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## Navy Working Capital Fund

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Message from the Secretary of the Navy

February 2002

Today’s Department of the Navy (DON) is the most powerful maritime force the world has ever known. To maintain our position as the premier naval force of the 21st century, we will continue to evolve and transform. To complete this transformation, we must aggressively adapt new organizations, command structures, tactics and forces that can respond rapidly, prevent future surprises, and thrive in the new world environment that emerged on September 11th.

As we charted the course to transform our Navy and Marine Corps, I outlined four strategic priorities for the Department in May 2001. Today, these priorities — combat capabilities, people, technology, and business practices — demand an even greater sense of urgency as we wage what President Bush has called “the first war of the 21st century.”

Just as they have during the early stages of the war on terror, I know that our magnificent Sailors and Marines, and our civilian staff members who support them, will rise to the challenge of transformation. People remain our enduring strength — this will not change whether the fight is on the battlefield or against the bureaucracy we must change in order to thrive in the 21st century.

During Fiscal Year (FY) 2001, the Department of the Navy continued to invest in our Sailors and Marines by focusing on quality of service by improving both quality of life and, just as important, the quality of their workplace. By leveraging new technology and improving our business practices we can maximize our combat capability in an efficient manner that acknowledges our responsibilities to the American taxpayer. Specifically, we will simplify the acquisition process, streamline decision-making and promote innovation throughout the entire Navy-Marine Corps Team.

This FY 2001 DON Annual Report provides a means for Congress and the public to review and measure the effectiveness of the DON’s stewardship. As our Navy and Marine Corps serve and protect (or defend) our great nation, we also take great pride in our commitment to financial accountability.

Gordon R. England

2001 Annual Financial Report
The Fiscal Year (FY) 2001 Department of the Navy (DON) Financial Report not only represents a culmination of business transactions, but also many hours analyzing and transitioning the DON’s business practices to produce the "financial intelligence" that leaders need to make decisions. During FY 2001 we continued our efforts to eliminate archaic and redundant systems and improve system compliance. The Department supported Enterprise Architecture Initiatives through implementation of the United States Government Standard General Ledger DON-wide, and the establishment of a Standard Transaction Library based on common business events. Additionally, the Department has adopted commercial best practices by using Enterprise Resources Planning initiatives to leverage the standardization and integration of critical financial feeder systems. These, and other transitioning efforts, are just a few examples of creative and cross-functional solutions to provide DON leaders with the information they need to make effective business decisions.

As we press forward, the DON will continue to address future challenges through process reengineering and the appropriate use of technology. We will continue to improve our ability to provide the DON leadership with accurate information to support effective decision making. The need to shift more resources from the bureaucracy to the battlefield has never been more important to ensuring our Sailors and Marines have the tools they will need to win the first war of the 21st Century.

Dionel Aviles
GENERAL FUND OVERVIEW
The Navy and the Marine Corps provide America with a flexible instrument of security policy with which to promote stability, project maritime power, and protect American sovereignty abroad. Our nation’s investment in its naval forces yields a critical return for national security and continued economic prosperity.

In times of peace, our naval forces ensure the free flow of maritime trade. In times of crisis, forward-deployed, combat-ready and combat-sustainable expeditionary naval forces help shape the global security environment, reassuring friends and allies and deterring potential adversaries from action. And should crisis become war, those forward-deployed naval forces integrate seamlessly into a joint task force providing early combat power and ensuring the access of other joint forces to the theater of operations. It is these attributes, singly or in combination, that make the Navy-Marine Corps team so indispensable to our nation in peacetime, crisis, or war.

Answering the Call in 2001
Our naval forces are constantly "on station" and "on call" in support of joint operations and theater engagement efforts worldwide. As fiscal year (FY) 2001 came to a close, our forces were called upon to perform their primary duty: to defend our Nation from her enemies.

Summary of FY 2001 Operations
Throughout the fiscal year, the Department of the Navy (DON) was forward-deployed worldwide in constant support or defense of the nation’s security objectives. Our global presence helped shape and influence regional political and military environments and helped preserve our access to areas of vital strategic importance to the United States. During the course of the year, our operational activities crossed the entire spectrum of the DON’s missions and activities, ranging from drug interdiction, joint maneuvers, and multi-national training exercises to the provision of humanitarian assistance and contingency operations.

Naval Force Presence

314 Ships

Underway: 133 (42%)
6 CVs, 6 LHAs/MCS
Total Personnel Underway: 54,545

Forward Deployed: 93 (29%)
4 CVBGs, 3 ARGs
Total Deployed Personnel: 48,442

1 Naval Force Presence data is as of October 10, 2001. September 30 data is unavailable.
Personnel
The DON comprises more than half a million men and women, as shown below.

Department of the Navy - Active Personnel

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>FY 2002 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navy - Officers</td>
<td>53,908</td>
<td>53,742</td>
</tr>
<tr>
<td>Navy - Enlisted</td>
<td>319,580</td>
<td>318,258</td>
</tr>
<tr>
<td>Midshipmen</td>
<td>4,217</td>
<td>4,000</td>
</tr>
<tr>
<td>Marine Corps - Officers</td>
<td>18,062</td>
<td>17,888</td>
</tr>
<tr>
<td>Marine Corps - Enlisted</td>
<td>154,872</td>
<td>154,712</td>
</tr>
<tr>
<td>Total End Strength</td>
<td>550,639</td>
<td>548,600</td>
</tr>
</tbody>
</table>

In addition to these active personnel, some 87,388 Navy Reservists and 39,810 Marine Reservists served the nation in FY 2001. The size of the active force has stabilized in recent years but the demands on our forces are rising, making the effective integration of reserve elements with active components critical to the continuing success of our mission.

A Military Transformation
On September 11, 2001, the United States came under attack. Americans died that day, not as combatants, but as the innocent victims of a terrorist assault.

This attack on the United States highlights a fundamental condition of our circumstances, that we cannot know precisely where and when America's interests will be threatened nor know when we might come under attack. As a result, America's defense strategy is undergoing a transformation.

It is not only the DON, but the entire U.S. Armed Forces that are being transformed. America's new defense strategy will see the exploitation of new approaches to operational concepts and capabilities, the use of old and new technologies, and the exploration of new strategic and operational challenges and opportunities. The transformation will entail the adaptation of existing military capabilities to new circumstances as well as the development of new military capabilities.

Transforming the DON for the 21st century will require a long-standing commitment from our country and its leaders. Transformation is not a goal for tomorrow, but an endeavor that must be embraced in earnest today.

More detail on the DON's organizational structure is available online at:
http://www.chinfo.navy.mil/navpalib/organization/org-over.html
Shift from Threat-Based to Capabilities-Based Planning
The new defense strategy is built around the concept of a capabilities-based approach to defense. Instead of focusing on who the adversary might be, the strategy will focus on how an adversary is likely to fight. It accordingly will concentrate on the capabilities that an adversary might employ to coerce its neighbors, to deter the United States from acting in defense of its allies, or to directly attack the United States.

Embracing New Technology
It is important for our future readiness that we take full and rapid advantage of new opportunities as they emerge. This will require substantial investment in research, development, and technology. An ability to move quickly on emerging opportunities will be key to the success of our conceptual shift from platform-centric warfare to an emphasis on networked, distributed systems.

We are seeking to enhance our capabilities through prioritizing our investments in networks, sensors, weapons, and platforms. Our investment in science and technology is essential—our goal is to ensure that our forces are equipped and ready with the most technologically advanced capabilities available.

Reverse the Readiness Decline
The DON is the best trained, best equipped, and most capable naval power in the world, but we must not take our leadership for granted. The readiness and tempo of personnel, major weapon systems, and infrastructure are all facing challenges.

Personnel
Excessive operational demands on the force have taken a toll on DON personnel. Over the last decade, while the demands placed upon us have increased, the size of the DON has diminished by 40 percent. The resultant high tempo of operations, coupled with the growing competition from the private sector for workers, has adversely impacted the ability of the DON to recruit and retain quality Sailors and Marines.

It is essential that we recruit, train, and retain people with the broad skills and good judgement needed to address the dynamic challenges of the 21st century, and to do so we must improve the quality of life for our personnel. We must increase basic pay and decrease the impact of family separation. Without qualified and motivated enlisted personnel and officers who can operate highly technical systems and who can lead effectively in a complex military environment, we will be unable to exploit the technology and operational concepts that await us in the future.
Weapon Systems
The pressure to maintain near-term readiness has limited our ability to recapitalize the force. Although procurement spending has increased in recent years, it remains at historically low levels. As a result, many major systems are approaching the end of their useful lives. We are facing reduced mission-capable rates, increased operating costs, and frustration in keeping aging equipment operational. Ultimately, we are facing a reduction in force readiness.

"We've worked so long to do the best we can with what we have that there is some risk that we have lost sight of what it really takes to do our business and do it well, what it takes to sustain today's readiness and recapitalize for tomorrow."

Vice Admiral Joseph W. Dyer, USN
Commander Naval Air Systems Command
(The Year in Defense 2001)

Infrastructure
The DON infrastructure has also suffered from underfunding. DON infrastructure includes facilities such as piers, runways, and hangars that support combat forces; buildings where DON personnel work; training space; and the housing in which military personnel and their families live. These facilities are supported through sustainment and recapitalization.

In recent years, facility sustainment has not been fully funded, leading to a deterioration of facilities and an accumulating restoration backlog. Recapitalization has also been significantly underfunded. While the private sector replaces or modernizes facilities at an average of once every 57 years, defense infrastructure has fallen well short of that standard. The result is a decaying infrastructure that is less and less capable of supporting military needs. This trend must be reversed. If the sustainment of existing facilities and recapitalization continues to be neglected, the resulting facilities will not be capable of supporting combat readiness.

We cannot transform the DON for the future without addressing the needs of today. It is essential that we reverse the readiness decline of many operational units, that we selectively recapitalize the force, and that we arrest the decay of aging defense infrastructure.
A Financial Management Transformation

In support of the military transformation, the DON has been aggressively implementing a financial management transformation. To this end, we have developed a vision, supported by targeted strategic initiatives, for the transformation of our major functional processes.

The Vision

The DON has developed a vision for financial management that centers on five objectives:

• Provide managers with useful, accurate, consistent, and timely financial information to support decision making
• Achieve compliance with systems, financial management and accounting, and reporting requirements
• Implement a standard, core DON financial management functional architecture
• Capitalize on technology and commercial best practices
• Develop core financial management capabilities in our financial management professionals

Business Process Initiatives

The DON has created a number of Business Process Teams (BPTs) to oversee the improvement of our financial management processes. The objective of the teams is to attain compliance with systems, financial management and accounting, and reporting requirements. The BPTs pool resources from a broad representation of program and financial personnel. During FY 2001, the BPTs worked to change business practices, eliminate redundant and manually intensive systems, and to bring the remaining systems into compliance with federal accounting standards.

FY 2001 Business Process Teams

• Operating Materials and Supplies
• Real Property
• Personal Property
• National Defense PP&E
• Heritage Assets
• Government Property in the Possession of Contractors
• Problem Disbursements
• Accounts Payable
• Environmental Liabilities
• Military Housing Privatization Initiative
• Financial Processes for Closed Activities
• Reporting and Information Redesign

Standard General Ledger Initiatives

Central to the DON vision is a fully integrated Standard General Ledger (SGL) to collect all data on DON resources and on the application of those resources to meet mission goals and program objectives. The DON SGL comprises two components: the DON Uniform Chart of Accounts and the DON Standard Transaction Library.

The DON Uniform Chart of Accounts reflects the baseline categorization of resources available and applied, as identified within the United States Standard General Ledger (USSGL) defined for all Executive agencies by the Department of the Treasury. From this baseline, the attributes essential to support external Department-level reporting have been
incorporated into the standard account structure. The DON Uniform Chart of Accounts is designed to allow the specific commands and activities to apply this framework to their own unique operations and management requirements, without sacrificing the standard format required for external reporting. This flexibility allows the DON Uniform Chart of Accounts to overlay the Charts of Accounts in many of the migratory systems, standardizing the reporting from the existing functionality.

The DON Uniform Chart of Accounts provides the standard framework for expressing business events in financial terms. It is supported in this by the DON Standard Transaction Library, which defines the application of the accounts within the DON Uniform Chart of Accounts. Within the existing, or migratory systems, the DON Standard Transaction Library will provide the tool needed to clarify the transaction posting logic, ensuring that common business events are translated accurately into financial transactions for all DON activities and commands. As new technology is adapted to DON financial management needs, the DON Standard Transaction Library will serve as a guidepost for correct and comprehensive integration of the DON SGL.

**Financial Systems Architecture Initiatives**

The DON is implementing an evolutionary approach to the transformation of our financial management processes, seeking first to consolidate legacy systems into interim migratory systems and then to apply a seamless enterprise view to the financial management processes. Both efforts are intended to support DoD’s Financial Management Modernization Program and enterprise architecture initiative.

**Migratory System Standardization**

Our current financial systems environment consists of a large inventory of systems. Some of these systems are under the purview of the DON, while others are owned by the Defense Finance and Accounting Service (DFAS). Within this combined inventory, there are systems that need to be migrated to newer, common systems, thus eliminating duplicate maintenance and support expenses.

The Navy-Marine Corps Intranet (NMCI) represents a consolidation of more than 150 separate and stovepiped local area networks into a single, privately managed network, accessible to all certified users throughout the DON. With the award of the NMCI contract in October 2000, we embarked on a path that will see a commercial team build and maintain all aspects of the network. By pursuing economies of scale, we will acquire greatly improved services with the same funding that we previously spent on numerous incompatible networks. Through NMCI, we will establish a common end-to-end information system capability for voice, video, and data communications, improving access, interoperability, and security for the DON.
Enterprise Architecture and Resource Planning

Migratory system standardization is critical to our smooth consolidation to an integrated system, but the steps we are taking to achieve this are insufficient in themselves to realize our vision for the DON systems architecture.

We will utilize Enterprise Resource Planning (ERP) to guide the end-to-end, seamless integration of critical financial systems. The ERP solutions we develop will support the DoD enterprise architecture.

The DON will use ERP to maintain consistent, accurate, and timely data across the DON. Our objective is to deliver the right information to the right people at the right time, to support decision making across the DON. A DON Commercial Business Practices working group identified ERP as the best foundation and/or lever for change, for its ability to:

- provide improved decision-quality information to all levels of management;
- improve efficiency and effectiveness through the reengineering of business processes and the delivery of integrated information to managers;
- manage costs to enable the maximum reallocation of resources to re-capitalization and modernization;
- enable compliance with statutory requirements such as the Government Performance and Results Act (GPRA), and the Chief Financial Officers (CFO) Act.

ERP is expected to streamline and integrate operational processes and information flows within the DON. An ERP system is designed to provide consistent information from common data as a basis for more timely decision-making and for the improvement of performance at all levels of an enterprise. It provides:

- process oriented modules within and across functionalities;
- uniform, consistent, timely and accurate data;
- a tightly integrated environment with an enterprise-wide view;
- a platform for an organization to conduct transparent processes;
- bridges across the information gap;
- standardized processes embedded in the software. ERP can be viewed as the business infrastructure of an enterprise;
- a platform that allows an enterprise’s units to conduct independent operations to support their business requirements.

The use of commercial best business practices will enable the DON to reengineer some of its existing processes to realize some of the advantages of processes used in the private sector. We are additionally seeking to automate the tasks involved in performing certain business procedures, such as order fulfillment.
E-Business Initiatives

The DON is also looking to electronic processes as a way to improve its business operations. Electronic business (e-business) technologies can give us the ability to make payments and to create, store, retrieve and share documents electronically. Full implementation of e-business technologies will enable us to acquire, pay and account for goods and services faster and more cheaply.

The private sector has led the development and use of electronic technology for business operations, but DoD has also taken steps in the past five years to exploit the benefits of e-business.

The DON is implementing and managing the following specific e-business initiatives:

- Purchase card
- Travel card
- Defense Travel System (DTS)
- Electronic funds transfer
- Electronic malls
- Smart cards

The DON has incorporated commercial business practices, where appropriate, into its various business processes, with the goals of streamlining functions and reducing administrative workload. Our goal ultimately is the integration of business process improvement efforts through the use of electronic commerce technologies.

Education, Training and Communication

To fulfill its current and future mission requirements, the DON financial management workforce must seek to improve its knowledge, skills, and abilities. This is a responsibility shared by both the individual and by the organization as a whole. The need to maintain the education of the financial management work force is particularly acute given the forecast retirement eligibility of 28 percent and 50 percent of the work force by 2005 and 2010, respectively.

The DON has established the Naval Financial Management Career Center (NFMC) to provide educational services support in the development and implementation of the Civilian Financial Management Career Program. The NFMC coordinates the design, development, implementation, and evaluation of the education and training provided by the financial management career program. It also furnishes financial management initiatives and provides strategy advice within the program.
Program Performance
Highlights
The Government Performance and Results Act (GPRA) of 1993 requires federal agencies to submit a comprehensive strategic plan identifying their major goals and objectives, against which the actual achievements of the agency can be compared. Through compliance with this requirement, the DON can demonstrate how we are improving government-wide program effectiveness, we can demonstrate enhanced accountability, and ultimately we can heighten public confidence in our performance and our work.

Every four years, immediately following the U.S. Presidential election, DoD re-examines defense missions and priorities. The report of this Quadrennial Defense Review (QDR) serves as DoD’s strategic performance plan. The performance measures reported on the following pages are based on the 1997 QDR. Issuance of the 2001 QDR will result in implementation of new goals and performance measures for FY 2002.

Performance information is included to aid in the reader’s understanding of the DON’s performance goals, objectives, and results. Due to differences in the deadlines of the Annual Financial Report (AFR) and the DoD Government Performance and Results Act submission, the GPRA performance information presented here may not always agree with the final DoD Performance Report. Material changes in the draft data are not anticipated. FY 2000 results have been updated to reflect the final Performance Report and therefore may not agree with the FY 2000 AFR.

FY 2001 Annual Performance
Goals and Measures
Performance goals and measures provide the DON with the means to assess progress in key areas, enabling the continued success of the force and ensuring that the Navy and Marine Corps are ready when called to action.

This overview presents selected performance goals and measures. Additional information may be obtained from the FY 2001 Performance Report.
**Goal: Support U.S. Regional Security Alliances**

This performance goal is supported by the Overseas Presence measure.

**Overseas Presence**

This metric records the number of days per year that carrier battle groups (CVBGs) or Marine expeditionary units (MEUs) and amphibious ready groups (ARGs) are deployed overseas. It measures the ability of naval air, land, surface, and submarine forces to rapidly respond in times of crisis, and measures our ability to engage in exercises, military-to-military contacts, and other activities in support of regional alliances.

**Results:** The Navy and Marine Corps exceeded FY 2001 performance targets due to CVBG requirements in support of the Global War on terrorism and Operation Southern Watch.

**Goal: Maintain Trained and Ready Forces**

For FY 2001, the DON’s primary goal was to have forces that could fight and win two major, nearly simultaneous theater wars, while at the same time being able to respond to smaller-scale contingencies. This goal will change for FY 2002, due in part to the issuance of the 2001 QDR. In either case, a balance between investment in our existing forces and adequate preparation for the future is necessary.

**Force Levels**

**Results:** Both the Navy and Marine Corps met FY 2001 performance targets for force structure. The aircraft carrier John F. Kennedy, which had been serving as a training and reserve carrier, transferred to the active force in October 2000, allowing it to be fully integrated into the FY 2001 deployment cycle.
Personnel Tempo
The DON has established a threshold for indicating when the pace of operations may begin to impair operational readiness, quality of life, or retention. To meet the Navy target, a unit must deploy for no more than six months at a time, must spend twice as much time nondeployed as deployed, and must spend 50 percent of its time in home port over a five-year cycle. The Marine Corps metric is similar, but sets the reporting threshold at the number of units deploying more than 180 days per year over a 36-month scheduling period.

Results: Only one Navy unit out of approximately 400 missed the personnel tempo target. The Marine Corps met its deployment tempo goal in FY 2001.

<table>
<thead>
<tr>
<th>Navy Personnel Tempo</th>
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<tbody>
<tr>
<td>Unit s meeting target</td>
</tr>
<tr>
<td>Percentage of total units meeting target</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marine Corps Deployment Tempo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units deploying more than 180 days per year during a 36-month scheduling period</td>
</tr>
<tr>
<td>Percentage of total units</td>
</tr>
</tbody>
</table>

Steaming Days per Quarter
This metric tracks the total number of steaming days (i.e., days at sea) per quarter for the active, reserve, deployed, and non-deployed naval vessels.

Results: Navy Reserve deployed and Navy active non-deployed ships met their steaming day goals for FY 2001. Deployed active and non-deployed Navy reserve ships exceeded their steaming day goals in FY 2001 due to contingency and counter narcotics operational commitments. Additional steaming hours were required as a result of force protection concerns after the attack of the USS Cole.

Flying Hours per Month
This metric measures the monthly minimum flying hours required by the DON to maintain pilot and crew proficiency in training and maintenance activities, for both the active and reserve components.

Results: The Navy and Marine Corps Active came close to meeting their FY 2001 targets. Improvements in safety returned many of last year’s grounded aircraft into service, but funding contributed to this year’s shortfall. The Navy Reserve component met its performance target for FY 2001.
Goal: Recruit, Retain, and Develop Personnel
Trained and adequately compensated manpower is the most important element in the readiness equation. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The continued success of the DON depends on our ability to recruit highly qualified personnel and on the assurance of a high quality of life for our people.

Enlisted Recruiting
No amount of technological sophistication will enable our Sailors and Marines to successfully meet the challenges of the future if we fail to maintain the quality of our personnel or if we fail to make the investments necessary to develop them to their full potential. The DON is thus committed to recruiting high-quality personnel to the service and to improving the quality of life for naval personnel and their families. Targets for enlisted recruiting represent the projected number of new personnel needed each year to maintain statutorily defined military end-strengths, properly distributed by rank, and allowing for discharges, promotions, and anticipated retirements.

Results: The Navy and Marine Corps active forces and Marine Corps reserves met both numeric and quality targets. The Navy reserve force met its numeric goal but fell short of the high school diploma graduate benchmark.

Enlisted Retention Rates
One of the DON's greatest challenges is establishing steady-state retention goals to maintain a streamlined service. To that end, the DON continues to refine its retention goals. Ongoing assessments of grade mix, desired levels of experience, and manpower efficiencies are expected to identify the need for further refinement of our retention targets.

Results: Service retention programs are still feeling the effects of the post-Cold War drawdown; however, expanded enlistment and reenlistment bonuses, enhanced special and incentive pays, and increased advancement opportunities resulted in better than anticipated manning in FY 2001. These advancements led to a reduction in at-sea billet gaps and allowed us to begin working to meet increased requirements in areas such as anti-terrorism and force protection, aviation maintenance, and environmental billets at sea. The Navy considers reenlistment behavior to be strong because retention rates are up and FY 2001 goals were missed only narrowly.
Selected Reserve Enlisted Attrition Rates

In assessing retention trends in the reserve components, attrition rates are used rather than reenlistment rates. Attrition is computed by dividing total losses for a fiscal year by average personnel strength for that year. This metric is preferable to reenlistment rates because only a small portion of the reserve population is eligible for reenlistment during any given year. The DON has established annual attrition targets for reserve personnel. These targets represent the maximum number of losses deemed acceptable in a given fiscal year, that is, they establish a ceiling for personnel departures.

Results: A low attrition rate, one much below the ceiling, contributed significantly to the ability of reserve components to meet their end strength goals for FY 2001.
Systems, Controls, and Legal Compliance

To ensure that the DON’s mission and objectives are met, internal accounting and administrative controls are evaluated in accordance with Office of Management and Budget (OMB) and DoD guidance. The objective of this evaluation is to provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports and to maintain accountability over the assets.

The evaluation of management controls extends to every responsibility and activity undertaken by the DON and is applicable to financial, administrative, and operational controls. Evaluation of DON systems was performed in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of the DON in effect during the fiscal year that ended September 30, 2001, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved. For additional detail, refer to the FY 2001 DON Statement of Assurance.

Comparative Financial Statements

Beginning in FY 2001, in order to comply with OMB Bulletin No. 01-09, the DON will present the current and previous years’ financial data for comparative purposes.

The increase in Inventory and Related Property is attributable to the addition of tactical missiles and torpedoes that we previously reported as National Defense Property, Plant and Equipment.