U.S. ARMY

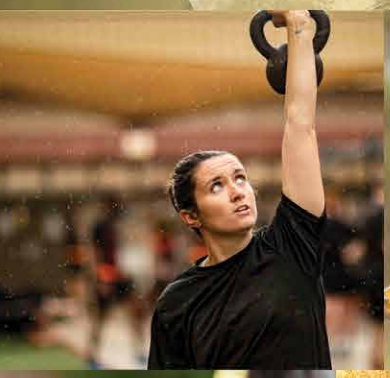
FISCAL YEAR

2021

AMERICA'S ARMY TRANSFORMING FOR THE FUTURE

United States Army Corps of Engineers Agency Financial Report

CIVIL WORKS



AMERICA'S ARMY

TRANSFORMING FOR THE FUTURE

A dam releases water after recent rainfall. (USACE photo by Ed Johnson)

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FISCAL YEAR

2021

The U.S. Army Corps of Engineers (USACE) Civil Works program focuses on the evaluation, construction, operation, and maintenance of projects that help reduce flood risk to communities; facilitate commercial navigation; comply with mitigation requirements; and/or restore degraded aquatic ecosystems across the country.

The USACE receives funds through Energy and Water Development Act appropriations, supplemental appropriations, non-Federal cost-sharing partners, and other receipts. USACE uses these funds to accomplish three main missions, which are flood and storm damage reduction, commercial navigation, and aquatic ecosystem restoration, and related efforts such as hydropower. USACE is focused on managing these programs effectively and efficiently.

In an ongoing effort to return the highest overall value to the Nation from available funds, USACE seeks opportunities to work with its partners to develop planning study solutions in a timely and cost-effective manner, to manage the cost, schedule, and scope of ongoing construction projects, and to use risk analysis to inform decisions on capital investment and maintenance spending.

As described further in this report, USACE is committed to working with other Federal agencies, states, local governments, tribal governments, the private sector, and the public. Our work is part of the broader effort at all levels of government to manage the Nation's water resources in a responsible manner. The overall goal is to do our part in starting, continuing, and finishing projects that will help better the lives of Americans and improve their safety.

JAIME A. PINKHAM
Assistant Secretary of the Army (Civil Works)

TRANSFORMING FOR THE FUTURE

I am pleased to present the United States Army Corps of Engineers (USACE) Civil Works Agency Financial Report highlighting our financial position and results of operations for Fiscal Year (FY) 2021. We can provide reasonable assurance over the reliability of our financial reporting for approximately $24.5 billion in obligations for FY 2021 Civil Works activities.

Our success is due to each USACE team members' strong devotion to accountability and commitment to our financial business processes. I take this opportunity to salute everyone for their outstanding work to ensure USACE obtained its 14th consecutive unmodified "clean" audit opinion. We continue to maintain our "best in class" auditability through the collective efforts of our people, our center, and our system. These all represent essential elements and form our solid foundation, which is the impetus behind our success. The USACE Financial Management (FM) workforce – our people – is a significant part of this foundation. The 1,600 USACE FM professionals are trained, credentialed, and business savvy. Each is certified through the Department of Defense Financial Management Certification Program, which ensures they have the requisite training and expertise to faithfully execute their duties. The USACE Finance Center (UFC) – our center – processes a massive amount of complex financial transactions with efficiency and expertise. UFC employees continue to fortify the foundation through an unmatched work ethic and strong leadership. The Corps of Engineers Financial Management System II (CEFMS II) – our system – translates our business processes into the auditable financial statements communicated in this report. We continue to move forward with CEFMS II development and modernization investing in the next generation USACE financial management and business process system that will continue to enhance the "user experience" and serve as the cornerstone of our success.

USACE has continued to excel during the Coronavirus 2019 pandemic with a largely virtual FM workforce across the enterprise meeting the needs of the Civil Works Programs and balancing operability with health and safety of our own personnel. An emerging initiative in 2021 was the Water Infrastructure Financing Program which is a federal loan program that will allow USACE to issue loans focused on projects to maintain, upgrade and repair dams identified in the National Inventory of Dams owned by non-federal entities. This loan program demonstrates the dynamic flexibility of CEFMS II, the center and our FM team in supporting some of our Nation's most critical infrastructure initiatives.

USACE continued its auditability success under the single audit approach for its Military Construction stakeholders Defense Logistics Agency, Special Operations Command, Defense Health Agency, and Air Force during FY 2021. In addition, we piloted a Group Audit Approach for our Army sub allotted funds in FY 2021 which was a tremendous success resulting in reduced testing but still providing Army the audit assurance required to support an audit of the Army General Fund Statements. I take great pride in our culture of transparency and accountability, which ultimately strengthens our financial stewardship and integrity. I look forward to more years of sustained progress and as always, I am honored to serve alongside a team that perpetually produces extraordinary work, year after year.

THOMAS C. STEFFENS
Chief Financial Officer

Coastal damage sustained from a hurricane. (Photo courtesy of the U.S. Army Corps of Engineers)

AMERICA'S ARMY TRANSFORMING FOR THE FUTURE

United States Army Corps of Engineers Agency Financial Report

Facilities assessment. (USACE photo by Lynda Yezzi)

OVERVIEW

The United States Army Corps of Engineers (USACE) consists of two programs: the Civil Works program and the Military program. This Agency Financial Report represents only the Army Corps of Engineers Civil Works program (USACE-CW). The Military program is reported within the Army General Fund Financial Statements.

Mission

In recent years, USACE-CW has had three main mission areas: (1) commercial navigation; (2) flood and storm damage reduction; and (3) aquatic ecosystem restoration.

Commercial Navigation

USACE-CW facilitates commercial navigation by supporting safe, reliable, cost effective, and environmentally sustainable waterborne transportation systems. The Nation's infrastructure to support transportation of commercial goods by water involves a network of navigable coastal channels, inland waterways, and related navigation features maintained by USACE-CW, as well as publicly and privately owned marine terminals, intermodal connections, shipyards, and repair facilities.

Aquatic Ecosystem Restoration

The USACE-CW aquatic ecosystem restoration mission includes efforts with local communities to restore degraded ecosystem structure, function, and/or process to a more natural condition.

Flood and Storm Damage Reduction

Under its flood and storm damage reduction mission, USACE-CW works with communities to reduce the risk to human safety and property damage from riverine flooding and coastal storms. The work that USACE-CW performs under this mission includes its emergency management work, as part of the overall Federal effort to help affected communities prior, during, and after a major flood or storm event.

THE CIVIL WORKS PROGRAM

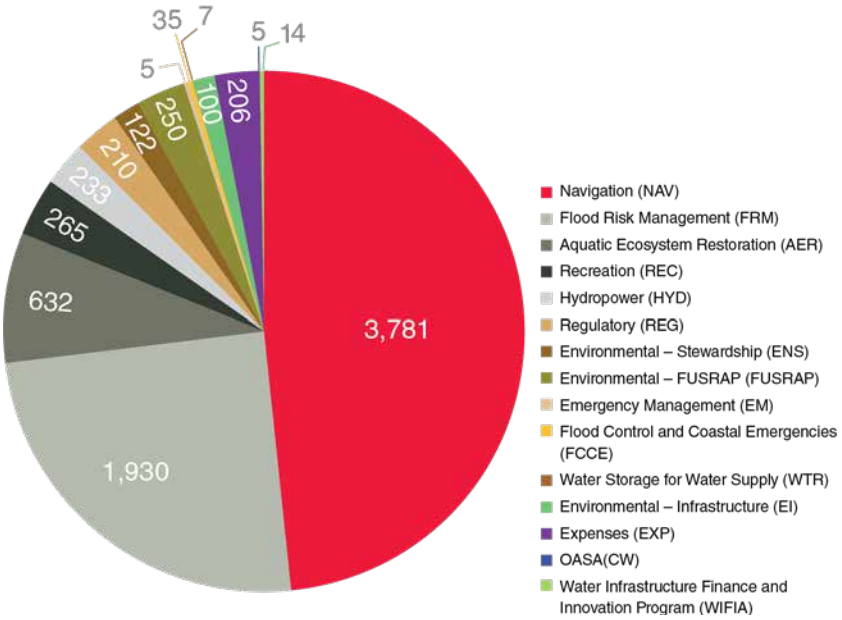
The USACE-CW program includes work funded directly to the USACE-CW through Energy and Water Development (E&WD) appropriations through ten accounts – Investigations (I), Construction (C), Operation and Maintenance (O&M), Mississippi River & Tributaries (MR&T), Flood Control and Coastal Emergencies (FCCE), Regulatory (REG), Expenses (EXP), Formerly Utilized Sites Remedial Action Program (FUSRAP), Water Infrastructure Finance and Innovation Program (WIFIA) and the Office of the Assistant Secretary of the Army for Civil Works (OASA-CW). The USACE-CW program also includes work funded by others, using their funds, under reimbursable authorities such as the *Economy Act*.

In Fiscal Year (FY) 2021, the USACE-CW received $7,796 million in new direct program funding through regular appropriations. It also received $47 million in new reimbursable program funding, for a total of $7,843 million in new direct and reimbursable program funding. This new funding combined with unexpended carryover totaled $52,684 million available for expenditure in FY 2021. Of this amount, the USACE-CW expended $21,737 million or 41%.

FIGURE 1. FY 2021 USACE-Civil Works Funding by Source (in Millions)

	Unobligated, Unexpended Carry-In	Obligated, Unexpended Carry-In	New FY 2021 Budget Authority	Recovery of prior obligations	Available for expenditure
Regular & Supplemental Appropriations	$25,360	$7,230	$7,796	$233	$40,619
Reimbursable Funding	$6,896	$4,852	$47	$270	$12,065
Total	$32,256	$12,082	$7,843	$503	$52,684

FIGURE 2. FY 2021 USACE CW Regular Direct Appropriations (in Millions) by Business Line[1/ 2/]



[1/] Executive Direction and Management (ED&M) includes $206 million for Expenses and $5 million for OASA-CW.
[2/] Excludes funds received in FY 2021 reimbursable work for others.

The USACE-CW classifies its work by "business lines," which are program areas within the Army Civil Works program. The USACE-CW uses these business lines as a framework for managing these program areas and developing its annual budgets; however, funds for the Army Civil Works program are appropriated by account. Associated Civil Works activities may fall under one or more business lines.

A description of the business lines of the USACE-CW follows Figure 2. Figure 2 lists the business lines for which the USACE-CW received direct appropriations and the funds that it used for executive direction and management for FY 2021.

Navigation

The Navigation business line supports safe, reliable, cost-effective, and environmentally sustainable waterborne transportation systems for the movement of commercial goods. The program funds a combination of capital improvements and the operation and maintenance of existing infrastructure. Our nation's marine assets include a network of navigable coastal channels, inland waterways, and related navigation features, as well as publicly and privately owned vessels, marine terminals, intermodal connections, shipyards, and repair facilities.

In FY 2021, the Navigation business line received approximately $3,781 million or 48.5% of the FY 2021 USACE-CW annual appropriations.

Flood Risk Management

USACE-CW works with communities to reduce the risk to human safety and property damage from riverine flooding and coastal storms. Since the Water Resources Development Act of 1986, most of the new projects that the Corps has built under the auspices of its Flood Risk Management (FRM) program are owned, operated, and maintained by cities, towns, and special use districts, which participated as the local sponsors of these projects during construction.

Over the years, USACE-CW efforts to address the causes and impacts of flooding have evolved based on an increased understanding of the complexity and dynamics of flood problems—the interaction of natural forces and human development—as well as a recognition of the importance of the state, local, and individual roles in managing the risks caused by flooding in a riverine or coastal setting. Generally, the involvement of the USACE-CW flood risk management program is a part of an overall strategy for reducing risk from flooding in communities.

In FY 2021, the FRM business line received approximately $1,930 million or 24.76% of the FY 2021 USACE-CW annual appropriations.

(USACE photo by David Kappler)

Pumping slurry prior to a beach replenishment effort. (USACE photo by Greg Nash)

Aquatic Ecosystem Restoration

The USACE-CW mission in aquatic ecosystem restoration is to help restore aquatic habitat to a more natural condition in ecosystems in which structure, function, and dynamic processes have become degraded. The emphasis is on restoration of nationally or regionally significant habitats where the solution primarily involves modifying the hydrology and/or geomorphology.

In FY 2021, the Aquatic Ecosystem Restoration business line received approximately $632 million, or 8.11%, of the total FY 2021 USACE-CW annual appropriations.

Environment

The USACE-CW has two distinct areas that are focused on the environment in addition to aquatic ecosystem restoration: (1) stewardship of USACE-CW lands; and, (2) Formerly Utilized Sites Remedial Action Program (FUSRAP).

Environmental Stewardship: Environmental stewardship focuses on managing, conserving, and preserving natural resources on 12 million acres of land and water at multipurpose USACE-CW projects.

This business line encompasses compliance measures to ensure USACE-CW projects (1) meet federal, state, and local environmental requirements; (2) sustain environmental quality; and, (3) conserve natural and cultural resources. Fish hatchery mitigation is funded by the Flood Risk Management and Hydropower business lines.

In FY 2021, the Environmental Stewardship business line received approximately $122 million, or 1.57%, of the FY 2021 USACE-CW annual appropriations.

FUSRAP: Under FUSRAP, the USACE-CW remediates certain former Manhattan Project and Atomic Energy Commission sites.

In FY 2021, the FUSRAP business line received $250 million, or 3.21%, of the FY 2021 USACE-CW annual appropriations.

Regulation of Aquatic Resources

In accordance with Sections 9 and 10 of the *Rivers and Harbors Appropriation Act of 1899*, Section 404 of the *Clean Water Act of*

1972, as amended, and Section 103 of the *Marine Protection, Research, Sanctuaries Act of 1972*, the USACE-CW regulates the discharge of dredged and fill materials into waters of the U.S., including wetlands. The USACE-CW implements many of its oversight responsibilities in this area by means of a permit process. Throughout the permit evaluation process, the USACE-CW complies with the National Environmental Policy Act and other applicable environmental and historic preservation laws. As part of the process of carrying out its responsibilities pursuant to federal statutes, the USACE-CW also considers the views of other federal, tribal, state, and local governments, as well as other agencies, interest groups, and the general public when rendering its final permit decisions. Regulatory responsibilities include evaluating minor activities, such as driveways for small landowners, as well as larger activities, such as water supply and energy project proposals.

In FY 2021, at $210 million, the Regulatory appropriation accounted for 2.69% of the FY 2021 USACE-CW annual appropriations.

Emergency Management

The USACE-CW Emergency Management program participates in Federal emergency relief and recovery operations under the direction of the Federal Emergency Management Agency (FEMA). Specifically, the program assists FEMA as outlined in the National Response Framework, under the authority of the *Robert T Stafford Disaster Relief and Emergency Assistance Act* (Public Law [Pub. L.] 93-288, as amended), with a focus on providing emergency support in public works and engineering. In addition, Pub. L. 84-99, as amended, 33 U.S.C. § 701n, provides authority for the Corps to help communities prepare for and respond to floods, hurricanes, and other natural disasters, and to support their emergency operations in response to such natural disasters. Pub. L. 84-99, as amended, also authorizes USACE to supplement local efforts in the repair of certain projects (e.g., eligible levees) that are damaged by a flood. In a typical year, the USACE-CW responds to approximately 75 flood and coastal storm events, of which about 20 involve presidential disaster declarations.

In FY 2021, the Emergency Management business line received $40 million, or 0.51%, of FY 2021 USACE-CW annual appropriations.

Hydropower

Some USACE-CW multipurpose projects provide hydroelectric power as an additional benefit, where the main purpose of the project is flood damage reduction or navigation. This electric generation also provides on-site electricity for other project purposes and business lines. The USACE-CW is the largest owner-operator of hydroelectric power plants in the U.S. The USACE-CW operates 350 generating units at 75 multipurpose dams, mostly in the Pacific Northwest. These units account for about 24% of America's hydroelectric power and approximately 3% of the country's total electric-generating capacity. USACE-CW hydroelectric plants produce nearly 70 million megawatt-hours (MWh) each year, sufficient to serve nearly 7 million households, or the residential consumption of 10 cities the size of Seattle, Washington. Hydropower is a renewable source of energy, producing none of the airborne emissions that contribute to acid rain or the greenhouse effect.

In FY 2021, Hydropower business line received approximately $233 million, or 2.99%, of the FY 2021 USACE-CW annual appropriations. The USACE-CW Hydropower program also receives approximately $275 million each year derived from

Department of Energy revenues related to power sales and contributed funds from preferred customers from USACE-CW projects.

Recreation

The USACE-CW is an important provider of outdoor recreation, which is an ancillary benefit of its flood and storm damage reduction and navigation projects. The Recreation business line provides quality outdoor public recreation experiences in accordance with its three-part mission to (1) provide access to recreation resources which serve the needs of present and future generations; (2) contribute to the quality of American life; and, (3) manage and conserve natural resources consistent with ecosystem management principles.

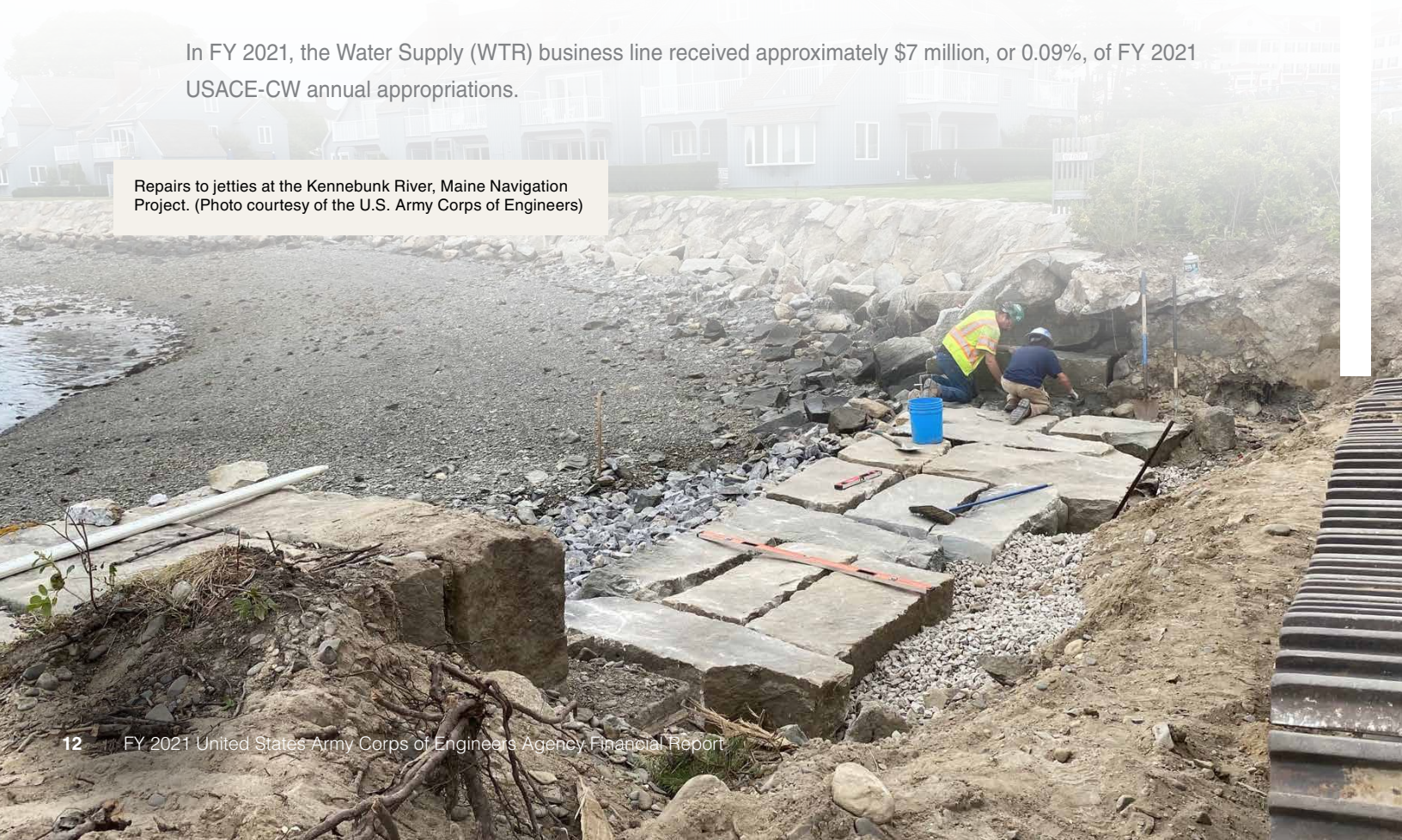
The USACE-CW supports over 5,000 recreation sites at more than 400 projects on 12 million acres of land and water.

In FY 2021, the Recreation business line received approximately $265 million, or 3.40%, of the FY 2021 USACE-CW annual appropriations.

Water Storage for Water Supply

Conscientious management of the nation's water supply helps in limiting water shortages and lessening the impact of droughts. The USACE-CW assists where its projects are able, as an ancillary purpose, to also serve as a source of water to homes, businesses, and industrial customers. USACE-CW retains authority for water supply in connection with construction, operation and modification of Federal navigation, flood and storm damage reduction, and multipurpose projects.

In FY 2021, the Water Supply (WTR) business line received approximately $7 million, or 0.09%, of FY 2021 USACE-CW annual appropriations.



Repairs to jetties at the Kennebunk River, Maine Navigation Project. (Photo courtesy of the U.S. Army Corps of Engineers)

Bull Shoals Lake. (USACE photo by Kathleen Payne

ORGANIZATIONAL STRUCTURE

THE WORKFORCE

USACE is an executive branch agency within the Department of Defense and a major command within the U.S. Department of the Army. The USACE consists of two programs—Civil Works and Military Construction—both of which are supported by two smaller, separate sub-programs—real estate, and research and development. Approximately 23,000 civilian employees work to support the USACE-CW. Since the appointment of the first Chief Engineer in 1775, the USACE has a long history and is today one of the world's largest public engineering, design, and construction management agencies.

The USACE organization consists of a headquarters located in Washington, D.C., nine Major Subordinate Commands (MSCs), six specialized centers, and 46 districts. Out of the 46 districts, 38 carry out Civil Works responsibilities in the United States. Most of the MSC and district geographic boundaries are aligned with watershed boundaries. There are also several world-renowned research and development laboratories and other offices contributing to the USACE mission. Through its Pacific Ocean and South Atlantic Divisions, the USACE also has Civil Works responsibilities in the Territory of American Samoa, the Territory of Guam, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands.

The USACE-CW leadership is provided by a presidentially-appointed civilian Assistant Secretary of the Army for Civil Works (ASA (CW)), who is charged with setting the strategic direction and providing overall supervision of functions relating to the Army Civil Works program and the execution of the Army Civil Works program by the Chief of Engineers. An Army officer serves as the Chief of Engineers to oversee execution of both the Civil Works and Military programs and ensure that policies established by the ASA (CW) are applied to all aspects of the USACE-CW. The Chief of Engineers delegates authority for the leadership and management of the USACE-CW to the Deputy Commanding General for Civil and Emergency Operations and to the civilian Director of Civil Works. USACE-CW divisions are regional offices responsible for the supervision and management of subordinate districts, including oversight and quality assurance. The district offices of the USACE-CW are responsible for the day-to-day execution of the USACE-CW program. Measured by full-time equivalent employees, roughly 95% of the employees of the USACE-CW work at the district level, in USACE

labs, or in USACE field operating agencies. The USACE-CW contracts out all its construction, and most of its design work, to civilian companies.

CIVIL WORKS PROGRAM PERFORMANCE

The USACE-CW has a direct impact on America's prosperity, competitiveness, quality of life, and environmental stability. The FY 2014 – FY 2018 Civil Works Strategic Plan provides a framework for enhancing the sustainability of America's water resources and includes strategic goals, objectives, and performance measures, which continued to guide the USACE-CW in FY 2021. The strategic goals are:

A lock operator pulling the rock for a small boat to lock into the chamber as water is released. (USACE photo by Maya Jordan)

STRATEGIC GOAL 1: ***Transform the Civil Works Program to deliver sustainable water resources solutions through Integrated Water Resources Management.***

STRATEGIC GOAL 2: ***Improve the safety and resilience of communities and water resources infrastructure.***

STRATEGIC GOAL 3: ***Facilitate the transportation of commercial goods on the Nation's coastal channels and inland waterways.***

STRATEGIC GOAL 4: ***Restore, protect, and manage aquatic ecosystems to benefit the Nation.***

STRATEGIC GOAL 5: ***Manage the lifecycle of water resources infrastructure systems in order to consistently deliver sustainable services.***

STRATEGIC OBJECTIVE AND MEASURES

Strategic Goal 1: Transform the Civil Works Program to deliver sustainable water resources solutions through Integrated Water Resources Management.

Objective 1.1: *Modernize the Civil Works project planning program.*

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

- *Measure 1.1.a*: Percent of planners trained in Planning Core Curriculum Courses. This measure tracks the effort to have planners complete the planner core curriculum. It is essential for successful completion of feasibility studies that result in sound, quality, and credible recommendations to solve complex water resources problems in a timely manner.
- *Measure 1.1.b*: Percent of planners achieving certification under the National Planner Certification Program. This measure tracks the effort to get planners certified as pertains to completing the planner core curriculum and developing the necessary skills and experiences to complete the planning process successfully. This certification will enable successful completion of feasibility studies that result in sound, quality, and credible recommendations to solve complex water resources problems in a timely manner.

Performance Results

The USACE-CW did not meet either performance metric for planning modernization in FY 2021. At the end of FY 2021, of the 940 USACE-CW planners,

- 58% have been trained in all three-core planning courses;
- 73% have completed Civil Works Project Development Process;
- 70% have completed Planning Essentials; and
- 62% have completed Plan Formulation and Evaluation Capstone.

Between FY 2020 and FY 2021 the number of planners certified as USACE Water Resources Certified Planners increased from 92 planners to 97 planners. The objectives of this planner certification program are to advance the technical capability of individual planners and provide a framework for developing and sustaining a results-

(Photo courtesy of the U.S. Army Corps of Engineers)

oriented, high performing planner workforce. Currently, a total of 289 planners are certified to conduct internal technical review, termed Agency Technical Review (ATR) – 64 economists, 32 cultural resource specialists, 87 plan formulators, and 106 environmental specialists. Some planners are certified to conduct ATR for multiple areas of expertise (e.g., ATR-certified for plan formulation and environmental). These 289 planners hold a total of 520 separate and distinct ATR certifications.

TABLE 1. Planning Modernization

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Planners trained in Core Curriculum Courses	73%	62%	60%	80%	58%
Percent of planners achieving certification under the USACE Water Resources Certified Planner Program	7%	9%	10%	20%	10%

Objective 1.2: *Deliver quality solutions and services.*

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

- *Measure 1.2.a*: Percent of projects on schedule. This measure compares project progress to the schedules established and reported in the USACE project management system.
- *Measure 1.2.b*: Percent of customers indicating USACE delivered quality products and services. This measure utilizes the annual USACE Civil Works Program Customer Satisfaction Survey to gauge quality of products and services as reported by customers and stakeholders. A rating of "High" is considered a positive indication of quality.

Performance Results

Percent of projects on schedule measures the percentage of projects whose schedules have been updated in the USACE project management system to reflect actual progress on the project and does not measure the performance of projects based on any static construction schedule. Projects include specifically authorized Civil Works construction projects that have been fully funded for completion but had not been physically completed by the start of the applicable fiscal year, of projects that can be physically completed within available funding. The target for accuracy of current project schedules reported in the USACE project management system is 85%. This metric was used for the first time in FY 2014. The score is 91% for FY 2021.

In the Civil Works Program Customer Satisfaction Survey, customers are asked to rate the USACE-CW district performance in general service areas such as quality of products and services, timeliness, cost, etc. Survey results for a particular fiscal year do not become available until the third quarter of the following fiscal year. The survey uses a Likert scale of one to five, five being the highest rating. Categories '4' ("Satisfied") and '5' ("Very Satisfied") are collapsed and designated the "High" category.

Civil Works customers include primarily city and county governments and various governmental departments charged with the management of infrastructure relating to water resources. Navigation customers include local port authorities and waterway user groups. Customers also include state agencies charged with the management of natural resources and emergency response.

TABLE 2. Quality Solutions and Services

	FY 2018	FY 2019	FY 2020	FY 2021 Target	FY 2021 Actual
Percent of Projects with Current Schedule in USACE project management system	91%	91%	91%	85%	91%
Percent of customers rating USACE-CW "High" on delivery of products and services	93%	93%	93%	93%	Note 1

Note 1: FY 2021 results will not be available until 3rd quarter FY 2022.

Objective 1.3: *Develop a ready and resilient workforce through innovative talent management and leader development strategies and programs.*

Performance Indicators:

- *Measure 1.3.a:* Percent completion and deployment of Command Training Plans (CTPs) for all USACE mission critical occupations (MCOs). This measure tracks the effort to have USACE staff complete essential training in mission critical occupations that are essential for successful completion of engineering designs and construction. Mission critical occupations are the 10 job series identified by USACE as technical disciplines essential for accomplishing the USACE functions and responsibilities. The series include: General Natural Resources Management and Biological Sciences (0401), Engineering Technician (0802), Construction Control Technician (0809), Civil Engineer (0810), Mechanical Engineer (0830), Electrical Engineer (0850), Contracting Specialist (1102), Realty Specialist (1170), Geologist (1350), and Lock and Dam Operator (5426).
- *Measure 1.3.b:* Percent increase of technical competencies for USACE Mission Critical Occupations that meet or exceed Army Competency Management System (CMS) targets. CMS is the tool utilized by the Army to identify competencies and assess proficiencies. Targets are based on Army CMS deployment in FY 2015.

Performance Results

Thirty-three (33) Command Training Plans (CTP) plans developed by the respective MCO Communities of Practice (CoP) are available for employees to use. Developing the CTP by CoP rather than by job series affords employees the flexibility to utilize a CTP that is most appropriate for the work they perform.

Engineering and Construction (E&C) developed a web application to capture data on employees' CoP, education, professional licensure and certifications, and focus areas for use by the supervisory chain to assess the maturity of each employee with respect to training, experiences, rotations, and leadership. This application also contains tracking features to determine E&C Fellowship eligibility, generate Individual Development Plans, and enhance administration reporting and estimation tools. E&C has incorporated the Corps of Engineers Reviewer Certification and Access Program (CERCAP) functionality into the CTP to streamline identification of staff certified to provide Agency Technical Reviews. This tool was updated, tested, and was fully implemented in FY 2021.

USACE-CW continued to make progress on its program across Major Subordinate Commands to track and balance Workload to Workforce (WL/WF) using a web-based portal. The WL/WF Program delivers enterprise-wide situational awareness of the WL/WF trends and issues based, in part, on a functional assessment that examines capacity, competency and balance. The competency criterion measures the number of positions available to execute workload to ensure it is appropriate and affordable. The competency component assesses

education and/or certification levels, skills sets, experience, and overall proficiency to accomplish projected workload and missions. Lastly, the balance criteria measures the appropriate number of entry, journey, and senior level positions. The USACE-CW measures the following functional areas as part of this effort – E&C, Planning, Program and Project Management (PPM), Real Estate, Contracting, Operations, Regulatory, and Natural Resources/Recreation. The E&C functional area is measured across the enterprise and is not limited to Civil Works.

Strategic Goal 2: Improve the safety and resilience of communities and water resources infrastructure.

FLOOD RISK MANAGEMENT

Objective 2.1: *Reduce the Nation's flood risk and increase resilience to disasters.*

Performance Indicators: Tables 3 and 4 display measures that are performance indicators in determining progress in meeting this objective.

Operation and Maintenance Measures for Flood Risk Management

- *Measure 2.1.b*: Percent of Levee Safety Action Classifications complete. This measure tracks the percentage of Levee Safety Action Classifications (LSAC) complete. Levee systems are assigned a LSAC reflecting a risk assessment. The LSAC classification system is intended to provide consistent and systematic guidelines to inform the development of strategies to address levee safety issues. The five classes define distinctly different urgencies of action and related types of actions that are commensurate with the risks and consequences associated with the levee system. The LSACs are used by the USACE-CW and stakeholders to improve understanding of risk; communication; and quality of decisions. In addition, LSACs are used to establish priorities and develop solutions that effectively address the risks.

Construction Measures for Flood Risk Management

- *Measure 2.1.c*: Number of Dam Safety Action Classifications Reduced. This measure tracks the number of Dam Safety Action Classification (DSAC) ratings reduced as a result of Periodic Inspections, Issue Evaluation Studies, and construction activities, which resulted in an actual reduction of risk or in a finding of less urgency and lower risk in these cases.

Performance Results—Investigations

USACE completed the following 9 flood and storm damage reduction feasibility studies in FY 2021:

- Lowell Creek Tunnel Flood Diversion, AK
- Northern California Streams, Lower Cache Creek, Yolo County, Woodland and Vicinity, CA
- Fairfield & New Haven Counties (Flooding), CT
- Monroe County, FL
- Metro Louisville Flood Protection System, KY
- Portland Metro Levee System, OR
- Rio Grande de Manati, PR (Ciales)

- San Juan Metro Area Study, PR
- Coastal Texas Protection and Restoration Study, TX

USACE completed preconstruction engineering and design on one project in FY 2021 - General Edgar Jadwin Dam and Reservoir, PA. FY 2021 regular annual appropriations were provided to initiate seven new feasibility studies, two disposition studies, and one preconstruction engineering and design (PED) activity –

- Lower Mission Creek, CA General Reevaluation Report
- Murrieta Creek, CA General Reevaluation Report
- North Ponte Vedra, St. Johns County, FL
- Boston Metropolitan Area, MA
- Little Blue River Basin, Jackson County, MO
- Brunswick County Beaches (Holden Beach), NC General Reevaluation
- Optima Lake, OK (Disposition)
- City of El Paso, TX
- Bayou Cocodrie and Tributaries, LA (Disposition)
- Savan Gut Phase II, St. Thomas, VI (PED)

A portion of the funding was used to fund one disposition study and four PED activities to completion, including:

- Bayou Cocodrie and Tributaries, LA (Disposition)
- Pajaro River at Watsonville, CA (PED)
- West Sacramento, CA (PED)
- Tulsa and West Tulsa Levee, OK (PED)
- City of Norfolk, VA (PED)

Within the Dam Safety and Seepage/Stability Correction Program, $45.9 million was provided to initiate or continue Dam Safety Modification Studies (DSMS) at Santa Anna River Basin (Carbon Canyon Dam), CA; Santa Anna River Basin (Prado Dam), CA; John Martin Reservoir Dam, CO; Garrison Dam (Lake Sakakawea), ND; Bonneville Lock and Dam, OR and WA; Cougar Lake Dam, OR; Foster Lake Dam, OR; Green Peter Lake Dam, OR; Hills Creek Lake Dam, OR; Lookout Point Lake Dam, OR; and Benbrook Lake Dam, TX; initiate PED at Prado Dam, Santa Anna River Basin, CA; Keystone Lake Dam, OK; Cougar Lake Dam, OR; Hills Creek Lake Dam, OR; Lookout Point Lake Dam, OR; and continue PED at Bolivar Dam (Magnolia Levee), OH and Proctor Lake Dam, TX, as well as fund Issue Evaluation Studies to better understand risk for the USACE Dam Safety portfolio.

In FY 2021, $13.7 million was provided for Planning Assistance to States and $15 million was provided for Flood Plain Management Services – two programs focused on providing technical and planning assistance to communities to help them manage and reduce their flood risk.

Seventy-two interagency nonstructural technical assistance activities were initiated in support of State and local community flood risk and floodplain management priorities. These efforts included such varied assistance

Navigating shoreline protection structures engineered to protect areas of low-lying marsh and dune habitats. (USACE photo by Greg Nash)

as developing nonstructural flood mitigation plans for structures in the floodplain, assisting communities with the development of flood working plans, emergency evacuation plans, flood inundation mapping, and tabletop exercises; integrating green infrastructure concepts into State hazard mitigation planning efforts; assisting Tribes with effective planning for future flooding and floodplain management; and providing training for communities subject to ice jam flooding.

Investigation funds were used to support state and local flood risk mitigation priorities through the state-led Silver Jackets teams. The USACE-CW works together with other Federal agencies and the states on 54 Silver Jackets teams in 50 states, the District of Columbia, Puerto Rico, and the territories of Guam and the U.S. Virgin Islands. This support includes coordinating with States and communities to identify flood risk priorities and assist with obtaining technical assistance from USACE or other agencies, conducting outreach and training about flood risk and appropriate mitigation actions, and supporting preparedness, mitigation or response and recovery activities to reduce duplicative efforts and more efficiently respond to State and local community needs.

FY 2021 funds were also provided to continue the following watershed assessments, studies, and PED:

- Navajo Nation at Bird Springs, AZ (Tribal Partnership Program watershed assessment)
- South San Francisco Bay Shoreline, CA (Phase II)
- New Jersey Back Bays, NJ
- Pueblo of Zia, NM (Tribal Partnership Program watershed assessment)
- Soldier Creek Watershed, KS (Tribal Partnership Program feasibility study)
- Lower Sioux Community River Bank Stabilization, MN (Tribal Partnership Program feasibility study)
- Upper Sioux Community River Bank Stabilization, MN (Tribal Partnership Program feasibility study)
- San Diego County Shoreline (Encinitas-Solana Beach), CA (PED)

Performance Results—Construction

USACE did not physically or fiscally complete any flood and storm damage reduction projects in FY 2021. FY 2021 annual appropriations funded two new projects (Mississippi Coastal Improvement Program (MSCIP), Hancock, Harrison, and Jackson Counties (Forrest Heights Levee), MS) and General Edgar Jadwin Dam and Reservoir, PA (Dam Safety).

FY 2021 initiated construction on three Dam Safety Modification Projects; (Chena River Lakes, AK (Moose Creek Dam); Whittier Narrows, CA; Pipestem Lake, ND) and three projects to completion.

Projects funded to completion with FY 2021 appropriations included:

- Napa River, CA
- Mississippi Coastal Improvement Program (MSCIP), Hancock, Harrison, and Jackson Counties (Forrest Heights Levee), MS
- General Edgar Jadwin Dam and Reservoir, PA

FY 2021 funds were provided to continue construction on the following projects:

- American River Common Features, Natomas Basin, CA
- San Joaquin River Basin, Lower San Joaquin, CA
- Santa Ana River Mainstem, CA [1/]
- Rough River Lake (Major Rehabilitation), KY (Dam Safety)
- Southeast Louisiana, LA
- Atlantic Coast of Maryland, MD
- Brunswick County Beaches, NC
- Fargo, ND – Moorhead, MN Metro
- Raritan River Basin, Green Brook Sub-Basin, NJ
- Sandy Hook to Barnegat Inlet, NJ
- Alamogordo, NM
- Presque Isle Peninsula, PA
- Brays Bayou, Houston, TX [1/]
- Hunting Bayou, TX [1/]
- White Oak Bayou, TX [1/]

[1/] These projects received completion funds in the *Bipartisan Budget Control Act* (BBA) *of 2018*. The work funded with FY 2021 appropriations is not covered under *BBA of 2018*.

Routine and non-routine dam safety studies, assessments, and construction activities have resulted in an increased understanding of the overall dam safety risk associated with the portfolio of the 741 dams (including appurtenant structures) that USACE-CW owns. The USACE-CW completed dam safety studies and assessments on 25 of these dams in FY 2021. These studies and assessments led to a decision to lower the Dam Safety Action Classification (DSAC) rating of 11 dams, increase the DSAC rating of five dams, and leave unchanged the DSAC rating of nine dams. The Corps did not identify any additional unrated Corps dams or appurtenant structures this year that will require assignment of a DSAC rating. The DSAC corresponds with the priority in taking dam safety related actions based primarily on the risk of loss of life in the event of a failure of the dam, with DSAC 1 being considered the highest priority and five being considered a very low priority.

Gathright Dam. (USACE photo by Breeana Harris)

TABLE 3A. Summary of Dam Portfolio Risk Assessment Studies Completed in FY 2021

Dam Name	Project Name	State	New DSAC	Former DSAC	DSAC Change
Stagecoach Dam	Salt Creek and Tributaries, NE	NE	5	3	Lower Priority DSAC
North Springfield Dam	North Springfield Lake, VT	VT	3	2	Lower Priority DSAC
West Fork Dam	West Fork of Mill Creek Lake, OH	OH	4	3	Lower Priority DSAC
Russell B. Long Lock and Dam	J. Bennett Johnston Waterway, LA	LA	4	2	Lower Priority DSAC
Lake Yankton Dam	Gavins Point Dam	SD	5	4	Lower Priority DSAC
Owens Dam	Merced County Streams, CA	CA	4	3	Lower Priority DSAC
Cedars Lock and Dam	Fox River, WI	WI	5	2	Lower Priority DSAC
Greenup Locks and Dam	Ohio River Locks and Dams, WV, KY & OH	KY	5	1	Lower Priority DSAC
R. D. Bailey Dam	R. D. Bailey Lake, WV	WV	4	2	Lower Priority DSAC
George W. Andrews Lock and Dam	Apalachicola, Chattahoochee, and Flint (ACF) Rivers, GA, AL, and FL	AL	5	4	Lower Priority DSAC
Island Creek Dam	John H. Kerr Lake, VA and NC	VA	4	3	Lower Priority DSAC
Lucky Peak Dam	Lucky Peak Dam and Lake, ID	ID	2	3	Higher Priority DSAC
North Branch of Kokosing Dam	North Branch Kokosing River Lake, OH	OH	3	4	Higher Priority DSAC
Mariposa Dam	Merced County Streams, CA	CA	3	4	Higher Priority DSAC
Alamo Dam	Alamo Lake, AZ	AZ	2	4	Higher Priority DSAC
Greers Ferry Dam	Greers Ferry Lake, AR	AR	2	4	Higher Priority DSAC
Big Hill Dam	Pearson-Skubitz Big Hill Lake, KS	KS	4	4	No Change
Westville Dam	Westville Lake, MA	MA	4	4	No Change
Joe Pool Dam	Joe Pool Lake, TX	TX	3	3	No Change
Robert C. Byrd Locks and Dam	Ohio River Locks and Dams, WV, KY & OH	WV	4	4	No Change
Fern Ridge Dam	Fern Ridge Lake, OR	OR	3	3	No Change
Jim Woodruff Lock and Dam	Jim Woodruff Lock and Dam, FL, AL & GA	FL	3	3	No Change
Walter F. George Lock, Dam, and Powerhouse	Walter F. George Lock and Dam, AL & GA	AL	4	4	No Change
Prado Dam	Santa Ana River Basin, CA	CA	2	2	No Change
Newt Graham Lock and Dam	McClellan-Kerr Arkansas River Navigation System, OK	OK	4	4	No Change

TABLE 3B. Flood Risk Management – Construction and Investigations

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Number of dam safety action classifications revised to lower priority	49	28	35	10	11

Performance Results—Operation and Maintenance

In the Nation's largest watersheds, systematic and coordinated operation of a series of projects can help reduce flood risks, by informing decisions on the release of more water before the flood or on holding water back during the flood. For example, the USACE-CW was able successfully to operate multiple projects in this manner in the Missouri River and the Mississippi River watersheds when these watersheds experienced flooding in FY 2021.

The FY 2021 FRM program funded the operation and maintenance of 353 projects with flood storage, including those funded in the Mississippi River and Tributaries account, in order to support their flood risk management purpose.

In FY 2021, the USACE-CW completed five higher-level risk assessments of locally owned levee systems and initiated seven more. These assessments provide additional information on system performance risks, inform development of potential interim risk reduction measures and/or long-term risk management measures,

where appropriate, and help to support public awareness of the risks associated with these locally owned levee systems. In FY 2021, the Corps also completed 521 levee screenings with 13 of those on USACE owned levees.

Prior to FY 2018, through the screening process, the Corps identified many levee systems that included non-project segments (railroad embankments, highway embankments, privately owned levee embankments, etc.). The Corps recognized that the unknown condition and integrity of those non-project segments might increase the overall risk characterization of the affected systems. In order to obtain a more complete understanding of levee system risk, the Corps decided to include these non-project segments in its evaluation of the risk associated with the levee systems of which they are a part.

The combined number of levee and non-project segments subject to this process is now 3,165 segments, down from the 3,249 reported in FY 2020. This consists of 689 non-project segments (adjusted from 463 reported in FY 2020). As the screening level risk assessments are reviewed, a more in-depth look is taken into the non-project segments to determine the extent to which they are likely to be effective in reducing the risk that water will enter into the leveed area in a flood. This review of non-project segments is an ongoing process and the number of such segments could fluctuate further, until the Corps has completed all of these levee screenings.

TABLE 4. Flood Risk Management – Operation and Maintenance

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Percentage of Levee Safety Action Classifications (LSAC) Completed with MSC approval	100%	100%	90%	100%	100%
Percentage of Levee Safety Action Classifications (LSAC) Completed with HQ Levee Safety Officer approval	63%	73%	80%	100%	100%

EMERGENCY MANAGEMENT

Although the work of USACE-CW in disaster preparedness and response largely involves assisting communities before and during flood and coastal storm events, it is able to use these capabilities, when requested by FEMA, to help as part of the Federal response to a broad range of natural disasters and national emergencies.

Objective 2.1: *Reduce the Nation's flood risk and increase resilience to disasters.*

Objective 2.2: *Support the Department of Homeland Security/Federal Emergency Management Agency to provide life-cycle public works and engineering support in response to disasters.*

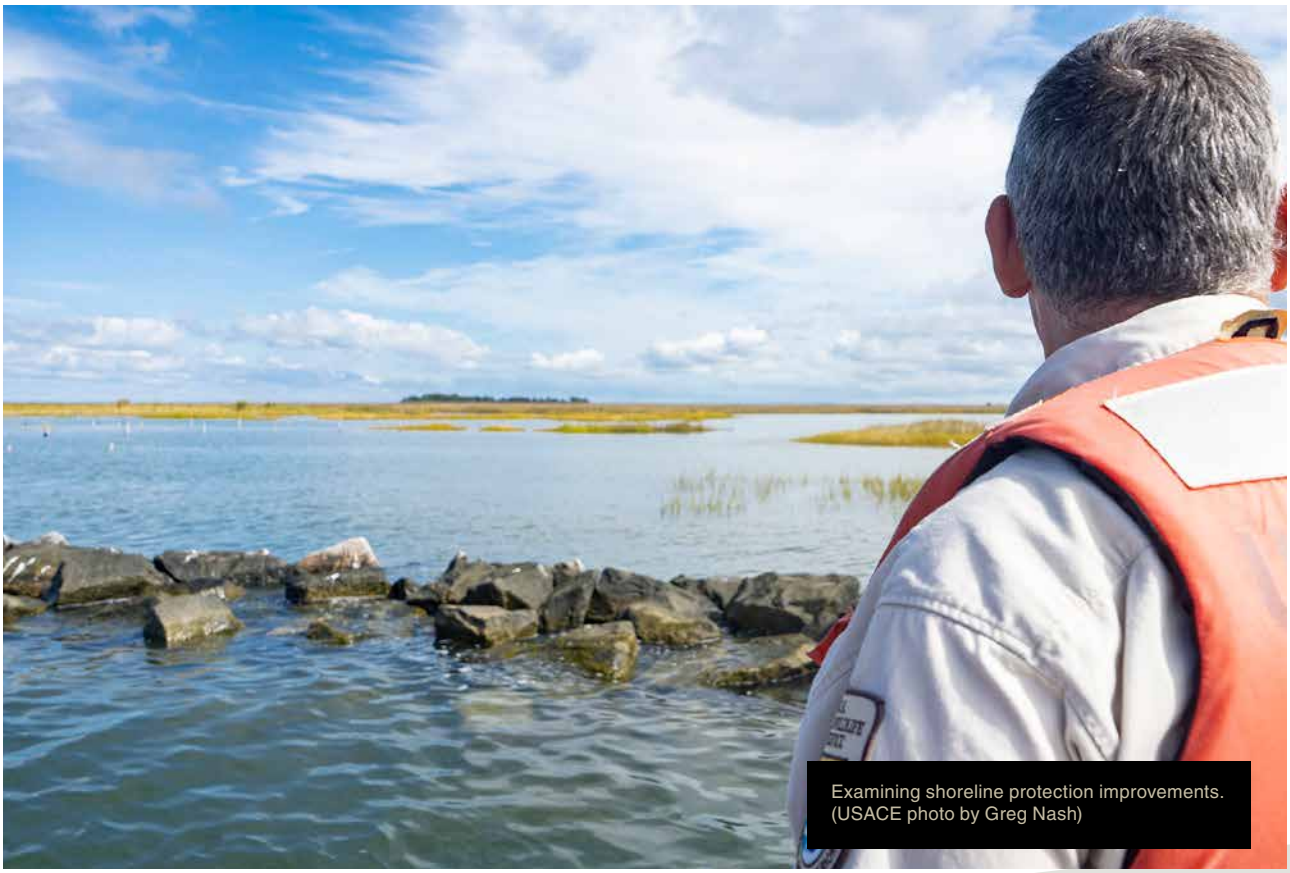
Objective 2.3: *Effectively and efficiently execute response, recovery, and mitigation.*

Performance Indicators: The five primary measures listed in Table 5 assist in determining progress toward meeting the USACE-CW emergency management objectives Indicators are explained below.

- *Measure 2.1.a*: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA. This measure tracks the completion of a characterization tool that will improve the knowledge of flood risk by characterizing relative flood risk at the national, state, and

watershed levels. The tool will provide information in a Geographical Information System (GIS) format to support federal, state, and regional decision makers, planners, and policy analysts in determining investment priorities, responding to future conditions and flood risk drivers, improving resilience, and reducing risk in the long-term. This measure tracks key milestones over time towards development and implementation of a fully functional and robust tool.

- *Measure 2.2.a*: Percent of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond. The USACE-CW established designated Planning & Response Teams (PRTs) and a cadre of leaders and subject matter experts to provide rapid emergency response during any All-Hazards contingency. This measure establishes the baseline, calculated as the percentage of trained and certified team members at any time during the entire fiscal year. Anything less than the baseline degrades readiness and may affect the extent to which the USACE-CW is able to respond.
- *Measure 2.2.b*: Percent of current annual updated All-hazards contingency plans across the USACE. Every command, center, and field operating agency in the USACE-CW must be prepared to respond to the full spectrum of All-Hazards. This measure reflects the percentage of current All-Hazards Contingency plans at all echelons, on the shelf and ready for use when needed.
- *Measure 2.3.a*: Percent scheduled and executed assigned and funded missions and programs. This measure reflects the USACE-CW commitment to the national preparedness system as articulated in Presidential Policy Directive – 8, *Other Executive Orders and Statutes*. The national preparedness



Examining shoreline protection improvements. (USACE photo by Greg Nash)

system directs executive agencies to develop interagency operational plans to support each national planning framework. Each interagency operational plan shall include a detailed concept of operations; description of critical tasks and responsibilities; detailed resource, personnel, and sourcing requirements; and specific provisions for the rapid integration of resources and personnel. The USACE-CW metric is measured in part by the Federal Emergency Management Agency assigned missions during disaster response, recovery, and mitigation operations. This measure tracks the percentage of these missions scheduled and executed; anything less than 100% is not acceptable and would reflect a reduction in overall mission performance. Myriad activities and trends must be monitored and adjusted each year, to ensure that we achieve that full execution. For example, monitoring/forecasting potential weather-related threats, conducting pre-disaster operations to strengthen Federal, state, local and tribal coordination, and capturing lessons learned after a disaster response to improve future response activities guide the development of doctrine and support programmatic changes in our disaster programs.

- *Measure 2.3.b*: Number of active state-led interagency flood risk management teams (Silver Jackets). Silver Jackets Teams provide Federal assistance to state and local governments in developing and executing mitigation measures that meet local government needs. Membership consists of the USACE-CW and other Federal agencies that can contribute to meeting those needs (i.e. – Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), Department of Transportation (DOT), etc.). State teams normally are represented by state hazard mitigation offices and other government offices (state and local). This measure tracks the number of active teams by state. The target is to have a team in all 50 states.

Performance Results

In FY 2021, the USACE-CW responded to 21 events with over 1,500 personnel deployed or engaged spending over $4.7 million of FCCE funding on response activities and utilized $49.5 million of funding provided by Public Law 116-136, *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) for emergency response to COVID-19 Pandemic (Alternate Care Facilities). The hurricane season featured 10 named storms of which included three hurricanes; catastrophic wildfires in California, monsoonal rain events in Arizona; as well as spring flooding in several river basins. FEMA also provided roughly $230 million to USACE-CW for mission assigned tasks as part of the overall Federal response in some of these events.

This support and coordination with other flood resilience and flood mitigation activities improves flood risk reduction outcomes, with emphasis on the states and communities recently experiencing devastating flood-associated disasters such as hurricanes, riverine flooding, coastal storm surges, and the risks associated with flooding and debris flows after wildfires.

TABLE 5. Emergency Management

	FY 2018	FY 2019	FY 2020	FY 2021 Target	FY 2021 Actual
Measure 2.1.a: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA	Note 1	Note 1	Note 1		
Measure 2.2.a: Percentage of trained and certified Planning Response Teams, Team Leaders, Assistant Team leaders and Subject Matter Experts, and National Emergency Support Function #3 Cadres ready and able to respond	90%	100%	100%	85%	100%
Measure 2.2.b: Percentage of current Annual updated All-hazards contingency plans across USACE-CW	100%	100%	100%	100%	100%
Measure 2.3.a: Percentage of scheduled and executed assigned and funded missions and programs	100%	100%	100%	100%	100%
Measure 2.3.b: Number of active state-led interagency flood risk management teams (Silver Jackets)	49	52	53	50	54

Note 1: This measure is considered completed.

Strategic Goal 3: Facilitate the transportation of commerce goods on the Nation's coastal channels and inland waterways.

NAVIGATION

Objective 3.1: *Facilitate commercial navigation by providing safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems.*

Performance Indicators: Table 6 displays measures that are performance indicators in determining progress in meeting this objective for inland navigation. The Corps uses these measures to track the overall performance of the inland waterways program over time. These measures focus on the performance of the main lock chambers (rather than auxiliary chambers) nationwide, on all inland waterways with a high level of commercial use (more than 3 billion segment-ton-miles per year) or a medium level of commercial use (between 1 billion segment-ton-miles per year and 3 billion segment-ton-miles per year).

- *Measure 3.1.*a: The number of instances where mechanically driven failure at locks results in delays of more than 24 hours.
- *Measure 3.1.b*: The number of instances where mechanically driven failure at locks results in delays of more than one week.

Performance Results—Investigations

Investigations funds were used in FY 2021 to evaluate the benefits and costs of options for navigation improvements, the pre-construction engineering and design cost of navigation improvements, and for programmatic Remaining Items for Navigation, such as Research and Development. Examples of potential investments under consideration in these studies are (1) lock replacements and inland waterways channel improvements; and (2) deepening and/or widening of coastal harbors and channels.

USACE completed the following navigation feasibility study in FY 2021:

- Elim Subsistence Harbor, AK (Tribal Partnership Program)

USACE completed PED for the Craig Harbor, AK project in FY 2021.

FY 2021 funds were provided to initiate two new feasibility studies, three disposition studies and five new PED activities:

- Lower Missouri River Basin, KS, MO & IA
- St. Mary's River Deepening, MI
- Suisun Bay Channel (Slough), CA (Disposition)
- Peoria Small Boat Harbor, IL (Disposition)
- Lower St. Anthony Falls, Mississippi River, MN (Disposition)
- Alaska Regional Ports (Port of Nome Modification), AK (PED)
- Elim Subsistence Harbor, AK (Tribal Partnership Program) (PED)
- Arkansas River Navigation Study, AR & OK (PED)
- Baptiste Collette, LA (Section 203) (PED)
- GIWW – Brazos River Floodgates & Colorado River Locks, TX (PED)

A portion of the funds were provided to fund two economic updates, one validation report, four disposition studies, and seven PED activities to completion:

- Arkansas River Navigation Study, AR & OK (Economic Update)
- GIWW – Brazos River Floodgates & Colorado River Locks, TX (Economic Update)
- GIWW, High Island to Brazos River, TX (Validation Report)
- Suisun Bay Channel (Slough), CA (Disposition)
- Savannah River Below Augusta, GA (Disposition)
- Peoria Small Boat Harbor, IL (Disposition)

Students help pick up trash on the shoreline of Lake Cumberland. (USACE Photo by Lee Roberts)

- Cape Fear Locks and Dams 1-3, NC (Disposition)
- Alaska Regional Ports (Port of Nome Modification), AK (PED)
- Craig Harbor, AK (PED)
- Arkansas River Navigation Study, AR & OK (PED)
- Three Rivers, AR (PED)
- Baptiste Collette, LA (Section 203) (PED)
- GIWW, High Island to Brazos River, TX (PED)
- Matagorda Ship Channel (Widening and Deepening), TX (PED)

In addition, the project below was provided funding to continue PED activities:

- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI (PED)

Performance Results—Construction

USACE did not physically or fiscally complete any navigation construction projects in FY 2021.

FY 2021 funds were provided on inland waterways to:

(1) Complete construction and fiscally close out the Melvin Price Lock and Dam, IL & MO (Deficiency Correction) and Atlantic Intracoastal Waterways (AIWW), Bridges at Deep Creek, Chesapeake, VA projects;

(2) Continue construction of the Kentucky Lock and Dam, Tennessee River, KY and Chickamauga Lock, Tennessee River, TN projects;

(3) Initiate navigation improvements at the Upper Ohio, Allegheny and Beaver Counties, PA project; and

(4) Complete all work necessary for disposition of the Willamette River at Willamette Falls, OR project.

FY 2021 funds were provided on coastal navigation projects to:

(1) Complete and fiscally close out the Jacksonville Harbor Deepening, FL; Mississippi River Ship Channel, Gulf to Baton Rouge, LA; Boston Harbor Deep Draft Improvements, MA; Waukegan Harbor, IL (Beneficial Use of Dredged Material Pilot Program); Mississippi River Between Missouri River and Minneapolis (MVP Portion), MN & WI (Beneficial Use of Dredged Material Pilot Program); Barnegat Inlet, NJ (Beneficial Use of Dredged Material Pilot Program); and San Juan Harbor, PR (Beneficial Use of Dredged Material Pilot Program);

(2) Continue construction of the Savannah Harbor Expansion, GA; Calumet Harbor and River, IL & IN Dredged Material Disposal Facility; Calcasieu River and Pass, LA Dredged Material Disposal Facility; Sault Ste Marie (Replacement Lock), MI; Wilmington Harbor, NC Dredged Material Disposal Facility; Columbia River at the Mouth, OR & WA; Corpus Christi Ship Channel, TX; Freeport Harbor Channel Improvements, TX; and Sabine-Neches Waterway, TX projects;

(3) Initiate a navigation improvement project at Houston Ship Channel, TX;

(4) Initiate, physically complete, and fiscally close out navigation improvements at Portsmouth Harbor & Piscataqua River, Turning Basin, NH project; and

(5) Mitigation for sand losses as the results of the Cold Spring Inlet, NJ navigation project through sand replenishment at the Cape May Inlet to Lower Township, NJ and Lower Cape May Meadows, Cape May Point, NJ projects and as a result of the Ocean City Harbor and Inlet and Sinepuxent Bay, MD projects through sand replenishment at the Assateague Island, MD project.

Performance Results—Operation and Maintenance

The Operation and Maintenance (O&M) and the Mississippi River and Tributaries appropriations were used to fund (1) operation and maintenance of locks; (2) maintenance dredging, with emphasis on high commercial use reaches at coastal ports and on the inland waterways; (3) maintenance and repair of coastal navigation structures; (4) removal of debris at coastal ports with a high or moderate-level of commercial use; and (5) maintenance dredging of critical harbors of refuge and subsistence harbors. Maintenance included repair and replacement of major lock and dam components (e.g. lock miter gates, dam tainter gates, operating machinery), repair of coastal structures (e.g. jetties, breakwaters, and pile dikes), and maintenance dredging.

The overall condition of the inland waterways continues to improve. The number of instances of lock closures due to preventable mechanical breakdowns and failures lasting longer than one day and lasting longer than one week have continued to trend downward since FY 2010. However, some of the lock closures that do occur can result in substantial delays to shippers, carriers, and users, and are a factor in the cost of shipping commodities on these waterways.

TABLE 6. Navigation – Operation and Maintenance

					FY 2021	
		FY 2018	FY 2019	FY 2020	Target	Actual
Inland Waterways	Measure 3.1.a: The number of instances where mechanically driven failure at locks results in delays of more than 24 hours	40	29	34	<37	38
	Measure 3.1.b: The number of instances where mechanically driven failure at locks results in delays of more than one week	19	15	16	<21	18

Strategic Goal 4: Restore, protect, and manage aquatic ecosystems to benefit the Nation.

AQUATIC ECOSYSTEM RESTORATION

Objective 4.1: *Restore aquatic habitat to a more natural condition in ecosystems in which structure, function, and dynamic processes have been degraded.*

Performance Indicators: The USACE-CW has established one indicator to assess progress in meeting this objective; data are shown in Table 7.

- *Measure 4.1*: Acres of habitat restored, created, improved, or protected in ecosystems identified as priorities through interagency coordination, which are: Everglades, Great Lakes, Chesapeake Bay, Puget Sound, Missouri River, and Upper Mississippi River.

Performance Results—Investigations

The USACE completed the following studies in FY 2021:

- Malibu Creek Watershed, CA
- Prado Basin, CA
- Grand River Basin, IA & MO
- Hudson River Habitat Restoration, NY

FY 2021 funds were provided to initiate two feasibility studies and three PED efforts.

- Claiborne and Millers Ferry Locks and Dams (Fish Passage), Lower Alabama River, AL
- Hatchie/Loosahatchie, Mississippi River Mile 775-736 Habitat Restoration, TN & AR
- Clear Creek Ecosystem Restoration, CA (Tribal Partnership Program) (PED)
- Espanola Valley, Rio Grande and Tributaries, NM (PED)
- Rio Grande, Sandia Pueblo to Isleta Pueblo, NM (PED)

FY 2021 funds were used to fund the completion of two studies and four PED:

- Clear Creek Ecosystem Restoration, CA (Tribal Partnership Program feasibility study)
- Savannah River Below Augusta, GA (Feasibility study)
- Eastern Shore, Mid-Chesapeake Bay Island, MD (PED)
- Lower Brule Sewage Lagoon, SD (Tribal Partnership Program) (PED)
- Resacas at Brownsville, TX (PED)
- Puget Sound Nearshore Marine Habitat Restoration, WA (Duckabush River Estuary) (PED)

FY 2021 funds were also provided to continue the following studies and PED:

- Sweetwater Creek Ecosystem Restoration, ID (Tribal Partnership Program feasibility study)
- Half Moon Cove Ecosystem Restoration, ME (Tribal Partnership Program feasibility study)
- Bay Mills Shoreline Erosion, MI (Tribal Partnership Program feasibility study)
- Prairie Island Sturgeon Lake Habitat Restoration, MN (Tribal Partnership Program feasibility study)
- Big Sand Lake Shoreline Erosion, WI (Tribal Partnership Program feasibility study)
- Brandon Road Lock and Dam, Aquatic Nuisance Species Barrier, IL (Great Lakes and Mississippi River Interbasin Study) (PED)
- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI (PED)

Performance Results—Construction

USACE completed physical construction on the Kissimmee River Restoration, FL project, part of the South Florida Ecosystem Restoration Program, in FY 2021.

FY 2021 construction funds were provided to initiate construction on two projects:

- Albeni Falls Dam (Fish Passage), ID
- Espanola Valley, Rio Grande and Tributaries, NM

FY 2021 construction funds were provided to physically complete and fiscally close out four projects:

- Hamilton City, CA
- Albeni Falls Dam (Fish Passage), ID
- Espanola Valley, Rio Grande and Tributaries, NM
- Lower Brule Sioux Tribe Sewage Lagoon Natural Resources Preservation and Ecosystem Restoration, SD (Tribal Partnership Program)

FY 2021 construction funds were provided to continue work on six programs and projects:

- South Florida Ecosystem Restoration, FL
- Missouri River Fish and Wildlife Recovery, IA, KS MO, MT, NE, ND & SD (Biological Opinion)
- Upper Mississippi River Restoration, IL, IA, MN, MO & WI
- Chesapeake Bay Oyster Recovery, MD & VA
- Poplar Island, MD
- Columbia River Fish Mitigation, WA, OR & ID (Biological Opinion)

Within the South Florida Ecosystem Restoration Program, the Kissimmee River Restoration Project construction to backfill canals and restore oxbow was completed, providing for restoration of full river and river floodplain benefits to approximately 17 miles of the Kissimmee River. On the Picayune Strand Restoration Project, clearing and plugging of approximately three miles of road and canal associated with the Eastern Stair Steps restoration phase was completed, and construction was initiated on the Southwest Protection features that will facilitate full hydrologic restoration. Construction was initiated on the South Phase and Everglades Agricultural Area (EAA) Phase of the Central Everglades Planning Project (CEPP). Meeting the requirements of biological opinions affecting various projects on the Columbia River system and the Missouri River continues to be a priority.

Multiple boats ferry a group on an inspection of the Missouri River. (USACE photo by Jennie Wilson)

TABLE 7. Aquatic Ecosystem Restoration

	FY 2018	FY 2019	FY 2020[2]	FY 2021 Target	FY 2021 Actual
Acres of habitat restored, created, improved, or protected (annual)[1]	100,000	108,362	2,210	14,297	115,657

Note 1: Acres of habitat restored, created, improved, or protected in ecosystems identified as priorities through interagency coordination, which are: Everglades, Great Lakes, Chesapeake Bay, Puget Sound, Missouri River, and Upper Mississippi River (annual).
Note 2: In FY 2020, restoration efforts in both the Puget Sound and Everglades were delayed by COVID-19 and high water.

REGULATORY

Objective 4.2: *Reduce adverse impacts to the Nation's wetlands and waterways through an effective, transparent, and efficient Regulatory process.*

Performance Indicators: Table 8 displays the measure that is a performance indicator in determining progress in meeting this objective.

- *Measure 4.2:* Percent of general permit decisions reached within 60 days.
- *Measure 4.2.a:* Percentage of standard permits and letter of permission permit decisions made within 120 days.

Performance Results

The Regulatory Program reviewed over 62,000 actions and 22,000 jurisdictional determinations in FY 2021. The majority of the 42,700 issued/verified permits (94%) were evaluated using streamlined general permit processes, where 81% were verified in 60 days or less.

The target for general permit application decisions made within 60 days is 85% and in FY 2021, the national percentage was 81%. Regional variation can occur, and some districts have met the mission success criteria target, despite the national average falling short. The national percentage of individual permit decisions made in 120 days or less from the receipt of a complete application is 70% and in FY 2021, the national percentage was 52%. Individual permits require more extensive review and public coordination since these proposed projects may have more than minimal individual or cumulative adverse environmental effects. This additional review requires more time to evaluate and render a permit decision, hence the longer timeframe and lower target percentage. The public and permit applicants expect all decisions to be consistent, based on sound science, legally defensible, and transparent. As with general permits, regional variation can occur, and a few districts have met the mission success criteria metric, despite the national average falling short. Reasons contributing to not being able to meet the targets nationally include district workload prioritization and workload prioritization of other agencies providing necessary decisions (e.g., *Endangered Species Act consultations, Clean Water Act* water quality certifications).

TABLE 8. Regulatory

	FY 2018	FY 2019	FY 2020	FY 2021 Target	FY 2021 Actual
Percentage of general permit application decisions made within 60 days	84%	81%	80%	85%	81%
Percentage of individual permit application decisions made within 120 days of receipt of a complete application	61%	58%	57%	70%	52%

ENVIRONMENTAL REMEDIATION (FORMERLY UTILIZED SITES REMEDIAL ACTION PROGRAM)

Objective 4.3: *Clean up radioactive waste sites.*

Performance Indicators: The performance measure listed in Table 9 serve as an indicator to help USACE-CW personnel determine progress in meeting this objective.

- *Measure 4.3*: Number of individual properties returned to beneficial use. Each site may contain varying numbers of individual properties, with different owners.

Individual properties returned to beneficial use: The number of properties released for general use following remediation.

Performance Results

In FY 2021, FUSRAP met most of its performance targets. Funds were used to continue radiological remedial activities at the Maywood Site in New Jersey; the Shallow Land Disposal Area in Pennsylvania; properties in the vicinity of the St. Louis Airport in Missouri; the Iowa Army Ammunition Plant in Iowa; the St. Louis Downtown Site in St. Louis, Missouri; the Luckey Site in Ohio, and the DuPont Chambers Works in New Jersey. A targeted Time Critical Removal Action (TCRA) was performed at the Middlesex Sampling Plant Site in Middlesex, New Jersey.

Saltmarsh Sparrow. (Audubon photo by Frank Lehman)

Approximately 108,600 cubic yards of contaminated material were removed. Of this amount, 36,300 cubic yards was from the Luckey Site. Eighty-three (398 cumulative) properties located in St. Louis, Missouri were returned to beneficial use. Remedial Investigation, remediation actions, or close out activities continued at most other FUSRAP sites.

TABLE 9. Formerly Used Sites Remedial Action Program

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Number of individual properties returned to beneficial use	33	60	54	70	83

ENVIRONMENTAL STEWARDSHIP

Objective 4.4: *Manage, conserve, and preserve natural resources at USACE-CW projects.*

Performance Indicators: To measure success in attaining the above objective, the USACE-CW developed a number of performance indicators; data for the main indicator may be found in Table 10.

- *Measure 4.4*: Percent of USACE fee-owned and/or administered lands and waters that have achieved desired natural resource conditions. This measure tracks land and water acreage, which through protection and management meets the desired conditions outlined in management or work plans which fall into categories of sustainable, transitioning or degraded. Condition classifications are annually updated for each vegetation type of USACE-CW fee owned property.

Desired conditions include both sustainable and transitioning where natural resources objectives are met and environmental impacts are minimized. The performance is calculated with a numerator representing lands and waters meeting a sustainable or transitioning condition over the denominator of total fee owned lands and waters with a known condition. As lands and waters fall into a degraded condition, the acreage drops out of the numerator and lowers performance Improving degraded lands and waters results in an increase in the numerator and a higher net performance.

Performance Results

The number of master plans updated in accordance with current regulations continues to increase. The master plans enable the USACE-CW to adequately plan for and adjust to increasing pressures by rising population growth and land use demands. These plans inform important land use decisions and protections.

TABLE 10. Environmental Stewardship

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Percent of USACE-CW fee-owned and/or administered lands and waters that have achieved desired natural resource conditions	89%	89%	89%	86%	Note 1

Note 1: Final data will not be available until January 2022 after field submittal and quality assurance is complete.

RECREATION

Objective 4.5: *Provide opportunities for quality outdoor public recreation.*

Performance Indicators: The measures displayed in Table 11 describe the value the Recreation business line provides to the Nation. These indicators are explained below.

- *Measure 4.5*: Annually increase Project Site Area (PSA) compliance in each standard by 1% over the FY 2013 baseline. This measure tracks the quality of the recreation program delivered in light of fiscal realities and responsiveness to changing needs. Results will be used to guide decision making in focusing resources to provide amenities, services, and opportunities where they provide the greatest qualitative and quantitative benefits.

Performance Results

Each project maintains multiple parks and multiple areas (campgrounds, picnic sites, boat launches) within each recreation area. The USACE-CW continued a systematic, national review of more than 2,800 recreation areas to determine the level of services provided by the USACE recreation program at the Project Site Area (PSA) Level, which generally includes the following components: 1) a project condition component (acceptable conditions for facilities such as roads, parking, buildings, boat ramps, etc.) and 2) a visitor service component (i.e., an acceptable level of services such as ranger patrol, mowing and cleaning, etc.).

TABLE 11. Recreation

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
PSA Compliance with facility condition standards	87%	87%	88%	95%	89%
PSA Compliance with efficiency standards	68%	68%	68%	74%	68%
PSA compliance with health and safety standards	58%	57%	58%	62%	59%

Note 1: FY 2021 actual is estimated performance. Final data will not be available until January 2022 after field submittal and quality assurance is complete.

Strategic Goal 5: Manage the life cycle of water resources infrastructure systems in order to consistently deliver sustainable services.

Objective 5.1: *Support the Nation and the Army in achieving our energy security and sustainability goals.*

Performance Indicators: Table 12 displays measures that are performance indicators in determining progress in meeting this objective.

- *Measure 5.1.a*: Non-tactical Vehicle (NTV) Petroleum: Percent reduction in NTV Petroleum Use. This measures progress on reducing the use of traditional petroleum fuels (gasoline and diesel) in fleet vehicles.
- *Measure 5.1.b*: Facility Energy Intensity: Percent reduction in Goal Subject Energy Intensity (British Thermal Unit (BTU)/Gross Square Feet (GSF)). This measures progress on making "buildings" more energy efficient.
- *Measure 5.1.c*: Facility Water Intensity: Percent reduction in Potable water intensity, measured in gallons per gross square feet (GSF) with a target of 20% reduction relative to FY 2007 and annual incremental reductions thereafter.

Performance Results

At the end of FY 2020, USACE-CW did not meet the federal petroleum reduction goal of 20%. USACE-CW saw a 15.4% increase in petroleum fuel relative to the FY 2005 baseline, and an 8.9% increase in petroleum fuel in FY 2020 from FY 2019. Official FY 2021 data for this measure will not be available until January 31, 2022.

At the end of FY 2020, USACE reported a slight improvement on Measure 5.1.b, moving from 35.0% to 39.6% reduction over the period FY 2017 - FY 2020 relative to the FY 2003 baseline, including a 7% decrease in FY 2020 from FY 2019 due to closed facilities during the height of the COVID-19 shutdown. USACE improvement on Measure 5.1.b was due in part to long-term systematic investments in cost-effective facility energy efficiency improvements as well as revisions of the Facility Energy Intensity calculation methodology implemented by the Department of Energy Federal Energy Management Program. Official FY 2021 data for this measure will not be available until January 31, 2022.

At the end of FY 2020, USACE decreased water consumption by 4% from FY 2019 while maintaining a net reduction of 16.4% relative to the FY 2007 baseline. USACE continues to encourage water line and water valve replacement to meet the target reduction. Official FY 2021 data for this measure will not be available until January 31, 2022.

TABLE 12. Sustainability and Energy

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Percent Reduction in Non-tactical Vehicle (NTV) Petroleum Use	26%	22.3%	(15.4%)	20%	Note 1
Percent reduction in Goal Subject Facility Energy Intensity	35%	35%	39.6%	30%	
Percent reduction of potable water in USACE facilities	13%	13%	16.4%	20%	

Note 1: Data for FY 2021 will not be available until January 2022.

Objective 5.2: *Capitalize, recapitalize, operate, and maintain water resources infrastructure to provide maximum value to the Nation.*

The USACE operates, maintains, and manages more than $259 billion worth of the Nation's water resources infrastructure. It is the steward of the fourth largest asset portfolio, by value, of all federal agencies.

Performance Indicators: The USACE-CW uses the following measure to assist in gauging progress on this objective.

- *Measure 5.2.a*: Percentage of Preventive Maintenance completed on critical components. Preventive Maintenance is the systematic care, servicing, and inspection of assets, facilities, equipment, and components for the purpose of detecting and correcting incipient failures and accomplishing minor maintenance. The frequency of preventative maintenance is generally less than one year. Focusing on mission-critical components ensures that national preventive maintenance efforts are focused on those components with the highest potential risk to delivering national benefits. Critical components are those items that, if they failed, would have an immediate and substantial impact to the various USACE-CW missions of providing national benefits (power generation, safe navigation, flood risk management, etc.).

Performance Results

In FY 2021, the USACE continued an enterprise-wide collection of minimum required maintenance data that will allow the development of the baseline Preventive Maintenance reporting. FY 2021 appropriations were used to upgrade critical infrastructure such as septic systems, erosion prevention, and replacing old wooden recreation buildings with more efficient concrete prefab buildings resistant to flood and extreme weather events. Managers are held accountable to properly code preventive maintenance work orders and track labor, materials, and service costs as well as criticality of the affected assets.

HYDROPOWER

Objective 5.3: *Provide reliable, renewable, hydropower to the Nation.*

Performance Indicators: Table 13 displays representative performance indicator results and targets for the year.

- *Measure 5.3.a*: Peak unit availability (percentage of time generating units are available during periods of peak demand). Peak Unit Availability measures performance reliability, it is the percentage of time during critical peak demand periods that hydroelectric generating units are available to the Power Marketing Administration (PMA) interconnected system.
- *Measure 5.3.b*: Percentage of time units are out of service due to unplanned outage. This measure tracks the percentage of time hydropower generating units are in an unscheduled or unplanned outage status. The lower the forced outage rate, the more reliable and less expensive the electrical power provided to the consumer.

Performance Results

FY 2021 annual appropriations were used to accomplish critical routine operation and maintenance and some non-routine maintenance at 54 of the 75 USACE-CW hydroelectric facilities along with some capital work.

The 21 plants located in the Pacific Northwest are directly funded by the Bonneville Power Administration and not included in these measures. Additional capital work and other non-routine maintenance work was accomplished through the implementation of agreements and associated sub-agreements with the regional Department of Energy PMAs and their preference customers. These amounts are not included in the totals in Table 13.

During FY 2021 the USACE-CW signed 43 new sub-agreements and modified 13 existing sub- agreements resulting in an additional $217.7 million for non-routine work at USACE-CW power plants outside of the Pacific Northwest.

Compared to the previous year, there was a 1% decrease in the amount of time hydropower generating units were actually available to produce power during peak demand periods. This decrease resulted from an increase in scheduled equipment outage time. The target for peak availability was 87%, and this target was not met. The industry standard for peak availability is 95%. The forced outage rate decreased slightly from the previous year.

TABLE 13. Hydropower

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Peak unit availability (percentage of time generating units are available during periods of peak demand)	83%	87%	85%	87%	84%
Percentage of time units are out of service due to unplanned outages	7%	7%	7%	3%	6%

WATER STORAGE FOR WATER SUPPLY

Objective 5.4: *Provide water supply storage in partnership with state and local interests.*

Performance Indicators: To assist in gauging progress, the USACE-CW uses measures relating to the acre-feet of water stored and cost-recovery measures. These are shown in Table 14.

- *Measure 5.4.a*: Percent of acre-feet under contract versus acre-feet available. This measure tracks the percentage of the acre-feet of water supply storage space under contract with state and local interests for present and future use, compared to the acre-feet of space available for water supply. An acre-foot is the volume of water that will cover an area of one acre to a depth of one foot.
- *Measure 5.4.b*: Percent of investment costs recovered versus the total investment costs available for recovery. This measure tracks progress in recovering investment costs. The USACE-CW seeks proportional reimbursement of capital costs for that portion of the reservoir allocated for water supply. The cost available for recovery is the total estimated capital cost of water supply allocations. In this context, the capital costs are typically related to the costs to construct the reservoir.

Performance Results

Currently there are 137 projects in 25 states that provide 9.8 million acre-feet of Municipal and Industrial water supply storage to users that have contracted for that storage. The cost associated with the storage, including the cost to operate and maintain the storage, are returned as revenues to the United States Treasury according to the terms of contracts. Over the last ten years, an average of $67 million per year has been returned.

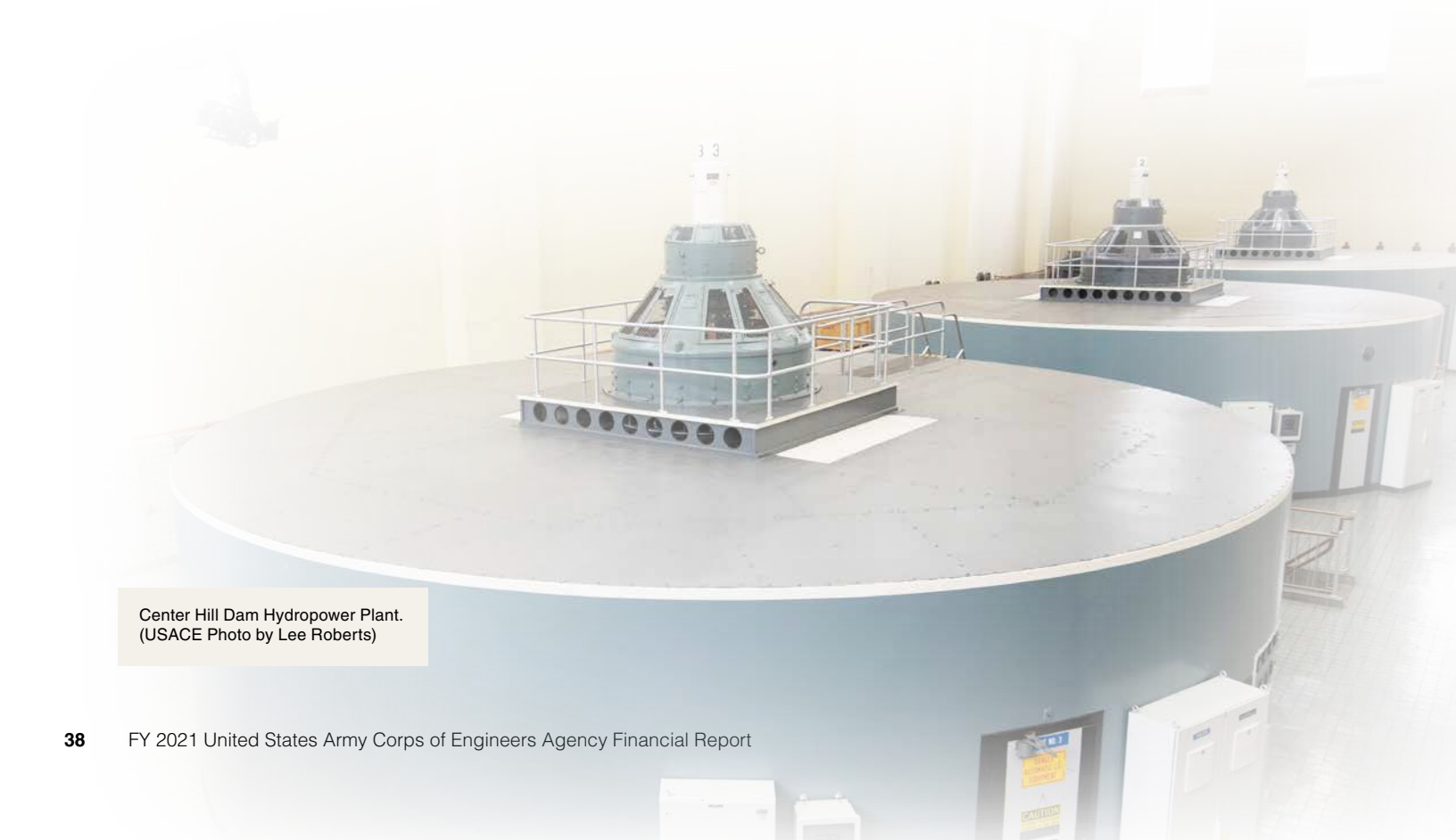
FY 2021 funds were provided to continue the operation and maintenance of the water supply functions at multi-purpose USACE-CW projects and for six reallocation studies, including:

- Completion of water reallocation studies at Allatoona Lake, GA; Hartwell Lake GA & SC; and Philpott Lake, VA;
- Continuation of reallocation studies at Laurel River Lake, KY; Melvern Lake, KS; and Wolf Creek Dam, Lake Cumberland, KY

In response to Government Accountability Office (GAO) Report 17-500, *Better Data Needed on Water Storage Pricing*, quality control of select data from the water supply and irrigation modules of the Operation and Maintenance Business Information Link (OMBIL) database was completed. However, the database itself is in the process of migrating to a new software environment and version as the former platform became obsolete. The new database is being designed to provide (1) additional data to help our districts in the management of their water supply program, (2) more tools for project oversight at the Headquarters level, and (3) capability for instant response to inquiries from Army and congressional interests as well as from our state and local sponsors.

TABLE 14. Water Storage for Water Supply

				FY 2021	
	FY 2018	FY 2019	FY 2020	Target	Actual
Percentage of available acre-feet under contract	96%	96%	96%	96%	96%
Percentage of investment costs recovered	59%	59%	60%	60%	69%



Center Hill Dam Hydropower Plant.
(USACE Photo by Lee Roberts)

A family enjoys the day paddling at a recreational facility. (USACE photo by Brian Holtzinger)

POSSIBLE FUTURE EFFECTS OF EXISTING CONDITIONS

The USACE-CW owns a large inventory of water resources infrastructure. To manage the risk associated with that inventory, the USACE-CW utilizes a risk-based approach to managing those assets based on the condition of each project component and the consequence of failure of that component. Expenditure of operation and maintenance dollars is guided by that information.

The infrastructure that the USACE-CW helps to maintain includes dams, levees, coastal harbors and channels, inland waterways, locks, and hydropower plants with generating units. While USACE-CW constructed much of this infrastructure in the first half of the twentieth century, we have rehabilitated many of the component systems of this water resource infrastructure since then, with emphasis on the key features of this infrastructure, and give priority to such investments as needed. However, some of this infrastructure is experiencing various stages of degradation and disrepair. All structures age over time. With proper maintenance and periodic rehabilitation, we are working to extend the effective lifetime of the facilities that are owned or operated by, or on behalf of, the Corps of Engineers.

Flood Risk Management

The Flood Risk Management business line helps communities to reduce their flood risk, which involves the potential of a loss of lives and/or damage to property from riverine flooding or coastal storms.

Dams: The USACE-CW dam safety program evaluates and quantifies the risk and consequence of a potential failure at a Corps-owned dam. Some of these dam safety concerns may require additional study and/or

modification. Where appropriate, the USACE-CW also implements interim risk reduction measures to reduce the risk associated with a dam safety concern until additional study and/or modification can be completed.

Levees: The USACE-CW levee safety program includes inspections, assessments, and communication of risk. The program focuses on approximately 2,000 levee systems nationwide consisting of: (1) the levee systems that the USACE-CW owns and operates; (2) the levee systems that the USACE-CW constructed or improved, but are owned, operated, and maintained by a state or local public entity; and (3) other levee systems that the USACE-CW inspects periodically under its Public Law 84-99 program.

Navigation

The USACE-CW is working to maintain the reliability of our principal inland waterways and coastal ports. Many of the locks and dams on the inland waterways require increased maintenance or will require rehabilitation to keep them functioning. For coastal ports, there has been an increase in the unit cost of dredging per cubic yard in recent years, which primarily reflects an increase in steel and labor costs. Also, many of the channel-deepening projects completed over the past few years require additional maintenance dredging. In addition, new environmental requirements and the construction of new, more distant dredged material placement sites have increased the costs of channel dredging.

Aquatic Ecosystem Restoration

The primary goals of the aquatic ecosystem restoration business line are to restore degraded aquatic ecosystem structure, function, and/or processes to a more natural condition and to mitigate damage caused by USACE-CW projects through compliance with biological opinions.

A web of small channels, known as a delta, provides prime feeding habitat for migrating shorebirds in late summer when water levels decrease. (Photo courtesy of the U.S. Army Corps of Engineers)

ANALYSIS OF FINANCIAL STATEMENTS

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

The USACE-CW Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources have been prepared to report the financial position and results of operations of the USACE-CW, pursuant to the requirements of the *Chief Financial Officers* (CFO) *Act of 1990* and the *Government Management Reform Act of 1994*. The following sections provide a brief description of the nature of each financial statement and significant fluctuations from FY 2020 to FY 2021. The charts presented in this analysis are "in millions" unless otherwise noted.

Consolidated Balance Sheets

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

Figure 3 shows the USACE-CW Assets Comparison as of September 30, 2021 and 2020. Total assets amounted to $82,332 million in FY 2021 and $82,652 million in FY 2020, a .39% decrease.

FIGURE 3. Assets Comparison

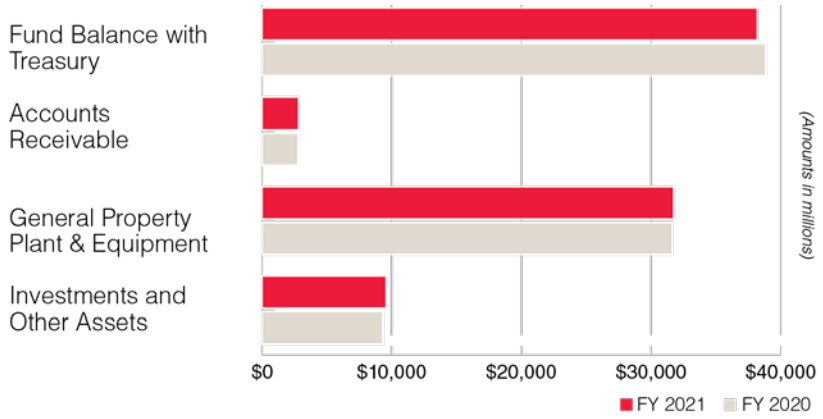
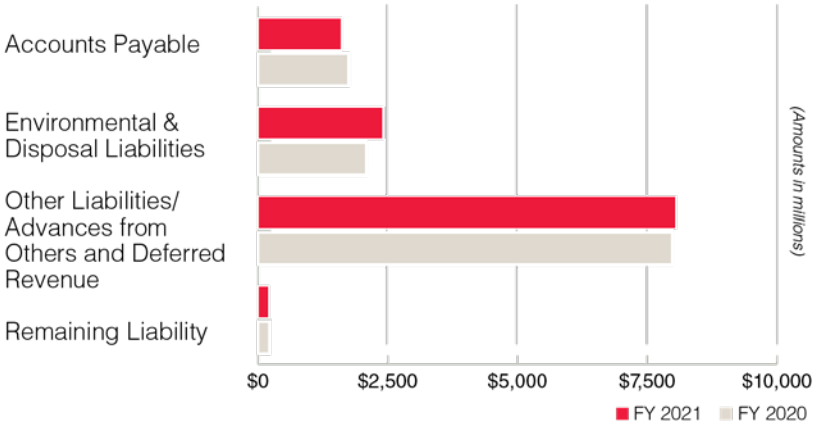


Figure 4 shows the USACE-CW Liabilities Comparison as of September 30, 2021 and 2020. Total liabilities amounted to $12,275 million in FY 2021 and $12,026 million in FY 2020, a 2.07% increase. Total Environmental and Disposal Liabilities increased by $323 million or 15.47% due to an increase in Formerly Utilized Sites Remedial Action Program (FUSRAP) and USACE Pollution Control & Abatement Program.

FIGURE 4. Liabilities Comparison



Consolidated Statements of Net Cost

The Consolidated Statements of Net Costs presents the gross cost incurred by USACE-CW to conduct its operations less any exchange revenues earned from its activities.

The major elements of the Consolidated Statements of Net Cost include gross costs totaling $12,963 million in FY 2021 and $13,296 million in FY 2020, and earned revenue amounting to $3,778 million in FY 2021 and $4,514 million in FY 2020. Both elements are comprised of intra-governmental and public costs. Total net cost of operations increased by $403 million, or 4.59%, which is attributed to the factors below.

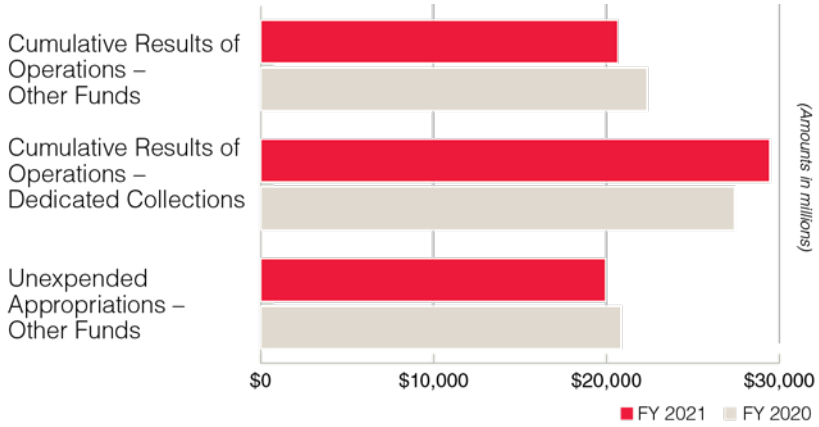
The slight decrease in gross costs can be attributed to completion of dredging and shore protection projects across USACE, with the largest decreases at the New Orleans, Philadelphia, New York, Mobile, Savannah, and San Francisco Districts. The decrease in earned revenue is mainly attributed to USACE having less obligations in FY 2021. The majority of the decrease in obligations was related to the Federal Emergency Management Agency (FEMA) for operation and maintenance associated with the construction of alternate care facilities nearing completion in response to the COVID-19 pandemic that occurred in FY 2020. In addition, a portion of the decrease was due to a reduction in obligations with the Bureau of Customs and Border Protection for construction of border barrier systems related to the border wall.

Consolidated Statements of Changes in Net Position

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

Figure 5 shows the three components of the USACE-CW net position for FY 2021 and FY 2020. Total net position amounted to $70,057 million in FY 2021 and $70,626 million in FY 2020, a .81% decrease.

FIGURE 5. Net Position

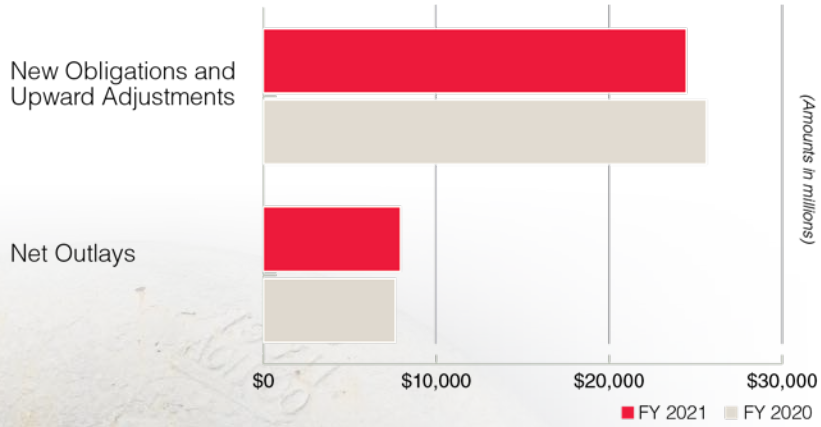


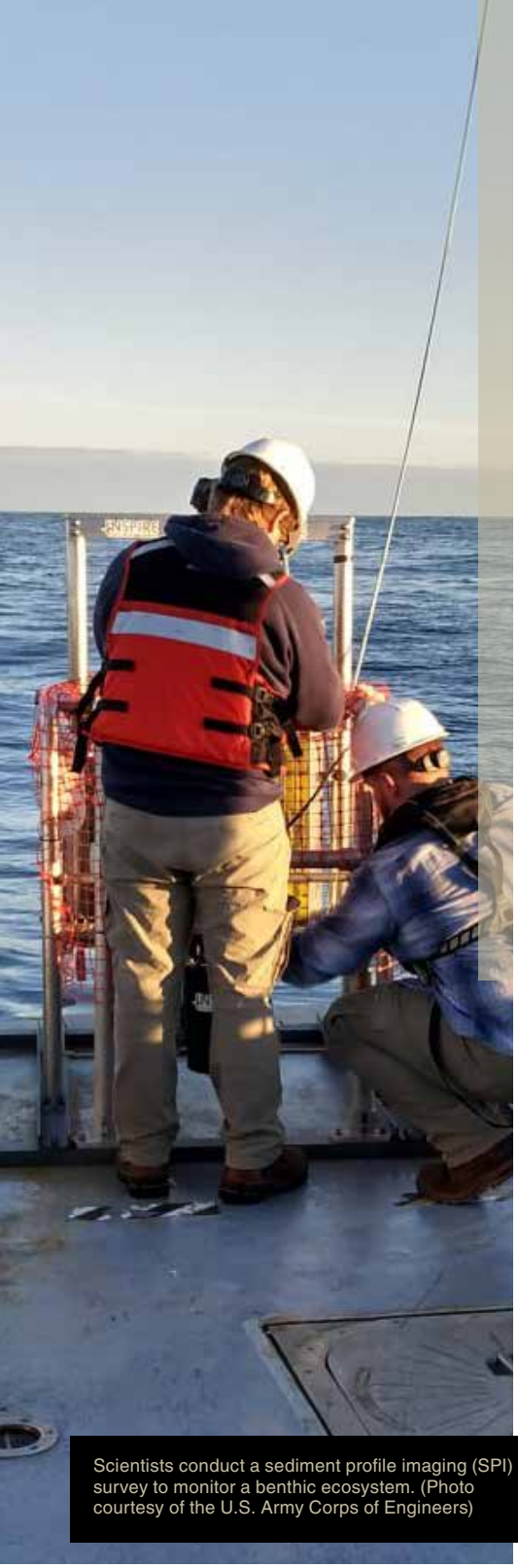
Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the USACE-CW as of September 30, 2021 and 2020, and the status of those budgetary resources. Budget authority is the authority provided to the USACE-CW by law to enter into obligations that will result in outlays of federal funds. New obligations and upward adjustments result from an order placed, contract awarded, or similar transaction, which will require payments during the same or a future period. Gross outlays reflect the actual cash disbursed by the Department of the Treasury for USACE-CW obligations.

Figure 6 shows a comparison of new obligations and upward adjustments and net outlays in FY 2021 and FY 2020. New obligations and upward adjustments amounted to $24,461 million as of September 30, 2021 and $25,612 million as of September 30, 2020, a 4.49% decrease. Net outlays amounted to $7,927 million as of September 30, 2021 and $7,633 million as of September 30, 2020, a 3.85% increase.

FIGURE 6. Budgetary Resources





Scientists conduct a sediment profile imaging (SPI) survey to monitor a benthic ecosystem. (Photo courtesy of the U.S. Army Corps of Engineers)

STATEMENT OF ASSURANCE

United States Army Corps of Engineers (USACE) Civil Works management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA). USACE Civil Works conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular Number (No.) A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, USACE Civil Works can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2021.

USACE Civil Works conducted its assessment of internal control over financial reporting in accordance with Appendix A of OMB Circular No. A-123. Based on the results of this assessment, USACE Civil Works can provide reasonable assurance that its internal control over financial reporting as of September 30, 2021 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

The *Federal Financial Management Improvement Act of 1996* (FFMIA) as well as OMB Circular No. A-123, Appendix D, requires agencies to implement and maintain financial management systems that are substantially in compliance with federal financial management systems requirements, federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the U.S. Standard General Ledger (USSGL) at the transaction level. Evaluation results from the assessment also indicated that all USACE Civil Works financial management systems were found to substantially comply with FFMIA and OMB Circular No. A-123 Appendix D as of September 30, 2021.

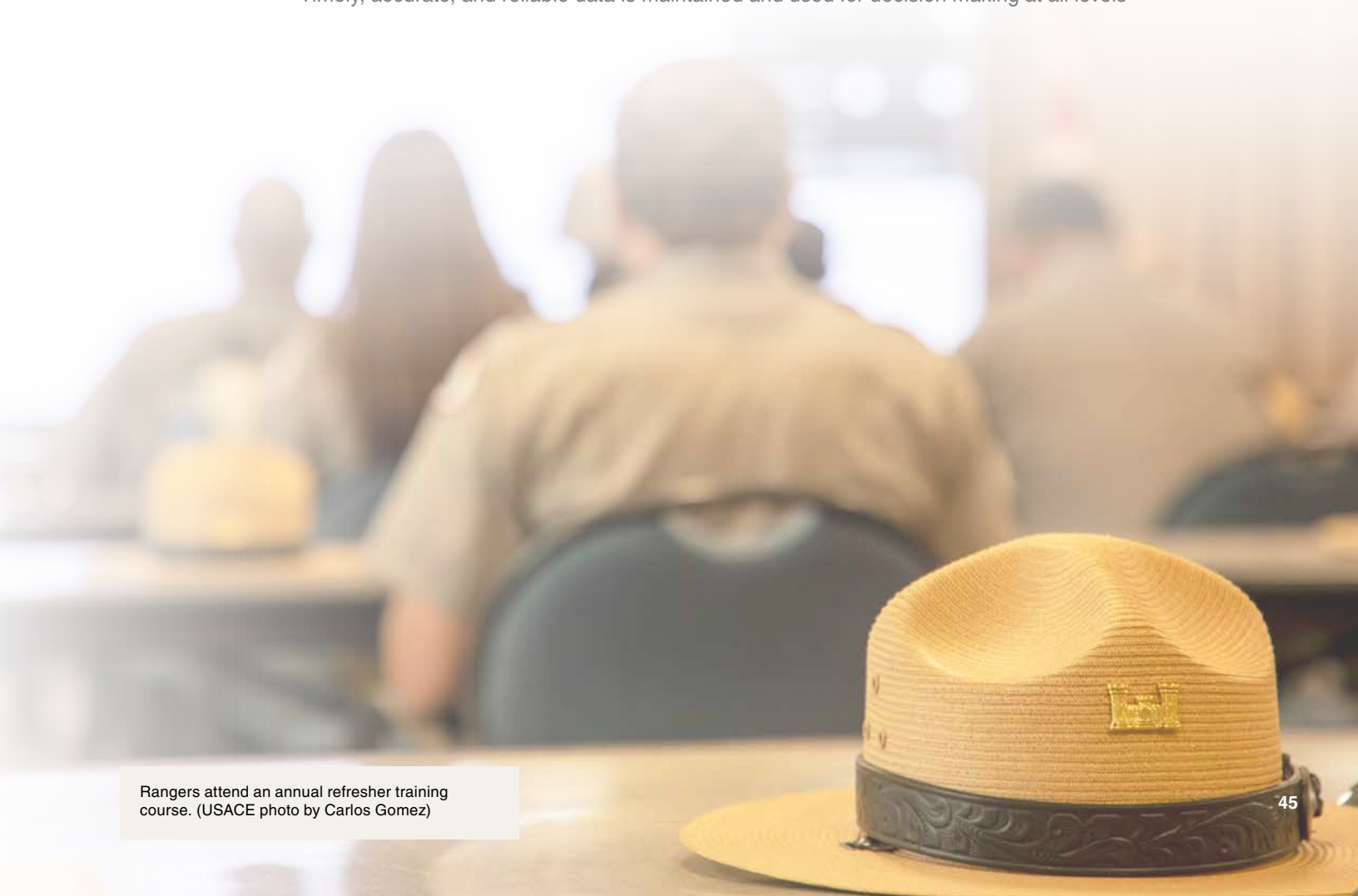
ALVIN B. LEE
Director of Civil Works

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The management control objectives under the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) are to reasonably ensure that:

- Programs achieve their intended results efficiently and effectively
- Resources used are consistent with overall mission
- Programs and resources are free from waste, fraud, and mismanagement
- All applicable laws and regulations are followed
- Controls are sufficient to minimize any improper or erroneous payments
- System security is in substantial compliance with all relevant requirements
- Resources used are in accordance with the organizational mission
- Financial management systems are in compliance with federal financial systems standards
- Timely, accurate, and reliable data is maintained and used for decision making at all levels



Rangers attend an annual refresher training course. (USACE photo by Carlos Gomez)

The USACE-CW internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the Office of Management and Budget (OMB) Circulars Nos. A-123, *Management's Responsibility for Internal Control*, and A-136, *Financial Reporting Requirements*. The USACE-CW holds managers accountable for the performance, productivity, operations, and integrity of their programs using internal controls. The USACE-CW undertakes a combination of actions to ensure there is a reasonable level of assurance that internal controls are in place and operating effectively. Those actions consist of a combination of inspections, audits, investigations, and management control reviews conducted throughout the year. The USACE-CW also has a strong network of management control oversight committees that include the USACE Management Action Group, Regional Management Boards, and the Quarterly Review Boards. The Business Process Documentation System, another management control mechanism, allows the USACE-CW to document standardized business processes and ensure appropriate internal controls are built into those processes. Many of the USACE-CW management control evaluations are integrated into periodic management review processes such as the Consolidated Management Reviews, Directorate Management Reviews, Program Management Reviews, and through the execution of internal audits. The USACE-CW evaluation for FY 2021 identified no material weaknesses in the design or operation of its management and financial system internal controls.

The Corps of Engineers Financial Management System (CEFMS II) is the principle financial management system that is used by USACE for all financial transactions. CEFMS II is compliant with all annual *Federal Information Security Management Act* (FISMA) requirements and is fully accredited.

To ensure that CEFMS II continues to meet security compliance and remains up to date on current technologies, the CEFMS II team:

- Upgraded to Oracle Business Intelligence Enterprise Edition version 12.2 in FY 2020
- Upgraded to Oracle APEX 19.2 in FY 2021
- Continues to monitor, install, and test quarterly Information Assurance Vulnerability Alert (IAVA) updates to all component software
- Completes a Continuity of Operations Plan (COOP) test annually with all stakeholders
- Conducts an annual review of Security Control compliance and all IA-related documentation
- Executes an annual Security Test and Evaluation including a review of Security Technology Implementation Guide (STIG) compliance
- Engages in a triennial Assessment and Authorization of the application in accordance with the Risk Management Framework

OMB Circular No. A-123 Appendix A

The USACE-CW assessed the effectiveness of its internal controls over financial reporting in compliance with OMB Circular No. A-123, Appendix A, *Internal Control over Financial Reporting* (ICOFR) and related DoD guidance. USACE-CW evaluation for FY 2021 did not identify any material weaknesses as of or subsequent to September 30, 2021.

Federal Financial Management Improvement Act of 1996

The *Federal Financial Management Improvement Act* (FFMIA) *of 1996* stipulates that government agencies "…implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger (USSGL) at the transactional level." FFMIA also mandates that remediation plans be developed for any agency that is unable to report substantial compliance. Substantial compliance is achieved when an agency's financial management system(s) routinely provide reliable and timely financial information for managing day to day operations as well as produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements.

USACE-CW's financial management framework consists primarily of CEFMS II. CEFMS II is a comprehensive and integrated financial management system which processes all financial transactions for all USACE-CW missions and programs. CEFMS II maintains an electronic record of the financial transactions and is in compliance with the USSGL. USACE-CW also utilizes CEFMS II to maintain funds control and track the execution of all direct and reimbursable funded projects. Adequate internal control mechanisms are critical in maintaining the integrity of transactional data. To ensure proper separation of duties, CEFMS II includes a robust electronic signature process, utilizing public key infrastructure (PKI), and has a role-based security feature to reinforce its internal controls. CEFMS II provides reliable and timely financial information for managing its financial operations. Internal controls are embedded throughout CEFMS II to ensure data integrity and to prevent fraud, waste, and abuse through the segregation of duties using role-based controls. CEFMS II is the primary reason why USACE has received unmodified audit opinions on its Civil Works financial statements over the past thirteen consecutive fiscal years.

USACE-CW has evaluated its financial management systems and has determined they substantially comply with the requirements of the FFMIA of 1996 (Section 801 of title 31, USC), the OMB Circular No. A-123, and the *DoD Financial Management Regulations*, Volume 1, Chapter 3.

Improper Payments Information Act Reporting Details

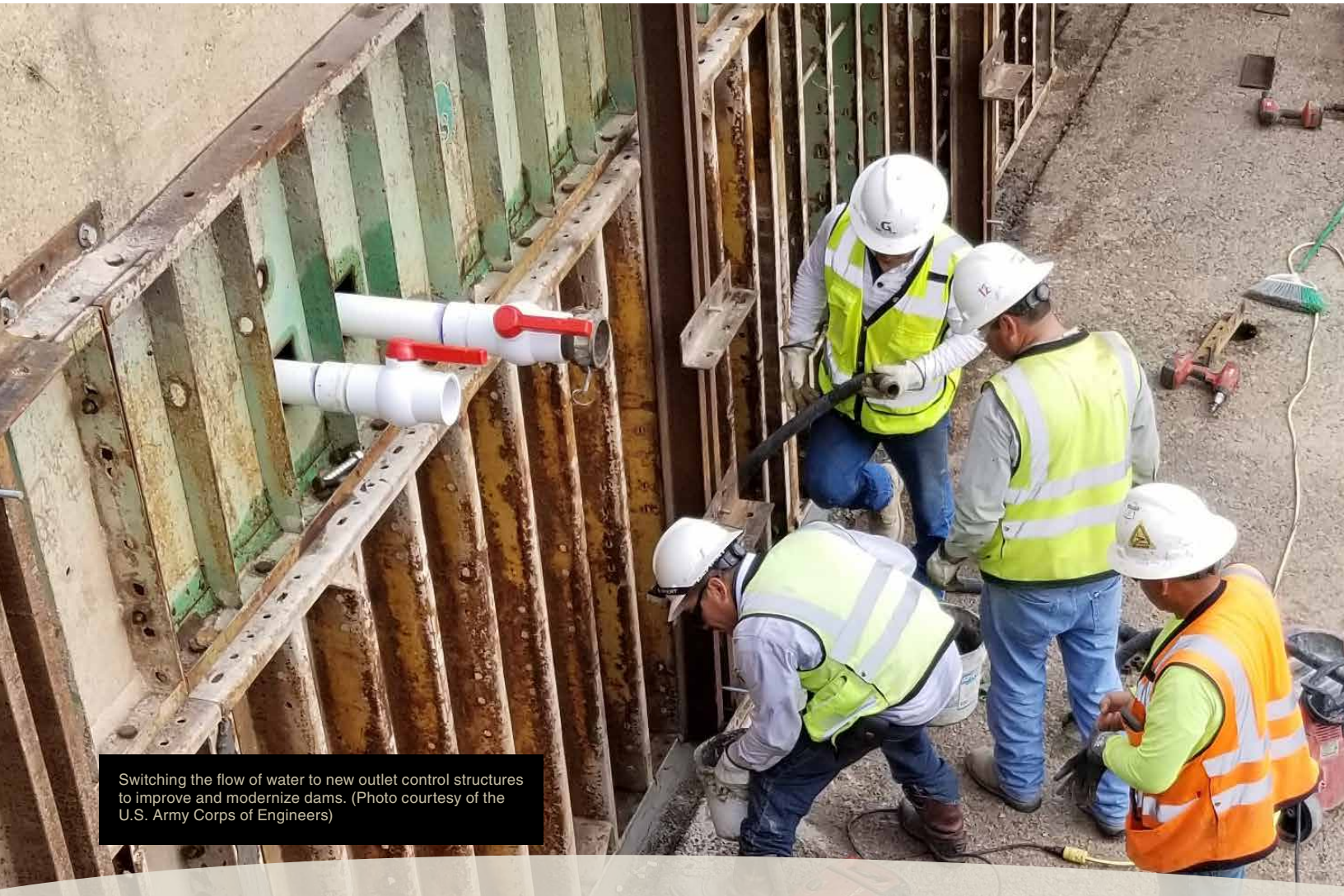
OMB defines significant improper payments as gross annual improper payments (i.e. the total amount of overpayments plus underpayments) in a program exceeding (1) both 1.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported or (2) $100 million, regardless of the improper payment percentage of total program outlays.

In accordance with the *Improper Payments Information Act* (IPIA), as amended, and OMB implementation guidance, USACE-CW assessed its programs and activities for susceptibility to significant improper payments. Based on the results of our sampling/audit of FY 2021 *Improper Payments Elimination and Recovery Improvement Act* (IPERIA) compliance, the USACE-CW Program is not susceptible to significant improper payments.

Summary

Although USACE-CW has no material weaknesses to report as a result of the above internal control evaluations, management remains committed to addressing the significant deficiencies identified as a result of audits, evaluations, and assessments of controls in its financial management systems and its business processes, to ensure existence of effective internal controls, systems integration, and timely and reliable financial and performance data for reporting purposes. The table below shows the number of material weaknesses, significant deficiencies, and legal requirements not in compliance as a result of the independent audits of Civil Works financial statements from FY 2017 through FY 2021:

Fiscal Year End	Number of Material Weaknesses	Number of Significant Deficiencies	Number of Legal Requirements Not in Compliance
2017	2	1	2
2018	2	1	2
2019	2	1	2
2020	2	1	2
2021	2	1	2



Switching the flow of water to new outlet control structures to improve and modernize dams. (Photo courtesy of the U.S. Army Corps of Engineers)

LIMITATIONS OF THE FINANCIAL STATEMENTS

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

While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

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

CONSOLIDATED BALANCE SHEETS

As of September 30, 2021 and 2020

(Amounts in Thousands)	2021	2020
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 38,197,147	$ 38,836,698
Investments (Note 4)	9,493,956	9,322,301
Accounts Receivable, Net (Note 5)	767,494	739,850
Total Intragovernmental Assets	$ 48,458,597	$ 48,898,849
Other Than Intragovernmental:		
Cash and Other Monetary Assets	421	455
Accounts Receivable, Net (Note 5)	2,054,380	2,028,667
Inventory and Related Property, Net (Note 6)	41,377	37,745
General Property, Plant and Equipment, Net (Note 7)	31,741,504	31,653,492
Advances and Prepayments	35,903	32,306
Total Other Than Intragovernmental	33,873,585	33,752,665
TOTAL ASSETS	$ 82,332,182	$ 82,651,514
Stewardship PP&E (Note 8)		
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	$ 681,589	$ 646,990
Debt	-	91
Advances from Others and Deferred Revenue	2,593,885	2,436,786
Other Liabilities (Notes 11 & 13)	1,980,039	2,008,096
Total Intragovernmental Liabilities	$ 5,255,513	$ 5,091,963
Other Than Intragovernmental:		
Accounts Payable	1,002,360	1,168,945
Federal Employee and Veteran Benefits Payable (Note 9)	207,129	217,621
Environmental and Disposal Liabilities (Note 10)	2,406,600	2,084,098
Advances from Others and Deferred Revenue	2,821,243	2,712,210
Other Liabilities (Notes 11 & 13)	582,458	750,958
Total Other Than Intragovernmental	7,019,790	6,933,832
TOTAL LIABILITIES	$ 12,275,303	$ 12,025,795
Commitments and Contingencies (Note 13)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 14)	$ -	$ -
Unexpended Appropriations - Funds from Other than Dedicated Collections	19,952,373	20,853,660
Total Unexpended Appropriations (Consolidated)	19,952,373	20,853,660
Cumulative Results of Operations - Funds from Dedicated Collections (Note 14)	29,443,738	27,411,467
Cumulative Results of Operations - Funds from Other than Dedicated Collections	20,660,768	22,360,592
Total Cumulative Results of Operations (Consolidated)	50,104,506	49,772,059
TOTAL NET POSITION	$ 70,056,879	$ 70,625,719
TOTAL LIABILITIES AND NET POSITION	$ 82,332,182	$ 82,651,514

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the fiscal year 2021 presentation.

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

CONSOLIDATED STATEMENT OF NET COST

For the years ended September 30, 2021 and 2020

(Amounts in Thousands)	2021	2020
Program Costs		
Gross Costs (Note 15)	$ 12,963,262	$ 13,296,331
Less: Earned Revenue	(3,777,687)	(4,514,112)
Net Cost of Operations	$ 9,185,575	$ 8,782,219

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

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the year ended September 30, 2021

(Amounts in Thousands)	Funds from Dedicated Collections (Note 14)	Funds from Other than Dedicated Collections	2021 Consolidated Total
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ -	$ 20,853,660	$ 20,853,660
Appropriations received	-	6,243,286	6,243,286
Other adjustments	-	(2,099)	(2,099)
Appropriations used	-	(7,142,474)	(7,142,474)
Net Change in Unexpended Appropriations	-	(901,287)	(901,287)
Total Unexpended Appropriations: Ending	-	19,952,373	19,952,373
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	$ 27,411,468	$ 22,360,592	$ 49,772,060
Appropriations used	-	7,142,474	7,142,474
Nonexchange revenue	1,738,038	23,859	1,761,897
Transfers-in/out without reimbursement	53,007	169,614	222,621
Donations and forfeitures of property	-	167	167
Imputed financing	7,402	319,933	327,335
Other	85,338	(21,811)	63,527
Net Cost of Operations	(148,485)	9,334,060	9,185,575
Net Change in Cumulative Results of Operations	2,032,270	(1,699,824)	332,446
Cumulative Results of Operations: Ending	29,443,738	20,660,768	50,104,506
Net Position	$ 29,443,738	$ 40,613,141	$ 70,056,879

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

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the year ended September 30, 2020

(Amounts in Thousands)	Funds from Dedicated Collections (Note 14)	Funds from Other than Dedicated Collections	2020 Consolidated Total
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ -	$ 21,810,586	$ 21,810,586
Appropriations received	-	6,054,588	6,054,588
Other adjustments	-	(3,540)	(3,540)
Appropriations used	-	(7,007,974)	(7,007,974)
Net Change in Unexpended Appropriations	-	(956,926)	(956,926)
Total Unexpended Appropriations: Ending	-	20,853,660	20,853,660
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	$ 25,680,159	$ 23,765,137	$ 49,445,296
Appropriations used	-	7,007,974	7,007,974
Nonexchange revenue	1,577,098	23,062	1,600,160
Transfers-in/out without reimbursement	42,199	147,447	189,646
Donations and forfeitures of property	-	26	26
Imputed financing	6,912	263,860	270,772
Other	61,092	(20,688)	40,404
Net Cost of Operations	(44,007)	8,826,226	8,782,219
Net Change in Cumulative Results of Operations	1,731,308	(1,404,545)	326,763
Cumulative Results of Operations: Ending	27,411,467	22,360,592	49,772,059
Net Position	$ 27,411,467	$ 43,214,252	$ 70,625,719

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2021 and 2020

(Amounts in Thousands)	2021	2020
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 33,444,623	$ 33,330,412
Appropriations (discretionary and mandatory)	8,654,625	8,449,742
Spending Authority from offsetting collections (discretionary and mandatory)	10,939,590	16,088,394
Total Budgetary Resources	$ 53,038,838	$ 57,868,548
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 24,461,232	$ 25,612,427
Unobligated balance, end of year		
Apportioned, unexpired accounts	28,536,503	32,217,249
Exempt from Apportionment, unexpired accounts	36,325	30,525
Unapportioned, unexpired accounts	173	4,316
Unexpired unobligated balance, end of year	28,573,001	32,252,090
Expired unobligated balance, end of year	4,605	4,031
Unobligated balance, end of year (total)	28,577,606	32,256,121
Total Budgetary Resources	$ 53,038,838	$ 57,868,548
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	9,295,044	8,438,798
Distributed offsetting receipts (-)	(1,368,502)	(805,891)
Agency Outlays, net (discretionary and mandatory)	$ 7,926,542	$ 7,632,907

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

1.A. Mission of the Reporting Entity

The primary mission of the United States (U.S.) Army Corps of Engineers – Civil Works Program (USACE) includes water resource development activities, including flood risk management, navigation, recreation, and infrastructure and environmental stewardship. USACE contributes to the national welfare and serves the nation (1) through quality and responsive assistance in the effort to develop, manage, protect, and restore our water resources; (2) by helping to protect, restore, and manage water resources in ways that will improve the aquatic environment; and (3) by providing related engineering support and technical services. This multi-faceted mission is accomplished in an environmentally sustainable manner that is both economically and technically sound. USACE also supports the Department of Homeland Security in carrying out the National Response Plan. USACE's primary role in support of this plan is to provide emergency support in areas of public works and engineering. USACE responds to more than 30 presidential disaster declarations in a typical year, and its highly trained workforce is prepared to deal with both man-made and natural disasters.

1.B. Basis of Presentation and Accounting

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

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to the receipt or payment of cash. USACE transactions are recorded on an accrual accounting basis as required by GAAP. USACE's financial management system meets all of the requirements for full accrual accounting. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

USACE has presented comparative financial statements for the Consolidated Balance Sheet, Consolidated Statement of Net Cost and Changes in Net Position, and Combined Statement of Budgetary Resources, in accordance with OMB financial statement reporting guidelines.

USACE is not subject to Federal, state or local income taxes. Accordingly, no provision for income taxes is recorded.

1.C. Fund Types

General funds are used for financial transactions funded by Congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and construction accounts.

Revolving funds received funding to establish an initial corpus through an appropriation or a transfer of resources from existing appropriations or funds. The corpus finances operations and transactions that flow through the fund. The revolving fund finances the goods and services sold to customers on a reimbursable basis and maintains the corpus. Reimbursable receipts fund future operations and generally are available in their entirety for use without further congressional action.

Special funds are used to record government receipts reserved for a specific purpose.

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

Contributed funds are received from the public for construction of assets under local cost sharing agreements.

Most USACE special, trust, and contributed funds are designated as funds from dedicated collections. These funds are financed by specifically identified revenues, required by statute to be used for designated activities, benefits or purposes, and are to remain available over time. USACE is required to separately account for and report on the receipt, use and retention of revenues and other financing sources for dedicated collections.

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

Clearing accounts are used to record the amount of unprocessed intragovernmental payments and collections transmitted to USACE from other Federal agencies.

Receipt accounts are used to record amounts such as interest, land lease proceeds, fines and penalties that are deposited in the U.S. Treasury.

A summary of USACE funds follows:

General Funds

096X3112 Mississippi River and Tributaries
096X3121 Investigations
096X3122 Construction
096X3123 Operation and Maintenance
096 3123 Operation and Maintenance (fiscal year)
096X3124 Expenses
096 3124 Expenses (fiscal year)
096X3125 Flood Control and Coastal Emergencies
096X3126 Regulatory Program
096 3126 Regulatory Program (fiscal year)
096X3128 Washington Aqueduct Capital Improvements
096X3130 Formerly Utilized Sites Remedial Action Program
096X3132 Office of Assistant Secretary of the Army
096 3132 Office of Assistant Secretary of the Army (fiscal year)
096X3139 Water Infrastructure Finance and Innovation Program Account
096 3139 Water Infrastructure Finance and Innovation Program Account (fiscal year)

Revolving Funds

096X4902 Revolving Fund

Special Funds

096X5005 Land and Water Conservation
096X5007 Special Recreation Use Fees
096X5066 Hydraulic Mining in California, Debris
096X5090 Payments to States, Flood Control Act of 1954
096X5125 Maintenance and Operation of Dams and Other Improvements of Navigable Waters
096X5493 Fund for Nonfederal Use of Disposal Facilities
096X5570 Interagency America the Beautiful Pass Revenues
096X5607 Special Use Permit Fees

Trust Funds

096X8217 South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
096X8333 Coastal Wetlands Restoration Trust Fund
096X8861 Inland Waterways Trust Fund
096X8863 Harbor Maintenance Trust Fund

Trust Funds (Contributed)

096X8862 Rivers and Harbors Contributed and Advance Funds

Deposit Funds

096X6094 Advances from the District of Columbia

096X6500 Advances Without Orders from Non-Federal Sources

096X6501 Small Escrow Amounts

096X6954 Disbursing Officer Cash

Clearing Accounts

096F3885 Undistributed Intragovernmental Payment

Receipt Accounts

096R0891 Miscellaneous Fees for Regulatory and Judicial Services, Not Otherwise Classified

096R1060 Forfeitures of Unclaimed Money and Property

096R1099 Fines, Penalties, and Forfeitures, Not Otherwise Classified

096R1435 General Fund Proprietary Interest, Not Otherwise Classified

096R3220 General Fund Proprietary Receipts, Not Otherwise Classified, All Other

096R5005 Land and Water Conservation

096R5007 Special Recreation Use Fees

096R5066 Hydraulic Mining in California

096R5090 Receipts from Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes

096R5125 Licenses under Federal Power Act, Improvements of Navigable Waters, Maintenance and Operation of Dams, etc.

096R5493 User Fees, Fund for Nonfederal Use of Disposal Facilities

1.D. Financing Sources

USACE receives Federal funding through the annual *Energy and Water Development Appropriations Act*. Funding also comes from nonfederal 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.

USACE receives its appropriations and funds as general, revolving, special, trust, and deposit funds. USACE uses these appropriations and funds to execute its mission and subsequently report on resource usage.

USACE received borrowing authority from the U.S. Treasury to finance capital improvements to the Washington Aqueduct.

USACE receives congressional appropriations as financing sources that expire annually, on a multi-year basis, or do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of services. USACE recognizes revenue because of costs incurred for goods or services provided to other Federal agencies and to the public. Full cost pricing is USACE's standard policy for goods or services provided, as required by OMB Circular No. A-25, *User Charges*.

USACE records two types of revenue: exchange and nonexchange. Exchange revenue is the inflow of resources that USACE has earned by providing something of value to the public or another Federal entity at a price. The main sources of exchange revenue are customer orders (reimbursable agreements) and cost sharing revenue.

Customer orders are contracts where USACE provides services under a reimbursable agreement; the related revenue and accounts receivable are recorded simultaneously along with the costs and payables. For nonfederal entities, an advance payment is required and USACE records advances from others upon receipt of funds. USACE reduces the advances and recognizes revenue as services are provided.

Cost sharing revenue arises from agreements under which USACE constructs assets, the cost of which will be borne in part by another entity (sponsor). Throughout the life of a cost share project, USACE revenue is earned based on the sponsor's proportionate share of project costs incurred. Sponsors are generally required to provide funds in advance and USACE records deferred revenue. USACE reduces the deferred revenue and recognizes revenue at the time of the withdrawal for costs incurred.

Nonexchange revenue represents resources received by USACE when a good or service is not provided in exchange for that revenue. Nonexchange revenue generally consists of revenue from excise taxes and port fees, interest earned on investments, other penalties, and donations.

During Fiscal Year (FY) 2020, USACE received supplemental funds in the *Coronavirus Aid, Relief, and Economic Security* (CARES) *Act, 2020* (Public Law 116-136). These funds are used to continue operations of USACE projects, support remote access, teleworking, and leave requirements related to coronavirus prevention, preparation, and response. USACE did not receive any funds in FY 2021 related to the *CARES Act*.

1.E. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported liabilities and the disclosure of environmental and contingent liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

1.F. Recognition of Expenses

USACE recognizes expenses in the period incurred or consumed. USACE's expenditures for capital assets are recognized as operating expenses as the assets are depreciated or amortized.

1.G. Accounting for Intragovernmental Activities

USACE eliminates transactions within USACE in these consolidated financial statements. Accounting standards require that an entity eliminate intra-entity activity and balances from consolidated financial statements in order to prevent overstatement for business with itself.

Intragovernmental costs and revenues represent transactions made between two reporting entities within the Federal government. Costs and revenues with the public represent transactions made between the reporting entity and a nonfederal entity. The classification of revenue or cost as "intragovernmental" or "with the public" is defined on a transaction-by-transaction basis. The purpose of this classification is to enable the Federal government to prepare consolidated financial statements.

Generally, financing for the construction of USACE's facilities is obtained through appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized because the U.S. Treasury does not allocate such costs to USACE.

In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards*, USACE recognizes imputed financing and cost for unreimbursed goods and services provided by others. These costs include interest during construction, Judgment Fund payments on behalf of USACE, and employee benefits.

1.H. Entity and Nonentity Assets

The assets are categorized as entity or nonentity. Entity assets consist of resources that USACE has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Nonentity assets consist of resources for which USACE maintains stewardship accountability and responsibility to report but are not available for USACE operations.

1.I. Funds with the U.S. Treasury

USACE's monetary financial resources are maintained in U.S. Treasury accounts. The disbursing offices of the USACE Finance Center (UFC), the Defense Finance and Accounting Service (DFAS), and the Department of State's financial service centers process the majority of USACE's cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports that provide information to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

In addition, UFC and DFAS sites submit reports to the U.S. Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records this information to the applicable Fund Balance with Treasury (FBwT) account. Differences between USACE's recorded balance in FBwT accounts and U.S. Treasury's FBwT accounts sometimes result and are subsequently reconciled on a monthly basis.

1.J. Investments

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

The Bureau of the Fiscal Service (BFS), on behalf of USACE, invests in nonmarketable par value or nonmarketable market-based securities as authorized by legislation. Par value securities are special issue bonds or certificates of indebtedness that bear interest. Nonmarketable, market-based intragovernmental securities mimic marketable securities, but are not publicly traded.

Net investments are primarily held by the Harbor Maintenance Trust Fund.

1.K. Accounts Receivable

Accounts receivable includes three categories: accounts, claims, and refunds receivable from other Federal entities or from the public. USACE bases the allowance for uncollectible accounts receivable due from the public on established percentages per aged category of the cumulative balance of delinquent public receivables. USACE regards its intragovernmental accounts receivable balance as fully collectible.

Accounts receivable also includes amounts stemming from long-term water storage agreements based on the cost of construction to be recouped by USACE from the municipality and Louisiana coastal restoration. USACE performs an analysis of the collectability of the receivables periodically and recognizes an allowance for estimated uncollectible amounts from the municipality.

1.L. Operating Materials and Supplies

USACE operating materials and supplies are stated at historical cost under the moving average cost method and are adjusted for the results of physical inventories. Operating materials and supplies are expensed when consumed.

1.M. General Property, Plant and Equipment

USACE General Property, Plant, and Equipment (PP&E) is capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two or more years, and the acquisition cost exceeds $25 thousand with the exception of buildings and structures related to hydropower projects which are capitalized regardless of cost. Plant Replacement and Improvement Program (PRIP) funded assets are capitalized at $500 thousand. Land and land rights are capitalized regardless of dollar value.

USACE uses estimates to support the historical costs of its real property assets, including the administrative costs of land, acquired prior to FY 1999, and personal property assets acquired prior to FY 2003. The estimates are necessary because certain supporting documentation to substantiate recorded costs for those assets is no longer available. Management's estimation methods, which are consistent with the principles, relevant to USACE circumstances, as contained in SFFAS No. 6, *Accounting for Property, Plant and Equipment*, and SFFAS No. 23, E*liminating the Category National Defense Property, Plant And Equipment*, consist of using a combination of appropriation or engineering documents, or other available real estate, financial, appropriations, and operations data, combined with written management attestation statements, to estimate and support the original acquisition or construction costs recorded for each asset.

Construction in Progress (CIP) is used to accumulate the cost of construction and accumulated costs are transferred from CIP to the relevant asset category when an asset is completed.

1.N. Leases

Lease payments for operating facilities are classified as operating leases. An operating lease does not substantially transfer all the benefits and risk of ownership. Payments for operating leases are charged to expense over the lease term as it becomes payable.

1.O. Other Assets

Other assets include travel advances that are not reported elsewhere on USACE's Balance Sheet.

1.P. Accounts Payable

Accounts payable are the amounts owed, but not yet paid, by USACE for goods and services received from other entities, progress in contract performance made by other entities, and rents due to other entities.

1.Q. Debt

USACE debt consists of the amount owed to the U.S. Treasury for capital improvements to the Washington Aqueduct. USACE entered into an agreement with Arlington County, Virginia, to provide funding to USACE to repay the debt.

1.R. Due to Treasury – General Fund

USACE reported an offsetting custodial liability for amounts Due to Treasury – General Fund for interest and accounts receivable which, when collected, will be deposited in the U.S. Treasury.

1.S. Federal Employee and Veterans Benefits Payable

The Federal Employees and Veterans Benefits Payable liability consists of the actuarial liability for Federal Employees Compensation Act benefits. The Department of the Army (DA) actuarial liability for workers' compensation benefits is developed by the Department of Labor (DOL) and provided to the DA at the end of each fiscal year. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds.

1.T. Other Liabilities

USACE reports a liability for funded payroll and benefits, to include civilian earned leave, except sick leave, that has been accrued but not used as of the Balance Sheet date. Sick leave is expensed as it is taken. The liability reported at the end of the accounting period reflects current pay rates.

1.U. Commitments and Contingencies

The SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No.12, *Recognition of Contingent Liabilities Arising from Litigation*, defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. USACE recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated. USACE discloses contingent liabilities when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses.

Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, and possible claims and assessments. USACE's risk of loss and resultant contingent liabilities arise from pending or threatened litigation or claims and assessments due to events such as aircraft, ship and vehicle accidents; property or environmental damages; and contract disputes.

1.V. Environmental and Disposal Liabilities

Environmental and disposal liabilities include future costs to address government-related environmental contamination at USACE sites and other sites at which USACE is directed by Congress to perform remediation work. USACE recognizes a liability for each site as the need for cleanup work becomes probable and costs, based on site-specific engineering estimates, become measurable. Costs to address environmental contamination not caused by the government are recorded as incurred. Cleanup remedies are selected from feasible alternatives using the decision-making process prescribed by the *Comprehensive Environmental Response, Compensation, and Liability Act* (CERCLA).

1.W. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities for which Congressional action is needed before budgetary resources can be provided.

1.X. Net Position

Net Position consists of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations include the amounts of authority that are unobligated and have not been rescinded or withdrawn and undelivered orders. Unexpended Appropriations also include amounts obligated for legal liabilities for which payments have not been incurred.

Cumulative Results of Operations represent the net difference, since inception of an activity, between expenses and losses, and financing sources (including appropriations, revenue, and gains).

1.Y. Allocation Transfers

USACE is a party to allocation transfers with other Federal agencies both as a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Exceptions to this general rule affecting USACE include certain U.S. Treasury-Managed Trust Funds for whom USACE is the parent in the allocation transfer, but per OMB guidance, the child agencies will report budgetary and proprietary activity relative to these allocation transfers in their financial statements. The U.S. Treasury-Managed Trust Funds, which are included in USACE financial statements, are South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways, and Harbor Maintenance Trust Funds. The U.S. Treasury, BFS, on behalf of USACE, makes allocation transfers from the Harbor Maintenance Trust Fund to the Saint Lawrence Seaway Development Corporation and the U.S. Customs and Border Protection agency.

In addition to these funds, USACE received allocation transfers, as the child, from the Appalachian Regional Commission and Departments of Agriculture, Interior, Transportation, and Energy.

NOTE 2. NONENTITY ASSETS

As of September 30	2021	2020
($ in thousands)		
Intragovernmental Assets		
Fund Balance with Treasury	$ 23,924	$ 17,535
Total Intragovernmental Assets	23,924	17,535
Cash and Other Monetary Assets	421	455
Accounts Receivable	1,980,397	2,008,219
Total Nonentity Assets	2,004,742	2,026,209
Total Entity Assets	80,327,440	80,625,305
Total Assets	$ 82,332,182	$ 82,651,514

Intragovernmental Nonentity Fund Balance with Treasury consists of amounts collected into deposit and suspense accounts and is not available for use in operations. Deposit and suspense accounts are used to record amounts held temporarily until ownership is determined. USACE is acting as an agent or custodian for funds awaiting distribution.

Cash and Other Monetary Assets reflect the Disbursing Officer's accountability which is comprised of foreign currency. The Disbursing Officer acts as an agent for the U.S. Treasury.

Nonentity Accounts Receivable represents all receivables from nonfederal sources where USACE does not have specific statutory authority to retain the receipts. These receivables consist of multiple types of long-term agreements such as easements, sales of hydroelectric power, recreational development, and long-term water storage agreements.

Note 1.K, *Accounts Receivable*, Note 5, *Accounts Receivable, Net*, and Note 11, *Due to Treasury – General Fund and Other Liabilities*, provide additional information related to long-term water storage agreements.

NOTE 3. FUND BALANCE WITH TREASURY

As of September 30	2021	2020
($ in thousands)		
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 28,572,828	$ 32,247,774
Unavailable	9,614,741	9,423,504
Total Unobligated Balance	38,187,569	41,671,278
Obligated Balance not yet Disbursed	14,598,865	13,749,818
Nonbudgetary FBwT		
Clearing accounts	(476)	(520)
Non-entity and other	130,162	93,961
Total Nonbudgetary FBWT	129,686	93,441
Non FBwT Budgetary Accounts		
Investments–Treasury Securities	(9,445,563)	(9,254,400)
Unfilled Customer Order without Advance	(4,473,772)	(6,610,155)
Receivables and Other	(799,638)	(813,284)
Total Non-FBwT Budgetary Accounts	(14,718,973)	(16,677,839)
Total FBwT	$ 38,197,147	$ 38,836,698

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

Unobligated Balance is classified as available or unavailable and represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. The unavailable balance consists primarily of funds invested in U.S. Treasury securities that are temporarily precluded from obligation by law. Certain unobligated balances are restricted for future use and are not apportioned for current use. Unobligated balances for trust fund accounts are restricted for use by the public law that established the funds. USACE is the lead agency for reporting the financial data for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration trust funds. These trust funds remain invested and restricted for use until transferred to meet current expenditure requirements.

Obligated Balance not yet Disbursed represents funds that have been obligated for goods and services not received, and those received but not paid.

Nonbudgetary FBwT includes accounts that do not have budgetary authority, such as deposit and clearing accounts.

Non FBwT Budgetary Accounts reduces the Status of FBwT and includes borrowing authority, investment accounts, accounts receivable, and unfilled orders without advance from customers.

See Note 19, *COVID-19 Activity,* for COVID-19 related disclosures.

NOTE 4. INVESTMENTS AND RELATED INTEREST

As of September 30	2021					
($ in thousands)	Cost/Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market/Fair Value
Intragovernmental Securities						
Nonmarketable, Par Value	$ 1,357,008	Not Applicable	-	-	1,357,008	1,357,008
Nonmarketable, Market-Based	8,146,319	Effective Interest	(28,596)	19,225	8,136,948	8,122,103
Total Intragovernmental Securities	$ 9,503,327		(28,596)	19,225	9,493,956	9,479,111

As of September 30	2020					
($ in thousands)	Cost/Acquisition Value	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Net Investments	Market Value Disclosure
Intragovernmental Securities						
Nonmarketable, Par Value	$ 1,172,687	Not Applicable	-	-	1,172,687	1,172,687
Nonmarketable, Market-Based	8,108,082	Effective Interest	20,503	21,029	8,149,614	8,168,813
Total Intragovernmental Securities	$ 9,280,769		20,503	21,029	9,322,301	9,341,500

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for dedicated collections are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to USACE as evidence of its receipts. Treasury securities are assets to USACE and liabilities to the U.S. Treasury. Because USACE and the U.S. Treasury are both Governmental entities, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide USACE with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When USACE requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Total net investments among the Harbor Maintenance Trust Fund for FY 2021 and FY 2020 are $9.4 billion and $9.2 billion, respectively. Refer to Note 14, *Funds from Dedicated Collections,* for additional information about the Harbor Maintenance Trust Fund.

The U.S. Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on September 30, 2021 and September 30, 2020, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

As of September 30	2021		
($ in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 767,494	$ N/A	$ 767,494
Nonfederal Receivables (From the Public)	$ 2,058,738	$ (4,358)	$ 2,054,380
Total Accounts Receivable	$ 2,826,232	$ (4,358)	$ 2,821,874

As of September 30	2020		
($ in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	$ 739,850	$ N/A	$ 739,850
Nonfederal Receivables (From the Public)	$ 2,030,791	$ (2,124)	$ 2,028,667
Total Accounts Receivable	$ 2,770,641	$ (2,124)	$ 2,768,517

As of September 30, 2021 and 2020, Accounts Receivable Intragovernmental includes $568.2 million and $532.1 million, respectively, for amounts received from the Coastal Wetlands Restoration Trust Fund for projects in the New Orleans District.

As of September 30, 2021 and 2020, Accounts Receivable from the Public, net of allowances, includes long-term water storage, Louisiana coastal restoration, and flood control and hurricane protection agreements. These agreements have maturity dates ranging from two to fifty years and interest rates based on the U.S. Treasury effective rate at the time of the agreement. Refer to Note 1.K, *Accounts Receivable*, for additional details and disclosures.

NOTE 6. INVENTORY AND RELATED PROPERTY, NET

As of September 30	2021	2020
($ in thousands)		
Inventory, Net	$ 121	$ 5,646
Operating Material & Supplies, Net	41,256	32,099
Total Inventory and Related Property, Net	$ 41,377	$ 37,745

Inventory, Net consists of Work-In-Process (WIP), which is comprised of tangible personal property that is in the process of production. WIP includes associated labor, applied overhead and supplies used in the production or servicing of items. The WIP inventory valuation method is based on a moving weighted average based on actual cost divided by quantity (Moving Average Cost, or MAC). A perpetual record of inventory is maintained to allow for recomputation of the average unit cost as new receipts are recorded. There are no restrictions on the use, sale, or disposition of WIP inventory.

Operating materials and supplies, Net (OM&S) is comprised of personal property to be consumed in normal operations. The OM&S category includes materials used for constructing riverbank stabilization devices, and spare and repair parts. USACE applies moving average cost flow assumptions to arrive at the historical cost of the ending OM&S and cost of goods consumed. There are no restrictions on the use of OM&S.

As of September 30, 2021 and 2020, there were no differences between the carrying amount and the net realizable value of OM&S.

NOTE 7. GENERAL PROPERTY, PLANT & EQUIPMENT, NET

As of September 30	2021				
($ in thousands)	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	$ 9,110,049	$ N/A	$ 9,110,049
Buildings, Structures, and Facilities	S/L	20 - 100	39,829,622	(20,992,806)	18,836,816
Leasehold Improvements	S/L	Lease term	81,091	(61,298)	19,793
Software	S/L	5	150,152	(136,216)	13,936
General Equipment	S/L	5 – 50	2,406,106	(1,444,267)	961,839
Construction-in-Progress	N/A	N/A	2,793,810	N/A	2,793,810
Other	S/L	10 - 99	6,189	(928)	5,261
Total General PP&E			$ 54,377,019	$ (22,635,515)	$ 31,741,504

Legend for Depreciation Methods: S/L = Straight Line N/A = Not Applicable

As of September 30	2020				
($ in thousands)	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	$ 9,106,155	$ N/A	$ 9,106,155
Buildings, Structures, and Facilities	S/L	20 – 100	39,010,199	(20,372,985)	18,637,214
Leasehold Improvements	S/L	Lease term	78,212	(56,343)	21,869
Software	S/L	5	147,380	(133,037)	14,343
General Equipment	S/L	5 – 50	2,336,574	(1,372,117)	964,457
Construction-in-Progress	N/A	N/A	2,903,781	N/A	2,903,781
Other	S/L	10 – 99	6,189	(516)	5,673
Total General PP&E			$ 53,588,490	$ (21,934,998)	$ 31,653,492

Legend for Depreciation Methods: S/L = Straight Line N/A = Not Applicable

As of September 30	2021
($ in thousands)	Net PP&E
General PP&E, Net beginning of year	$ 31,653,492
Capitalized Acquisitions	643,343
Dispositions	(7,748)
Revaluations	15,934
Depreciation Expense	(733,136)
Transfers in/out without reimbursement	169,619
General PP&E, Net end of year	$ 31,741,504

As of September 30	2020
($ in thousands)	Net PP&E
General PP&E, Net beginning of year	$ 31,333,596
Capitalized Acquisitions	847,454
Dispositions	(3,993)
Revaluations	365
Depreciation Expense	(671,838)
Transfers in/out without reimbursement	147,908
General PP&E, Net end of year	$ 31,653,492

Power generated by hydroelectric power plants operated and maintained by USACE is transmitted to four Power Marketing Administrations for distribution to power companies across the United States. The service life for USACE's hydropower project related assets is derived from guidance provided by the Federal Energy Regulatory Commission (FERC) based on industry standards.

The "Other" assets represent in-service acquisition cost on property associated with habitat restoration and improvements.

Note 8, *Stewardship PP&E*, provides the physical quantity information for multi-use heritage assets that are recognized and presented with General PP&E in the basic financial statements.

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

NOTE 8. STEWARDSHIP PP&E

Information Related to Stewardship PP&E

Stewardship PP&E are assets with properties that resemble those of the General PP&E that are traditionally capitalized in the financial statements. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Stewardship PP&E includes heritage assets. Heritage assets are items of historical, natural, cultural, educational, or artistic significance, (e.g., aesthetic) or items with significant architectural characteristics. Heritage assets are expected to be preserved indefinitely. In the case where a heritage asset serves both a heritage function and general government operations, the asset is considered a multi-use heritage asset. Multi-use heritage assets are recognized and presented with General PP&E in the basic financial statements.

Relevance to the USACE Mission

USACE, as a steward of public land, has the responsibility for ensuring that properties of a historical or traditional nature located on USACE lands are preserved and managed appropriately. USACE implements Cultural Resource Management in a positive manner that fulfills the requirements of all laws, regulations, and policies, for all project undertakings in an environmentally and economically sound manner, and in the interest of the American public.

Stewardship Policy

USACE has the responsibility to manage cultural resources on USACE-owned lands. Engineering Regulations 1105-2-100 and 1130-2-540 provide the basic guidance for the USACE Civil Works Program. The term "cultural resources" refers to any building, structure, archaeology site, or object with historical significance found on USACE owned property. Historic properties are sites that are eligible for inclusion in National Register of Historic Places. The National Register is an inventory of historic properties important in our Nation's history, culture, architecture, archaeology, and engineering. The National Register office within the National Park Service maintains the inventory. Properties are either listed on the National Register, have formally been determined eligible, or appear to meet eligibility criteria to be listed. In addition to the Engineering Regulations, USACE also adheres to Army Regulations 200-4 and 870-20 related to managing cultural resources and heritage assets.

Heritage Asset Categories

1. Buildings and Structures. Buildings and structures are those heritage assets listed on, or eligible for listing on, the National Register of Historic Places. Buildings and structures include a range of historic resources that includes the Crooked Creek Lake Dam located in Pennsylvania and the Duluth Ship Canal in Minnesota. They also include some non-traditional structures, such as the Les Dalles Rail Car located in Oregon. There are a total of 394 heritage assets in this category which reflects a net decrease of 4 buildings and structures from the prior fiscal yearend report. Additionally, USACE has 260 heritage assets identified as multi-use heritage assets within our districts and divisions. An example of a multi-use heritage asset within the Corps is the Mill Springs Mill in Kentucky, which serves as a full service visitor center.
2. Archaeological Sites. Cemeteries and archaeological sites are archaeological properties listed on, or are eligible for listing on, the National Register of Historic Places. Examples of USACE archaeological sites include the Civil War Fort Site at Grenada Lake, Buzzard Cave at Lake Whitney, and the Hildebrand Ranch in Littleton, CO. There are a total of 1,001 archaeological sites in this category which reflects a net decrease of 37 from the prior fiscal yearend report.
3. Museum Collection Items (Objects). Museum collection items are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. These items are divided into two subcategories: fine art and objects. These

include museum collection items that have historical or cultural significance, but lack formal listing and the demonstrated need for active maintenance. USACE showed a net decrease of 1 item to the Museum Collection Items for FY 2021.

Heritage Assets

	As of 10/1/19	Increase	Decrease	As of 9/30/20	Increase	Decrease	As of 9/30/21
Buildings and Structures	382	23	(7)	398	15	(19)	394
Archaeological Sites	954	85	(1)	1,038	32	(69)	1,001
Museum Collection Items	223	15	0	238	2	(3)	237

Acquisition and Withdrawal of Heritage Assets

USACE had a net decrease of 42 heritage assets during FY 2021 from the "eligible for," National Register, and Museum Collection listings. USACE reported this net effect through its normal process of established regulations for identifying heritage assets. USACE provides this information to the keeper of the National Register of Historic Places at the Department of the Interior, National Park Service. USACE adds museum collections as items are unearthed or otherwise acquired on USACE lands. Buildings and Structures, to include Archaeological Sites, are added as they are discovered on USACE property and removed once the property is either sold or transferred. USACE removes museum collections when displays are donated to museums, universities, or returned to tribes.

Deferred Maintenance and Repair

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

NOTE 9. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30	2021	2020
($ in thousands)		
Intragovernmental Liabilities		
Debt	$ -	$ 91
Due to Treasury – General Fund	1,980,094	2,008,161
Other	540,794	543,744
Total Intragovernmental Liabilities	$ 2,520,888	$ 2,551,996
Federal Employee and Veterans' Benefits Payable	207,129	217,621
Environmental and Disposal Liabilities	2,406,600	2,084,098
Contingent Liabilities	189,835	377,840
Total Liabilities Not Covered by Budgetary Resources	$ 5,324,452	$ 5,231,555
Total Liabilities Covered by Budgetary Resources	$ 6,950,851	$ 6,794,240
Total Liabilities	$ 12,275,303	$ 12,025,795

Intragovernmental Liabilities - Debt is comprised of the amount owed by USACE to the U.S. Treasury for capital improvements to the Washington Aqueduct. Arlington County, Virginia provides funding to USACE to repay the debt. USACE made final payment in FY 2021.

Intragovernmental Liabilities – Due to Treasury - General Fund includes offsetting custodial liability to accounts receivable. The custodial liability is for amounts that will be deposited in the general fund of the U.S. Treasury when collected and are primarily related to long-term water storage and Louisiana coastal restoration, flood control and hurricane protection agreements. Budgetary resources are not required for these types of liabilities.

Intragovernmental Liabilities – Other includes Judgment Fund Liabilities – Contract Dispute Act (CDA) and Notification and Federal Anti-discrimination and Retaliation (NoFEAR) Act claims, as well as workmen's compensation liabilities under the Federal Employees Compensation Act (FECA). The FECA actuarial liability is a future funded expense and will be funded in future appropriations.

Federal Employee and Veterans' Benefits include an actuarial liability for FECA.

Environmental and Disposal Liabilities represent estimated cleanup costs for environmental liabilities, which will be funded in future appropriations. Refer to Note 10, *Environmental and Disposal Liabilities*, and Note 11, *Due to Treasury – General Fund and Other Liabilities*, for additional details and disclosures.

Contingent liabilities represent probable losses related to lawsuits filed against USACE. Contingent liabilities may be funded in future appropriations. Refer to Note 13, *Contingencies*, for additional details and disclosures.

USACE did not have any Total Liabilities Not Requiring Budgetary Resources to report in FY 2021.

NOTE 10. ENVIRONMENTAL AND DISPOSAL LIABILITIES

As of September 30	2021	2020
($ in thousands)		
Formerly Utilized Sites Remedial Action Program (FUSRAP)	$ 2,398,938	$ 2,075,054
Other	7,662	9,044
Total Environmental and Disposal Liabilities	$ 2,406,600	$ 2,084,098

Assumptions and Uncertainties

Estimating environmental liabilities requires making assumptions about future activities and is inherently uncertain. The cleanup estimates reflect local decisions and expectations as to the extent of cleanup and site reuse and include assessments of the effort required to complete the project based on data collected during the remedial investigation and feasibility study phases of each project. For most projects, the volume of contaminated material to be removed and the cost to dispose of such material, including transportation, are the elements of the estimates with the greatest uncertainty and potential for significant increase in project costs. For some projects, the estimate includes contingency provisions intended to account for the uncertainties associated with estimating these elements and other factors.

Based on the inherent uncertainties associated with environmental cleanup, the initial cost estimate for each site is not exact and will change as more relevant data becomes available. Estimates are refined as alternative approaches are evaluated and a preferred alternative is approved in a record of decision. USACE recognizes expenses related to cleanup costs during the period incurred.

USACE considers various key factors in determining whether future outflows of resources can be reasonably estimated, including:

- Completion of remedial investigation/feasibility study or other study,
- Experience with similar site and/or conditions, and
- Availability of remediation technology.

In addition to the liability amount reported above, USACE is subject to other potential environmental liabilities for which the exact amount or range of loss is unknown. An example of this environmental liability is Maywood Chemical Company, which is considered to be government-acknowledged and thus it is not reported.

Formerly Utilized Sites Remedial Action Program

USACE is responsible for the Formerly Utilized Sites Remedial Action Program (FUSRAP), established to respond to radiological contamination from early U.S. Atomic Energy and Weapons Programs. For each FUSRAP site, USACE has received Congressional authorization to ascertain the extent of environmental contamination; select a remedy with input from state and Federal authorities and local stakeholders; perform the cleanup work; and dispose of wastes. After cleanup work is completed at each site, USACE transfers responsibility for long-term surveillance and monitoring to the U.S. Department of Energy.

Changes in the FUSRAP liability during the fiscal years ended September 30, 2021 and 2020 resulted from inflation adjustments to reflect changes in costs for the current year, cleanup activities performed, adjustments to estimates of soil volumes, and approval of new projects.

Other Environmental Liabilities

Other environmental liabilities relate to environmental contamination at current or former USACE project sites and includes Asbestos-Related Cleanup Costs.

NOTE 11. DUE TO TREASURY – GENERAL FUND AND OTHER LIABILITIES

As of September 30	2021		
($ in thousands)	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury – General Fund	$ 42,831	$ 1,937,263	$ 1,980,094
Deposit Funds and Suspense Account Liabilities	(476)	-	(476)
Disbursing Officer Cash	421	-	421
Total Intragovernmental	$ 42,776	$ 1,937,263	$ 1,980,039
Other than Intragovernmental			
Accrued Funded Payroll and Benefits	$ 274,762	$ -	$ 274,762
Deposit Funds and Suspense Accounts	24,227	-	24,227
Contract Holdbacks	93,634	-	93,634
Contingent Liabilities	189,835	-	189,835
Total Other than Intragovernmental	$ 582,458	$ -	$ 582,458
Total Other Liabilities	$ 625,234	$ 1,937,263	$ 2,562,497

As of September 30	2020		
($ in thousands)	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury – General Fund	$ 15,970	$ 1,992,191	$ 2,008,161
Deposit Funds and Suspense Account Liabilities	(521)	-	(521)
Disbursing Officer Cash	455	-	455
Total Intragovernmental	$ 15,905	$ 1,992,191	$ 2,008,096
Other than Intragovernmental			
Accrued Funded Payroll and Benefits	$ 271,827	$ -	$ 271,827
Deposit Funds and Suspense Accounts	18,114	-	18,114
Contract Holdbacks	83,177	-	83,177
Contingent Liabilities	377,840	-	377,840
Total Other than Intragovernmental	$ 750,958	$ -	$ 750,958
Total Other Liabilities	$ 766,863	$ 1,992,191	$ 2,759,054

Intragovernmental – Due to Treasury – General Fund is the custodial liability held with U.S. Treasury for repayment of interest and accounts receivable which, when collected, will be deposited in the U.S. Treasury. USACE records a custodial

liability for payables from water storage and hydraulic mining contracts and for flood control, coastal restoration and hurricane protection measures with the Coastal Protection and Restoration Authority of Louisiana.

NOTE 12. LEASES

As of September 30	2021 Asset Category			
($ in thousands)	Land and Buildings	Other	Total Federal	Total Nonfederal
USACE as Lessee				
Operating Leases				
Future Payments Due for Non-Cancelable Operating Leases				
Fiscal Year				
2022	96,346	55	92,564	3,782
2023	100,375	55	97,563	2,812
2024	104,377	53	102,831	1,546
2025	109,297	21	108,384	913
2026	114,643	10	114,237	406
After 2026	671,721	7	670,654	1,067
Total Future Lease Payments	$ 1,196,759	$ 201	$ 1,186,233	$ 10,526

As of September 2021, USACE has various non-cancelable operating leases as the lessee, mainly for office space and storage facilities maintained by many USACE districts. Many of these leases contain clauses to reflect inflation and renewal options. USACE has no assets under capital lease.

As of September 30	2021 Asset Category		
($ in thousands)	2021 Easements	Total Federal	Total Nonfederal
USACE as Lessor			
Operating Leases			
Future Projected Receipts			
Fiscal Year			
2022	9,174	101	9,073
2023	8,195	101	8,094
2024	6,820	102	6,718
2025	5,677	102	5,575
2026	4,819	-	4,819
After 2026	21,629	-	21,629
Total Future Projected Receipts for Operating Leases	$ 56,314	$ 406	$ 55,908

USACE also has a small volume of operating leases as the lessor for easements. Private companies and individuals lease easements from USACE to operate marinas, restaurants, and other businesses on USACE lands. USACE also permits a small number of federal entities to use its office spaces on a break-even basis.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal Contingencies

USACE is a party in various administrative proceedings and legal actions related to claims for environmental damage, tort actions, contractual bid protests and administrative procedures act cases. USACE has accrued contingent liabilities for legal actions where USACE's Office of the Chief Counsel considers an adverse decision probable and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the U.S. Treasury Judgment Fund. USACE records contingent liabilities in Note 11, *Due to Treasury – General Fund and Other Liabilities*.

Within certain monetary threshold, the U.S. Army Claims Service (USARCS) supervises processing, investigates, adjudicates, and negotiates the settlement of non-contractual administrative claims on behalf of and against the Department

of the Army (including USACE. By law, administrative claims filed against the Government are either adjudicated, denied, or are effectively denied if no action is taken within six months from the claim filing date. Barring such resolution within six months from the date of filing, claimants may file legal cases with the Federal Court. Filing of an administrative claim for resolution is a required precursor to a claimant's filing against the Government in Federal Court.

Claims settled below the statutory threshold of $2,500 are paid using Civil Works appropriations; settlements above this threshold are referred to the Judgment Fund for payment. With the exception of CDA settlements disclosed in Note 11, *Due to Treasury – General Funds and Other Liabilities*, amounts that are paid by the Judgment Fund are recorded as expenses and imputed financing sources.

USACE has a total of 38 cases, as of September 30, 2021, above the materiality threshold of $4.4 million. The USACE Office of the Chief Counsel has determined that eight cases are probable, 24 cases are reasonably possible, and six cases are remote.

Probable Likelihood of an Adverse Outcome

USACE is subject to potential liabilities where adverse outcomes are probable and the estimated loss is approximately $189.8 million to $989.9 million and $377.8 million to $837.1 million as of September 30, 2021 and 2020, respectively. The 2021 lower range of loss was determined by adding the total amount of probable unfavorable outcome of $178.8 million to the historical percentage payout of $11 million for the under-threshold cases. The contingent liabilities were included in Note 11, *Due to Treasury – General Fund and Other Liabilities*.

Reasonably Possible Likelihood of an Adverse Outcome

USACE is subject to potential liabilities where adverse outcomes are reasonably possible, and estimated losses are approximately $0 to $9.3 billion and $0 to $9.5 billion as of September 30, 2021 and 2020, respectively.

Hurricane Harvey-Related Claims and Litigation

Nearly 200 claims from almost 1500 plaintiffs have been filed in the U.S. Court of Federal Claims (COFC) relating to flooding in the aftermath of Hurricane Harvey. All of these claims are constitutional takings claims under the Fifth Amendment. Most of the plaintiffs are homeowners or owners of businesses who filed suit due to flooding resulting from releases from Addicks and Barker Dams down Buffalo Bayou. The claims have been consolidated into a master docket and the issue of liability for upstream and downstream properties has been bifurcated. The COFC judge dismissed the lawsuits brought by landowners downstream from the Addicks and Barker reservoirs. Fact discovery for the Upstream valuation phase will continue through June 2021. The Addicks and Barker Flood-Control Reservoirs cases is listed as reasonably possible and is disclosed.

Other Litigation

In addition to the matters described above, USACE is subject to other potential liabilities for which the exact amount or range of loss is unknown, and an estimate cannot be made.

NOTE 14. FUNDS FROM DEDICATED COLLECTIONS

($ in thousands)	FY 2021			
BALANCE SHEET As of September 30	Maintenance Fund	Contributed Fund	Other Funds	Combined Total
ASSETS				
Intragovernmental:				
Fund Balance with Treasury	$ 146,271	$ 2,184,566	$ 149,724	$ 2,480,561
Investments	9,376,857	-	-	9,376,857
Accounts Receivable, Net	568,175	-	21	568,196
Total Intragovernmental Assets	$ 10,091,303	$ 2,184,566	$ 149,745	$ 12,425,614
Other than Intragovernmental:				
Accounts Receivable, Net	$ -	61,756	$ 1,981	$ 63,737
General property, plant, and equipment, net	125,345	252,464	744	378,553
Total Other than Intragovernmental	$ 125,345	$ 314,220	$ 2,725	$ 442,290
Total Assets	$ 10,216,648	$ 2,498,786	$ 152,470	$ 12,867,904
LIABILITIES and NET POSITION				
Intragovernmental:				
Accounts Payable	$ 6,000	13,066	$ 3	$ 19,069
Other Liabilities			-	
Total Intragovernmental Liabilities	$ 6,000	$ 13,066	$ 3	$ 19,069
Other than Intragovernmental:				
Accounts Payable	$ 141	$ 42,750	$ 253	$ 43,144
Other Liabilities	-	2,165,950	29	2,165,979
Total Other than Intragovernmental	$ 141	$ 2,208,700	$ 282	$ 2,209,123
Total Liabilities	$ 6,141	$ 2,221,766	$ 285	$ 2,228,192
Cumulative Results of Operations	$ 10,210,507	$ 277,020	$ 152,185	$ 10,639,712
Total Liabilities and Net Position	$ 10,216,648	$ 2,498,786	$ 152,470	$ 12,867,904
STATEMENT OF NET COST Year ended September 30				
Program Costs	$ 67,384	$ 324,401	$ 26,081	$ 417,866
Less Earned Revenue	-	(519,851)	-	(519,851)
Net Program Costs	$ 67,384	$ (195,450)	$ 26,081	$ (101,985)
Net Cost of Operations	$ 67,384	$ (195,450)	$ 26,081	$ (101,985)
STATEMENT OF CHANGES IN NET POSITION Year ended September 30				
Net Position Beginning of the Period	$ 10,007,266	$ 245,778	$ 122,810	$ 10,375,854
Intragovernmental nonexchange revenue	1,725,842	-	11,467	1,737,309
Other than Intragovernmental nonexchange revenue	-	-	729	729
Transfers-in/out without reimbursement	(1,455,217)	(171,611)	(42,079)	(1,668,907)
Imputed Financing	-	7,402	-	7,402
Other	-	-	85,339	85,339
Less: Net cost of operations	67,384	(195,451)	26,081	(101,986)
Net Change in Cumulative Results of Operations	203,241	31,242	29,375	263,858
Net Position End of Period	$ 10,210,507	$ 277,019	$ 152,185	$ 10,639,711

($ in thousands) **BALANCE SHEET** As of September 30	FY 2020 Maintenance Fund	Contributed Fund	Other Funds	Combined Total
ASSETS				
Intragovernmental:				
Fund Balance with Treasury	$ 148,076	$ 1,912,876	$ 123,010	$ 2,183,962
Investments	9,206,270	-	-	9,206,270
Accounts Receivable, Net	532,150	-	6	532,156
Total Intragovernmental Assets	$ 9,886,496	$ 1,912,876	$ 123,016	$ 11,922,388
Other than Intragovernmental:				
Accounts Receivable, Net	$ -	6,125	$ 1,052	$ 7,177
General property, plant, and equipment, net	126,897	290,163	465	417,525
Total Other than Intragovernmental	$ 126,897	$ 296.288	$ 1,517	$ 424,702
Total Assets	$ 10,013,393	$ 2,209,164	$ 124,533	$ 12,347,090
LIABILITIES and NET POSITION				
Intragovernmental:				
Accounts Payable	$ -	141	$ 2	$ 143
Other Liabilities	6,000	12,931	-	18,931
Total Intragovernmental Liabilities	$ 6,000	$ 13,072	$ 2	$ 19,074
Other than Intragovernmental:				
Accounts Payable	$ 127	$ 59,431	$ 1,693	$ 61,251
Other Liabilities	-	1,890,883	28	1,890,911
Total Other than Intragovernmental	$ 127	$	$ 1,721	$ 1,952,162
Total Liabilities	$ 6,127	$ 1,963,386	$ 1,723	$ 1,971,236
Cumulative Results of Operations	$ 10,007,266	$ 245,778	$ 122,810	$ 10,375,854
Total Liabilities and Net Position	$ 10,013,393	$ 2,209,164	$ 124,533	$ 12,347,090
STATEMENT OF NET COST Year ended September 30				
Program Costs	$ 96,291	$ 452,783	$ 29,445	$ 578,519
Less Earned Revenue	-	(569,365)	-	(569,365)
Net Program Costs	$ 96,291	$ (116,582)	$ 29,445	$ 9,154
Net Cost of Operations	$ 96,291	$ (116,582)	$ 29,445	$ 9,154
STATEMENT OF CHANGES IN NET POSITION Year ended September 30				
Net Position Beginning of the Period	$ 10,115,027	$ 245,902	$ 125,767	$ 10,486,696
Intragovernmental nonexchange revenue	1,565,009	-	11,153	1,576,162
Other than Intragovernmental nonexchange revenue	-	-	934	934
Transfers-in/out without reimbursement	(1,576,479)	(123,617)	(46,692)	(1,746,788)
Imputed Financing	-	6,911	-	6,911
Other	-	-	61,093	61,093
Less: Net cost of operations	96,291	(116,582)	29,445	9,154
Net Change in Cumulative Results of Operations	(107,761)	(124)	(2,957)	(110,842)
Net Position End of Period	$ 10,007,266	$ 245,778	$ 122,810	$ 10,375,854

FY 2021 and FY 2020 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of intradepartmental activity dedicated collection funds and all other fund types to arrive at the consolidated net position totals as presented on the balance sheet.

Consolidated Net Position *($ in thousands)*	FY 2021 Combined	Consolidated Eliminations	Consolidated
Cumulative Results of Operations – Dedicated Collections	$ 10,639,711	$ 18,804,027	$ 29,443,738
Cumulative Results of Operations – Other Funds	39,464,795	(18,804,027)	20,660,768
Total Net Position	$ 50,104,506	$ -	$ 50,104,506

Consolidated Net Position *($ in thousands)*	FY 2020 Combined	Consolidated Eliminations	Consolidated
Cumulative Results of Operations – Dedicated Collections	$ 10,375,854	$ 17,035,613	$ 27,411,467
Cumulative Results of Operations – Other Funds	39,396,205	(17,035,613)	22,360,592
Total Net Position	$ 49,772,059	$ -	$ 49,772,059

Other Disclosures

USACE funds from dedicated collections are presented by fund type vice individual fund due to the volume of individual funds from dedicated collections based on SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*.

USACE has the following Funds from Dedicated Collections as of September 30, 2021 and 2020:

Maintenance Fund

Harbor Maintenance Trust Fund (HMTF). This fund was established by Title XIV of the *Water Resources Development Act* (the Act) *of 1986*, Public Law 99-662. The HMTF collections are required to be transferred to the general funds for execution. The HMTF is authorized to recover 100% of USACE eligible operation and maintenance (O&M), construction, and Mississippi River and tributaries expenditures for the maintenance of commercial navigation in harbors and channels as well as 100% of the O&M cost of St. Lawrence Seaway by the St. Lawrence Seaway Development Corporation. As provided in *the Act*, amounts in HMTF shall be available for making expenditures to carry out the functions specified in *the Act* and for the payment of all expenses of administration incurred by the U.S. Treasury, USACE, and the Department of Commerce. Collections on behalf of USACE from the Department of Homeland Security, U. S. Customs and Border Protection, are made into the trust fund from fees assessed on port use associated with imports, imported merchandise admitted into a foreign trade zone, passengers, and movements of cargo between domestic ports. The collections are invested and investment activity is managed by the Bureau of the Fiscal Service (BFS). The revenue is received from the public and is an inflow of resources to the government. This fund utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Coastal Wetlands Restoration Trust Fund. This fund is authorized by Title 16 USC 3951-3956. This title grants parallel authority to USACE, along with the Environmental Protection Agency, and the Fish and Wildlife Service of the Department of Interior to work with the state of Louisiana to develop, review, evaluate, and approve a plan that is proposed to achieve a goal of “no net loss of wetlands” in coastal Louisiana. USACE is also responsible for allocating the funds from dedicated collections among the named task force members. Federal contributions of the dedicated collections are established at 75% of project costs or 85% if the state has an approved Coastal Wetlands Conservation Plan. This fund is an expenditure account and receives funding transfers from the *Sport Fish Restoration and Boating Trust Fund*, a trust with collections from excise taxes on fishing equipment, motorboat and small engine fuels, import duties, and interest.

Inland Waterways Trust Fund (IWTF). This fund is authorized by Title 26 USC 9506. The title made the IWTF available for USACE expenditures for navigation, construction, and rehabilitation projects on inland waterways. The IWTF collections are required to be transferred to the general fund for execution. Collections into the trust fund are from excise taxes on fuel used in commercial transportation on inland waterways. The revenue is received from the public and is an inflow of resources to the government. The collections are invested and investment activity is managed by BFS. This fund utilizes receipt and expenditure accounts in accounting for and reporting the fund.

Contributed Fund

Rivers and Harbors Contributed and Advance Funds. These funds are authorized by Title 33 United States Code (USC) 701h, 702f, and 703, establishes funding to construct, improve, and maintain levees, water outlets, flood control, debris removal, rectification and enlargement of river channels, etc., in the course of flood control and river/harbor maintenance. Whenever any state or political subdivision thereof shall offer to advance funds for a flood control project duly adopted and authorized by law, the Secretary may at his discretion, receive such funds and expend the same in the immediate prosecution of such work. Advances are from the public and are inflows of resources to the government. This fund utilizes both receipt and expenditure accounts in accounting for and reporting the fund.

Other Funds

Special Recreation Use Fees. Title 16 USC 4601-6a and 36 CFR 327.23 granted USACE the authority to charge and collect fair and equitable Special Recreation Use Fees at recreation facilities and campgrounds located at lakes or reservoirs under the jurisdiction of USACE. Types of allowable fees include daily use fees, admission fees, recreational fees, annual pass fees, and other permit type fees. The revenue is received from the public and is an inflow of resources to the government. The purpose of the fund is to maintain and operate the recreation and camping facilities.

Hydraulic Mining in California, Debris. Title 33 USC 683 states that those operating hydraulic mines through which debris flows in part or in whole to a body restrained by a dam or other work erected by the California Debris Commission shall pay a tax as determined by the FERC. The tax is paid annually on a date fixed by FERC. Taxes imposed under this code are collected and then expended under the supervision of USACE and the direction of the Department of the Army. The revenue is received from the public and is an inflow of resources to the government. The purpose of the fund is for repayment of funds advanced by the Federal Government or other agencies for construction, restraining works, settling reservoirs, and maintenance.

Payments to States, Flood Control Act of 1954. *Flood Control Act of 1954*, Title 33 USC 701c-3, established that 75% of all funds received and deposited from the leasing of lands acquired by the U.S. for flood control, navigation and allied purposes, including the development of hydroelectric power, shall be returned to the state in which the property is located. USACE collects lease receipts into a receipt account. The revenue is received from the public and is an inflow of resources to the government. Funds are appropriated in the amount of 75% of the receipts in the following fiscal year and disbursed to the states. The funds may be expended by the states for the benefit of public schools and public roads of the county, or counties, in which such property is situated, or for defraying any of the expenses of county government.

Maintenance and Operation of Dams and Other Improvements of Navigable Waters. Title 16 USC 803f, 810, states that whenever a reservoir or other improvement is constructed by the U.S., FERC shall assess charges against any licensee directly benefited, and any amount so assessed shall be paid into the U.S. Treasury. The title further states that all charges arising from other licenses, except those charges established by FERC for purpose of administrative reimbursement, shall be paid to the U.S. Treasury from which specific allocations will be made. From the specific allocations, 50% of charges from all other licenses is reserved and appropriated as a special fund in the U.S. Treasury. This special fund is to be expended under the direction of the Secretary of the Army (Secretary) for the maintenance and operation of dams and other navigation structures that are owned by the U.S. or for construction, maintenance, or operation of headwater or other improvements of U.S. navigable waters. The revenue is received from the public and is an inflow of resources to the government.

Fund for Nonfederal Use of Disposal Facilities (for dredged material). This fund was established by Title 33 USC 2326a. This title provides that the Secretary may permit the use of any dredged material disposal facility under the jurisdiction of, or managed by, the Secretary by a nonfederal interest if the Secretary determines that such use will not reduce the availability of the facility for project purposes. The Secretary may impose fees to recover capital, operation and maintenance costs associated with such use. Any monies received through collection of fees under this law shall be available to the Secretary, and shall be used by the Secretary, for the operation and maintenance of the disposal facility from which the fees were collected. The revenue is received from the public and is an inflow of resources to the government.

Interagency America the Beautiful (ATB) Pass Revenues. This fund was established by the *Water Resources Reform and Development Act 2014*, Section 1048 and the *Federal Lands Recreation Enhancement Act 2004*. This fund authorizes USACE recreation facilities and campgrounds to collect fees from ATB Interagency annual passes. Funds collected are available for expenditure without further appropriation for operation and maintenance and other uses. The revenue is received from the public and is an inflow of resources to the government.

Special Use Permit Fees. This fund was established by the *Water Resources Reform and Development Act 2014*, Section 1047. This fund authorizes USACE recreation facilities and campgrounds to collect fees for special use permits. The

revenue is received from the public and is an inflow of resources to the government. Funds collected are available for expenditures without further appropriation for operation and maintenance and other uses.

Land and Water Conservation. This fund was established by Congress in 1964 to fulfill a bipartisan commitment to safeguard our natural areas, water resources and cultural heritage, and to provide recreation opportunities to all Americans. Using zero taxpayer dollars, the fund invests earnings from offshore oil and gas leasing to help strengthen communities, preserve our history, and protect our national endowment of lands and waters. Public Law 111-212, enacted in 2010, added the proceeds from the sale of land by federal agencies to the fund. USACE collects those land sale proceeds into this account but is not authorized to execute any funds in this account.

NOTE 15. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Year ended September 30	2021	2020
($ in thousands)		
Gross Cost	$ 12,963,262	$ 13,296,331
Less: Earned Revenue	(3,777,687)	(4,514,112)
Net Cost of Operations	$ 9,185,575	$ 8,782,219

Intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity.

The consolidated Statement of Net Cost (SNC) is unique because its principles are driven on understanding the net cost of programs and/or organizations that the Federal Government supports through appropriations or other means. The SNC represents the Civil Works Program for USACE.

USACE incurred no costs associated with acquiring, constructing, improving, reconstructing or renovating heritage assets.

See Note 19, *COVID-19 Activity*, for COVID-19 related disclosures.

NOTE 16. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

Appropriations received on the Statement of Budgetary Resources (SBR) should not and do not agree with appropriations received on the Statement of Changes in Net Position (SCNP) due to differences between proprietary and budgetary accounting concepts and reporting requirements. The difference is due to additional resources of $2.4 billion during FY 2021 and $2.4 billion during FY 2020 in appropriated trust, contributed, and special fund activity included in Appropriations on the SBR. These additional resources are not recognized as appropriations received on the SCNP in accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. Refer to Note 17, *Disclosures Related to the Statement of Budgetary Resources*, for additional details.

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

Period Ended September 30, 2021 *($ in thousands)*	2021	2020
Appropriations, Statement of Budgetary Resources (SBR)	$8,654,625	$8,449,742
Permanent and Temporary Reductions and Other Activity Related to Sequestration	(9,892)	6,231
Trust and Special Fund Activity	2,421,231	2,388,923
Total Reconciling Difference	2,411,339	2,395,154
Appropriations Received, Statement of Changes in Net Position	**$6,243,286**	**$6,054,588**

Reconciliation of Combined Dedicated Collections and Other Funds to Consolidated Dedicated Collections and Other Funds
Period Ended September 30, 2021 *($ in thousands)*

Consolidating Net Position	Combined	Reconciling Difference	Consolidated
Unexpended Appropriations – Other Funds	19,952,373	-	19,952,373
Cumulative Results of Operations - Dedicated Collections	10,639,711	18,804,027	29,443,738
Cumulative Results of Operations - Other Funds	39,464,795	(18,804,027)	20,660,768
Total Net Position	**$70,056,879**	**$ -**	**$70,056,879**

Reconciliation of Combined Dedicated Collections and Other Funds to Consolidated Dedicated Collections and Other Funds
Period Ended September 30, 2020 *($ in thousands)*

Consolidating Net Position	Combined	Reconciling Difference	Consolidated
Unexpended Appropriations – Dedicated Collections	$ -	$ -	$ -
Unexpended Appropriations – Other Funds	20,853,660	-	20,853,660
Cumulative Results of Operations - Dedicated Collections	10,375,854	17,035,613	27,411,467
Cumulative Results of Operations – Other Funds	39,396,205	(17,035,613)	22,360,592
Total Net Position	**$70,625,719**	**$ -**	**$70,625,719**

The above tables illustrate the relationship from combined dedicated collections and other funds to consolidated dedicated collections and other funds. The reconciling differences shown above in FY 2021 and FY 2020, are $18.8 million and $17 million, respectively. These differences show the eliminated intra-departmental activity within USACE related to cumulative results of operations – dedicated collections and the cumulative results of operations – other funds.

NOTE 17. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Year ended September 30	2021	2020
($ in thousands)		
Intragovernmental Budgetary Resources Obligated for Undelivered Orders:		
Unpaid	1,192,136	1,279,152
Prepaid/Advanced	426	335
Total Intragovernmental	$ 1,192,562	$ 1,279,487
Nonfederal Budgetary Resources Obligated for Undelivered Orders:		
Unpaid	11,862,690	10,769,947
Prepaid/Advanced	35,903	32,305
Total Nonfederal	$ 11,898,593	$ 10,802,252
Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 13,091,155	$ 12,081,739

Intra-entity transactions have not been eliminated because the SBR is presented as a combined statement.

Permanent Indefinite Appropriations: USACE receives receipts from hydraulic mining in California; leases of land acquired for flood control, navigation, and allied purposes; and licenses under the Federal Power Act for improvements of navigable water including maintenance and operation of dams. These funds are available for expenditure.

There are no legal arrangements that affect the use of unobligated balances of budget authority.

There are differences between amounts reported on the SBR and the Report on Budget Execution (SF133) in FY 2021 and FY 2020. Treasury account symbol 096X6094 (Advances from the District of Columbia) is not included in the SF133. This money is not from appropriated funds and is not included in the Office of Management and Budget's data for budget formulation. USACE does include this appropriation in the SBR.

The Budget of the U.S. Government with actual figures for FY 2021 has not yet been published. The *FY 2023 Budget of the U.S. Government* will include actual figures for FY 2021 reporting and can be found on OMB's website early in FY 2022. The following chart is a reconciliation of the FY 2022 Budget of the U.S. Government's actual figures for FY 2020 to the FY 2020 SBR as required by OMB Circular A-136.

See Note 19, *COVID-19 Activity*, for COVID-19 related disclosures.

Department of Defense
U.S. Army Corps of Engineers – Civil Works

Reconciliation of 2020 SBR to 2022 Budget of the U.S. Government

(in millions of dollars)	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays	**Explanation for reconciling differences**
FY 2020 Combined Statement of Budgetary Resources	57,869	25,612	806	8,439	
Reconciling Difference	(97)	(67)		(1)	The SBR includes Treasury symbol 096X6094 for advances from the District of Columbia for work on the Washington Aqueduct. It is not included in the Budget of the U.S. Government since these are not appropriated funds.
Reconciling Difference	(8)	(4)			Expired funds within 096 3124, 096 3126, and 096 3132 are not included in the Budget of the U.S. Government.
Reconciling Difference	(4)				The Prior Year Adjustment (USSGL 438400) for 096X8333 (Coastal Wetlands Restoration Trust Fund) is being mapped to Appropriations (discretionary and Mandatory) on the SBR but not included in the President's Budget.
Total	57,760	25,541	806	8,438	
Budget of the U.S. Government	57,759	25,540	805	8,437	
Difference	(1)	(1)	(1)	(1)	Due to rounding.

NOTE 18. RECONCILIATION OF NET COST TO NET OUTLAYS

Year ended September 30	2021		
($ in thousands)	Intragovernmental	With the public	Total
Net Cost of Operations	$ (785,253)	$ 9,970,828	$ 9,185,575
Components of Net Cost That are Not Part of Net Outlays:			
Property, plant, and equipment depreciation	$ -	$ (733,136)	$ (733,136)
Property, plant, and equipment disposal & revaluation	-	(7,736)	(7,736)
Other	(7)	8,134	8,127
Increase/(decrease) in assets:			
Account Receivable	(49,485)	24,021	(25,464)
Investments	(3,510)	-	(3,510)
Other assets	91	3,563	3,654
(Increase)/decrease in liabilities:			
Accounts payable	(147,701)	321,552	173,851
Salaries and benefits	(6,004)	(2,934)	(8,938)
Environmental and disposal liabilities	-	(322,501)	(322,501)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	31,051	(76,005)	(44,954)
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and Imputed to the agency	(263,006)	-	(263,006)
Transfers out (in) without reimbursement	41,284	-	41,284
Other imputed financing	(64,329)	-	(64,329)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (461,616)	(785,042)	(1,246,658)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of capital assets	$ -	$ 652,712	$ 652,712
Acquisition of inventory	1,360	1,531	2,891
Other	(519,898)	(110,593)	(630,491)
Total Components of Net Outlays That Are Not Part of Net Cost	$ (518,538)	$ 543,650	$ 25,112
Other Temporary Timing Differences		(37,487)	(37,487)
Net Outlays	$ (1,765,407)	$ 9,691,949	$ 7,926,542

Year ended September 30	2020		
($ in thousands)	Intragovernmental	With the public	Total
Net Cost of Operations	$ (1,645,876)	$ 10,428,095	$ 8,782,219
Components of Net Cost That are Not Part of Net Outlays:			
Property, plant, and equipment depreciation	$ -	$ (671,838)	$ (671,838)
Property, plant, and equipment disposal & revaluation	-	(3,396)	(3,396)
Other	(4)	(20,391)	(20,395)
Increase/(decrease) in assets:			
Account Receivable	59,032	(57,653)	1,379
Investments	(39,842)	-	(39,842)
Other assets	(180)	(7)	(187)
(Increase)/decrease in liabilities:			
Accounts payable	(672,956)	(79,832)	(752,788)
Salaries and benefits	(10,196)	(87,752)	(97,948)
Environmental and disposal liabilities	-	(64,570)	(64,570)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	58,789	(10,297)	48,492
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and Imputed to the agency	(236,772)	-	(236,772)
Transfers out (in) without reimbursement	41,275	-	41,275
Other imputed financing	(34,000)	-	(34,000)
Total Components of Net Cost That Are Not Part of Net Outlays	$ (834,854)	$ (995,736)	$ (1,830,590)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of capital assets	$ -	$ 881,890	$ 881,890
Acquisition of inventory	1,999	1,135	3,134
Other	(118,913)	(84,833)	(203,746)
Total Components of Net Outlays That Are Not Part of Net Cost	$ (116,914)	$ 798,192	$ 681,278
Net Outlays	$ (2,597,644)	$ 10,230,551	$ 7,632,907

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Property, plant and equipment depreciation in the reconciliation is related to the depreciation of Buildings, Structures, and Facilities and General Equipment and amortization of Leasehold Improvements and Software, which does not result in an outlay but does result in a cost. Refer to Note 7, *General Property, Plant & Equipment, Net*, for additional details and disclosures. The large increase in accounts payable compared to last year related to construction project expenses that were included in the net cost but not included in the outlays this year.

Amounts paid during the acquisition of capital assets in the reconciliation is related to the use of Cost Capitalization Offset which result in a net outlay but did not result in net cost. In the section "Components of Net Outlays That Are Not Part of Net Cost" above, the Other line item in the reconciliation is primarily related to nonexchange revenue derived from non-entity assets that are deposited in the general fund of the U.S. Treasury when collected. See Note 9, *Liabilities Not Covered by Budgetary Resources*, for additional details and disclosures.

NOTE 19. COVID-19 ACTIVITY

During FY 2020, USACE received supplemental funds in the *Coronavirus Aid Relief Economic Security Act* (CARES), *2020* (Public Law 116-136) in both the Operation & Maintenance (O&M) and Expense (E) appropriations. In the O&M appropriation, USACE received $50 million to carry out its emergency relief operation efforts related to COVID-19 prevention, preparation, and response. In FY 2021, USACE has unobligated FY 2020 carryover balances of $31 million. As of September 30, 2021, out of the $50 million received, USACE has obligated $37 million and disbursed $25 million. In the E appropriation, USACE received $20 million in funding to support remote access, teleworking, and leave requirements related to coronavirus prevention, preparation and response. In FY 2021, USACE has unobligated FY 2020 carryover balances of $12 million. As of September 30, 2021, USACE has obligated $11 million and disbursed $5 million.

In addition to direct funding received from the *CARES Act*, USACE received $789 million in reimbursable customer orders from the Federal Emergency Management Agency (FEMA) for the assessment and construction of Alternate Care Facilities (ACFs). These facilities – set up across the nation – were designed to supplement a shortage of regular hospital beds and intensive care units. As of September 30, 2021, USACE has obligated $779 million and disbursed $769 million.

Other Information

See Note 3, *Funds Balance with Treasury*, Note 15, *Statement of Changes in Net Cost*, and Note 17, *Statement of Budgetary Resources*, for COVID-19 disclosures.

Real Property Deferred Maintenance and Repair
For Fiscal Year Ended September 30, 2021
(In Millions of Dollars)

Property Type	Current Fiscal Year (CFY)		
	1. Plant Replacement Value	2. Required Work (Deferred Maintenance & Repair)	3. Percentage (Required Work/Plant Replacement Value)
1. Category 1: Buildings, Structures, and Utilities (Enduring Facilities)	$267,077	$4,919	1.84%
2. Category 2: Buildings, Structures, and Utilities (Excess Facilities or Planned for Replacement)	$0	$0	N/A
3. Category 3: Buildings, Structures, and Utilities (Heritage Assets)	$0	$0	N/A

Deferred maintenance and repair (DM&R) is defined as maintenance and repairs not performed when it should have been or was scheduled to be, but delayed for a future period. Deferred maintenance and repair for FY 2021 was $4,919 million for Other Structures. The beginning balance for DM&R was $4,644 for FY 2020. Assets contained in category one above includes Dams, Locks, Powerhouses, multi-use Heritage Assets and other structures used to carry out the USACE Civil Works Program.

USACE policy mandates that project maintenance resources be applied across the functional business areas (i.e., flood control, navigation, hydropower, recreation, etc.) to ensure that the appropriate level of maintenance is performed for each of the functional areas. The District Chief of Operations or Construction/Operations is the individual responsible for the overall management of the District's Operation and Maintenance (O&M) program, to include balancing the appropriate O&M resources among the District's projects. The Regional Operations or Construction/Operations element is responsible for the appropriate balancing of O&M resources among the Districts.

USACE's DM&R activities are separate from other Civil Works activities since the O&M appropriation is a separate appropriation account within the USACE Civil Works program. This O&M account funds operation, maintenance, and related activities at the water resources projects that USACE operates and maintains. Work to be accomplished consists of dredging, maintenance, repair, and operation of structures and other facilities, as authorized in the various River and Harbor, Flood Control, and Water Resources Development Acts, or any other act of Congress that authorizes a Civil Works mission.

O&M budget priority is given to key O&M infrastructure based on the condition and the potential consequences (e.g., economic, environmental, and public safety impacts) of project performance if the O&M activity is not undertaken in the Budget Year (BY), as well as legal factors. As a result, USACE does not set "acceptable condition standards." USACE adopts a risk-informed, performance-based asset management structure. This approach recognizes that project conditions have inherent risk and reliability that affect performance outputs, and thus focuses on potential consequences related to project performance in the event of failures.

USACE measures all PP&E assets and the DM&R applies to all PP&E assets USACE owns and operates. The deferred maintenance amount has increased this fiscal year despite increased funding in recent fiscal years due to increased maintenance and repairs from storms, floods, and natural events. USACE focuses on the most critical needs derived from a better evaluation of risk and consequences that identifies the criticality and informs the appropriate priority of maintenance activities.

Heritage Asset Condition

Condition of Heritage Assets is based on factors such as quality of design and construction, location, adequacy of maintenance performed, and continued usefulness. The USACE's Heritage Assets overall condition is deemed to be fair; therefore, no significant deferred maintenance has been assessed.

Disaggregated Schedule of Budgetary Resources by Major Fund

Statement of Federal Financial Accounting Standard 7, *Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires information to be presented by major fund which USACE believes provides a better presentation, as the USACE-CW is a single program and aligns with our funding and management of the program.

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2021

$ in thousands	FUSRAP	Special Funds	Trust Funds	Borrowing Authority
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 41,555	$ 35,886	$ 1,016,112	$ 4
Appropriations (discretionary and mandatory)	250,000	24,063	941,100	-
Spending Authority from offsetting collections (discretionary and mandatory)	(425)	-	-	-
Total Budgetary Resources	$ 291,130	$ 59,949	$ 1,957,212	$ 4
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 230,653	$ 22,947	$ 1,575,803	$ -
Unobligated balance, end of year			-	
Apportioned, unexpired accounts	60,476	37,008	381,230	4
Exempt from Apportionment, unexpired accounts	-	-	-	-
Unapportioned, unexpired accounts	-	(6)	179	-
Unexpired unobligated balance, end of year	60,476	37,002	381,409	4
Expired unobligated balance, end of year	-	-	-	-
Unobligated balance, end of year (total)	$ 60,476	$ 37,002	$ 381,409	$ 4
Total Budgetary Resources	$ 291,129	$ 59,949	$ 1,957,212	$ 4
Outlays, Net, and Disbursements, Net:				
Outlays, net (total) (discretionary and mandatory)	$ 168,688	$ 27,683	$ 1,575,043	$ (91)
Distributed offsetting receipts (-)	-	(85,926)	-	-
Agency Outlays, net (discretionary and mandatory)	$ 168,688	$ (58,243)	$ 1,575,043	$ (91)

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2021

$ in thousands	Revolving Funds	Contributed Funds	General Funds	2021 Combined
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 1,164,957	$ 1,374,902	$ 29,811,207	$ 33,444,623
Appropriations (discretionary and mandatory)	-	739,603	6,699,859	8,654,625
Spending Authority from offsetting collections (discretionary and mandatory)	9,855,747	-	1,084,268	10,939,590
Total Budgetary Resources	$ 11,020,704	$ 2,114,505	$ 37,595,334	$ 53,038,838
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 10,034,409	$ 702,951	$ 11,894,469	$ 24,461,232
Unobligated balance, end of year				
Apportioned, unexpired accounts	986,295	1,411,554	25,659,936	28,536,503
Exempt from Apportionment, unexpired accounts	-	-	36,325	36,325
Unapportioned, unexpired accounts	-	-	-	173
Unexpired unobligated balance, end of year	986,295	1,411,554	25,696,261	28,573,001
Expired unobligated balance, end of year	-	-	4,605	4,605
Unobligated balance, end of year (total)	$ 986,295	$ 1,411,554	$ 25,700,866	$ 28,577,606
Total Budgetary Resources	$ 11,020,704	$ 2,114,505	$ 37,595,335	$ 53,038,838
Outlays, Net, and Disbursements, Net:				
Outlays, net (total) (discretionary and mandatory)	$ (59,718)	$ 467,076	$ 7,116,363	$ 9,295,044
Distributed offsetting receipts (-)	-	(738,766)	(543,810)	(1,368,502)
Agency Outlays, net (discretionary and mandatory)	$ (59,718)	$ (271,690)	$ 6,572,553	$ 7,926,542

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2020

$ in thousands	FUSRAP	Special Funds	Trust Funds	Borrowing Authority
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 7,280	$ 28,248	$ 401,469	$ 4
Appropriations (discretionary and mandatory)	200,000	32,936	1,709,175	-
Spending Authority from offsetting collections (discretionary and mandatory)	5,968	-	-	4
Total Budgetary Resources	$ 213,248	$ 61,184	$ 2,110,644	$ 8
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 174,845	$ 26,003	$ 1,771,177	$ 4
Unobligated balance, end of year				
Apportioned, unexpired accounts	38,403	35,181	335,151	4
Exempt from Apportionment, unexpired accounts	-	-	-	-
Unapportioned, unexpired accounts	-	-	4,316	-
Unexpired unobligated balance, end of year	38,403	35,181	339,467	4
Expired unobligated balance, end of year	-	-	-	-
Unobligated balance, end of year (total)	$ 38,403	$ 35,181	$ 339,467	$ 4
Total Budgetary Resources	$ 213,248	$ 61,184	$ 2,110,644	$ 8
Outlays, Net, and Disbursements, Net:				
Outlays, net (total) (discretionary and mandatory)	$ 160,671	$ 27,902	$ 1,712,031	$ (234)
Distributed offsetting receipts (-)	-	(62,211)	-	-
Agency Outlays, net (discretionary and mandatory)	$ 160,671	$ (34,309)	$ 1,712,031	$ (234)

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2020

$ in thousands	Revolving Funds	Contributed Funds	General Funds	2020 Combined
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 1,037,511	$ 1,246,694	$ 30,609,206	$ 33,330,412
Appropriations (discretionary and mandatory)	-	606,351	5,901,280	8,449,742
Spending Authority from offsetting collections (discretionary and mandatory)	9,533,441	2,040	6,546,941	16,088,394
Total Budgetary Resources	$ 10,570,952	$ 1,855,085	$ 43,057,427	$ 57,868,548
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 9,553,273	$ 535,403	$ 13,551,722	$ 25,612,427
Unobligated balance, end of year				
Apportioned, unexpired accounts	1,017,679	1,319,682	29,471,149	32,217,249
Exempt from Apportionment, unexpired accounts	-	-	30,525	30,525
Unapportioned, unexpired accounts	-	-	-	4,316
Unexpired unobligated balance, end of year	1,017,679	1,319,682	29,501,674	32,252,090
Expired unobligated balance, end of year	-	-	4,031	4,031
Unobligated balance, end of year (total)	$ 1,017,679	$ 1,319,682	$ 29,505,705	$ 32,256,121
Total Budgetary Resources	$ 10,570,952	$ 1,855,085	$ 43,057,427	$ 57,868,548
Outlays, Net:				
Outlays, net (total) (discretionary and mandatory)	$ (223,050)	$ 550,217	$ 6,211,261	$ 8,438,798
Distributed offsetting receipts (-)	-	(603,323)	(140,357)	(805,891)
Agency Outlays, net (discretionary and mandatory)	$ (223,050)	$ (53,106)	$ 6,070,904	$ 7,632,907

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

November 12, 2021

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)/
CHIEF FINANCIAL OFFICER, DOD
COMMANDING GENERAL, CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Transmittal of the Independent Auditor's Report on the U.S. Army Corps of Engineers–Civil Works Financial Statements and Related Notes for FY 2021 and FY 2020 (Project No. D2021-D000FI-0049.000, Report No. DODIG-2022-022)

We contracted with the independent public accounting firm of KPMG LLP (KPMG) to audit the U.S. Army Corps of Engineers (USACE)–Civil Works Financial Statements and related notes as of and for the fiscal years ended September 30, 2021, and 2020. The contract required KPMG to provide a report on internal control over financial reporting and compliance with provisions of applicable laws and regulations, and to report on whether the USACE's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996. The contract required KPMG to conduct the audit in accordance with generally accepted government auditing standards (GAGAS); Office of Management and Budget audit guidance; and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, "Financial Audit Manual," June 2018, Volume 1 (Updated, April 2020), Volume 2 (Updated, March 2021), and Volume 3 (Updated, September 2021). KPMG's Independent Auditor's Report is attached.

KPMG's audit resulted in an unmodified opinion. KPMG concluded that the USACE–Civil Works Financial Statements and related notes as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

KPMG's report discusses two material weaknesses related to the USACE–Civil Works' internal control over financial reporting.* Specifically, KPMG's report concluded that USACE–Civil Works did not implement adequate controls to:

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

- prepare, review, and approve journal vouchers; review and reconcile Environmental and Disposal Liabilities estimates; or design a threshold to detect misstatements in Accounts Payable estimates; and

- classify, reconcile, or timely report transactions within the Property, Plant, and Equipment account.

KPMG's report also discusses two instances of noncompliance with provisions of applicable laws and regulations. Specifically, KPMG's report describes instances in which the USACE–Civil Works' financial management systems did not comply with the Federal Financial Management Improvement Act of 1996 and the Federal Managers' Financial Integrity Act of 1982.

In connection with the contract, we reviewed KPMG's report and related documentation and discussed them with KPMG's representatives. Our review, as differentiated from an audit of the financial statements and related notes in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the USACE–Civil Works FY 2021 and FY 2020 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal control over financial reporting, on whether the USACE's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with provisions of applicable laws and regulations. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS. KPMG is responsible for the attached November 12, 2021 report, and the conclusions expressed within the report.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me.

Lorin T. Venable

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

Attachment:
As stated

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

Independent Auditors' Report

Commanding General, Chief of Engineers,
United States Army Corps of Engineers – Civil Works; and
United States Department of Defense Inspector General:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Army Corps of Engineers – Civil Works (USACE – Civil Works), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the USACE – Civil Works as of September 30, 2021 and 2020, and its net costs,

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Message from the Assistant Secretary of the Army (Civil Works) and Message from the Chief Financial Officer is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2021, we considered the USACE – Civil Works' internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USACE – Civil Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the USACE – Civil Works' internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

The USACE – Civil Works' management did not report the material weakness entitled "Deficiencies in Non-Transactional Based Controls" and "Deficiencies in General Property, Plant and Equipment Controls" in its *Statement of Assurance,* included in the Management's Discussion and Analysis section of the accompanying *Fiscal Year 2021 United States Army Corps of Engineers Agency Financial Report*.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USACE – Civil Works' consolidated financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 21-04, and which are described in Exhibit III as item D.

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

USACE – Civil Works' Responses to Findings

The USACE – Civil Works' responses to the findings identified in our audit are described in Exhibits I, II, and III. The USACE – Civil Works' responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the USACE – Civil Works' internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 12, 2021

Exhibit I

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Material Weaknesses

September 30, 2021

A. Deficiencies in Non-Transactional Based Controls

Effective controls are ones that are properly designed and implemented and operating effectively to prevent, or detect and correct, material misstatements in the financial statements.

The deficiencies noted during the performance of our Fiscal Year (FY) 2021 procedures in the areas of journal vouchers, environmental liabilities and accounts payable, were not related to the processing of transactions; rather, they were related to deficiencies that either, occurred at the back end of the financial reporting process, or during the estimation of a liability, which are separate from deficiencies occurring at the transaction level. The deficiencies we identified in these controls could lead to a material misstatement in the consolidated financial statements and related notes.

Preparation and Related Review and Approval of Journal Vouchers

The United States Army Corps of Engineers – Civil Works' (USACE – Civil Works) control over the review of Defense Departmental Reporting System (DDRS) journal vouchers did not operate effectively to prevent the improper recording of DDRS journal vouchers. Further, management has not designed controls to ensure all general ledger correlation ID updates are reviewed on a timely basis.

The USACE – Civil Works eliminated unreconciled variances by recording "unsupported" DDRS journal vouchers to reclassify amounts to complete the Departmental financial statement preparation process.

The USACE – Civil Works' control over the review of Structured Query Language (SQL) did not operate effectively to prevent the improper recording of script transactions in CEFMS, as required by the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), principle 10, and could result in misstatements to the financial statements. Specifically, this principle provides guidance on implementing control activities to ensure the "accurate and timely recording of transactions." We noted two instances in which a sufficient review was not performed over complex script transactions, including ones that involved the closing of or movement of balances from one account to another as well as updates in the Treasury U.S. Standard General Ledger (USSGL). Specifically, we noted one incorrect script in the amount of $64 million resulted in the misstatement of two general ledger accounts' FY 2021 opening balance.

Estimates

Environmental and Disposal Liabilities is a critical estimate whereby the liability recorded in the financial statements is based on making assumptions about future activities which is inherently uncertain. During our test work over the Formerly Utilized Sites Remedial Action Program (FUSRAP) project estimates, cost-to-complete reports, and FUSRAP district level cost estimates, we found that management has not documented their review over these items, such that we could not see the reviews were completely and accurately inspected. Likewise, management has not documented a level of precision to ensure that all FUSRAP liability estimates, expenses and assumptions are reasonable and any outliers are appropriately resolved to prevent, or detect and correct, errors in the estimates recorded in the financial statements.

Additionally, management's review did not include a retrospective review to determine if the estimation methodology warrants revision. Further, we found that management did not implement policies to reconcile the estimated FUSRAP liability against what is recorded in the accompanying DDRS journal voucher.

The USACE – Civil Works estimates a portion of the year-end accounts payable balance. The USACE – Civil Works' policy is to review and approve manual accrual transactions that are above a predetermined threshold prior to posting to the general ledger while transactions below the threshold are automatically posted without needing to obtain the same approvals. However, the review and approval threshold established by management was not sufficiently designed to detect and correct misstatements in the accounts payable balance.

The deficiencies in the design, implementation and operating effectiveness of the key controls surrounding journal vouchers and estimates that are needed to prevent, or detect and correct, potential misstatements on a timely basis are caused by a combination of the following: (1) management did not hold district personnel accountable for performing their assigned processes and controls (Green Book principle 5); (2) management did not identify, analyze and respond to risks created by information technology deficiencies or changes to conditions in its environment (Green Book principle 7); (3) management did not properly test the reliability of the information generated by the system prior to relying on it as part of a control (Green Book principle 13); and (4) management did not evaluate the effectiveness of its control activities as to whether they operated at the appropriate level of precision to reduce the identified risks to an acceptably low level (Green Book principle 16).

OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control,* states that "Management is responsible for the establishment of a governance structure to effectively implement, direct and oversee implementation of the Circular and all the provisions of a robust process of risk management and internal control." Effective internal control provides assurance that significant weaknesses in the design or operation of internal control that could adversely affect the agency's ability to meet its objectives, would be prevented or detected in a timely manner.

The Green Book states that "transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Recommendations

We recommend the USACE – Civil Works' management:

1. Reinforce adherence to established policies and procedures to ensure that journal vouchers are properly recorded and variances between federal expenses and revenues recorded in the DDRS trial balance and the associated trading partner activity are resolved in a timely manner.

2. Perform risk assessment procedures in order to identify new policies and procedures that address the risks created by information technology deficiencies or changes to conditions in its environment.

3. Implement procedures designed to ensure that all documentation used in the operation of controls is readily available and, even when information technology controls are deficient, complete and accurate.

4. Continuously review the estimation methodologies and other established policies and procedures to determine whether the controls still operate at an appropriate level of precision to prevent, or detect and correct, potential misstatements or whether they warrant revision.

Management Response

The USACE – Civil Works concurs with the findings and will take corrective action to cure the material weakness.

B. Deficiencies in General Property, Plant, and Equipment Controls

General Property, Plant & Equipment, Net (PP&E) is one of the largest line items on the USACE – Civil Works' financial statements with approximately $31.7B of Net PP&E inclusive of $2.8B of Construction-in-Progress (CIP).

During our FY 2021 audit, controls were not operating effectively to achieve objectives and respond to risks, as required by the GAO's Green Book principle 12, Implement Control Activities and principle 16, Perform Monitoring Activities. Within the financial system, all new CIP work items must be classified as either an asset or a non-asset. If the CIP work item is an asset, its costs are capitalized and if a non-asset, its costs are expensed. Management did not consistently perform or complete timely reviews over the classification of new CIP work items. Additionally, management did not adhere to established policies and procedures to maintain all documentation to support asset costs.

Further, the reconciliations between assets recorded in USACE – Civil Works' general ledger system and two property management systems did not show evidence of how variances identified were addressed and corrected. In other instances, reconciling differences between systems were not resolved in a timely manner.

In addition, management did not design and implement controls to adjust the financial system in a timely manner for: (1) completed projects that should have been placed in service within the earlier of 90 days of completion or prior to the fiscal-year end; (2) assets that should have been disposed of within the earlier of 90 days of determining that they no longer served their intended purpose or prior to the fiscal year-end; (3) costs that did not meet the capitalization criteria and should have been expensed; and (4) additions and betterments that were assigned improper useful lives or (5) costs that met the capitalization criteria were improperly recorded, and thus are depreciating at an incorrect rate.

These deficiencies in the design, implementation and operating effectiveness of PP&E controls were caused by a combination of the following: (1) district personnel were not held accountable by management for performing their assigned processes and controls (Green Book principle 5); (2) management did not appropriately identify all relevant assertion-level risks (Green Book principle 7); (3) quality information was not communicated timely across functions so that control operators had all of the necessary information to perform their responsibilities promptly and effectively (Green Book principle 14); and (4) management did not adequately monitor the operating effectiveness of it system of internal controls and consider whether changes are needed (Green Book principle 16).

Recommendations

We recommend the USACE – Civil Works' management:

1. Enforce accountability for adherence to controls related to management reviews, reconciliations, maintenance of supporting documentation, and proper and timely recording in the financial system.

2. Design procedures and document controls that sufficiently address all relevant risks.

3. Encourage frequent and sufficient communication between and among districts and headquarters so that all PP&E (including CIP) documentation is readily available and able to be shared with the appropriate individuals.

4. Continually monitor the operating effectiveness of its policies and procedures and evaluate whether any compensating controls to detect and correct errors prior to the preparation of financial statements are necessary.

Management Response

The USACE – Civil Works concurs with the findings and will take corrective action to cure the material weakness.

Exhibit II

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Significant Deficiency

September 30, 2021

C. Deficiencies in Financial Management Systems Controls

The United States Army Corps of Engineers – Civil Works (USACE – Civil Works) has not implemented adequate general information technology controls (GITCs) to protect its financial management system and consistently produce quality information, as required by the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book), principles 11 and 13. These deficiencies in GITCs existed in the prior year and while the USACE – Civil Works has taken corrective action, these efforts did not fully remediate all of the identified issues. As such, these conditions could adversely affect the USACE – Civil Works' ability to control electronic access to sensitive information, protect its information resources, and ensure the completeness and accuracy of information produced by the USACE – Civil Works.

The USACE – Civil Works did not implement an effective control over the removal of users' system access once an employee transferred or separated from the organization. Specifically, management neither established a timeframe nor communicated protocols for when system access should be removed when an individual separates or changes positions. As a result, the risk exists that an unauthorized person may be able to gain access to the system.

The USACE – Civil Works did not implement procedures to ensure that patches consistent with established protocols or scans against all known vulnerabilities were deployed into production in a timely manner. Specifically, management did not patch the operating system servers or execute a properly configured scan of its operating system and database servers with sufficient frequency. As a result, there were three instances where critical patch updates were either not patched or not patched as of the date of the scan. The failure to execute appropriate patches and scans of servers leads to an increased risk that vulnerabilities may be exploited. Further, without the appropriate scanning of all potential vulnerabilities, the likelihood that the system could become susceptible to more severe risks is greatly elevated. Given these factors, the availability of applications and integrity of data are also at risk of being adversely impacted.

These recurring deficiencies in the implementation and operating effectiveness of access controls were caused by a combination of the following: (1) management experienced normal turnover of key personnel but did not properly transfer over knowledge of all responsibilities (Green Book principle 4); (2) management did not perform a proper risk assessment to design a control responsive to the risk associated with continued system access for separated employees, nor did they assess the impact of deficient GITCs on other control activities (Green Book principle 7); and (3) management did not design and implement controls to remediate deficiencies in GITCs in a timely manner (Green Book principle 17).

Recommendations

We recommend the USACE – Civil Works' management:

1. Establish succession plans and formally document all procedures and controls to ensure the successful transition of responsibilities.

2. Assess the impact that GITC deficiencies have on the information relied upon in the performance of internal controls and consider whether they have designed and implemented appropriate compensating system configuration or manual controls to mitigate the risks.

3. Design and implement corrective active plans to remediate existing deficiencies in GITCs in a timely manner

Management Response

The USACE – Civil Works concurs with the findings and will take corrective action to cure the significant deficiency.

Exhibit III

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS

Summary of Noncompliance

September 30, 2021

D. Federal Managers Financial Integrity Act of 1982

The Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, under the authority of the Federal Managers Financial Integrity Act of 1982 (FMFIA), requires agencies and federal managers to (1) establish Enterprise Risk Management in management practices, (2) establish and operate an effective system of internal control, (3) assess internal control, (4) correct internal control deficiencies, and (5) report on internal controls.

We noted the United States Army Corps of Engineers – Civil Works (USACE – Civil Works) did not establish effective systems, processes, policies and procedures to implement effective internal controls, nor did management adequately document all its controls and processes. Management failed to comply with Section 5 of OMB Circular No. A-123, which requires the implementation of sufficient corrective action plans to remediate internally and externally identified control deficiencies. Although management developed test plans to remediate previously identified control deficiencies, the plans were not properly designed, implemented, and tested, further hindering the USACE – Civil Works' ability to properly remediate previously identified control deficiencies. Additionally, when evaluating the results of the test plans, management did not conduct a sufficient evaluation of internal controls for each of the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) principle components as prescribed in Section 4 of OMB Circular No. A-123.

Lastly, the USACE – Civil Works did not conform accounting systems to properly comply with FMFIA Sections 2 and 4 and OMB Circular No. A-123 Appendix D. The USACE – Civil Works continued to have posting logic deficiencies and system limitations that required manual adjustments and reclassifications.

Recommendations

We recommend the USACE – Civil Works' management:

1. Develop more thorough corrective action plans to correct internal control deficiencies and proactively monitor that such plans are properly implemented in order to remediate previously identified findings.

2. Thoroughly document all financial and control processes within cycle memorandums.

3. Develop and implement more thorough test plans and perform a sufficient evaluation of internal controls for each of the Green Book principles and components.

4. Correct posting logic deficiencies and system limitations that require manual adjustments and reclassifications and overall result in FFMIA non-compliance.

Management Response

The USACE – Civil Works concurs with the findings and will take corrective action to cure the non-compliance item.

E. Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agency federal financial management systems comply with the (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability. We noted that the USACE – Civil Works did not comply with the three requirements of FFMIA, as effective internal controls over financial reporting and financial systems were not in place during the fiscal year. Adjustments were required for transactions recorded within the main system of accounting for compliance with the USSGL. Further, the USACE – Civil Works' main system of accounting was not capable of producing financial statements that were consistent with OMB Circular No. A–136, *Financial Reporting Requirements*.

Recommendations

We recommend the USACE – Civil Works' management improve its processes to comply with FFMIA by updating its financial management systems to comply with Federal financial management system requirements, Federal accounting standards, and USSGL requirements.

Management Response

The USACE – Civil Works concurs with the findings and will take corrective action to cure the non-compliance item.

1. Proficiency testing in basic infantry and tasks (U.S. Army photo by Spc. Jessica Scott)
2. Fitness challenge (U.S. Army photo by 1st Lt. Angelo Mejia)
3. A soldier takes a fighting position during a simulated gas attack. (U.S. Army photo by Sgt. Randis Monroe)
4. Bilateral exercises to enhances long-range interception capabilities (U.S. Army photo by Sgt. 1st Class Justin A. Naylor)
5. Rehearsing for a change of command ceremony. (U.S. Army photo by Capt. David Gasperson)
6. Performing preflight checks on an RQ-20 Puma unmanned aircraft system. (U.S. Army photo by Staff Sgt. Tawny Schmit)
7. Soldiers practice exiting CH-47 Chinook helicopters. (U.S. Army photo by Maj. Robert Fellingham)
8. Donning protective gas mask during a chemical, biological, radiological, and nuclear training exercise. (U.S. Army photo by Spc. Aaliyah Craven)
9. Soldiers perform routine maintenance on AH-64 Apache Helicopters. (U.S. Army photo Sgt. Sarah D. Sangster)
10. Recruiting and family day live-fire artillery demonstration (U.S. Army photo by Ileen Kennedy)
11. Rear tire replacement on a Black Hawk helicopter (U.S. Army photo by 2nd Lt. Kyle Gallagher)
12. Creating a sector sketch before a combined urban assault training event. (U.S. Army photo by Marine Corps Cpl. Michael Jefferson)
13. Face and wrist scan at a screening terminal in an effort to eliminate required staffing of soldiers, and help with contact tracing (U.S. Army photo by Reserve Master Sgt. Michel Sauret)
14. Competing in the obstacle course event (U.S. Army photo by Staff Sgt. Dongjun Lee)

We are interested in your feedback regarding the content of this report.
Feel free to e-mail your comments to AAFS@hqda.army.mil or write to:

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Office of the Financial Reporting Directorate
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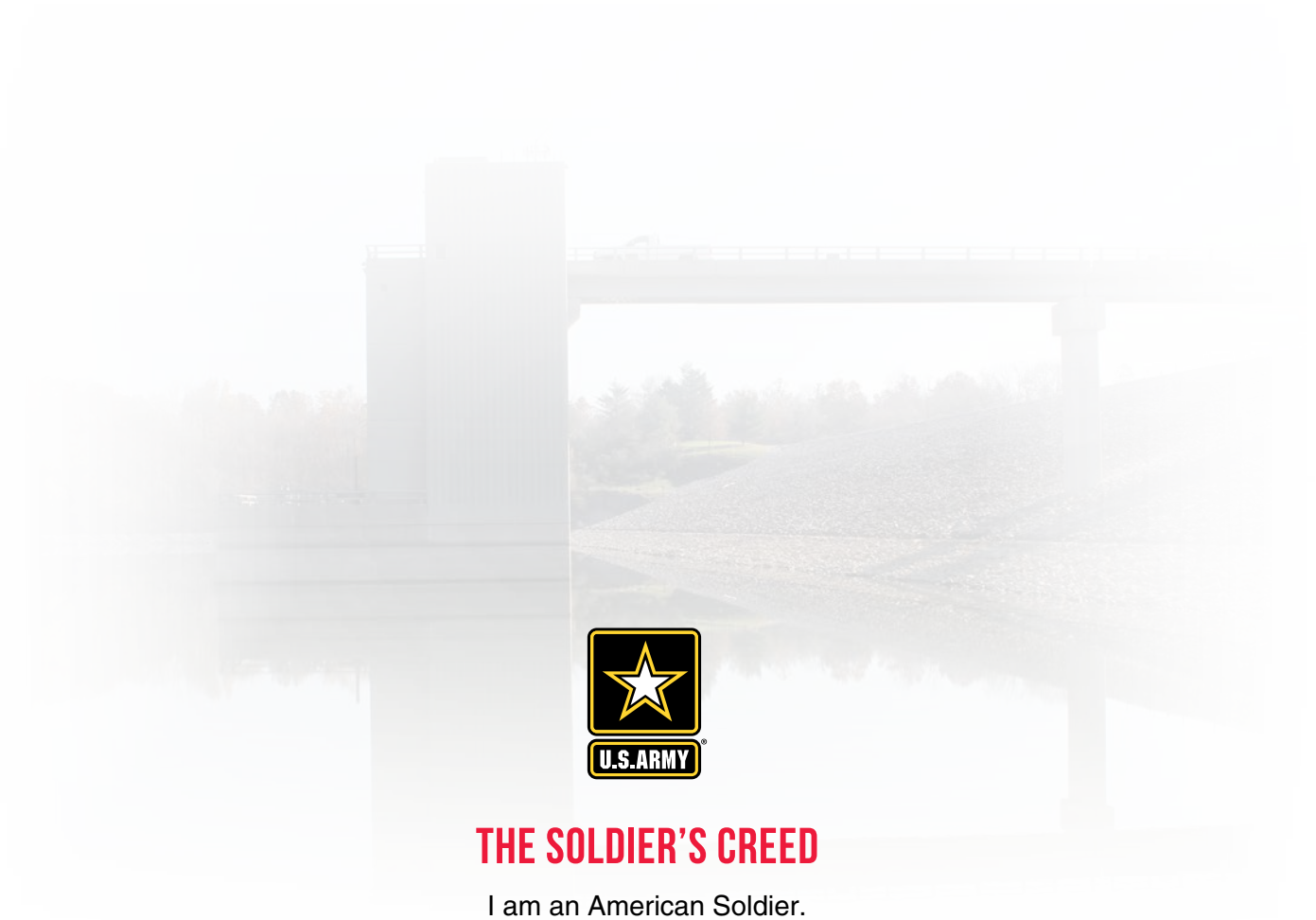

THE SOLDIER'S CREED

I am an American Soldier.
I am a Warrior and a member of a team.
I serve the people of the United States and live the Army Values.
I will always place the mission first.
I will never accept defeat.
I will never quit.
I will never leave a fallen comrade.
I am disciplined, physically and mentally tough, trained and proficient in my warrior tasks and drills.
I always maintain my arms, my equipment and myself.
I am an expert and I am a professional.
I stand ready to deploy, engage, and destroy the enemies of the United States of America in close combat.
I am a guardian of freedom and the American way of life.
I am an American Soldier.

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