record operating costs at the Washington Aqueduct which are reimbursed by local municipalities. Since funding is used in operations, the balance is included with entity assets.

4. Other Information Related to Fund Balance with Treasury: Receipts in the amount of $662.785 million that were returned to Treasury during fiscal year 1999 are not reflected in these financial statements.

Note 3. Investments, Net:

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Investments, Net	(5) Other Adjustments	(6) Market Value Disclosure
1. Intragovernmental Securities:						
a. Marketable	$1,975,923	Interest	($2,401)	$1,973,522		$1,973,522
b. Non-Marketable						
c Non-Marketable, Market-Based						
d. Subtotal	$1,975,923		($2,401)	$1,973,522		$1,973,522
e. Accrued Interest	4,634			4,634		4,634
f. Total	$1,980,557		($2,401)	$1,978,156		$1,978,156
2. Other Securities:						
a. Commercial Paper						
b. Other						
c. Subtotal						
d. Accrued Interest						
e. Total						
3 Total Intragovern-ental and Other Securities:	$1,980,557		($2,401)	$1,978,156		$1,978,156

4. Other Information: Investments for the Inland Waterways (IWW) and Harbor Maintenance Trust Funds (HMTF) are reported by the Treasury and included in USACE financial statements.

It is the intent to hold investments until maturity unless they are needed to sustain operations. Provisions are not made for unrealized gains or losses on these securities. The Trust Funds use the same method that conforms to the prevailing practice in the financial community to determine the amortized book value of investments currently held and the related effective interest yield on investments. These calculated yields agree with yields published in the security tables of U.S. Treasury securities.

These types of investments are recorded at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. Amortization of HMTF investments reflects a difference of $653 thousand due to TFMB's interest method of amortization vs FIB's straight-line method of amortization. Amortization of IWW investments reflects a difference of $95 thousand due to TFMB's interest method of amortization vs FIB's straight-line method of amortization.

Note 4. Accounts Receivable:

	(1) Gross Amount Due	(2) Allowance for Estimated Uncollectables	(3) Net Amount Due
1. Entity Receivables:			
a. Intragovernmental	$210,742	N/A	$210,742
b. With the Public	4,010	62	3,948
2. Non-Entity Receivables:			
a. Intragovernmental		N/A	
(1) Cancelled Appropriations			
(2) Other	2	N/A	2
b. With the Public			
(1) Cancelled Appropriations			
(2) Other	$41,354	$410	$40,944

3. Allowance method Used: The method of calculating the allowance for estimated uncollectibles is based on the aging of receivables and application of pre-determined percentages. Average percentages were calculated based on write-offs to outstanding public accounts receivable during prior fiscal years.

The Code of Federal Regulations (4 CFR 101) prohibits the write-off of receivables from another federal agency. As such, no allowance for estimated uncollectible amounts is recognized for these receivables.

4. Other Information: Accounts receivable represents all current receivables due from federal and non-federal sources, net of allowance for estimated uncollectible accounts. Other non-entity receivables include $1.432 million in taxes receivable for quarterly excise taxes owed to the Inland Waterways Trust Fund, $2.997 million in claims receivables, $30.162 million in current receivables due from state and local municipalities for water storage contracts and $6.171 million in accrued interest receivable associated with the water storage contracts. An additional $880 thousand represents amounts due from the leasing of land acquired for flood control purposes.

Inclusion of work-in-process (WIP) in the amount of $5 thousand, recognition of an allowance for bad debts in the amount of ($472) thousand and corrections in the amount of ($20) thousand result in a net difference of ($487) thousand between the principal statements and public receivables previously reported on the Schedule 9, Report on Receivables Due From the Public. In addition, the Schedule 9 reflects $914 million and in long-term receivables which have been reported as Other assets in the financial statements.

Note 5. Other Assets:

1. Other Entity Assets	
a. Intragovernmental	
(1) Assets Returned for Credit	
(2) Advances and Prepayment	
(3) Revolving Fund Advances to Others	
(4) Other	
(5) Total Intragovernmental	
b. Other	
(1) Outstanding Contract Financing Payments	
(2) Assets Awaiting Disposal	$23,018
(3) Travel Advances	925
(4) Advances – All Others – Public	8,902
(5) Deferred and Undistributed Items	7,351
(6) Intangible Assets	7,767
(7) Total Other	$47,963
2. Other information related to entity assets: None	
2. Other Non-entity Assets	
a. Intragovernmental	
(1)	
(2)	
(3) Total Intragovernmental	
b. Other	
(1) Long-term receivables	$913,509
(2)	
(3) Total Other	$913,509

4. Other information related to non-entity assets: Long-term receivables represent principal amounts due from state and local municipalities in accordance with long-term revenue agreements for water storage.

Note 6. Loans Receivable and Related Foreclosed Property, Net: Not Applicable

Note 7. Cash and Other Monetary Assets:

	Entity Assets	Non-Entity Assets
1. Cash		$368
2. Foreign Currenty		76
3. Other Monetary Assets		
4. Total Cash, Foreign Currency, and Other Monetary Assets		$444

5. Other Information: The Corps translates foreign currency to U. S. dollars utilizing the Department of The Treasury Prevailing Rate of Exchange. This rate is the most favorable rate that would legally be available to the U. S. Government's acquisition of foreign currency for its official disbursement and accommodation of exchange transactions.

Note 8. Summary of Inventory and Other Related Property, Net:

Inventory, Net (Note 8.A.)	$54,210
Operating Materials and Supplies, Net (Note 8.B.)	610
Stockpile Materials, Net (Note 8.C.)	
Seized Property	
Forfeited Property	
Goods Held Under Price Support and Stabilization Programs	
Total	$54,820

Note 8.A. Inventory, Net:

	(1) Inventory Amount	(2) Allowance for Gains (Losses)	(3) Inventory, Net	(4) Valuation Method
1. Inventory Categories:	$82,494	($29,068)	$53,426	0
a. Available and Purchased for Resale				
b. Held in Reserve for Future Sale				
c. Held for Repair				
d. Excess, Obsolete and Unserviceable	49		49	NRV
e. Raw Materials				
f. Work in Process	735		735	
g. Total	$83,278	($29,068)	$54,210	

2. Restrictions on Inventory Use, Sale, or Disposition: Inventory may be sold to foreign, state and local governments, private parties and contractors in accordance with current policies and guidance or at the direction of the U.S. President. Otherwise, there are no restrictions on the use, sale or disposition of inventory.

3. Other Information: Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. "Inventory held for Current Sale" is that expected to be sold in the normal course of operations. "Excess Inventory" is that which exceeds the demand expected in the normal course of operations and which does not meet management's criteria to be held in reserve for future sale. "Obsolete Inventory" is that which no longer is needed due to changes in technology, laws, customs or operations. "Unserviceable Inventory" is damaged inventory that is more economical to dispose of than to repair.

The inventory data reported on the financial statements is derived from the Corps of Engineers Financial Management System (CEFMS). CEFMS is a comprehensive system that is designed to capture and maintain historical cost data necessary to fully comply with the Statement of Federal Financial Accounting Standards Number 3, "Accounting for Inventory and Related Property".

Revaluation of inventory resulted from implementation of a two-phased plan to improve management control and the accountability of material and supplies held in inventory. Inventory items were analyzed to dispose of any items that were excess to current needs, had exceeded shelf life or were no longer usable. Usable revolving fund-financed items that were not previously carried in the accounting

records were recorded in CEFMS at the current fair market value for subsequent issuance to multiple civil works or revolving fund customers. "Found-on-works" usable project-financed items that were not carried in the accounting records were recorded in the appropriate civil works project warehouse inventory at their current fair market value for subsequent issuance to the appropriate project work item and/or feature/purpose. Items in the Civil Works project warehouses that were identified as common to multiple projects were transferred to the revolving fund.

Legend: Valuation Methods	
LAC	Latest Acquisition Cost
SP	Standard Price
AC	Actual Cost
NRV	Net Realizable Value
O	Other

Note 8.B. Operating Materials and Supplies (OM&S) Net:

	(1) OM&S Amount	(2) Allowance for Gains (Losses)	(3) OM&S Net	(4) Valuation Method
1. OM&S Categories:				
a. Held for Use	$610		$610	AC
b. Held in Reserve for Future Use				
c. Excess, Obsolete, and Unserviceable				
d. Total	$610		$610	

2. Restrictions on operating materials and supplies: There are no restrictions on operating materials and supplies.

3. Other Information: Operating Materials & Supplies (OM&S) data reported on the financial statements are derived from CEFMS.

Legend: Valuation Methods	
LAC	Latest Acquisition Cost
SP	Standard Price
AC	Actual Cost
NRV	Net Realizable Value
O	Other

Note 8.C. Stockpile Materials, Net: Not Applicable

Note 8.D. Seized Property: Not Applicable

Note 8.E. Forfeited Property, Net: Not Applicable

Note 8.F. Goods Held Under Price Support and Stabilization Programs, Net: Not Applicable

Note 9. General Property Plant, and Equipment:

	Depreciation/ Amortization Method	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
1 Major Asset classes					
a. Land	N/A	N/A	$ 7,360,455		$ 7,360,455
b Buildings, Structures and Facilities	SL	20 or 40	29,938,955	$10,909,334	19,029,621
c Leasehold Improvements	SL	Lease Term 2	1,206	373	834
d. ADP Software	SL	to 5 or 10	37,093	7,155	29,938
e Equipment	SL	5 or 10	1,105,479	480,457	625,022
f Assets Under Capital Lease	SL	Lease Term			
g Construction-in-Progress	N/A	N/A	6,861,391		6,861,391
h Other					
i. Total			$45,304,579	$11,397,318	$ 33,907,261

2. Other Information: Since there is no known decline in the value of land, construction-in-progress or natural resources, these assets are not depreciated. $2 billion was recorded in accumulated depreciation during fiscal year 1999 to recognize prior years' depreciation expense on assets not previously recorded in CEFMS. In addition, $1.932 million previously identified as intangible assets has been reclassified as land. These assets are comprised of historical costs associated with the acquisition of land in conjunction with power projects. Costs were originally classified as intangible assets in order to comply with FERC guidelines on cost recovery. However, the decision was made that these costs were improperly classified IAW CFO guidance, as they were part of the initial acquisition cost of the land and should have been classified as such. Depreciation had been properly accumulated in our prior year financial statements. With this transfer we have made a reversing entry for both current and prior year depreciation in our fiscal year 1999 statements to properly reflect the effect of the transfer into land (category 00) where accumulated depreciation is inappropriate.

Note 9.A. Assets Under Capital Lease: None.

Note 10. Reserved for Future Use.

Note 11. Debt:

	Beginning Balance	Net Borrowing	Ending Balance
1. Public Debt:			
a. Held by Government Accounts			
b. Held by the Public			
c. Total Public Debt			
2. Agency Debt:			
a. Debt to the Treasury	$12,607	$10,876	$23,483
b. Debt to the Federal Financing Bank			
c. Debt to Other Federal agencies			
d. Held by the Public			
e. Total Agency Debt	$12,607	$10,876	$23,483
3. Total Debt	$12,607	$10,876	$23,483
4. Classification of Debt			
a. Intragovernmental Debt			23,483
b. Governmental Debt			
c. Total Debt			23,483
5. Funding of Debt			
a. Covered by Budgetary Resources			606
b. Not Covered by Budgetary Resources			22,877
c. Total Debt			$23,483

6. Other Information: During fiscal years 1997, 1998 and 1999 the Corps of Engineers executed three promissory notes totaling $75M with the Department of the Treasury. Funds provided were used for capital improvements to the Washington Aqueduct. Funding to repay the debt is provided by Arlington County, Falls Church and the District of Columbia. Actual drawdown of funds has been made from the Treasury in the amount of $32.627 million. Principal repayments as of September 30, 1999 total $9.750 million. $606 thousand represents accrued interest payable at September 30,1999.

Note 12.A. Environmental Liabilities Covered by Budgetary Resources: None

Note 12.B. Environmental Liabilities Not Covered by Budgetary Resources: None

Note 13. Other Liabilities:

1. Other Liabilities Covered by Budgetary Resources			
	Current Liability	Noncurrent Liability	Total
a. Intragovernmental			
(1) Advances from Others	$14,039		$14,309
(2) Deferred Credits			
(3) Deposit Funds and Suspense Account Liabilities			
(4) Liability for Borrowings to be Received			
(5) Liability for Subsidy Related to Undisbursed Loans			
(6) Resources Payable to Treasury			
(7) Disbursing Officer's Cash	1,736		1,736
(8) Nongovernmental Disposal Liabilities			
a. Nuclear Powered Aircraft Carriers			
b. Nuclear Powered Submarines			
c. Other Nuclear Powered Weapon Systems			
d. Other National Defense Weapon Systems			
e. Conventional Munitions			
(9) Other Liabilities	43,306		43,306
Total	$59,081		$59,081
b. With the Public			
(1) Accrued Funded Payroll Benefits	$329,045		$329,045
(2) Advances from Others	34,592		34,592
(3) Deferred Credits			
(4) Deposit Funds and Suspense Accounts	35,857		35,857
(5) Temporary Early Retirement Authority			
(6) Nongovernmental Disposal Liabilities			
a. Nuclear Powered Aircraft Carriers			
b. Nuclear Powered Submarines			
c. Other Nuclear Powered Weapon Systems			
d. Conventional Munitions			
(7) Other Liabilities	31,682	$44,306	75,988
Total	$431,176	$44,306	$475,482

2. Other Information: Intragovernmental Other liabilities include $36 million to offset interest and account receivables which, when collected, will be returned to the Treasury. An additional $4 million reflects the government's cost to fund accrued personnel benefits at fiscal yearend. $44.3 million in Other public noncurrent liabilities is maintained to fund contingent liabilities arising from casualty losses. Other public current liabilities represent contract holdbacks on construction-in-progress payments.

Note 13. Other Liabilities (cont'd):

3. Other Liabilities Not Covered by Budgetary Resources:			
	Current Liability	Noncurrent Liability	Total
a. Intragovernmental			
(1) Accounts Payable—Cancelled Appropriations			
(2) Custodial Liability			
(3) Deferred Credits		$913,509	$913,509
(4) Liability for Borrowings to be Received			
(5) Other Actuarial Liabilities			
(6) Judgment Fund Liabilities	$12,000		12,000
(7) Workman's Compensation Reimbursement	19,553	23,952	43,505
(8) Nongovernmental Disposal Liabilities			
a. Nuclear Powered Aircraft Carriers			
b. Nuclear Powered Submarines			
c. Other Nuclear Powered Weapon Systems			
d. Other National Defense Weapon Systems			
e. Conventional Munitions			
(9) Other Liabilities			
Total	$31,553	$937,461	$969,014
b. With the Public			
(1) Accounts Payable Cancelled			
(2) Accrued Unfunded Liabilities			
(3) Accrued Unfunded Annual Leave			
(4) Accrued Entitlements Benefits for Military Retirees and Survivors			
(5) Deferred Credits		$14	$14
(6) Nonenvironmental Disposal Liabilities			
a. Nuclear Powered Aircraft Carriers			
b. Nuclear Powered Submarines			
c. Other Nuclear Powered Weapon Systems			
d. Other National Defense Weapon Systems			
e. Conventional Munitions			
(7) Other Liabilities			
Total		$14	$14

4. Other Information: Deferred credits represent future revenue from long term receivables recorded for water storage contracts. Workmen's compensation costs reflect cost incurred for income lost and medical costs for federal civilian

employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The costs are paid from the Federal Employees' Compensation Special Benefit Fund that was established under the authority of the Federal Employees' Compensation Act (FECA). Fiscal year 1998 costs are reflected as a current liability and fiscal year 1999 costs are reflected as a non-current liability.

Proprietary contingencies are commonly referred to as contingent liabilities. The Corps of Engineers has two cases in which the relief demanded is $100 million or more that are pending legal decisions. The Corps' Legal Counsel is unable to express an opinion concerning the likely outcome of either case. Since these two cases fail to satisfy the criteria necessary to record a contingent liability in accordance with the Federal Financial Accounting Standard Number 5, Accounting for Liabilities of the Federal Government, no amount is included in our financial statements.

The Corps has recognized a contingent liability in the amount of $12 million arising from a Judgment Fund Contract Dispute settlement in accordance with the Interpretation of Federal Financial Accounting Standards Number 2, Accounting for Treasury Judgment Fund Transactions. Fiscal year 1999 judgment fund decisions in the amount of $15.654 million have been reported by Treasury. $12.914 million of this amount represents Contract Dispute Settlements (CDA's). Although CDA decisions are reimbursable to the judgment fund, none of the 1999 decisions is included in the financial statements, as we are unable to verify that the costs are associated with Civil Works operations.

Note 13. Part 5. Leases: Not Applicable

Note 14. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:

	(1) Actuarial Present Value of Protection Plan Benefits	(2) Assumed Interest Rate (%)	(3) Less Assets Available to Pay Benefits	(4) Unfunded Actuarial Liability
1 Pension and Health Benefits: a. Military Retirement Pensions b. Military Retirement Health Benefits Total				
2. Insurance/Annuity Programs: a. b. Total				
3. Other: a. Workmen's Compensation (FECA) b. Voluntary Separation Incentive c. DOD Education Benefits Funds Total	$194,268 $194,268	5.50%		$194,268 $194,268
4. Total Lines A+B+C	$194,268			$194,268

5. Other Information: To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIMs) are applied to the calculation of projected future benefits. These factors are also used to adjust the methodology's historical payments to current year constant dollars. The methodology also includes a discounting formula to recognize the timing of compensation payments as thirteen payments per year instead of one lump sum per year. The projected number of years of benefit payments is 37 years.

The actuarial liability amount was calculated by the Department of Labor and provided to each service. The amount provided for the Department of the Army was prorated based upon the fiscal year 1999 billings for actual costs.

The portion of the military retirement benefits applicable to the Corps is reported on the financial statements of the Military Retirement Trust Fund.

Health benefits are funded centrally at the DOD level. As such the portion of the health benefits liability that is applicable to the Corps is reported only on the DOD agency-wide financial statements.

Note 15. Net Position:

1. Unexpended Appropriations	
a. Unobligated,	
(1) Available	$ 842,634
(2) Unavailable	2,943
b. Undelivered Orders	364,629
c. Total Unexpended Appropriations	$1,210,206

2. Other Information: Unexpended appropriations are the amount of budget authority remaining for disbursement against current or future obligations. Unobligated balances are classified as available or unavailable. Unobligated balances associated with appropriations expiring at fiscal year end remain available only for obligation adjustments until the account is closed. Undelivered Orders represent those goods and services that have not yet been received/performed. Undelivered Orders include the amount recorded in Undelivered Orders – Unpaid (Account 4801) for direct funds only.

Note 16.A. Suborganization Program Costs:

The Corps identifies programs based on the nine major appropriation groups provided by Congress. The DOD is in the process of reviewing available data and attempting to develop a cost reporting methodology that balances the need for cost information required by the SFFAS No. 4 with the need to keep the financial statements from becoming overly voluminous.

Note 16.B. – Cost of National Defense PP&E: None.

Note 16.C. – Cost of Stewardship Assets: None.

Note 16.D. – Stewardship Assets Transferred: None.

Note 16.E. – Benefit Program Revenue: Not Applicable

Note 16.F. – Gross Cost and Earned Revenue by Budget Functional Classification:

	Budget Function Code	Gross Cost	(Less Earned Revenue)	Net Cost
1. Department of Defense Military	051			
2. Water Resources by U.S. Army Corps of Engineers	301	$4,880,129	($674,376)	$4,205,753
3. Pollution Control and Abatement by U.S. Army Corps of Engineers	304	149,954		149,954
4. Federal Employee Retirement and Disability by Department of Defense Military Retirement Trust Fund	602			
5. Veterans Education, Training and Rehabilitation by Department of Defense	702			
6. Total		$5,030,083	($674,376)	$4,355,707

Note 16.G. Imputed Expenses:

1. CSRS/FERS Retirement	$ 71,417
2. Health	77,263
3. Life Insurance	266
4. Total	$148,946

Note 16.H. Other Disclosures: None.

Note 17. Disclosures Related to the Statement of Changes in Net Position:

A. Prior Period Adjustments-Increase (Decrease) to Net Position Beginning Balance:	
1. Changes in Accounting Standards	
2. Errors and Omissions in Prior Year Accounting Reports	$1,116,586
3. Other	
4. Total	$1,116,586
B. Imputed Financing	
1. CSRS/FERS Retirement	$ 71,417
2. Health	77,263
3. Life Insurance	266
4. Total	$148,946

C. Other Disclosures to the Statement of Changes in Net Position:

Imputed costs for the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employee Health Benefits Program (FEHB) and the Federal Employee Group Life Insurance (FEGLI) have been recognized in the financial statements for the Corps of Engineers. Imputed costs are included in the Statement of Changes in Net Position, Line 2.D.

Transfers out on line 2.F. represent transfers from the Inland Waterways and Harbor Maintenance Trust Fund accounts.

Fiscal year 1999 judgment fund decisions in the amount of $15.654 million have been reported by Treasury. $12.914 million of this amount represents Contract Dispute Settlements (CDA's). Although CDA decisions are reimbursable to the judgment fund, none of the 1999 decisions is included in the financial statements, as we are unable to verify that the costs are associated with Civil Works operations.

D. Other Information: Prior period adjustments resulted in a net decrease to results of operations in the amount of $1.1 billion. The Corps made extensive efforts during fiscal year 1999 to ensure that all assets, both real and personal, and that the value of accumulated depreciation associated with those assets were accurately recorded in CEFMS. This effort resulted in a $634 million increase to results of operations to properly reflect the value of recorded assets and a $2 billion decrease associated with the accumulated depreciation on those assets.

Additional adjustments were made to prior period that increased results of operations to correct the value of inventory transferred from civil works appropriations to the revolving fund in the amount of $12M and to reclassify assets associated with multi-purpose power projects from intangible assets to land in the amount of $609M.

Prior period adjustments that decreased results of operations were made to record $12 million associated with the Judgment Fund Contract Dispute settlement at the Louisville District, $227 million for workmen's compensation accrued and acturial liabilities, and $133 million to correct the beginning net position for the revolving fund account..

Note 18. Disclosures Related to the Statement of Budgetary Resources:

1. Net amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period	$1,200,437
2. Available Borrowing and Contract Authority at the End of Period	$42,373

4. Other Information: Undelivered orders in line 1 includes Undelivered Orders – Unpaid (Account 4801) for both direct and reimbursable funds. Undelivered orders include $364.6 million in direct funded obligations and $835.8 million in reimbursable obligations.

Beginning of period unobligated balances reflect a decrease of $22.3 million to fiscal year 1998 ending unobligated balances. $21.1 million was associated with the IWW trust fund and Bonneville Power transfer appropriation. Unobligated balances for these two accounts were based on obligation authority at September 30, 1998. However, unobligated balances should have been calculated based on spending authority recorded by Treasury on the TFS 6653, undisbursed balances. Adjusting entries were made to reflect this change. The remaining $1.2 million is primarily due to the reversal of September 30, 1998 adjustments to reconcile funds balance with treasury to treasury undisbursed.

A difference of $9.7 million in adjustments to spending authority is due to principal repaid to Treasury on borrowing authority made available for capital improvements to the Washington Aqueduct. $1.2 million is due to downward adjustment of prior year obligations on expired authority.

Suspense/Budget Clearing Accounts: The Corps has made a concerted effort to reduce balances in the suspense and budget clearing accounts, and to establish an accurate and consistent use of these accounts. Beginning in February 1997, the DFAS has issued 27 memorandums providing guidance and establishing policy in this area. Below is a table that indicates the significant reductions the Corps has achieved in the various suspense/budget clearing accounts.

9/30/98	
Account	Amount
F3875	$1,193
F3878	(4,403)
F3879	12,683
F3880	(199)
F3885	-0-
F3886	(1,366)

9/30/99	
Account	Amount
F3875	$2,123
F3878	(41)*
F3879	-0-
F3880	-0-
F3885	-0-
F3886	(1,364)**
* Deposits not recorded at Treasury. ** To be cleared in FY 00	

19. Disclosures Related to the Statement of Financing:

OPM administers three earned benefit programs for civilian Federal employees: the Retirement Program – comprised of the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS); the Federal Employees Health Benefits Program (FEHB); and the Federal Employees Group Life Insurance Program (FEGLI).

Imputed financing in the amount of $148.945 million is recorded to recognize the actuarial liabilities for retirement, health and life insurance benefits for civilian Federal employees.

Note 20. Disclosures Related to the Statement of Custodial Activity: Not Applicable

Note 21.A. Other Disclosures; Leases: None.

Note 21.B. Other Disclosures: Eliminations: To prepare reliable consolidated financial statements, transactions occurring between entities within the DOD or between two or more federal agencies must be eliminated. CEFMS uses the SGL number to capture financial information and has the capability both to identify customers based upon the debtor class code and to identify the source of funding based upon the source department code. However, the Corps, as well as the rest of the federal government, cannot accurately summarize all intragovernmental transactions by customer. For fiscal year 1999 summary seller-side balances for revenue, accounts receivable and unearned revenue were reconciled to the buyer-side costs and accounts payable. Adjustments, once validated, were made to recognize unrecorded costs and accounts payable. Buyer-seller transactions between Corps' Districts have been eliminated from these statements.

U.S. ARMY CORPS OF ENGINEERS

CIVIL WORKS

REQUIRED SUPPLEMENTARY INFORMATION

To The

PRINCIPAL STATEMENTS

SEPTEMBER 30, 1999

General Property, Plant and Equipment

Real Property Deferred Maintenance Amounts

As of September 30, 1999

(a)	(b)
Property Type/Major Class	
1. Real Property A. Buildings B. Structures C. Land	$399,000
2. Total	$399,000

Narrative Statement. Deferred maintenance at Civil Works water resources projects operated and maintained by the U.S. Army Corps of Engineers was determined through the budget development process whereby operations managers identify the operation and maintenance (O&M) needs at each of the 1,400 projects in the Civil Works inventory. O&M needs are based on inspections of project Features, engineering analyses and historical experience.

The federal government lacks standards on the methodology to estimate deferred maintenance information that must be reported based upon Federal Accounting Standards Advisory Board (FASAB) requirements. Until these requirements are defined at the government-wide level, the Corps will include in its financial statements deferred maintenance amounts reports for General Property, Plant, and Equipment (PP&E) real property that was reported during the budget process. In addition, the DOD has volunteered to chair Chief Financial Officer (CFO) Council project tasked with developing and recommending government wide methods for determining deferred maintenance estimates and reporting guidance.

ARMY CORPS OF ENGINEERS

CIVIL WORKS

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

To The

PRINCIPAL STATEMENTS

SEPTEMBER 30, 1999

HERITAGE ASSETS For Fiscal Year Ended September 30, 1999					
(a)	(b) Measurement Quantity	(c) As of 10/1/98	(d) Additions	(e) Deletions	(f) As of 9/30/99
Collection Type		46,523			46,523
1. Archeological Artifacts	Cubic Feet				
2. Archival					
3. Artwork					
4. Historical Artifacts		6			6
Non-Collection Type					
5. Archeological Sites	Site	119			119
6. Buildings and Structures	Item	141			141
7. Cemeteries	Site				
8. Memorials and Monuments	Item	1			1

Narrative Statement: Other than multipurpose heritage assets, heritage assets are not material to the mission of the Corps. Heritage assets on display are assumed to be in adequate condition for display purposes, consistent with their origins, unless otherwise noted. Reported heritage assets are free of material conditions that are counter to safeguarding, adequately protecting, and properly managing those assets; they have not materially degraded while under the care of the Corps of Engineers.

STEWARDSHIP LAND
For Fiscal Year Ended September 30, 1999

The Corps has no Stewardship Land under their control.

SUPPORTING AUDIT REPORTS

FY 98 Financial Statements, U.S. Army Corps of Engineers, Civil Works
Audit Report: AA 99-157

FY 98 Financial Statements, Significant Matters, U.S. Army Corps of Engineers, Civil Works
Audit Report: AA 99-255

FY 99 Financial Statements, Significant Matters, U.S. Army Corps of Engineers, Civil Works
Audit Report: AA 00-XXX

FY 99 Financial Statements, General and Application Controls, U.S. Army Corps of Engineers, Civil Works
Audit Report: AA 00-XXX

OTHERS RECEIVING COPIES OF THE REPORT

Assistant Secretary of the Army (Civil Works)
Assistant Secretary of the Army (Financial Management and Comptroller)
Director of the Army Staff
The Inspector General
Chief of Public Affairs
Deputy Chief of Staff for Personnel
Deputy Chief of Staff for Logistics
Assistant Chief of Staff for Installation Management
Deputy Assistant Secretary of the Army for Budget
Director, Program Analysis and Evaluation
Commanders
  U.S. Army Criminal Investigation Command
  3d MP Group, USACIDC
  6th MP Group, USACIDC
Commandant, U.S. Army Logistics Management College
Director, Center for Army Lessons Learned

Under Secretary of Defense (Comptroller)
Inspector General, Department of Defense
Director, Defense Intelligence Agency
Auditors General
  Air Force Audit Agency
  Naval Audit Service

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(Assignment Number: C9113C)

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The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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