

Other Accompanying Information

Improper Payments Information Act (IPIA) Reporting Details

As discussed in Part 1, “Management’s Discussion and Analysis,” the Department conducted a review of the improper payments relating to the Military Retirement and Military Health Benefits programs per the Office of Management and Budget (OMB) guidance. Results of the review follow.

Risk Assessment

The Department reviewed all of its programs and activities and determined that seven programs/activities were susceptible to erroneous payments. DoD performed risk assessments for each of the seven programs/activities that addressed the strength of the internal controls in place to prevent improper payments (such as prepayment reviews), system weaknesses identified internally or by outside audit activities, voluntary returns of overpayments by vendors, etc. The Department deemed one program, Military Pay, susceptible to high risk. The Military Retirement and Military Health Benefits programs were identified previously in Section 57 as susceptible to erroneous payments.

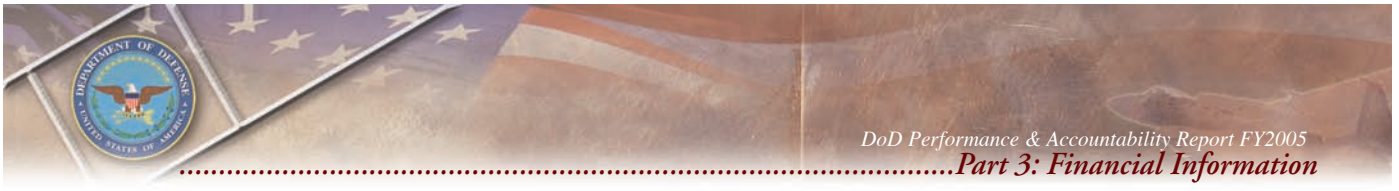
Statistical Sampling

The statistical sampling processes used for the Military Retirement, Military Health Benefits and Military Pay programs are outlined below:

Military Retirement. In FY 2004, the Military Retired and Annuitant Pay began monthly random reviews of confirmed deceased retiree accounts, in addition to monthly random reviews from the overall population of retired and annuity pay accounts. Both of these sampling plans were designed to produce annual estimates of improper payments, with probability of 95 percent and sample precision of plus or minus 2.5 percent.

DoD targeted the review of confirmed deceased accounts as a subset of the population highly at risk for improper payments. A monthly sample of accounts (approximately 138) is selected from the population of confirmed deceased accounts. Each account is audited to determine if the member was overpaid after the member’s death was reported to Military Retired and Annuitant Pay. Statistics collected from the review include the number of accounts reviewed, number with overpayments, dollar amount of the overpayment, amount of correct pay (what the payment should have been), and the dollar amount collected back from the member’s account/estate within the first 60 days after notification. These sample statistics are projected to the population of deceased retirees to then determine an improper payment rate population estimate for deceased accounts.

Population estimates from the deceased account reviews are then added to any improper payments identified through other than retired pay random audits, to then determine an overall improper payments population estimate for retired pay.



Military Health Benefits. To determine the statistically valid estimate of the annual amount of erroneous payments, the Department uses the following sampling methodology to pull TRICARE Encounter Data records for the Annual Target Health Care Cost audits of the Managed Care Support Services contracts.

For each contract option period, a statistically valid sample of claims with care end dates within the specified option period is selected for payment error auditing. Variable sampling, using stratified sampling with optimum allocation, is used to calculate the sample size for the payment errors. The sample size is determined with a 90 percent confidence level and 1 percent precision.

Claims with a cost less than \$100 are not sampled (except claims for TRICARE dual eligibles). One stratum includes all claims \$100,000 and more. Claims with a cost of greater than \$100 but less than \$100,000 are broken down into 12 strata. A formula is applied to calculate the sample size for each stratum. A finite population correction is then applied to each stratum sample size with the final sample size calculated by summing all the corrected stratum sample sizes. Finite population correction is first applied on each stratum, before the summation of sample sizes of all strata. A minimum sample size of 30 is forced into each stratum. If the stratum universe count is less than 30, all the claims in that stratum are audited. The audit process for payment samples projects universe value based on the audit results. The samples are projected separately to the universe of claims for each quarter. The results of these projections are then combined into the following categories: Total number of claims in the universe, government payment estimation, correct government payment, error amount, and the estimated error percent in the universe of claims. The percentage of overpayments is applied to all the payments to determine the amount of allowable cost. The percentage will be recovered based on total overpayments, not net of underpayments, due to “zero tolerance” for errors.

Military Pay. The Defense Finance and Accounting Service (DFAS) uses a stratified sampling plan design based on a maximum annual target sample of approximately 1,530 accounts per component (monthly sample of approximately 128 accounts per component). Components are defined as the Active and Reserve/Guard entities of the Army, Air Force, Navy, and Marine Corps. The annual sample provides estimates at the component level of 95 percent probability with sampling precision of plus or minus 2.5 percent. This process has been in place for over 5 years with recent year modifications to capture specific statistics in support of the IPIA.

Pay analysts review the monthly randomly selected accounts, using the most current Leave and Earnings Statement in the respective system and review all entitlements and deductions for accuracy, providing written detail about any erroneous computations. Specific details for each sampled account include the reason and source of the erroneous calculation as well as the net pay and improper payment (overpayments and underpayments) dollar values. Appropriate pay system and operational managers are notified of any discrepant accounts for correction. These data elements are captured and recorded in an electronic database for consolidation and review. Results of the monthly review are analyzed and reported to senior managers.

The improper payment rate is calculated by dividing the dollar value of all erroneous payments identified in the sample by the total net of sampled accounts to arrive at a sample rate for improper payments. Then the sample rate is multiplied times the total net pay of the population to determine an estimated improper payment dollar value. Any improper payments identified through means other than the random review are summarized and added to the population estimate (from the random review) to determine an overall population improper payment estimate for military pay.

Corrective Action Plans

Military Retirement. Military Retirement and Annuitant Pay places great emphasis on methods to reduce the dollar value of improper payments to deceased retirees. It fully recognizes that a certain number of retirees will be paid after death, simply by virtue of the inability to predict death and the fact that families have more pressing issues to address immediately following death than to notify the Military Retired and Annuitant Pay customer contact center. To minimize the impact of a delay in death notification, it has substantially improved its internal processing methods as well as streamlining and automating listings and data mining techniques with the Social Security Administration. This process allows DoD to receive death notice information through an automated system match on military retirees. In many cases, this death notification process will prevent the payment system from generating an improper payment. Preliminary assessment of the FY 2005 estimates suggest that these death match process improvement initiatives are contributing to a reduction of improper payments to deceased personnel. FY 2004 improper payments to deceased retirees were estimated at \$51.8 million (the initial estimate of \$26.2 million was incorrect and raised subsequently to \$51.8 million). FY 2005 improper payments to deceased retirees are estimated to be \$46.5 million. The Department expects to recover over 95 percent of this amount within 60 days of notification.

Military Health Benefits. The Medical Health Benefits Program currently audits statistically valid samples that over the years have consistently produced an error rate of less than the 2 percent standard contained in the TRICARE contracts—an amount less than the 2.5 percent threshold allowed by the IPIA Act as implemented by OMB. The TRICARE Management Agency audits payments, extrapolates the results of the payments to the universe, and disallows the full amount of the extrapolated total representing a statistical projection of overpayments.

Improperly submitted claims by the provider community, as well as a minimal degree of human error that can be expected with handling a large volume of claims within the tight time parameters established through the prompt payment regulations, cause errors in health care claims processing. Using statistically valid samples and assessing the contractor making the disbursement on behalf of the Department with financial penalties minimizes the error rate. The construct of the managed care contracts effectively reduces improper payments to zero.

Military Pay. DFAS is responsible for the military pay systems and places substantial emphasis on the correctness of the pay calculation from these systems. It has established several processes to ensure correctness of pay and thus prevent improper payments within the military pay systems. These measures include both random and targeted pre-payroll (payday) reviews, and producing pay abnormality and inconsistent condition reports and listing.

In the pre-payroll review process, DFAS selects random individual pay accounts from the Air Force, Army, and Navy for review prior to mid-month and end-of-month payroll release. The goal is to identify any incorrect pay generated by a systems or procedural issue. The pay systems staff produces a Leave and Earnings Statement, which is reviewed for each selected pay account. Based on the review findings, the pay systems staff is advised to complete the payroll or rerun it.

Pay abnormality lists are generated by the pay systems to identify accounts that are receiving pay at a rate of

225 percent or greater increase from their normal pay. It provides the normal pay amount, what is being paid on the current payday, and identifies the input creating the increase in pay. Each account on this list is reviewed in detail to ensure the pay is accurate based on some unique occurrence (e.g., payment of a new entitlement, payment of a one-time item such as a bonus, etc.)

Inconsistent condition reports identify pay conditions within the pay system that should not exist (e.g., the member is receiving Basic Allowance for Housing at the “no dependents” rate but also is receiving cost of living allowance at the “with dependents” rate.) The reports are sent to the appropriate input source for research and correction of the account.

The following table summarizes the Department’s improper payment reduction outlook for each of these programs from FY 2004 through FY 2008.

Program	Prior Year			Calendar Year			Calendar Year +1		
	Outlays (\$)	(%)	(\$)	Outlays (\$)	IP (%)	IP (\$)	Est. Outlays (\$)	IP (%)	IP (\$)
Military Retirement (Note 1)	34.0B	0.1942	66.0M	35.7B	0.1381	49.3M	35.7B	0.1332	47.5M
Military Health Benefits (Notes 2, 3 & 4)	7.6B	1.31	99.6M	7.5B	2.0	150M	9.1B	2.0	182M
Military Pay (Note 1)	n/a	n/a	n/a	69.1B	0.6254	432.0M	70.1B	0.5551	389.0M

Program	Calendar Year +2			Calendar Year +3		
	Est. Outlays (\$)	IP (%)	IP (\$)	Est. Outlays (\$)	IP (%)	IP (\$)
Military Retirement (Note 1)	35.7B	0.1283	45.8M	35.7B	0.1234	44.1M
Military Health Benefits (Notes 2, 3 & 4)	10.2B	2.0	204M	10.9B	2.0	218M
Military Pay (Note 1)	72.1B	0.5019	361.9M	74.3B	0.4676	347.0M

Note 1. The initial estimate of erroneous payments for Military Retirement for FY 2004 was computed incorrectly at \$34.1 million or 0.952 percent. The figures shown in the table reflect the corrected amounts. Military Retirement and Military Pay dollars represent net amounts (e.g., net of Federal and State withholdings).

Note 2. The audits have now completed the administrative process and the final payment error rate for FY 2004 is 1.31 percent. The preliminary error rate for FY 2003 was 1.36 percent and the final rate was 0.85 percent. The information for FY 2005 is not yet available. Projections for FY 2005 through FY 2008 are that the erroneous payment rate will be below the 2 percent performance standard required in the contracts. Historically, the final overall percentage has been below the 2 percent threshold. Even though the contract performance standard is 2 percent, the Department has a zero tolerance for unallowable costs. If the contractor pays a claim that’s not allowable, the Department will not reimburse the contractor. The construct of the managed care contracts effectively reduces improper payments to zero.

Note 3. The FY 2004 Outlay includes all benefit dollars subjected to the audit process. The total was computed as \$7.6 billion as reflected in this chart. Fee for service claims are determined to be susceptible to erroneous payments as payment is made based upon an individual claim being submitted by a provider or beneficiary based on a certification that the services were provided as billed. The \$7.6 billion does not include contracts that are capitated or otherwise 100 percent at risk, such as the dental and the U.S. Family Health Plan contracts. Any erroneous payments in the 100 percent at risk contracts are the sole responsibility of the contractor—there is no shared risk with the government. Administrative or change order costs are also not included as those costs do not fall into the definition of areas susceptible to erroneous payments.

Note 4. Pharmacy claims for FY 2005 were not included in the audit process. The contract transitioned and an audit process is being established for the outyears.

Recovery Auditing

The Department of Defense utilizes a number of different mechanisms to prevent, identify, and collect improper payments. This effort is divided into two parts, contract audit and recovery audit.

Contract Audit. The Defense Contract Audit Agency (DCAA) routinely performs billing system audits at major contractors (e.g., contractors with a substantial amount of flexibly priced contracts and fixed price contracts). The objective of these audits is to determine the adequacy of the contractor's billing system internal controls and its compliance with those controls. This effort provides assurance to the Department that the contract payment billings received by DFAS are predicated on costs incurred and approved provisional billing rates. DCAA also performs paid voucher reviews at major contractors and special purpose audits at contractor locations when a risk factor for improper payments is identified and neither a billing system review nor a test of paid vouchers is planned. For both contract payments and vendor payments, the DFAS payment offices utilize various duplicate payment detection applications/system edits, some of which are embedded in the entitlement systems to detect potential duplicate contract and vendor payments prior to disbursement.

Recovery Audit. The Department maintains an extensive post-payment process for identifying improper payments. This process utilizes post-payment review techniques performed both internally and by recovery auditing contractors paid from the proceeds actually recovered. For contract and vendor payments, this process includes reviews by the DFAS-Internal Review and recovery auditing contractors. The process also includes the use of data-mining for purchase and travel card transactions by the Office of the Inspector General, Department of Defense. For purchased health care payments, the TRICARE Management Activity has established a statistically valid post-payment process that can accurately estimate improper payments. The TRICARE Management Activity also is using a recovery auditing contractor that specializes in identifying overpayments to hospitals that fail to submit amended cost reports.

DFAS-Internal Review maintains a post-payment process that reviews commercial payments vouchered in a DFAS entitlement system within 180 days of disbursement. Application of this process to FY 2003 payment data resulted in the identification of \$122 million in duplicate payments, of which \$119 million has been recouped. For FY 2004 payment data, \$40 million has been identified as duplicate payments of which \$30 million has been recouped.

The Department has recouped more than \$19 million in erroneous commercial payments since the inception of the program in 1996, \$1.9 million of which was recovered in FY 2005. Most of the recoveries occurred on disbursements made by the Defense Logistics Agency and the Naval Supply Systems Command. These recoveries were achieved by providing the recovery auditing contractor access to DFAS payment data files. The Department anticipates that the recovery auditing performed by recovery auditing contractors will be expanded in FY 2006.

The TRICARE Management Activity utilizes contractors to perform the entitlement process related to purchased health care claims. To ensure the integrity of the payments made, it has another contractor that performs post-payment reviews using statistical methods to quantify the amount of improper payments. The improper payments estimate becomes an unallowable cost to the vendor making the payment. The TRICARE Management Activity also is utilizing a recovery audit contractor to recapture overpayments made to hospitals that failed to submit amended cost reports from calendar years (CY) 1992 through 2004. From October 2003 to July 2005, these reviews have realized over \$16.2 million in collections.

Agency Component (if applicable)	Amount subject to Review for Current Year Reporting	Actual Amount Reviewed and Reported	Amounts Identified for Recovery	Amounts Identified / Actual Amount Reviewed	Amounts recovered Current Year	Amounts recovered Prior Years(s)
Agency-wide Commercial Payments (Note 1)	\$222.8B	\$222.8B	\$469.5M	0.2108%	\$414.9M	(Note 1)
Commercial Payments Recovery Auditing Contractor (Notes 2 and 3)	n/a	n/a	\$1.9 M	n/a	\$1.9 M	\$17.1 M
TRICARE Management Activity Health Care Purchased Care Recovery Auditing Contractor (Notes 3 and 4)	n/a	n/a	\$1.6 M	n/a	\$1.7 M	\$16.3 M

Footnotes:

- The amount identified for recovery includes both underpayments (67%) and overpayments (33%). \$460.1 million or 98 percent of the amount identified for recovery is attributable to DFAS disbursements and represents both internal recovery audit efforts and recoveries identified by other means (to include contract reconciliation and statistical sampling and contractor voluntary refunds). Of the amount initially identified by the DFAS for recovery, \$19.8 million was subsequently determined to be valid. Recovery efforts have recouped \$103.7 million in overpayments and disbursed \$307.6 million in underpayments. The remaining \$28.9 million remains in the recovery process or has been referred to the DFAS debt management office for collection. This is the first year the Department has included this information (no prior year amounts are being reported).*
- These are recoupments resulting from commercial payment recovery audits performed by recovery auditing contractors for the Defense Logistics Agency and the Department of the Navy. The recoupments represent duplicate payments, discounts not taken, etc.*

3. *Because of timing differences between the recovery auditing efforts and the recovery actually made (e.g., recovery audit effort may have been performed in a previous fiscal year on disbursements made in multiple fiscal years), there is no relationship between these two amounts. As a result, the table is limited to the actual amounts recovered in FY 2005 and in prior years.*
4. *These are recoupments resulting from overpayments to hospitals that failed to submit amended cost reports.*

Accountability

Certifying officer legislation currently in effect holds certifying and disbursing officers accountable for government funds. Pecuniary liability attaches automatically when there is a fiscal irregularity, i.e., (a) a physical loss of cash, vouchers, negotiable instruments, or supporting documents or (b) an erroneous payment. Pecuniary liability for accountable officials attaches if a Commander/director determines that an erroneous payment was the result of the accountable official's negligence. For certifying officers and disbursing officers, there is a presumption of negligence and those individuals bear the burden of proof in establishing the absence of negligence; i.e., they must produce evidence to establish that there was no contributing fault or negligence on their part. A presumption of negligence does not apply to accountable officials. Efforts to recover from the recipient must be undertaken in accordance with the debt collection procedures prescribed in Volume 5, Chapters 29 and 30 of the DoD Defense Financial Management Regulation.

In addition, the Department is establishing performance metrics to track and reduce erroneous payments. These metrics will include all programs/activities that the Department has identified as having a risk of erroneous payments.

Information Systems

Military Retirement. At the current time, Military Retired and Annuitant Pay has the information and infrastructure needed to reduce improper payments.

Military Health Benefits. The TRICARE Management Agency has a national claims database that captures fee-for-service claims for care rendered and paid for by TRICARE. Derived from data forwarded by TRICARE Managed Care Support Contractors in a specific format that is compared against a specific set of quality control

edits; the database maintains information on covered beneficiaries and the care each receives. The extensive data requirement contributes to data integrity and the fiscal soundness of a single audit trail and allows for close oversight of the claims paid by TRICARE. In addition, the TRICARE Management Agency has had performance standards in place for a number of years and contractors have continually met or exceeded them. Contractors already have a financial incentive to pay claims correctly and to stay below 2 percent, given that the agency will not fund unallowable costs (overpayments) submitted by its contractors making the disbursements.

Military Pay. At the current time, Military pay has the information and infrastructure needed to reduce improper payments.

Statutory or Regulatory Barriers

Military Retirement. Two barriers impede the agency's ability to take corrective actions in reducing improper payments, the Federal Acquisition Regulation and the Retired and Annuitant Pay service contract. On January 28, 2002, the servicing of Retired and Annuitant Pay came under the purview of a government contractor. Although most functions remain unchanged from when the government performed these functions, there are now contractual limits to the government's involvement in the day-to-day operations of Retired and Annuitant Pay. The Continuing Government Activities office was formed to oversee the Retired and Annuitant Pay contract, to ensure the contractual requirements are followed, however, the government can no longer direct how the work is accomplished. To bring about an operational change, both the government and the contractor must agree on how to effect and fund a change. Any deviation from the current contract requires a contract modification, which is detailed in the Federal Acquisition Regulation.

Military Health Benefits. There are currently no statutory or regulatory barriers that limit the Department's corrective actions for this program. In addition, as previously mentioned erroneous payments are continually less than the 2 percent error rate for this program.

Military Pay. There are currently no statutory or regulatory barriers that limit the Department's corrective actions for this program.

**Funds Appropriated to the President
Administered by the Department of Defense**

BALANCE SHEET As of September 30, 2005 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
	ASSETS					
Fund Balance With Treasury	\$ 82.4	1,913.3	10.1	6.7	-	37.8
Accounts Receivable	-	-	-	-	-	16.0
Other Assets	-	-	-	-	-	-
Loans Receivable	-	-	221.4	-	3,237.8	703.3
Inventory and Related Property, Net	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Assets	\$ 82.4	1,913.3	231.5	6.7	3,237.8	757.1
LIABILITIES						
Debt	-	-	231.5	-	3,237.8	404.7
Other Liabilities	-	-	-	-	-	352.4
Accounts Payable	27.1	0.3	-	-	-	-
Other Liabilities	-	-	-	-	-	-
Total Liabilities	\$ 27.1	0.3	231.5	-	3,237.8	757.1
NET POSITION						
Unexpended Appropriation	\$ 55.3	1,911.3	-	-	-	-
Cumulative Results of Operations	-	1.7	-	6.7	-	-
Total Net Position	\$ 55.3	1,913.0	-	6.7	-	-
Total Liabilities and Net Position	\$ 82.4	1,913.3	231.5	6.7	3,237.8	757.1

**Funds Appropriated to the President
Administered by the Department of Defense**

STATEMENT OF NET COST As of September 30, 2005 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
	Program Costs:					
Intragovernmental Gross Cost	\$ -	-	11.5	-	119.2	41.5
Less: Intragovernmental Earned Revenue	-	-	-	-	-	(41.5)
Intragovernmental Net Costs	-	-	11.5	-	119.2	-
Gross Costs With the Public	82.9	4,882.7	-	-	7.5	(72.8)
Less: Earned Revenues From The Public	-	(0.2)	(11.5)	-	(119.2)	-
Net Cost With the Public	\$ 82.9	4,882.5	(11.5)	-	(111.7)	(72.8)
Total Net Costs	\$ 82.9	4,882.5	-	-	7.5	(72.8)
Costs not Assigned to Programs	-	-	-	-	-	-
Less: Earned Revenues not Attributable to Programs	-	-	-	-	-	-
Net Cost of Operations	\$ 82.9	4,882.5	-	-	7.5	(72.8)

**Funds Appropriated to the President
Administered by the Department of Defense**

STATEMENT OF CHANGES IN NET POSITION As of September 30, 2005 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
Cumulative Results of Operations						
Beginning Balance	\$ -	1.5	-	16.7	-	-
Prior Period Adjustments (+/-)	-	-	-	-	-	-
Beginning Balance, as adjusted	\$ -	1.5	-	16.7	-	-
Budgetary Financing Sources						
Appropriation Received	\$ -	-	-	-	-	-
Appropriations Transferred in/out (+/-)	-	-	-	-	-	-
Other Adjustments (rescissions, etc.) (+/-)	-	-	-	-	-	-
Appropriations Used	82.9	4,882.7	-	-	7.5	-
Nonexchanged Revenue	-	-	-	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-	-	-
Transfers in/out Without Reimbursement (+/-)	-	-	-	(10.0)	-	(72.8)
Other Budgetary Financing Sources (+/-)	-	-	-	-	-	-
Other Financing Sources:						
Donations and forfeitures of property	\$ -	-	-	-	-	-
Transfers in/out Without Reimbursement (+/-)	-	-	-	-	-	-
Imputed financing from costs absorbed by others	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Total Financing Sources	\$ 82.9	4,882.7	-	(10.0)	7.5	(72.8)
Net Cost of Operations (+/-)	\$ 82.9	4,882.5	-	-	7.5	(72.8)
Ending Balances	\$ -	1.7	-	6.7	-	-
Unexpended Appropriations						
Beginning Balance	\$ 49.1	1,801.6	-	-	-	-
Prior Period Adjustments (+/-)	-	-	-	-	-	-
Beginning Balance, as adjusted	\$ 49.1	1,801.6	-	-	-	-
Budgetary Financing Sources						
Appropriation Received	\$ 89.8	5,033.5	-	-	7.5	-
Appropriations Transferred in/out (+/-)	-	(2.8)	-	-	-	-
Other Adjustments (rescissions, etc.) (+/-)	(0.7)	(38.3)	-	-	-	-
Appropriations Used	(82.9)	(4,882.7)	-	-	(7.5)	-
Nonexchanged Revenue	-	-	-	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents	-	-	-	-	-	-
Transfers in/out Without Reimbursement (+/-)	-	-	-	-	-	-
Other Budgetary Financing Sources (+/-)	-	-	-	-	-	-
Other Financing Sources:						
Donations and forfeitures of property	\$ -	-	-	-	-	-
Transfers in/out Without Reimbursement (+/-)	-	-	-	-	-	-
Imputed financing from costs absorbed by others	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Total Financing Sources	\$ 6.2	109.7	-	-	-	-
Net Cost of Operations (+/-)	\$ -	-	-	-	-	-
Ending Balances	\$ 55.3	1,911.3	-	-	-	-

**Funds Appropriated to the President
Administered by the Department of Defense**

STATEMENT OF BUDGETARY RESOURCES As of September 30, 2005 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
Budgetary Financing Accounts						
Budgetary Resources						
<u>Budget Authority</u>						
Appropriation Received	\$ 89.7	5,033.5	-	-	7.5	-
Borrowing Authority	-	-	-	-	-	-
Contract Authority	-	-	-	-	-	-
Net Transfers (+/-)	-	-	-	-	-	-
Other	-	-	-	-	-	-
<u>Unobligated Balance</u>						
Beginning of Period	7.7	0.3	-	16.7	-	-
Net Transfers, Actual (+/-)	-	(2.8)	-	-	-	-
Anticipated Transfer Balances	-	-	-	-	-	-
<u>Spending Authority from Offsetting Collections</u>						
<u>Earned</u>						
Collected	-	0.2	-	-	-	-
Receivable from Federal Sources	-	-	-	-	-	-
Change in unfilled Customer Orders	-	-	-	-	-	-
Advance Received	-	-	-	-	-	-
Without advance from Federal Sources	-	-	-	-	-	-
Anticipated for the rest of the Year, Without Advances	-	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-	-
Subtotal	\$ -	0.2	-	-	-	-
Recoveries of Prior Year Obligations	12.1	4.6	-	-	-	-
Temporarily Not Available Pursuant to Public Law	-	-	-	-	-	-
Permanently Not Available	(2.2)	(38.5)	-	(10.0)	-	-
Total Budgetary Resources	\$ 107.3	4,997.3	-	6.7	7.5	-
STATUS OF BUDGETARY RESOURCES						
<u>Obligations Incurred</u>						
Direct	\$ 95.2	4,997.0	-	-	7.5	-
Reimbursable	-	-	-	-	-	-
Subtotal	\$ 95.2	4,997.0	-	-	7.5	-
<u>Unobligated Balance</u>						
Apportioned	1.1	0.1	-	-	-	-
Exempt from Apportionment	-	-	-	-	-	-
Other Available	-	-	-	-	-	-
Unobligated Balances Not Available	11.0	0.2	-	6.7	-	-
Total, Status of Budgetary Resources	\$ 107.3	4,997.3	-	6.7	7.5	-
Relationship of Obligations to Outlays						
Obligated Balance, Net - Beginning of Period	\$ 67.4	1,803.4	-	-	-	-
Obligated Balance Transferred, Net (+/-)	-	-	-	-	-	-
Obligated Balance, Net - End of Period:						
Accounts Receivable	-	-	-	-	-	-
Unfilled Customer Order from Federal Sources	-	-	-	-	-	-
Undelivered Orders	41.6	1,912.5	-	-	-	-
Accounts Payable	27.1	0.3	-	-	-	-
<u>Outlays</u>						
Disbursements	81.8	4,883.0	-	-	7.5	-
Collections	-	(0.2)	-	-	-	-
Subtotal	\$ 81.8	4,882.8	-	-	7.5	-
Less: Offsetting Receipts	-	-	-	-	-	-
Net Outlays	\$ 81.8	4,882.8	-	-	7.5	-

**Funds Appropriated to the President
Administered by the Department of Defense**

STATEMENT OF BUDGETARY RESOURCES As of September 30, 2004 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
NONBUDGETARY FINANCING ACCOUNTS						
BUDGETARY RESOURCES						
<u>Budget Authority</u>						
Appropriation Received	\$ -	-	-	-	-	2.6
Borrowing Authority	-	-	3.1	-	-	56.2
Contract Authority	-	-	-	-	-	-
Net Transfers (+/-)	-	-	-	-	-	-
Other	-	-	-	-	-	-
<u>Unobligated Balance</u>						
Beginning of Period	-	-	5.0	-	-	34.5
Net Transfers, Actual (+/-)	-	-	-	-	-	-
Anticipated Transfer Balances	-	-	-	-	-	-
<u>Spending Authority from Offsetting Collections</u>						
Earned	-	-	-	-	-	-
Collected	-	-	13.6	-	323.6	556.8
Receivable from Federal Sources	-	-	-	-	-	-
Change in unfilled Customer Orders	-	-	-	-	-	-
Advance Received	-	-	-	-	-	-
Without advance from Federal Sources	-	-	-	-	-	-
Anticipated for the rest of the Year, Without Advances	-	-	-	-	-	-
Transfers from Trust Funds	-	-	-	-	-	-
Subtotal	\$ -	-	13.6	-	323.6	556.8
Recoveries of Prior Year Obligations	-	-	-	-	-	-
Temporarily Not Available Pursuant to Public Law	-	-	-	-	-	-
Permanently Not Available	-	-	-	-	(317.8)	(509.9)
Total Budgetary Resources	\$ -	-	21.7	-	5.8	140.2
STATUS OF BUDGETARY RESOURCES						
<u>Obligations Incurred</u>						
Direct	\$ -	-	11.5	-	5.8	102.4
Reimbursable	-	-	-	-	-	-
Subtotal	\$ -	-	11.5	-	5.8	102.4
<u>Unobligated Balance</u>						
Apportioned	-	-	2.7	-	-	-
Exempt from Apportionment	-	-	-	-	-	-
Other Available	-	-	-	-	-	-
Unobligated Balances Not Available	-	-	7.5	-	-	37.8
Total, Status of Budgetary Resources	\$ -	-	21.7	-	5.8	140.2
Relationship of Obligations to Outlays						
Obligated Balance, Net - Beginning of Period	\$ -	-	-	-	-	3,628.9
Obligated Balance Transferred, Net (+/-)	-	-	-	-	-	-
Obligated Balance, Net - End of Period:						
Accounts Receivable	-	-	-	-	-	-
Unfilled Customer Order from Federal Sources	-	-	-	-	-	-
Undelivered Orders	-	-	-	-	-	3,417.5
Accounts Payable	-	-	-	-	-	-
<u>Outlays</u>						
Disbursements	-	-	11.5	-	5.8	313.5
Collections	-	-	(13.6)	-	(323.6)	(556.8)
Subtotal	\$ -	-	(2.1)	-	(317.8)	(243.3)
Less: Offsetting Receipts	-	-	-	-	-	-
Net Outlays	\$ -	-	(2.1)	-	(317.8)	(243.3)



**Funds Appropriated to the President
 Administered by the Department of Defense**

STATEMENT OF FINANCING As of September 30, 2005 (\$ in Millions)	International Military Education and Training 11*1081	Foreign Military Financing Program Grants 11*1082	Military Debt Reduction Financing 11x4174	Special Defense Acquisition Fund 11x4116	Foreign Military Loan Liquidating Account 11x4121	Foreign Military Financing, Direct Loan Financing 11x4122
Resources Used to Finance Activities:						
<u>Budgetary Resources Obligated</u>						
Obligations Incurred	\$ 95.2	4,997.0	11.5	-	13.3	102.2
Less: Spending Authority from Offsetting Collections and Recoveries (-)	(12.0)	(4.8)	(13.6)	-	(323.5)	(556.8)
Obligations Net of Offsetting Collections and Recoveries	\$ 83.2	4,992.2	(2.1)	-	(310.2)	(454.6)
Less: Offsetting Receipts (-)	-	-	-	-	-	-
Net Obligations	\$ 83.2	4,992.2	(2.1)	-	(310.2)	(454.6)
<u>Other Resources</u>						
Donations and Forfeitures of Property	\$ -	-	-	-	-	-
Transfers In/Out Without Reimbursement (+/-)	-	-	-	(10.0)	-	(72.8)
Imputed Financing from Costs Absorbed by Others	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Net Other Resources Used to Finance Activities	-	-	-	(10.0)	-	(72.8)
Total Resources Used to Finance Activities	\$ 83.2	4,992.2	(2.1)	(10.0)	(310.2)	(527.4)
Resources Used to Finance Items not part of the Net Cost of Operations:						
Change in Budgetary Resources Obligated for Goods, Services, and Benefits ordered but not yet provided						
Undelivered Orders (-)	\$ (0.3)	(109.7)	-	-	-	211.3
Unfilled Customer Orders	-	-	-	-	-	-
Resources that fund expenses recognized in Prior Periods						
Budgetary Offsetting Collections and Receipts that do not affect Net Cost of Operations	-	-	13.6	-	323.5	556.8
Resources that Finance the Acquisition of Assets	-	-	(11.5)	-	(5.8)	(313.5)
Other Resources or Adjustments to net Obligated						
Resources that do not affect Net Costs of Operations	-	-	-	-	-	-
Less: Trust or Special Fund Receipts related to exchange in the Entity's Budget (-)	-	-	-	-	-	-
Other (+/-)	-	-	-	10.0	-	72.8
Total Resources Used to Finance Items not part of the Net Cost of Operations	\$ (0.3)	(109.7)	2.1	10.0	317.7	527.4
Total Resources Used to Finance the Net Cost of Operations	\$ 82.9	4,882.5	-	-	7.5	-
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period						
<u>Components Requiring or Generating Resources in Future Periods</u>						
Increase in Annual Leave Liability	\$ -	-	-	-	-	-
Increase in Environmental and Disposal Liability	-	-	-	-	-	-
Upward/Downward Reestimates of Credit	-	-	-	-	-	(72.8)
Subsidy Expense (+/-)	-	-	-	-	-	-
Increase in Exchange Revenue Receivable from the Public (-)	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Total Components of Net Cost of Operations that will require or generate Resources in Future Periods	\$ -	-	-	-	-	(72.8)
<u>Components Not Requiring or Generating Resources</u>						
Depreciation and Amortization	\$ -	-	-	-	-	-
Revaluation of Assets or Liabilities (+/-)	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$ -	-	-	-	-	-
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	\$ -	-	-	-	-	(72.8)
Net Cost of Operations	\$ 82.9	4,882.5	-	-	7.5	(72.8)