



BUILDING A CULTURE OF PERFORMANCE

FISCAL YEAR

2020

UNITED STATES ARMY
CORPS OF ENGINEERS
AGENCY FINANCIAL REPORT

CIVIL WORKS





United States Army

CORPS OF ENGINEERS AGENCY FINANCIAL REPORT

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BUILDING A CULTURE OF PERFORMANCE



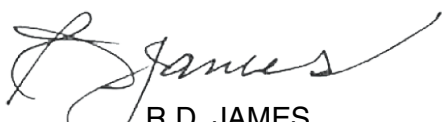


The U.S. Army Corps of Engineers (USACE) Civil Works program focuses on the evaluation, construction, operation, and maintenance of projects to help reduce flood risk to communities; facilitate commercial navigation; and restore degraded aquatic ecosystems across the country.

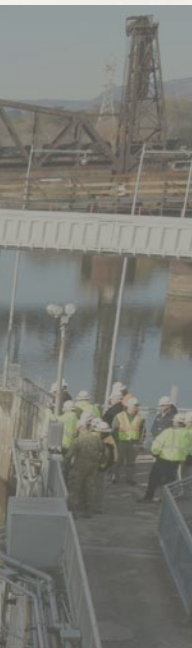
The USACE receives funds through Energy and Water Development Act appropriations, supplemental appropriations, non-Federal cost-sharing partners and other receipts. USACE uses these funds to accomplish three main missions, which are flood and storm damage reduction, commercial navigation, and aquatic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

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 help 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.



R.D. JAMES
Assistant Secretary of the Army (Civil Works)

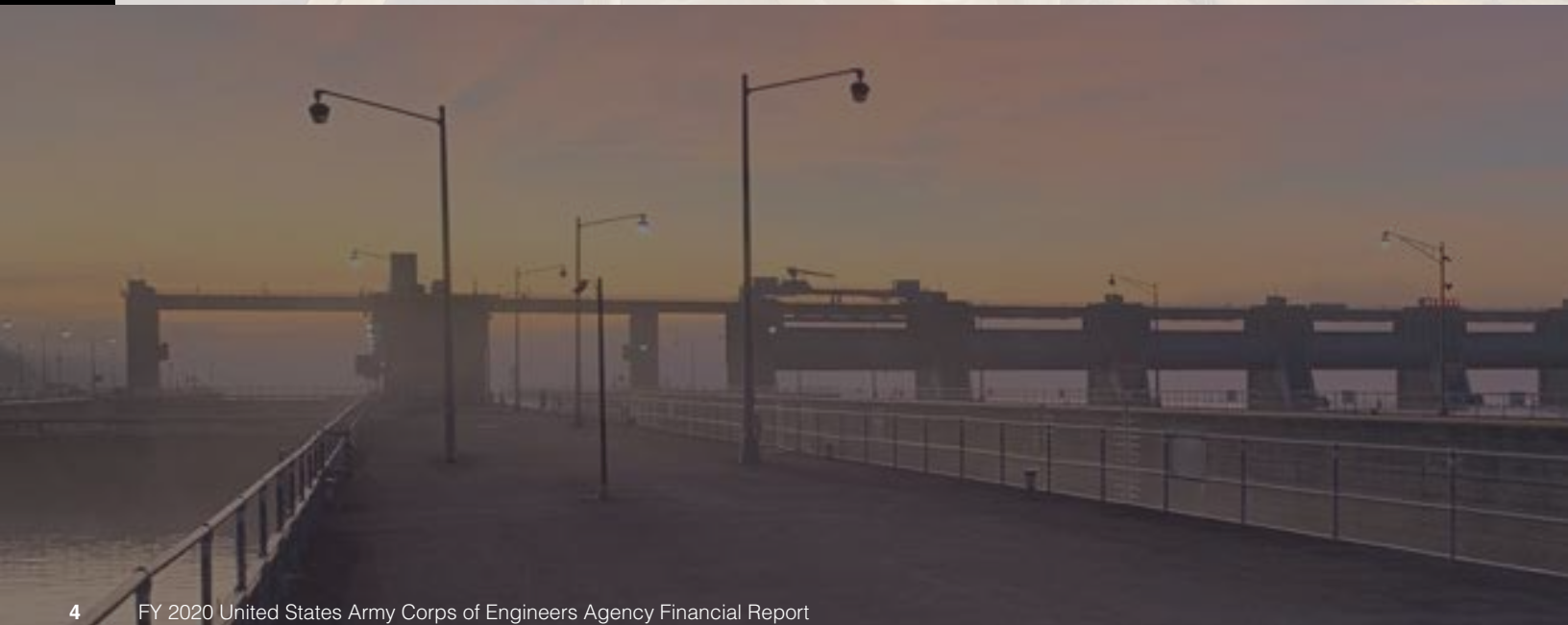




FISCAL YEAR

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UNITED STATES ARMY
CORPS OF ENGINEERS AGENCY FINANCIAL REPORT





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) 2020. We are able to provide reasonable assurance over the reliability of our financial reporting for approximately \$25.6 billion in obligations for FY 2020 Civil Works activities.

FY 2020 was a success 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 13th 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 workforce – our people – is a significant part of this foundation. The 1,700 USACE financial management 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.

The recent challenge in supporting our Nation's response to the Coronavirus 2019 (COVID 19) pandemic has demonstrated more than ever, the importance of agility, mission focus and innovative leadership in our Financial Management Workforce. USACE has been able to meet the needs of a nation-wide disaster response while balancing operability with health and safety of our own personnel. This major disaster declaration provided a wide range of federal assistance programs for individuals and public infrastructure, including support from USACE. In the beginning of the pandemic USACE was entrusted with over \$1.3 billion in FEMA mission assignments in delivering design and construction services for Alternate Care Facilities (ACFs) to mitigate the predicted hospital bed shortfall. Good command and control, simple design efforts and a rapid resource and contracting capability all contributed to the ability to deliver these facilities rapidly and across the nation. USACE Financial Management structure was a key enabler.

USACE continued its auditability success under the single audit approach for its Military Construction stakeholders while adding Air Force in FY 20. I remain confident that our business processes, systems, and internal control framework will position USACE to fully support the audit requirements of both our Civil Works Program and our key DoD Military Construction stakeholders. Although we were presented with unforeseen obstacles due to COVID 19, we remain excited and take 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



The St. James is currently serving as the primary workboat at Olmsted Locks and Dam. (USACE photo by Jared Rendleman)

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 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 nine accounts – Investigations (I), Construction (C), Operation and Maintenance (O&M), Mississippi River & Tributaries (MR&T), Flood Control and Coastal Emergencies (FCCE), Regulatory, Expenses, Formerly Utilized Sites Remedial Action Program (FUSRAP), 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) 2020, the USACE-CW received \$7,650 million in regular and \$70 million in supplemental *Coronavirus Aid, Relief, and Economic Security Act (CARES)* appropriations for a total of \$7,720 million in new direct program funding. It also received \$4,904 million in new reimbursable program funding, for a total of \$12,624 million in new direct and reimbursable program funding. This new funding combined with unexpended carryover and recovered obligations from prior year appropriations totaled \$56,746 million available for expenditure in FY 2020. Of this amount the USACE-CW expended \$22,131 million or 39%.

FIGURE 1. FY 2020 USACE-Civil Works Funding by Source (in Millions)

	Unobligated, Unexpended Carry-In	Obligated, Unexpended Carry-In	New FY 2020 Budget Authority	Recovery of prior obligations	Available for expenditure
Regular & Supplemental Appropriations	\$27,123	\$6,391	\$7,720	\$311	\$41,545
Reimbursable Funding	\$5,549	\$4,418	\$4,904	\$330	\$15,201
Total	\$32,672	\$10,809	\$12,624	\$641	\$56,746

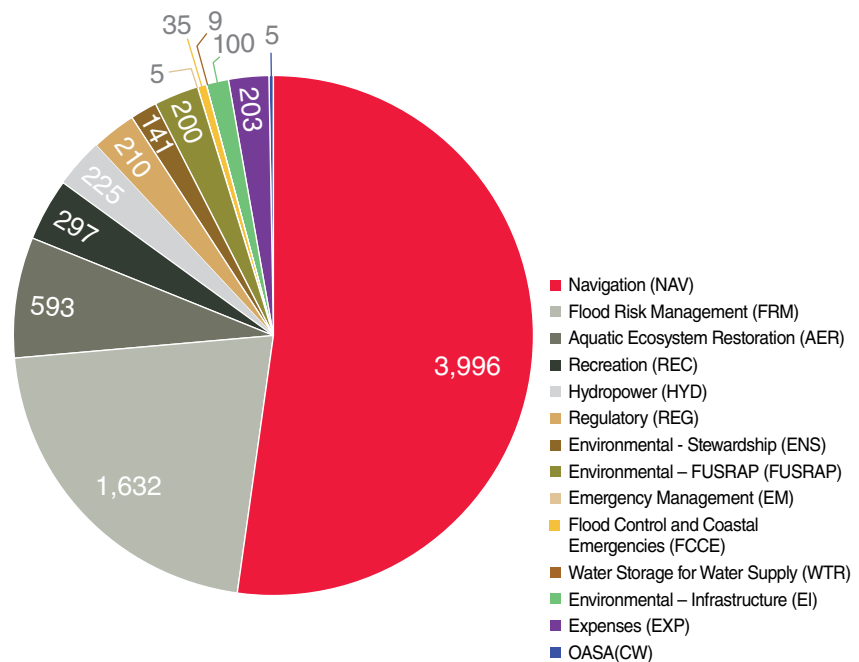
The USACE-CW classifies its work by “business lines,” which are program areas within the Army Civil Works program. The USACE-CW uses these business lines as a framework for managing these program areas and developing its annual budgets; however, funds for the Army Civil Works program are appropriated 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 2020.



Performing construction and repairs to a breakwater. (Photo courtesy of the U.S. Army Corps of Engineers)

FIGURE 2. FY 2020 USACE CW Regular Direct Appropriations (in Millions) by Business Line^{1/2/}



^{1/} Executive Direction and Management (ED&M) includes \$203 million for Expenses and \$5 million for OASA-CW.

^{2/} Excludes funds received in FY 2020 from supplemental appropriations and reimbursable work for others.



Deepening the inner harbor of the Savannah River. (Photo courtesy of Georgia Ports Authority)

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 and inland waterways, as well as publicly and privately owned vessels, marine terminals, intermodal connections, shipyards, and repair facilities. The USACE-CW maintains approximately 12,000 miles of inland waterways with 218 locks at 176 sites; approximately 13,000 miles of coastal channels at 300 deep-draft and 600 shallow-draft coastal ports (including ports on the Great Lakes) with 23 locks at 19 sites; and more than 900 other coastal navigation structures.

In FY 2020, the Navigation business line received approximately \$3,996 million or 52.24% of the FY 2020 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 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.



A bloodroot begins to bloom in the early morning near a lake. (USACE photo by Sarah Howard)

In FY 2020, the Flood Risk Management (FRM) business line received approximately \$1,632 million or 21.3% of the FY 2020 USACE-CW annual appropriations.

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 2020, the Aquatic Ecosystem Restoration business line received approximately \$593 million, or 7.8%, of the total FY 2020 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.

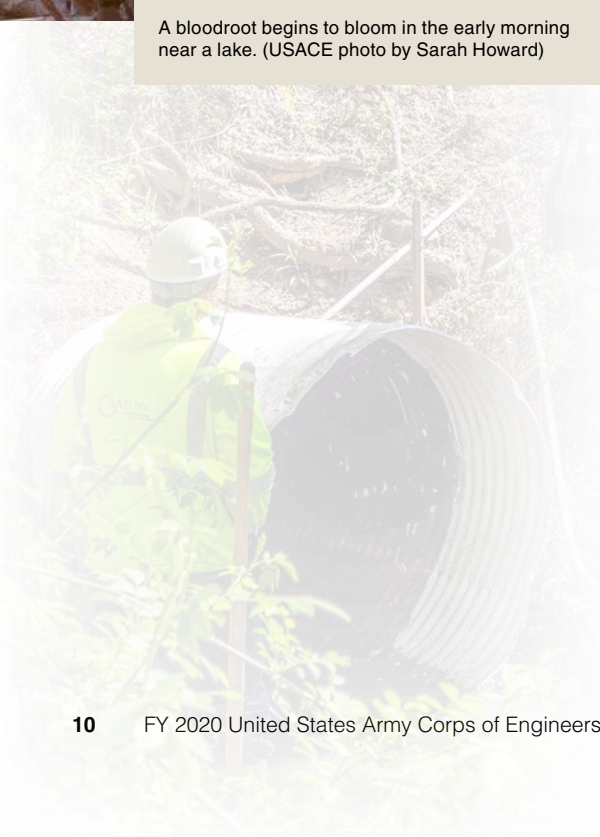
In FY 2020, the Environmental Stewardship business line received approximately \$141 million, or 1.8%, of the FY 2020 USACE-CW annual appropriations.

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

In FY 2020, the FUSRAP business line received \$200 million, or 2.6%, of the FY 2020 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 2020, at \$210 million, the Regulatory appropriation accounted for 2.7% of the FY 2020 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-CW 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 2020, the Emergency Management business line received \$40 million, or 0.5%, of FY 2020 USACE-CW annual appropriations.

Hydropower

Some USACE-CW multipurpose projects provide hydroelectric power as an additional benefit, where



Lock and dam staff volunteer to help prepare sandbags for spring flooding. (Photo courtesy of the U.S. Army Corps of Engineers)

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 2020, Hydropower business line received approximately \$225 million, or just under 2.9%, of the FY 2020 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.

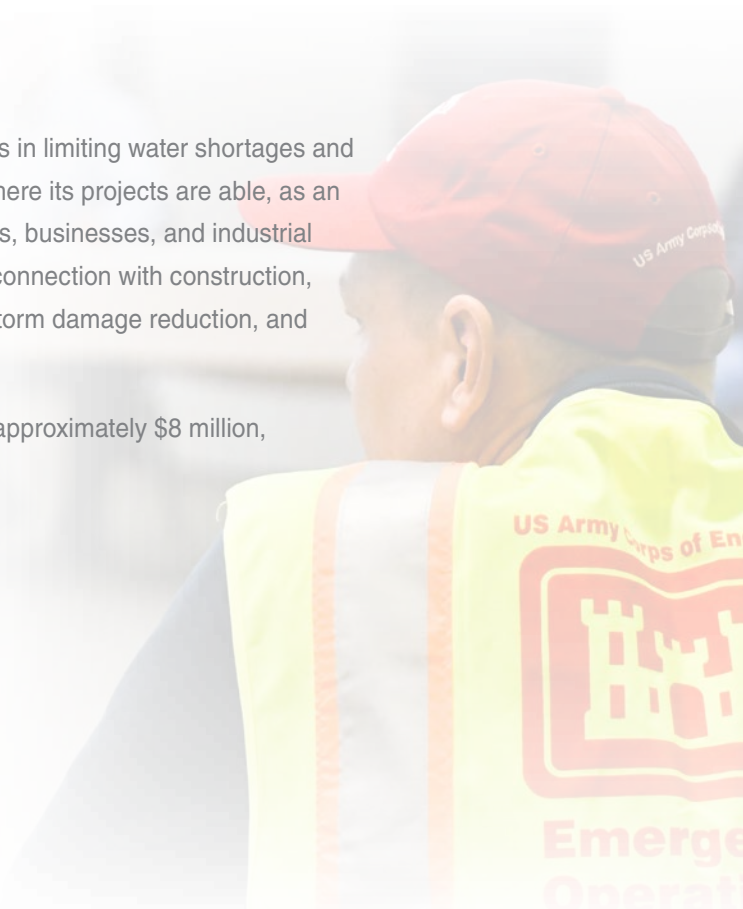
The USACE-CW supports over 5,000 recreation sites at more than 400 projects on 12 million acres of land and water.

In FY 2020, the Recreation business line received approximately \$297 million, or 3.9%, of the FY 2020 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 2020, the Water Supply (WTR) business line received approximately \$8 million, or 0.1%, of FY 2020 USACE-CW annual appropriations.





A motor vessel hauling military vehicles locks through Olmsted Locks and Dam. (USACE photo by Daniel Johnson)

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. Figure 3 shows the division boundaries. 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 of 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 2020. The strategic goals are:

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 manager aquatic ecosystems to benefit the Nation.*

Strategic Goal 5: *Manage the life-cycle 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 2020. At the end of FY 2020, of the 958 USACE-CW planners,

- 60% have been trained in all three core planning courses;
- 76% have completed Civil Works Project Development Process,
- 72% have completed Planning Essentials, and
- 64% have completed Plan Formulation and Evaluation Capstone.

Between FY 2019 and FY 2020 the number of planners certified as USACE-CW Water Resources Certified Planners increased from 84 planners to 92 planners. The objective of this planner certification program is to advance the technical capability of individual planners and provide a framework for developing and sustaining a results-oriented, high performing planner workforce. Currently, a total of 259 planners are certified to conduct internal technical review, termed Agency Technical Review (ATR) – 64 economists, 24 cultural resource specialists, 74 plan formulators, and 97 environmental specialists. Some planners are certified to conduct ATR for multiple areas of expertise (e.g. ATR-certified for plan formulation and environmental). These 259 planners hold a total of 457 separate and distinct ATR certifications.



Surveying for nonnative vegetation that might need to be eradicated before it becomes a nuisance. (Photo courtesy of the U.S. Army Corps of Engineers)

TABLE 1. Planning Modernization

	FY 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Planners trained in Core Curriculum Courses	66%	73%	62%	80%	60%
Percent of planners achieving certification under the USACE Water Resources Certified Planner Program	4%	7%	9%	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, among 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. Schedules are updated in the USACE-CW project management system to reflect actual progress on the project. The target for project schedules to align with or exceed the schedule reported in the USACE-CW project management system is 85 percent. This metric was used for the first time in FY 2014. The score is 91% for FY 2020.

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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Percent of Projects on Schedule per USACE-CW project management system	91%	91%	91%	85%	91%
Percent of customers rating USACE-CW “High” on delivery of products and services	92%	93%	93%	93%	Note 1

Note 1: FY 2020 results will not be available until 3rd quarter FY 2021

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 9 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), 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: The thirty-three (33) plans developed by the respective MCO Communities of Practice (CoP) prior to FY 2020 continue to be 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.

In FY 2020, Engineering and Construction (E&C) continued to develop a web application to capture data on employees' CoP, education, professional licenses 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 enhanced administration reporting and estimation tools. E&C has incorporated the Corps of Engineers Reviewer

Certification and Access Program functionality into the CTP to streamline identification of staff certified to provide Agency Technical Reviews. The tool is currently being tested, and is currently expected to be fully implemented for use in FY 2021.

In FY 2020, the USACE-CW continued to make progress on its program across Major Subordinate Commands to track and balance Workload to Workforce (WL/WF). 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. In FY 2018, USACE-CW began collecting functional assessments by specific engineering discipline (e.g. Structural Engineering) at their Community of Practice (CoP) meetings using a spreadsheet-based scorecard. E&C also developed a web portal to obtain this information, allowing business analytics including visualization and comparison of responses across time and within and across functional areas, with rollups by district, division, and CoPs. This portal was deployed in FY 2017 throughout the E&C community with questionnaires filled out across 20 CoPs. Human Resources continued to implement enhancements to the functional enhancements for use across the enterprise in FY 2020.

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

Flood Risk Management

Relevant Objectives:

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: 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 results in an actual reduction of risk or in a finding of less urgency and lower risk in these cases.

Performance Results—Investigations

USACE-CW completed the following 22 flood and storm damage reduction feasibility studies in FY 2020:

- Guadalupe and San Antonio River Basins, TX (Lower Guadalupe)
- Ecorse Creek, MI (General Reevaluation Report)
- Passaic River Floodway Buyout, Passaic County, NJ
- Delaware River Dredge Material Utilization, DE
- Delaware River Dredge Material Utilization, NJ
- Westminster (East Garden Grove) Watershed, CA
- Rahway River Basin (Lower Basin), NJ
- Tulsa West Tulsa Levees, OK
- Hashamomuck Cove, NY
- Middle Rio Grande Flood Protection, Bernalillo to Belen, NM
- Peckman River Basin, NJ
- Westchester County Streams, NY
- Fire Island to Montauk Point, NY
- Rio Guayanilla, PR
- Turpentine Run, St. Thomas, USVI



- Rio Culebrinas, PR
- Savan Gut Phase II, St. Thomas, USVI
- Raritan Bay and Sandy Hook Bay, Highlands, NJ
- Pajaro River at Watsonville, CA (General Reevaluation Report)
- Carolina Beach, NC
- San Luis Rey River, CA (Post-Authorization Change Report)
- Barrow Alaska Coastal Erosion Study, AK

USACE-CW completed Kansas City's Armourdale pre-construction engineering and design (PED) in FY 2020.

FY 2020 regular annual appropriations were provided to initiate three new feasibility studies and three preconstruction engineering and design (PED) activities –

- Guadalupe River, CA (General Reevaluation Report)
- Lower Missouri Basin Flood Risk & Resiliency Study, IA, KS, NE & MO
- Central City Flood & Storm Damage Reduction, TX
- Pajaro River at Watsonville, CA (PED),
- San Clemente Shoreline, CA (PED)
- San Diego County Shoreline (Encinatas-Solana Beach), CA (PED)

A portion of the funding was used to fund 3 studies and one PED activity to completion, including:

- Guadalupe River, CA (General Reevaluation Report)
- Northern California Streams, Lower Cache Creek, Yolo County, Woodland & Vicinity, CA
- Kansas Rivers Reservoirs Flood & Sediment Study, KS, CO & NE
- San Joaquin River Basin, Lower San Joaquin, CA (PED)

Within the Dam Safety and Seepage/Stability Correction Program, funds were provided to initiate or continue Dam Safety Modification Studies (DSMS) Keystone Lake Dam, OK; Lookout Point Dam, Prado Dam, Garrison Dam, ND; Foster Dam, and Green Peter Dam and complete the DSMS at Proctor Lake Dam, TX and Bolivar Dam (Magnolia Levee), OH; initiate PED at Proctor Lake Dam, TX and Bolivar Dam (Magnolia Levee), OH; and complete PED at Chena River Lakes (Moose Creek Dam), AK; Whittier Narrows Dam, CA; General Edgar Jadwin Dam, PA; and Pipestem Dam, ND

In FY 2020, \$9 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.

Investigation funds were used to support state and local flood risk mitigation priorities through the Silver Jackets program. The USACE-CW currently supports participation on Silver Jackets teams in 50 states, the District of Columbia, and the territories of Guam and Puerto Rico. These State interagency teams initiated 66 special study and technical assistance activities that support state and local community flood risk and floodplain management priorities. These efforts include such varied assistance as developing nonstructural flood mitigation plans for structures in the floodplain, assisting communities with the development of flood warning plans, emergency evacuation plans, and flood inundation mapping; integrating green infrastructure and low impact development concepts into state hazard mitigation planning efforts; assisting Tribes with



Documenting the area during high water technical assistance. (Photo courtesy of the U.S. Army Corps of Engineers)

effective planning for future flooding and floodplain management; and providing training for communities subject to ice jam flooding.

FY 2020 funds were also provided to continue the following studies and PED:

- San Francisco Waterfront Storm Damage Reduction, CA
- South San Francisco Bay Shoreline (Phase II), CA
- West Sacramento, CA (PED)
- City of Norfolk, VA (PED)

Performance Results—Construction: USACE-CW did not physically or fiscally complete any flood and storm damage reduction projects in FY 2020.

FY 2020 annual appropriations funded two new projects (San Joaquin River Basin, Lower San Joaquin, CA & Waterbury Dam Rehabilitation, VT) and 9 projects to completion as well as completion of a deficiency correction report for the Des Moines and Raccoon Rivers, IA project. FY 2020 appropriations also funded continued work on 18 projects, including re-nourishment of seven coastal storm damage reduction projects.

Projects funded to completion with FY 2020 appropriations included:

- Rio De Flag Flagstaff, AZ
- San Lorenzo, CA
- Ohio River Shoreline, Paducah, KY
- Muddy River, MA
- Swope Park Industrial Area, Kansas City, MO
- Turkey Creek Basin, KS & MO
- Pine Creek Lake, OK (Dam Safety)
- East Branch Clarion River Lake, PA (Dam Safety)
- Waterbury Dam Rehabilitation, VT

FY 2020 funds were provided to continue construction on the following projects:

- Raritan River Basin, Green Brook Sub-Basin, NJ
- American River Common Features, Natomas Basin, CA
- Indiana Shoreline Erosion, IN
- Levisa and Tug Forks and Upper Cumberland River, VA, WV & KY
- Southeast Louisiana, LA
- Fargo, ND – Moorhead, MN Metro
- Sandy Hook to Barnegat Inlet, NJ

- Presque Isle Peninsula, PA
- Rough River Lake (Major Rehabilitation), KY (Dam Safety)
- American River Watershed (Folsom Dam Raise), CA^{1/}
- Santa Ana River Mainstem, CA^{1/}
- Delaware Coast, Bethany Beach to South Bethany Beach, DE
- Fort Pierce Beach, FL
- Sarasota, Lido Key, FL^{1/}
- Brigantine Inlet to Great Egg Inlet (Absecon Island), NJ
- Brays Bayou, Houston, TX
- Buffalo Bayou and Tributaries, TX

^{1/}These projects received completion funds in the *Bipartisan Budget Control Act (BBA) of 2018*. The work funded with FY 2020 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 738 dams (including appurtenant structures) that USACE-CW owns. The USACE-CW completed dam safety studies and assessments on 67 of these dams in FY 2020. These studies and assessments led to a decision to lower the Dam Safety Action Classification (DSAC) rating of 35 dams, increase the DSAC rating of 9 dams, to leave unchanged the DSAC rating of 21 dams, and to add 2 new DSAC assignments. 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 5 being considered a very low priority.

TABLE 3A. Summary of Dam Portfolio Risk Assessment Studies Completed in FY 2020

Dam Name	Project Name	State	New DSAC	Former DSAC	DSAC Change
Montgomery L&D	Ohio River Locks and Dams, PA, OH, and WV	OH	4	2	Lower Priority DSAC
Beltzville Dam	Beltzville, Lake, PA	PA	5	3	Lower Priority DSAC
Benbrook Dam	Benbrook Lake, TX	TX	3	2	Lower Priority DSAC
Center Hill Dam	Center Hill Lake, TN	TN	3	2	Lower Priority DSAC
Aylesworth Creek Dam	Aylesworth Creek Lake, PA	PA	5	4	Lower Priority DSAC
Mayfield Dike	Aylesworth Creek Lake, PA	PA	5	4	Lower Priority DSAC
Woodcock Dam	Woodcock Creek Lake PA	PA	5	4	Lower Priority DSAC
Demopolis L&D	Tennessee Tombigbee Waterway, AL & MS	AL	5	4	Lower Priority DSAC
Cooper Dam	Jim Chapman Lake, TX	TX	5	4	Lower Priority DSAC
Proctor Dam	Proctor Lake, TX	TX	3	2	Lower Priority DSAC
Green Peter Dam	Green Peter-Foster Lakes, OR	OR	4	2	Lower Priority DSAC
Union City Dam	Union City Lake, PA	PA	4	2	Lower Priority DSAC
Joe D Waggoner L&D	J Bennett Johnston Waterway, LA	LA	5	3	Lower Priority DSAC
Mississippi River L&D 5A	Mississippi River Btn MO River Minn (MVP), MN	MN	5	3	Lower Priority DSAC
Salt Creek 8 (Wagon Train Dam)	Salt Creeks and Tributaries, NE	NE	4	3	Lower Priority DSAC
Brown Lake Dam	ERDC	MS	4	1	Lower Priority DSAC
Carlyle Lake	Carlyle Lake, IL	IL	5	3	Lower Priority DSAC
Keyesport Levee (Carlyle Lake)	Carlyle Lake, IL	IL	5	3	Lower Priority DSAC
East Branch Dam	East Branch Clarion River Lake, PA	PA	4	2	Lower Priority DSAC
Willamette Falls L&D	Willamette River at Willamette Falls, OR	OR	4	1	Lower Priority DSAC
Hodges Village Dikes 2-4	Hodges Village Dam, MA	MA	5	4	Lower Priority DSAC
Whitlow Ranch Saddle Dike	Whitlow Ranch Dam, AZ	AZ	5	4	Lower Priority DSAC
CPT Anthony Meldahi L&D	Ohio River Locks and Dams WV, KY, and OH	OH	5	3	Lower Priority DSAC

Dam Name	Project Name	State	New DSAC	Former DSAC	DSAC Change
Holt Lock and Dam	Black Warrior and Tombigbee Rivers, AL	AL	5	3	Lower Priority DSAC
Fishtrap Dam	Fishtrap Lake, KY	KY	4	2	Lower Priority DSAC
Lower Appleton L&D	Fox River, WI	WI	5	4	Lower Priority DSAC
Winfield Dam	Kanawha River Locks and Dams, WV	WV	5	3	Lower Priority DSAC
Brewster Levee (Beach City Dam)	Muskingum River Lakes, OH	OH	4	2	Lower Priority DSAC
Somerdale Levee (Dover Dam)	Muskingum River Lakes, OH	OH	4	2	Lower Priority DSAC
Martins Fork Dam	Martins Ford Lake, KY	KY	5	4	Lower Priority DSAC
Cape Fear L&D 1	Cape Fear River above Wilmington, NC	NC	5	2	Lower Priority DSAC
Huske L&D	Cape Fear River above Wilmington, NC	NC	5	4	Lower Priority DSAC
Mississippi River L&D 27	Mississippi River between the Ohio & Missouri Rivers (Reg Works), MO & IL	IL	5	3	Lower Priority DSAC
Smithville Dam	Smithville Lake, MO	MO	4	3	Lower Priority DSAC
Mud Mountain	Mud Mountain Dam, WA	WA	4	3	Lower Priority DSAC
Canyon Lake Dam	Canyon Lake, TX	TX	2	3	Higher Priority DSAC
Dike A (Canyon Lake)	Canyon Lake, TX	TX	3	4	Higher Priority DSAC
O.C.Fisher Dam	O C Fisher Dam and Lake, TX	TX	2	3	Higher Priority DSAC
Thomaston Dam	Thomaston Dam, CT	CT	2	3	Higher Priority DSAC
Jennings Randolph Dam	Jennings Randolph Lake, MD & WV	PAMD	2	3	Higher Priority DSAC
Applegate Dam	Lost Creek Lake, OR	OR	3	4	Higher Priority DSAC
Oahe Dam	Oahe Dam, Oahe Lake, SD & ND	SD	2	3	Higher Priority DSAC
Colebrook River Dam	Colebrook River Lake, CT	CT	3	4	Higher Priority DSAC
Colebrook River Dike	Colebrook River Lake, CT	CT	3	4	Higher Priority DSAC
Tenkiller Ferry Dam	Tenkiller Ferry Lake, OK	, OK	4	4	No Change
Beech Fork Dam	Beech Fork Lake, WV	WV	3	3	No Change
Willis Creek Dam	Muskingum River Lakes, OH	OH	4	4	No Change
Salamonie Dam	Salamonie Lake, IN	IN	4	4	No Change
Mississippi River L&D 12	Mississippi River between Missouri River and Minneapolis (MVR portion), IL	IA	5	5	No Change
Blakely Mountain Dam	Blakely MT Dam, Lake Quachita, AR	AR	3	3	No Change
Garrison Dam	Garrison Dam, Lake Sakakawea, ND	ND	2	2	No Change
Youghiogheny	Youghiogheny River Lake, PA & MD	PA	3	3	No Change
Carbon Canyon Dam	Santa Anna River Basin, CA	CA	2	2	No Change
Hodges Village Dam	Hodges Village Dam MA	MA	4	4	No Change
Hodges Village Dike 1	Hodges Village Dam MA	MA	4	4	No Change
Longview Dam	Long Branch Lake, MO	MO	4	4	No Change
Kinzua Dam	Kinzua Dam and Allegheny Reservoir, PA	PA	2	2	No Change
Buford Dam	Buford Dam and Lake Sidney Lanier, GA	GA	3	3	No Change
Pine Canyon	Pine and Mathews Canyon Lakes, NV	NV	4	4	No Change
Roush Dam	J Edward Roush Lake, IN	IN	3	3	No Change
Markle Levee (Roush Dam)	J Edward Roush Lake, IN	IN	3	3	No Change
Piedmont Dam	Muskingum River Lakes, OH	OH	4	4	No Change
Magnolia Levee (Bolivar)	Muskingum River Lakes, OH	OH	2	2	No Change
Salinas	Santa Ana River Basin, CA	CA	4	4	No Change
Whitlow Ranch Dam	Whitlow Ranch Dam, AZ	AZ	4	4	No Change
Saddle Dam 2 (Carlyle Lake)	Carlyle Lake, IL	IL	5	NA	New
Saddle Dam 3 (Carlyle Lake)	Carlyle Lake, IL	IL	5	NA	New

TABLE 3B. Flood Risk Management – Construction and Investigations

	FY 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Number of dam safety action classifications revised to lower priority	27	49	28	10	35

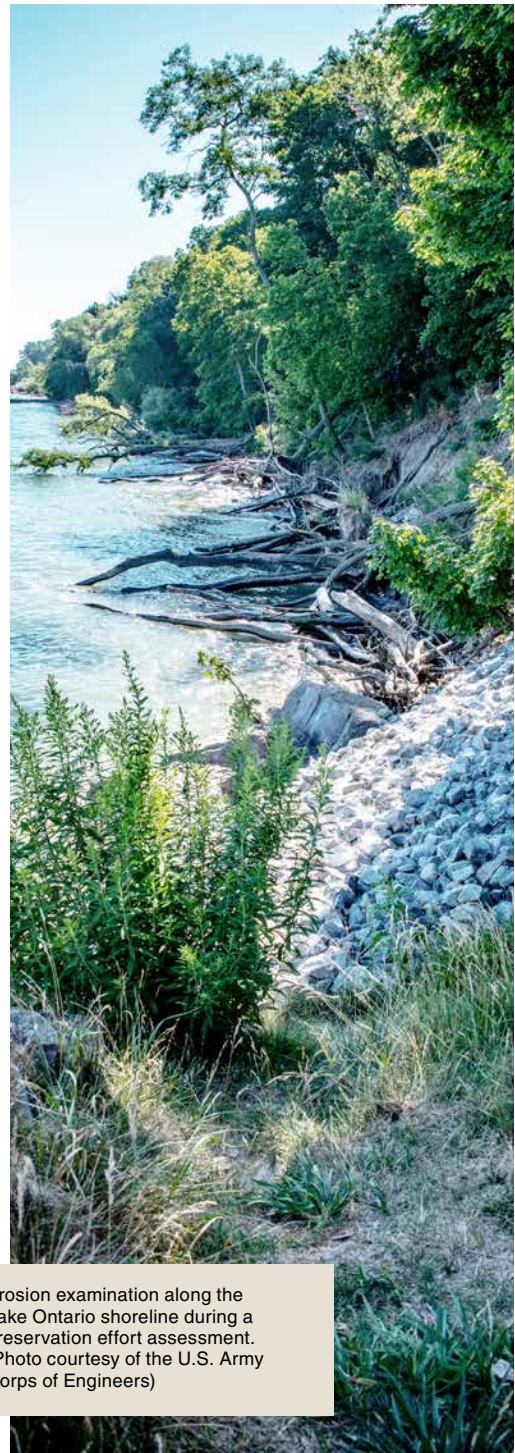
Performance Results—Operation and Maintenance

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 were experiencing historic flood levels in FY 2020.

The FY 2020 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 2020, the USACE-CW completed six higher level risk assessments of locally owned levee systems and initiated three 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 2020, the USACE-CW also completed 499 levee screenings with 18 of those on USACE-CW owned levees with 450 screening level risk assessments of locally owned levee systems.

Prior to FY 2018, through the screening process, the USACE-CW identified many levee systems that included non-project segments (railroad embankments, highway embankments, privately owned levee embankments, etc.). The USACE-CW 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 USACE-CW decided to include these non-project segments in its evaluation of the risk associated with the levee systems of which they are a part.



Erosion examination along the Lake Ontario shoreline during a preservation effort assessment. (Photo courtesy of the U.S. Army Corps of Engineers)

The combined number of levee and non-project segments subject to this process is now 3249 segments, up from the 3,103 reported in FY 2019. This consists of 463 non-project segments (adjusted from 444 reported in FY 2019). 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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Percentage of Levee Safety Action Classifications (LSAC) Completed with MSC approval	93%	100%	100%	100%	90%
Percentage of Levee Safety Action Classifications (LSAC) Completed with HQ Levee Safety Officer approval	45%	63%	73%	100%	80%

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.

Relevant Objectives

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-CW. 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 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.



Looking at plans to convert an unused hospital space into a 250-bed facility. (USACE photo by Abe Dawoud)

Performance Results: In FY 2020, the USACE-CW responded to 27 events with over 18,000 personnel deployed or engaged spending over \$13 million of FCCE funding on response activities and utilized \$25 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 8 hurricanes; catastrophic wildfires in California and Oregon; as well as spring flooding in several river basins. FEMA also provided roughly \$1.9 billion to USACE-CW for mission assigned reimbursable support to FEMA for 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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Measure 2 1 a: Percent progress to develop and implement National Flood Characterization tool in collaboration with FEMA	Note 1	Note 2	Note 3		
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	100%	90%	100%	85%	100%
Measure 2 2 b: Percentage of current Annual updated All-hazards contingency plans across USACE-CW	76%	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	49	52	50	53

Note 1: The FY 2017 target, which was met, was to have the tool fully functional and being used as a standard tool within the USACE-CW.

Note 2: This measure is considered completed.

Note 3: This measure is considered completed.

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

Navigation

Relevant Objective:

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 2020 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-CW completed the following 14 navigation feasibility studies in FY 2020:

- GIWW – Brazos River Floodgates & Colorado River Lock, TX
- Corpus Christi Ship Channel, TX (Deepening and Widening and Barge Shelves) (Post Authorization Change Report)

- Matagorda Ship Channel (Widening and Deepening), TX
- Willamette Falls Locks, Willamette River, OR (Disposition Study)
- Kentucky Lock Addition, KY (Post-Authorization Change Report)
- Upper Ohio Navigation Project, PA (Economic Reevaluation Report)
- Unalaska (Dutch Harbor), AK
- Saint George Harbor Improvement, AK
- Alaska Regional Ports (Port of Nome Modification), AK
- New York and New Jersey Harbor, NY and NJ (General Reevaluation Report)
- New Haven Harbor Deepening, CT
- Houston Ship Channel, TX
- Whittier Breakwater, AK
- Atlantic Intracoastal Waterway, North Landing Bridge Replacement, VA.

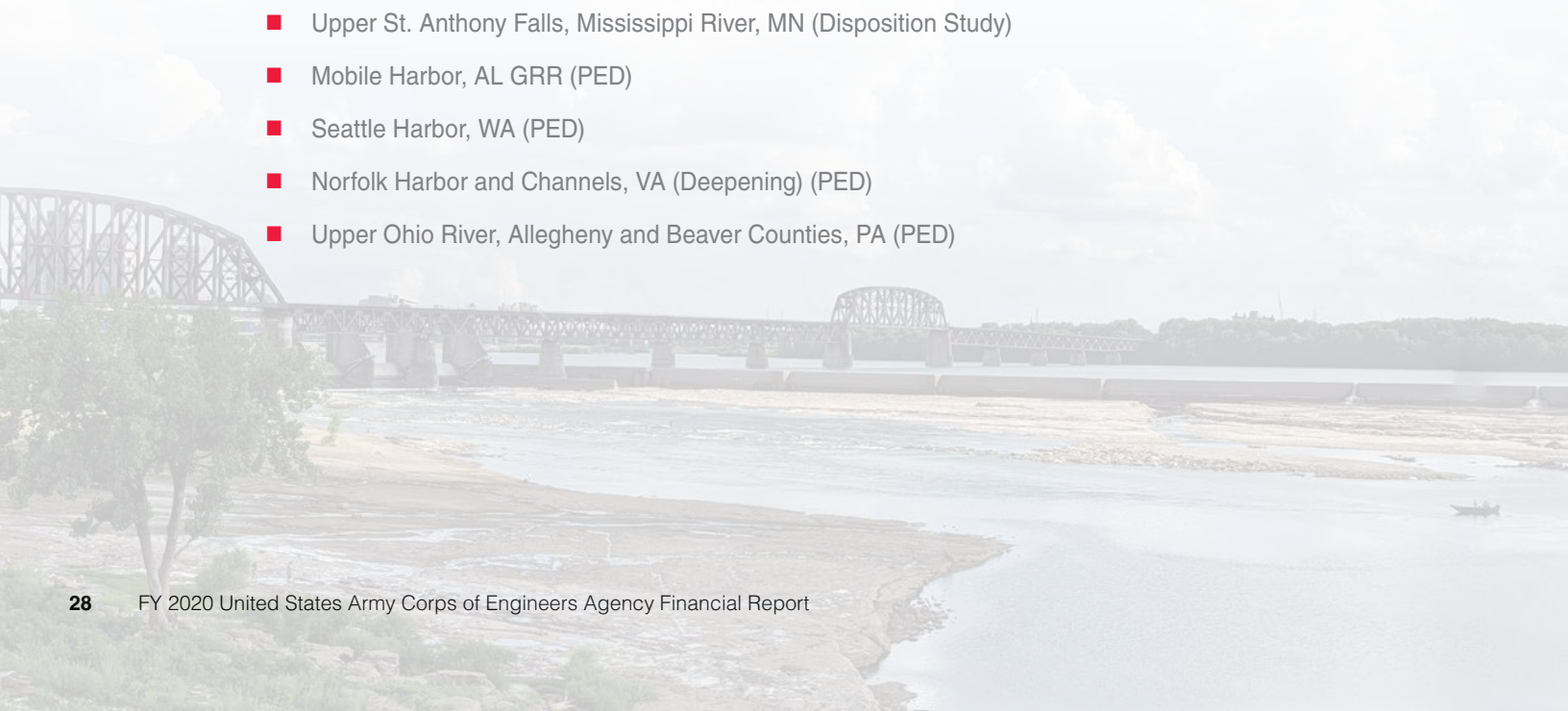
USACE-CW completed the PED for the Mobile Harbor, Alabama, and Norfolk Harbor and Channels, VA projects in FY 2020.

FY 2020 funds were provided to initiate three new feasibility studies and three new PEDs:

- Oakland Inner Harbor Turning Basin Widening, CA;
- Baltimore Harbor & Channels (Seagirt Loop Deepening), MD; and
- GIWW Coastal Resiliency Study, TX
- Houston Ship Channel, TX (PED)
- Seattle Harbor, WA (PED)
- Norfolk Harbor and Channels (Deepening), VA (PED)

A portion of the funds were provided to fund four feasibility study and four PED activities to completion:

- New York and New Jersey Harbor Deepening Channel Improvements, NY & NJ
- Apoon Mouth of Yukon, AK (Disposition Study)
- St. Michael Canal, AK (Disposition Study)
- Upper St. Anthony Falls, Mississippi River, MN (Disposition Study)
- Mobile Harbor, AL GRR (PED)
- Seattle Harbor, WA (PED)
- Norfolk Harbor and Channels, VA (Deepening) (PED)
- Upper Ohio River, Allegheny and Beaver Counties, PA (PED)



In addition, the four projects below were provided additional funding to continue feasibility and PED activities:

- Salinas Reservoir (Santa Margarita Lake), CA (Disposition Study)
- Cape Fear Locks and Dams 1-3, NC (Disposition Study)
- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI (PED)
- Three Rivers, AR (PED)

Performance Results – Construction: USACE-CW did not physically or fiscally complete any navigation construction projects in FY 2020.

FY 2020 funds were provided on inland waterways to:

- (1) complete construction and fiscally close out the Olmsted Locks & Dam, Ohio River, IL & KY and Locks & Dams 2, 3, and 4, Monongahela River, PA projects;
- (2) continue construction of the Kentucky Lock and Dam, Tennessee River, KY and Chickamauga Lock, Tennessee River, TN projects;
- (3) continue deficiency correction construction at Melvin Price Lock and Dam, IL & MO; and
- (4) fully fund all of the remaining mitigation work and recreation work at J. Bennett Johnston Waterway, LA.

FY 2020 funds were provided on coastal navigation projects to:

- (1) initiate and complete deepening at Mobile Harbor, AL and fiscally close out the project;
- (2) continue construction of the Savannah Harbor Expansion, GA; Jacksonville Harbor Deepening, FL; Indiana Harbor, Confined Disposal Facility, IN; Calcasieu River and Pass, LA; Columbia River at the Mouth, OR & WA; Wilmington Harbor, NC; Corpus Christi Ship Channel, TX (Main Channel and Barge Lanes); Boston Harbor Deep Draft Improvements, MA; Poplar Island, MD; Sault Ste Marie (Replacement Lock), MI; and Sabine-Neches Waterway, TX projects;
- (3) complete and fiscally close out the Charleston Harbor, SC and Cedar Bayou, TX projects;
- (4) initiate navigation improvement projects at Freeport Harbor Channel Improvements, TX; Mississippi River Ship Channel, Gulf to Baton Rouge, LA; and Port Everglades Harbor, FL;
- (5) mitigate for sand losses as a result 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 project 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) removal of debris at coastal ports with a high or moderate-level of commercial use; and (4) maintenance dredging of critical harbors of refuge and subsistence harbors. Maintenance included repair and replacement of major lock and dam components such as lock miter gates, dam tainter gates, operating machinery, as well as 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 decreased since FY 2010, which had the highest instances of closures over the past 15 years. 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 2020	
		FY 2017	FY 2018	FY 2019	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	24	40	29	<37	34
	Measure 3.1.b: The number of instances where mechanically driven failure at locks results in delays of more than one week	14	19	15	<21	16

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

Aquatic Ecosystem Restoration

Relevant Objective:

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-CW completed the following studies in FY 2020:

- Chesapeake Bay Comprehensive Plan, MD, PA, & VA
- Lower Brule Sewage Lagoon, SD (Tribal Partnership Program)
- Hudson-Raritan Estuary, NY and NJ^{2/}
- South Fork of the South Branch of the Chicago River, Bubbly Creek, IL
- Comprehensive Everglades Restoration Plan, Loxahatchee River Watershed Restoration Project, Martin and Palm Beach Counties, FL
- Caloosahatchee River (C-43) West Basin Storage Reservoir, FL

- Lake Okeechobee Watershed Restoration, FL
- Willamette River Basin Review, OR
- St. Louis Mississippi Riverfront, MO

²The following studies were previously funded as individual studies, but were incorporated into the Hudson-Raritan Estuary, NY & NJ study: Hudson-Raritan Estuary, Lower Passaic River, NJ; Hudson-Raritan Estuary, Bronx River Basin, NY; Hudson-Raritan Estuary, Flushing Bay, NY; Hudson-Raritan Estuary, Hackensack, NJ; and Jamaica Bay, Marine Park and Plumb Beach, NY.

USACE-CW did not complete any pre-construction engineering and design (PED) in FY 2020.

FY 2020 funds were provided to initiate one new feasibility study – Lower Osage River at Lock and Dam No. 1, MO, and to initiate PED on the Yuba River Fish Passage, CA (Englebright and Daguerre Point Dams), Albeni Falls Dam (Fish Passage, ID, and Anacostia Watershed Restoration, Prince George's County, MD).

FY 2020 funds were used to fund the completion of one study and three PEDs:

- East San Pedro Bay Ecosystem Restoration, CA
- Anacostia Watershed Restoration, Prince George's County, MD (PED)
- Albeni Falls Dam (Fish Passage), ID (PED)
- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI (Twin Island) (PED)

Investigations funding was used to continue PED for four projects and programs:

- Los Angeles River Ecosystem Restoration, CA,
- Puget Sound Nearshore, Marine Habitat Restoration, WA (Duckabush River Estuary)
- Eastern Shore, Mid-Chesapeake Bay Island, MD,
- Upper Mississippi River – Illinois Waterway System, IL, IA, MN, MO & WI

Performance Results – Construction

USACE-CW did not physically or fiscally complete any aquatic ecosystem restoration construction projects in FY 2020.

FY 2020 construction funds were provided to initiate construction on one project:

- Dry Creek (Warm Springs) Restoration, CA

FY 2020 construction funds were provided to complete six projects:

- Mud Mountain Dam, WA
- Columbia River Fish Mitigation, WA, OR, & ID (Pacific Lamprey – 2019-2023 Fish Accords)
- Dry Creek (Warm Springs) Restoration, CA
- Hamilton Airfield Wetlands Restoration, CA
- San Antonio Channel Improvement Project (Mission Reach), TX (Reimbursement)

FY 2020 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
- 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 is nearly complete, permitting regular schedule changes to restore full river and river floodplain benefits to 16.4 miles of river. On the Picayune Strand Restoration Project, clearing and plugging of approximately 3 miles of road and canal associated with the Eastern Stair Steps restoration phase is nearly complete. The validation report for the South feature of Central Everglades Planning Project (CEPP) was approved and initial feature designs were completed, positioning the project to begin construction. Meeting the requirements of biological opinions affecting various projects on the Columbia River system and the Missouri River continues to be a priority.

TABLE 7. Aquatic Ecosystem Restoration

	FY 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Acres of habitat restored, created, improved, or protected (annual) ¹	97,406	100,000	108,362	14,297	2,210

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)

Regulatory

Relevant Objective:

- **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 76,000 actions and 26,000 jurisdictional determinations in FY 2020. The majority of the 55,000 issued/verified permits (95%) were evaluated using streamlined general permit processes, where 80% were verified in 60 days or less.

The target for general permit application decisions made within 60 days was increased to 85% for FY 2020. In FY 2020, the national percentage was 80% and while this is only one percent below the FY 2019 percentage (81%), it fell short of the FY 2020 target. Regional variation can occur, and some districts have met the mission success criteria target. The national percentage of individual permit decisions made in 120 days or less also continues to exceed the target Individual permits require more extensive review and coordination (endangered species, historic properties, tribal trust responsibilities, etc) to ensure environmental compliance with all applicable statutes, 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 time frame and lower target percentage. The public and permit applicants also expect these decisions to be consistent, based on sound science, legally defensible, and transparent. As with general permits, regional variation can occur, and some districts may have met the individual permit target,

despite the national average falling short. Reasons contributing to not being able to meet the targets nationally include adjustments for the COVID-19, however other factors included district workload prioritizations.

TABLE 8. Regulatory

	FY 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Percentage of general permit application decisions made within 60 days	85%	84%	81%	85%	80%
Percentage of standard permits and letter of permission permit decisions made within 120 days	58%	61%	58%	70% ¹	57%

Note 1: This target increased from 50% to 70% in FY 2020.

Environmental Remediation (Formerly Utilized Sites Remedial Action Program)

Relevant Objective:

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 2020, 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; the St Louis Downtown Site in St Louis, Missouri; the Luckey Site, Ohio and DuPont Chamber Works, New Jersey. An additional site was also added to the Program (Staten Island Warehouse, New York).

Approximately 93,000 cubic yards of contaminated material was removed. Of this amount, 39,000 cubic yards was from the Luckey Site. Fifty (315 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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Number of individual properties returned to beneficial use	24	33	60	40	54

Environmental Stewardship

Relevant Objective:

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-CW 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: Additionally, 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 2017	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 2021 after field submittal and quality assurance is complete.

Recreation

Relevant Objective:

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-CW recreation program at the 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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
PSA Compliance with facility condition standards	88%	87%	87%	94%	88%
PSA Compliance with efficiency standards	68%	68%	68%	73%	68%
PSA compliance with health and safety standards	58%	58%	57%	61%	58%

Note 1: FY 2020 actual is estimated performance. Final data will not be available until January 2021 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 2019, USACE-CW exceeded the federal petroleum reduction goal of 20% by achieving a 22.3% reduction relative to the FY 2005 baseline but saw a 3.1% increase in FY 2019 from FY 2018. Official FY 2020 data for this measure will not be available until January 31, 2021.

At the end of FY 2019, USACE-CW reported a slight improvement on Measure 5.1.b, moving from 34.8% to 35.0% reduction over the period FY 2017 - FY 2019, including a 0.2% decrease in FY 2019 from FY 2018. USACE-CW 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 2020 data for this measure will not be available until January 31, 2021.

At the end of FY 2019, USACE-CW increased water consumption by 0.1% from FY 2018 while maintaining a net reduction of 12.8% relative to the FY 2007 baseline. USACE-CW increase on Measure 5.1.c was due in part to water hogs at some of the larger USACE-CW facilities such as Waterways Experiment Station. Other influences on increased water intensity resulted from lake operation facilities and associated campgrounds. Official FY 2020 data for this measure will not be available until January 31, 2021.

TABLE 12. Sustainability and Energy

	FY 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Percent Reduction in Non-tactical Vehicle (NTV) Petroleum Use	26%	26%	22.3%	20%	Note 1
Percent reduction in Goal Subject Facility Energy Intensity	35%	35%	35%	30%	
Percent reduction of potable water in USACE facilities	13%	13%	13%	20%	

Note 1: Data for FY 2020 will not be available until 2nd Quarter FY 2021.

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 2020, the USACE-CW continued an enterprise-wide collection of minimum required maintenance data that will allow the development of the baseline Preventive Maintenance reporting. 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

Relevant Objective:

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 2020 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 2020 the USACE-CW signed 21 new sub-agreements and modified 15 existing sub-agreements resulting in an additional \$328.7 million for non-routine work at USACE-CW power plants outside of the Pacific Northwest.

Compared to the previous year, there was a 2 percent 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 2017	FY 2018	FY 2019	FY 2020	
				Target	Actual
Peak unit availability (percentage of time generating units are available during periods of peak demand)	86%	83%	87%	87%	85%
Percentage of time units are out of service due to unplanned outages	10%	7%	7%	3%	7%

Water Storage for Water Supply

Relevant Objective:

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 the costs to construct the reservoir.

Performance Results: Currently there are 136 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 seven years, an average of \$70 million per year has been returned.

FY 2020 funds were provided to continue the operation and maintenance of the water supply functions at multi-purpose USACE-CW projects and for nine reallocation studies, including:

- completion of water reallocation studies at Allatoona Lake, GA; Grayson Lake, KY; and Pomme De Terre Lake, MO;
- initiation of a second reallocation study at Laurel River Lake, KY; and
- continuation of reallocations studies at Kanopolis Lake, KS; Melvern Lake, KS; Carr Creek Lake, KY; Wolf Creek Dam, Lake Cumberland, KY; and Philpott Lake, VA.

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 module of the Operation and Maintenance Business Information Link (OMBIL) continued during the second half of the year. This module is 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 2017	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	58%	59%	59%	60%	60%





A wooden path with composite decking materials that are slip resistant, weatherproof, and heat resistant to provide access to nature while protecting and preserving its resources. (Photo courtesy of the U.S. Army Corps of Engineers)

POSSIBLE FUTURE EFFECTS OF EXISTING CONDITIONS

The USACE-CW owns a large inventory of water resources infrastructure. In an effort 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, USACE-CW.

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 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 USACE-CW 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 focuses on inspections, assessments, and communication of risk. This program involves approximately over 2,000 levee systems nationwide, including: (1) levee systems that the USACE-CW owns and operates; (2) levee systems that are federally authorized 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 a significant 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 goal of aquatic ecosystem restoration is to restore aquatic habitat - with degraded structure, function, and dynamic processes - to more natural conditions. The USACE-CW plans, designs and constructs cost-effective projects in an effort to strike a sustainable balance between the often-conflicting demands for the use of water resources.

Biologists prepare an Acoustic Doppler Center to measure turbulence and velocity at a breakwall, in hopes of slowing down a river's velocity so shiner fish will be able to swim back to Lake Erie after spawning season. (Photo courtesy of the U.S. Army Corps of Engineers)



ANALYSIS OF FINANCIAL STATEMENTS

The 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 2019 to FY 2020. The charts presented in this analysis are “in millions” unless otherwise noted.

Consolidated Balance Sheet

The USACE-CW Consolidated Balance Sheet presents 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 4 shows the USACE-CW Assets Comparison as of September 30, 2020 and 2019. Total assets amounted to \$82,652 million in FY 2020 and \$82,458 million in FY 2019, a .24% increase.

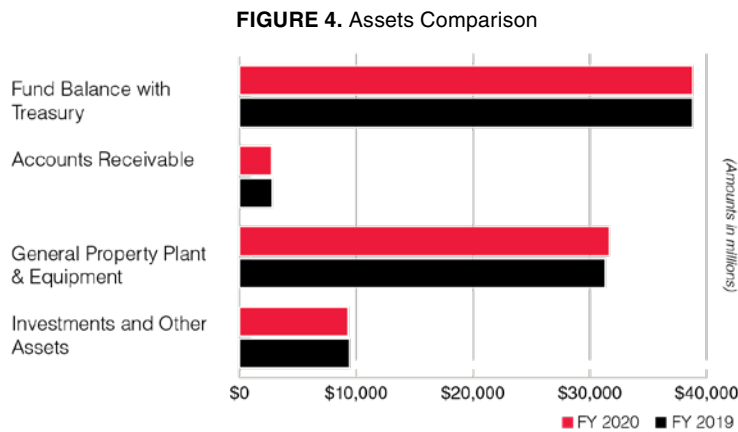
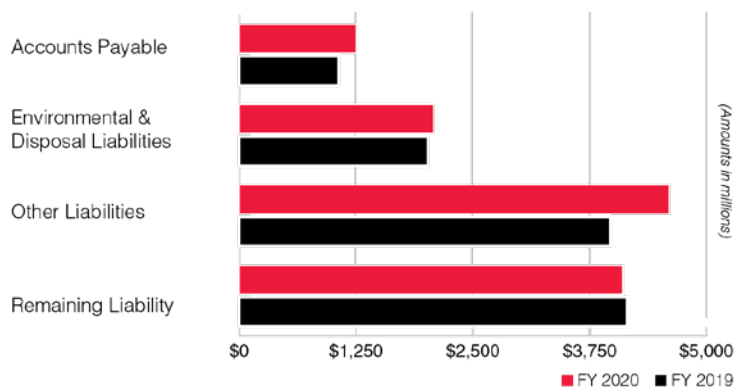


Figure 5 shows the USACE-CW Liabilities Comparison as of September 30, 2020 and 2019. Total liabilities amounted to \$12,026 million in FY 2020 and \$11,202 million in FY 2019, a 7.36% increase. Total Intra-governmental Other Liabilities and Due to Treasury - General Fund increased by \$596 million or 13.45% due to the Liability for Advances and Prepayments increasing related to construction projects for the Department of Veterans Affairs (VA).

FIGURE 5. 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 program costs totaling \$13,296 million in FY 2020 and \$12,027 million in FY 2019, and earned revenues amounting to \$4,514 million in FY 2020 and \$4,250 million in FY 2019. Both elements are comprised of intra-governmental and public costs. Total net cost of operations increased by \$1,006 million, or 12.94%, which is attributed to the factors below.

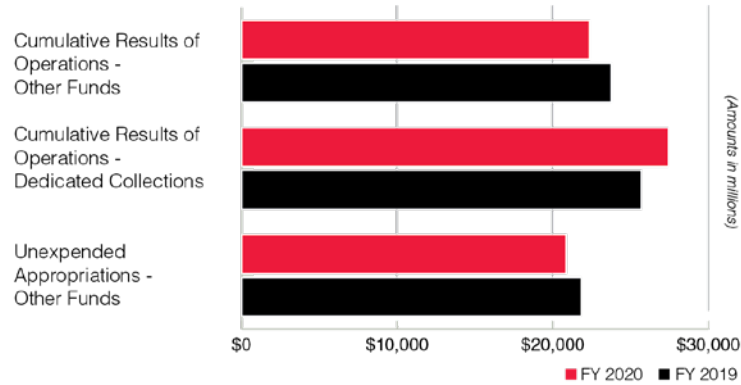
The total net cost of operations increase is mainly due to work performed for FEMA to complete site assessments, construction projects, and staff emergency alternate care facilities across the country in response to the COVID-19 pandemic. Additionally, gross costs increased due to ongoing border infrastructure and construction projects at the Fort Worth District. Furthermore, the Los Angeles District saw increases in gross costs for renovation projects including the Department of Veteran’s Affairs Medical Center and National Nuclear Security Administration Complex.

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 6 shows the three components of the USACE-CW net position for FY 2020 and FY 2019. Total net position amounted to \$70,626 million in FY 2020 and \$71,256 million in FY 2019, a .88% decrease.

FIGURE 6. Net Position

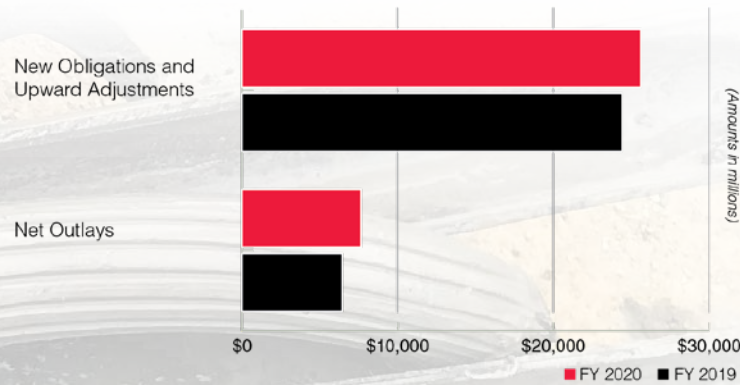


Combined Statement of Budgetary Resources

The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the USACE-CW as of September 30, 2020 and 2019, 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 results 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 7 shows a comparison of new obligations and upward adjustments and net outlays in FY 2020 and FY 2019. New obligations and upward adjustments amounted to \$25,612 million as of September 30, 2020 and \$24,401 million as of September 30, 2019, a 4.96% increase. Net outlays amounted to \$7,633 million as of September 30, 2020 and \$6,444 million as of September 30, 2019, a 18.45% increase. New obligations and upward adjustments increased primarily due to the General Fund and Revolving Fund disbursements for construction and dredging activities during FY 2020.

FIGURE 7. Budgetary Resources





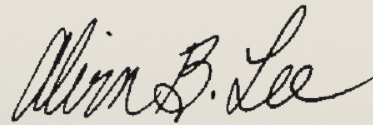
A summer tanager hangs out at Green River Lake.
(USACE photo by Andrea Davis)

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, 2020.

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, 2020 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, 2020.



ALVIN B. LEE, P.E.
Director, 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 are used 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 are used in accordance with the organizational mission
- Financial management systems are in compliance with federal financial systems standards
- Timely, accurate, and reliable data are maintained and used for decision making at all levels



Verifying dimensions of sill timbers for Lock gates. (Photo courtesy of the U.S. Army Corps of Engineers)

The USACE-CW internal control program is designed to ensure full compliance with the goals, objectives, and requirements of FMFIA and the 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 through the use of 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 controls reviews conducted throughout the year. The USACE-CW also has a strong network of management control oversight committees to include the USACE-CW 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 2020 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-CW 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 the database server to the Oracle 12c Database Server in FY 2016.
- Upgraded Oracle WebLogic application server and Oracle Forms and Reports in FY 2018.
- 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 stake-holders.
- 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. The USACE Executive Senior Assessment Team (ESAT), established in FY 2008, is chaired by the Deputy Commanding General and comprised of functional area Senior Executives who provide expert leadership and direction over the *CFO Act* financial statement audit. USACE-CW evaluation for FY 2020 did not identify any material weaknesses as of or subsequent to September 30, 2020.

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-CW has received unmodified audit opinions on its Civil Works financial statements over the past twelve 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 implementing guidance, USACE-CW assessed its programs and activities for susceptibility to significant improper payments. Based on the results of our sampling/audit of FY 2020 *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 2016 through FY 2020:

Fiscal Year End	Number of Material Weaknesses	Number of Significant Deficiencies	Number of Legal Requirements Not in Compliance
2016	1	2	2
2017	2	1	2
2018	2	1	2
2019	2	1	2
2020	2	1	2





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, 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, 2020 and 2019

<i>(Amounts in Thousands)</i>	2020	2019
ASSETS (Note 2)		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	\$ 38,836,698	\$ 38,828,791
Investments (Note 4)	9,322,301	9,433,842
Accounts Receivable (Note 5)	739,850	721,573
Total Intragovernmental Assets	\$ 48,898,849	\$ 48,984,206
Cash and Other Monetary Assets	455	371
Accounts Receivable, Net (Note 5)	2,028,667	2,086,059
Operating Materials and Supplies (Note 6)	37,745	21,311
General Property, Plant and Equipment, Net (Note 7)	31,653,492	31,333,596
Other Assets	32,306	32,396
TOTAL ASSETS	\$ 82,651,514	\$ 82,457,939
Stewardship PP&E (Note 8)		
LIABILITIES (Note 9)		
Intragovernmental:		
Accounts Payable	\$ 65,108	\$ 65,765
Debt	91	324
Due to Treasury – General Fund (Note 11)	2,008,161	2,069,775
Other Liabilities (Notes 11 & 13)	3,018,603	2,360,621
Total Intragovernmental Liabilities	\$ 5,091,963	\$ 4,496,485
Accounts Payable	1,168,945	995,479
Federal Employee and Veterans' Benefits	217,621	239,958
Environmental and Disposal Liabilities (Note 10)	2,084,098	2,019,528
Deferred Credits (Note 11)	1,879,194	1,839,405
Other Liabilities (Notes 11 & 13)	1,583,974	1,611,202
TOTAL LIABILITIES	\$ 12,025,795	\$ 11,202,057
Contingencies (Note 13)		
NET POSITION		
Unexpended Appropriations – Other Funds	\$ 20,853,660	\$ 21,810,586
Cumulative Results of Operations – Dedicated Collections (Note 14)	27,411,467	25,680,159
Cumulative Results of Operations – Other Funds	22,360,592	23,765,137
TOTAL NET POSITION	\$ 70,625,719	\$ 71,255,882
TOTAL LIABILITIES AND NET POSITION	\$ 82,651,514	\$ 82,457,939

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

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2020 and 2019

<i>(Amounts in Thousands)</i>	2020	2019
Program Costs		
Gross Costs (Note 15)	\$ 13,296,331	\$ 12,026,739
Less: Earned Revenue	<u>(4,514,112)</u>	<u>(4,250,306)</u>
Net Cost of Operations	<u>\$ 8,782,219</u>	<u>\$ 7,776,433</u>

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)	2020 Dedicated Collections (Note 14)	2020 Other	2020 Total
UNEXPENDED APPROPRIATIONS			
Beginning Balances	\$ -	\$ 21,810,586	\$ 21,810,586
Budgetary Financing Sources:			
Appropriations received	-	6,054,588	6,054,588
Other adjustments (rescissions, etc.)	-	(3,540)	(3,540)
Appropriations used	-	(7,007,974)	(7,007,974)
Total Budgetary Financing Sources	-	(956,926)	(956,926)
Total Unexpended Appropriations	-	20,853,660	20,853,660
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	\$ 25,680,159	\$ 23,765,137	\$ 49,445,296
Budgetary Financing Sources:			
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	(461)	41,738
Other Financing Sources (Nonexchange):			
Donations and forfeitures of property	-	26	26
Transfers-in/out without reimbursement	-	147,908	147,908
Imputed financing from costs absorbed by others	6,912	263,860	270,772
Other	61,092	(20,688)	40,404
Total Financing Sources	1,687,301	7,421,681	9,108,982
Net Cost of Operations	(44,007)	8,826,226	8,782,219
Net Change	1,731,308	(1,404,545)	326,763
Cumulative Results of Operations	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.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the year ended September 30, 2019

<i>(Amounts in Thousands)</i>	2019 Dedicated Collections (Note 14)	2019 Other	2019 Total
UNEXPENDED APPROPRIATIONS			
Beginning Balances	\$ -	\$ 19,168,739	\$ 19,168,739
Budgetary Financing Sources:			
Appropriations received	-	8,207,815	8,207,815
Other adjustments (rescissions, etc.)	-	(1,767)	(1,767)
Appropriations used	-	(5,564,201)	(5,564,201)
Total Budgetary Financing Sources	<u>-</u>	<u>2,641,847</u>	<u>2,641,847</u>
Total Unexpended Appropriations	-	21,810,586	21,810,586
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balances	\$ 23,576,243	\$ 25,555,747	\$ 49,131,990
Budgetary Financing Sources:			
Appropriations used	-	5,564,201	5,564,201
Nonexchange revenue	1,920,819	20,996	1,941,815
Transfers-in/out without reimbursement	53,652	(3,398)	50,254
Other Financing Sources (Nonexchange):			
Donations and forfeitures of property	-	-	-
Transfers-in/out without reimbursement	-	170,520	170,520
Imputed financing from costs absorbed by others	5,730	323,267	328,997
Other	52,609	(18,657)	33,952
Total Financing Sources	<u>2,032,810</u>	<u>6,056,929</u>	<u>8,089,739</u>
Net Cost of Operations	<u>(71,106)</u>	<u>7,847,539</u>	<u>7,776,433</u>
Net Change	2,103,916	(1,790,610)	313,306
Cumulative Results of Operations	<u>25,680,159</u>	<u>23,765,137</u>	<u>49,445,296</u>
Net Position	<u>\$ 25,680,159</u>	<u>\$ 45,575,723</u>	<u>\$ 71,255,882</u>

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

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2020 and 2019

<i>(Amounts in Thousands)</i>	2020	2019
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 33,330,412	\$ 31,327,086
Appropriations (discretionary and mandatory)	8,449,742	10,954,096
Spending Authority from offsetting collections (discretionary and mandatory)	16,088,394	14,792,143
Total Budgetary Resources	\$ 57,868,548	\$ 57,073,325
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	\$ 25,612,427	\$ 24,400,696
Unobligated balance, end of year		
Apportioned, unexpired accounts	32,217,249	32,687,761
Exempt from Apportionment, unexpired accounts	30,525	42,979
Unapportioned, unexpired accounts	4,316	(64,613)
Unexpired unobligated balance, end of year	32,252,090	32,666,127
Expired unobligated balance, end of year	4,031	6,502
Unobligated balance, end of year (total)	32,256,121	32,672,629
Total Budgetary Resources	\$ 57,868,548	\$ 57,073,325
Outlays, Net, and Disbursements, Net:		
Outlays, net (total) (discretionary and mandatory)	8,438,798	7,259,285
Distributed offsetting receipts (-)	(805,891)	(814,964)
Agency Outlays, net (discretionary and mandatory)	\$ 7,632,907	\$ 6,444,321

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

Revolving Funds

096X4902 Revolving Fund

Special Funds

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

Trust Funds

096X8217	South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund	096X8861	Inland Waterways Trust Fund
096X8333	Coastal Wetlands Restoration 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	096X6501	Small Escrow Amounts
096X6500	Advances Without Orders from Non-Federal Sources	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

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 as a result 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 credits. USACE reduces the deferred credits 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 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.

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 intraentity 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 collectable.

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. As of October 1, 2019, 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 Fiscal Year (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, *Eliminating 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

The Federal Employees and Veterans' Benefits liability consist 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 collectability 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 Departments of Agriculture, Interior, Transportation, Energy and the Appalachian Regional Commission.

NOTE 2. NONENTITY ASSETS

As of September 30	2020	2019
<i>(\$ in thousands)</i>		
Intragovernmental Assets		
Fund Balance with Treasury	\$ 17,535	\$ 31,496
Total Intragovernmental Assets	17,535	31,496
Cash and Other Monetary Assets	455	371
Accounts Receivable	2,008,219	2,070,932
Total Nonfederal Assets	2,008,674	2,071,303
Total Nonentity Assets	2,026,209	2,102,799
Total Entity Assets	80,625,305	80,355,140
Total Assets	\$ 82,651,514	\$ 82,457,939

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.

Nonfederal 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	2020	2019
<i>(\$ in thousands)</i>		
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 32,247,774	\$ 32,730,740
Unavailable	8,347	(58,111)
Obligated Balance not yet Disbursed	13,749,818	12,174,708
Nonbudgetary FBwT	93,441	113,499
Non FBwT Budgetary Accounts	(7,262,682)	(6,132,045)
Total	\$ 38,836,698	\$ 38,828,791

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.

NOTE 4. INVESTMENTS AND RELATED INTEREST

As of September 30	2020					
(\$ in thousands)	Cost	Amortization Method	Amortized (Premium) / Discount	Interest Receivable	Investments, Net	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

As of September 30	2019					
(\$ in thousands)	Cost	Amortization Method	Amortized (Premium) / Discount	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities						
Nonmarketable, Par Value	\$ 1,357,333	Not Applicable	-	-	1,357,333	1,357,333
Nonmarketable, Market-Based	\$ 8,018,251	Effective Interest	41,909	16,349	8,076,509	8,087,361
Total Intragovernmental Securities	\$ 9,375,584		41,909	16,349	9,433,842	9,444,694

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 2020 and FY 2019 are \$9.2 billion and \$9.3 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, 2020 and September 30, 2019, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

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	2019		
(\$ in thousands)	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$ 721,573	\$ N/A	\$ 721,573
Nonfederal Receivables (From the Public)	\$ 2,088,481	\$ (2,422)	\$ 2,086,059
Total Accounts Receivable	\$ 2,810,054	\$ (2,422)	\$ 2,807,632

As of September 30, 2020 and 2019, Accounts Receivable Intragovernmental includes \$532.1 million and \$543.7 million, respectively, for amounts received from the Coastal Wetlands Restoration Trust Fund for projects in the New Orleans District.

As of September 30, 2020 and 2019, 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. OPERATING MATERIALS AND SUPPLIES

As of September 30	2020	2019
(\$ in thousands)		
Operating Materials and Supplies:		
Items Held for Use	\$ 37,745	\$ 21,311
Total	\$ 37,745	\$ 21,311

Operating materials and supplies (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.

As of September 30, 2020 and 2019, there were no differences between the carrying amount and the net realizable value of OM&S. There are no restrictions on the use of OM&S.

NOTE 7. GENERAL PROPERTY, PLANT & EQUIPMENT, NET

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	2019				
(\$ in thousands)	Depreciation/ Amortization Method	Service Life (yrs)	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Land	N/A	N/A	\$ 9,094,235	\$ N/A	\$ 9,094,235
Buildings, Structures, and Facilities	S/L	20 – 100	38,369,593	(19,870,998)	18,498,595
Leasehold Improvements	S/L	Lease term	72,819	(52,442)	20,377
Software	S/L	5	141,361	(130,169)	11,192
General Equipment	S/L	5 – 50	2,258,369	(1,318,749)	939,620
Construction-in-Progress	N/A	N/A	2,769,577	N/A	2,769,577
Total General PP&E			\$ 52,705,954	\$ (21,372,358)	\$ 31,333,596

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

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 represents 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 398 heritage assets in this category which reflects a net increase of 16 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 1,038 archaeological sites in this category which reflects a net increase of 84 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 added a net increase of 15 items to the Museum Collection Items for FY 2020.

Heritage Assets

	As of 10/1/18	Increase	Decrease	As of 9/30/19	Increase	Decrease	As of 9/30/20
Buildings and Structures	395	28	(41)	382	23	(7)	398
Archaeological Sites	942	13	(1)	954	85	(1)	1,038
Museum Collection Items	217	10	(4)	223	15	0	238

Acquisition and Withdrawal of Heritage Assets

USACE had a net increase of 115 heritage assets during FY 2020 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	2020		2019	
(\$ in thousands)				
Intragovernmental Liabilities				
Debt	\$	91	\$	324
Due to Treasury – General Fund		2,008,161		2,069,775
Other		543,744		541,004
Total Intragovernmental Liabilities	\$	2,551,996	\$	2,611,103
Federal Employee and Veterans' Benefits		217,621		239,958
Environmental and Disposal Liabilities		2,084,098		2,019,528
Contingent Liabilities		377,840		384,646
Total Liabilities Not Covered by Budgetary Resources	\$	5,231,555	\$	5,255,235
Total Liabilities Covered by Budgetary Resources	\$	6,794,240	\$	5,946,822
Total Liabilities	\$	12,025,795	\$	11,202,057

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.

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. Refer to Note 11, *Due to Treasury – General Fund and Other Liabilities*, for additional details and disclosures.

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 2020.

NOTE 10. ENVIRONMENTAL AND DISPOSAL LIABILITIES

As of September 30	2020		2019	
(\$ in thousands)				
Formerly Utilized Sites Remedial Action Program (FUSRAP)	\$	2,075,054	\$	2,009,337
Other		9,044		10,191
Total Environmental and Disposal Liabilities	\$	2,084,098	\$	2,019,528

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. Examples of these environmental liabilities are Maywood Chemical Company and Colonie Interim Storage Site which are considered to be government-acknowledged and thus they are 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, 2020 and 2019 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 (\$ in thousands)	2020		
	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury – General Fund	\$ 15,970	\$ 1,992,191	\$ 2,008,161
Advances from Others	2,436,786	-	2,436,786
Deposit Funds and Suspense Account Liabilities	(521)	-	(521)
Disbursing Officer Cash	455	-	455
Judgment Fund Liabilities	508,167	-	508,167
FECA Reimbursement to the Department of Labor	17,003	18,574	35,577
Employer Contribution and Payroll Taxes Payable	38,139	-	38,139
Total Intragovernmental	\$ 3,015,999	\$ 2,010,765	\$ 5,026,764
Accrued Funded Payroll and Benefits	\$ 271,827	\$ -	\$ 271,827
Advances from Others	833,016	-	833,016
Deferred Credits	1,879,194	-	1,879,194
Deposit Funds and Suspense Accounts	18,114	-	18,114
Contract Holdbacks	83,177	-	83,177
Contingent Liabilities	377,840	-	377,840
Total Other Liabilities	\$ 6,479,167	\$ 2,010,765	\$ 8,489,932
As of September 30 (\$ in thousands)	2019		
	Current Liability	Noncurrent Liability	Total
Intragovernmental			
Due to Treasury – General Fund	\$ 18,137	\$ 2,051,638	\$ 2,069,775
Advances from Others	1,791,476	-	1,791,476
Deposit Funds and Suspense Account Liabilities	(172)	-	(172)
Disbursing Officer Cash	371	-	371
Judgment Fund Liabilities	501,403	-	501,403
FECA Reimbursement to the Department of Labor	18,284	21,317	39,601
Employer Contribution and Payroll Taxes Payable	27,942	-	27,942
Total Intragovernmental	\$ 2,357,441	\$ 2,072,955	\$ 4,430,396
Accrued Funded Payroll and Benefits	\$ 184,075	\$ -	\$ 184,075
Advances from Others	929,309	-	929,309
Deferred Credits	1,839,405	-	1,839,405
Deposit Funds and Suspense Accounts	32,653	-	32,653
Contract Holdbacks	80,519	-	80,519
Contingent Liabilities	384,646	-	384,646
Total Other Liabilities	\$ 5,808,048	\$ 2,072,955	\$ 7,881,003

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.

Intragovernmental – Judgment Fund Liabilities – USACE has recognized an unfunded liability arising from *Judgment Fund Contract Disputes Act* (CDA) settlements in accordance with a provision of the CDA requiring agencies to reimburse the Judgment Fund for payments to claimants in cases involving Federal contract disputes. USACE cannot fund the CDA claims since it is funded for projects and does not receive funding for this type of claim. USACE sought supplemental appropriations for payment of CDA claims in FY 2000, FY 2006, and FY 2007, but these requests were not approved. The FY 2020 budget does not provide funding for payment of the CDA claims.

Deferred Credit is income that is received but is not reported until it is earned. 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. Contributed funds are received from the public for construction of assets under local cost sharing agreements.

NOTE 12. LEASES

As of September 30	2020 Asset Category			
(\$ in thousands)	Land and Buildings	Other	Total Federal	Total Nonfederal
USACE as Lessee				
Operating Leases				
Future Payments Due				
Fiscal Year				
2021	88,453	50	85,372	3,131
2022	89,073	22	86,568	2,527
2023	89,641	22	87,780	1,883
2024	89,802	22	89,008	816
2025	90,487	5	90,255	237
After 5 Years	470,763	-	470,585	178
Total Future Lease Payments Due	\$ 918,219	\$ 121	\$ 909,568	\$ 8,772

As of September 2020, 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	2020 Asset Category		
(\$ in thousands)	2020 Easements	Total Federal	Total Nonfederal
USACE as Lessor			
Operating Leases			
Future Projected Receipts			
Fiscal Year			
2021	6,954	101	6,853
2022	6,074	101	5,973
2023	5,246	101	5,145
2024	4,067	101	3,966
2025	3,195	101	3,094
After 5 Years	13,328	-	13,328
Total Future Projected Receipts	\$ 38,864	\$ 505	\$ 38,359

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 Fund and Other Liabilities*, amounts that are paid by the Judgment Fund are recorded as expenses and imputed financing sources.

USACE has a total of 39 cases, as of September 30, 2020, above the materiality threshold of \$4.4 million. The USACE Office of the Chief Counsel has determined that nine cases are probable, 25 cases are reasonably possible, and five 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 \$377.8 million to \$837.1 million and \$384.7 million to \$811.7 million as of September 30, 2020 and 2019, respectively. The 2020 lower range of loss was determined by adding the total amount of probable unfavorable outcome of \$364.6 million to the historical percentage payout of \$13.2 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 \$9.5 billion and \$0 to \$7.0 billion as of September 30, 2020 and 2019, 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 October 2020. 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)

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 and Interest Receivable	532,150	-	6	532,156
Total Intragovernmental Assets	\$ 9,886,496	\$ 1,912,876	\$ 123,016	\$ 11,922,388
Accounts Receivable and Interest Receivable	-	6,125	1,052	7,177
General property, plant, and equipment, net	126,897	290,163	465	417,525
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
Accounts Payable	127	59,431	1,693	61,251
Other Liabilities	-	1,890,883	28	1,890,911
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

(\$ in thousands)

STATEMENT OF CHANGES IN NET POSITION
Year ended September 30

	FY 2020			
	Maintenance Fund	Contributed Fund	Other Funds	Combined Total
Net Position Beginning of the Period	\$ 10,115,027	\$ 245,902	\$ 125,767	\$ 10,486,696
Net Cost of Operations	96,291	(116,582)	29,445	9,154
Nonexchange Revenue	1,565,009	-	11,146	1,576,155
Other Budgetary Financing Sources	(1,576,521)	-	(45,751)	(1,622,272)
Other Financing Sources	42	(116,706)	61,093	(55,571)
Change in Net Position	\$ (107,761)	\$ (124)	\$ (2,957)	\$ (110,842)
Net Position End of Period	\$ 10,007,266	\$ 245,778	\$ 122,810	\$ 10,375,854

(\$ in thousands)

BALANCE SHEET
As of September 30

	FY 2019			
	Maintenance Fund	Contributed Fund	Other Funds	Combined Total
ASSETS				
Intragovernmental:				
Fund Balance with Treasury	\$ 127,370	\$ 1,859,770	\$ 124,245	\$ 2,111,385
Investments	9,319,209	-	-	9,319,209
Accounts Receivable and Interest Receivable	543,740	-	-	543,740
Total Intragovernmental Assets	\$ 9,990,319	\$ 1,859,770	\$ 124,245	\$ 11,974,334
Accounts Receivable and Interest Receivable	-	2,217	1,240	3,457
General property, plant, and equipment, net	130,902	283,908	506	415,316
Total Assets	\$ 10,121,221	\$ 2,145,895	\$ 125,991	\$ 12,393,107
LIABILITIES and NET POSITION				
Intragovernmental:				
Accounts Payable	\$ -	\$ 123	\$ 16	\$ 139
Other Liabilities	6,000	13,413	-	19,413
Total Intragovernmental Liabilities	\$ 6,000	\$ 13,536	\$ 16	\$ 19,552
Accounts Payable	194	39,416	208	39,818
Other Liabilities	-	1,847,041	-	1,847,041
Total Liabilities	\$ 6,194	\$ 1,899,993	\$ 224	\$ 1,906,411
Cumulative Results of Operations	\$ 10,115,027	\$ 245,902	\$ 125,767	\$ 10,486,696
Total Liabilities and Net Position	\$ 10,121,221	\$ 2,145,895	\$ 125,991	\$ 12,393,107

STATEMENT OF NET COST
Year ended September 30

Program Costs	\$ 49,893	\$ 291,202	\$ 16,774	\$ 357,869
Less Earned Revenue	-	(386,655)	-	(386,655)
Net Program Costs	\$ 49,893	\$ (95,453)	\$ 16,774	\$ (28,786)
Net Cost of Operations	\$ 49,893	\$ (95,453)	\$ 16,774	\$ (28,786)

STATEMENT OF CHANGES IN NET POSITION
Year ended September 30

Net Position Beginning of the Period	\$ 10,140,421	\$ 256,069	\$ 128,498	\$ 10,524,988
Net Cost of Operations	49,893	(95,453)	16,774	(28,786)
Nonexchange Revenue	1,901,410	-	18,266	1,919,676
Other Budgetary Financing Sources	(1,876,145)	-	(56,542)	(1,932,687)
Other Financing Sources	(766)	(105,620)	52,319	(54,067)
Change in Net Position	\$ (25,394)	\$ (10,167)	\$ (2,731)	\$ (38,292)
Net Position End of Period	\$ 10,115,027	\$ 245,902	\$ 125,767	\$ 10,486,696

FY 2020 and FY 2019 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	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

Consolidated Net Position	FY 2019		
	Combined	Consolidated Eliminations	Consolidated
<i>(\$ in thousands)</i>			
Cumulative Results of Operations – Dedicated Collections	\$ 10,486,696	\$ 15,193,463	\$ 25,680,159
Cumulative Results of Operations – Other Funds	38,958,600	(15,193,463)	23,765,137
Total Net Position	\$ 49,445,296	\$ -	\$ 49,445,296

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, 2020 and 2019:

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 Federal Power Commission, now known as the Federal Energy Regulatory Commission (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.

Special funds utilize both receipt and expenditure accounts in accounting for and reporting the fund.

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

Year ended September 30	2020		2019	
<i>(\$ in thousands)</i>				
Gross Cost	\$	13,296,331	\$	12,026,739
Less: Earned Revenue		(4,514,112)		(4,250,306)
Net Cost of Operations	\$	8,782,219	\$	7,776,433

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.

The costs incurred from the Federal Emergency Management Agency for COVID-19 related activity is \$733 million, which is part of the Gross Cost. Refer to Note 19, *COVID-19 Activity*, for additional information.

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 2020 and \$2.7 billion during FY 2019 in appropriated trust, contributed, and special fund receipts 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.



NOTE 17. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Year ended September 30	2020	2019
<i>(\$ in thousands)</i>		
Intragovernmental Budgetary Resources Obligated for Undelivered Orders:		
Unpaid	1,279,152	1,338,815
Prepaid/Advanced	335	515
Total Intragovernmental	\$ 1,279,487	\$ 1,339,330
Nonfederal Budgetary Resources Obligated for Undelivered Orders:		
Unpaid	10,769,947	9,437,072
Prepaid/Advanced	32,305	32,396
Total Nonfederal	\$ 10,802,252	\$ 9,469,468
Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ 12,081,739	\$ 10,808,798

Intraentity 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 2020 and FY 2019. 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 2020 has not yet been published. The FY 2022 Budget of the U.S. Government will include actual figures for FY 2020 reporting and can be found on OMB's website early in FY 2021. The following chart is a reconciliation of the FY 2021 Budget of the U.S. Government's actual figures for FY 2019 to the FY 2019 SBR as required by OMB Circular A-136.

Department of Defense
U.S. Army Corps of Engineers – Civil Works
Reconciliation of 2019 SBR to 2021 Budget of the U.S. Government

<i>(in millions of dollars)</i>	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays	
FY 2019 Combined Statement of Budgetary Resources	57,073	24,401	815	7,259	Explanation for reconciling differences
Reconciling Difference	(93)	(50)		10	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	(9)	(3)			Expired funds within 096 3124, 096 3126, and 096 3132 are not included in the Budget of the U.S. Government.
Reconciling Difference	183	183			Adjusting entry required by OMB in FY 2019 related to backdated Treasury documents that was mapped to Budgetary Resources and New Obligations and Upward Adjustments on the SBR and had no impact on the Budget of the U.S. Government.
Reconciling Difference				6	Other Activity.
Total	57,154	24,531	815	7,275	
Budget of the U.S. Government	57,153	24,531	817	7,275	
Difference	(1)	0	2	0	Due to rounding.

NOTE 18. RECONCILIATION OF NET COST TO NET OUTLAYS

Year ended September 30	2020		
	Intragovernmental	With the public	Total
(\$ in thousands)			
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
Year ended September 30	2019		
(\$ in thousands)			
Net Cost of Operations	\$ (1,623,206)	\$ 9,399,639	\$ 7,776,433
Components of Net Cost That are Not Part of Net Outlays:			
Property, plant, and equipment depreciation	\$ -	\$ (658,250)	\$ (658,250)
Property, plant, and equipment disposal & revaluation	-	(1,805)	(1,805)
Other	(24)	(46,514)	(46,538)
Increase/(decrease) in assets:			
Account Receivable	46,906	(11,380)	35,526
Investments	1,559	-	1,559
Other assets	(203)	32,328	32,125
(Increase)/decrease in liabilities:			
Accounts payable	(602,648)	(182,725)	(785,373)
Salaries and benefits	(3,578)	(1,177)	(4,755)
Environmental and disposal liabilities	-	(14,238)	(14,238)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	5,845	(280,422)	(274,577)
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and Imputed to the agency	(284,439)	-	(284,439)
Other imputed financing	(44,558)	-	(44,558)
Total Components of Net Cost That Are Not Part of Net Outlays	\$ (881,140)	\$ (1,164,183)	\$ (2,045,323)
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of capital assets	\$ -	\$ 868,428	\$ 868,428
Acquisition of inventory	7,814	3,967	11,781
Other	(129,684)	(37,314)	(166,998)
Total Components of Net Outlays That Are Not Part of Net Cost	\$ (121,870)	\$ 835,081	\$ 713,211
Net Outlays	\$ (2,626,216)	\$ 9,070,537	\$ 6,444,321

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, and Economic Security (CARES) Act, 2020* (Public Law 116-136) in both, the O&M and Expenses, (E) appropriations. In the O&M appropriation, USACE received \$50 million in funding to carry out its emergency relief operation efforts related to COVID-19. As of September 30, 2020, USACE has obligated \$19 million of the \$50 million. In the E appropriation, USACE received \$20 million in funding to support remote access, telework, and leave requirements related. As of September 30, 2020, USACE has obligated \$8 million of the \$20 million.

In addition to direct funding received from the *CARES Act*, USACE received \$1.344 billion in reimbursable customer orders from the Federal Emergency Management Agency (FEMA) for the assessment and construction of Alternate Care Facilities (ACF). During the onset of COVID-19, these facilities were set up across the nation in order to supplement hospital capacity. These ACFs were designed to supplement a shortage of regular hospital beds and Intensive Care Units. As of September 30, 2020, USACE has obligated \$784 million of the \$1.344 billion in reimbursable orders it has received.



FY 2020 REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Real Property Deferred Maintenance and Repair For Fiscal Year Ended September 30, 2020 (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	\$4,644	1.74%
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 2020 was \$4,644 million for Other Structures. The beginning balance for DM&R was \$7,855 for FY 2020. Assets contained in category one above include 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 decreased this fiscal year due to increased funding in recent fiscal years and a focus on the most critical needs derived from a better evaluation of risk and 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 – Civil Works 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, 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	<u>\$ 213,248</u>	<u>\$ 61,184</u>	<u>\$ 2,110,644</u>	<u>\$ 8</u>
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)	<u>\$ 38,403</u>	<u>\$ 35,181</u>	<u>\$ 339,467</u>	<u>\$ 4</u>
Total Budgetary Resources	<u>\$ 213,248</u>	<u>\$ 61,184</u>	<u>\$ 2,110,644</u>	<u>\$ 8</u>
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)	<u>\$ 160,671</u>	<u>\$ (34,309)</u>	<u>\$ 1,712,031</u>	<u>\$ (234)</u>

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2020

<i>\$ in thousands</i>	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, and Disbursements, 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

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2019

\$ in thousands	FUSRAP	Special Funds	Trust Funds	Borrowing Authority
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 7,135	\$ 33,790	\$ 338,848	\$ 4
Appropriations (discretionary and mandatory)	150,000	23,732	2,013,525	-
Spending Authority from offsetting collections (discretionary and mandatory)	13,365	-	-	12
Total Budgetary Resources	<u>\$ 170,500</u>	<u>\$ 57,522</u>	<u>\$ 2,352,373</u>	<u>\$ 16</u>
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	\$ 164,854	\$ 29,551	\$ 1,973,144	\$ 12
Unobligated balance, end of year				
Apportioned, unexpired accounts	5,646	27,982	379,229	-
Exempt from Apportionment, unexpired accounts	-	-	-	4
Unapportioned, unexpired accounts	-	(11)	-	-
Unexpired unobligated balance, end of year	5,646	27,971	379,229	4
Expired unobligated balance, end of year	-	-	-	-
Unobligated balance, end of year (total)	<u>\$ 5,646</u>	<u>\$ 27,971</u>	<u>\$ 379,229</u>	<u>\$ 4</u>
Total Budgetary Resources	<u>\$ 170,500</u>	<u>\$ 57,522</u>	<u>\$ 2,352,373</u>	<u>\$ 16</u>
Outlays, Net, and Disbursements, Net:				
Outlays, net (total) (discretionary and mandatory)	\$ 134,129	\$ 16,983	\$ 1,997,561	\$ (235)
Distributed offsetting receipts (-)	-	(53,880)	-	-
Agency Outlays, net (discretionary and mandatory)	<u>\$ 134,129</u>	<u>\$ (36,897)</u>	<u>\$ 1,997,561</u>	<u>\$ (235)</u>

DISAGGREGATED SCHEDULE OF BUDGETARY RESOURCES BY MAJOR FUND – UNAUDITED

For the Year Ended September 30, 2019

<i>\$ in thousands</i>	Revolving Funds	Contributed Funds	General Funds	2019 Combined
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 968,978	\$ 1,058,667	\$ 28,919,664	\$ 31,327,086
Appropriations (discretionary and mandatory)	-	650,162	8,116,677	10,954,096
Spending Authority from offsetting collections (discretionary and mandatory)	8,896,239	(19)	5,882,546	14,792,143
Total Budgetary Resources	<u>\$ 9,865,217</u>	<u>\$ 1,708,810</u>	<u>\$ 42,918,887</u>	<u>\$ 57,073,325</u>
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	\$ 8,922,055	\$ 481,505	\$ 12,829,575	\$ 24,400,696
Unobligated balance, end of year				
Apportioned, unexpired accounts	943,162	1,227,305	30,104,437	32,687,761
Exempt from Apportionment, unexpired accounts	-	-	42,975	42,979
Unapportioned, unexpired accounts	-	-	(64,602)	(64,613)
Unexpired unobligated balance, end of year	943,162	1,227,305	30,082,810	32,666,127
Expired unobligated balance, end of year	-	-	6,502	6,502
Unobligated balance, end of year (total)	<u>\$ 943,162</u>	<u>\$ 1,227,305</u>	<u>\$ 30,089,312</u>	<u>\$ 32,672,629</u>
Total Budgetary Resources	<u>\$ 9,865,217</u>	<u>\$ 1,708,810</u>	<u>\$ 42,918,887</u>	<u>\$ 57,073,325</u>
Outlays, Net, and Disbursements, Net:				
Outlays, net (total) (discretionary and mandatory)	\$ (93,955)	\$ 387,202	\$ 4,817,600	\$ 7,259,285
Distributed offsetting receipts (-)	-	(648,690)	(112,394)	(814,964)
Agency Outlays, net (discretionary and mandatory)	<u>\$ (93,955)</u>	<u>\$ (261,488)</u>	<u>\$ 4,705,206</u>	<u>\$ 6,444,321</u>

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

November 10, 2020

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

SUBJECT: Transmittal of the Independent Auditors’ Report on the U.S. Army Corps of
Engineers–Civil Works Financial Statements and Related Notes for FY 2020 and
FY 2019 (Project No. D2020-D000FI-0048.000, Report No. DODIG-2021-011)

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, 2020, and 2019. The contract required KPMG to provide a report on internal control over financial reporting and compliance with laws and other matters, and to report on whether 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, Updated April 2020. KPMG’s Independent Auditors’ 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, 2020, and 2019, 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 describes the following material weaknesses.

- USACE-Civil Works did not have adequate controls to prevent improper recording of journal vouchers; review the environmental and disposal liabilities estimation methodology; or determine whether information used in the accounts payable estimate was complete and accurate.
- USACE-Civil Works did not have adequate controls to reconcile assets in the general ledger system and the property management system. In addition, USACE-Civil Works did not perform complete and timely reviews or adjust the financial system in a timely manner for Construction-in-Progress and other Property, Plant, and Equipment assets.

KPMG's report also discusses two instances of noncompliance with 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 and the Federal Managers' Financial Integrity Act.

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 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 2020 and FY 2019 Financial Statements and related notes. Furthermore, we do not express conclusions on the effectiveness of internal control over financial reporting, on whether USACE's financial systems substantially complied with Federal Financial Management Improvement Act of 1996 requirements, or on compliance with laws and other matters. Our review disclosed no instances where KPMG did not comply, in all material respects, with GAGAS. KPMG is responsible for the attached November 10, 2020, report, and the conclusions expressed within the report.

* 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.

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



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, 2020 and 2019, and the related consolidated statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (herein referred to as “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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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, 2020 and 2019, and its net costs, changes in net position, and budgetary resources, for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

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, 2020, 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 weaknesses 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 2020 United States Army Corps of Engineers Annual Financial Report*.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the 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, 2020, 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 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. 19-03, 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 U.S. 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 10, 2020

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Material Weaknesses
September 30, 2020

A. Deficiencies in Non-Transactional Based Controls

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

The deficiencies noted during the performance of our Fiscal Year (FY) 2020 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 was not operating effectively to prevent the improper recording of DDRS journal vouchers.

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 Corps of Engineers Financial Management System (CEFMS) manual journal vouchers was not properly implemented to prevent the improper recording of CEFMS journal vouchers in the financial system, as required by the Government Accountability Office's *Standards for Internal Controls in the Federal Government* (Green Book), principle 10, and could result in misstatements in the financial statements. Specifically, this principle provides guidance on designing control activities responsive to risks. We noted one journal voucher that was inaccurately recorded in CEFMS.

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. Further, management's review did not include a retrospective review to determine if the estimation methodology warrants revision.

The USACE – Civil Works estimates a portion of the year-end accounts payable balance. The USACE – Civil Works' control over the design and review of the accounts payable estimation process was not fully effective. Specifically, the report used in the performance of the control was neither complete nor accurate as we noted the inclusion of duplicate transactions as well as the exclusion of transactions that should have been included on the report. Further, the review and approval threshold established by management was not sufficient 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); (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 "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 methodology to determine whether the controls still operate at an appropriate level of precision to prevent, or detect and correct, potential misstatements or warrant revision.

Management Response

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

Exhibit I, continued**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 \$2.9B of Construction-in-Progress (CIP).

During our FY 2020 audit, controls were not operating effectively to achieve objectives and respond to risks, as required by the Government Accountability Office's *Standards for Internal Controls in the Federal Government* (Green Book) principle 12, Implement Control Activities. Specifically, management's control over the classification of work items used during the construction of new assets failed to detect work items improperly classified as capital assets or non-assets. In addition, management did not perform a complete, thorough and timely review over the construction of new assets as certain projects were not placed in service timely.

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

In addition, management did not adjust the financial system in a timely manner for: (1) completed projects that should have been placed in service within 90 days of completion; (2) an asset that should have been disposed of within 90 days of determining that it no longer served its intended purpose; (3) costs that did not meet the capitalization criteria and should have been expensed; (4) new assets that were not placed in service in accordance with established policies; and (5) assets that were assigned improper useful lives, and thus are being depreciated incorrectly.

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) 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); (3) management did not adequately monitor the operating effectiveness of its 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. 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.
3. 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 has taken corrective action to cure the material weakness.

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Significant Deficiency
September 30, 2020

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 Controls in the Federal Government* (Green Book), principles 11 and 13. These deficiencies in information technology controls existed in the prior year and while the USACE – Civil Works has taken corrective action, these efforts have not been fully effective to remediate all of the identified issues. These conditions could adversely affect the USACE – Civil Works' ability to prevent and detect erroneous or unauthorized changes to financial information, 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 should strengthen access controls at the database level, as management did not consistently implement a control for reviewing server level logs for sensitive or suspicious activity. As a result, there was an instance where management did not properly perform a database audit log review. The failure to perform appropriate audit log reviews leads to an increased risk that financial data could be modified inappropriately without management's awareness, which could have an adverse impact on the availability and integrity of data.

The USACE – Civil Works did not implement an effective control over the removal of users' system access once an individual has transferred or separated from the organization. Specifically, management neither established a timeframe nor communicated protocols for when system access should be removed once an employee separates or changes positions. As a result, the risk exists that an unauthorized individual may be able to gain access to the system. In addition, password settings for the USACE managed databases supporting the general ledger application did not comply with Army Password Standards. The aforementioned conditions may have an adverse effect on both, the availability of the general ledger system and the accuracy and integrity of its data.

These recurring deficiencies in the implementation and operating effectiveness of access controls were 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 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 information technology controls on other control activities (Green Book principle 7); and (3) management did not design and implement controls to remediate deficiencies in information technology internal controls in a timely manner (Green Book principle 17).

Recommendations

We recommend the USACE – Civil Works' management:

1. Reinforce adherence to established audit logging procedures to ensure the timely response to potential instances of inappropriate activity.
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. Consider recommendations provided in Notices of Findings and Recommendations and initiate corrective action plans promptly.

Management Response

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

UNITED STATES ARMY CORPS OF ENGINEERS – CIVIL WORKS
Summary of Noncompliance
September 30, 2020

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.

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 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 Controls 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 require 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. Develop and implement more thorough test plans and perform a sufficient evaluation of internal controls for each of the Green Book principles and components.
3. Correct posting logic deficiencies and system limitations that require manual adjustments and reclassifications and overall result in FMFIA non-compliance.

Management Response

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

Exhibit III, continued**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 (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 Office of Management and Budget Circular No. A – 136, *Financial Reporting Requirements*.

Recommendation

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

Management Response

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





FY 2020 UNITED STATES ARMY CORPS OF ENGINEERS AGENCY FINANCIAL REPORT COVER CAPTIONS

1. Volcano system training using a UH-60 Blackhawk (U.S. Army photo by Sgt. Sarah Sangster)
2. Soldiers perform an airborne operations jump from UH-60 Black Hawk helicopters (U.S. Army photo by Master Sgt. Michel Sauret)
3. Green Berets move to load onto a helicopter for extraction during a training event (Photo courtesy of the U.S. Army)
4. A U.S. Army Soldier hugs his daughter before taking off for a deployment (U.S. Air National Guard photo by Master Sgt. Matt Hecht)
5. An Army National Guardsman helps distribute boxes of produce and canned goods at a food pantry for those experiencing food insecurity during the COVID-19 pandemic (U.S. Army photo by Army 1st Lt. Kyle Kilner)
6. Removing gear following a specific procedure to ensure there are no biohazard risks as part of a clean team training (U.S. Army photo by Sgt. Sarah D. Sangster)
7. (Photo courtesy of the U.S. Army)
8. An M88 Recovery Vehicle commander communicates via radio (U.S. Army photo by Gertrud Zach)
9. A flight engineer takes in his 'office' view from the ramp of his CH-47 Chinook (U.S. Army photo by Maj. Robert Fellingham)
10. U.S. Army paratroopers wait to board an aircraft prior to an airborne operation (U.S. Army photo by Spc. Ryan Lucas)

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

DEPARTMENT OF THE ARMY

Office of the Deputy Assistant Secretary of the Army
 (Financial Management and Comptroller)
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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.