

Department of Defense

AGENCY FINANCIAL REPORT FOR FISCAL YEAR 2009

November 16, 2009



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FOREWORD

The Department of Defense *Agency Financial Report* (AFR) for Fiscal Year 2009 provides an overview of the Department's financial information and performance goals and objectives. It also describes our priorities in response to challenges encountered in defense of our nation.

For FY 2009, the Department has chosen to produce the *Agency Financial Report* as an alternative to the *Performance and Accountability Report* (PAR). The alternative report is intended to simplify and summarize information to increase transparency while utilizing the Internet for providing additional details. The Department's FY 2009 reporting consist of three components:

- **Agency Financial Report –**
Published November 16, 2009
- **Annual Performance Report –**
Published by February 1, 2010
- **Summary of Performance and Financial Information –**
Published by February 15, 2010

All three reports will be available at the Comptroller's website: <http://www.defenselink.mil/comptroller/reports.html>

We welcome your feedback regarding the content of this report. To comment or to request copies of the report, please e-mail us at DoDAFR@osd.mil, or write to:

**U.S. Department of Defense
Office of the Under Secretary of Defense (OUSD)
(Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100**



Agency Financial Report (AFR)

The AFR consists of the *Management's Discussion and Analysis* that provides executive-level information on the Department's history, mission, organization, key performance activities, analysis of the financial statements, controls and legal compliance and other challenges facing the Department.

Additional information is available in Addendum A, Financial Section, Addendum B, Other Accompanying Information, and Addendum C, Defense Security Cooperation Agency of the AFR.

Annual Performance Report (APR)

The APR will be included in the Congressional Budget Justification and will provide the detailed performance information and description of results by performance measures.

Summary of Performance and Financial Information

This document will summarize the Department's financial and performance information from the AFR and APR, making the information more transparent and accessible to Congress, the public, and other key constituents.

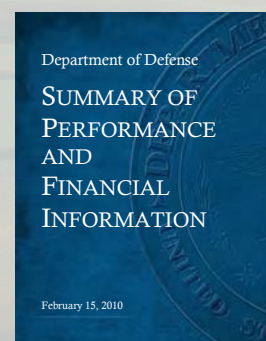
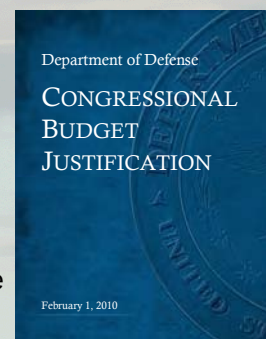
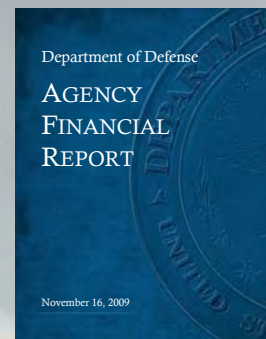


Table of Contents

Message from the Deputy Secretary of Defense	1
Message from the Chief Financial Officer	2
Management's Discussion and Analysis	
Mission, Fiscal Year 2009 Overview, and Organization	3
Program Performance Overview	11
Financial Performance Overview	17
Management Assurances	24
Other Management Information and Initiatives	30
Appendix A: Glossary	33
Appendix B: Useful Web Sites for Relevant Information	34
Addendum A – Financial Information	
Independent Auditor's Report	1
Principal Financial Statements and Notes	12
Required Supplementary Stewardship Information	79
Required Supplementary Information	82
Addendum B – Other Accompanying Information	
Inspector General's Summary of Management and Performance Challenges, and Management's Responses to Inspector General's Challenges.....	1
Management Assurances and Financial Statement Material Weaknesses	26
Improper Payments Information Act Reporting	69
Addendum C – Defense Security Cooperation Agency	
Principal Financial Statements and Notes	1

Message from the Deputy Secretary of Defense

Fiscal Year 2009 represented an active year for the United States military. The President announced a plan for a responsible drawdown in Iraq. The Department of Defense (DoD) is executing this drawdown while also continuing to accomplish the many military tasks associated with Operation Iraqi Freedom. The President also announced an increase in the allied troop commitment in Afghanistan. Most of the added troops were in place by the end of the year. DoD continues to engage aggressively in Operation Enduring Freedom in Afghanistan, with the critical goal of stopping our enemies before they can again attack our homeland.



While pursuing our wartime objectives, DoD also formulated a plan to reshape the United States military. The details of that plan were submitted with the DoD budget for Fiscal Year 2010. That budget established three principal objectives:

- Reaffirm our commitment to take care of the all-volunteer force, which – as the Secretary of Defense often says – represents America's greatest strategic asset;
- Rebalance the Department's programs to fight effectively in the wars the United States is in today and those we are most likely to face in the years ahead, while providing a hedge against other risks and contingencies; and
- Reform what the Department buys and how we buy it. Achieving this objective requires a thorough overhaul of our acquisition and contracting processes.

Achieving these far-reaching goals requires resources. During Fiscal Year 2009, the DoD budget amounted to \$666 billion in enacted budget authority, including \$513 billion for the base budget and another \$146 billion in supplemental funding to support wartime operations. The DoD also received approximately \$7 billion in funding under the American Recovery and Reinvestment Act and is working hard to invest these funds wisely, but also quickly, to stimulate the U.S. economy.

The DoD must ensure that it uses these substantial resources carefully and effectively. This Agency Financial Report provides an accounting for DoD's use of public funds during Fiscal Year 2009. I am pleased to report that, as this report indicates, the Department is fully committed to proper accounting, reporting, and accountability for all its resources.

A handwritten signature in black ink, which appears to read "W. J. Lynn". The signature is stylized and fluid.

William J. Lynn

Deputy Secretary of Defense

November 16, 2009

Message from the Chief Financial Officer

I am pleased to present the Agency Financial Report for the Department of Defense (DoD). This report documents DoD's use of approximately \$666 billion of budget authority appropriated to the Department during Fiscal Year 2009. These resources permitted us to fight two wars and support and sustain the best-trained and best-equipped military in the world.

As the Chief Financial Officer (CFO) for DoD, I am committed to the efficient use of these resources. During the past fiscal year, DoD announced plans to pursue important efficiencies in its operations, including in-sourcing of civilian positions. The Department also carefully reviewed its acquisition programs and announced the termination of a number of weapon systems. Some of these weapons (such as the VH-71 Presidential helicopter) had become too expensive because of growth in requirements; others had reached their planned buys (as in the case of the F-22 aircraft).

During the past fiscal year DoD also took an important step toward meeting the President's goals of transparency and accountability. For the first time DoD submitted its best estimate of all the needed wartime resources along with the base budget for Fiscal Year 2010, rather than requesting wartime funding piecemeal in emergency supplementals. We are committed to ending the planned use of supplemental budget requests, though we will request supplemental funding to meet emergency requirements.

I am also committed to improving the Department's financial information and achieving audit readiness. DoD has made progress toward audit readiness in recent years. However, many of the most difficult problems remain, and the Department has not created a focused plan that offered a realistic chance of success in a reasonable period of time. After careful review, I have decided to implement a new strategy. DoD will focus on improving information and achieving audit readiness in those areas where we most use the information to manage, including the Statement of Budgetary Resources and the existence and completeness of weapons and other items. DoD is currently working to devise specific plans to carry out this new strategy.

This report supports the Department's participation in the Office of Management and Budget pilot financial reporting initiative for all federal agencies and contains the most complete financial information available.

As the DoD CFO, I remain fully committed to justifying and obtaining the resources necessary to meet our nation's security requirements while also continuing to act as a good steward of the public's money.



Robert F. Hale

Robert F. Hale
Under Secretary of Defense (Comptroller)
and Chief Financial Officer

November 16, 2009

Management's Discussion and Analysis

MISSION, FISCAL YEAR 2009 OVERVIEW, AND ORGANIZATIONAL STRUCTURE

Mission

The mission of the Department of Defense (DoD) is to provide the military forces needed to deter war and to protect the security of our country. One of the core responsibilities of the U.S. government is to protect the life and liberty of the American people or, as phrased in the Constitution, to "provide for the common defense." Today's Department of Defense plays a critical role in defending and advancing the safety and security of American citizens and interests. Whether in a period of peace or war, the U.S. Armed Forces have prepared for the unexpected, deterred aggression, responded to attack, rebuilt nations emerging from the ravages of conflict, and helped to create and maintain a stable and resilient international system.

Fiscal Year 2009 Overview

The DoD is committed to executing our mission and responding to 21st Century national security requirements. In Fiscal Year (FY) 2009, the Department carried out its mission in many ways. We continued to engage in Operation Iraqi Freedom (OIF) military operations while executing a substantial portion of our responsible troop withdrawal from Iraq. In FY 2009, Counter-Insurgency Operations (COIN) brigade combat teams (BCTs) in Iraq decreased from 14 to 12. Since the President announced the responsible withdrawal in May 2009, the Department saved \$554 million in contractor costs, transferred 20,000 units of equipment to Afghanistan, and returned 10 percent of total OIF equipment to the U.S. The FY 2010 plans reflect the President's decision to decrease force levels to six Advisory and Assistance Brigades by August 31, 2010.

While performing mission requirements in Iraq, we also increased our efforts in Operation Enduring Freedom (OEF) in Afghanistan. In FY 2009, we executed the President's decision to increase force levels from three to six BCTs with a Marine Expeditionary Brigade, a Stryker BCT, an Afghan Security Force training BCT, and additional supporting forces and capabilities. The additional 33,000 troops were critical in training Afghan Security Forces, bolstering International Security Assistance Force security in Regional Command East, retaking Helmand Province, and increasing security in Kandahar.

While continuing to support OIF and OEF, the Department conducted numerous other military operations, including humanitarian efforts and relief operations throughout the world. For example, DoD provided disaster relief efforts in Taiwan, including supplies and airlift support, in response to the devastation caused by typhoon Marokot. In addition DoD provided humanitarian assistance, including building basic infrastructure, such as schools and roads, basic medical relief, and projects that enable host nations to prepare for disasters in as many as 80 countries.

The Department depends on the Military Services to execute operations and in FY 2009 the Department took a number of steps to strengthen the Military Services. In FY 2009, the Army and Marine Corps successfully achieved their "grow the force" active military goals of 547,400 and 202,000 enlisted, respectively, more than two years ahead of schedule. The successful effort will allow the Army and Marine Corps to reduce the stress on their forces and will ultimately result in military members spending less time deployed. The Department also continued the growth of the special operations force level by over 5,000 military personnel. In addition to "growing the force," the Department created an additional regional command. The Africa Command (AFRICOM) was established on October 1, 2008, the first day of FY 2009. This command will greatly enhance the nation's focus on outreach and counterterrorism efforts in Africa.

Department of Defense Agency Financial Report for FY 2009

To carry out its key missions, the Department maintained focus and commitment to take care of its people: the all-volunteer military force, including the wounded Service members, military families, and civilians. Both military and civilian personnel received a 3.9 percent pay raise. The basic allowances for military housing and subsistence increased an average of 5.9 percent and 10.0 percent, respectively, to ensure that military families could cover increased costs. In recognition of the needs of our wounded warriors, the Department improved military health care facilities through funding initiatives such as warrior transition units. In addition, healthcare was provided for 9.3 million eligible beneficiaries in 59 inpatient medical facilities, more than 800 medical and dental clinics, as well as private sector care through the TRICARE program. To address the needs of military families, DoD invested in family support efforts such as childcare centers, schools, and youth programs.

The Department invested in new weapon system platforms and capabilities such as unmanned aerial vehicles, mine resistance ambush protected vehicles, and precision guided munitions to improve the nation's ability to combat unconventional threats. While investing in new weapon systems, the Department focused on aligning acquisitions to operational demands and requirements.

The Department implemented plans to improve acquisition effectiveness. We are committed to pursuing a number of acquisition excellence initiatives that address contracting and contract management issues, to include contracting in an expeditionary environment, addressing the Government Accountability Office's (GAO) high-risk area of interagency contracting, growing the contracting workforce, and increasing DoD organic acquisition management capability.

In addition to acquisition improvements, the Department continues to make improvements in financial management and audit readiness. The DoD established plans to improve business practices and internal controls to enhance visibility and accountability of its resources. The Department strengthened the business environment within the operational theater to increase effectiveness in terms of responsive mission support and better control over resources. To accomplish this, the Department formed a cross-functional team of senior leaders to ensure that the people, processes, and systems were in place at appropriate levels to provide management visibility and assurance over controls. The underlying goal is to provide support for improved mission effectiveness, enhanced personnel safety/security, reduced likelihood of loss of funds or erroneous payments, less rework, and better cost visibility and control. By applying lessons learned from prior theater experience, the Department hopes to develop an enhanced capability for future contingencies and theater operations.

In FY 2009, the Department established plans for continued management reform organized around high-priority performance goals. These plans will:

- Increase energy efficiencies
- Reform the personnel security clearance process
- Execute Virtual Lifetime Electronic Record (VLER) milestones
- Streamline the hiring process
- Spend American Recovery and Reinvestment Act (ARRA) funds quickly and effectively
- Provide effective business operations and ensure logistics support to Overseas Contingency Operations (OCO)
- Increase the audit readiness of individual DoD components
- Reform the DoD acquisition process
- Enhance the security cooperation workforce

Department of Defense Agency Financial Report for FY 2009

In summary, during FY 2009, the Secretary emphasized the strategic priorities of taking care of our people; reshaping and modernizing the force; reforming how the Department buys equipment and services; and supporting the troops in the field.

Resources

The DoD requires resources (personnel, facilities and infrastructure, and budget authority) to carry out key missions and execute management reforms. The strategic placement of our personnel, installations, and facilities are key for protecting our homeland and national resources. These resources have never been more important than they are today as the U.S. fights terrorists who plan and carry out attacks on our facilities and our people.

Our workforce consists of over 3 million employees, both afloat and ashore, deployed throughout the world to meet mission requirements. Nearly half of the Department's workforce is comprised of men and women on Active Duty. To provide Americans with the highest level of national security, the Department consists of 1,462,170 men and women on Active Duty, 846,788 in the Reserve and National Guard, and 935,768 civilians (Figure 1-1).

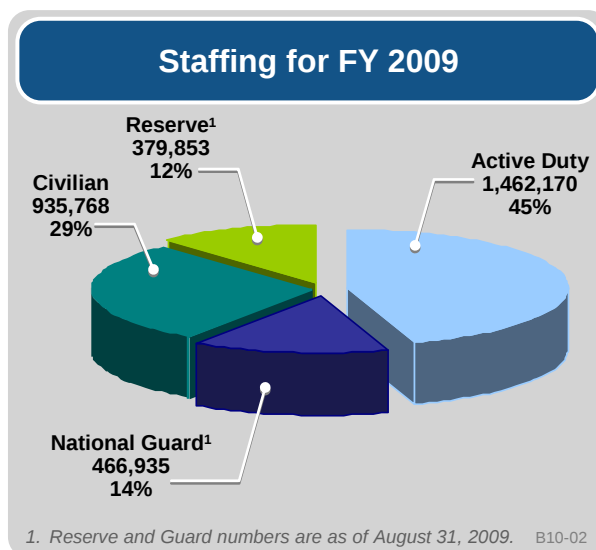
During FY 2009 approximately 140,000 Reserve Component members were mobilized at any given time. The men and women of the Reserve and National Guard provided security and assistance in both the Iraq and Afghanistan theaters, maintained aircraft in the Horn of Africa, and conducted medical outreach in South America, to name a few of their many missions. The skills and capabilities the Reserve component members possess match current and anticipated DoD requirements, thereby reducing the stress, while increasing the capacity, of the Total Force.

In FY 2009, for the first time in the 35 year history of today's all volunteer military, every Service and all Components (Active and Reserve) met or exceeded not only the aggressive numerical goals that had been set for new recruits, but also rigid quality goals for these recruits including education and aptitude. The Nation may be proud of these achievements, as well as the commitment of Service members and their families, as reflected in record high retention rates.

Throughout FY 2009, the civilian workforce continued to play a critical role in supporting the accomplishment of the Department's mission. In FY 2009, we witnessed their voluntary and enthusiastic participation in new and challenging roles, especially in support of the Department's OCO. Their resounding answer to the Secretary's call to serve resulted in over 4,000 DoD deployed civilians contributing to Department missions in Iraq and Afghanistan. The newly established Civilian Expeditionary Workforce Program has added to this effort by deploying volunteers in career fields as far-reaching as intelligence, public affairs, policy development, and logistics. The remarkable people who comprise the Department's civilian and military team are our greatest asset in providing a strong and agile national security response.

The Department's worldwide infrastructure includes nearly 539,000 facilities (buildings and structures) located at more than 5,500 sites around the world, on more than 29 million acres. These sites vary greatly in size. They range from the very small (unoccupied sites supporting a single navigational aid that sits on less than one-half acre of land) to the vast and immense,

Figure 1-1



such as the Army's White Sands Missile Range in New Mexico with over 3.6 million acres, or the Navy's large complex of installations in Norfolk, Virginia. To protect the security of the U.S., the Department operates approximately 11,500 aircraft and 600 ships, including submarines, aircraft carriers, and support ships.

To support our mission requirements, the Department continues to focus on investing its financial resources effectively to meet the needs of the warfighter and the ever-changing battlefield. We continue to invest in weapon systems and capabilities to counter 21st Century threats, support the workforce, and accomplish mission requirements and objectives. During FY 2009, the DoD's enacted budget authority amounted to \$666 billion. The composition of the budget authority is depicted in Figure 1-2.

The OCO resources enable the Department to support and to fund efforts in Afghanistan, Iraq, Pakistan, and other areas around the globe. In Iraq, the Department began the responsible drawdown of forces, building on Iraq's improved security gains. In Afghanistan, U.S. forces increased in FY 2009 to address the increased violence. U.S. troops continue to work with Afghan Security Forces and international partners to build a country that will not be a safe haven for terrorists.

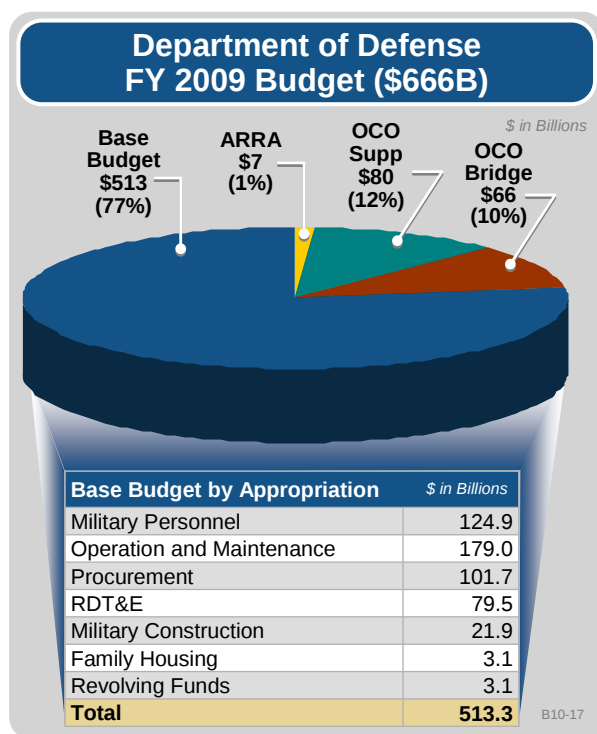
The Department's funding levels ensured the nation could meet all national security objectives. Funding enabled the Department to maintain the readiness to conduct the missions abroad and a full spectrum of training, combat training center rotations and recruiting and retention efforts. Modernization and recapitalization of equipment that greatly improved combat capabilities focused on today's threats. These new capabilities included procurement and development of such platforms as the fifth generation Joint Strike Fighter aircraft; the Littoral Combat Ship; unmanned aerial vehicles such as Global Hawk, Reaper and Predators; new generation ground vehicles such as the Stryker; communications, navigation, missile warning, space situational awareness and environmental monitoring satellites; and missile defense systems.

Fiscal Year 2009 resources funded the construction and maintenance of additional modernized, government-owned housing. Housing units to support the Army and Marine Corps' growth in ground forces were constructed. Additional wounded warrior facilities were built and schools and other medical facilities were recapitalized. FY 2009 funded the operation of 254 commissary stores and education for over 87,000 students in 192 schools.

The Base Realignment and Closure (BRAC) initiative continued with \$9 billion in funding in order to keep the Department on track to meet its 2011 completion date. Contracts were awarded and work began on the planned 24 realignments and 24 base closures.

To ensure the security of the U.S., the Department remains dedicated to obtaining the required resources and making the best use of them. Taking care of our people, reshaping and modernizing the force, and supporting our troops in the field also remains a high priority for the Department, which is committed to ensuring that these funds are used carefully and effectively.

Figure 1-2



Organization

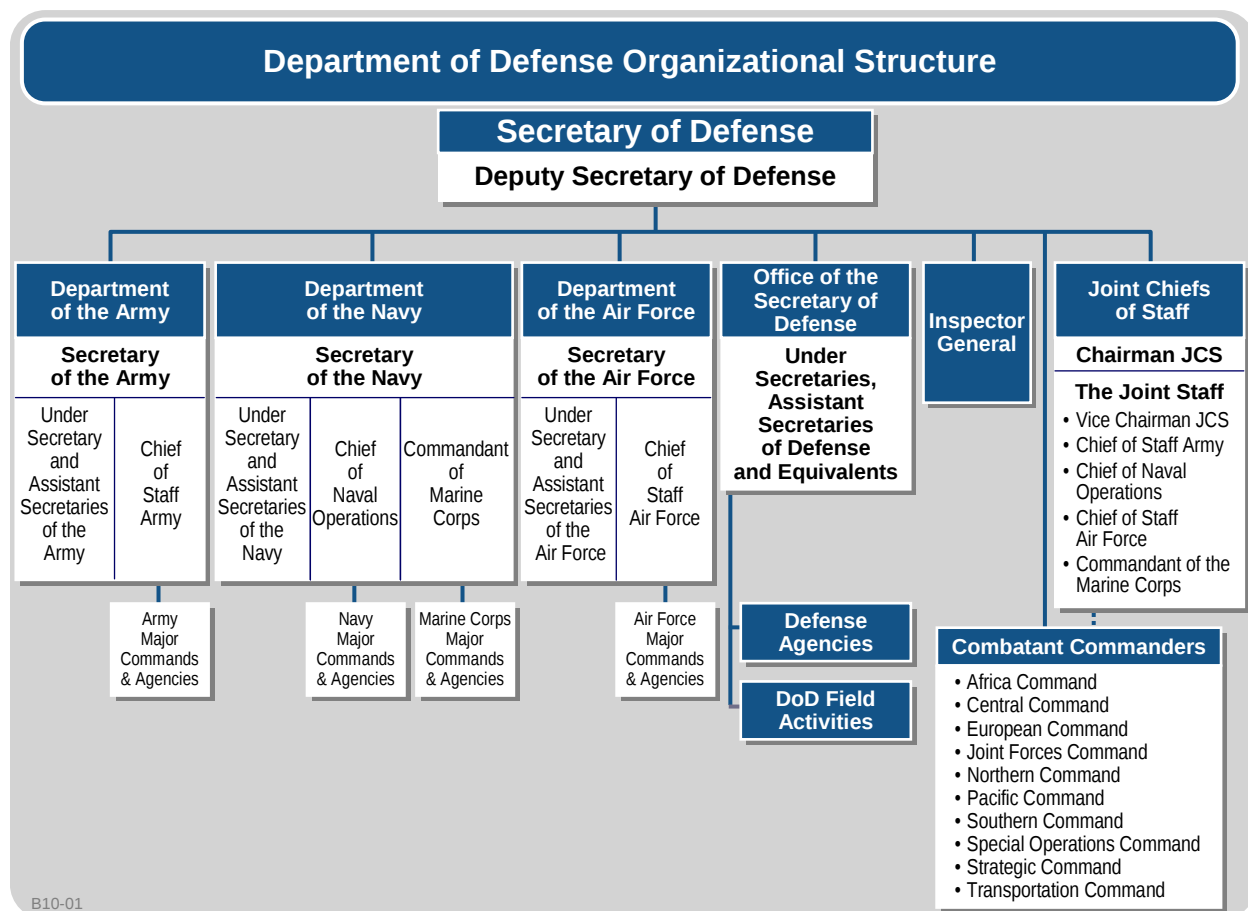
The Department must be effectively structured to make best use of its resources. Since the creation of the Continental Army in 1775, the U.S. military has evolved to become a global presence. The DoD was created by the National Security Act of 1947 by combining the Department of War and the Department of the Navy and was called the National Military Establishment; it became the DoD when the act was amended in 1949. Under the act, the Secretary of Defense, who is appointed by the President with the consent of the Senate, supervises the entire military. Under the Secretary of Defense is the Joint Chiefs of Staff. The Joint Chiefs consist of a chairperson, who holds the grade of General or Admiral, the heads of the three main Military Departments, and the Commandant of the Marine Corps. The Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force were subordinated to give the Secretary of Defense full Cabinet authority over the Department.

The DoD embraces the core values of all successful organizations: leadership, professionalism, and technical knowledge. Its employees are dedicated to duty, integrity, ethics, honor, courage, and loyalty. Figure 1-3 shows how the Department is structured.

The Secretary and the Office of the Secretary

The Secretary of Defense and the Office of the Secretary of Defense are responsible for the formulation and oversight of America's defense strategy and policy. The Office of the Secretary of Defense supports the Secretary in policy development, planning, resource management, and fiscal and program evaluation.

Figure 1-3



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Military Departments

The Military Departments consist of the Army, the Navy (of which the Marine Corps is a component), and the Air Force. In wartime, the U.S. Coast Guard becomes a special component of the Navy; otherwise, it is a maritime service within the Department of Homeland Security. The Military Departments organize, train, and equip America's military forces. When the President and Secretary of Defense determine that military action is required, these trained and ready forces are assigned to a Combatant Command responsible for conducting the military operations.



The Military Departments include Active Duty, Reserve, and National Guard forces. Active Duty forces are full-time Military Service Members. The Reserves, when directed by Congress or Presidential declaration, support the active forces. They are an extension of the Active Duty personnel and perform similarly when called into service. The Reserves may also be called upon to conduct counterdrug operations, provide disaster aid, and perform other peacekeeping missions. The National Guard has a unique dual mission, with both Federal and State responsibilities. In peacetime, the Governor of each respective State or territory commands the Guard. The Governor can call the Guard into action during local or Statewide emergencies, such as storms, wild fires, or civil disturbances. When ordered to active duty for mobilization or called into Federal Service for emergencies, units of the Guard are under the control of the appropriate DoD Military Department. The Guard and Reserve are recognized as indispensable and integral parts of our Nation's defense from the earliest days of a conflict.

- **Department of the Army.** The mission of the Department of the Army is to provide organized, trained, and equipped ground and combat support forces to the Combatant Commanders in support of National Security and Defense Strategies. The Army is committed to remaining the world's preeminent land power – relevant and ready at all times to serve the nation and support our allies.
- **Department of the Navy.** The mission of the Department of the Navy is to organize, train, and equip combat-ready Navy and Marine Corps forces capable of winning wars, deterring aggression and maintaining freedom of the seas.
- **Department of the Air Force.** The mission of the United States Air Force is to organize, train, and equip forces to fly, fight, and win in air, space, and cyberspace. The Air Force also strives to preserve the peace and security of the U.S. by providing the Combatant Commanders air-combat, air-service, aerospace, missile, and airlift forces.
- **Defense Agencies and Defense Field Activities.** Defense Agencies and DoD Field Activities provide support services commonly used throughout the Department. For example, the Defense Finance and Accounting Service (DFAS) provides accounting and payroll services, and contractor and vendor payments. Another example is the Defense Logistics Agency (DLA), which provides logistics support and supplies to all DoD activities.

Combatant Commands

The Secretary of Defense exercises his authority over how the military is trained and equipped through the Service secretaries; however, the Secretary of Defense uses a totally different method to exercise his authority to deploy troops and exercise military power. This latter authority is directed, with the advice of the Chairman of the Joint Chiefs of Staff, to the ten Combatant Commands who are responsible for conducting DoD missions around the world (Figure 1-4).

The combatant commanders are the direct link from the military forces to the President and the Secretary of Defense.

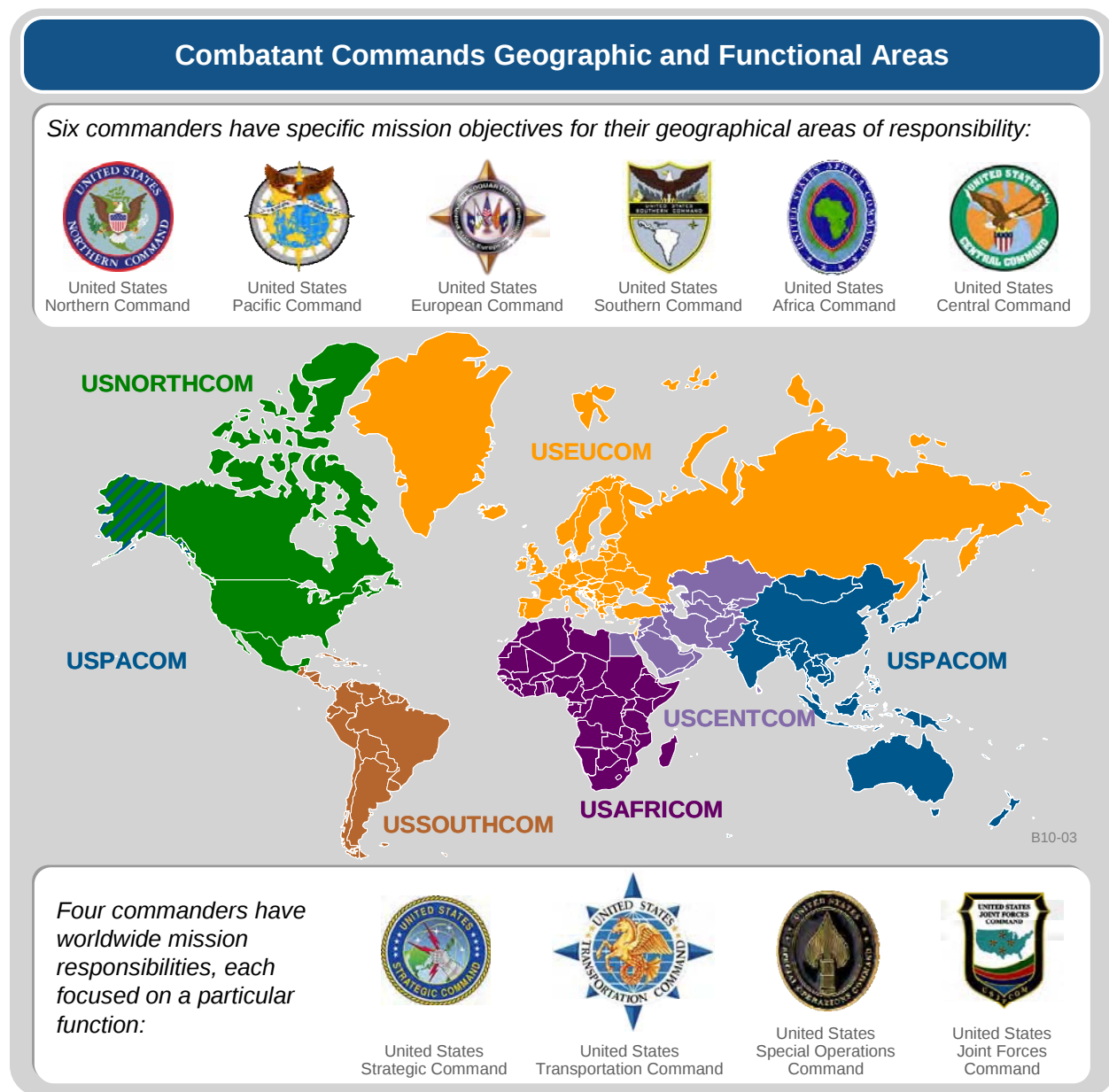
Six commanders have specific mission objectives for geographical areas of responsibility as depicted in Figure 1-5.

- **U.S. Northern Command (USNORTHCOM)** is responsible for North America.
- **U.S. Pacific Command (USPACOM)** is responsible for Northeast Asia, South Asia, and Southeast Asia, as well as Oceania.
- **U.S. European Command (USEUCOM)** is responsible for activities in Europe, Greenland, and Russia.
- **U.S. Southern Command (USSOUTHCOM)** is responsible for Central and South America, and the Caribbean.
- **U.S. Africa Command (USAFRICOM)** is responsible for all of Africa, with the exception of Egypt.
- **U.S. Central Command (USCENTCOM)** is responsible for the Middle East, several of the former Soviet republics, and Egypt. This Command bears primary responsibility for Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom.

Figure 1-4



Figure 1-5



Four commanders have worldwide mission responsibilities, each focused on a particular function:

- **U.S. Strategic Command (USSTRATCOM)** is responsible for providing global deterrence capabilities and synchronizing DoD efforts to combat weapons of mass destruction worldwide.
- **U.S. Special Operations Command (USSOCOM)** is responsible for providing fully capable Special Operations Forces to defend the U.S. and its interests and synchronize planning of global operations against terrorist networks.
- **U.S. Transportation Command (USTRANSCOM)** is responsible for moving military equipment, supplies, and personnel around the world in support of operations.
- **U.S. Joint Forces Command (USJFCOM)** is responsible for developing future concepts for joint warfighting.

Program Performance Overview

DEPARTMENT OF DEFENSE STRATEGIC PLAN

The Department examines America's defense needs by conducting the Quadrennial Defense Review (QDR) to provide a blueprint for a strategy-based, balanced, and affordable defense program. The Department is conducting the QDR for FY 2010 as required by law and it will be completed and released by February 1, 2010. The QDR 2010 will tie to the new National Security Objectives and establish the Administration's approach to carrying out defense objectives. As required for the AFR, the remainder of this section discusses the performance plan and goals for FY 2009. These goals were based on the QDR 2006 and will be updated when QDR 2010 is complete. A copy of the Department's QDR 2006 can be found at www.defenselink.mil/qdr/report/Report20060203.pdf.

The QDR 2006 was the first contemporary defense review to coincide with an ongoing major conflict. Consequently, Strategic Goal 1 (Figure 1-6) focuses on the ongoing major conflict and extended stabilization campaigns in Iraq and Afghanistan. At the same time, QDR 2006 recognized that the Department needed to recast its view of future warfare through the lens of a long duration and globally distributed conflict. Therefore, Strategic Goal 2 focuses on reorienting the Armed Forces to deter and defend against transnational terrorists around the world. Strategic Goal 5 recognizes that DoD cannot meet today's complex challenges alone. This goal recognizes integrated security cooperation and strategic communication as additional tool sets the Combatant Commanders may use to fight wars. Together, these three goals encompass the Department's warfighting missions. Strategic Goals 3 and 4 focus on reshaping the defense infrastructure and developing a Total Force, respectively, in ways that better support the warfighter. These supporting goals enable accomplishment of the Department's primary Strategic Goals 1, 2, and 5.

Figure 1-6



DEPARTMENT OF DEFENSE PERFORMANCE BUDGET HIERARCHY

Figure 1-7 depicts the Department's performance budget hierarchy. This hierarchy highlights that every level within the Department is accountable for measuring performance and delivering results at multiple tiers of the organization.

Primary responsibility for performance improvement in DoD rests with the Deputy Secretary of Defense in his role as the Chief Management Officer (CMO). The Deputy Secretary is assisted by a Deputy CMO and the DoD Performance Improvement Officer (PIO), who advises and integrates performance information across DoD. The DoD strategic objectives and performance targets are recommended by Principal Staff Assistants (PSAs) within the Office of the Secretary of Defense, in coordination with the Joint Staff, as most relevant for enterprise or DoD-wide strategic focus. The DoD strategic objectives and performance targets (measures and milestones) are subject to annual refinement based on changes in missions and priorities.

FISCAL YEAR 2009 DEPARTMENT OF DEFENSE KEY PERFORMANCE OUTCOMES

The Department submitted its detailed Fiscal Year (FY) 2009 Performance Plan in the FY 2009 Budget Request Summary Justification dated February 4, 2008 that is available at http://www.defenselink.mil/comptroller/defbudget/fy2009/FY2009_Budget_Request_Justification.pdf. This initial plan included 51 performance targets at the enterprise, or DoD-wide level.

Since that time, the Deputy Secretary of Defense/CMO approved some changes to this initial plan that resulted in a net reduction of two in the number of enterprise-level performance targets (from 51 to 49) for FY 2009. The following tables, organized by QDR Strategic Goal and Strategic Objective, depict 16 key performance outcomes for FY 2009. Based on fourth quarter data, the Department met or showed improvement in 88 percent (Figure 1-8) of these key outcome areas when compared to prior year (FY 2008) results.

Strategic Goal 1: Successfully Conduct Overseas Contingency Operations

Since 2001, the Department has been engaged in developing the forces and capabilities of Iraq and Afghanistan to provide for their own defense. Iraqi Security Forces (ISF) training is critical to enabling the Department to reallocate its resources and military forces in FY 2010 and beyond to Afghanistan and other regions as may be directed. Consequently, two key outcomes under this goal area focus on training Iraqi and Afghan Security forces as primary indicators for transitioning the security of both nations to their respective governments. By the end of FY 2009, the Department significantly surpassed its annual performance target with regard to training Iraqi Security Forces and accomplished 98 percent of its performance goal associated with the number of trained/assigned Afghan National Security Forces (ANSF).

Figure 1-7

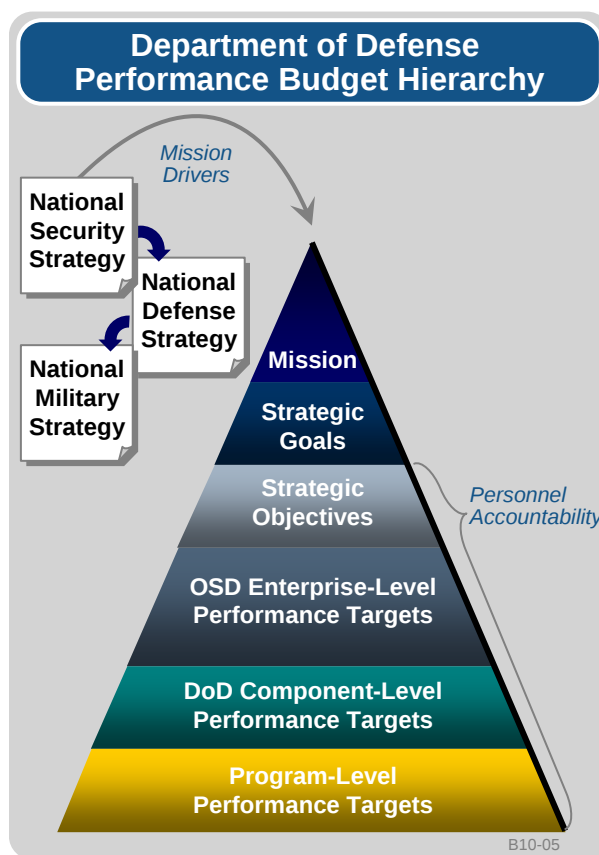
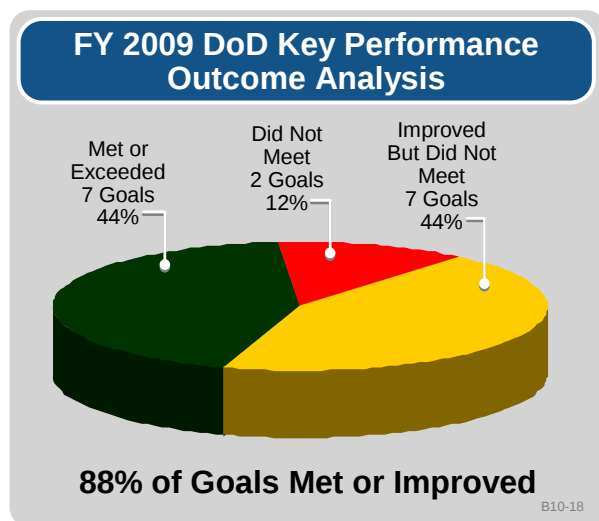


Figure 1-8



STRATEGIC GOAL 1 (revised): SUCCESSFULLY CONDUCT OVERSEAS CONTINGENCY OPERATIONS				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 1.1:	Conduct a large-scale, potentially long-duration irregular warfare campaign that includes counterinsurgency, security stability, transition, and reconstruction operations.			
1.1-1a: Cumulative number of ISF trained	1.1-1a: By FY 2009, the DoD will train 588,000 ISF	558,279	588,000	Sensitive ¹
1.1-1b: Cumulative number of ANSF trained/assigned	1.1-1b: By FY 2009, the DoD will develop a trained/assigned ANSF level of 187,196.	144,000	187,196	184,059
1/ DoD previously reported on the number of Iraqi Security Forces personnel authorized and assigned by the Ministries of Defense and Interior and trained with the assistance of Coalition forces. With the expiration of the mandate of UNSCR 1790, the data is now considered sensitive as it pertains to the specific military personnel strength for a sovereign nation.				

Strategic Goal 2: Reorient Capabilities and Forces

Five key performance outcomes relate to the Department's second goal to reorient its capabilities and forces. The first two outcomes reflect new DoD capabilities necessary to mitigate attacks on the U.S. and its territories. A third measure focuses on increasing DoD Special Operations Forces capabilities to address irregular/unconventional warfare. The final two outcomes are focused on converting Army force structure to modular designs required to meet military operational missions and achieving significant transformation of the Army in a generation.

STRATEGIC GOAL 2: REORIENT CAPABILITIES AND FORCES				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 2.1 (Revised): Improve capabilities to prevent and mitigate attacks on U.S. personnel, facilities, and key assets.				
2.1-1: Number of National Guard Weapons of Mass Destruction –Civil Support Teams (WMD-CSTs) certified	2.1-1: By FY 2009, 55 National Guard WMD-CSTs will be certified.	53	55	55
2.1-2: Number of National Guard CBRNE Enhanced Response Force Packages (CERFPs) trained	2.1-2: By FY 2008, 17 National Guard CERFPs will be trained for WMD or other catastrophic responses.	17	17	15

Department of Defense Agency Financial Report for FY 2009

STRATEGIC GOAL 2: REORIENT CAPABILITIES AND FORCES				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 2.2:	Deter and defend against transnational terrorists attacks and globally distributed aggressors and shape the choices of countries at strategic crossroads, while postured for a second, nearly simultaneous campaign.			
2.2-2: Percent increase in DoD Special Forces and Navy SEAL personnel achieved	2.2-2: By FY 2012, the DoD will increase its Special Forces and Navy SEAL personnel by 32 percent from the FY 2006 actual of 13,206 end strength.	12.4%	17%	23%
2.2-4a: Number of Army Brigades Combat Teams (BCTs) converted to a modular design and available to meet military operational demands.	2.2-4a: By FY 2013, 76 modular Army BCTs will be available to meet military operational demands.	38	47	46
2.2-4b: Number of Army Multi-functional and Functional (MFF) Support brigades converted to a modular design and available to meet military operational demands.	2.2-4b: By FY 2013, 227 modular Army MFF brigades will be available to meet military operational demands.	188	201	196

Strategic Goal 3: Reshape the Defense Enterprise

Three key performance outcomes are identified as representative samples of the Department's enterprise reshaping goal. The first outcome, average customer wait time, is used by DoD's logistics community to improve joint warfighting support for maintenance and repair activities of major equipment and sustainment of the operating forces. Two other key outcomes focus on improving the quality of life for Service Members and their families. The strategic goals optimize long-term performance, readiness, and return on investment of facilities across the Department. These measure the number of inadequate military housing units in the continental U.S. (CONUS) and outside the continental U.S. (OCONUS).

Strategic Goal 3: Reshape the Defense Enterprise				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 3.3:	Implement improved logistics operations to support joint warfighting priorities.			
3.3-1: Average customer wait time (days)	3.3-1: Beginning in FY 2007, DoD will reduce average customer wait time to 15 days.	16.7	15	16.2

STRATEGIC GOAL 3: RESHAPE THE DEFENSE ENTERPRISE				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 3-4:		Maintain capable, efficient, and cost-effective installations to support the DoD workforce.		
3.4-4a: Number of inadequate family housing units CONUS	3.4-4b: By FY 2009, DoD will eliminate all inadequate family housing CONUS	5,085	0	4,600
3.4-4b: Number of inadequate family housing units OCONUS	3.4-4b: By FY 2009, DoD will eliminate all inadequate family housing OCONUS	7,273	0	2,367

Strategic Goal 4: Develop a 21st Century Total Force

Four key performance outcomes under this goal are focused on sustaining the capacity of the All-Volunteer Force to meet DoD steady-state and surge activities. Two measures assess DoD Active and Reserve component end-strength against levels prescribed by the Secretary of Defense for mission accomplishment. A third measures the percent of Armed Forces without any deployment-limiting medical conditions to ensure readiness for mission capability. A fourth, and final key outcome, under this goal, is focused on closing the current gap in language capabilities by assessing the percent of operational and contingency language skills to meet mission requirements.

STRATEGIC GOAL 4: DEVELOP A 21 ST CENTURY TOTAL FORCE				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 4.1:		Ensure an “All Volunteer” military force is available to meet the steady-state and surge activities of the DoD.		
4.1-1a: Percent variance in Active component end strength.	4.1-1a: For each fiscal year, the DoD Active component end strength will not vary by more than three percent from the SECDEF prescribed end strength for that fiscal year.	2.1%	+/- 3%	0.9%
4.1-1b: Percent variance in Reserve component end strength.	4.1-1b: For each fiscal year, the DoD Reserve component end strength will not vary by more than three percent from the SECDEF prescribed end strength for that fiscal year.	0%	+/-3%	1%

Department of Defense Agency Financial Report for FY 2009

STRATEGIC GOAL 4: DEVELOP A 21 ST CENTURY TOTAL FORCE				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 4.1:	Ensure an “All Volunteer” military force is available to meet the steady-state and surge activities of the DoD.			
4.1-2: Percent of deployable Armed Forces without any deployment- limiting medical condition.	4.1-2: By FY 2010, DoD will sustain the percent of deployable Armed Forces without any deployment-limiting medical condition to equal to or greater than 92 percent.	84%	>92%	85%
Strategic Objective 4.4:	Improve workforce skills to meet mission requirements.			
4.4-1: Percent of operational and contingency language needs met	4.4-1: By FY 2011, DoD will increase the percent of operational and contingency language needs met by three percent from the FY 2008 baseline.	Non-applicable	+1%	<.1%

Strategic Goal 5: Achieve Unity of Effort

The Department's fifth and final strategic goal focuses on building the capacity of international partners by improving access to equipment, technology, and training. Two key outcomes involve risk-reduction activities to control export of technology and activities that shape the international environment toward U.S. interest and track training capabilities among international partners for countering threats and challenges of terrorism. The first outcome focuses on increasing the number of international students participating in DoD-sponsored educational activities. The second measures the number of various technological and security reviews of goods and services approved for transfer to international partners.

STRATEGIC GOAL 5: ACHIEVE UNITY OF EFFORT				
Performance Measures	Strategic Plan Long-term Performance Targets	Annual Performance Targets/Results		
		FY 2008 Results	FY 2009 Targets	FY 2009 Results
Strategic Objective 5.1:	Build capacity of international partners in fighting the war on terror.			
5.1-1: Annual number of international students participating in Department-sponsored educational activities	5.1-1: Beginning in FY 2007, the DoD will increase the number of international students participating in Department-sponsored educational activities by at least two percent per year.	55,895	56,400	60,409
5.1-2: Annual number of Technology Security Actions (TSAs) approved	5.1-2: Beginning in FY 2007, DoD will increase the number of relevant technologies involving transfers to international partners by two percent per year.	118,367	120,704	143,600

Final year-end results for all 49 DoD performance outcomes will be addressed in the Department's more detailed performance report for FY 2009, submitted with the DoD's FY 2011 Congressional Budget Justification, on or about February 1, 2010. This report will be posted with the FY 2011 budget materials at <http://www.defenselink.mil/comptroller/>.

Financial Performance Overview

FINANCIAL ANALYSIS

The Department's FY 2009 financial statements are presented in Addendum A, the Financial Information. The Department's management is responsible for the integrity of the financial information presented in these financial statements. At this time, management cannot provide reasonable assurance of effective internal management controls over financial reporting. However, the Department's financial improvement initiatives and systems modernization efforts continue to demonstrate progress. The Department is committed to improving internal controls and safeguarding the resources entrusted to us.

These statements were prepared from the books and records of the Department in accordance with U.S. generally accepted accounting principles (USGAAP) when possible, the Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements," and the "DoD Financial Management Regulation."

The financial statements have been prepared to report the financial position and results of operations which include:

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

Summary of FY2009 Financial Reporting.

For FY 2009, 6 of the 33 reporting entities are projected to receive unqualified audit opinions and the Medicare-Eligible Retiree Health Care Fund is projected to receive a qualified opinion. See Figure 1-9.

Budgetary Resources. In accordance with Federal statutes and implementing regulations, obligations may only be incurred and payments made to the extent that budgetary resources are available to cover such items. The Statement of Budgetary Resources presents total budgetary resources, their status at the end of the year, and the relationship between the budgetary resources and the outlays made against them.

The Department's FY 2009 enacted appropriations total \$666 billion as described in Figure 1-2 on page 5. The Department also received resources from the U.S. Treasury for retirement and health benefits and appropriations in support of civil work projects that are executed by the U.S. Army Corps of Engineers. This provided total receipts of \$747 billion for FY 2009 as illustrated in Figure 1- 10. Additional budgetary resources for the year are comprised of \$199 billion for outstanding requirements carried forward from FY 2008, \$178 billion in collections related to reimbursed activity, and \$68 billion in contract authority that provided the Department with total budgetary resources of \$1.2 trillion, also shown in Figure 1-10.

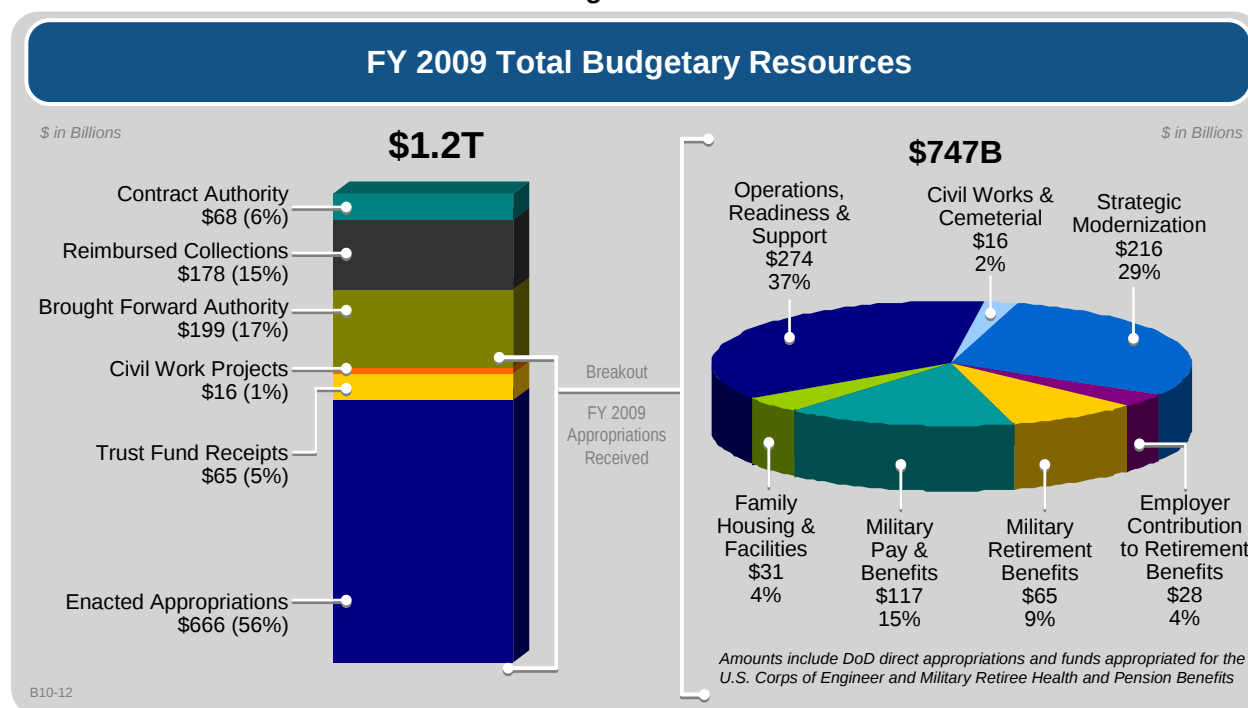
Figure 1-9

Audit Opinions	
DoD Reporting Entity	Audit Opinions
U.S. Army Corps of Engineers ¹	Unqualified
Military Retirement Fund	Unqualified
Medicare-Eligible Retiree Health Care Fund	Qualified
Defense Commissary Agency	Unqualified
Defense Finance and Accounting Service ²	Unqualified
Defense Contract Audit Agency	Unqualified
Office of the Inspector General	Unqualified

¹ Opinion expected by 12/15/09
² Out-of-Cycle Audit Opinion

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Figure 1-10

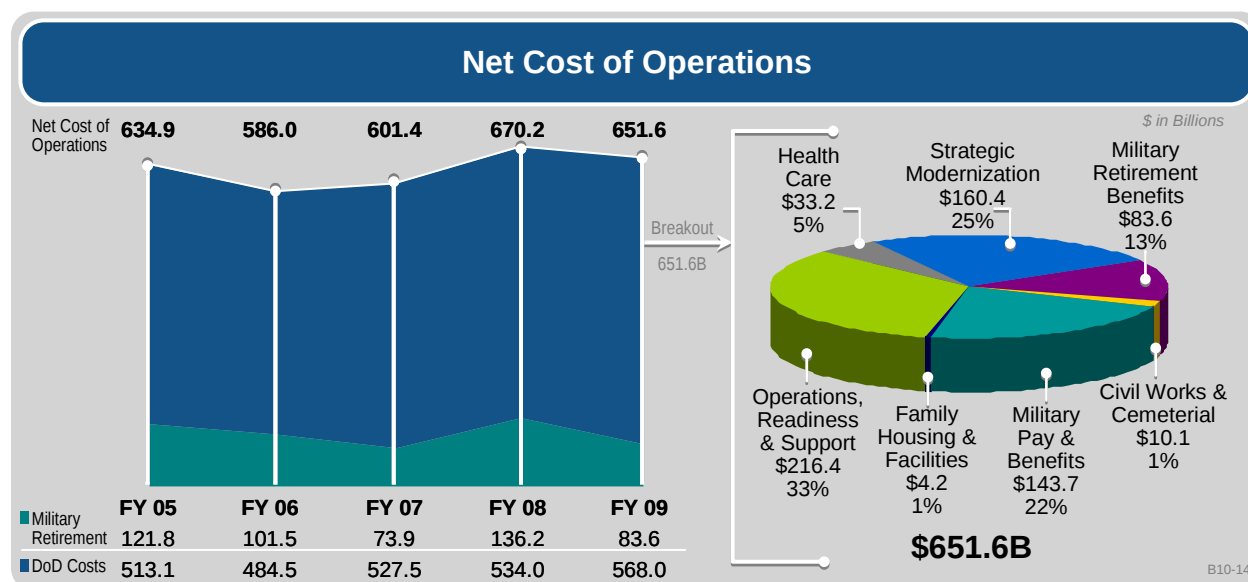


From the \$1.2 trillion in total budgetary resources available during FY 2009, \$1.0 trillion, or 88 percent, was obligated and \$947 billion, or 92 percent, of obligations was disbursed for intended purposes. The remaining eight percent relate to appropriations available to cover multi-year modernization projects requiring additional time to procure.

The Department obligated much of its FY 2009 resources to maintain and recruit a highly trained fighting force in support of wartime operations. Additionally, the Department continued to accomplish the military tasks associated with Operation Iraqi Freedom as we plan for our drawdown. We also increased the number of troops deployed to Afghanistan in defense against the enemy to prevent further attack on our homeland. In addition, resources were used to improve and maintain warfighting capabilities for the world's most advanced weapon systems and technological advancements to maintain U.S. advantage over the nation's enemies. In response to the Department's commitment to efficiency, resources of the FY 2010 budget requests will consider termination of certain acquisition programs that have not been able to adequately control cost growth.

Net Cost of Operations. The Statement of Net Cost reports expenses incurred less revenues from external sources that financed those expenses. This is essentially equivalent to outlays displayed on the Statement of Budgetary Resources less capitalized asset purchases plus accrued liabilities and accounts payable. Differences between budgetary resources and net cost generally arise from timing of cost recognition. The Statement of Net Cost presents net cost of all the Department's programs for the Military Departments and Components as well as the Military Retirement benefits as depicted in Figure 1-11.

Figure 1-11



The Department's costs incurred relate primarily to operational activities, environmental cleanup, and military retirement and health benefits. These costs were offset with revenues from external sources that result primarily from earning on investments and contributions for retirement and health benefits as well as earnings from reimbursed activities resulting in net cost of operations of \$651.6 billion. As depicted in Figure 1-10, this represents a decrease of \$18.5 billion, or 3 percent from last year that directly corresponds with a decrease in cost recognized for actuarial liabilities of Military Retirement Benefits. The decrease is due largely to the stabilization of the interest rate assumption affecting the value of investments available to pay benefits as well as a decrease related to actuarial experience from military pay and cost of living adjustments. While net cost of operations decreased overall, the Department did experience increases in cost related to operational readiness in support of wartime operations, health care and employee pay increases.

Balance Sheet. The Balance Sheet reflects the Department's financial condition as of September 30, 2009 (Figure 1-12). It shows the Department's resources (Assets), the amounts owed requiring use of assets available (Liabilities) and the difference between them (Net Position).

Assets of \$1.8 trillion described in Figure 1-13 represent amounts that the Department owns and manages. Assets increased \$124.9 billion, or 7 percent, at the end of FY 2009. This increase is largely attributable to increases in General Property Plant and Equipment and Investments that consist of U.S. Treasury securities.

As a result of the Department's continued commitments to Operation Enduring Freedom in Afghanistan and other operational demands, Military Equipment increased \$52.7 billion reflecting the receipt of Apache helicopters, Stryker vehicles, Mine Resistant Ambush Protected (MRAP) vehicles, and High Mobility Multipurpose Wheeled Vehicles (HMMWV). Also contributing is the receipt of naval vessels such as aircraft carriers, cargo ships, submarines, destroyer ships and the receipt of aircraft such as F-22 and C-17 aircraft.

Figure 1-12

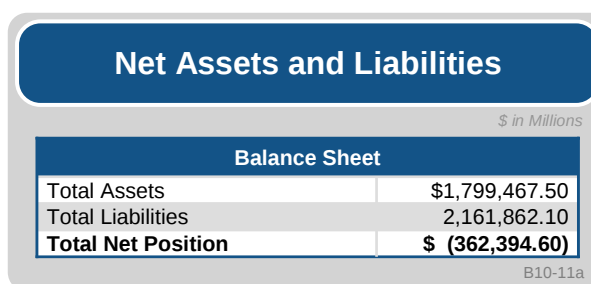
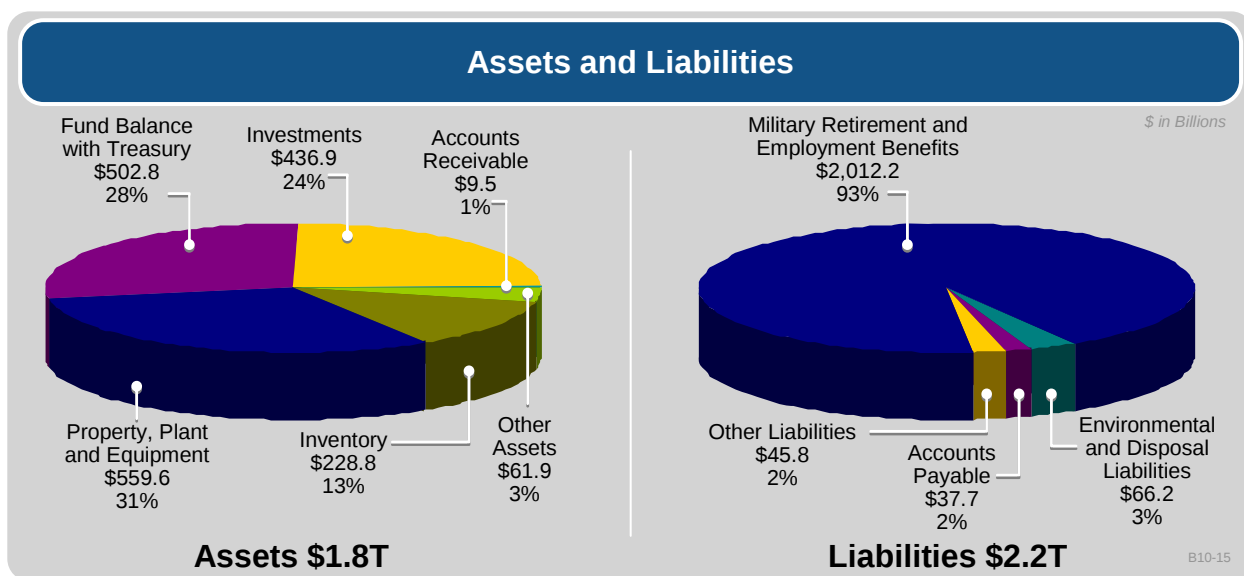


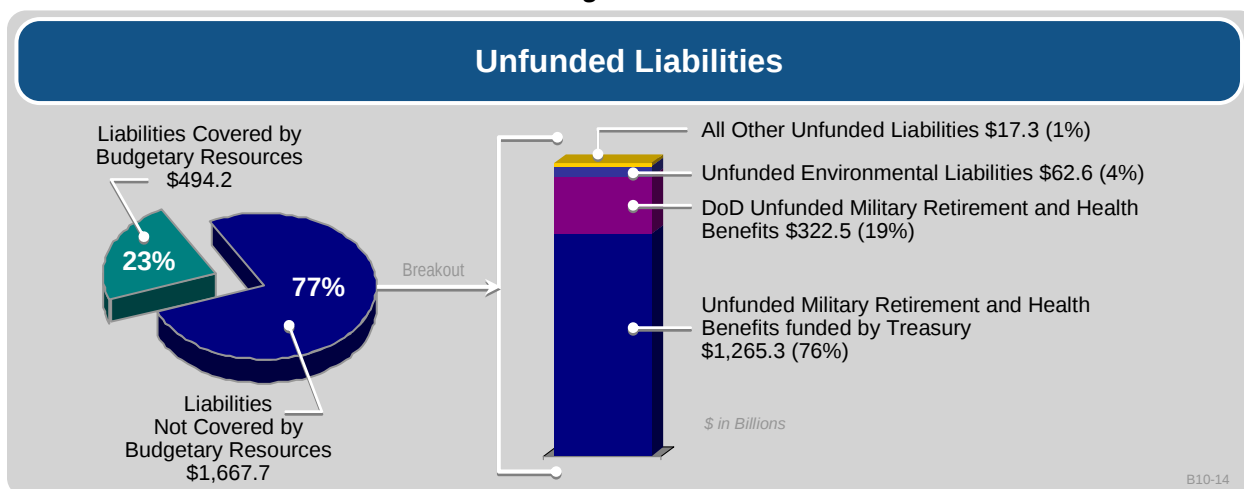
Figure 1-13



The net increase in investments of \$40.4 billion is related to expected normal growth to cover unfunded portions of future military retirement and health benefits. Funds not needed to pay current benefits are held in separate trust and special funds and invested in U.S. Treasury securities.

The Department's liabilities experienced a moderate increase in comparison to prior years. The FY 2009 liabilities increased \$26 billion or 1 percent and consist primarily of actuarial liabilities (Figure 1-12) related to military retirement pension and health care benefits. The Department is confident in its ability to meet its financial obligations. Of the \$2.2 trillion in liabilities, \$1.3 trillion or 59 percent will be funded by the U.S. Treasury for the actuarial liability existing at inception of the Military Retirement and Health programs. Additionally, approximately \$494.2 billion is already available primarily in invested U.S. Treasury securities that are covering an additional 23 percent of the outstanding liability. Figure 1-14 identifies the unfunded liabilities requiring future resources.

Figure 1-14



LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the DoD, pursuant to the requirements of 31 U.S.C. 3515(b). The statements are prepared from accounting records of the Department in accordance with OMB Circular No. A-136 and, to the extent possible, USGAAP. The statements, in addition to the financial reports, are used to monitor and control budgetary resources, which are prepared from the same records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

DOD FINANCIAL MANAGEMENT: BACKGROUND AND OVERVIEW

The GAO designated DoD's financial management operations and controls as a high-risk area in 1995. GAO's assessment reflects the inherent problems that have developed as DoD business operations have grown within a large decentralized organization that is both mission-oriented and functionally "stovepiped." In this environment, individual organizational elements have the tools to control and execute their individual budgets. However, the aggregation of financial information generated from end-to-end processes to provide a proprietary picture of the enterprise, as envisioned by the Chief Financial Officer's Act, is problematic. This is an enterprise challenge that requires an enterprise solution. Further, the lack of compliant, integrated financial and financial feeder business systems is a significant material weakness that makes this challenge even more daunting with an organization the size and complexity of DoD.

Various individual organizational efforts have resulted in varying degrees of success. For example, six agencies within DoD have received unqualified audit opinions. The Department developed a Business Enterprise Architecture (BEA) and initiated implementation of a series of major Enterprise Resource Planning (ERP) systems that will strengthen, better integrate, and control our basic business. In 2005, under the leadership of the DoD Comptroller, the Financial Improvement and Audit Readiness (FIAR) program was implemented, using the BEA and an enterprise-wide approach to move the Department forward. The goal is to develop documented and transaction-based business processes to produce reliable and accurate financial information for decision-makers. A long-term objective of this effort would be to produce an unqualified financial opinion on DoD proprietary financial statements.

These efforts created a basic foundation that improved audit readiness in several balance sheet elements but lacked a clear, well coordinated focus across DoD. On August 11, 2009, the Under Secretary of Defense (Comptroller) (USD(C)) issued a DoD-wide memorandum defining the priorities the Department will follow to improve its financial information and processes and for achieving audit readiness. In that memorandum, the USD(C) stated that the first, and most important step, is improving financial information and processes to make them more useful and reliable for managers. Achieving unqualified audit opinions should be one result of these efforts. Two key priorities are:

- (1) Improving information and processes and achieving an auditable Statement of Budgetary Resources, because budgetary information is used widely and regularly by DoD management.
- (2) Verifying the existence and completeness of mission critical assets. That is, they must verify that records accurately capture the number of each type of weapon system, real property, inventory, and operating materials and supplies.

The DoD Components are updating their Financial Improvement Plans (FIPs) to address these priorities. These changes will be included in the next DoD FIAR Plan to be published in May 2010.

RELIABILITY OF DOD FINANCIAL STATEMENTS

The Department recognizes the value of unqualified audit opinions and the benefit reliable financial information provides for users and decision-makers. As a result of continued improvements, DoD received unqualified audit opinions on the FY 2008 Financial Statements for \$1.5 trillion, or 39 percent, of all assets and liabilities. DoD expects the unqualified audit opinions to carry forward to FY 2009 and future years. Accomplishments for FY 2009 included:

- USACE Civil Works received an unqualified audit opinion on its FY 2008 Financial Statements.
- Navy Nuclear and Conventional Ships Environmental Liabilities achieved audit readiness.
- Navy asserted audit readiness for Funds Receipt and Distribution.
- A contract was awarded to audit the Marine Corps FY 2010 Statement of Budgetary Resources.
- TRICARE Management Activity's (TMA) Contract Resource Management Financial Statements are presently under audit.
- TMA Uniformed Services University of Health Sciences (USUHS) asserted audit readiness for their Statement of Budgetary Resources.
- TMA USUHS Balance Sheet and Statements of Net Cost and Net Position audit readiness are presently being validated.

Although the Department is aggressively working to improve financial management and reporting, audits performed by the DoD Office of Inspector General (DoD OIG) continued to identify long-standing material weaknesses during FY 2009. The material weaknesses are categorized as either system or financial process weaknesses:

- (1) Noncompliant Systems. Most legacy systems do not comply with the Core Federal Financial Management System Requirements issued by the Financial Systems Integration Office. Compensating controls in smaller organizations have been successfully applied as seen by favorable audit opinions but this is not practical in larger organizations such as the Military Service Departments.
- (2) Financial Processes. Many financial processes such as accounts receivables and accounts payables do not comply with USGAAP, since they are associated with noncompliant legacy systems that are presently used to compile the financial statements.

DoD acknowledges these material weaknesses and is working to mitigate them and implement solutions through improvements to Department-wide financial processes, controls and systems. As a result, the FY 2009 financial statements for the following Components: Army, Navy and Air Force General funds; Army, Navy and Air Force working capital funds; and, the DoD Agencywide financial statements are not auditable because the statements do not comply with USGAAP requirements. The budgetary information is subjected to a variety of controls and execution reviews and is regarded as reliable. However, further improvements are on-going.

IMPROVEMENTS TO FINANCIAL REPORTING

By focusing on the weaknesses identified in processes, controls, and systems used in the production of financial statements, the Department continues to improve the accuracy and reliability of its financial statements. Since FY 2001, DoD successfully reduced its overall management-identified internal control weaknesses that include non-financial operations by 85 percent from 116 to 17 in FY 2009. In addition, the Department recently made significant

Department of Defense Agency Financial Report for FY 2009

improvements to the FIAR plan framework, mandating its use by the Components for their FIPs. The FIAR framework also better integrates the OMB Circular No. A-123, Appendix A, designed to strengthen internal controls by requiring the Components to focus on key financial reporting control objectives and capabilities. The framework also requires the identification of accountable organizations, individuals and resource requirements.

During FY 2009, the Department also established a DoD Audit Advisory Committee (DAAC) to provide the Secretary of Defense with independent advice on DoD's financial management, including financial reporting policies, processes, systems of internal controls, audit processes, and processes for monitoring compliance with relevant laws and regulations.

We will leverage the CMO/Deputy CMO functional role to support the cross-functional enterprise requirement for financial improvement and reporting. The USD(C) collaborates with and is dependent on organizations to implement and operate effective internal controls to achieve reliable financial management. The CMOs of the Military Departments are critical to the Department's success by facilitating the prioritization of financial management improvement efforts across the functional areas of the Department.

IMPROVEMENTS TO FINANCIAL SYSTEMS

Working within the framework of the BEA that defines basic standards for end-to-end business processes and data, the Department continues implementation of Enterprise Resource Plan (ERP) systems. These systems enforce standardization of business processes and controls across the Department, improving the financial information that feeds the financial statement preparation process. These ERP initiatives are targeted at implementing a standardized financial information structure in compliance with the Federal Financial Management Improvement Act and BEA requirements.

In FY 2009, the Services and Agencies made significant progress in implementing ERPs. The Army implemented the first of seven waves of the General Fund Enterprise Business System to 1500 financial end-users throughout the U.S. The Naval Supply Systems Command became the second major acquisition command to implement the Navy ERP in FY 2009. The remaining major acquisition commands with the Navy will be implemented between now and 2013, beginning with the Space and Naval Warfare Systems Headquarters in October 2009. The Defense Enterprise Accounting and Management System deployed commitment accounting at Scott Air Force Base and will deploy complete accounting capability in the second quarter of FY 2010.

The Department also successfully implemented the Defense Agencies Initiative for accounting functionality at two Defense Agencies. The Department will continue to implement ERP solutions to improve the accuracy and reliability of its financial statements. Oversight will continue to be provided by the Investment Review Boards (IRBs) and the Defense Business Systems Management Committee (DBSMC) to ensure progress continues and implementation issues are effectively resolved and in a timely manner.

SUMMARY

Although the Department's financial statements are not auditable for FY 2009, the Department is committed to resolving its financial management challenges. The USD(C) issued a mandate to define the priorities of the Department first achieve auditability of its Statements of Budgetary Resources and to verify the existence and completeness of mission critical assets. In order to execute these priorities, the Department will address identified weaknesses in processes, controls, and systems used to develop the financial statements. The FIAR Plan, along with initiatives of the DAAC, DCMO, and transition to ERPs under the oversight of the IRBs and DBSMC, will further the Department's progress.

Management Assurances



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

The leadership of the Department of Defense (DoD) is committed to establishing and maintaining effective internal management controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). Since Fiscal Year 2001, the Department has significantly reduced material weaknesses by 85 percent – from 116 material weaknesses in Fiscal Year 2001 to 17 in Fiscal Year 2009. Details of the 17 material weaknesses are available in Addendum B, Other Accompanying Information.

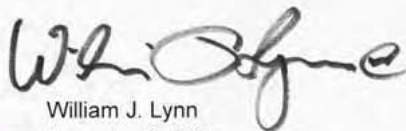
The Department assessed the internal management controls for nonfinancial operations, financial reporting and financial systems. The Department can provide a qualified, reasonable assurance that objectives of the FMFIA over nonfinancial operations have been achieved.

For the assessment of the internal controls over financial reporting, the Department conducted its assessment according to the Office of Management and Budget's Circular No. A-123, Appendix A, "Management's Responsibility for Internal Control." This evaluation determined that, while measurable progress has been made, the Department cannot provide reasonable assurance that internal management controls over financial reporting are effective as of June 30, 2009. Related to this financial reporting weakness, and as of the date of this report, the Department's financial systems are not in substantial compliance with the Federal Financial Management Improvement Act.

The Department continues to achieve positive results for its overall internal control program through a number of broad initiatives:

- Emphasizing internal management control program's responsibility and providing training throughout Defense to include our deployed troops.
- Ensuring senior management attention to internal management controls.
- Focusing on responsible planning to resolve financial reporting and systems weaknesses through the Department's Financial Improvement and Audit Readiness and Enterprise Transition Plans.
- Conducting risk management of the American Recovery and Reinvestment Act spending.

The Department's Financial Improvement/Audit Readiness initiative and systems modernization efforts, reflected in the enterprise transition plan, continue to demonstrate measured progress. We remain fully committed to an effective program of internal controls that accomplishes our mission while safeguarding the resources entrusted to us.



William J. Lynn
November 16, 2009



DEPARTMENT OF DEFENSE MANAGERS' INTERNAL CONTROL PROGRAM

The Department's Managers' Internal Control Program requires the Department's management to conduct self-assessments of internal management controls, in accordance with the Federal Managers' Financial Integrity Act (FMFIA). These internal management controls are the checks and balances that assist program and financial managers to achieve results, and safeguard the integrity of the programs. As prescribed by OMB Circular No. A-123, the Department's internal management control program assesses operations and functions of nonfinancial, financial reporting and financial systems and processes. The FMFIA requires the head of each agency to provide an annual assurance statement outlining what the agency has done to meet this requirement, including details of remaining material weaknesses. The detailed FMFIA results are available in Addendum B section on Summary of Management Assurances and Financial Statement Audit.

TOP MANAGEMENT CHALLENGES AND MANAGEMENT'S RESPONSES

The Reports Consolidation Act of 2000 requires the inclusion of a statement prepared by the DoD OIG summarizing the most serious management and performance challenges facing the Agency and briefly assessing the progress in addressing those challenges. The DoD IG identified the following eight management and performance challenges facing the Department for FY 2009. These challenges are in addition to GAO's list of governmentwide, high-risk management areas.

- Financial Management
- Acquisition Processes and Contract Management
- Joint Warfighting and Readiness
- Information Assurance, Security, and Privacy
- Health Care
- Equipping and Training Iraqi and Afghan Security Forces
- Nuclear Enterprise
- ARRA

The following pages highlight these challenges and management's assessments in addressing these issues.

1. Financial Management. The Department continues to face financial management challenges that adversely affect DoD's ability to provide reliable, timely, and useful financial and managerial data needed to support operating, budgeting, and policy decisions. The DoD's financial management problems are so significant they constitute one of the largest and most challenging impediments to the U.S. Government's ability to obtain an opinion on its consolidated financial statements. Although DoD is far from reaching an unqualified opinion, the Department has demonstrated improvement. The Department's ongoing initiatives in the area of financial management indicate DoD management is responding to the significant and pervasive financial management issues and is positioning itself to leverage planned systems and business improvements to achieve sustainable and long-term solutions.

- **Management's Assessment.** On August 11, 2009, the USD(C) established DoD-wide priorities for improving financial information and achieving audit readiness. The Deputy Secretary of Defense approved these priorities, which were vetted with key stakeholders in the Department, as well as with Congress, OMB, and GAO. Therefore, the Department agrees with DoD IG's summary of challenges and assessment of progress. However, the Department revised its priorities to first focus limited resources on improving information

used by management, while at the same time keeping the end goal of auditable financial statements in sight.

2. Acquisition Processes and Contract Management. Acquisition initiatives that began in the 1990s led to reductions in acquisition oversight assets. When the spending trend dramatically reversed after September 11, 2001, the Department was not able to quickly react to the need for more contract and oversight support. As of May 2008, approximately 25,000 contracting officers were available to handle procurement of goods and services, which totaled about \$400 billion in FY 2008. Keeping pace with this spending would be a difficult proposition if acquisition and oversight assets were increasing at a proportional rate. Progress in training and equipping more contract officials within DoD to handle the increased workload will take time. Dealing with the decreasing acquisition workforce has created a myriad of other challenges such as increased reliance on interagency contracting, distorted use of acquisition initiatives, and lack of oversight of services contracting. However, a number of initiatives are underway that are addressing the challenges, both within the Department and from proposed legislation, that should lead to improvement and better meet these challenges.

- **Management's Assessment.** The DoD continues to work a number of acquisition excellence initiatives that address contracting and contract management issues. These initiatives include an increase in staffing in the Office of the Director, Defense Procurement and Acquisition Policy (DPAP) dedicated to contracting in expeditionary operations and the development of the first-ever Joint Contingency Contracting Handbook that provides essential tools (critical action checklists, laminated foldout charts, etc.) and training for contingency contracting officers. The DoD's commitment to a long-range vision for improving the contracting and contract management processes and the continued accomplishment of near-term initiatives should ensure both immediate and long-term improvements in contracting and contract management in expeditionary operations.

3. Joint Warfighting and Readiness. The challenge to provide the right force, the right personnel, and the right equipment and supplies in the right place, at the right time, and in the right quantity, across the full range of military operations is compounded by the strain on resources as a result of OIF and OEF. Despite high operating tempo, U.S. Forces are executing their missions globally. Sustained operations in Iraq and Afghanistan are impacting equipment, the troops, and their families. The challenges facing the Department will increase both in the near-term and long-term as the Department prepares for and begins the scheduled withdrawal of forces from Iraq and the deployment and redeployment of forces to Afghanistan. In the near-term, the Department must plan for and execute the withdrawal and redeployment. In the long-term, the Department faces the challenge of resetting the Services, retraining skills that have not been required for the current operations, and reengaging with other nations' militaries. The Department is making progress on the issue of Joint Warfighting and Readiness, but progress must be monitored to ensure it continues. The Department cannot afford to ignore new, and in some cases, recurring situations that will require its attention.

- **Management's Assessment.** Personnel and Readiness Management concurs with DoD IG's Summary of Challenge and Assessment of Progress.

4. Information Assurance, Security, and Privacy. A significant on-going challenge to the Department is ensuring that a robust risk management, security, and information assurance program is in place. In addition to ensuring that security and privacy protections are not compromised by advances in technology, DoD faces the challenge of securing information from cyberattacks; protecting DoD information in the hands of contractors; providing appropriate response to data breaches involving both privacy-protected data and sensitive, as well as unclassified information; and the proper sanitization and disposal of excess unclassified information technology equipment. The Department continues to lack an accurate, authoritative

data repository for information regarding DoD systems and does not have a requirement for an inventory of systems containing DoD information operated by contractors and other non-DoD entities. The Department has made little improvement in its information assurance and security posture.

- **Management's Assessment.** The Department has made advances in the accuracy of its authoritative data repository for information regarding IT systems (the Defense IT Portfolio Repository (DITPR)). Automated data entry controls, which prevent the introduction of inconsistent data, have now been implemented by the Navy and Air Force and are in the process of being implemented by the Army.

The Department has taken steps to secure DoD information used by contractors and other non-DoD entities. On July 31, 2009, Directive-Type Memorandum (DTM) 08-027, "Security of Unclassified DoD Information on Non-DoD Information Systems" was signed out with the purpose of providing policy regarding the security management of unclassified DoD information on non-DoD information systems. This DTM applies to all unclassified DoD information in the possession or control of non-DoD entities on non-DoD information systems, to the extent provided by the applicable contract, grant, or other legal agreement or understanding with the DoD.

Also, the Department made significant advances in FY 2009 in the area of Information Assurance, Security and Privacy through several initiatives. For example, the expanded fielding of Host Based Security System (HBSS), and the funding of requirements identified during Operation Buckshot Yankee have been very positive steps towards improving the Department's information.

5. Health Care. The DoD Military Health System faces the challenge of providing quality care for approximately 9.3 million eligible beneficiaries. The increased frequency and duration of military deployment further stresses the Military Health System in both the Active and Reserve Components. Key issues affecting this challenge include cost containment, medical readiness, wounded warrior care, electronic health records, BRAC and humanitarian assistance. The new Military Health System Strategic Plan (May 2008) recognizes many of these challenges and provides a roadmap for progress in meeting the challenges.

- **Management's Assessment.** The Department remains committed to providing quality care to our warfighters and recognizes that continued health care reform will result in efficiencies and costs saving. DoD is implementing continuous process improvements across its system to make health care processes safer and more cost-effective. In addition, DoD is implementing programs to increase evidence-based practices to ensure that the right care is delivered and unnecessary tests and procedures are avoided. This kind of health care reform has the potential both to improve quality and reduce costs.

The Department is working with the Reserves and National Guard to address challenges in force readiness, particularly in the area of dental readiness. The DoD's human capital team is also addressing the need for additional mental health services. Over the past two years, we have added over 1900 new mental health professionals to the DoD workforce. In addition to the actions noted above, the acquisition structure and processes within Office of the Secretary of Defense (Health Affairs) (OASD(HA)) and the TRICARE Management Activity are being strengthened to ensure that major acquisitions such as the Electronic Health Record (EHR) are accomplished efficiently and effectively. The DoD and the Department of Veterans Affairs are working together to implement the VLER. The VLER vision is that health, benefits, and personnel information of a Service Member or Veteran will be available to those who need the data from the time of accession to internment.

6. Equipping and Training Iraqi and Afghan Security Forces. The Iraqi and Afghan security forces continue to lack the ability to conduct numerous tasks without U.S. Forces and Coalition enablers, such as logistics, air support, intelligence, and health care systems. The lack of enablers also severely restricts their ability to defend against internal and external threats. They continue to experience shortfalls in self-sustaining logistics and medical care, and in generating trained and qualified officer and noncommissioned officer logistics personnel to meet requirements. In addition, many units lack the personnel, equipment, and reliable vehicles to conduct operations without U.S. Forces and Coalition support. Further, the drawdown of U.S. Forces in Iraq presents new challenges in building and mentoring ISF logistics systems and other enablers. The intended build-up of ANSF poses significant challenges to accomplishing the U.S. mission to train and equip in Afghanistan. Overall, significant progress is being made, but much work remains before these security forces can operate independently without the support of U.S. and Coalition forces.

- **Management's Assessment.** The U.S.'s four areas of focus to develop the ISF remain unchanged: support force generation and force replenishment; improve the proficiency and professionalism of Iraqi forces; build specific logistic, sustainment, and training capacities; and develop ministerial and institutional capacity. The four near-term areas of emphasis also remain unchanged: ensure Iraqi forces continue to improve in logistics, maintenance, and life support; ensure the size, capability, professionalism, and leadership of the ISF enable increasing assumption of additional security roles from U.S. forces; enhance the capabilities of Iraqi Special Operations Forces and Counter-Terrorism Forces; and ensure Iraqi Air Force and Navy growth stays on track. Following the withdrawal of U.S. combat forces from Iraqi cities on June 30, 2009, the ISF continue to mature in their leadership roles providing security and overall stability for the citizens of Iraq. The citizens of Iraq continue to develop their confidence in the ISF, and it is becoming clear that the growing professionalism of the ISF is a source of national pride.

The Department agrees with DoD IG's assessment of progress made by the ANSF. The ANA is one of the most trusted and respected institutions within Afghanistan. As of November 2009, the Afghan National Army (ANA) has grown to a force size of approximately 95,500 and is growing towards an end strength of 134,000 in October 2010. The Afghan National Police (ANP) currently lags behind the ANA in development, but much progress has been made. The ANP is at a force level of 93,300 and growing towards 96,800. Sixty-four Districts have completed Focused District Development training as of September 2009. The establishment of the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan will improve overall coordination of ANSF development. The total number of Coalition trainers available may increase pending the President's decision on committing further troops.

The ANA has made great progress over the past year. As the ANA grows to 134,000, it is increasingly improving in capability and in building logistics capacity. While the Department agrees with the need for a more robust ANA logistics processes, it should be noted that priority has been placed on the development of ANA combat forces first, supported by ISAF enablers. Logistic enablers will be developed by design after combat elements have been fielded. Afghanistan poses unique issues in terms of implementing an integrated nationwide logistics system. Many areas within Afghanistan lack reliable power and communications capacity and do not allow for a networked logistics system. Additionally, the issue is made even more challenging because of low literacy rates among the populace and the lack of trained personnel with logistics background.

The DoD is focused on improving logistics within the ANA. One of the objectives of the CSTC-A Campaign Plan is to develop an efficient logistics system that is capable of

acquiring and distributing resources to the ANA. The CSTC-A is developing a unified ANA logistics strategy which will ensure standardized logistics mentoring within the ANA. A robust Ministerial Development program is in place which focuses on building logistics capabilities within the MOD and the General Staff Headquarters.

The Department agrees that a coordinated ANSF Health Care system is desirable but DoD cannot accomplish this without support from the Afghan Government. The International Community and other areas of the U.S. Government outside of DoD will need to be involved in this effort as well.

7. Nuclear Enterprise. Since the end of the Cold War, there has been a dramatic decline in the level and intensity of focus on the nuclear enterprise and the nuclear mission. To reverse this trend, the Department has begun to re-focus on the nuclear enterprise. The Department is vigorously analyzing and identifying key deficiencies and methods for improvement and developing corrective action plans. Sustained commitment is required to create an environment that emphasizes the nuclear mission and provides adequate funding and leadership to ensure implementation.

- **Management's Assessment.** The Department has made substantial progress in reversing the decline of the nuclear enterprise. The DoD continues to address recommendations made within several DoD reports. Governance and oversight of the nuclear weapons enterprise is another point of focus with better stewardship and higher accountability resulting from changes made to the inventory management structure. The Department is fully committed to restoring confidence in the nuclear enterprise and in the safe handling and accountability of DoD nuclear assets. The Department is engaged in a robust effort to implement report recommendations and corrective action plans to address all deficiencies.

8. ARRA. Under the ARRA Congress appropriated \$7.4 billion to DoD to preserve and create jobs; promote economic recovery; assist those most affected by the recession; provide investments to increase economic efficiency through technological advances in science and health; and invest in transportation, environmental protection, and other infrastructure. The DoD is pursuing three broad goals with ARRA funding: preserve and create American jobs, care for U.S. Service members and their families, and improve DoD energy-efficiency. The DoD intends to expend funds as quickly possible on facilities sustainment, restoration and modernization, military construction, energy conservation, near-term energy-efficiency technology, and homeowners assistance. While DoD has completed its agency and program specific plans, the Department has noted that execution of the ARRA is not moving as quickly as planned and much of the spending and work on the projects will not occur until FY 2010. Additionally, as with other contingency-like operations, the Department's ability to identify, start, meet milestones, and account for the efforts will be a recurring challenge.

- **Management's Assessment.** The Department has obligated \$3.3 billion in ARRA funds through Sept. 30, 2009, which is 45 percent of the \$7.4 billion allocated to the Department. This includes \$2.5 billion, or 58 percent, of all Facilities Sustainment, Restoration, and Modernization projects; \$0.1 billion, or 47 percent, of all Near Term Energy-Efficient Technologies projects; and \$0.6 billion, or 26 percent, of all Military Construction or Energy Conservation Investment projects. Obligations and project completions should continue to expand throughout FY 2010.

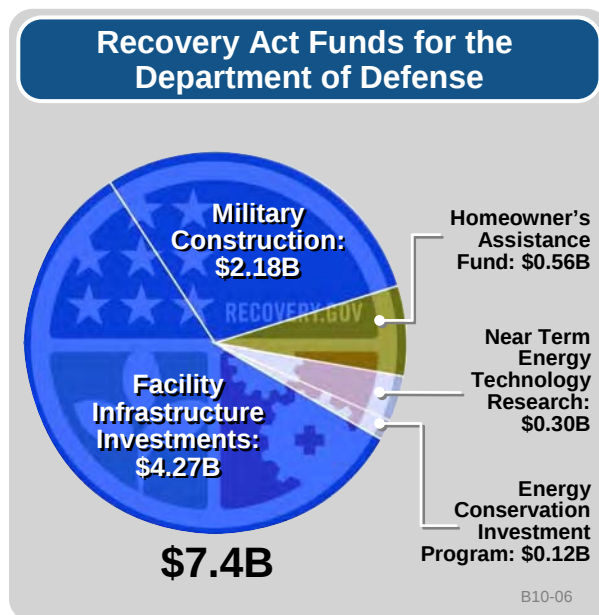
The Department of Defense has always strived to be a good steward of the American people's tax dollars and takes this responsibility serious. To this end, the DoD management has taken actions that provide direction to succeed in addressing these and other challenges, while simultaneously providing unparalleled capability and support to the warfighter.

Other Management Information and Initiatives

DEPARTMENT OF DEFENSE (DOD) IMPLEMENTATION OF THE ARRA OF 2009

On February 17, 2009, the Congress passed the ARRA and appropriated \$7.4 billion to DoD (Figure 1 - 15) for: military construction, facility repair, energy efficiency investments, near-term energy research, and assistance to certain military members, past and present, who have experienced financial losses through the downturn in the U.S. housing market. In addition, the USACE received \$4.6 billion for its civil works program that is separate from the Department's other Recovery Act funds. The \$4.6 billion provided for the civil works program includes \$2 billion for construction and \$2.1 billion for operation and maintenance. The purpose for these investments is to stimulate the U.S. economy while enhancing our national security. U.S. jobs are created and preserved when funds are spent on U.S. military installations to build new facilities, repair aging facilities, or bring buildings up to date with the most modern energy efficiency standards. Technical jobs are created through targeted research on energy projects that aid the Department in reducing its long-term energy costs and improving current energy efficiency in the near-term.

Figure 1-15



The infrastructure of DoD is vast and stretches across all fifty states and seven of its territories. The Department oversees more than \$700 billion of real property, with more than 4,800 sites in the U.S. and its territories. These sites are located in heavily populated urban areas, such as Washington D.C., and also remote areas of the western U.S. and Alaska. The DoD infrastructure includes over 50,000 structures for family housing and over 11,000 barracks or mess facilities. There are over 80 airports, 59 inpatient facilities (hospitals), 378 medical clinics, and 285 dental clinics. These structures are in constant need of maintenance that is usually performed by companies located in the surrounding communities. Major construction projects – such as the replacement of aging hospitals – can often create thousands of jobs that go beyond the local community and promote employment in whole regions.

The Department has obligated and expended \$3.3 billion in Recovery Act funds through Sept. 30, 2009, which is over 45 percent of the \$7.4 billion allocated to the Department. This includes \$2.5 billion or 58 percent of all Facilities Sustainment, Restoration, and Modernization projects, \$0.1 billion or 47 percent of all Near Term Energy-Efficient Technologies projects, and \$0.6 billion or 26 percent of all Military Construction or Energy Conservation Investment projects. Obligations and project completions should continue to expand throughout FY 2010.

Department of Defense Agency Financial Report for FY 2009

PROGRAM <i>Dollars in Billions</i>	For Period Ended September 30, 2009	
	Authority	Obligations
Facilities Sustainment, Restoration, and Modernization	\$ 4.27	\$ 2.50
Military Construction	\$ 2.18	\$ 0.57
Energy Conservation Investment	\$ 0.12	\$ 0.03
Near Term Energy-Efficient Technologies	\$ 0.30	\$ 0.14
Home Owners Assistance Program	\$ 0.56	\$ 0.01
TOTAL	\$ 7.43	\$ 3.25

For details regarding the Department's recovery act implementation and accountability refer to the DoD website at <http://www.defenselink.mil/recovery>.

THE DEPARTMENT'S PATH FORWARD FOR 2010 AND BEYOND

Today's security environment is very complex. We are faced with a wide range of security challenges that include, but are not limited to, the following: violent extremist movements, the spread of weapons of mass destruction, rising powers with sophisticated weapons, failed or failing states, and increasing encroachment across the global commons (air, sea, space, and cyberspace). The U.S. must account for these powerful trends that are reshaping the international landscape and will dramatically complicate the exercise of American statecraft and overseas relations. In addition to the current global economic downturn, these trends include climate change, cultural and demographic shifts, increasing scarcity of resources, and the spread of destabilizing technologies. The U.S. must prevail in current conflicts while also preparing for future conflicts that may arise.

The Department will continue to adopt a strategic direction that reflects the principle of balance—balance between winning current conflicts and preparing for future contingencies, and balance between institutionalizing capabilities, such as counterinsurgency and foreign military assistance, and maintaining the U.S.' existing conventional and strategic edge against other military forces.

President Obama's FY 2010 budget proposal marks the first step in codifying this approach. This proposal is truly the nation's first 21st Century defense budget that recognizes that the nature of conflict has fundamentally changed over the past two decades. Conflict has shifted from previous security realities of the post-Cold War to a more complex and dangerous century. The most dramatic shift was to increase and institutionalize funding for programs that directly support those fighting America's wars and their families. It changed the way we look at the procurement process to maximize the versatility of military capabilities across the widest possible spectrum of conflict.

The QDR 2010 will build on this foundation to further reshape the priorities of America's defense establishment. The QDR 2010 is part of the evolutionary process now underway to better align our strategy and supporting programs with the demands of current and projected security environment. It is examining the Department's long-standing assumptions to determine which still apply and which need to change to reflect the multiplicity of actors leveraging wide-ranging tools to challenge our traditional strengths. The QDR 2010 will set a long-term course for DoD to follow and will provide a strategic framework for DoD's annual program, force development, force management, and corporate support mechanisms.

Specific areas of emphasis for this QDR include:

- Institutionalizing capabilities for irregular warfare and civil support abroad and capacities, to include building partnership capacity,
- Addressing threats posed by adversaries with advanced anti-access capabilities and WMD,
- Strengthening our global force posture,
- Strengthening DoD support to civilian-led operations and activities, and
- Managing the Department's internal business processes to improve their efficiency and effectiveness.

The QDR 2010 will be informed by similar reviews being conducted by the Department of Homeland Security (Quadrennial Homeland Security Review), the Director of National Intelligence (Quadrennial Intelligence Community Review), and incorporate guidance from relevant National Security Council (NSC) reviews. In addition, a series of separate congressionally directed reviews of the Department's nuclear, space and missile defense postures will be closely coordinated with the QDR, but still provide separate reports to Congress.

SUMMARY

The Department of Defense serves as a steward on behalf of the American people for providing unparalleled national defense capability and support to the warfighter. While providing military capabilities to counter 21st Century threats to national security, the Department's leadership is committed to improving financial management processes, controls, and systems. The size and complexity of the Department's business operations and the rapid pace of change in the business environment make it imperative to create a more agile, responsive, and efficient organization. We stand strong and committed to transforming our financial management practices to improve the accuracy and reliability of our financial information used by business managers across the Department. Our commitment to financial management improvement and transformation is demonstrated by our efforts to standardize our business architecture, develop integrated financial management improvement plans, and establish committees to address regulatory and policy issues and monitor progress.

Appendix A: Glossary

Acronym	Definition
AFR	Agency Financial Report
ANSF	Afghan National Security Forces
ARRA	American Recovery and Reinvestment Act
BCT	Brigade Combat Team
BEA	Business Enterprise Architecture
CBRNE	Chemical, Biological, Radiological, Nuclear, and High-Yield Explosive
CBJ	Congressional Budget Justification
CERFP	CBRNE Enhanced Response Force Package
CFO	Chief Financial Officer
CMO	Chief Management Officer
CONUS	Continental United States
DAAC	DoD Audit Advisory Committee
DBSMC	Defense Business System Management Committee
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DoD	Department of Defense
DPAP	Defense Procurement Acquisition Policy
DUSD	Deputy Under Secretary of Defense
ERP	Enterprise Resource Planning
FFMIA	Federal Financial Management Improvement Act
FIAR	Financial Improvement and Audit Readiness
FIPS	Federal Information Processing Standard
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPRA	Government Performance and Results Act

Acronym	Definition
IG	Inspector General
IPIA	Improper Payment Information Act
IRB	Investment Review Board
ISF	Iraqi Security Forces
MFF	Multi-Functional and Functional Support
NSC	National Security Council
OCONUS	Outside the Continental United States
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PIO	Performance Improvement Officer
PSA	Principal Staff Assistant
QDR	Quadrennial Defense Review
SecDef	Secretary of Defense
TMA	TRICARE Management Activity
TSA	Technology Security Action
USACE	U.S. Army Corps of Engineers
USAFRICOM	U.S. African Command
USCENTCOM	U.S. Central Command
USD(C)	Under Secretary of Defense (Comptroller)
USEUCOM	U.S. European Command
USGAAP	U.S. Generally Accepted Accounting Principles
USNORTHCOM	U.S. Northern Command
USPACOM	U.S. Pacific Command
USSOUTHCOM	U.S. Southern Command
USUHS	Uniformed Services University of the Health Sciences
WMD	Weapon of Mass Destruction
WMD-CST	Weapons of Mass Destruction—Civil Support Team

Appendix B: Useful Web Sites for Relevant Information

Web Address and Report Description
www.defenselink.mil Main DoD Web site, and links to other DoD Web sites.
www.defenselink.mil/comptroller The DoD Comptroller Web site includes: - Agency Financial Report Reports the Department's financial condition, financial execution, plans, and accomplishments. - Annual Performance Plan Describes the Department's strategic goals and objectives, and the respective performance measures and targets that are used to assess progress. - Annual Performance Report Contains details of the Department's performance results and progress in achieving its strategic goals, and is required by the Government Performance and Results Act (GPRA). - Citizen's Report Summarizes the Department's mission, key goals, budget allocation, and progress on key performance goals linking to the strategic goals. - Congressional Budget Justification The Department of Defense's budget request to Congress. - Financial Improvement and Audit Readiness Plan Describes the Department's strategy for improving financial management and reports progress in achieving financial statement audit readiness.
www.bta.mil The DoD's Business Transformation Agency Web site includes: - Business Enterprise Architecture Blueprints DoD standard processes, data, data standards, business rules, operating requirements, and information exchanges for the Department's business and financial management activities. - Enterprise Transition Plan Sets the defense business systems modernization strategy and defines the target systems environment.
www.defenselink.mil/qdr/report/Report20060203.pdf Quadrennial Defense Review Dated February 6, 2006, provides the Department's strategic plan. Quadrennial Defense Review is under revision and will be available early next year.

Contributors to the Fiscal Year 2009 Agency Financial Report

In addition to the significant contributions of the individuals listed below, hundreds of individuals in the Office of the Secretary of Defense and the Military Services contributed to the development of this Agency Financial Report

Ebony Adkins
Anitra Akanbi
Becky Allen
Christina Ancil
Phillip Anderson
Iman Aquil
John Argodale
Pamelia Bain
Lauren Bands
Corey Beckett
Sally Beecroft
Marc Brito
Michael Bryant
Mark Burns
Melissa Carandang
Debra Carey
Fred Carr
Ann Cataldo
Sharon Cave
Anthony Chavez
Chun-I Chiang
Elizabeth Christian
Audrey Clark
Pamela Conklin
Jocelyn Conway
Charlie Cook
LaTasha Copper
Carmen Covey
Donna Cox
Nick Crabtree

Barbara Crawford
Victoria Crouse
Dina Crowley
Karen Cwiekalo
Gerald Davenport
Audrey Davis
Katherine Day
Michael Dinneen
Thomas Dixon
Joseph Doyle
Mark Easton
Eric Engelbrektsson
Maryla Engelking
Dorothy Ferguson
Bobbie Fife
David Fisher
Jodie Fisher
COL Jeffrey Ford
Virginia Fortune
Kyle Fugate
Greg Galusha
Scott Gentry
Linda Gileau
Kathryn Gillis
Carlos Glover
Wayne Goff
Phillip Graham
David Gross
Robert Hale
Beth Hetman

Timothy Hippely
Mark Hoffman
Jacqueline Jenkins
Lori Johns
Peggy Johnson
Elizabeth Jordan
Brad Kennedy
Tammy Kicas
Elaine Kingston
Mary Kohlmeier
William Lehr
Linda Leuck
Ava Lun
Normand Lussier
Joy Marcou
David Martin
COL David Mason
Rhonda Meade
Michael McCord
Robert McNamara
Wesley Miller
Jason Monday
Lydia Moschkin
Robert Moss
Karen Nakama
Carolyn Napper
Claire Nelson
Erin Nelson
Elise Newton
Lydia Moschkin

Robert Moss
Meghan Murphy
Karen Nakama
Carolyn Napper
Claire Nelson
Erin Nelson
Elise Newton
Karen Opie-Toler
Stewart Petchenick
Mark Peterson
Tony Poleo
Michael Powers
Joseph Quinn
Robert Rainey
David Ramseyer
Alice Rice
CAPT Stephan Rice
Elizabeth Ridge
Joie Ritchie
Javier Rivera
Terry Roberts
Andrew Rogers
Brian Romberger
Helen Rosen
John Ruoff
Lynn Scott
Radha Sekar
Lt Col Charles Shea
Carrie Shell
Jean Shepherd

Kathy Sherrill
Robert Silverstein
Joel Sitrin
Alfonza Smith
Dave Smith
Jennifer Smith
Robert F. Smith
Wanda Smith
Timothy Soltis
Jimaye Sones
Barry Sterling
COL Vance Stewart
Sandra Stockel
Kathy Street
Stephen Tabone
Dennis Taitano
Sylvia Taylor-Porter
David Thomas
Bob Thompson
Ron Tollefson
Jeanne Tran
Michael Walsh
Jon Ware
Michael Weber
Richard Brent White
Benjamin Williams
Document Automation
& Production Service
(DAPS)

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DoDAFR@osd.mil

or

**United States Department of Defense
Office of the Under Secretary of Defense (Comptroller)
1100 Defense Pentagon
Washington, DC 20301-1100**

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