

FINANCIAL INFORMATION





About This Section

The Financial Information section demonstrates our commitment to effective stewardship over the funds DHS receives to carry out its mission, including compliance with relevant financial management requirements.

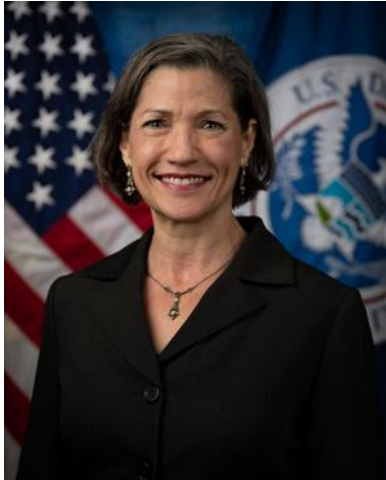
Transparent financial reporting is crucial for maintaining public trust and accountability in government operations. By clearly communicating our financial data, we empower stakeholders to understand how resources are allocated and ensure that we are effectively fulfilling our mission. The Financial Information section is designed to provide a comprehensive view of the Department's financial health, offering insights into our stewardship of taxpayer dollars.

This section begins with a [Message from the Acting Chief Financial Officer](#) and is followed by the Department's [Financial Statements](#). These statements include our Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, and Statements of Custodial Activity, along with the accompanying [Notes to the Financial Statements](#). To improve readability of this extensive section, an independent table of contents and hyperlinks are provided for easy access to and navigation of the Notes to the Financial Statements.

Additionally, the [Required Supplementary Information](#) presents details on Deferred Maintenance and Repairs, Combining Statement of Budgetary Resources, Custodial Activity, and Land. The [Independent Auditors' Report](#), prepared by KPMG LLP, further validates our financial statements, reinforcing our commitment to accuracy and transparency. By sharing this information publicly, we empower stakeholders and demonstrate our dedication to responsible resource management and effective mission delivery.



Message from the Acting Chief Financial Officer



November 14, 2024

I am honored to join Secretary Alejandro Mayorkas in presenting the Department of Homeland Security (DHS) Fiscal Year (FY) 2024 Agency Financial Report (AFR). DHS is committed to remaining accountable and transparent to our stakeholders and the public, ensuring the Department is a good steward of the taxpayer dollars used daily to help secure our homeland.

The DHS Financial Community continues to ensure the data we collect is used in a meaningful way. We continue to make substantial enhancements to the DHS CFO Horizon Financial Data Portal and have increased automated data collection processes, saving over 1,000 resource hours annually. The

DHS Digital Accountability and Transparency Act team automated processes associated with federal expenditures information and created dashboard visualizations to save an additional 800 resource hours annually. These efforts support the DHS Financial Community's commitment to build innovative solutions that ensure we can spend less time on manual, repetitive processes while increasing financial and data accuracy.

The Department is equally committed to strong internal controls over financial reporting as highlighted in DHS' recent submission of our [Integrated Strategy](#) for High Risk Management to the Government Accountability Office (GAO). GAO uses five criteria to assess progress in addressing high-risk areas: leadership commitment; agency capacity; an action plan; monitoring efforts; and demonstrated progress. The Department continues to implement its [strategy](#) of modernization of financial and business systems to improve efficiency and strengthen controls. The Department has been recognized by GAO as a model for managing High-Risk issues and will continue to build on this progress by removing the Department's Information Technology Security and Financial Management functions from the GAO High-Risk List in the years ahead.

While we have prioritized our efforts in making improvements from our prior year audit findings, the Department was able to make progress by downgrading to only three areas of material weaknesses in internal controls for Financial Reporting, Seized and Forfeited Property, and Information Technology as identified by the independent audit firm KPMG, LLP. DHS also holds one significant deficiency in internal control for Grants Management. Additionally, DHS was noncompliant with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA), regarding Federal Financial Management System Requirements, Applicable Federal Accounting Standards, and U.S. Standard General Ledger (USSGL) at Transaction Level.





Message from the Acting Chief Financial Officer

Modernizing our financial systems continues to be a priority for the DHS Financial Community. In FY 2023, DHS initiated the modernization process for Federal Emergency Management Agency (FEMA), U.S. Immigration and Customs Enforcement (ICE), and certain other DHS Components. FEMA made significant progress in FY 2024 and is scheduled to move to a modernized system in FY 2027. The Department has applied lessons learned from system modernization and stabilization efforts at U.S. Coast Guard (USCG) to ensure a successful transition for FEMA. These efforts will help the Department earn an unmodified “clean” opinion on DHS’ internal control over financial reporting (ICOFR). The Department’s multi-year plan will continue to address the remaining complex and challenging material weaknesses. Therefore, DHS has adjusted the target date for an unmodified ICOFR opinion to FY 2028. Additional information on Financial Systems Modernization and how we will meet this target date is included in the Management’s Discussion and Analysis. The Department is confident that this transition will provide us with the tools and the path to reach an unmodified ICOFR opinion.

The DHS Financial Community provides their unwavering support to our mission critical operations and workforce that secure our homeland and prepare and respond to disasters. We remain committed to providing excellence in financial management, accountability, and transparency as we move forward into FY 2025.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stacy Marcott".

Stacy Marcott
Acting Chief Financial Officer



Financial Statements

The preparation of these principal financial statements, in accordance with federal laws and standards, underscores the Department's commitment to transparency and accountability in managing public resources. By adhering to these rigorous requirements and undergoing an independent audit, we ensure the integrity of our financial information, fostering public trust in our operations.

The principal financial statements included in this report are prepared pursuant to the requirements of the *Government Management Reform Act of 1994* (P.L. 103-356) and the *Chief Financial Officers Act of 1990* (P.L. 101-576), as amended by the *Reports Consolidation Act of 2000* (P.L. 106-531), and the *Department of Homeland Security Financial Accountability Act of 2004* (P.L. 108-330). Other requirements include OMB Circular No. A-136, *Financial Reporting Requirements*, as amended. The responsibility for the integrity of the financial information included in these statements rests with the management of DHS. KPMG LLP performed the audit of the Department's principal financial statements, and their Independent Auditors' Report accompanies the principal financial statements.

The Department's principal financial statements consist of the following:

- The Consolidated **Balance Sheets** present those resources owned or managed by the Department that represent future economic benefits (assets), amounts owed by DHS that will require payments from those resources or future resources (liabilities), and residual amounts retained by DHS comprising the difference (net position) as of September 30, 2024 and 2023.
- The Consolidated **Statements of Net Cost** present the net cost of DHS operations for the fiscal years that ended on September 30, 2024 and 2023. DHS net cost of operations is the gross cost incurred by DHS less any exchange revenue earned from DHS activities and any gains or losses from assumption changes on pensions, other retirement benefits (ORB), and other post-employment benefits (OPEB).
- The Consolidated **Statements of Changes in Net Position** present the change in the Department's net position due to financing sources and net cost of DHS operations for the fiscal years that ended on September 30, 2024 and 2023.
- The Combined **Statements of Budgetary Resources** present how and in what amounts budgetary resources were made available to the Department during fiscal years 2024 and 2023, the status of these resources at September 30, 2024 and 2023, the changes in the obligated balance, and outlays of budgetary resources for the fiscal years that ended on September 30, 2024 and 2023.
- The Consolidated **Statements of Custodial Activity** present the disposition of custodial revenue collected and disbursed by the Department on behalf of other recipient entities for the fiscal years that ended on September 30, 2024 and 2023.
- The **Notes to the Financial Statements** provide detail and clarification for amounts on the face of the financial statements as of September 30, 2024 and 2023.





DEPARTMENT OF HOMELAND SECURITY
 CONSOLIDATED BALANCE SHEETS
 AS OF SEPTEMBER 30, 2024 AND 2023
 (IN MILLIONS)

| | 2024 | 2023 |
|--|-------------------|-------------------|
| ASSETS (Note 2) | | |
| Intragovernmental Assets | | |
| Fund Balance with Treasury (Note 3) | \$ 161,216 | \$ 154,066 |
| Investments, Net (Note 5) | 16,625 | 14,868 |
| Accounts Receivable, Net (Note 6) | 508 | 646 |
| Other Assets (Note 13) | 982 | 827 |
| Total Intragovernmental Assets | 179,331 | 170,407 |
| With the Public | | |
| Cash and Other Monetary Assets (Note 4) | 131 | 96 |
| Accounts Receivable, Net (Note 6) | 2,010 | 1,700 |
| Taxes Receivable, Net (Note 7) | 7,841 | 8,906 |
| Loans Receivable, Net (Note 8) | - | 1 |
| Inventory and Related Property, Net (Note 9) | 3,008 | 2,798 |
| Property, Plant, and Equipment, Net (Note 11) | 34,580 | 35,541 |
| Other Assets (Note 13) | 1,016 | 1,025 |
| Total With the Public | 48,586 | 50,067 |
| TOTAL ASSETS | \$ 227,917 | \$ 220,474 |
| Stewardship Property, Plant, and Equipment (Note 12) | | |
| LIABILITIES (Note 14) | | |
| Intragovernmental Liabilities | | |
| Accounts Payable | \$ 2,730 | \$ 2,818 |
| Debt (Note 15) | 20,532 | 20,529 |
| Other Liabilities (Note 18) | | |
| Liability to the General Fund of the U.S. Government for | | |
| Custodial and Other Non-Entity Assets | 7,772 | 8,853 |
| Other Liabilities (Without Reciprocals) | (138) | (202) |
| Other Liabilities | 1,084 | 1,317 |
| Total Intragovernmental Liabilities | 31,980 | 33,315 |



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DEPARTMENT OF HOMELAND SECURITY
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(IN MILLIONS)

| | 2024 | 2023 |
|--|-------------------|-------------------|
| With the Public | | |
| Accounts Payable | \$ 3,486 | \$ 3,223 |
| Federal Employee Salary, Leave, and Benefits Payable (Note 16) | 3,414 | 3,753 |
| Pension, Post-Employment, and Veterans Benefits Payable (Note 16) | 16,622 | 16,058 |
| Environmental and Disposal Liabilities (Note 17) | 855 | 852 |
| Insurance and Guarantee Program Liabilities (Note 20) | 8,522 | 4,087 |
| Other Liabilities (Notes 18, 19, and 21) | 14,301 | 13,663 |
| Total With the Public | 47,200 | 41,636 |
| Total Liabilities | \$ 79,180 | \$ 74,951 |
| Commitments and Contingencies (Note 21) | | |
| NET POSITION | | |
| Unexpended Appropriations | | |
| Funds from Dedicated Collections (Note 22) | \$ 2,282 | \$ 1,588 |
| Funds from Other than Dedicated Collections | 132,878 | 128,837 |
| Total Unexpended Appropriations (Consolidated) | 135,160 | 130,425 |
| Total Cumulative Results of Operations | | |
| Funds from Dedicated Collections (Note 22) | (2,602) | (1,527) |
| Funds from Other than Dedicated Collections | 16,179 | 16,625 |
| Total Cumulative Results of Operations (Consolidated) | 13,577 | 15,098 |
| Total Net Position | 148,737 | 145,523 |
| TOTAL LIABILITIES AND NET POSITION | \$ 227,917 | \$ 220,474 |

The accompanying notes are an integral part of these statements.





DEPARTMENT OF HOMELAND SECURITY
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(IN MILLIONS)

| | <u>2024</u> | <u>2023</u> |
|---|---------------|---------------|
| Operational Components | | |
| U.S. Customs and Border Protection | | |
| Gross Cost | \$ 23,871 | \$ 20,896 |
| Less Earned Revenue | (386) | (347) |
| Net Cost | <u>23,485</u> | <u>20,549</u> |
| Federal Emergency Management Agency | | |
| Gross Cost | 43,983 | 46,296 |
| Less Earned Revenue | (5,064) | (4,598) |
| Net Cost | <u>38,919</u> | <u>41,698</u> |
| U.S. Immigration and Customs Enforcement | | |
| Gross Cost | 10,152 | 9,673 |
| Less Earned Revenue | (332) | (324) |
| Net Cost | <u>9,820</u> | <u>9,349</u> |
| Transportation Security Administration | | |
| Gross Cost | 11,591 | 10,102 |
| Less Earned Revenue | (5,138) | (4,999) |
| Net Cost | <u>6,453</u> | <u>5,103</u> |
| U.S. Coast Guard | | |
| Gross Cost | 13,953 | 12,382 |
| Less Earned Revenue | (289) | (440) |
| Net Cost | <u>13,664</u> | <u>11,942</u> |
| U.S. Citizenship and Immigration Services | | |
| Gross Cost | 5,987 | 5,445 |
| Less Earned Revenue | (6,412) | (5,501) |
| Net Cost | <u>(425)</u> | <u>(56)</u> |
| U.S. Secret Service | | |
| Gross Cost | 3,352 | 2,897 |
| Less Earned Revenue | (23) | (11) |
| Net Cost | <u>3,329</u> | <u>2,886</u> |
| Cybersecurity and Infrastructure Security Agency | | |
| Gross Cost | 3,023 | 2,730 |
| Less Earned Revenue | (2) | (3) |
| Net Cost | <u>3,021</u> | <u>2,727</u> |



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DEPARTMENT OF HOMELAND SECURITY
 CONSOLIDATED STATEMENTS OF NET COST
 FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
 (IN MILLIONS)

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|------------------|
| Departmental Operations and Other Support Components | | |
| Gross Cost | \$ 6,729 | \$ 6,340 |
| Less Earned Revenue | (1,648) | (1,555) |
| Net Cost | <u>5,081</u> | <u>4,785</u> |
| Total Department of Homeland Security | | |
| Gross Cost | 122,641 | 116,761 |
| Less Earned Revenue | (19,294) | (17,778) |
| Net Cost Before (Gain)/Loss on Pension, ORB, or OPEB | | |
| Assumption Changes | 103,347 | 98,983 |
| (Gain)/Loss on Pension, ORB, or OPEB Assumption | | |
| Changes (Note 16) | 10 | 989 |
| NET COST OF OPERATIONS | <u>\$ 103,357</u> | <u>\$ 99,972</u> |

The accompanying notes are an integral part of these statements.





**DEPARTMENT OF HOMELAND SECURITY
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(IN MILLIONS)**

| | 2024 | | | |
|--|---|-------------------|--|-------------------|
| | Funds from Dedicated Collections (Note 22) | All Other Funds | Eliminations Between FFDC & All Other Funds | Total |
| Unexpended Appropriations | | | | |
| Beginning Balance | \$ 1,588 | \$ 128,837 | \$ - | \$ 130,425 |
| Appropriations Received | 700 | 97,807 | - | 98,507 |
| Appropriations Transferred In/(Out) | (1) | 26 | - | 25 |
| Other Adjustments | - | (1,189) | - | (1,189) |
| Appropriations Used | (5) | (92,603) | - | (92,608) |
| Net Change in Unexpended Appropriations | 694 | 4,041 | - | 4,735 |
| Total Unexpended Appropriations | \$ 2,282 | \$ 132,878 | \$ - | \$ 135,160 |
| Cumulative Results of Operations | | | | |
| Beginning Balance | (1,527) | 16,625 | - | 15,098 |
| Adjustments | | | | |
| Changes in Accounting Principles (Note 1) | - | 21 | - | 21 |
| Beginning Balance, as Adjusted | (1,527) | 16,646 | - | 15,119 |
| Other Adjustments | - | (8) | - | (8) |
| Appropriations Used | 5 | 92,603 | - | 92,608 |
| Non-Exchange Revenue (Note 31) | 3,387 | 2 | - | 3,389 |
| Donations and Forfeitures of Cash and Cash Equivalents | 6 | - | - | 6 |
| Transfers In/(Out) without Reimbursement | (4,371) | 2,878 | - | (1,493) |
| Donations and Forfeitures of Property | 89 | - | - | 89 |
| Imputed Financing | 449 | 3,290 | - | 3,739 |
| Other | 4,353 | (868) | - | 3,485 |
| Net Cost of Operations | (4,993) | (98,364) | - | (103,357) |
| Net Change in Cumulative Results of Operations | (1,075) | (467) | - | (1,542) |
| Total Cumulative Results of Operations | \$ (2,602) | \$ 16,179 | \$ - | \$ 13,577 |
| NET POSITION | \$ (320) | \$ 149,057 | \$ - | \$ 148,737 |

The accompanying notes are an integral part of these statements.



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**DEPARTMENT OF HOMELAND SECURITY
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(IN MILLIONS)**

| | 2023 | | | |
|---|---|--------------------|--|-------------------|
| | Funds from Dedicated Collections (Note 22) | All Other Funds | Eliminations Between FFDC & All Other Funds | Total |
| Unexpended Appropriations | | | | |
| Beginning Balance | \$ 891 | \$ 130,973 | \$ - | \$ 131,864 |
| Appropriations Received | 700 | 87,430 | - | 88,130 |
| Appropriations Transferred In/(Out) | (2) | 128 | - | 126 |
| Other Adjustments | - | (1,187) | - | (1,187) |
| Appropriations Used | (1) | (88,507) | - | (88,508) |
| Net Change in Unexpended Appropriations | 697 | (2,136) | - | (1,439) |
| Total Unexpended Appropriations | \$ 1,588 | \$ 128,837 | \$ - | \$ 130,425 |
| Cumulative Results of Operations | | | | |
| Beginning Balance | (1,802) | 18,841 | - | 17,039 |
| Other Adjustments | - | (1) | - | (1) |
| Appropriations Used | 1 | 88,507 | - | 88,508 |
| Non-Exchange Revenue (Note 31) | 2,834 | 4 | - | 2,838 |
| Donations and Forfeitures of Cash and Cash Equivalents | 5 | - | - | 5 |
| Transfers In/(Out) without Reimbursement | (4,252) | 5,365 | - | 1,113 |
| Donations and Forfeitures of Property | 38 | 23 | - | 61 |
| Imputed Financing | 436 | 2,519 | - | 2,955 |
| Other | 4,172 | (1,620) | - | 2,552 |
| Net Cost of Operations | (2,959) | (97,013) | - | (99,972) |
| Net Change in Cumulative Results of Operations | 275 | (2,216) | - | (1,941) |
| Total Cumulative Results of Operations | \$ (1,527) | \$ 16,625 | \$ - | \$ 15,098 |
| NET POSITION | \$ 61 | \$ 145,462 | \$ - | \$ 145,523 |

The accompanying notes are an integral part of these statements.





**DEPARTMENT OF HOMELAND SECURITY
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(IN MILLIONS)**

| | <u>2024</u> | | <u>2023</u> | |
|---|-------------------|---|-------------------|---|
| | <u>Budgetary</u> | <u>Non-Budgetary Credit Reform Financing Accounts</u> | <u>Budgetary</u> | <u>Non-Budgetary Credit Reform Financing Accounts</u> |
| BUDGETARY RESOURCES | | | | |
| Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 27) | \$ 42,384 | \$ 24 | \$ 50,773 | \$ 5 |
| Appropriations (discretionary and mandatory) | 119,639 | - | 106,471 | - |
| Borrowing Authority (discretionary and mandatory) (Note 23) | - | 11 | - | 2 |
| Spending Authority from Offsetting Collections (discretionary and mandatory) | 15,229 | 89 | 13,119 | 4 |
| TOTAL BUDGETARY RESOURCES | \$ 177,252 | \$ 124 | \$ 170,363 | \$ 11 |
| STATUS OF BUDGETARY RESOURCES | | | | |
| New Obligations and Upward Adjustments (total) | \$ 140,253 | \$ 123 | \$ 133,646 | \$ 10 |
| Unobligated Balance, End of Year | | | | |
| Apportioned, Unexpired Accounts | 30,477 | 1 | 31,705 | 1 |
| Exempt from Apportionment, Unexpired Accounts | 3 | - | 21 | - |
| Unapportioned, Unexpired Accounts | 3,448 | - | 2,356 | - |
| Unexpired Unobligated Balance, End of Year | 33,928 | 1 | 34,082 | 1 |
| Expired Unobligated Balance, End of Year | 3,071 | - | 2,635 | - |
| Unobligated Balance, End of Year (total) | 36,999 | 1 | 36,717 | 1 |
| TOTAL BUDGETARY RESOURCES | \$ 177,252 | \$ 124 | \$ 170,363 | \$ 11 |
| OUTLAYS, NET AND DISBURSEMENTS, NET | | | | |
| Outlays, Net (total) (discretionary and mandatory) | \$ 112,089 | \$ - | \$ 109,619 | \$ - |
| Distributed Offsetting Receipts (-) | (15,940) | - | (13,773) | - |
| AGENCY OUTLAYS, NET (discretionary and mandatory) | \$ 96,149 | \$ - | \$ 95,846 | \$ - |
| Disbursements, Net (total) (mandatory) | | \$ 3 | | \$ (5) |

The accompanying notes are an integral part of these statements.



DEPARTMENT OF HOMELAND SECURITY
 CONSOLIDATED STATEMENTS OF CUSTODIAL ACTIVITY
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
 (IN MILLIONS)

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Revenue Activity (Note 28) | | |
| Sources of Cash Collections: | | |
| Duties | \$ 82,156 | \$ 85,088 |
| Excise Taxes | 4,475 | 4,411 |
| User Fees | 1,991 | 1,949 |
| Fines and Penalties | 482 | 124 |
| Interest | 120 | 73 |
| Miscellaneous | 253 | 41 |
| Total Cash Collections | <u>89,477</u> | <u>91,686</u> |
| Accrual Adjustments, Net | <u>(1,118)</u> | <u>706</u> |
| Total Custodial Revenue | <u>88,359</u> | <u>92,392</u> |
| Disposition of Collections | | |
| Transferred to Federal Entities: | | |
| Treasury General Fund Accounts | \$ 54,524 | \$ 56,461 |
| U.S. Department of Agriculture | 24,779 | 25,895 |
| U.S. Army Corps of Engineers | 1,891 | 1,849 |
| Other Federal Agencies | 274 | 49 |
| Transferred to Non-Federal Entities | 233 | 178 |
| (Increase)/Decrease in Amounts Yet to be Transferred | (1,097) | 902 |
| Refunds and Drawbacks (Note 28) | <u>7,755</u> | <u>7,058</u> |
| Total Disposition of Collections | <u>88,359</u> | <u>92,392</u> |
| NET CUSTODIAL ACTIVITY | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these statements.





Notes to the Financial Statements

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The Department was established by the *Homeland Security Act of 2002* (P.L. 107-296), dated November 25, 2002, as an executive department of the U.S. Federal Government. The Department leads efforts to achieve a safe, secure, and resilient homeland by countering terrorism and enhancing our security; securing and managing our borders; enforcing and administering our immigration laws; protecting our cyberspace and critical infrastructure; and ensuring resilience from disasters. In addition, the Department contributes in many ways to elements of broader United States national and economic security while also working to mature and strengthen the Department and the homeland security enterprise. The Department includes the following financial reporting Components:²⁷

- U.S. Customs and Border Protection (CBP)
- Cybersecurity and Infrastructure Security Agency (CISA)
- Federal Emergency Management Agency (FEMA)
- U.S. Immigration and Customs Enforcement (ICE)
- Transportation Security Administration (TSA)
- U.S. Coast Guard (USCG)
- U.S. Citizenship and Immigration Services (USCIS)
- U.S. Secret Service (USSS)
- **Departmental Operations and Other Support Components**, including the Management Directorate (MGMT), the Office of the Secretary, the Office of Inspector General (OIG), Countering Weapons of Mass Destruction Office (CWMD), the Office of Intelligence and Analysis (I&A), the Office of Homeland Security Situational Awareness (OSA), Science and Technology Directorate (S&T), and the Federal Law Enforcement Training Centers (FLETC).

B. Basis of Presentation

These financial statements are prepared to report the consolidated financial position, net cost of operations, changes in net position, custodial activity, and combined budgetary resources of the Department pursuant to the *Government Management Reform Act of 1994* and the *Chief Financial Officers Act of 1990*, as amended by the *Reports Consolidation Act of 2000* and the *DHS Financial Accountability Act of 2004*.

The Department's financial statements have been prepared from the accounting records of the Department based on U.S. GAAP and OMB Circular No. A 136, *Financial Reporting Requirements*, as amended. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, the official accounting standards-setting body of the Federal Government.

²⁷ Financial reporting Components are to be distinguished from direct report Components described in the Management's Discussion and Analysis, Our Organization.



The Department's financial statements reflect the reporting of departmental activities, including appropriations received to conduct operations and revenue generated from operations. The financial statements also reflect the reporting of certain non-entity (custodial) functions performed by the Department on behalf of the Federal Government. Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Intragovernmental assets and liabilities are derived from activity with other federal entities. All other assets and liabilities result from activities with parties outside the Federal Government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenue includes collections or revenue accruals from other federal entities, and intragovernmental costs are payments or expense accruals to other federal entities.

Transactions and balances among the Department's Components have been eliminated in the consolidated presentation of the Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and the Statements of Custodial Activity. Intradepartmental activity reported in a fund from dedicated collection is often offset with activity in other funds. The Department presents information for funds from dedicated collections and all other funds on the Balance Sheets and Statements of Changes in Net Position on a consolidated basis. For presentation of Statements of Changes in Net Position, transactions and balances between funds from dedicated collections are eliminated in the consolidated Funds from Dedicated Collections column. Similarly, the transactions and balances between funds from other than dedicated collections are eliminated in the consolidated Funds from Other than Dedicated Collections column. Transactions between funds from dedicated collections and funds from other than dedicated collections are shown in the Eliminations column. The Statements of Budgetary Resources are reported on a combined basis; therefore, intradepartmental balances have not been eliminated.

In FY 2023, OMB Circular No. A-11, *Preparation Submission, and Execution of the Budget*, was revised to restrict agencies from recording an obligation against the budgetary resources for year-end accruals that are made for financial statement purposes, unless there is an underlying legally binding obligation, as defined in 31U.S.C. §1501. As a result, FEMA's Funeral Assistance and Hermit's Peak liability accruals are made without recording budgetary obligations.

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



These financial statements should be read with the realization that they are for a component of the Federal Government, a sovereign entity, whose liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts, can be terminated by the Federal Government acting in its capacity as a sovereign entity.

C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recognized when a liability is incurred, regardless of when cash is exchanged. Budgetary accounting facilitates compliance with legal constraints and the controls over the use of federal funds. The balances and activity of budgetary accounts are used to prepare the Statements of Budgetary Resources. The Statements of Custodial Activity are reported using the modified cash basis. With this basis, revenue from cash collections is reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals.

D. Use of Estimates

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenue, claims, and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include: the year-end accruals of accounts and grants payable; environmental liabilities; deferred revenue; NFIP insurance liability; actuarial liabilities related to workers' compensation; taxes, allowance for doubtful accounts, duties and trade receivables, including supplemental duty bills, and fines, penalties, and forfeitures; actuarial liabilities related to pension, retirement, and post-retirement benefits; and other liabilities resulting from new programs.

E. Entity and Non-Entity Assets

Entity assets are assets the Department has the authority to use in its operations. The authority to use funds in an entity's operations means either Department management has the authority to decide how funds are used or management is legally obligated to use funds to meet entity obligations (e.g., salaries and benefits).

Non-entity assets are assets held by the Department but not available for use by the Department. An example of a non-entity asset is the portion of Fund Balance with Treasury that consists of certain special and deposit funds, permanent and indefinite appropriations, and miscellaneous receipts. Non-entity assets are offset by corresponding liabilities.

For additional information, see [Note 2](#), Non-Entity Assets.



F. Fund Balance with Treasury

Fund Balance with Treasury represents the aggregate amount of the Department's accounts with the Department of the Treasury (Treasury) available to pay current liabilities and finance authorized purchases, except as restricted by law. The Department's Fund Balance with Treasury balances are primarily appropriated, revolving, trust, deposit, receipt, and special fund amounts remaining as of the end of the fiscal year.

For additional information regarding the Budgetary Status, see [Note 3](#), Fund Balance with Treasury.

G. Cash and Other Monetary Assets

The Department's cash and other monetary assets primarily consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, cash held by insurance companies, and seized cash and monetary instruments. The Department maintains cash in commercial bank accounts.

Insurance companies receive and process certain receipts and disbursements on behalf of FEMA. Insurance companies hold cash from flood insurance premiums to be remitted to Treasury, as well as insurance claim payments to be distributed to the insured.

For additional information, see [Note 4](#), Cash and Other Monetary Assets.

H. Investments, Net

Investments consist of Federal Government nonmarketable market-based Treasury securities and are reported at cost or amortized cost net of premiums or discounts. Premiums or discounts are amortized into interest income over the terms of the investment using the effective interest method.

No provision is made for unrealized gains or losses on these securities because it is the Department's intent to hold these investments to maturity.

For additional information, see [Note 5](#), Investments, Net.

I. Receivables, Net

Accounts receivable represent amounts due to the Department from other federal agencies and the public. In general, intragovernmental accounts receivable arise from the provision of goods and services to other federal agencies.

Accounts receivable due from the public typically result from various immigration and user fees, premiums and policy fees from insurance companies and policyholders, breached bonds, reimbursable services, oil spill cost recoveries, security fees, grant programs, contracts, and related accrued interest.



Accounts receivable are presented net of an allowance for doubtful accounts, which is based on analyses of debtors' ability to pay, specific identification of probable losses, aging analysis of past-due receivables, or historical collection experience.

Taxes, duties, and trade receivables include supplemental duty bills, user fees, fines and penalties, refunds and drawback overpayments, and interest associated with import/export activity, which have been established as specifically identifiable, legally enforceable claims which remain uncollected as of year-end. This balance excludes amounts referred to Treasury because they are considered 100% uncollectible, as all collection efforts have been exhausted on these receivables prior to referral.

For additional information, see [Note 6](#), Accounts Receivable, Net; [Note 7](#), Taxes Receivable, Net; and [Note 22](#), Funds from Dedicated Collections.

J. Advances and Prepayments

Advances and prepayments are presented as a component of other assets in the accompanying Balance Sheets.

Intragovernmental advances are primarily for support of border security, as well as disaster recovery and assistance to other federal agencies.

Advances and prepayments to the public consist primarily of disaster recovery and assistance grants to states, allowances and commission expenses to insurance companies, and other grant activity.

Allowances and commission expenses are amortized over the lives of the insurance policies. Disaster recovery and assistance grant advances are expensed as they are used by the recipients, and are limited to the amount of the grant obligations.

For additional information, see [Note 13](#), Other Assets.

K. Loans Receivable, Net

Direct loans are loans issued by the Department to local governments. FEMA, the only DHS Component with loan activity, operates the Community Disaster Loan Program to support local governments that have suffered a substantial loss of tax and other revenue as a result of a major disaster and demonstrate a need for federal financial assistance in order to perform their municipal operating functions. Under the program, FEMA transacts direct loans to local governments that meet statutorily set eligibility criteria. Loans are accounted for as receivables as funds are disbursed.

All of the Department's loans are post-1991 obligated direct loans, and the resulting receivables are governed by the *Federal Credit Reform Act of 1990* (FCRA) (P.L. 101-508).



Under FCRA, for direct loans disbursed during a fiscal year, the corresponding receivable is adjusted for subsidy costs. Subsidy costs are estimated long-term costs to the Federal Government for its loan programs. The subsidy cost is equal to the present value of the estimated cash outflows over the life of the loans minus the present value of the estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries and contractual fees are not included. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, and other cash flows. The Department calculates the subsidy costs based on a subsidy calculator model created by OMB.

Loans receivable are recorded at the present value of the estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded in the allowance for subsidy, which is estimated and adjusted annually, as of year-end. Loans receivable, net, or the value of assets related to direct loans, is not the same as the expected proceeds from selling the loans. Interest receivable is the total interest that has accrued on each of the outstanding loans, less any cancellations that may have been recorded due to the FEMA cancellation policy as described in 44 Code of Federal Regulations (CFR) Section 206.366.

For additional information, see [Note 8](#), Loans Receivable, Net.

L. Inventory and Related Property, Net

Operating Materials and Supplies (OM&S) held for use and repair represent the largest portion of DHS inventory and related property. OM&S consist primarily of goods, including reparable spare parts, consumed during the maintenance of assets used to perform DHS missions, including vessels, small boats, electronic systems, and aircraft. OM&S managed by the USCG inventory control points consist of special purpose craft, electronic equipment, chemical biological radiological nuclear explosive (CBRNE) equipment, and ordnance items that are valued at historical cost using a moving average cost and accounted for using the consumption method. OM&S reparable items that are in a “held for repair” status are recorded at historical cost with an allowance for the cost of the repair.

OM&S held at CBP sites consist of aircraft parts, vessel parts, and border security parts to be used in CBP’s operations. Manned aircraft and border security parts and materials are recorded at average unit cost. Unmanned aircraft parts and vessel parts are recorded using the first-in/first-out valuation method. Both methods approximate actual acquisition costs. OM&S reparable items that are in a “held for repair” status are recorded using the direct method for the cost of repairs.

Inventory is tangible personal property held for sale or used in the process of production for sale. Inventory includes items such as fuel and subsistence. Inventories on hand at year-end are stated at cost using standard price/specific identification, first-in/first-out, or moving average cost methods, which approximates historical cost. Revenue on inventory sales and associated cost of goods sold are recorded when merchandise is sold to the end user.



Critical materials are stockpiled and held due to statutory requirements for use in national emergencies. The Department's stockpile materials held by FEMA include goods that would be used to respond to national disasters (e.g., water, meals, cots, blankets, tarps, and blue roof sheeting). Stockpile materials at year-end are stated at historical cost using the weighted average method.

For additional information, see [Note 9](#), Inventory and Related Property, Net.

M. Seized and Forfeited Property

Seized property is categorized as either nonprohibited or prohibited. The composition of seized property will vary from year to year and is dependent upon the nature and status of investigative activities.

Nonprohibited seized property includes items that are not inherently illegal to possess or own, such as monetary instruments, including central bank digital currencies, real property, intangible and tangible personal property of others. Intangible personal property can include digital assets, for example Bitcoin and various other cryptocurrencies which are considered non-monetary instruments. Nonprohibited seized and forfeited property is reported by the Treasury Forfeiture Fund.

Prohibited seized property includes illegal drugs, contraband, and counterfeit items that cannot legally enter into the commerce of the United States. Prohibited seized property results primarily from criminal investigations and passenger/cargo processing. Prohibited seized property is not considered an asset of the Department and is not reported as such in the Department's financial statements. However, the Department has a stewardship responsibility until the disposition of the seized items is determined (i.e., judicially or administratively forfeited or returned to the entity from which it was seized).

Forfeited property is seized property for which the title has passed to the Federal Government. Prohibited forfeited items such as counterfeit goods, narcotics, or firearms are held by the Department until disposed of or destroyed.

For FY 2024, the Department implemented a change in accounting policy over its Maritime Seizure accounting for the Panama Express (PANEX) seizures by adopting a new accounting methodology that the Department determined was preferable in accordance with SFFAS No. 21, *Reporting Correction of Errors and Changes in Accounting Principles*, Amendment of SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*. The Department, as the seizing agency, will no longer include in its disclosures seizures that are turned over to Department of Justice (DOJ) or Drug Enforcement Administration (DEA) as the custodial agency in order to eliminate any redundant reporting between the two agencies.

For additional information, see [Note 10](#), Seized and Forfeited Property.



N. Property, Plant, and Equipment, Net

The Department's PP&E consists of aircraft, vessels, vehicles, land, structures, facilities, right-to-use lease assets, leasehold improvements, software, information technology, and other equipment; including small boats, security equipment, industrial equipment, and communications gear. PP&E is generally recorded at historical cost. The Department capitalizes PP&E acquisitions when the cost equals or exceeds an established threshold and has a useful life of two years or more. Land is not depreciated.

Costs for construction projects are recorded as construction-in-progress until the asset is placed in service. Costs are valued at actual (direct) costs plus applied overhead and other indirect costs. At year end, a portion of the construction-in-progress balance may be estimated to accrue amounts for work completed but not yet recorded. The Department owns some of the buildings in which Components operate. The majority of other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties.

Internal use software includes purchased commercial off-the-shelf (COTS) software, contractor-developed software, and internally developed software. For COTS software, the capitalized costs are equal to the amount paid to the vendor for the software. For contractor-developed software, the capitalized costs include the amount paid to a contractor to design, program, install, and implement the software. For internally developed software, capitalized costs include the full costs (direct and indirect) incurred during the software development phase. Costs incurred during the preliminary design and post-implementation/operational phases are expensed in the period incurred.

In FY 2021, DHS increased its capitalization threshold from \$200,000 to \$500,000 for equipment, buildings and other structures, leasehold improvements, and improvements to land acquired on or after October 1, 2020. DHS policy is to continue using legacy capitalization thresholds and Component-specific policies for assets acquired prior to October 1, 2020. The schedule in Table 12 on the following page shows a summary of the capitalization thresholds and estimated useful life in accordance with DHS-wide policy.

Actual capitalization thresholds and service lives used by DHS Components may vary as long as the threshold does not exceed the DHS capitalization threshold. Bulk purchases are subject to a \$2 million capitalization threshold. Capital improvements extending the service life of assets are not included in these ranges.



| Asset Description | Capitalization Threshold | Useful Life |
|--|--------------------------|----------------------|
| Land and Land Rights | Zero | Not Applicable |
| Improvements to Land | \$500,000 | 2 years to 50 years |
| Buildings, Other Structures and Facilities | \$500,000 | 10 years to 50 years |
| Equipment | \$500,000 | 5 years to 30 years |
| Leasehold Improvements | \$500,000 | 2 years to 50 years |
| Internal Use Software | \$750,000 | 2 years to 13 years |
| Lessee Right-to-Use Leases Assets | \$250,000 | More than 2 years |

Table 12: Summary of Capitalization Thresholds and Estimated Useful Life

The Department begins to recognize depreciation expense once the asset has been placed in service. Depreciation is calculated on a straight-line method for all asset classes over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the term of the remaining portion of the lease or the useful life of the improvement. Amortization of capitalized software is calculated using the straight-line method and begins on the date of acquisition if purchased, or when the module or component has been placed in use (i.e., successfully installed and tested) if contractor or internally developed. There are no restrictions on the use or convertibility of PP&E.

On October 1, 2023, DHS implemented SFFAS No. 54, Leases, as a prospective change in accounting principle. At the time of implementation, DHS did not have a material net book value in existing capital leases balances. Any unamortized balances for previously reported lease incentives/concessions for operating leases were reduced to zero. This adjustment is reported on the Statement of Changes in Net Position as a Change in Accounting Principle. FY 2023 financial statements and notes presented for comparative purposes were not adjusted to reflect this change in accounting principle. Existing leases were evaluated and classified as either a right-to-use lease, short-term lease, or intragovernmental lease. For this evaluation, the determination of the lease term for existing leases is based on the assumption that the lease term began as of October 1, 2023. DHS is reporting a right-to-use (RTU) lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when DHS has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of over 24 months in exchange for consideration under the terms of the contract or agreement. DHS established a capitalization threshold of \$250,000 for right-to-use leases. Buildings and equipment acquired under right-to-use leases are amortized over the shorter of the lease term or the underlying useful life. Short-term lease (lease term of 24 months or less) and intragovernmental lease costs are expensed as incurred. As allowed by SFFAS No. 62, Transitional Amendment to SFFAS 54, DHS is electing to begin the reporting of embedded leases in FY 2027. Embedded leases are leases contained in contracts or agreements with a primary purpose other than a lease.



A description of DHS's policies for land are located in the Required Supplementary Information (RSI) in accordance with SFFAS No. 59, Accounting and Reporting of Government Land.

For additional information, see [Note 11](#), Property, Plant, and Equipment, Net, and [Note 19](#), Leases.

O. Stewardship Property, Plant, and Equipment

Stewardship PP&E includes heritage assets that generally are not included in PP&E presented on the Balance Sheet. Heritage assets are unique due to their historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. In general, heritage assets are expected to be preserved indefinitely.

These heritage assets consist of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures. The cost of improving, reconstructing, or renovating heritage assets is recognized as an expense in the period incurred. Similarly, the cost to acquire or construct a heritage asset is recognized as an expense in the period incurred.

Heritage assets can serve two purposes: a heritage function and a general government operational function. If a heritage asset serves both purposes, but is predominantly used for general government operations, the heritage asset is considered a multi-use heritage asset, which is depreciated and included in PP&E on the Balance Sheet. Due to their nature, heritage assets not used for general government operational functions are not depreciated because matching costs with specific periods would not be meaningful. The Department depreciates its multi-use heritage assets over their useful life. The Department's multi-use heritage assets consist of buildings and structures, memorials, and recreation areas.

For additional information, see [Note 12](#), Stewardship Property, Plant, and Equipment.

P. Liabilities

Liabilities represent the probable and measurable future outflow or other use of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or for which funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts, where there is no certainty that the appropriations will be enacted. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources. The Federal Government, acting in its sovereign capacity, can annul liabilities of the Department arising from any transaction or event other than contracts or other instances where its sovereign immunity has been waived (e.g., refund statutes).



Q. *Contingent Liabilities*

The Department accrues contingent liabilities where a loss is determined to be probable and the amount can be reasonably estimated. Environmental liabilities related to litigation are included in Contingent Liabilities. The Department discloses contingent liabilities where the conditions for liability recognition have not been met and the likelihood of unfavorable outcome is more than remote. Contingent liabilities considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

For additional information, see [Note 21](#), Commitments and Contingent Liabilities.

R. *Environmental Cleanup Costs.*

Environmental liabilities consist of environmental remediation, cleanup, and decommissioning. The Department is responsible for remediating its sites with environmental contamination and is party to various administrative proceedings, legal actions, and tort claims that may result in settlements or decisions adverse to the Federal Government. The liability for environmental remediation is an estimate of costs necessary to bring a known contaminated asset into compliance with applicable environmental standards. Accruals for environmental cleanup costs are the costs of removing, containing, and/or disposing of hazardous wastes or materials that, because of quantity, concentration, or physical or chemical characteristics, may pose a substantial present or potential hazard to human health or the environment.

For all PP&E in service after September 30, 1997, the Department recognizes the estimated total cleanup costs associated with the PP&E when the cleanup costs are probable and reasonably estimable. The estimate may be subsequently adjusted for material changes due to inflation/deflation or changes in regulations, cleanup plans, or technology. The applicable costs of decommissioning the Department's existing and future vessels are considered cleanup costs.

For additional information, see [Note 17](#), Environmental and Disposal Liabilities.

S. *Liabilities for Grants and Cooperative Agreements*

The Department awards grants and cooperative agreements to state and local governments, universities, nonprofit organizations, and private-sector companies to build their capacity to respond to disasters and emergencies; conduct research into preparedness; enhance and ensure the security of passenger and cargo transportation by air, land, or sea; and support other Department-related activities. The Department estimates the year-end grant and cooperative agreement accrual for unreported and unpaid recipient expenditures using historical disbursement data in compliance with Federal Financial Accounting Technical Release 12, *Accrual Estimates for Grant Programs*. Grants and cooperative agreement liabilities are recorded as grants payable to the public and reported as Other Liabilities with the Public in the accompanying Balance Sheets.



As grantee expenditure in a given year may vary greatly depending on occurrence of disasters and the expiration dates of awards for the numerous non-disaster grant programs, the estimate may significantly vary year-over-year.

T. Insurance Liabilities

Insurance liabilities are primarily the result of the Department's sale or continuation-in-force of flood insurance policies within the NFIP, which is managed by FEMA. NFIP is an exchange transaction insurance, and DHS discloses Insurance Liabilities in accordance with SFFAS No. 51, *Insurance Programs*.

The NFIP insurance liability represents an estimate based on the loss and loss adjustment expense factors inherent to the NFIP Insurance Underwriting Operations, including trends in claim severity and frequency. These estimates are routinely reviewed, and adjustments are made as deemed necessary. The estimate is driven primarily by flooding activity in the U.S. and can significantly vary year over year depending on timing and severity of flooding activity.

The *Biggert-Waters Flood Insurance Reform Act of 2012* (P.L. 112-141) and the *Homeowner Flood Insurance Affordability Act of 2014* (P.L. 113-89) amended the *National Flood Insurance Act of 1968* to establish a National Flood Insurance Reserve Fund to meet the expected future obligations of the NFIP. The acts authorized FEMA to secure reinsurance coverage from private reinsurance and capital markets to maintain the financial ability of the program to pay claims from major flooding events. The reinsurance agreement places the NFIP in a better position to manage losses incurred that result from major flooding events.

In FY 2023, FEMA fully implemented the new rating methodology which reflects a property's specific flood risk. This approach leverages the insurance industry's best practices and cutting-edge technology to enable FEMA to deliver rates that are actuarially sound, equitable, and easier to understand. Renewing policies with increasing premiums will be subject to the annual cap increase, which is 18% for most policyholders.

Subsidized rates are used to provide affordable insurance on construction or substantial improvements started on or before December 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (i.e., an official map of a community on which NFIP has delineated both the special hazard areas and the nonsubsidized premium zones applicable to the community). Prior to FY 2023, FEMA's subsidized rates were charged on a countrywide basis for certain classifications of the insured. These subsidized rates produced a premium less than the loss and loss adjustment expenses expected to be incurred in a historical average loss year. Under the NFIP rating methodology, certain subsidies that are mandated by Congress continue to be applied to the policyholders' full risk premium.



For additional NFIP information, see [Note 15](#), Debt; [Note 18](#), Other Liabilities; [Note 20](#), Insurance Liabilities; [Note 22](#), Funds from Dedicated Collections; and [Note 23](#), Available Borrowing Authority.

U. Debt and Borrowing Authority

Debt is reported within Intragovernmental Liabilities and results from Treasury loans and related interest payable to fund NFIP and Disaster Assistance Direct Loan Program (DADLP) operations of FEMA. Most of this debt is not covered by current budgetary resources. Premiums collected by FEMA for the NFIP are not sufficient to cover the debt repayments (see above Note 1.T., Insurance Liabilities). Given the current premium rate structure, FEMA will not be able to generate sufficient resources from premiums to pay its debt in full.

Borrowing authority, to the extent of existing obligations, is in budgetary status for use by FEMA for insurance claims and community disaster loans (CDLs). Borrowing authority is converted to cash and transferred to the Fund Balance with Treasury when needed for these purposes. Insurance claims and CDLs have indefinite borrowing authority. Indefinite borrowing authority represents the balance of borrowing authority which is the amount equal to those unpaid obligations covered by borrowing authority at the close of the fiscal year.

For more information, see [Note 15](#), Debt, and [Note 23](#), Available Borrowing Authority.

V. Accrued Payroll and Benefits

Accrued Payroll. Accrued payroll consists of salaries, wages, and other compensation earned by employees but not disbursed as of September 30. The liability is estimated for reporting purposes based on historical pay information.

Leave Program. Earned annual and other vested compensatory leave is accrued as it is earned and reported on the Balance Sheet. The liability is reduced as leave is taken. Each year, the balances in the accrued leave accounts are adjusted to reflect the liability at current pay rates and leave balances. Sick leave and other types of nonvested leave are not earned benefits. Accordingly, nonvested leave is expensed when used.

Federal Employees Compensation Act. *The Federal Employees Compensation Act (FECA)* (P.L. 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Department for these paid claims.

The FECA liability consists of two elements. The first element, accrued FECA liability, is based on claims paid by DOL but not yet reimbursed by the Department. The Department reimburses DOL for claims as funds are appropriated for this purpose. In general, there is a two-year period between payment by DOL and reimbursement to DOL by the Department.



As a result, the Department recognizes an intragovernmental liability for the claims paid by DOL and to be reimbursed by the Department.

The second element, actuarial FECA liability, is the estimated liability for future benefit payments and is recorded as a component of federal employee and veterans benefits. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. DOL determines the actuarial FECA liability annually, as of September 30, using an actuarial method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using the OMB economic assumptions for ten-year Treasury notes and bonds. The actuarial FECA liability is not covered by budgetary resources and will require future funding.

For additional information regarding unfunded FECA liability, payroll, and leave, see [Note 18](#), Other Liabilities. For more information on the actuarial FECA liability, see [Note 14](#), Liabilities Not Covered by Budgetary Resources, and [Note 16](#), Federal Employee and Veterans Benefits Payable.

W. Federal Employee and Veterans Benefits

The Department's federal employee and veterans benefits consist of retirement plans, the USCG Military Health System (MHS), the USSS's Uniformed Division and Special Agent Pension, and ORB and OPEB. The Department recognizes the full annual cost of its employees' pension benefits. The assets of the plan and liability associated with civilian pension costs are recognized by OPM rather than the Department. The assets of the plan and liability associated with USCG military pension costs are recognized by the DOD Military Retirement Fund rather than the Department. Accordingly, the Department does not display gains and losses from changes in long-term assumptions used to measure pension liabilities on the Statement of Net Cost.

Civilian Pension Benefits. Most DHS employees are covered by the Federal Employees Retirement System (FERS) which consists of a basic annuity plan, the Thrift Savings Plan (TSP), and Social Security. Most employees hired before December 31, 2012 are covered by the FERS basic annuity benefit. For the FERS basic annuity benefit, the Department contributes 18.4% of base pay for regular FERS employees and 38.2% for law enforcement agents. Employees hired between January 1, 2013 and December 31, 2013 are covered by the FERS revised annuity benefit; employees hired after December 31, 2013 are covered by the FERS further revised annuity benefit. For the FERS revised annuity benefit and the FERS further revised annuity benefit, the Department contributes 16.5% of base pay for regular FERS employees and 36.4% for law enforcement agents. In addition, the Department automatically contributes to the TSP a minimum of 1% of base pay and matches employee contributions up to an additional 4% of base pay. The Department also contributes the employer's Social Security matching share for FERS participants.



Military Pension Benefits. For the Military Retirement System (MRS), USCG contributes 30% of base pay for full-time (active-duty) and 23.1% for part-time (reservist) military service members for FY 2024. These normal cost percentage (NCP) rates are determined and published by the DOD Board of Actuaries annually.

Other Retirement Benefits and Other Post-Employment Benefits. Similar to FERS, OPM reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program and Federal Employees Group Life Insurance Program. The Department reports both the full annual cost of providing these ORB for its retired employees and reporting contributions made for active employees. In addition, the Department recognizes the cost for OPEB, including all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. The difference between the full annual cost of FERS, ORB, and OPEB and the amount paid by the Department is recorded as an imputed cost and offsetting imputed financing source in the accompanying financial statements.

The Department applies SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, in selecting the discount rate and valuation date used in estimating actuarial liabilities for the MHS and the Uniformed Division and Special Agent Pension. Gains and losses from changes in long-term assumptions used to measure these liabilities are reported as a separate line item on the Statement of Net Cost.

Military Health System. There are two categories of military healthcare benefits. The first category of military healthcare liability is for the Medicare-eligible USCG military retirees and beneficiaries. The DOD is the administrative entity for the Medicare-Eligible Retiree Health Care Fund (MERHCF) and, in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, is required to recognize the liability on the MERHCF's financial statements. The USCG makes annual payments to fund benefits for the current active-duty members and their spouses who will receive benefits when they reach Medicare-eligibility. The USCG receives per-member amounts (reserve and active-duty member amounts separately) to be contributed to the MERHCF from the DOD Board of Actuaries office and pays its share, depending on its demography. Because the DOD reports the entire liability for MERHCF, USCG is only responsible for the annual per-member amounts.

The second category of military healthcare liability is for retirees and beneficiaries not yet eligible for Medicare. The MHS is a post-retirement medical benefit plan that covers all active component and reserve component members of the USCG. The USCG is the administrative entity for MHS, and in accordance with SFFAS No. 5, recognizes the liability which is reported in DHS financial statements. The actuarial accrued liability for MHS is the portion of the present value of the future benefits expected to be paid that is attributed to past service (service by participants rendered prior to the date of determination). Benefits are funded on a pay-as-you-go basis through annual appropriations.



Uniformed Division and Special Agent Pension. The District of Columbia (DC) Police Officers' and Firefighters' Retirement Plan (the DC Pension Plan) is a defined benefit plan that covers USSS Uniformed Division and Special Agents hired as civilians prior to January 1, 1984, and eligible for transfer to the DC Pension Plan. As of the FY 2023 Actuarial Valuation, there were no active participants in this plan. Uniformed Division and Special Agents hired after that date are covered as law enforcement agents by FERS basic annuity benefit, FERS revised annuity benefit, or FERS further revised annuity benefit, as appropriate. The DC Pension Plan makes benefit payments to retirees or their beneficiaries. USSS receives permanent, indefinite appropriations each year to pay the excess of benefit payments over salary deductions. USSS calculates pension liability using a discount rate assumption for present value of future benefits in accordance with SFFAS No. 5 and SFFAS No. 33. The unfunded accrued liability is actuarially determined by subtracting the present value of future employer/employee contributions, as well as any plan assets, from the present value of future cost of benefits. SFFAS No. 5 permits the use of actuarial cost methods other than the aggregate entry age normal actuarial cost method if the difference is not material.

The discount rates used to measure the MHS actuarial liabilities for USCG and the USSS actuarial liability are based on the ten-year average historical rates of return on marketable Treasury securities as of June 30 of the fiscal year. The rates used in this average are the rates for securities that will mature on the dates on which future benefit payments are expected to be made.

For more information on MHS, Uniformed Division and Special Agent Pension, and the actuarial assumptions used to compute the accrued pension and healthcare liabilities, see [Note 16](#), Federal Employee and Veterans Benefits Payable.

X. Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenue, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenue and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Federal Government's general revenue.

Non-exchange revenue and other financing sources from funds from dedicated collections, including net cost of operations, are shown separately on the Statements of Changes in Net Position. The portion of cumulative results of operations attributable to funds from dedicated collections is shown separately on both the Statements of Changes in Net Position and the Balance Sheets.

For additional information, see [Note 22](#), Funds from Dedicated Collections.



Y. Revenue and Financing Sources

Appropriations. The Department receives the majority of funding to support its programs through congressional appropriations. The Department receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenue, non-exchange revenue (including donations from the public), and transfers-in from other federal entities.

The Department also has permanent indefinite appropriations that result from permanent public laws, which authorize the Department to retain certain receipts. The amount appropriated depends upon the amount of the receipts rather than on a specific amount. The Department also has a permanent indefinite appropriation but does not retain the receipts. Specifically, amounts received and not issued as refunds to importers are returned to Treasury at the end of the fiscal year.

Appropriations are recognized as financing sources when related expenses are incurred, or assets are purchased.

Appropriations Received on the Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Statement of Changes in Net Position do not include receipts from dedicated collections. Receipts from dedicated collections are accounted for as either exchange or non-exchange revenue.

Exchange and Non-Exchange Revenue. Exchange revenue is recognized when earned and is derived from transactions where both the government and the other party receive value (i.e., goods have been delivered or services have been rendered). Exchange revenue prices are recognized using full cost or market pricing guidance in OMB Circular No. A-25, User Charges, except when prices are set by law or executive order. Higher prices based on full cost or market price might reduce the quantity of goods or services demanded and, therefore, the difference between revenue received and such higher prices does not necessarily provide an indication of revenue foregone. DHS exchange revenue includes, but is not limited to: immigration fees; NFIP insurance premiums; Student Exchange Visa Program fees; and aviation security fees. Reimbursable exchange revenue includes but is not limited to: services provided to the government of Puerto Rico for the collection of duties, taxes, and fees; services for personnel; medical, housing, and various types of maritime support; the Federal Protective Service Guard personnel; and oil spill cleanup costs.

Revenue from reimbursable agreements is recognized when the goods or services are provided by the Department. Reimbursable work between federal agencies is generally subject to the *Economy Act* (31 United States Code (U.S.C.) 1535).



The majority of DHS non-exchange revenue is derived from customs duties, custodial collections of user fees, taxes, fines and penalties, and interest on the fines and penalties net of refunds and drawbacks related to these collections. Non-exchange revenue from user fees results from the government's sovereign power to demand revenue and is recognized as earned. Examples of non-exchange revenue from user fees include the collection of fees by CBP on incoming private vessels, private aircraft, and commercial vehicles. Non-exchange revenue also arises from transfers-in with and without financing sources and donations from the public. Other financing sources, such as donations and transfers of assets without reimbursements, are recognized on the Statements of Changes in Net Position during the period in which the donations and transfers occurred.

Deferred revenue is recorded when the Department receives payment for goods or services which have not been fully rendered. Deferred revenue is reported as a liability on the Balance Sheet until earned. USCIS fees are related to adjudication of applications and petitions for immigration and naturalization services that are used to provide special benefits to recipients and pay the regulatory costs from the adjudication process. USCIS requires advance payments of the fees for adjudication of applications or petitions for immigration and naturalization benefits. FEMA's deferred revenue relates to other NFIP unearned revenue including the federal policy fee, reserve fund assessment, and *Homeowner Flood Insurance Affordability Act* (HFIAA) surcharges.

Inter-Entity Cost. Certain goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Prices for goods and services sold to other Federal Government agencies are generally limited to the recovery of direct cost. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Imputed Financing Sources. In certain instances, operating costs of the Department are paid out of funds appropriated to other federal agencies. For example, OPM, by law, pays certain costs of retirement programs, and certain legal judgments against DHS are paid from a judgment fund maintained by the Treasury. When costs that are identifiable to DHS and directly attributable to DHS operations are paid by other agencies, the Department recognizes these amounts as operating expenses. The Department also recognizes an imputed financing source on the Statements of Changes in Net Position to indicate the funding of DHS operations by other federal agencies.

Custodial Activity. Non-exchange and non-entity revenue, disbursements, and refunds and drawbacks are reported on the Statement of Custodial Activity using a modified cash basis. Non-entity revenue reported on the Department's Statement of Custodial Activity include duties, excise taxes, and various non-exchange fees collected by CBP that are subsequently



remitted to the Treasury general fund or to other federal agencies. Duties, user fees, fines, and penalties are assessed pursuant to the provisions of 19 U.S.C.; nonimmigrant petition fees and interest under 8 U.S.C.; and excise taxes are assessed under 26 U.S.C.

CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. The custodial revenue is recorded at the time of collection. These revenue collections primarily result from current fiscal year activities. CBP records an equal and offsetting liability due to the Treasury general fund for amounts recognized as non-entity tax and trade receivables. Non-entity tax and trade accounts receivables consist of duties, excise taxes, user fees, fines and penalties, refunds and drawbacks overpayments, and interest associated with import/export activity, that have been established as specifically identifiable, legally enforceable claims that remain uncollected as of year-end. CBP accrues an estimate of duties, taxes, and fees related to entry summaries filed by the importer and received by CBP prior to year-end where receipt of payment is anticipated subsequent to year-end. The portions of the fees that are subsequently remitted to other federal agencies are recorded as custodial revenue at the time of collection. Non-entity receivables are presented net of amounts deemed uncollectible.

CBP tracks and enforces payment of estimated duties, taxes, and fees receivable by establishing a liquidated damages case that generally results in fines and penalties receivable. A fine or penalty, including any applicable interest on past-due balances, is established when a violation of import/export law is discovered. An allowance for doubtful collections is established for substantially all accrued fines and penalties and related interest. The amount is based on a statistical sample to assess historical collectability of these receivables. Statutes and regulations allow importers to dispute the assessment of duties, taxes, and fees. Receivables related to disputed assessments are not recorded until the protest period expires or a protest decision is rendered in CBP's favor.

Refunds and drawback of duties, taxes, and fees are recognized when payment is made. Generally, a permanent, indefinite appropriation is used to fund the disbursement of refunds and drawbacks. Disbursements are recorded as a decrease in the amount transferred to federal entities as reported on the Statements of Custodial Activity. The liability for refunds and drawbacks consists of amounts owed for refunds of duty and other trade related activity and drawback claims. CBP accrues a monthly liability for refunds and drawback claims approved at month-end but paid subsequent to month-end.

An accrual adjustment is recorded on the Statements of Custodial Activity to adjust cash collections and refund disbursements with the net increase or decrease of accrued non-entity accounts receivables, net of uncollectible amounts, and refunds payable at year-end. For additional information, see [Note 7](#), Taxes Receivable, Net, and [Note 28](#), Custodial Revenue.



Z. Taxes

The Department, as a federal agency, is not subject to federal, state, or local income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

AA. Reclassifications

The presentation of Federal Employee Salary, Leave, and Benefits Payable; Pension, Post-Employment, and Veterans Benefits Payable; and Other Liabilities on the FY 2023 balance sheet and the respective footnotes were modified to be consistent with the FY 2024 OMB Circular No. A-136. [Note 22](#), Funds from Dedicated Collections, was also reclassified to be consistent with those changes.

The FY 2023 presentation of [Note 28](#), Custodial Revenue, breakdown by tax years was adjusted to more accurately align the activity with the tax year of the initial collection.

The FY 2023 presentations of [Note 15](#), Debt, and [Note 23](#), Available Borrowing Authority, were reclassified to show borrowing and repayments separately for refinancing of debt.

2. Non-Entity Assets

| As of September 30 (in millions): | 2024 | 2023 |
|-----------------------------------|-------------------|-------------------|
| Intragovernmental Assets: | | |
| Fund Balance with Treasury | \$ 3,305 | \$ 3,179 |
| Total Intragovernmental Assets | 3,305 | 3,179 |
| With the Public: | | |
| Cash and Other Monetary Assets | 7 | 13 |
| Accounts Receivable, Net | 55 | 39 |
| Taxes Receivable, Net | 7,841 | 8,906 |
| Total With the Public | 7,903 | 8,958 |
| Total Non-Entity Assets | 11,208 | 12,137 |
| Total Entity Assets | 216,709 | 208,337 |
| Total Assets | \$ 227,917 | \$ 220,474 |

Non-entity Fund Balance with Treasury consists of certain special and deposit funds, permanent and indefinite appropriations, and miscellaneous receipts. Non-entity assets (also discussed in [Note 4](#), Cash and Other Monetary Assets, [Note 6](#), Accounts Receivable, Net, and [Note 7](#), Taxes Receivable, Net) are offset by corresponding liabilities at September 30, 2024 and 2023. Taxes, duties, and trade receivables from the public represent amounts due from importers for goods and merchandise imported to the United States.



3. Fund Balance with Treasury

| As of September 30 (in millions): | 2024 | 2023 |
|--|--------------------------|--------------------------|
| Budgetary Status | | |
| Unobligated Balances: | | |
| Available | \$ 30,481 | \$ 31,727 |
| Unavailable | 6,519 | 4,991 |
| Obligated Balance Not Yet Disbursed | 124,235 | 117,137 |
| Total Budgetary Status | <u>161,235</u> | <u>153,855</u> |
| Reconciling Adjustments: | | |
| Receipt, Clearing, and Deposit Funds | 3,080 | 2,901 |
| Borrowing Authority (Note 23) | (12) | (9) |
| Investments | (16,370) | (14,682) |
| Receivable Transfers and Imprest Funds | (280) | (321) |
| Authority Unavailable for Obligation | 10,413 | 9,617 |
| Offsetting Collections Previously or Temporarily Precluded from Obligation | 40 | 32 |
| Sport Fish Restoration and Boating Trust Fund; Oil Spill Liability Trust Fund | 1,804 | 1,788 |
| Temporary Reduction of Budget Authority | 586 | 486 |
| Temporary Reduction of Specific Invested Treasury Account Symbol | (6) | (6) |
| Receipts and Appropriations Temporarily Precluded from Obligation | 726 | 405 |
| Total Fund Balance with Treasury | <u>\$ 161,216</u> | <u>\$ 154,066</u> |

The Disaster Relief Fund (DRF) is an appropriation against which FEMA can direct, coordinate, manage, and fund eligible response and recovery efforts associated with domestic major disasters and emergencies that overwhelm State resources pursuant to the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*. The DRF represents approximately 23% of the unobligated balances available, and 54% of the Total Fund Balance with Treasury at September 30, 2024; and 24% of the unobligated balances available, and 52% of the Total Fund Balance with Treasury at September 30, 2023.

The Unobligated Balance Available includes amounts apportioned for future fiscal years. For FY 2025, there is \$9,348 million available to be obligated. Portions of the Unobligated Balances Available, Unavailable, and Obligated Balance Not Yet Disbursed contain CBP's user fees restricted by law in its use to offset costs incurred by CBP.



Portions of the Unobligated Balance Unavailable include amounts appropriated in prior fiscal years that are not available to fund new obligations, including expired funds. However, the amounts can be used for upward and downward adjustments for existing obligations in future years. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made.

Since the following line items do not post to Fund Balance with Treasury and budgetary status accounts simultaneously, certain adjustments are required to reconcile the budgetary status to non-budgetary Fund Balance with Treasury as reported in the accompanying Balance Sheets:

- Receipt, clearing, and deposit funds represent amounts on deposit with Treasury that have no budget status at September 30, 2024 and 2023.
- Borrowing authority, to the extent of existing obligations, is in budgetary status for use by FEMA for NFIP purposes and CDLs, and transfers have been made to the Fund Balance with Treasury account for these purposes. For additional information, see [Note 23](#), Available Borrowing Authority.
- Budgetary resources have investments included, however, the money has been moved from the Fund Balance with Treasury asset account to Investments.
- Receivable transfers of currently invested balances increase the budget authority at the time the transfer is realized; however, obligations may be incurred before the actual transfer of funds.
- Imprest funds represent funds moved from Fund Balance with Treasury to Cash and Other Monetary Assets with no change in the budgetary status.
- For authority unavailable for obligations, authorizing statute may specify that obligations are not available until a specified time in the future or until specific legal requirements are met.
- Offsetting collections previously or temporarily precluded from obligation are offsetting collections that become unavailable for obligation until specific legal requirements are met.
- Sport Fish Restoration and Boating Trust Fund (SFRBTF) and Oil Spill Liability Trust Fund (OSLTF) are Treasury-managed funds. These funds receive revenue transferred from custodial activities of the Treasury, which are deposited in a Treasury account. For more information, see [Note 22](#), Funds from Dedicated Collections.
- Temporary reduction of budget authority includes new budget authority or prior-year balance that have been temporarily reduced by statute in special and nonrevolving trust funds associated with receipt accounts designated by the Treasury as available.
- Temporary reduction of specific invested Treasury account symbols includes reductions of amounts appropriated from specific invested Treasury account symbols in the current year due to OMB sequestered amounts.
- Receipts and appropriations temporarily precluded from obligation are budget authority that becomes available for obligation from appropriations (derived from special or trust non-revolving fund receipts) and borrowing authority previously precluded from obligation.



4. Cash and Other Monetary Assets

| As of September 30 (in millions): | 2024 | 2023 |
|--------------------------------------|--------|-------|
| Total Cash and Other Monetary Assets | \$ 131 | \$ 96 |

DHS cash includes cash held by others, imprest funds, undeposited collections, such as seized funds, and the net balances maintained by insurance companies for flood insurance activity. Restricted non-entity cash and other monetary assets were \$7 million and \$13 million at September 30, 2024 and 2023, respectively (see [Note 2](#), Non-Entity Assets). Restricted non-entity cash consists of undeposited collections that can be distributed to the Treasury General Fund, other federal agencies, or other governments.

5. Investments, Net

| As of September 30, 2024 (in millions): | | | | | | |
|--|---------------------------|------------------|------------------------------|---------------------|------------------|-------------------------|
| Type of Investment: | Amortization Method | Cost | Amortized (Premium) Discount | Interest Receivable | Investments, Net | Market Value Disclosure |
| Intragovernmental Securities and Investments: | | | | | | |
| OSLTF | Effective interest method | \$ 9,994 | \$ (107) | \$ 19 | \$ 9,906 | \$ 9,847 |
| SFRBTF | Effective interest method | 2,485 | (24) | 18 | 2,479 | 2,469 |
| General Gift Fund | Effective interest method | 1 | - | - | 1 | 1 |
| National Flood Insurance Reserve Fund | Effective interest method | 4,949 | (749) | 39 | 4,239 | 4,075 |
| Total Nonmarketable, Market-Based | | 17,429 | (880) | 76 | 16,625 | 16,392 |
| Total Intragovernmental Securities and Investments, Net | | \$ 17,429 | \$ (880) | \$ 76 | \$ 16,625 | |



Notes to the Financial Statements

| As of September 30, 2023 (in millions): | | | | | | |
|--|---------------------------|------------------|------------------------------|---------------------|------------------|-------------------------|
| Type of Investment: | Amortization Method | Cost | Amortized (Premium) Discount | Interest Receivable | Investments, Net | Market Value Disclosure |
| Intragovernmental Securities: | | | | | | |
| OSLTF | Effective interest method | \$ 9,242 | \$ (97) | \$ 21 | \$ 9,166 | \$ 8,736 |
| SFRBTF | Effective interest method | 2,384 | (54) | 11 | 2,341 | 2,310 |
| General Gift Fund | Effective interest method | 1 | - | - | 1 | 1 |
| National Flood Insurance Reserve Fund | Effective interest method | 3,391 | (32) | 1 | 3,360 | 3,271 |
| Total Nonmarketable, Market-Based | | 15,018 | (183) | 33 | 14,868 | 14,318 |
| Total Intragovernmental Securities and Investments, Net | | \$ 15,018 | \$ (183) | \$ 33 | \$ 14,868 | |

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections: OSLTF, SFRBTF and General Gift Fund at USCG, and National Flood Insurance Reserve Fund at FEMA. The cash receipts collected from the public for a fund from dedicated collections are deposited in the Treasury, which uses the cash for general Federal Government purposes. Treasury securities are issued to the USCG and FEMA as evidence of its receipts. Treasury securities associated with funds from dedicated collections are an asset to the USCG and FEMA, respectively, and a liability to the Treasury. Treasury securities are eliminated in consolidation for the U.S. Government-Wide financial statements.

Treasury securities provide the USCG and FEMA with ability to draw upon the Treasury to make future benefit payments or other expenditures. When the USCG and FEMA redeem the Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures. For additional information, see [Note 22](#), Funds from Dedicated Collections.



6. Accounts Receivable, Net

| As of September 30 (in millions): | 2024 | 2023 |
|-----------------------------------|-----------------|-----------------|
| Intragovernmental | \$ 508 | \$ 646 |
| With the Public: | | |
| Accounts Receivable, Gross | 2,194 | 1,825 |
| Allowance for Doubtful Accounts | (184) | (125) |
| Total with the Public | 2,010 | 1,700 |
| Accounts Receivable, Net | \$ 2,518 | \$ 2,346 |

As of September 30, 2024, and 2023, total restricted non-entity accounts receivable were \$55 million and \$39 million, respectively (see [Note 2](#), Non-Entity Assets). Interest is accrued on uncollectible accounts receivable until the interest payment requirement is officially waived by the entity or the related debt is written off.

Accounts receivable, net include amounts related to criminal restitution owed to the government. In FY 2024, accounts receivable, net included \$29 million of gross receivables related to criminal restitution orders, of which \$1 million is determined to be collectible. In FY 2023, accounts receivable, net, included \$29 million of gross receivables related to criminal restitution orders, of which \$2 million was determined to be collectible.

CBP also has criminal restitution orders most of which are related to, and reported as part of, taxes and duties receivable due to their custodial nature (See [Note 7](#), Taxes Receivable, Net). In FY 2024, gross receivables and net collectible amounts related to CBP's criminal restitution orders are \$2,070 million and \$17 million, respectively. With the new validity and collectability rates applied, the uncollectable amount increased in the criminal restitution orders in FY 2024. In FY 2023, gross receivables and net collectible amounts related to CBP's criminal restitution orders were \$1,827 million and \$744 million, respectively.



7. Taxes Receivable, Net

| As of September 30, 2024 (in millions): | Gross Receivables | Allowance | Total Net Receivables |
|---|----------------------|-------------------|--------------------------|
| Duties | \$ 6,612 | \$ (442) | \$ 6,170 |
| Antidumping and Countervailing Duties | 3,737 | (2,923) | 814 |
| Excise Taxes | 96 | (10) | 86 |
| User Fees | 123 | (4) | 119 |
| Fines/Penalties | 3,116 | (2,751) | 365 |
| Interest Receivable | 2,143 | (1,856) | 287 |
| Total Taxes Receivable, Net | \$ 15,827 | \$ (7,986) | \$ 7,841 |

| As of September 30, 2023 (in millions): | Gross Receivables | Allowance | Total Net Receivables |
|---|----------------------|-------------------|--------------------------|
| Duties | \$ 6,532 | \$ (329) | \$ 6,203 |
| Antidumping and Countervailing Duties | 4,010 | (3,153) | 857 |
| Excise Taxes | 212 | (12) | 200 |
| User Fees | 123 | (1) | 122 |
| Fines/Penalties | 3,450 | (2,153) | 1,297 |
| Interest Receivable | 2,108 | (1,881) | 227 |
| Total Taxes Receivable, Net | \$ 16,435 | \$ (7,529) | \$ 8,906 |

CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. Antidumping duties are assessed when it is determined that a class or kind of foreign merchandise is being released into the U.S. economy at less than its fair value to the detriment of a U.S. industry. Countervailing duties are collected when it is determined that a foreign government is providing a subsidy to its local industries to manufacture, produce, or export a class or kind of merchandise for import into the U.S. commerce to the detriment of a U.S. industry.

When a violation of import/export law is discovered, a fine or penalty may be imposed. If imposed, CBP assesses liquidated damages or a penalty for these cases up to the maximum extent of the law. After receiving the notice of assessment, the importer, surety, or other party has 60 days to either file a petition requesting a review of the assessment or pay the assessed amount. Once a petition is received, CBP investigates the circumstances as required by its mitigation guidelines and directives. Until this process has been completed, the Department records an allowance, net of interest, on fines and penalties, based on historical experience of fines and penalties mitigation and collection.



The allowance was approximately 88% and 62% at September 30, 2024 and 2023, respectively. Duties and taxes receivables are non entity assets for which there is an offsetting liability due to the general fund (see [Note 18](#), Other Liabilities).

CBP assesses interest when taxes, duties, and trade receivables remain unpaid after the original due date. The interest is calculated using the rate published on the CBP website and in the Federal Register quarterly. Interest accruals are calculated using the same methodology as the underlying receivable accrual and include an allowance for amounts deemed potentially uncollectible.

8. Loans Receivable, Net

The Department's loan program consists of CDLs administered by FEMA. CDLs may be authorized to local governments that have suffered a substantial loss of tax and other revenue as a result of a major disaster and have demonstrated a need for federal financial assistance in order to perform their municipal operating functions.

On an annual basis, using the Treasury five-year curve rate, a subsidy estimate is calculated to determine the subsidy rate to be used in order to cover the subsidized portion of future disbursements. The subsidy estimate calculation is based on the re-payment period extended through an initial five-year term plus the five-year extension, the historical average cancellation rate, and the Moody's default rating for municipalities.

The subsidy estimate is revised on an annual basis, also known as a re-estimate, which updates for actual performance and/or estimated changes in future cash flows of the cohort. Legislation also plays a significant role in the subsidy cost of a cohort. New legislation that alters the baseline cash flow estimate for a loan or group of loans always results in a modification. A modification means a government action that may change the cost by altering the terms of the existing contract and changes the estimated cost of an outstanding direct loan.

The CDLs are established at the current Treasury rate for a term of five years. A standard CDL has a maximum amount of \$5 million. The CDL amount cannot exceed 25% of the annual operating budget of the local government for the fiscal year in which the major disaster occurred, unless the loss of tax and other revenue for the local government is at least 75% of the annual operating budget. In this case, the CDL amount cannot exceed 50% of the annual operating budget. These CDLs can be cancelled by FEMA upon request from local government, if the local government meets the eligibility requirements in 44 CFR section 206.366, *Emergency and Management Assistance, Loan Cancellation*.

In FY 2018, Congress passed the *Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017* (P.L. 115-72) which provided \$4,900 million to DADLP for local governments affected by Hurricanes Harvey, Irma, and Maria.



Of the \$4,900 million, 1.5% may be used for Section 417 administrative expenses, \$150 million for Section 319 Advance of Non-Federal Share subsidy, \$1 million for Section 319 administrative expenses, and the remainder for Section 417 subsidy. P.L. 115-72 specifies that a territory or possession, and instrumentalities and local governments thereof, of the United States shall be deemed a local government. Loan sizing may be based on projected loss of tax and other revenues and on projected cash outlays not previously budgeted for a period not to exceed 180 days from date of disaster, may exceed \$5 million cap, and local governments may receive more than one loan. Language also specifies that loans may be cancelled in whole or in part at the discretion of Secretary of Homeland Security and Secretary of the Treasury.

Additionally, Congress passed the *Bipartisan Budget Act of 2018* (P.L. 115-123) which provided another \$150 million to the DADLP for Section 319 Advance of Non-Federal Share subsidy, of which \$1 million may be used Section 319 administrative expenses. P.L. 115-123 also amended the 180 days provision in P.L. 115-72 and inserted 365 days.

Congress passed the *Consolidated Appropriations Act of 2021* (P.L. 116-260) authorizing loans issued for 2018 disaster declarations to exceed \$5 million and the loan sizing may be based on the projected loss of tax and other revenues and on projected cash outlays not previously budgeted for a period not to exceed one year beginning on the date that the major disaster occurred.

A. Summary of Direct Loans to Non-Federal Borrowers at September 30 (in millions):

| | 2024 | 2023 |
|--------------------------|-----------------------|-----------------------|
| | Loans Receivable, Net | Loans Receivable, Net |
| Community Disaster Loans | \$ - | \$ 1 |

An analysis of loans receivable and the nature and amounts of the subsidy and administrative costs associated with the direct loans is provided in the following sections.

B. Direct Loans Obligated (in millions):

| Community Disaster Loans | Loans Receivable, Gross | Interest Receivable | Allowance for Subsidy Cost (Present Value) | Value of Assets Related to Direct Loans |
|--------------------------|-------------------------------|------------------------|---|---|
| 2024 | \$ 85 | \$ 2 | \$ (87) | \$ - |
| 2023 | \$ 47 | \$ 1 | \$ (47) | \$ 1 |



C. Total Amount of Direct Loans Disbursed (in millions):

| | 2024 | 2023 |
|--------------------------|-------|------|
| Community Disaster Loans | \$ 40 | \$ 9 |

The increase in disbursement activity is associated with disaster declarations for Florida Hurricane Michael (DR-4399-FL) in 2018, Puerto Rico earthquakes (DR-4473-PR) in 2020, Louisiana Hurricane Ida (DR-4611-LA) in 2021, California Caldor Fire (DR-4619-CA) in 2021, Puerto Rico Hurricane Fiona (DR-4671-PR) in 2022, and Mississippi Severe Storms, Straight-line Winds, and Tornadoes 10/27/2024(DR-4697-MS) in 2023.

D. Subsidy Expense for Direct Loans by Program and Component (in millions):

| Subsidy Expense for New Direct Loans Disbursed as of September 30: | | | | |
|--|-----------------------|----------|-------|-------|
| Community Disaster Loans | Interest Differential | Defaults | Other | Total |
| 2024 | \$ 2 | \$ - | \$ 33 | \$ 35 |
| 2023 | \$ - | \$ - | \$ 7 | \$ 7 |

| Direct Loan Modifications and Re-estimates: | | | | |
|---|---------------------|----------------------------|------------------------|--------------------|
| Community Disaster Loans | Total Modifications | Interest Rate Re-estimates | Technical Re-estimates | Total Re-estimates |
| 2024 | \$ - | \$ - | \$ 7 | \$ 7 |
| 2023 | \$ - | \$ - | \$ 2 | \$ 2 |

Total Direct Loan Subsidy Expense:

| | 2024 | 2023 |
|--------------------------|-------|------|
| Community Disaster Loans | \$ 42 | \$ 9 |

The total direct loan subsidy expense increase is in direct correlation to the increase in Community Disaster Loans disbursement activity associated with disaster declarations.

E. Direct Loan Subsidy Rates at September 30:

| Direct Loan Subsidy Rates, by program: | 2024 | 2023 |
|--|--------------------------|--------------------------|
| | Community Disaster Loans | Community Disaster Loans |
| Interest Subsidy Cost | 6.21% | 3.51% |
| Default Costs | 0.02% | 0.03% |
| Other | 84.99% | 75.40% |
| Total | 91.22% | 78.94% |



The subsidy rates disclosed pertain only to the current year’s cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Default costs include the projected default amounts based on Moody’s default curve for years six to ten.

The Other line represents the subsidy rates for direct loans that are partially cancelled or cancelled in full if specified conditions are met. Historically, a high percentage of the borrowers have met the conditions for cancellation, thus resulting in a high direct loan subsidy rate. The other subsidy cost increase is due to a higher amount of cancellations on projected cash flows.

F. Schedule for Reconciling Subsidy Cost Allowance Balances at September 30 (in millions):

| | 2024 | 2023 |
|--|--------------|--------------|
| Beginning balance of the subsidy cost allowance | \$ 47 | \$ 37 |
| Add subsidy expense for direct loans disbursed during the reporting years: | | |
| Interest rate differential costs | 2 | - |
| Other subsidy costs | 33 | 7 |
| Adjustments: | | |
| Loans written off | (3) | - |
| Subsidy allowance amortization | 1 | 1 |
| Ending balance of the subsidy cost allowance before re-estimates | 80 | 45 |
| Add subsidy re-estimate: | | |
| Technical/default re-estimate | 7 | 2 |
| Ending balance of the subsidy cost allowance | \$ 87 | \$ 47 |

G. Administrative Expenses at September 30 (in millions):

| | 2024 | 2023 |
|--------------------------|------|------|
| Community Disaster Loans | \$ 4 | \$ 3 |



H. Loans Receivable at September 30 (in millions):

| | 2024 | 2023 |
|--|-------------|-------------|
| Beginning balance of Loans Receivable, Net | \$ 1 | \$ 1 |
| Loan disbursements | 40 | 9 |
| Interest accruals | 1 | 1 |
| Loans written off | 3 | - |
| Subsidy expense | (35) | (7) |
| Upward re-estimates | (7) | (2) |
| Subsidy allowance | (3) | (1) |
| Ending balance of Loans Receivable, Net | \$ - | \$ 1 |

9. Inventory and Related Property, Net

| As of September 30 (in millions): | 2024 | 2023 |
|--|-----------------|-----------------|
| OM&S | | |
| Items Held for Use | \$ 1,864 | \$ 1,604 |
| Items Held for Future Use | 76 | 85 |
| Items Held for Repair | 1,537 | 1,441 |
| Less: Allowance for Losses | (540) | (483) |
| Total OM&S, Net | 2,937 | 2,647 |
| Inventory | | |
| Inventory Purchased for Resale | 33 | 47 |
| Less: Allowance for Losses | (7) | (7) |
| Total Inventory, Net | 26 | 40 |
| Stockpile Materials Held in Reserve | 45 | 111 |
| Total Inventory and Related Property, Net | \$ 3,008 | \$ 2,798 |



10. Seized and Forfeited Property

| For the Fiscal Year Ended September 30, 2024: | | | | | |
|---|-------------------|-----------------|----------------------------|-----------------|----------------|
| Prohibited Seized Property: | Beginning Balance | New Seizures | Remissions and Adjustments | New Forfeitures | Ending Balance |
| Illegal Drugs (in kilograms): | | | | | |
| Marijuana | - | 87,102 | 1,746 | (88,848) | - |
| Cocaine | - | 47,245 | 144 | (47,389) | - |
| Heroin | - | 2,011 | (2) | (2,009) | - |
| Methamphetamine | - | 88,406 | (36) | (88,370) | - |
| Khat | - | 8,013 | - | (8,013) | - |
| Synthetic Marijuana | - | 477 | 10 | (487) | - |
| Fentanyl | - | 12,862 | (100) | (12,762) | - |
| Other Drugs | 47,489 | 34,669 | 2,709 | (52,799) | 32,068 |
| Firearms and Explosives (in number of case line items) | 3,855 | 6,896 | (2,644) | (2,729) | 5,378 |
| Counterfeit Currency (U.S./Foreign, in number of items) | 1,682,800 | 2,670,133 | (2,287,552) | - | 2,065,381 |
| Counterfeit Goods (in number of case line items) | 41,593 | 88,103 | (8,877) | (88,044) | 32,775 |
| Prohibited Forfeited Property: | Beginning Balance | New Forfeitures | Transfers and Adjustments | Destroyed | Ending Balance |
| Illegal Drugs (in kilograms): | | | | | |
| Marijuana | 24,511 | 88,848 | (31,936) | (60,451) | 20,972 |
| Cocaine | 25,399 | 47,389 | (25,167) | (22,165) | 25,456 |
| Heroin | 1,529 | 2,009 | (1,532) | (696) | 1,310 |
| Methamphetamine | 58,155 | 88,370 | (5,380) | (68,276) | 72,869 |
| Khat | 190 | 8,013 | (232) | (7,878) | 93 |
| Synthetic Marijuana | 952 | 487 | (300) | (237) | 902 |
| Fentanyl | 10,713 | 12,762 | (2,664) | (9,165) | 11,646 |
| Other Drugs | 4,693 | 52,799 | (1,302) | (26,684) | 29,506 |
| Firearms and Explosives (in number of case line items) | 2,717 | 2,729 | (43) | (1,615) | 3,788 |
| Counterfeit Goods (in number of case line items) | 25,783 | 88,044 | 1,746 | (84,847) | 30,726 |



| For the Fiscal Year Ended September 30, 2023: | | | | | |
|---|-------------------|--------------|----------------------------|-----------------|----------------|
| Prohibited Seized Property: | Beginning Balance | New Seizures | Remissions and Adjustments | New Forfeitures | Ending Balance |
| Illegal Drugs (in kilograms): | | | | | |
| Marijuana | - | 94,377 | (32) | (94,345) | - |
| Cocaine | - | 84,953 | 5 | (84,958) | - |
| Heroin | - | 925 | (7) | (918) | - |
| Methamphetamine | - | 77,034 | (309) | (76,725) | - |
| Khat | - | 35,752 | - | (35,752) | - |
| Synthetic Marijuana | - | 319 | 3 | (322) | - |
| Fentanyl | - | 16,904 | 8 | (16,912) | - |
| Other Drugs | 27,156 | 69,625 | (26,459) | (22,833) | 47,489 |
| Firearms and Explosives (in number of case line items) | 3,024 | 4,963 | (2,011) | (2,121) | 3,855 |
| Counterfeit Currency (U.S./Foreign, in number of items) | 3,922,014 | 1,727,316 | (3,966,530) | - | 1,682,800 |
| Counterfeit Goods (in number of case line items) | 36,827 | 104,978 | (7,916) | (92,296) | 41,593 |

| Prohibited Forfeited Property: | Beginning Balance | New Forfeitures | Transfers and Adjustments | Destroyed | Ending Balance |
|--|-------------------|-----------------|---------------------------|-----------|----------------|
| Illegal Drugs (in kilograms): | | | | | |
| Marijuana | 15,824 | 94,345 | (39,874) | (45,784) | 24,511 |
| Cocaine | 30,978 | 84,958 | (68,926) | (21,611) | 25,399 |
| Heroin | 2,425 | 918 | (334) | (1,480) | 1,529 |
| Methamphetamine | 84,724 | 76,725 | (6,886) | (96,408) | 58,155 |
| Khat | 3,065 | 35,752 | 629 | (39,256) | 190 |
| Synthetic Marijuana | 1,260 | 322 | (341) | (289) | 952 |
| Fentanyl | 7,854 | 16,912 | (3,587) | (10,466) | 10,713 |
| Other Drugs | 4,577 | 22,833 | (666) | (22,051) | 4,693 |
| Firearms and Explosives (in number of case line items) | 2,171 | 2,121 | (1,573) | (2) | 2,717 |
| Counterfeit Goods (in number of case line items) | 26,904 | 92,296 | 2,123 | (95,540) | 25,783 |



This schedule is presented for prohibited (non-valued) seized and forfeited property. These items are retained and ultimately destroyed by CBP and USSS and are not transferred to the Treasury's forfeiture fund or other federal agencies, with the exception of drugs, which may be transferred to another federal, state, and or local government if deemed necessary and for prosecution purposes.

Illegal drugs consist of tested and verified controlled substances as defined per the *Controlled Substances Act*. Illegal drugs are presented in kilograms, and a portion of the weight includes packaging, which often cannot be reasonably separated from the weight of the drugs since the packaging must be maintained for evidentiary purposes. Cases containing trace or residue amounts of illegal drugs are excluded from the footnote. Schedule I and II drugs are presented as summarily forfeited.²⁸ Other drugs include insignificant amounts of controlled substances that do not warrant being isolated to an individual category.

When narcotics are seized by CBP/ICE, the property will either be destroyed or transferred to another law enforcement agency. For seizures that occur in international waters, the USCG interdicts the narcotics at sea and turns the property over to CBP/ICE or another law enforcement agency. If property is turned over to CBP/ICE, a seizure weight is obtained, entered into Seized Assets and Case Tracking System (SEACATS), and on the chain of custody.

During FY 2024, the Department re-examined its Maritime Seizures policy regarding the custodial status over seizures offloaded at Florida's Tampa and Miami, California's San Diego, and Virginia's Norfolk ports through a program known as the Panama Express (PANEX). The PANEX Organized Crime Drug Enforcement Strike Force is a maritime drug interdiction effort by multiple United States law enforcement agencies and organizations. The PANEX was established through a Memorandum of Understanding (MOU) between DOJ and its investigative components including the FBI Tampa Field Division, the DEA Miami Field Division, the DHS ICE HSI Tampa Field Division, the USCG, and the United States Attorney's Office Middle District of Florida. This MOU assigns custodial responsibility of all property seized under PANEX. The agency responsible for processing and transportations of narcotics seized under PANEX is the DEA.

As a result, starting in FY 2024, the Department will not be including PANEX Maritime Seizures in the footnote disclosure. If this change was in place for FY 2023, the quantity (in kilograms) of new seizures and new forfeitures reported for marijuana in the FY 2023 Prohibited Seized Property table above would have been 85,684 and 85,652, respectively, and the quantity of new seizures and new forfeitures reported for cocaine would have been 61,798 and 61,803, respectively.

²⁸ Summarily forfeited refers to when a drug is seized and processed, it is immediately forfeited to the government not requiring further administrative or judicial action.



For firearms, the ending balance includes only those seized items that can actually be used as firearms. Firearms are presented in number of case line items, which represent different types of firearms seized as part of a case. Counterfeit goods include clothing, footwear, jewelry, electronic equipment, movies, media, identification documents, and other items. Counterfeit goods are presented in number of case line items. USCG and CBP/ICE also seize and take temporary possession of small boats, equipment, general property, firearms, contraband, and illegal drugs. CBP maintains the seized property on behalf of USCG and ICE, and transfers nonprohibited seized property to the Treasury Forfeiture Fund.

Remissions occur when CBP returns property back to the violator. Adjustments are caused by changes during the year to the beginning balances due to changes in legal status or property types. For example, a case considered forfeited could be re-opened and changed to seized status or a drug property type may change on a case. Transfers occur when CBP conveys property to other federal, state, and local law enforcement agencies for prosecution, destruction, or donation.

USSS counterfeit currency includes notes received from external sources or seized during investigations. Counterfeit currency is presented in number of notes, and represents notes maintained in USSS, including items that are pending destruction. All items are maintained in a secured location until the items reach their eligible destruction date. Counterfeit currency ending balances decrease when notes are destroyed, or when a counterfeit note is reclassified as an educational note.



11. Property, Plant, and Equipment, Net

| As of September 30, 2024 (in millions): | Useful Life | Cost | Accumulated Depreciation/Amortization | Total Net Book Value |
|--|-------------|------------------|---------------------------------------|----------------------|
| Land and Land Rights | N/A | \$ 375 | N/A | \$ 375 |
| Improvements to Land | 2-50 yrs | 6,823 | 1,987 | 4,836 |
| Construction in Progress | N/A | 8,676 | N/A | 8,676 |
| Buildings, Other Structures and Facilities | 10-50 yrs | 9,906 | 5,765 | 4,141 |
| Equipment: | | | | |
| Information Technology Equipment | 5 yrs | 704 | 534 | 170 |
| Aircraft | 20 yrs | 7,280 | 4,101 | 3,179 |
| Vessels | 5-30 yrs | 13,194 | 5,930 | 7,264 |
| Vehicles | 5-15 yrs | 957 | 827 | 130 |
| Other Equipment | 5-15 yrs | 8,567 | 6,364 | 2,203 |
| Leasehold Improvements | 2-50 yrs | 3,495 | 2,434 | 1,061 |
| Internal Use Software | 2-13 yrs | 6,457 | 5,137 | 1,320 |
| Internal Use Software - in Development | N/A | 394 | N/A | 394 |
| Lessee Right-To-Use Lease Asset | > 2 yrs | 934 | 103 | 831 |
| Total Property, Plant, and Equipment, Net | | \$ 67,762 | \$ 33,182 | \$ 34,580 |

Additional information on Lessee Right-To-Use Leases is disclosed in [Note 19](#), Leases.



| As of September 30, 2023 (in millions): | Useful Life | Cost | Accumulated Depreciation/Amortization | Total Net Book Value |
|--|-------------|------------------|---------------------------------------|----------------------|
| Land and Land Rights | N/A | \$ 345 | N/A | \$ 345 |
| Improvements to Land | 2-50 yrs | 5,530 | 1,707 | 3,823 |
| Construction in Progress | N/A | 10,745 | N/A | 10,745 |
| Buildings, Other Structures and Facilities | 10-50 yrs | 10,659 | 5,544 | 5,115 |
| Equipment: | | | | |
| Information Technology Equipment | 5 yrs | 877 | 680 | 197 |
| Aircraft | 20 yrs | 7,372 | 4,151 | 3,221 |
| Vessels | 5-30 yrs | 12,802 | 5,521 | 7,281 |
| Vehicles | 5-15 yrs | 924 | 824 | 100 |
| Other Equipment | 5-15 yrs | 8,233 | 6,092 | 2,141 |
| Assets Under Capital Lease | 2-20 yrs | 70 | 70 | - |
| Leasehold Improvements | 2-50 yrs | 3,326 | 2,352 | 974 |
| Internal Use Software | 2-13 yrs | 6,105 | 4,807 | 1,298 |
| Internal Use Software – in Development | N/A | 301 | N/A | 301 |
| Total Property, Plant, and Equipment, Net | | \$ 67,289 | \$ 31,748 | \$ 35,541 |

Total PP&E and Accumulated Depreciation Reconciliation:

| | FY 2024 Net PP&E | FY 2023 Net PP&E |
|--|------------------|------------------|
| Beginning Balance of Year | \$ 35,541 | \$ 32,754 |
| Effects of Implementation of SFFAS 54 | 798 | - |
| Beginning Balance of Year, Adjusted | 36,339 | 32,754 |
| Capitalized Acquisitions | 3,244 | 4,448 |
| Right-To-Use Lease Assets, CY Activity | 136 | - |
| CY Amortization of Right-To-Use Lease Assets | (103) | - |
| Dispositions | (135) | (235) |
| Transfers In/Out without Reimbursement | (1,102) | 940 |
| Revaluations | (332) | (5) |
| Depreciation Expense | (2,510) | (2,462) |
| Donations | 82 | 28 |
| Other | (1,039) | 73 |
| Balance at End of Year | \$ 34,580 | \$ 35,541 |



12. Stewardship Property, Plant, and Equipment

DHS's Stewardship PP&E is comprised of items held by DHS. These heritage assets are in the United States and the Commonwealth of Puerto Rico. Collection-type heritage assets are presented in either number of collections or number of individual items, while non-collection-type and multi-use heritage assets are presented in number of individual units.

| As of September 30, 2024: | Beginning Balance | Additions | Withdrawals | Total |
|-----------------------------------|-------------------|-----------|-------------|------------|
| Collection-type Assets | | | | |
| CBP | 2 | - | - | 2 |
| MGMT | 1 | - | - | 1 |
| S&T | 1 | - | - | 1 |
| TSA | 10 | - | - | 10 |
| USCG | 9 | - | - | 9 |
| USCIS | 5 | - | - | 5 |
| USSS | 2 | - | - | 2 |
| Non-Collection-type Assets | | | | |
| FLETC | 1 | - | - | 1 |
| S&T | 50 | - | - | 50 |
| USCG | 67 | - | (1) | 66 |
| Multi-use Heritage Assets | | | | |
| CBP | 4 | - | - | 4 |
| FEMA | 1 | - | - | 1 |
| ICE | 1 | - | - | 1 |
| S&T | 3 | - | - | 3 |
| USCG | 95 | - | (15) | 80 |
| Total Stewardship PP&E | 252 | - | (16) | 236 |

| As of September 30, 2023: | Beginning Balance | Additions | Withdrawals | Total |
|-----------------------------------|-------------------|-----------|-------------|------------|
| Collection-type Assets | | | | |
| CBP | 2 | - | - | 2 |
| MGMT | 1 | - | - | 1 |
| S&T | 1 | - | - | 1 |
| TSA | 10 | - | - | 10 |
| USCG | 9 | - | - | 9 |
| USCIS | 5 | - | - | 5 |
| USSS | 2 | - | - | 2 |
| Non-Collection-type Assets | | | | |
| FLETC | 1 | - | - | 1 |
| S&T | 50 | - | - | 50 |
| USCG | 68 | - | (1) | 67 |
| Multi-use Heritage Assets | | | | |
| CBP | 4 | - | - | 4 |
| FEMA | 1 | - | - | 1 |
| ICE | 1 | - | - | 1 |
| S&T | 3 | - | - | 3 |
| USCG | 95 | - | - | 95 |
| Total Stewardship PP&E | 253 | - | (1) | 252 |



The Department's Stewardship PP&E consists of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures, which are unique due to historical, cultural, artistic, or architectural significance, and are used to preserve and provide an education on the Department's history and tradition. Generally, these heritage assets are not included in PP&E presented on the Balance Sheet. Components define collection-type assets as either individual items, or an aggregate of items grouped by location or category, depending on mission, types of assets, materiality considerations, and how the Component manages the assets. Additions are derived from many sources, including gifts from current or former personnel or the general public, bequests, and transfers from other federal agencies. As assessments are made of heritage assets, individual items are withdrawn from a collection when they have deteriorated through damage due to moving and transportation, storage or display, or environmental degradation. Individual items are also withdrawn when curatorial staff determines that an artifact does not meet the needs of the collection, or the characteristics of a heritage asset.

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in Unaudited Required Supplementary Information.

Collection-type Heritage Assets. The Department classifies items maintained for exhibition or display as collection-type heritage assets. As the lead agency ensuring a safe, secure, and resilient homeland, the Department uses this property for the purpose of educating individuals about its history, mission, values, and culture.

CBP collection-type heritage assets are categorized and grouped into two collections: archival materials and artifacts. Archival materials include port records, CBP regulations, and ledgers of Collectors of Customs. Artifacts include antique scales, pictures of Customs inspectors, tools used to sample imported commodities such as wood bales and bulk grain, and Customs uniforms, badges, and stamps.

MGMT has one collection-type heritage asset, a portion of one of the beams from the World Trade Center, which was received from TSA. It is kept at the DHS Headquarters Gallery at St. Elizabeth to educate visitors about why DHS and TSA were established.

S&T maintains one collection-type heritage asset—the fourth-order Fresnel lens from the historic Plum Island lighthouse. The lens was an integral part of the Plum Island lighthouse, which is listed in the National Register of Historic Places. The lens is on loan for display at the East End Seaport Maritime Museum in Greenport, New York.

TSA collection-type heritage assets include five architectural or building artifacts, and five aviation security technology items. The architectural or building artifacts include a collection of concrete pieces that belonged to the western wall of the Pentagon, a collection of subway rails from the Port Authority Trans-Hudson subway station located below the World Trade Center, and three individual artifacts related to both the steel structure and facade of the



World Trade Center Towers that were destroyed by the terrorist attacks of September 11, 2001. The five aviation security technology items include two walk-through metal detectors, two X-ray machines, and an explosives trace detection portal machine. These items are preserved as aviation security technology equipment that was used to screen the individuals who carried out the September 11, 2001 terrorist attacks.

USCG collection-type heritage assets are defined by groups of items categorized as artifacts, artwork, and display models, located at USCG Headquarters, the USCG Academy, and all other locations, such as field units. Each location's collection is considered one asset. Artifacts include ships' equipment (sextants, bells, binnacles, etc.), decommissioned aids to navigation and communication equipment (buoy bells, lighthouse lenses, lanterns, etc.), personal-use items (uniforms and related accessories), and ordnance (cannons, rifles, and Lyle guns). Artwork consists of the USCG's collection of World War II combat art, as well as modern art depicting both historical and modern USCG activities. Display models are mostly of USCG vessels and aircraft. These are often builders' models acquired by the USCG as part of the contracts with the ship or aircraft builders.

USCIS collection-type heritage assets consist of an archive of five collections of immigration and naturalization files that can be used to trace family lineages. USCIS has established the USCIS Genealogy Program to allow the public access to the records on a fee for-service basis. Archived records available through the USCIS Genealogy Program include naturalization certificate files, alien registration forms, visa files, registry files, as well as alien files numbered below eight million and documents dated prior to May 1951.

USSS collection-type heritage assets are categorized into a collection of historical artifacts—including records, photographs, documents, and other items pertaining to the history of the USSS—and a collection of historical vehicles pertaining to the history of presidential transportation. Historical artifacts are maintained, stored, or displayed in the USSS archives and in the Secret Service Exhibit Hall. The vehicles are displayed at the James J. Rowley Training Center in Laurel, Maryland, or on loan to Presidential libraries. These items are used to educate employees and their guests about the USSS's integrated missions of investigations and protection.

Non-Collection-type Heritage Assets. The Department also maintains non-collection-type heritage assets that are unique for historical or natural significance, as well cultural, educational, or artistic importance.

FLETC non-collection-type heritage assets consist of a memorial associated with the World Trade Center located in Glynco, Georgia. The memorial integrates a piece of steel from the World Trade Center's steel structure into the overall design. The memorial is the primary site for student graduations from the FLETC, and also a venue for various special events, linking the FLETC mission and training efforts to this past tragedy.



S&T non-collection-type heritage assets consist of the Plum Island Lighthouse and Fort Terry Historic District, located on Plum Island, in Suffolk County, New York. The Plum Island Lighthouse and Fort Terry Historic District are listed on the National Register of Historic Places.

USCG non-collection-type heritage assets include buildings, structures, sunken vessels, and aircraft. Buildings and structures such as lighthouses and monuments are classified as non-collection-type heritage assets in accordance with SFFAS No. 29, *Heritage Assets and Stewardship Land*. Sunken vessels and aircraft are classified as non-collection-type heritage assets, as stipulated in the property clause of the U.S. Constitution, Articles 95 and 96 of the International Law of the Sea Convention, Sunken Military Craft Act, and the sovereign immunity provisions of admiralty law. Despite the passage of time or the physical condition of these assets, they remain government-owned until the Congress of the United States formally declares them abandoned. The USCG desires to retain custody of these assets to safeguard the remains of crew members lost at sea, to prevent the unauthorized handling of explosives or ordnance that may be aboard, and to preserve culturally valuable artifacts of the USCG. In FY 2024, a lighthouse in Rhode Island was sold to the State of Rhode Island.

Multi-Use Heritage Assets. When heritage assets are functioning in operational status, the Department classifies these as multi-use heritage assets in accordance with SFFAS No. 6, *Accounting for Property, Plant and Equipment*. All multi-use heritage assets are reflected on the Balance Sheet as PP&E and are depreciated over their useful life. Some examples are historic lighthouses and buildings still in use. Deferred maintenance and condition information for heritage assets and PP&E are presented in the required supplementary information. When multi-use heritage assets are no longer needed for operational purposes, they are reclassified as collection-type or non-collection-type heritage assets, or transferred to other government agencies or public entities.

CBP has four multi-use heritage assets located in Puerto Rico, which consist of customs houses that facilitate the collection of revenue for the Department.

FEMA has one multi-use heritage asset, the National Emergency Training Center, which is used by the Emergency Management Institute and the U.S. Fire Administration's National Fire Academy for training in Emmitsburg, Maryland.

ICE has one multi-use heritage asset, a property consisting of 3.2 acres located along the southern coastline of the island of Oahu, in Honolulu, Hawaii. The ICE Honolulu Facility is a historic site included in the National Register of Historic Places.

S&T has three multi-use heritage assets which consist of the motor pool, duty officer's quarters, and the fire station, located in the Plum Island Fort Terry Historic District, Suffolk County, New York.



USCG possesses a wide range of multi-use heritage assets, such as buildings, structures, and lighthouses that have historical and cultural significance. In FY 2024, fifteen assets were withdrawn from the collection. These included five lighthouses in Florida and eight lighthouses in Michigan, as well as an ammunitions magazine bunker and former Officer’s Quarters in Maryland.

13. Other Assets

| As of September 30 (in millions): | 2024 | 2023 |
|--|------------------------|------------------------|
| Intragovernmental Assets: | | |
| Advances and Prepayments | \$ 982 | \$ 827 |
| Total Intragovernmental Assets | <u>982</u> | <u>827</u> |
| With the Public: | | |
| Advances and Prepayments | 1,014 | 1,023 |
| Other Assets | <u>2</u> | <u>2</u> |
| Total With the Public | <u>1,016</u> | <u>1,025</u> |
| Total Other Assets | <u>\$ 1,998</u> | <u>\$ 1,852</u> |



14. Liabilities Not Covered by Budgetary Resources

| As of September 30 (in millions): | 2024 | 2023 |
|--|-------------------------|-------------------------|
| Intragovernmental Liabilities: | | |
| Debt (Note 15) | \$ 20,525 | \$ 20,525 |
| Accrued FECA Liability (Note 18) | 427 | 412 |
| Other | 90 | 143 |
| Total Intragovernmental Liabilities | <u>21,042</u> | <u>21,080</u> |
| With the Public: | | |
| Federal Employee and Veterans Benefits Payable: | | |
| Accrued Payroll and Benefits (Note 16) | 2,501 | 2,240 |
| Actuarial FECA Liability (Note 16) | 2,607 | 2,496 |
| Military Service and Other Retirement Benefits (Note 16) | 14,015 | 13,562 |
| Actuarial Liabilities for Federal Insurance and Guarantee Programs | 542 | 786 |
| Liability for Unpaid Insurance Claims (Note 20) | 4,000 | - |
| Environmental and Disposal Liabilities (Note 17) | 854 | 852 |
| Contingent Liabilities (Note 21) | 277 | 182 |
| Lessee Lease Liability (Note 19) | 826 | - |
| Other (Note 18) | 2,369 | 3,873 |
| Total With the Public | <u>27,991</u> | <u>23,991</u> |
| Total Liabilities Not Covered by Budgetary Resources | \$ 49,033 | \$ 45,071 |
| Total Liabilities Not Requiring Budgetary Resources | \$ 8,090 | \$ 9,270 |
| Liabilities Covered by Budgetary Resources | \$ 22,057 | \$ 20,610 |
| Total Liabilities | <u>\$ 79,180</u> | <u>\$ 74,951</u> |

Total Liabilities Not Covered by Budgetary Resources increased in FY 2024 from the prior year mainly due to an increase in unpaid insurance claims from Hurricane Helene. For additional information, see [Note 20](#), Insurance Liabilities.

The Department anticipates the portion of Liabilities Not Covered by Budgetary Resources listed above will be funded from future budgetary resources when required. Total Liabilities Not Requiring Budgetary Resources represents liabilities for clearing accounts, non-fiduciary deposit funds, and custodial collections, including amounts due to the general fund. The remaining liabilities are substantially covered by current budgetary resources.



15. Debt

| As of September 30 (in millions): | 2024 | 2023 |
|---|-------------------------|-------------------------|
| Debt to the Treasury General Fund: | | |
| NFIP: | | |
| Beginning Balance | \$ 20,525 | \$ 20,525 |
| New Borrowing | 6,600 | 6,600 |
| Interest Payable | - | - |
| Repayments | (6,600) | (6,600) |
| Ending Balance | <u>20,525</u> | <u>20,525</u> |
| DADLP (Credit Reform): | | |
| Beginning Balance | 4 | 8 |
| New Borrowing | 5 | 2 |
| Interest Payable | - | - |
| Repayments | (2) | (6) |
| Ending Balance | <u>7</u> | <u>4</u> |
| Total Debt | <u>\$ 20,532</u> | <u>\$ 20,529</u> |

The Department's intragovernmental debt is owed to Treasury and consists of borrowings to finance FEMA's NFIP and DADLP.

NFIP debt normally has a three-year term unless Treasury grants an exception for a greater term such as ten years. Interest rates are obtained from Treasury and range by cohort year from 1.50% to 4.75% as of September 30, 2024 and 2023. Interest is paid semi-annually on March 31 and September 30. The total interest paid for the year was \$619 million and \$467 million as of September 30, 2024 and 2023, respectively. Interest is accrued based on the debt balances reported. Principal repayments are permitted any time during the term of the debt. At maturity, the debt may be repaid or refinanced. The debt and interest payments are financed by the flood premiums from policyholders. Given the current rate structure, FEMA will not be able to pay its debt from the premium revenue alone; therefore, FEMA does not anticipate repaying the debt in full.

In accordance with the requirements established by the *Biggert-Waters Flood Insurance Reform Act of 2012*, FEMA reports on the status of the debt, interest paid since 2005, and principal repayments to OMB and Congress on a quarterly basis.



These requirements established a quarterly reporting requirement for the Reserve Ratio Requirement. There is a separate report for debt, interest, and principal repayments, where reports are due on a semi-annual basis.

Under Credit Reform, the unsubsidized portion of debt is borrowed from Treasury. The repayment terms of FEMA's borrowing are based on the life of each cohort of debt. Proceeds from collections of principal and interest from the borrowers are used to repay Treasury. In addition, an annual re-estimate is performed to determine any change from the original subsidy rate. If an upward re-estimate is determined to be necessary, these funds are available through permanent indefinite authority, which is to be approved by OMB. Once these funds are appropriated, the original borrowings are repaid to Treasury. The weighted average interest rates for FY 2024 and FY 2023 were 3.78% and 2.14%, respectively. For additional information, see [Note 23](#), Available Borrowing Authority.

16. Federal Employee and Veterans Benefits Payable

| As of September 30 (in millions): | 2024 | 2023 |
|--|------------------|------------------|
| Federal Employee Salary, Leave, and Benefits Payable | | |
| Accrued Unfunded Payroll and Benefits | \$ 2,501 | \$ 2,240 |
| Accrued Funded Payroll and Benefits | 913 | 1,513 |
| Total Federal Employee Salary, Leave, and Benefits Payable | \$ 3,414 | \$ 3,753 |
| Pension, Post-Employment, and Veterans Benefit Payable | | |
| USCG Healthcare Benefits | \$ 9,578 | \$ 9,211 |
| USSS Uniformed Division and Special Agent Pension | 4,437 | 4,351 |
| Actuarial FECA Liability | 2,607 | 2,496 |
| Total Pension, Post-Employment, and Veterans Benefits Payable | \$ 16,622 | \$ 16,058 |



A. Reconciliation of Beginning and Ending Liability Balances for Pensions and ORB

| For the Year Ended September 30, 2024 (in millions): | USCG Military Health System | USSS Uniformed Division and Special Agent Pension | Total |
|---|--|--|------------------|
| Beginning Liability Balance: | \$ 9,211 | \$ 4,351 | \$ 13,562 |
| Expenses: | | | |
| Normal Cost | 470 | - | 470 |
| Interest on the Liability Balance | 277 | 118 | 395 |
| Actuarial Losses/(Gains): | | | |
| From Experience | 38 | 124 | 162 |
| From Assumption Changes | (113) | 123 | 10 |
| Total Expense | 672 | 365 | 1,037 |
| Less: Amounts Paid | 305 | 279 | 584 |
| Ending Liability Balance | \$ 9,578 | \$ 4,437 | \$ 14,015 |

| For the Year Ended September 30, 2023 (in millions): | USCG Military Health System | USSS Uniformed Division and Special Agent Pension | Total |
|---|--|--|------------------|
| Beginning Liability Balance: | \$ 7,914 | \$ 4,370 | \$ 12,284 |
| Expenses: | | | |
| Normal Cost | 448 | - | 448 |
| Interest on the Liability Balance | 260 | 110 | 370 |
| Actuarial Losses/(Gains): | | | |
| From Experience | (31) | 68 | 37 |
| From Assumption Changes | 915 | 74 | 989 |
| Total Expense | 1,592 | 252 | 1,844 |
| Less: Amounts Paid | 295 | 271 | 566 |
| Ending Liability Balance | \$ 9,211 | \$ 4,351 | \$ 13,562 |



USCG MHS. The USCG's MHS is a post-retirement medical benefit plan that covers all active component and reserve component members of the USCG until they become eligible for Medicare (normally age 65). The accrued MHS liability is for the healthcare of non-Medicare eligible retirees and beneficiaries. The DOD MERHCF finances and manages the healthcare benefits for the Medicare-eligible beneficiaries of all DOD and non-DOD uniformed services. Actuarial accrued liabilities represent the present value of the future payments that are expected to be paid under the provisions of the medical benefit plan.

In FY 2024, a change was made to the method used to estimate the Per Capita Cost (PCC). For any member whose age was not reported on the claims file, the maximum duration was shortened to the average duration, which reduced both the accrued liability and normal cost.

The significant actuarial assumptions used to compute the accrued liability for the MHS as of September 30, 2024, are as follows:

1. For active-duty members and reserves, USCG uses the DOD assumption; an 80% male/20% female blend of the MP-2021 Mortality Improvement Scale developed by the Society of Actuaries. For military retirees and annuitants, USCG uses the DOD Mortality Improvement tables. Underlying mortality rates are based on DOD tables, which were modified this year for retirees, based on actual DOD experience.
2. Disability, withdrawal, and retirement tables reflecting actual USCG experience were developed based on a USCG experience study dated April 28, 2020.
3. Healthcare cost increase assumptions are based on the annual liability report provided by DOD and vary, depending on the year and type of care. The assumption for medical trend rates resulted in a loss of \$525 million.
4. The discount rate percent is determined in accordance with SFFAS No. 33. The current discount rate for MHS increased from 2.86% for the health system to 2.93% on September 30, 2024.
5. Post-Retirement health benefit assumptions include a single equivalent medical cost trend rate of 4.39% and an ultimate medical trend rate of 4.60% after 25 years.
6. The FY 2024 valuation was prepared as of September 30, 2023 using economic assumptions based on a ten-year average that reflects the June 30, 2024 Treasury Rates. The accrued liability was then projected to September 30, 2024, using these same June 30th rates.

The significant actuarial assumptions used to compute the accrued healthcare liability as of September 30, 2023, were as follows:

1. For active-duty members and reserves, USCG uses the DOD assumption; an 80% male/20% female blend of the MP-2021 Mortality Improvement Scale developed by the Society of Actuaries. For military retirees and annuitants, USCG uses the DOD Mortality Improvement tables. Underlying mortality rates are based on actual DOD experience.



2. Disability, withdrawal, and retirement tables reflecting actual USCG experience were developed based on a USCG experience study dated April 28, 2020.
3. Healthcare cost increase assumptions are based on the annual liability report provided by DOD and vary, depending on the year and type of care. The assumption for medical trend rates resulted in a loss of \$504 million.
4. The discount rate percent is determined in accordance with SFFAS No. 33. The discount rate was 2.86% for the health system.
5. Post-Retirement health benefit assumptions include a single equivalent medical cost trend rate of 3.98% and an ultimate medical trend rate of 4.30% after 25 years.
6. The FY 2023 valuation was prepared as of September 30, 2022 using economic assumptions based on a ten-year average to include the ending discount rate at June 30, 2023. Results were projected to the end of the fiscal year, September 30, 2023, using ten-year average discount rates at June 30, 2023.

USSS Uniformed Division and Special Agent Pension. Special agents and other USSS personnel in certain job series hired as civilians before January 1, 1984, are eligible to transfer to the District of Columbia Police Officers' and Firefighters' Retirement Plan (DC Pension Plan) after completion of ten years of USSS employment and ten years of protection-related experience. This plan also includes beneficiaries and dependents. All uniformed USSS officers who were hired before January 1, 1984, are automatically covered under this retirement system. Participants in the Uniformed Division and Special Agent Pension Plan make contributions of 7% of base pay with no matching contribution made by USSS. Annuitants of this plan receive benefit payments directly from the DC Pension Plan. The benefits for this plan are not currently prefunded and the USSS has no segregated plan assets. Each year's contribution equals the benefits paid from the plan. USSS reimburses the District of Columbia for the difference between benefits provided to the annuitants and payroll contributions received from current employees. This liability is presented as a component of the liability for Federal Employee and Veterans Benefits Payable in the accompanying Balance Sheet. SFFAS No. 5 requires the administrative entity (administrator) to report the actuarial liability. However, USSS records a liability because the administrator (the DC Pension Plan) is not a federal entity and as such the liability for future funding would not otherwise be recorded in the government-wide consolidated financial statements.

The primary actuarial assumptions used to determine the liability at September 30, 2024, are as follows:

1. The mortality assumption is based on the OPM non-U.S. Postal Service (USPS) mortality tables projected using the OPM projection scale. There are separate healthy and disabled annuitant tables.
2. The equalization pay is equal to the greater of:
 - The average of the last ten equalization pays for each category (General Service (GS), Uniformed Division (UD), and Senior Executive Service (SES)), or
 - Consumer Price Index assumption as determined by the Treasury Breakeven Inflation (TBI) yield curve.



3. All annuitants were coded as GS, UD, or SES. The average equalization pay over the last ten years was 2.63% for the GS group, 2.76% for the UD group, and 3.15% for the SES group. The ten-year average equalization pays for all groups is more than the Consumer Price Index (CPI) assumption derived from a ten-year average (same period as the discount rate) of the TBI curve of 2.00%. The equalization pay assumption remained the same at 2.00%. Since the ten-year average of the equalization pays for all groups is greater than the TBI curve, their Cost of Living Allowance (COLA) assumption was set to equal to the same rates, 2.63% for the GS group, 2.76% for the UD group, and 3.15% for the SES group.
4. The assumption for future survivors' cost of living awards was based on the implicit ten-year average inflation assumption built into Treasury security prices plus the average number of survivor COLA awards over the last ten years. The implicit inflation from Treasury securities is derived from a ten-year average of the TBI curve. Each time a three percent award is granted, an extra 100 basis points are added to the COLA award. Because there were seven such awards over the last ten years, 70 basis points were added to the results. The basis point adjustment is reviewed annually based on the number of COLA awards over the past ten years. Given that the implicit rate and number of COLAs awarded in the 10-year period ending June 30, 2024 was unchanged from a year earlier, the COLA assumption for survivors remains at 2.70% this year.
5. The discount rate was changed from 2.51% to 2.63%. The methodology in calculating this rate uses a ten-year Treasury average ending June 30 of the fiscal year. This is consistent with DOD, OPM, and the USCG. The rounding of the discount rate is to the nearest 0.01%.
6. Rates of salary increases are no longer applicable because all plan participants have now retired.
7. 85% of participants are assumed to have a spouse eligible for death benefits at the time of the commencement of benefits. Females are assumed to be three years younger than male spouses.
8. The installment benefit payable upon the death of a retired participant is 40% basic pay for the highest amounts, adjusted for cost-of-living increases if death occurs after retirement.

Comparatively, the primary actuarial assumptions used to determine the liability at September 30, 2023, are as follows:

1. The mortality assumption is based on the OPM non-U.S. Postal Service (USPS) mortality tables projected using the OPM projection scale. There are separate healthy and disabled annuitant tables.
2. The equalization pay is equal to the greater of:
 - The average of the last ten equalization pays for each category (GS, UD, and SES), or
 - Consumer Price Index assumption as determined by the Treasury Breakeven Inflation TBI yield curve.



3. All annuitants were coded as GS, UD, or SES. The average equalization pay over the last ten years was 2.21% for the GS group, 2.33% for the UD group, and 2.76% for the SES group. The ten-year average equalization pays for all groups is more than the CPI assumption derived from a ten-year average (same period as the discount rate) of the TBI curve of 2.00%. The equalization pay assumption decreased from 2.03% for all annuitants to 2.00%. Since the ten-year average of the equalization pays for all groups is greater than the TBI curve, their COLA assumption was set to equal to the same rates, 2.21% for the GS group, 2.33% for the UD group, and 2.76% for the SES group.
4. The assumption for future survivors' cost of living awards was based on the implicit ten-year average inflation assumption built into Treasury security prices plus the average number of survivor COLA awards over the last ten years. The implicit inflation from Treasury securities is derived from a ten-year average of the TBI curve. Each time a three percent award is granted, an extra 100 basis points are added to the COLA award. Because there were seven such awards over the last ten years, 70 basis points were added to the results. The basis point adjustment is reviewed annually based on the number of COLA awards over the past ten years. The slight decrease in the implicit rate combined with one or more COLA awarded in the ten-year period ending June 30, 2023, resulted in the COLA assumption for survivors increasing from 2.63% last year to 2.70% this year.
5. The discount rate was changed from 2.39% to 2.51%. The methodology in calculating this rate uses a ten-year Treasury average ending June 30 of the fiscal year. This is consistent with DOD, OPM, and the USCG. The rounding of the discount rate is to the nearest 0.01%.
6. Rates of salary increases are no longer applicable because all plan participants have now retired.
7. 85% of participants are assumed to have a spouse eligible for death benefits at the time of the commencement of benefits. Females are assumed to be three years younger than male spouses.
8. The installment benefit payable upon the death of a retired participant is 40% basic pay for the highest amounts, adjusted for cost-of-living increases if death occurs after retirement.

B. Actuarial FECA Liability

The actuarial FECA liability represents the estimated liability for future workers' compensation and includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. Future workers' compensation estimates for the future cost of approved compensation cases, which are generated from an application of actuarial procedures developed by DOL, were approximately \$2,607 million and \$2,496 million at September 30, 2024 and 2023, respectively.



17. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities at September 30, 2024 and 2023 are \$855 million and \$852 million, respectively. The Department is responsible for remediating its sites with environmental contamination and is party to various administrative proceedings, legal actions, and tort claims that may result in settlements or decisions adverse to the Federal Government. The source of remediation requirements to determine the environmental liability is based on compliance with federal, state, or local environmental laws and regulations. The major federal laws covering environmental response, cleanup, and monitoring are the *Comprehensive Environmental Response, Compensation and Liability Act of 1980* (CERCLA) (P.L. 96-510) and the *Resource Conservation and Recovery Act* (P.L. 94-580).

Most of the Department's environmental liabilities are related to USCG shore facilities, USCG vessels, S&T's Plum Island Animal Disease Center, and asbestos-related liabilities for abatement of both friable and nonfriable asbestos. Most of the Department's asbestos-related liabilities are those of the USCG.

Cost estimates for environmental and disposal liabilities are subject to revision as a result of changes in inflation, technology, environmental laws and regulations, and plans for disposal. Environmental contingencies are disclosed in [Note 21](#), Commitments and Contingent Liabilities.



18. Other Liabilities

| As of September 30, 2024 (in millions): | Current | Non-Current | Total |
|---|-----------------|---------------|-----------------|
| Intragovernmental Liabilities | | | |
| Advances from Others | \$ 81 | \$ - | \$ 81 |
| Other Liabilities (Without Reciprocal) | | | |
| Employer Contributions and Payroll Taxes Payable | 34 | - | 34 |
| Other Unfunded Employment Related Liability | 15 | - | 15 |
| Liability for Clearing Accounts | (187) | - | (187) |
| Due to the General Fund | 7,772 | - | 7,772 |
| Due to Other than General Fund | 138 | - | 138 |
| Other Liabilities – Benefit Contributions Payable | | | |
| Employer Contributions and Payroll Taxes Payable | 213 | - | 213 |
| Other Post-Employment Benefits Due and Payable | 68 | 69 | 137 |
| Accrued FECA Liability (Note 14) | 165 | 262 | 427 |
| Other Unfunded Employment Related Liability | 5 | - | 5 |
| Other Liabilities – Reimbursable Activities | | | |
| Other Liabilities With Related Budgetary Obligations | - | - | - |
| Other Liabilities Without Related Budgetary Obligations | 46 | 37 | 83 |
| Total Intragovernmental Liabilities | \$ 8,350 | \$ 368 | \$ 8,718 |
| With the Public | | | |
| Accrued Liability for COVID-19 Funeral Assistance Program (See B. below) | \$ 70 | \$ - | \$ 70 |
| Accrued Liability for Hermit’s Peak/Calf Canyon Fire Assistance Claims (See B. below) | 2,247 | - | 2,247 |
| Advances from Others and Deferred Revenue (See B. below) | 3,189 | 1,580 | 4,769 |
| Withholdings Payable | 104 | - | 104 |
| Contingent Liabilities (Note 21) | 168 | 128 | 296 |
| Lease Liability (Note 19) | 23 | - | 23 |
| Unfunded Lessee Lease Liability (Note 19) | 76 | 750 | 826 |



| As of September 30, 2024 (in millions): | Current | Non-Current | Total |
|--|------------------|-----------------|------------------|
| Refunds and Drawbacks | 595 | - | 595 |
| Contract Holdbacks | 22 | 17 | 39 |
| Other Liabilities with Related Budgetary Obligations | 2,770 | 1 | 2,771 |
| Liability for Nonfiduciary Deposit Funds and Undeposited Collections | 1,306 | 1,142 | 2,448 |
| Liability for Clearing Accounts | (178) | - | (178) |
| Custodial Liability | 172 | - | 172 |
| Other Liabilities without Related Budgetary Obligations | 92 | 27 | 119 |
| Total Other Liabilities With the Public | \$ 10,656 | \$ 3,645 | \$ 14,301 |
| Total Other Liabilities | \$ 19,006 | \$ 4,013 | \$ 23,019 |

| As of September 30, 2023 (in millions): | Current | Non-Current | Total |
|---|-----------------|---------------|-----------------|
| Intragovernmental Liabilities | | | |
| Advances from Others | \$ 75 | \$ - | \$ 75 |
| Other Liabilities (Without Reciprocals) | | | |
| Employer Contributions and Payroll Taxes Payable | 82 | - | 82 |
| Other Unfunded Employment Related Liability | 13 | - | 13 |
| Liability for Clearing Accounts | (297) | - | (297) |
| Due to the General Fund | 8,853 | - | 8,853 |
| Due to Other than General Fund | 146 | - | 146 |
| Other Liabilities – Benefit Contributions Payable | | | |
| Employer Contributions and Payroll Taxes Payable | 425 | - | 425 |
| Other Post-Employment Benefits Due and Payable | 63 | 41 | 104 |
| Accrued FECA Liability (Note 14) | 151 | 261 | 412 |
| Other Unfunded Employment Related Liability | 4 | - | 4 |
| Other Liabilities – Reimbursable Activities | | | |
| Other Liabilities With Related Budgetary Obligations | 3 | - | 3 |
| Other Liabilities Without Related Budgetary Obligations | 98 | 50 | 148 |
| Total Intragovernmental Liabilities | \$ 9,616 | \$ 352 | \$ 9,968 |



| As of September 30, 2023 (in millions): | Current | Non-Current | Total |
|---|------------------|-----------------|------------------|
| With the Public: | | | |
| Accrued Liability for COVID-19 Funeral Assistance Program (See B. below) | \$ 139 | \$ - | \$ 139 |
| Accrued Liability for Hermit's Peak/Calf Canyon Fire Assistance Claims (See B. below) | 3,716 | - | 3,716 |
| Advances from Others and Deferred Revenue (See B. below) | 3,468 | 831 | 4,299 |
| Withholdings Payable | 172 | - | 172 |
| Contingent Liabilities (Note 21) | 144 | 75 | 219 |
| Refunds and Drawbacks | 423 | - | 423 |
| Contract Holdbacks | 35 | 16 | 51 |
| Other Liabilities with Related Budgetary Obligations | 2,000 | - | 2,000 |
| Liability for Nonfiduciary Deposit Funds and Undeposited Collections | 968 | 1,448 | 2,416 |
| Liability for Clearing Accounts | (117) | - | (117) |
| Custodial Liability | 261 | - | 261 |
| Other Liabilities without Related Budgetary Obligations | 53 | 31 | 84 |
| Total Other Liabilities With the Public | \$ 11,262 | \$ 2,401 | \$ 13,663 |
| Total Other Liabilities | \$ 20,878 | \$ 2,753 | \$ 23,631 |

A. Intragovernmental Other Liabilities

Due to the General Fund. Amounts due to the Treasury general fund primarily represent duties, taxes, and fees collected by CBP to be remitted to various general fund accounts maintained by Treasury. Amounts decreased in FY 2024 from the prior year due to a decrease in customs duties CBP collected.

Workers' Compensation. Claims incurred for the benefit of Department employees under FECA are administered by DOL and are ultimately paid by the Department. The accrued FECA liability represents money owed for current claims. Reimbursement to DOL for payments made occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intragovernmental liability are made available to the Department as part of its annual appropriation from Congress in the year in which the reimbursement takes place. Workers' compensation expense was \$262 million and \$234 million, respectively, for the fiscal years ended September 30, 2024 and 2023.



B. Other Liabilities With the Public

Accrued liabilities for COVID-19 Funeral Assistance Program. This liability represents unpaid claims for reimbursement related to FEMA's funeral assistance program that reimburses an individual or household that meets COVID-19 related funeral expenses under section 4081(1) of the *Robert T. Stafford Disaster Relief Fund and Emergency Assistance Act* (42 U.S.C. 5174 (e)(1)), for which the federal cost share shall be 100%. The COVID-19 incident period ended on May 11, 2023. FEMA will continue to provide funeral assistance until September 30, 2025.

Accrued liabilities for Hermit's Peak/Calf Canyon Fire Assistance Claims. Congress enacted the *Hermit's Peak/Calf Canyon Fire Assistance Act* ("Act") as part of the *Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023*, P.L. 117-180, 136 Stat. 2114 (2022). Congress passed the Act to compensate those parties who suffered loss of property from the Hermit's Peak/Calf Canyon Fire ("Fire"). The Act appropriated an initial \$2,500 million in no-year money and requires FEMA to design and administer a claims program to compensate victims of the Fire for injuries resulting from the Fire to provide for the expeditious consideration and settlement for those claims and injuries. The Act further directs FEMA to establish an arbitration process for disputes regarding claims. On December 29, 2022, the *Consolidated Appropriations Act, 2023*, P.L. 117-328, 136 Stat. 4459 provided an additional \$1,450 million of funding, totaling \$3,950 million for the Act's implementation. Claimants must file a Notice of Loss to FEMA by December 30, 2024, or an amended Notice of Loss filed by November 14, 2025. As of September 30, 2024, per actuarial calculation, there is an excess liability of \$1,410 million beyond the \$3,950 million that is not accrued due to the funding limit. Any remaining tort actions or liabilities associated with the Fire would fall under the U.S. Forest Service's responsibility until further appropriations are made for FEMA to administer.

Advances from Others and Deferred Revenue.

| As of September 30 (in millions): | 2024 | 2023 |
|--|-----------------|-----------------|
| USCIS Application Fees | \$ 3,842 | \$ 3,420 |
| FEMA Unearned NFIP Fees | 662 | 635 |
| Advances from Others | 265 | 244 |
| Total Advances from Others and Deferred Revenue | \$ 4,769 | \$ 4,299 |

USCIS's deferred revenue relates to fees received at the time of filing for applications or petitions for immigration and naturalization benefits that are recognized as revenue when the application or petition is adjudicated.

FEMA's deferred revenue relates to other NFIP unearned revenue including the federal policy fee, reserve fund assessment, and HFIAA surcharge. For further information, please see [Note 20](#), Insurance Liabilities.



Other Liabilities. Other public liabilities consist primarily of immigration bonds, deposit, and suspense fund liability.

19. Leases

A. Lessee Right-To-Use Leases

| As of September 30, 2024 (in millions): | Lessee Right-To-Use Leases | | |
|--|----------------------------|---------------|-----------------|
| | Principal | Interest | Total |
| FY 2025 | \$ 99 | \$ 36 | \$ 135 |
| FY 2026 | 99 | 31 | 130 |
| FY 2027 | 85 | 27 | 112 |
| FY 2028 | 77 | 24 | 101 |
| FY 2029 | 68 | 20 | 88 |
| FY 2030 – FY 2034 | 220 | 68 | 288 |
| FY 2035 – FY 2039 | 124 | 30 | 154 |
| FY 2040 – FY 2044 | 69 | 8 | 77 |
| FY 2045 – FY 2049 | 6 | 1 | 7 |
| FY 2050 – FY 2054 | 2 | - | 2 |
| Total Estimated Future Lease Payments | \$ 849 | \$ 245 | \$ 1,094 |

The Department leases various PP&E from the public known as RTU lease assets. Leased items consist of offices, warehouses, land, and equipment. At the commencement of the RTU lease term, DHS, as a lessee, recognizes a RTU lease asset and a lease liability. The liability is measured at the present value of the lease payments expected to be made during the lease term discounted by the relevant Treasury Certified Interest Rates at commencement of the lease term if the interest rate is not stated in the lease. Discount rates used to calculate the lease liabilities are between 4-6%. The total calculated interest expense for FY 2024 RTU leases is approximately \$37 million.

DHS has employees occupying residences overseas through the Department of State housing pool and dedicated leases. These leases are brokered by the Department of State and are included in the RTU lease population. As of September 30, 2024, the total estimated future lease payments for the Department of State brokered leases are approximately \$179 million.

Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the lease liability. The amount of variable lease expense for RTU leases recognized is immaterial for the reporting period as of September 30, 2024.



The RTU lease asset and accumulated amortization amounts disclosed in [Note 11](#), Plant, Property, and Equipment, have no direct correlation to the RTU liability amount disclosed in [Note 19](#), Leases. The direct correlation will exist only when the RTU asset and liability are first established, but over the course of the lease, the asset and liability amounts are amortized at different rates and therefore will not equal.

B. Intragovernmental Leases

| As of September 30, 2024 (in millions): | 2024 |
|--|-----------------|
| Land and Buildings | \$ 1,749 |
| Vehicles | 84 |
| Equipment | 1 |
| Total Intragovernmental Lease Expense | \$ 1,834 |

The Department leases land, buildings, vehicles, and equipment from other governmental agencies. The majority of these are buildings leased through GSA. Terms of agreements with GSA can range between one year and perpetuity.

20. Insurance Liabilities

| As of September 30 (in millions): | 2024 | 2023 |
|--|-----------------|-----------------|
| Beginning Balance | \$ 1,146 | \$ 3,227 |
| Incurred Claim Losses | 5,615 | 3,122 |
| Incurred Claim Loss Adjustment Expenses | 343 | 276 |
| Less Payments to Settle Claims | | |
| Claim Losses | (1,332) | (5,142) |
| Loss Adjustment Expenses | (129) | (340) |
| Recoveries and Other Adjustments | | |
| Claim Losses | 2 | 3 |
| Ending Balance | 5,645 | 1,146 |
| Liability for Unearned Insurance Premiums | 2,334 | 2,155 |
| Liability for Losses on Remaining Coverage | 543 | 786 |
| Total Insurance Liability | \$ 8,522 | \$ 4,087 |



Insurance liabilities consist of NFIP claim activity. This claim activity represents an estimate of NFIP loss and loss adjustment expense factors inherent in the NFIP insurance underwriting operations experience and expectations. Estimation factors used by the insurance underwriting operations reflect current case basis estimates and give effect to estimates of trends in claim severity and frequency. These estimates are periodically reviewed, and adjustments, reflected in current operations, are made as necessary.

In FY 2024, incurred claim losses increased because of FY 2024 flooding events from Hurricane Helene and settle claims losses decreased from the prior year mainly due to a decrease in estimated claims losses for Hurricane Ian (Southwest Florida and Carolinas) that occurred in FY 2022.

Insurance liabilities are covered by a permanent and indefinite appropriation, which is available to pay all valid claims after adjudication. Accordingly, these insurance liabilities are covered by budgetary resources.

The total premiums collected as of September 30, 2024, and 2023, were \$3,818 million and \$3,521 million, respectively. The total amount of coverage provided through insurance in-force as of September 30, 2024, and 2023, was \$1,278,342 million and \$1,281,858 million, respectively. However, it is unlikely that there would be flooding events across the United States requiring the entire insurance in force amount to be filed at one time.

In FY 2023, FEMA's transition to the new rating methodology was fully implemented. As a result, FEMA is estimating a premium deficiency reserve for the unearned portion of premiums, also known as a deficiency in the unearned premium reserve (UPR), which in SFFAS No. 51 is termed a liability for loss on remaining coverage. The reason for the UPR deficiency is that policyholders with premium decreases will receive those decreases immediately, while those with premium increases will go up on a phased approach.

Insurance policies are subject to statutory caps on how much a premium can increase year over year (there are multiple caps for different classes of policies, but the most common is an 18% annual cap). The full ultimate premium is calculated to cover expected losses, and until policyholders on a glide path reach that full premium, there will be an expected shortage, i.e., the liability for losses on remaining coverage will be non-zero. The liability for losses on remaining coverage as of September 30, 2024, and 2023, was \$543 million and \$786 million, respectively.²⁹

The amount recorded represents the full liability for losses on remaining coverage offset by two other sources of funds that can also be used to pay future claims. Those additional funds are the unearned Reserve Fund Assessment and the unearned HFIAA of 2014 surcharge.

²⁹ "In-force" refers to arrangements that are unexpired as of a given date.



21. Commitments and Contingent Liabilities

A. Legal and Environmental Contingencies

The Department is a party in various administrative proceedings, legal actions, and tort claims that may ultimately result in settlements or decisions adverse to the Federal Government. These contingent liabilities arise in the normal course of operations, and their ultimate disposition is unknown.

In the opinion of the Department's management and legal counsel, based on information currently available, the expected outcome of legal actions, individually or in the aggregate, are summarized in the categories below (in millions):

| As of September 30, 2024: | Accrued Liabilities | Estimated Range of Loss | |
|------------------------------------|---------------------|-------------------------|-----------|
| | | Lower End | Upper End |
| Legal Contingencies | | | |
| Probable | \$ 281 | \$ 281 | \$ 367 |
| Reasonably Possible | - | 1,412 | 2,675 |
| Environmental Contingencies | | | |
| Probable | 15 | 15 | 15 |
| Reasonably Possible | - | - | - |

| As of September 30, 2023: | Accrued Liabilities | Estimated Range of Loss | |
|------------------------------------|---------------------|-------------------------|-----------|
| | | Lower End | Upper End |
| Legal Contingencies | | | |
| Probable | \$ 196 | \$ 196 | \$ 322 |
| Reasonably Possible | - | 2,497 | 3,678 |
| Environmental Contingencies | | | |
| Probable | 23 | 23 | 23 |
| Reasonably Possible | - | - | - |

The legal contingencies above generally relate to the *Federal Tort Claims Act* (28 U.S.C. 2671, et seq.), personnel grievances, and various customs laws and regulations. The environmental contingencies above relate to the OSLTF and CERCLA. The total estimated contingent liability recorded in the accompanying financial statements as of September 30, 2024, and 2023, was \$296 million and \$219 million, respectively, of which \$19 million and \$37 million, respectively, was funded.



As of September 30, 2024, and 2023, legal claims exist for which the potential range of loss could not be determined; however, the total amount claimed is not material to the financial statements. In addition, other claims exist for which the amount claimed, and the potential range of loss could not be determined.

Certain legal claims to which DHS is a party are funded from the Judgment Fund, which is maintained by Treasury. Once the claim is either settled or a court judgment is assessed against DHS and the Judgment Fund is determined to be the appropriate source for the payment, the liability would be removed from the DHS financial statements and an “other financing source” amount (which represents the amount to be paid by the Judgment Fund) would be recognized. If the Judgment Fund is responsible for only a portion of the claim or settlement, the other financing source amount would reflect only that amount to be paid by the Judgment Fund on behalf of DHS.

B. Duty and Trade Refunds

There are various trade-related matters that fall under the jurisdiction of other federal agencies, such as the Department of Commerce, which may result in refunds of duties, taxes, and fees from CBP refunds and drawbacks. Until a decision is reached by the other federal agencies, CBP does not have sufficient information to estimate a contingent liability amount. All known duty and trade refunds as of September 30, 2024 and 2023 have been recorded.

C. Loaned Aircraft and Equipment

The Department is generally liable to DOD for damage or loss to aircraft on loan to CBP and vessels on loan to the USCG. As of September 30, 2024 and 2023, CBP had 16 aircrafts on loan from DOD with a total replacement value of up to \$23 million per aircraft. As of September 30, 2024 and 2023, the USCG had four vessels on loan from DOD with a total replacement value of \$48 million.

D. Other Contractual Arrangements

In addition to future lease commitments disclosed in [Note 19](#), Leases, the Department is committed under contractual agreements for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all Department activities are disclosed in [Note 26](#), Undelivered Orders, End of Period. In accordance with federal law, the Department is required to automatically cancel obligated and unobligated balances of appropriated funds five years after a fund expires. Obligations that have not been paid at the time an appropriation is cancelled may be paid from an unexpired appropriation that is available for the same general purpose. As of September 30, 2024, and 2023, the Department estimates total payments related to cancelled appropriations to be \$421 million and \$313 million, respectively, of which \$258 million and \$245 million, respectively, may require future funding.



TSA maintains one letter of intent (LOI) for modifications to airport facilities in which TSA uses cost-sharing agreements with the airports to modify the facilities for checked baggage screening projects. An LOI, though not a binding commitment of federal funding, represents TSA's intent to provide the agreed-upon funds in future years if the agency receives sufficient appropriations to cover the agreement. TSA employs other transaction agreements (OTAs) to fund the installation of integrated and non-integrated Explosive Detection Systems (EDS) and explosive trace detection equipment as well as improvements to be made to the existing systems in the baggage handling areas. These OTAs establish the respective cost-sharing obligations and other responsibilities of TSA and the specific entity (board, port, or authority) conducting the installations or improvements. Beginning in FY 2020 due to the *Consolidated Appropriations Act, 2020* (P.L. 116-93), TSA's appropriation language no longer requires TSA to set aside specific authorized funding amounts for LOIs. TSA did not fund any new LOIs and did not increase any funding for the existing LOI in FY 2023 or FY 2024. As of September 30, 2024 and 2023, TSA received invoices or documentation for costs incurred totaling \$13 million and \$16 million, respectively, for unpaid invoices.

Under section 1604(b)(2) of the *9/11 Commission Act*, TSA is required to give funding consideration to airports that incurred eligible costs for in-line baggage screening systems but were not recipients of funding agreements. TSA began reviewing claims from at least 16 airports for reimbursement of costs incurred for in-line baggage systems installed prior to FY 2008 and identified up to \$218 million of potential costs eligible for reimbursement. Beginning in FY 2018, Congress has included Enacted Appropriations for funding for Airport Reimbursement. In FY 2024, Congress did not appropriate funds, and in FY 2023, Congress appropriated \$14 million to begin reimbursing airports for these costs. In both FY 2024 and FY 2023, a future funded liability was at \$14 million for reimbursing airports for eligible costs.

22. Funds from Dedicated Collections

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27*, defines the following three criteria for determining a fund from dedicated collections: 1) a statute committing the Federal Government to use specifically identified revenue and/or other financing sources that are originally provided to the Federal Government by a non-federal source only for designated activities, benefits, or purposes; 2) explicit authority for the fund to retain revenue and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and 3) a requirement to account for and report on the receipt, use, and retention of the revenue and/or other financing sources that distinguished the fund from the Federal Government's general revenue.

A fund from dedicated collection may contain non-federal sources of revenue and other financing sources that are material to the reporting entity provided it meets the criteria reported above.



Intradepartmental activity reported in a fund from dedicated collection is often offset with activity in other funds. Accordingly, the Department presents information for funds from dedicated collections and all other funds in the Balance Sheets and Statements of Changes in Net Position on a consolidated basis. Each fund is reported on a combined basis with the elimination of intradepartmental activity between dedicated collections and all other funds as presented in the Statements of Changes of Net Position.

Funds from dedicated collections consisted of the following (in millions):



Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|--|----------------------|--|------------------------------------|--|---|---|---|--|------------------------------|--|
| Balance Sheet as of September 30, 2024 | | | | | | | | | | |
| ASSETS | | | | | | | | | | |
| Intragovernmental Assets: | | | | | | | | | | |
| Fund Balance with Treasury | \$ 1,080 | \$ 13 | \$ 4,665 | \$ 6,051 | \$ 20 | \$ 1,024 | \$ 2,075 | \$ 14,928 | \$ - | \$ 14,928 |
| Investments, Net | - | 2,479 | - | 4,239 | 9,906 | - | 1 | 16,625 | - | 16,625 |
| Accounts Receivable, Net | - | 131 | 3 | - | 148 | - | 4 | 286 | 152 | 134 |
| Advances and Prepayments | - | - | 39 | 2 | 3 | - | 16 | 60 | - | 60 |
| Total Intragovernmental Assets | \$ 1,080 | \$ 2,623 | \$ 4,707 | \$ 10,292 | \$10,077 | \$ 1,024 | \$ 2,096 | \$ 31,899 | \$ 152 | \$ 31,747 |
| With the Public: | | | | | | | | | | |
| Cash and Other Monetary Assets | - | - | 99 | 20 | - | - | 2 | 121 | - | 121 |
| Accounts Receivable, Net | 567 | - | 1 | 1 | 669 | - | 133 | 1,371 | - | 1,371 |
| Property, Plant, and Equipment, Net | - | - | 1,189 | 2 | - | 725 | 28 | 1,944 | - | 1,944 |
| Advances and Prepayments | - | - | 54 | 655 | - | - | 5 | 714 | - | 714 |
| Total With the Public | \$ 567 | \$ - | \$ 1,343 | \$ 678 | \$ 669 | \$ 725 | \$ 168 | \$ 4,150 | \$ - | \$ 4,150 |
| Total Assets | \$ 1,647 | \$ 2,623 | \$ 6,050 | \$ 10,970 | \$10,746 | \$ 1,749 | \$ 2,264 | \$ 36,049 | \$ 152 | \$ 35,897 |
| LIABILITIES | | | | | | | | | | |
| Intragovernmental Liabilities: | | | | | | | | | | |
| Accounts Payable | \$ - | \$ 1,658 | \$ 48 | \$ - | \$ 148 | \$ - | \$ 4 | \$ 1,858 | \$ 148 | \$ 1,710 |
| Debt | - | - | - | 20,525 | - | - | - | 20,525 | - | 20,525 |
| Other Liabilities | 12 | - | 24 | 2 | - | - | 32 | 70 | 4 | 66 |
| Total Intragovernmental Liabilities | \$ 12 | \$ 1,658 | \$ 72 | \$ 20,527 | \$ 148 | \$ - | \$ 36 | \$ 22,453 | \$ 152 | \$ 22,301 |
| With the Public: | | | | | | | | | | |
| Accounts Payable | - | 11 | 133 | 108 | 9 | 115 | 30 | 406 | - | 406 |
| Federal Employee Salary, Leave, and Benefits Payable | - | - | 294 | 12 | 1 | - | 8 | 315 | - | 315 |
| Pension, Post-Employment, and Veterans Benefits Payable | - | - | 50 | - | - | - | - | 50 | - | 50 |
| Insurance and Guarantee Program Liabilities | - | - | - | 8,522 | - | - | - | 8,522 | - | 8,522 |
| Advances from Others and Deferred Revenue | - | - | 3,842 | 662 | - | - | 7 | 4,511 | - | 4,511 |
| Other Liabilities | - | - | 108 | (35) | - | 39 | - | 112 | - | 112 |



Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|--|----------------------|--|------------------------------------|---|---|---|---|--|------------------------------|--|
| Total With the Public | \$ - | \$ 11 | \$ 4,427 | \$ 9,269 | \$ 10 | \$ 154 | \$ 45 | \$ 13,916 | \$ - | \$ 13,916 |
| Total Liabilities | \$ 12 | \$ 1,669 | \$ 4,499 | \$ 29,796 | \$ 158 | \$ 154 | \$ 81 | \$ 36,369 | \$ 152 | \$ 36,217 |
| NET POSITION | | | | | | | | | | |
| Unexpended Appropriations | \$ - | \$ - | \$ 193 | \$ 2,089 | \$ - | \$ - | \$ - | \$ 2,282 | \$ - | \$ 2,282 |
| Cumulative Results of Operations | 1,635 | 954 | 1,358 | (20,915) | 10,588 | 1,595 | 2,183 | (2,602) | - | (2,602) |
| Total Liabilities and Net Position | \$ 1,647 | \$ 2,623 | \$ 6,050 | \$ 10,970 | \$10,746 | \$ 1,749 | \$ 2,264 | \$ 36,049 | \$ 152 | \$ 35,897 |
| Statement of Net Cost for the Year Ended September 30, 2024 | | | | | | | | | | |
| Gross Program Costs | \$ 891 | \$ 129 | \$ 5,798 | \$ 8,162 | \$ 90 | \$ 243 | \$ 1,784 | \$ 17,097 | \$ - | \$ 17,097 |
| Less: Earned Revenue | - | - | (5,862) | (5,006) | (54) | (250) | (932) | (12,104) | - | (12,104) |
| Net Cost of Operations | \$ 891 | \$ 129 | \$ (64) | \$ 3,156 | \$ 36 | \$ (7) | \$ 852 | \$ 4,993 | \$ - | \$ 4,993 |



Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|---|----------------------|--|------------------------------------|---|---|---|---|--|---------------------------------|--|
| Statement of Changes in Net Position for the Year Ended September 30, 2024 | | | | | | | | | | |
| Unexpended Appropriations | | | | | | | | | | |
| Beginning Balance | \$ - | \$ - | \$ 193 | \$ 1,395 | \$ - | \$ - | \$ - | \$ 1,588 | \$ - | \$ 1,588 |
| Appropriations Received | - | - | - | 700 | - | - | - | 700 | - | 700 |
| Appropriations Transferred In/(Out) | - | - | - | (1) | - | - | - | (1) | - | (1) |
| Appropriations Used | - | - | - | (5) | - | - | - | (5) | - | (5) |
| Total Unexpended Appropriations | \$ - | \$ - | \$ 193 | \$ 2,089 | \$ - | \$ - | \$ - | \$ 2,282 | \$ - | \$ 2,282 |
| Cumulative Results of Operations | | | | | | | | | | |
| Beginning Balance | \$ 1,276 | \$ 862 | \$ 865 | \$ (17,777) | \$ 9,902 | \$ 1,446 | \$ 1,899 | \$ (1,527) | \$ - | \$ (1,527) |
| Appropriations Used | - | - | - | 5 | - | - | - | 5 | - | 5 |
| Other than Intra-governmental Non-Exchange Revenue | - | 524 | - | - | - | - | - | 524 | - | 524 |
| Excise Tax and Customs | - | 524 | - | - | - | - | - | 524 | - | 524 |
| Miscellaneous Taxes and Receipts | 1,235 | - | - | 1 | 18 | - | 540 | 1,794 | - | 1,794 |
| Total Other than Intragovernmental Non-Exchange Revenue | 1,235 | 524 | - | 1 | 18 | - | 540 | 2,318 | - | 2,318 |
| Intragovernmental Non-Exchange Revenue | - | 249 | - | - | 819 | - | 1 | 1,069 | - | 1,069 |
| Donations and Forfeitures of Cash and Property | - | - | - | - | - | 89 | 6 | 95 | - | 95 |
| Transfers In/(Out) without Reimbursement | (3,277) | (552) | (4) | - | (115) | 53 | (476) | (4,371) | - | (4,371) |
| Imputed Financing | - | - | 433 | 12 | - | - | 4 | 449 | - | 449 |
| Other | 3,292 | - | - | - | - | - | 1,061 | 4,353 | - | 4,353 |
| Net Cost of Operations | (891) | (129) | 64 | (3,156) | (36) | 7 | (852) | (4,993) | - | (4,993) |
| Net Change in Cumulative Results of Operations | 359 | 92 | 493 | (3,138) | 686 | 149 | 284 | (1,075) | - | (1,075) |
| Total Cumulative Results of Operations | 1,635 | 954 | 1,358 | (20,915) | 10,588 | 1,595 | 2,183 | (2,602) | - | (2,602) |
| Net Position, End of Period | \$ 1,635 | \$ 954 | \$ 1,551 | \$ (18,826) | \$ 10,588 | \$ 1,595 | \$ 2,183 | \$ (320) | \$ - | \$ (320) |



Notes to the Financial Statements

Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|--|----------------------|--|------------------------------------|--|---|---|---|--|------------------------------|--|
| Balance Sheet as of September 30, 2023 | | | | | | | | | | |
| ASSETS | | | | | | | | | | |
| Intragovernmental Assets: | | | | | | | | | | |
| Fund Balance with Treasury | \$ 747 | \$ 23 | \$ 3,960 | \$ 4,985 | \$ 25 | \$ 1,043 | \$ 1,844 | \$ 12,627 | \$ - | \$ 12,627 |
| Investments, Net | - | 2,341 | - | 3,360 | 9,166 | - | 1 | 14,868 | - | 14,868 |
| Accounts Receivable, Net | - | 175 | 8 | - | 143 | - | 4 | 330 | 147 | 183 |
| Advances and Prepayments | - | - | 31 | 4 | 5 | - | 8 | 48 | - | 48 |
| Total Intragovernmental Assets | \$ 747 | \$ 2,539 | \$ 3,999 | \$ 8,349 | \$ 9,339 | \$ 1,043 | \$ 1,857 | \$ 27,873 | \$ 147 | \$ 27,726 |
| With the Public: | | | | | | | | | | |
| Cash and Other Monetary Assets | - | - | 42 | 37 | - | - | 4 | 83 | - | 83 |
| Accounts Receivable, Net | 556 | - | - | 3 | 717 | - | 106 | 1,382 | - | 1,382 |
| Property, Plant, and Equipment, Net | - | - | 1,108 | 3 | - | 566 | 23 | 1,700 | - | 1,700 |
| Advances and Prepayments | - | - | 38 | 604 | - | - | 11 | 653 | - | 653 |
| Total With the Public | \$ 556 | \$ - | \$ 1,188 | \$ 647 | \$ 717 | \$ 566 | \$ 144 | \$ 3,818 | \$ - | \$ 3,818 |
| Total Assets | \$ 1,303 | \$ 2,539 | \$ 5,187 | \$ 8,996 | \$ 10,056 | \$ 1,609 | \$ 2,001 | \$ 31,691 | \$ 147 | \$ 31,544 |
| LIABILITIES | | | | | | | | | | |
| Intragovernmental Liabilities: | | | | | | | | | | |
| Accounts Payable | \$ - | \$ 1,645 | \$ 77 | \$ - | \$ 144 | \$ - | \$ 12 | \$ 1,878 | \$ 143 | \$ 1,735 |
| Debt | - | - | - | 20,525 | - | - | - | 20,525 | - | 20,525 |
| Other Liabilities | 27 | - | 45 | 2 | - | - | 31 | 105 | 4 | 101 |
| Total Intragovernmental Liabilities | \$ 27 | \$ 1,645 | \$ 122 | \$ 20,527 | \$ 144 | \$ - | \$ 43 | \$ 22,508 | \$ 147 | \$ 22,361 |
| With the Public: | | | | | | | | | | |
| Accounts Payable | - | 32 | 151 | 144 | 9 | 111 | 38 | 485 | - | 485 |
| Federal Employee, Salary, Leave, and Benefits Payable | - | - | 334 | 9 | 1 | - | 10 | 354 | - | 354 |
| Pension, Post-Employment, and Veterans Benefits Payable | - | - | 55 | - | - | - | - | 55 | - | 55 |
| Insurance and Guarantee Program Liabilities | - | - | - | 4,087 | - | - | - | 4,087 | - | 4,087 |
| Advances from Others and Deferred Revenue | - | - | 3,420 | 635 | - | - | 8 | 4,063 | - | 4,063 |
| Other Liabilities | - | - | 47 | (24) | - | 52 | 3 | 78 | - | 78 |
| Total With the Public | \$ - | \$ 32 | \$ 4,007 | \$ 4,851 | \$ 10 | \$ 163 | \$ 59 | \$ 9,122 | \$ - | \$ 9,122 |
| Total Liabilities | \$ 27 | \$ 1,677 | \$ 4,129 | \$ 25,378 | \$ 154 | \$ 163 | \$ 102 | \$ 31,630 | \$ 147 | \$ 31,483 |



Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|---|----------------------|--|------------------------------------|---|---|---|---|--|------------------------------|--|
| NET POSITION | | | | | | | | | | |
| Unexpended Appropriations | \$ - | \$ - | \$ 193 | \$ 1,395 | \$ - | \$ - | \$ - | \$ 1,588 | \$ - | \$ 1,588 |
| Cumulative Results of Operations | 1,276 | 862 | 865 | (17,777) | 9,902 | 1,446 | 1,899 | (1,527) | - | (1,527) |
| Total Liabilities and Net Position | \$ 1,303 | \$ 2,539 | \$ 5,187 | \$ 8,996 | \$ 10,056 | \$ 1,609 | \$ 2,001 | \$ 31,691 | \$ 147 | \$ 31,544 |

Statement of Net Cost for the Year Ended September 30, 2023

| | | | | | | | | | | |
|-------------------------------|---------------|---------------|---------------|-----------------|-----------------|----------------|---------------|-----------------|-------------|-----------------|
| Gross Program Costs | \$ 793 | \$ 189 | \$ 5,210 | \$ 5,804 | \$ 109 | \$ 203 | \$ 1,483 | \$ 13,791 | \$ 1 | \$ 13,790 |
| Less: Earned Revenue | - | - | (5,045) | (4,490) | (214) | (250) | (833) | (10,832) | (1) | (10,831) |
| Net Cost of Operations | \$ 793 | \$ 189 | \$ 165 | \$ 1,314 | \$ (105) | \$ (47) | \$ 650 | \$ 2,959 | \$ - | \$ 2,959 |



Funds from Dedicated Collections (in millions)

| | Customs User Fees | Sport Fish Restoration and Boating Trust Fund | Immigration Examination Fees | National Flood Insurance Program | Oil Spill Liability Trust Fund | Aviation Security Capital Fund | All Other Funds from Dedicated Collections | Combined Funds from Dedicated Collections | Eliminations between FFDC | Consolidated Funds from Dedicated Collections |
|---|----------------------|--|------------------------------------|---|---|---|---|--|------------------------------|--|
| Statement of Changes in Net Position for the Year Ended September 30, 2023 | | | | | | | | | | |
| Unexpended Appropriations | | | | | | | | | | |
| Beginning Balance | \$ - | \$ - | \$ 193 | \$ 698 | \$ - | \$ - | \$ - | \$ 891 | \$ - | \$ 891 |
| Appropriations Received | - | - | - | 700 | - | - | - | 700 | - | 700 |
| Appropriations Transferred In/(Out) | - | - | - | (2) | - | - | - | (2) | - | (2) |
| Appropriations Used | - | - | - | (1) | - | - | - | (1) | - | (1) |
| Total Unexpended Appropriations | \$ - | \$ - | \$ 193 | \$ 1,395 | \$ - | \$ - | \$ - | \$ 1,588 | \$ - | \$ 1,588 |
| Cumulative Results of Operations | | | | | | | | | | |
| Beginning Balance | \$ 1,043 | \$ 948 | \$ 610 | \$ (16,474) | \$ 9,297 | \$ 1,262 | \$ 1,512 | \$ (1,802) | \$ - | \$ (1,802) |
| Appropriations Used | - | - | - | 1 | - | - | - | 1 | - | 1 |
| Other than Intra-governmental Non-Exchange Revenue | - | 527 | - | - | (88) | - | - | 439 | - | 439 |
| Excise Tax and Customs Receipts | 1,014 | - | - | 1 | 1 | - | 483 | 1,499 | - | 1,499 |
| Total Other than Intragovernmental Non-Exchange Revenue | 1,014 | 527 | - | 1 | (87) | - | 483 | 1,938 | - | 1,938 |
| Intragovernmental Non-Exchange Revenue | - | 189 | - | - | 707 | - | (1) | 895 | (1) | 896 |
| Donations and Forfeitures of Cash and Property | - | - | - | - | - | 38 | 5 | 43 | - | 43 |
| Transfers In/(Out) without Reimbursement | (3,189) | (613) | (4) | - | (120) | 99 | (425) | (4,252) | - | (4,252) |
| Imputed Financing | - | - | 424 | 9 | - | - | 3 | 436 | - | 436 |
| Other | 3,201 | - | - | - | - | - | 972 | 4,173 | 1 | 4,172 |
| Net Cost of Operations | (793) | (189) | (165) | (1,314) | 105 | 47 | (650) | (2,959) | - | (2,959) |
| Net Change in Cumulative Results of Operations | 233 | (86) | 255 | (1,303) | 605 | 184 | 387 | 275 | - | 275 |
| Total Cumulative Results of Operations | 1,276 | 862 | 865 | (17,777) | 9,902 | 1,446 | 1,899 | (1,527) | - | (1,527) |
| Net Position, End of Period | \$ 1,276 | \$ 862 | \$ 1,058 | \$ (16,382) | \$ 9,902 | \$ 1,446 | \$ 1,899 | \$ 61 | \$ - | \$ 61 |



Customs User Fees

Enacted in 1986, the *Consolidated Omnibus Budget Reconciliation Act* (COBRA, P.L. 99-272) requires CBP to collect user fees for certain customs services. These fees are codified in 19 U.S.C. 58c. The law initially established customs processing fees for air and sea passengers, commercial trucks, rail cars, private vessels and aircraft, commercial vessels, dutiable mail, and customs broker permits. Later laws established fees for the arrival of barges or other bulk carriers from Canada and Mexico, the processing of merchandise, and the provision of dedicated services in express consignment carrier and centralized hub facilities.

While most COBRA customs fees are mandatory (with permanent authorization to use the fees), some fees, are discretionary and must be authorized through annual appropriations acts. This distinction can impact how and when the fees are available to CBP.

In accordance with Section 8002 of the *Synthetics Trafficking and Overdose Prevention Act of 2018* (STOP Act), the United States Postal Service collects fees for inbound Express Mail Service items processed through international mail facilities and deposits 50% into the Customs User Fee Account.

The following Treasury Appropriation Fund Symbol (TAFS) are for Customs User Fees: TAFS 705695.30 and TAFS 70X5695.

Sport Fish Restoration and Boating Trust Fund

Section 1016 of the *Deficit Reduction Act of 1984* (P.L. 98-369) established the Aquatic Resources Trust Fund, which was composed of two accounts, the Boating Safety Account and the Sport Fish Restoration Account. In 2005, they were combined to become the SFRBTF.

The SFRBTF is a Treasury-managed fund and provides funding to states and other entities to promote boating safety and conservation of U.S. recreational waters. The most recent reauthorization was in 2021 via H.R. 3684, the *Infrastructure Investment and Jobs Act of 2021*.

This fund receives revenue transferred from custodial activities of the Treasury, which is deposited in a Treasury account. The revenue is derived from a number of sources, including motorboat fuel taxes, excise taxes on sport fishing equipment, and import duties on fishing tackle and yachts. Three agencies share in the available portion of the revenue: Fish and Wildlife Service in the Department of Interior (TAFS 14X8151); the U.S. Army Corps of Engineers (TAFS 96X8333); and the USCG (TAFS 70X8149 and TAFS 70X8147).
Immigration Examination Fees.



Immigration Examination Fees

In 1988, Congress established the Immigration Examination Fee Account (IEFA), and the fees deposited into the IEFA have been the primary source of funding for providing immigration and naturalization benefits and other benefits as directed by Congress. IEFA is authorized via Sections 286(m), (n), (t), and (u) of the *Immigration and Nationality Act* (INA) (8 U.S.C. 1356(m), (n), (u)). In addition, Section 286(u) of the INA, 8 U.S.C. 1356(u), provides the Secretary with authority to establish and collect a premium fee for the premium processing of certain immigration benefit types and provides for the collection of fees at a level that will ensure recovery of the costs of providing adjudication and naturalization services, including the costs of providing similar services without charge to asylum applicants and other immigrants. The INA also states that the fees may recover administrative costs.

Enacted on September 30, 2021, P.L. 117-43, the *Extending Government Funding and Delivering Emergency Assistance Act*, Division C Title V, also known as *Afghanistan Supplemental Appropriations Act, 2022*, appropriated \$193 million to remain available until expended, for expenses in support of Operation Allies Welcome. These appropriated funds are reported with funds from dedicated collections.

The primary sources of revenue are the application and petition fees that are collected during the course of the fiscal year and deposited into the IEFA (TAFS 70X5088). In addition, USCIS provides specific services to other federal, state, and local agencies, such as the provision of immigration status information under the Systematic Alien Verification for Entitlements program for use in adjudicating aliens' eligibility for public benefits. These services result in the collection of revenue from intragovernmental activities.

National Flood Insurance Program

The NFIP was established by the *National Flood Insurance Act of 1968* (P.L. 90-448). The purpose of NFIP is to better indemnify individuals for flood losses through insurance, reduce future flood damages through state and community floodplain management regulations, and reduce federal expenditures for disaster assistance and flood control.

P.L. 118-47 Division G Title I enacted on March 23, 2024, continues to extend the NFIP as is through September 30, 2024.

Enacted on November 15, 2021, P.L. 117-58, the *Infrastructure Investment and Jobs Act*, Division J Title V, appropriated \$3,500 million to remain available until expended for flood mitigation assistance. \$700 million shall be made available per year over the next five fiscal years. These appropriated funds are reported with Funds from Dedicated Collections.

Under the NFIP, the Department pays claims to policyholders who experience flood damage. The write your own (WYO) companies that participate in the program have authority to use departmental funds (revenue and other financing sources) to respond to the obligations to the policyholders.



Congress has mandated that the premium collections be used to pay claims and commissions and taxes of agents, insurance operations, interest on the debt, and for flood mitigation assistance actions. The NFIP requires all partners (WYO companies) in the program to submit financial statements and statistical data to the third-party service providers on a monthly basis. This information is reconciled, and the WYO companies are required to correct any variances.

The NFIP's primary source of revenue comes from premiums collected to insure policyholders' property. These resources are inflows to the Government, not intragovernmental resources. When claims exceed revenue, FEMA has borrowing authority that can be accessed to satisfy outstanding claims. The following TAFS are part of the NFIP: TAFS 70X4236 and TAFS 70X5701.

Oil Spill Liability Trust Fund

The OSLTF was originally established under section 9509 of the Internal Revenue Code of 1986. *The Oil Pollution Act of 1990* (OPA) (P.L. 101-380) authorized the use of the money and the collection of revenue necessary for its maintenance.

OPA defined fund uses include removal costs incurred by the USCG, the Environmental Protection Agency, state access for removal activities; payments to federal, state, and Indian tribe trustees to conduct natural resource damage assessments and restorations; payment of claims for uncompensated removal costs and damages; costs and expenses reasonably necessary for the implementation of OPA (subject to congressional appropriations); and other specific appropriations by Congress.

The OSLTF includes two major funds managed by the USCG: the Principal Fund (TAFS 70X8185) and the Payment of Claims (TAFS 70X8312). All revenue is deposited directly into the Principal Fund. The recurring and nonrecurring revenue is derived from a number of sources, including barrel tax, interest from U.S. Treasury investments, cost recoveries, and fines and penalties. Additionally, two expenditure accounts are managed by the USCG. These include Oil Spill Emergency Fund (TAFS 70X8349) and Trust Fund Share of Expenses (TAFS 70_8314). Oil Spill Emergency funds the activities overseen by federal on-scene coordinators in response to covered discharges and the activities of federal trustees to initiate natural resource damage assessments. This account annually receives a \$50 million apportionment from the Principal Fund, which remains available until expended. Trust Fund Share of Expenses receives annual appropriations from the OSLTF that are then distributed to the USCG Operations and Support; Procurement, Construction and Improvement; and Research and Development appropriations. By statute, the maximum amount that can be expended from the OSLTF with respect to any single incident shall not exceed \$1,000 million, of which no more than \$500 million may be spent on natural resource damage assessments. The maximum amount expended with respect to a single incident is net of amounts expended and amounts recovered.



Contingent Liabilities. The OSLTF, which is administered by the USCG National Pollution Funds Center (NPFC), may be available to pay claims for OPA specified costs and damages, not paid by the responsible party. Under OPA, claimants are required to present their claims first to the responsible parties; if the responsible party is not identified or denies the claims, the claimant may then file an action in court or file a claim against the OSLTF through the NPFC. For additional information, see [Note 21](#), Commitments and Contingent Liabilities.

Aviation Security Capital Fund

In 2003, *Vision 100–Century of Aviation Reauthorization Act* (P.L. 108-176) established the Aviation Security Capital Fund (TAFS 70X5385 and 70C5385), codified at 49 U.S.C. 44923(h)(1). The fund’s revenue is derived from security service fees in accordance with 49 U.S.C. 44940(a)(1). Annually, the first \$250 million derived from Aviation Security fees are deposited into this fund. TSA provides funding to airport sponsors for projects to (1) replace baggage conveyor systems related to aviation security, (2) reconfigure terminal baggage areas as needed to install EDS, (3) deploy EDS behind the ticket counter, in the baggage sorting area, or in line with the baggage handling system, and (4) make other airport security capital improvements.

All Other Funds from Dedicated Collections

The balances and activity reported for all other funds from dedicated collections result from the funds listed below. Information related to these funds can be located in the Department’s appropriations legislation or the statutes referenced.

CBP

- 70X4363: Enhanced Inspectional Services; 127 Stat. 378
- 70_5087: Immigration User Fees; 116 Stat. 2135
- 70X5087: Immigration User Fees; 116 Stat. 2135
- 70X5089: Land Border Inspection Fees; 116 Stat. 2135
- 70X5451: Immigration Enforcement Account; 116 Stat. 2135
- 70X5543: International Registered Traveler Program Fund; 121 Stat. 2091-2092
- 70X5569: Asia-Pacific Economic Cooperation Business Travel Cards; 125 Stat. 551
- 70X5595: Electronic System for Travel Authorization (ESTA) Fees; P.L. 110-53, 121 Stat. 344; P.L. 111-145, 124 Stat. 56
- 70_5694: User Fees, Small Airports; 116 Stat. 2135
- 70X5694: User Fees, Small Airports; 116 Stat. 2135
- 70X5702: 9-11 Response and Biometric Exit Account; P.L. 114-113, Sec. 402(g)
- 70X8870: Harbor Maintenance Fee Collection; 116 Stat. 2135

FEMA

- 70X0715: Radiological Emergency Preparedness Program; 117 Stat. 516

FLETC

- 70X8360: Gifts and Bequests; 116 Stat. 2135

**ICE**

- 70X5126: Breach Bond/Detention Fund; 116 Stat. 2135
- 70X5378: Student and Exchange Visitor Program; 110 Stat. 3009-706, Sec. (e)(4)(B)
- 70X5382: Immigration User Fee Account; 116 Stat. 2135
- 70X5542: Detention and Removal Operations; 8 U.S.C. 1356(m)-(n); P.L. 107-296, Sec. 476c

TSA

- 70X5390: Unclaimed Checkpoint Money; 118 Stat. 1317-1318, Sec.515(a)
- 70X5545: Airport Checkpoint Screening Fund; P.L. 110-161

USCG

- 70_5677: Abandoned Seafarers Fund; 128 Stat. 3051
- 70X5677: Abandoned Seafarers Fund; 128 Stat. 3051
- 70_5710: Coast Guard Housing Fund; 14 U.S.C. 687(c)
- 70X5710: Coast Guard Housing Fund; 14 U.S.C. 687(c)
- 70X8533: General Gift Fund; 116 Stat. 2135

USCIS

- 70X1910: Citizenship Gift and Bequest Account; 131 Stat. 422
- 70_5106: H-1 B Nonimmigrant Petitioner Account; 116 Stat. 2135
- 70X5106: H-1 B Nonimmigrant Petitioner Account; 116 Stat. 2135
- 70_5389: H-1B and L Fraud Prevention and Detection Account; 118 Stat. 3357, Sec. 426(b)(1)
- 70X5389: H-1B and L Fraud Prevention and Detection Account; 118 Stat. 3357, Sec. 426(b)(1)
- 70X5705: EB-5 Integrity Fund; 136 Stat. 1090

Multiple Components

- 70X8244: Gifts and Donations; 116 Stat. 2135



23. Available Borrowing Authority

| For the Years Ended September 30 (in millions): | 2024 | 2023 |
|---|--------------|-------------|
| Beginning Borrowing Authority | \$ 9 | \$ 9 |
| Current Year Borrowing Authority Realized | 9,922 | 9,963 |
| Decrease in Current Year Borrowing Authority Realized | (3,311) | (3,361) |
| Current Year Borrowing Authority Used to Pay off Debt | (6,600) | (6,600) |
| Net Current Year Borrowing Authority Realized | 11 | 2 |
| Less: Borrowing Authority Converted to Cash | (6,605) | (6,602) |
| Add: Converted Cash for Repayments of Debt | 6,600 | 6,600 |
| Less: Borrowing Authority Withdrawn | (3) | - |
| Ending Borrowing Authority | \$ 12 | \$ 9 |

FEMA has borrowing authority to pay insurance claims as part of the NFIP and to finance CDLs under DADLP. Borrowing authority is budget authority enacted by law to permit an agency to borrow money and then obligate and disburse against amounts borrowed for a specified purpose. As of September 30, 2024, and 2023, net current year borrowing authority realized presented in the Statement of Budgetary Resources (SBR) totaled \$11 million and \$2 million, respectively.

FEMA is authorized to borrow from Treasury up to \$30,425 million to fund the payment of flood insurance claims and claims-related expenses of the NFIP. Amounts borrowed at any time are not predetermined, and authority is used only as needed to pay existing obligations for claims and expenses. Insurance premiums collected are used to pay insurance claims and to repay borrowings. As of September 30, 2024, and 2023, FEMA had drawn from Treasury \$20,525 million, leaving \$9,900 million available to be borrowed.

FEMA also requests borrowing authority annually to cover the unsubsidized portion of loans made, finance downward re-estimates, modifications, modification adjustment transfers, and annual interest payment to Treasury at year-end. In FY 2024 and FY 2023, FEMA requested borrowing totaling \$22 million and \$63 million, respectively. As of September 30, 2024 and 2023, the ending available borrowing authority of \$12 and \$9 million, respectively, was to cover current obligations for CDLs still disbursing.

24. Legal Arrangements Affecting the Use of Unobligated Balances

Unobligated balances whose period of availability has expired are not available to fund new obligations. Expired unobligated balances are available to pay for current period adjustments to obligations incurred prior to expiration.



For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed, and any remaining balance is canceled and returned to Treasury. For a no-year account, the unobligated balance is carried forward indefinitely until specifically rescinded by law or the head of the agency concerned, or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for two consecutive years.

Included in the Cumulative Results of Operations and Fund Balance with Treasury are special funds of \$2,610 million and \$2,096 million at September 30, 2024, and 2023, respectively, that represents the Department's authority to assess and collect user fees relating to merchandise and passenger processing; to assess and collect fees associated with services performed at certain small airports or other facilities; to retain amounts needed to offset costs associated with collecting duties; and taxes and fees for the Government of Puerto Rico. These special fund balances are restricted by law in their use to offset specific costs incurred by the Department. Part of the COBRA User Fees Account are restricted by law in their use to offset specific costs incurred by the Department. See [Note 22](#), Funds from Dedicated Collections, for more information.

The entity trust fund balances result from the Department's authority to use the proceeds from general order items sold at auction to offset specific costs incurred by the Department relating to their sale, to use available funds in the Salaries and Expense Trust Fund to offset specific costs for expanding border and port enforcement activities, and to use available funds from the Harbor Maintenance Fee Trust Fund to offset administrative expenses related to the collection of the Harbor Maintenance Fee.

25. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The table on the following page documents the material differences between the FY 2023 Statement of Budgetary Resources and the actual amounts reported for FY 2023 in the Budget of the U.S. Government. Since the FY 2024 financial statements will be reported prior to the release of the Budget of the U.S. Government, DHS is reporting for FY 2023 only. Typically, the Budget of the U.S. Government with the FY 2024 actual data is published in February of the subsequent year. Once published, the FY 2024 actual data will be available on the OMB website.



| | Budgetary Resources | New Obligations and Upward Adjustments | Distributed Offsetting Receipts | Net Outlays |
|---|---------------------|--|---------------------------------|-------------------|
| FY 2023 Actual Balances per the FY 2025 Budget of the U.S. Government (in millions) | \$ 160,837 | \$ 127,857 | \$ 13,773 | \$ 102,802 |
| Reconciling Items: | | | | |
| Accounts that are expired that are not included in Budget of the U.S. Government | 2,674 | - | - | - |
| Distributed Offsetting Receipts not included in the Budget of the U.S. Government Net Outlays | - | - | - | (13,773) |
| Refunds and drawbacks not included in the Budget of the U.S. Government | 5,860 | 5,860 | - | 6,302 |
| Byrd Program (Continued Dumping and Subsidy Offset) not included in the Budget of the U.S. Government | 130 | 8 | - | 8 |
| Miscellaneous Differences | 873 | (69) | - | 507 |
| Per the 2023 Statement of Budgetary Resources | \$ 170,374 | \$ 133,656 | \$ 13,773 | \$ 95,846 |

The Miscellaneous Differences amount includes adjustments to obligations reported on the Statement of Budgetary Resources but not included in the Budget of the U.S. Government. The SBR Net Outlays also includes the SBR line Disbursement, net amounts.

26. Undelivered Orders, End of Period

An unpaid undelivered order exists when a valid obligation has occurred, and funds have been reserved but the goods or services have not been received by the Department. A paid undelivered order exists when a valid obligation has occurred, and funds have been advanced, but the goods or services have not been received by the Department.

| As of September 30, 2024 (in millions): | Federal | Non-Federal | Total |
|---|----------|-------------|------------|
| Undelivered Orders – Unpaid | \$ 8,563 | \$ 107,915 | \$ 116,478 |
| Undelivered Orders – Paid | \$ 1,072 | \$ 1,018 | \$ 2,090 |

| As of September 30, 2023 (in millions): | Federal | Non-Federal | Total |
|---|-----------|-------------|------------|
| Undelivered Orders – Unpaid | \$ 10,629 | \$ 98,941 | \$ 109,570 |
| Undelivered Orders – Paid | \$ 913 | \$ 1,026 | \$ 1,939 |



27. Net Adjustments to Unobligated Balance, Brought Forward, October 1

| For the Years Ended September 30 (in millions): | 2024 | 2023 |
|--|------------------|------------------|
| Unobligated Balance, Prior Year | \$ 36,718 | \$ 41,556 |
| Other Balances Withdrawn from Treasury | (992) | (832) |
| Recoveries of Prior Year Obligations | 6,327 | 9,836 |
| Other | 355 | 218 |
| Unobligated Balance from Prior Year Budget Authority, Net | \$ 42,408 | \$ 50,778 |

28. Custodial Revenue

The Department collects revenue from a variety of duties, excise taxes, fines and penalties, and various other fees. Revenue collections primarily result from current fiscal year activity. Current Taxes, Duties, Trade Receivables, Net are collected within 90 days of the assessment. Therefore, the Department considers Tax Year to be same as the fiscal year when assessments are made. CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. CBP's mission requires the collection of non-exchange and exchange revenue for interest and Agricultural Quarantine Inspection fees collected on behalf of the U.S. Department of Agriculture. The majority of CBP's revenue is considered non-entity revenue and is reported on the Department's Statement of Custodial Activity and includes duties, excise taxes, and various other fees collected by CBP.

For additional information, see [Note 1.Y.](#), Revenue and Financing Sources – Exchange and Non-Exchange Revenue.

The significant types of non-entity accounts receivable and custodial revenue as presented in the Statement of Custodial Activity are described below.

1. **Duties:** amounts collected on imported goods collected on behalf of the Federal Government.
2. **User fees:** amounts designed to maintain U.S. harbors and to defray the cost of other miscellaneous service programs.
3. **Excise taxes:** amounts collected on imported distilled spirits, wines, tobacco products, and other miscellaneous taxes collected on the behalf of the Federal Government.
4. **Fines and penalties:** amounts collected for violations of laws and regulations.

Custodial revenue collected from the public, broken out by revenue type and by tax year, were as follows:



Notes to the Financial Statements

| For the Fiscal Year Ended September 30, 2024 (in millions): | Tax Year | | |
|---|------------------|-------------------------|----------------------|
| | 2024 | 2023 and Prior Years | Total Collections |
| Excise Tax | \$ 4,277 | \$ 198 | \$ 4,475 |
| Customs Duties | 76,231 | 5,925 | 82,156 |
| User Fees, Fines and Penalties, Interest, and Other Revenue | 2,631 | 215 | 2,846 |
| Total Amount of Federal Revenues Collected | \$ 83,139 | \$ 6,338 | \$ 89,477 |

| For the Fiscal Year Ended September 30, 2023 (in millions): | Tax Year | | |
|---|------------------|-------------------------|----------------------|
| | 2023 | 2022 and Prior Years | Total Collections |
| Excise Tax | \$ 4,141 | \$ 270 | \$ 4,411 |
| Customs Duties | 78,004 | 7,084 | 85,088 |
| User Fees, Fines and Penalties, Interest, and Other Revenue | 2,074 | 113 | 2,187 |
| Total Amount of Federal Revenues Collected | \$ 84,219 | \$ 7,467 | \$ 91,686 |

CBP's decrease in custodial collections from the public is a result of a decrease in imports in FY 2024.

Refunds are amounts due to the importer/exporter as a result of overpayments of duties, taxes, fees, and interest. Refunds include drawback remittance paid when imported merchandise, for which duty was previously paid, is exported from the United States. Disbursements from the refunds and drawbacks account, broken out by revenue type and by tax year, were as follows:

| For the Fiscal Year Ended September 30, 2024 (in millions): | Tax Year | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| | 2024 | 2023 | 2022 | Prior Years | Total Refunds |
| Customs Duties | \$ 1,521 | \$ 1,245 | \$ 1,062 | \$ 2,052 | \$ 5,880 |
| Excise Tax | 212 | 187 | 159 | 308 | 866 |
| Fines, Penalties, Interest, and Other Revenue | 246 | 218 | 186 | 359 | 1,009 |
| Total Tax Refunds and Drawbacks Disbursed | \$ 1,979 | \$ 1,650 | \$ 1,407 | \$ 2,719 | \$ 7,755 |



| For the Fiscal Year Ended September 30, 2023 (in millions): | Tax Year | | | | | Total Refunds |
|---|-----------------|-----------------|---------------|-----------------|-----------------|------------------|
| | 2023 | 2022 | 2021 | Prior Years | | |
| Customs Duties | \$ 1,371 | \$ 2,145 | \$ 769 | \$ 1,956 | \$ 6,241 | |
| Excise Tax | 155 | 247 | 89 | 225 | 716 | |
| Fines, Penalties, Interest, and Other Revenue | 22 | 35 | 12 | 32 | 101 | |
| Total Tax Refunds and Drawbacks Disbursed | \$ 1,548 | \$ 2,427 | \$ 870 | \$ 2,213 | \$ 7,058 | |

The disbursements include interest payments of \$326 million and \$220 million for the fiscal years ended September 30, 2024 and 2023, respectively.

The disbursement totals for refunds include antidumping and countervailing duties collected that are refunded pursuant to rulings by the Department of Commerce. These duties are refunded when the Department of Commerce issues a decision in favor of the foreign industry. See [Note 18](#), Other Liabilities, for more information.

29. Reconciliation of the Net Cost to Net Outlays

The reconciliation of net outlays presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

- The first section includes the total DHS Net Cost of Operations for the periods ending September 30, 2024 and 2023. Items include gross cost, earned revenue, net cost of operations before (gain)/loss on pension, ORB, or OPEB assumption changes, and (gain)/loss on pension, ORB, or OPEB changes. All section totals are added to the Net Cost of Operations.
- The second section, Components of Net Operating Cost Not Part of the Budgetary Outlays, includes items such as general and right to use property, plant and equipment depreciation expense, disposal, and revaluation. The cost of goods sold, applied overhead, cost capitalization offset, (gains)/losses on all other investments are also part of the calculation. The next subsection, Increase/(Decrease) in Assets Not Affecting Budgetary Outlays, consists of items such as accounts receivable, net and other assets. The subsection titled (Increase)/Decrease in Liabilities Not Affecting Budget Outlays, consists of accounts payable, insurance and guarantee program liability (Non-FCRA)/loans payable, environmental and disposal liabilities, federal employee and veterans benefits payable, other liabilities, and imputed costs.
- The third section, Components of the Budget Outlays That Are Not Part of Net Operating Cost, consists of the acquisition of capital assets, inventory, and other investment activity. Financing sources from donated revenue and transfers out/(in) without reimbursements are part of the calculated total.
- The fourth section, Miscellaneous Items, consists of distributed offsetting receipts, custodial/non-exchange revenue, non-entity activity, other temporary timing differences, and appropriated receipts for trust/special funds.



Notes to the Financial Statements

| As of September 30, 2024 (in millions): | Intragovernmental | With the Public | Total |
|---|-------------------|--------------------|--------------------|
| Net Cost of Operations | \$ 23,300 | \$ 80,057 | \$ 103,357 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays: | | | |
| General and Right to Use Property, Plant, and Equipment Depreciation Expense | - | (2,613) | (2,613) |
| Property, Plant, and Equipment Donations, Applied Overhead, Cost Capitalization Offset, Disposals, and Revaluations | - | (2,526) | (2,526) |
| Cost of Goods Sold | - | (310) | (310) |
| (Gains)/Losses on All Other Investments | - | 31 | 31 |
| Increase/(Decrease) in Assets Not Affecting Budgetary Outlays: | | | |
| Accounts Receivable, Net | (451) | 267 | (184) |
| Other Assets | 149 | (25) | 124 |
| (Increase)/Decrease in Liabilities Not Affecting Budget Outlays: | | | |
| Accounts Payable | 411 | (80) | 331 |
| Insurance and Guarantee Program Liability (Non-FCRA)/Loans Payable | - | (4,435) | (4,435) |
| Environmental and Disposal Liabilities | - | (3) | (3) |
| Federal Employee and Veterans Benefits Payable | - | (225) | (225) |
| Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA) | (305) | (478) | (783) |
| Other Financing Sources: | | | |
| Imputed Costs | \$ (3,739) | \$ - | \$ (3,739) |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | \$ (3,935) | \$ (10,397) | \$ (14,332) |
| Components of the Budget Outlays That Are Not Part of Net Operating Cost: | | | |
| Acquisition of Capital Assets | \$ (67) | \$ 4,245 | \$ 4,178 |
| Acquisition of Inventory | 56 | 385 | 441 |
| Other Investment Activity | 4 | - | 4 |
| Financing Sources | | | |
| Donated Revenue | \$ - | \$ (6) | \$ (6) |
| Transfers Out/(In) Without Reimbursements | 1,207 | - | 1,207 |
| Total Components of the Budget Outlays That Are Not Part of the Net Operating Costs | \$ 1,200 | \$ 4,624 | \$ 5,824 |
| Miscellaneous Items | | | |
| Distributed Offsetting Receipts | \$ - | \$ (6,188) | \$ (6,188) |
| Custodial/Non-Exchange Revenue | 6,754 | 177 | 6,931 |
| Non-Entity Activity | - | 1 | 1 |
| Other Temporary Timing Differences | 76 | 513 | 589 |
| Appropriated Receipts for Trust/Special Funds | - | (33) | (33) |
| Total Miscellaneous Items | \$ 6,830 | \$ (5,530) | \$ 1,300 |
| Total Net Outlays | \$ 27,395 | \$ 68,754 | \$ 96,149 |



| As of September 30, 2023 (in millions): | Intragovernmental | With the Public | Total |
|---|--------------------------|------------------------|-------------------|
| Net Cost of Operations | \$ 21,183 | \$ 78,789 | \$ 99,972 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays: | | | |
| Property, Plant, and Equipment Depreciation Expense | - | (2,462) | (2,462) |
| Property, Plant, and Equipment Donations, Applied Overhead, Cost Capitalization Offset, Disposals, and Revaluations | (24) | 825 | 801 |
| Cost of Goods Sold | - | (301) | (301) |
| (Gains)/Losses on All Other Investments | - | 97 | 97 |
| Increase/(Decrease) in Assets Not Affecting Budgetary Outlays: | | | |
| Accounts Receivable, Net | (131) | 366 | 235 |
| Other Assets | 226 | 202 | 428 |
| (Increase)/Decrease in Liabilities Not Affecting Budget Outlays: | | | |
| Accounts Payable | (527) | (262) | (789) |
| Insurance and Guarantee Program Liability (Non-FCRA)/Loans Payable | - | 1,761 | 1,761 |
| Environmental and Disposal Liabilities | - | (44) | (44) |
| Federal Employee and Veterans Benefits Payable | - | (1,432) | (1,432) |
| Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA) | 368 | (3,831) | (3,463) |
| Other Financing Sources: | | | |
| Imputed Costs | \$ (2,955) | \$ - | \$ (2,955) |
| Total Components of Net Operating Cost Not Part of the Budget Outlays | \$ (3,043) | \$ (5,081) | \$ (8,124) |
| Components of the Budget Outlays That Are Not Part of Net Operating Cost: | | | |
| Acquisition of Capital Assets | \$ (129) | \$ 4,577 | \$ 4,448 |
| Acquisition of Inventory | 51 | 370 | 421 |
| Other Investment Activity | (3) | (60) | (63) |
| Financing Sources | | | |
| Donated Revenue | \$ - | \$ (5) | \$ (5) |
| Transfers Out/(In) Without Reimbursements | 99 | (5) | 94 |
| Total Components of the Budget Outlays That Are Not Part of the Net Operating Costs | \$ 18 | \$ 4,877 | \$ 4,895 |
| Miscellaneous Items | | | |
| Distributed Offsetting Receipts | \$ (125) | \$ (5,604) | \$ (5,729) |
| Custodial/Non-Exchange Revenue | 6,271 | 522 | 6,793 |
| Non-Entity Activity | - | (24) | (24) |
| Other Temporary Timing Differences | 60 | (1,997) | (1,937) |
| Total Miscellaneous Items | \$ 6,206 | \$ (7,103) | \$ (897) |
| Total Net Outlays | \$ 24,364 | \$ 71,482 | \$ 95,846 |



30. Reclassification of Statement of Net Cost and Statement of Changes in Net Position for Financial Reporting Compilation Process

To prepare the *Financial Report of the U.S. Government (Financial Report)*, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the Department's financial statements and the Department's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2023 Financial Report can be found at the Reports, Statements, and Publications page within the Bureau of Fiscal Service website and a copy of the 2024 *Financial Report* will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-federal" is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.



**Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost
for the Year Ending September 30, 2024 (in millions)**

| FY 2024 DHS SNC | | Line Items Used to Prepare FY 2024 Government-wide SNC | | | | | | |
|--|-------------------|--|------------------------------------|--|---|-------------------|---|--|
| Financial Statement Line | Amounts | Dedicated Collections Combined | Dedicated Collections Eliminations | Other than Dedicated Collections (with Eliminations) | Eliminations Between Dedicated and Other than Dedicated | Total | Reclassified Financial Statement Line | |
| | | | | | | | | |
| Gross Costs | \$ 122,641 | | | | | | Non-federal Costs | |
| | | \$ 12,323 | \$ - | \$ 84,764 | \$ - | \$ 97,087 | Non-federal Gross Cost | |
| | | - | - | 9 | - | 9 | PP&E Partial Impairment Loss | |
| | | 12,323 | - | 84,773 | - | 97,096 | Total Non-federal Costs | |
| | | | | | | | Intragovernmental Costs | |
| | | 712 | - | 8,454 | - | 9,166 | Benefit Program Costs | |
| | | 449 | - | 3,290 | - | 3,739 | Imputed Costs | |
| | | 2,870 | - | 8,130 | 653 | 10,347 | Buy/Sell Costs | |
| | | 619 | - | - | - | 619 | Borrowing and Other Interest Expense | |
| | | 124 | - | 1,550 | - | 1,674 | Other Expenses (without Reciprocals) | |
| | | 4,774 | - | 21,424 | 653 | 25,545 | Total Intragovernmental Costs | |
| <i>Total Gross Costs</i> | <i>122,641</i> | <i>17,097</i> | <i>-</i> | <i>106,197</i> | <i>653</i> | <i>122,641</i> | <i>Total Reclassified Gross Costs</i> | |
| Earned Revenue | (19,294) | | | | | | Non-federal Earned Revenue | |
| | | (11,858) | - | (5,191) | - | (17,049) | | |
| | | | | | | | Intragovernmental Revenue | |
| | | (104) | - | (2,652) | (653) | (2,103) | Buy/Sell Revenue | |
| | | (142) | - | - | - | (142) | Federal Securities Interest Revenue Including Associated Gains/Losses | |
| | | (246) | - | (2,652) | (653) | (2,245) | Total Intragovernmental Earned Revenue | |
| <i>Total Earned Revenue</i> | <i>(19,294)</i> | <i>(12,104)</i> | <i>-</i> | <i>(7,843)</i> | <i>(653)</i> | <i>(19,294)</i> | <i>Total Reclassified Earned Revenue</i> | |
| (Gain)/Loss-Pension/ORB/OPEB Assumptions | 10 | - | - | 10 | - | 10 | (Gain)/Loss on Changes in Actuarial Assumptions (Non-federal) | |
| Net Cost | \$ 103,357 | \$ 4,993 | \$ - | \$ 98,364 | \$ - | \$ 103,357 | Net Cost | |



Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2024 (in millions)

| FY 2024 DHS SCNP Financial Statement Line | | Line Items Used to Prepare FY 2024 Government-wide SCNP Reclassified Financial Statement Line | |
|--|-------------------|--|---|
| Amounts | Total | Total | Reclassified Financial Statement Line |
| UNEXPENDED APPROPRIATIONS | | | |
| Unexpended Appropriations, Beginning Balance | \$ 130,425 | \$ 130,425 | Unexpended Appropriations, Beginning Balance |
| Appropriations Received | 98,507 | 98,507 | Appropriations Received |
| Other Adjustments | (1,189) | (1,189) | Other Adjustments |
| Appropriations Transferred In/Out | 25 | 34 | Non-Expenditures Transfers – Into Unexpended Appropriations & Financing Sources (Federal) |
| | | (9) | Non-Expenditures Transfers – Out of Unexpended Appropriations & Financing Sources (Federal) |
| Appropriations Used | (92,608) | (92,608) | Appropriations Used |
| Total Unexpended Appropriations | \$ 135,160 | \$ 135,160 | Total Unexpended Appropriations |
| CUMULATIVE RESULTS OF OPERATIONS | | | |
| Cumulative Results, Beginning Balance | 15,098 | 15,098 | Cumulative Results, Beginning Balance |
| Changes in Accounting Principles | 21 | 21 | Changes in Accounting Principles (Does not include any intragovernmental activity) |
| Other Adjustments | (8) | (8) | Other Adjustments |
| Appropriations Used | 92,608 | 92,608 | Appropriations Used |
| Non-Exchange Revenues/Exchange Revenues without Associated Costs | 3,389 | | Non-federal Non-Exchange Revenues |
| | | 444 | Excise Taxes |
| | | 80 | Customs Duties |
| | | 1,797 | Other Taxes and Receipts |
| | | 2,321 | Total Non-federal Non-Exchange Revenues |
| | | | Federal Non-Exchange Revenue |
| | | 479 | Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange) |
| | | 589 | Other Taxes and Receipts (RC 45) |
| | | 1,068 | Total Federal Non-Exchange Revenue |
| Total Non-Exchange Revenues | 3,389 | 3,389 | Total Non-Exchange Revenues |
| Donations and Forfeitures of Property | 89 | 5,826 | Financing Sources |
| Transfers In/Out without Reimbursement | (1,493) | | |
| Other | 3,485 | | |
| Donations and Forfeitures of Cash and Cash Equivalents | 6 | | |
| Imputed Financing | 3,739 | | |
| Total Donations, Transfers, Imputed Financing, and Other | 5,826 | 5,826 | Total Financing Sources |
| Net Cost of Operations | (103,357) | (103,357) | Net Cost of Operations |
| Ending Balance – Cumulative Results of Operations | \$ 13,577 | \$ 13,577 | Cumulative Results of Operations |
| Total Net Position | \$ 148,737 | \$ 148,737 | Total Net Position |



31. Non-Custodial Non-Exchange Revenues

The majority of DHS non-custodial non-exchange revenues are collected by USCG and CBP. The USCG SFRBTF collects motorboat fuel taxes, excise taxes on sport fishing equipment, and import duties on fishing tackle and yachts. The USCG OSLTF collects taxes on oil, reimbursements from parties responsible for oil spills, fines, and penalties. Both trust funds collect interest revenue earned. The CBP Customs User Fees fund collects processing fees for air and sea passengers, commercial trucks, rail cars, private vessels and aircraft, commercial vessels, dutiable mail packages, and customs broker permits.

Non-custodial non-exchange revenues reported on the Consolidated Statements of Changes in Net Position were as follows:

| For the Fiscal Year Ended September 30, 2024 (in millions): | 2024 | 2023 | Total Collections |
|--|-----------------|-------------|----------------------|
| Non-Exchange Revenue | | | |
| Excise Taxes | \$ 444 | \$ - | \$ 444 |
| Customs Duties | 80 | - | 80 |
| Federal Securities Interest Revenue | 479 | - | 479 |
| Other Taxes and Receipts | 2,386 | - | 2,386 |
| Less: Total Amount of Refunds | - | - | - |
| Total Amount of Federal Revenues Collected Less Refunds | \$ 3,389 | \$ - | \$ 3,389 |

| For the Fiscal Year Ended September 30, 2023 (in millions): | 2023 | 2022 | Total Collections |
|--|-----------------|-------------|----------------------|
| Non-Exchange Revenue | | | |
| Excise Taxes | \$ 359 | \$ - | \$ 359 |
| Customs Duties | 80 | - | 80 |
| Federal Securities Interest Revenue | 334 | - | 334 |
| Other Taxes and Receipts | 2,065 | - | 2,065 |
| Less: Total Amounts of Refunds | - | - | - |
| Total Amount of Federal Revenues Collected Less Refunds | \$ 2,838 | \$ - | \$ 2,838 |



32. Subsequent Events

In October 2024, Hurricane Milton made landfall in the south-Atlantic region of the United States, impacting the physical landscape, the people, and the region's economy. At this time, FEMA is conducting response and recovery activities in fulfillment of its mission. Funding for these activities is covered by the Disaster Relief Fund and the National Flood Insurance Program. This event will have no effect on the actuarial liabilities recorded on the FY 2024 financial statements.



Required Supplementary Information

Unaudited, see accompanying Independent Auditors' Report.

1. Deferred Maintenance and Repairs

The Department presents deferred maintenance and repairs as of the end of the fiscal year in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32*. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Deferred maintenance and repairs are activities that were not performed when they should have been, or that were scheduled to be performed but were delayed for a future period.

Deferred maintenance and repair amounts represent the cost to restore an asset's condition so that the asset provides acceptable services and achieves its expected life. Mission performance metrics reports, scorecards, and historical records are used as objective evidence of deficiencies in deferred maintenance and repairs. Project management reviews of the inputs are conducted to identify maintainability and reliability, labor costs, design costs, technical expertise required, organizational reparability, organizational spares availability, and opportunities to use spare parts from property that may be retired.

Defining and Implementing Maintenance and Repairs Policies. The Department measures deferred maintenance and repairs for each class of asset using condition assessments performed at least once every five years. These assessments include surveys, inspections, operating evaluations, regional strategic assessments, facility quality ratings, and consolidated support function plans. Deferred maintenance and repair procedures are performed for capital and non-capital accountable personal and real property, capitalized stewardship PP&E including multi-use heritage assets—such as buildings and structures, memorials, and recreational areas—as well as inactive and excess property that is not required to fulfill the Component missions or have been withdrawn from operational service. Most of these assets have been fully depreciated. The condition of the assets included in these assessments ranges from good to poor. Components identify maintenance not performed as scheduled and establish future performance dates.

The Department allows Components the flexibility to apply industry standard methods commensurate with each asset's condition and usage, unless more thorough procedures are mandated by federal, state, or local codes.



Components estimate the cost to address deferred maintenance and repair deficiencies using construction, maintenance, and repair cost data available through the Components' real property structure.

Ranking and Prioritizing Maintenance and Repair Activities. The Department ranks and prioritizes deferred maintenance and repair activities based on mission criticality to the operations of the Department and legal requirements, as well as the condition of the asset. Deferred maintenance and repair projects are prioritized among other activities as part of the Department's five-year strategic plan and annual capital budgeting processes.

Factors Considered in Setting Acceptable Condition. Acceptable condition is primarily prescribed by the facility condition assessments or other similar methodology. The condition assessment process includes factors such as asset age, operating environment, inventory levels, threat vulnerability, and current condition as determined by physical inspection, operating environment, and maintenance and repair history of the asset under assessment. The Department also considers federal requirements (including OMB's Federal Real Property Profile), accessibility, mission criticality, and needs.

Heritage Assets Excluded under Deferred Maintenance and Repairs. The Department possesses certain types of heritage assets that are not reported in deferred maintenance and repairs. These heritage assets include artifacts, artwork, display models, and sunken vessels and aircraft that have deteriorated through damage due to moving and transportation, storage or display, or environmental degradation.

Significant Changes from Prior Year. As of September 30, 2024, \$1,805 million in deferred maintenance and repairs was estimated to return real property assets to acceptable operating condition. This is an overall decrease of \$62 million from the prior year.

| For the Year Ended September 30, 2024 (in millions): | Ending | Beginning |
|---|-----------------|-----------------|
| Active: | | |
| Buildings, Structures, and Facilities | \$ 1,397 | \$ 1,427 |
| Furniture, Fixtures, and Equipment | 333 | 353 |
| Other PP&E | 34 | 46 |
| Heritage assets | 35 | 35 |
| Total Active | \$ 1,799 | \$ 1,861 |
| Inactive and Excess: | | |
| Buildings, Structures, and Facilities | \$ 4 | \$ 4 |
| Heritage assets | 2 | 2 |
| Total Inactive and Excess | \$ 6 | \$ 6 |
| Total Deferred Maintenance and Repairs | \$ 1,805 | \$ 1,867 |



2. Combining Statement of Budgetary Resources

The principal Statement of Budgetary Resources combines the availability, status, and outlays of the Department’s budgetary resources during FY 2024. The following table provides the Statement of Budgetary Resources disaggregated by DHS Components rather than by major budget account because the Department manages its budget at the Component level.

| For the Year Ended September 30, 2024 (in millions): | CBP | FEMA | ICE | TSA | USCG | USCIS | USSS | CISA | Dept Ops. and Others | TOTAL |
|---|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|----------------------|-------------------|
| BUDGETARY RESOURCES | | | | | | | | | | |
| Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 27) | \$ 4,970 | \$ 22,842 | \$ 1,005 | \$ 852 | \$ 6,084 | \$ 2,373 | \$ 353 | \$ 246 | \$ 3,683 | \$ 42,408 |
| Appropriations (discretionary and mandatory) | 28,472 | 44,434 | 10,012 | 6,993 | 12,911 | 6,497 | 3,029 | 2,892 | 4,399 | 119,639 |
| Borrowing Authority (discretionary and mandatory) (Note 23) | - | 11 | - | - | - | - | - | - | - | 11 |
| Spending Authority from Offsetting Collections (discretionary and mandatory) | 3,088 | 4,275 | 273 | 4,078 | 622 | 74 | 371 | 2 | 2,535 | 15,318 |
| TOTAL BUDGETARY RESOURCES | \$ 36,530 | \$ 71,562 | \$ 11,290 | \$ 11,923 | \$ 19,617 | \$ 8,944 | \$ 3,753 | \$ 3,140 | \$ 10,617 | \$ 177,376 |
| STATUS OF BUDGETARY RESOURCES | | | | | | | | | | |
| New Obligations and Upward Adjustments (total) | \$ 32,185 | \$ 53,148 | \$ 10,253 | \$ 11,018 | \$ 13,728 | \$ 6,052 | \$ 3,594 | \$ 2,793 | \$ 7,605 | \$ 140,376 |
| Unobligated Balance, End of Year | | | | | | | | | | |
| Apportioned, Unexpired Accounts | 3,211 | 17,680 | 661 | 516 | 5,052 | 402 | 95 | 161 | 2,700 | 30,478 |
| Exempt from Apportionment, Unexpired Accounts | 1 | - | - | - | 1 | - | 1 | - | - | 3 |
| Unapportioned, Unexpired Accounts | 176 | 496 | 46 | 122 | 146 | 2,450 | 3 | - | 9 | 3,448 |
| Unexpired Unobligated Balance, End of Year | 3,388 | 18,176 | 707 | 638 | 5,199 | 2,852 | 99 | 161 | 2,709 | 33,929 |
| Expired Unobligated Balance, End of Year | 957 | 238 | 330 | 267 | 690 | 40 | 60 | 186 | 303 | 3,071 |
| Unobligated Balance Brought Forward, End of Year | 4,345 | 18,414 | 1,037 | 905 | 5,889 | 2,892 | 159 | 347 | 3,012 | 37,000 |
| TOTAL BUDGETARY RESOURCES | \$ 36,530 | \$ 71,562 | \$ 11,290 | \$ 11,923 | \$ 19,617 | \$ 8,944 | \$ 3,753 | \$ 3,140 | \$ 10,617 | \$ 177,376 |
| OUTLAYS, NET AND DISBURSEMENTS, NET | | | | | | | | | | |
| Outlays, Net (total) (discretionary and mandatory) | 29,179 | 36,215 | 9,992 | 6,974 | 13,358 | 5,859 | 2,957 | 3,054 | 4,501 | 112,089 |
| Distributed Offsetting Receipts (-) | (6,177) | (1,106) | (278) | (1,064) | (542) | (6,773) | - | - | - | (15,940) |
| Agency Outlays, Net (discretionary and mandatory) | \$ 23,002 | \$ 35,109 | \$ 9,714 | \$ 5,910 | \$ 12,816 | \$ (914) | \$ 2,957 | \$ 3,054 | \$ 4,501 | \$ 96,149 |
| Disbursements, Net (total) (mandatory) | \$ - | \$ 3 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3 |



3. Custodial Activity

| As of September 30 (in millions): | 2024 | 2023 |
|---|----------|----------|
| Amount of receivables CBP had a legal right to collect | \$ 7,841 | \$ 8,906 |
| Additional assessed receivables in the protest phase | 4,542 | 3,740 |
| Amount CBP recognized as write-offs for assessments the Department had statutory authority to collect but have no future collection potential | 449 | 644 |

Substantially all duty, tax, and fee revenues collected by CBP are remitted to various general fund accounts maintained by Treasury and the U.S. Department of Agriculture. Treasury further distributes this revenue to other federal agencies in accordance with various laws and regulations. CBP transfers the remaining revenue (generally less than one percent of revenue collected) directly to either other federal or non-federal agencies. Refunds of revenue collected from import/export activities are recorded in separate accounts established for this purpose and are funded through permanent indefinite appropriations. These activities reflect the non-entity, or custodial, responsibilities that CBP, as an agency of the Federal Government, has been authorized by law to enforce.

CBP reviews selected documents to ensure all duties, taxes, and fees owed to the Federal Government are paid and to ensure all regulations are followed. If CBP determines duties, taxes, fees, fines, or penalties are due in addition to estimated amounts previously paid by the importer/violator, the importer/violator is notified of the additional amount due. CBP regulations allow the importer/violator to file a protest on the additional amount due for review by the Center Director. A protest allows the importer/violator the opportunity to submit additional documentation supporting the claim of a lower amount due or to cancel the additional amount due in its entirety. During this protest period, CBP does not have a legal right to the importer/violator’s assets, and consequently CBP recognizes accounts receivable only when the protest period has expired, or an agreement is reached.

There is no statute of limitations for collections against an importer. CBP writes them off once they have been determined uncollectible and have all of the appropriate concurrence and approvals.



4. Land

DHS has both PP&E and stewardship land.

DHS follows, where applicable, the *Federal Land Policy and Management Act of 1976* (P.L. 94-579), 43 U.S.C. Chapter 35: Federal Land Policy and Management, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, SFFAS No. 29, *Heritage Assets and Stewardship Land*, and SFFAS No. 59, *Accounting and Reporting Government Land*, for the acquisition, maintenance, use, and disposal of PP&E and stewardship land. Stewardship land includes both public domain and acquired land and land rights owned by the DHS that is intended to be held indefinitely.

Estimated Acreage by Predominant Use – PP&E Land

| As of September 30, 2024 (in acreage): | Conservation and Preservation | Operational | Total Estimated Acreage |
|---|-------------------------------|-------------|-------------------------|
| PP&E Land | | | |
| Start of Prior Year | 84 | 82,651 | 82,735 |
| End of Prior Year/Start of Current Year | 84 | 82,888 | 82,972 |
| End of Current Year | 84 | 82,871 | 82,955 |
| Held for Disposal or Exchange | | | |
| End of Prior Year | - | 4,278 | 4,278 |
| End of Current Year | - | 4,280 | 4,280 |

| As of September 30, 2023 (in acreage): | Conservation and Preservation | Operational | Total Estimated Acreage |
|---|-------------------------------|-------------|-------------------------|
| PP&E Land | | | |
| Start of Prior Year | 84 | 83,562 | 83,646 |
| End of Prior Year/Start of Current Year | 84 | 82,651 | 82,735 |
| End of Current Year | 84 | 82,888 | 82,972 |
| Held for Disposal or Exchange | | | |
| End of Prior Year | - | 4,274 | 4,274 |
| End of Current Year | - | 4,278 | 4,278 |

CBP currently holds land used in operations and held in an administrative capacity. For border security operations, land has been acquired for border barriers, land ports of entry, and border patrol stations.

FEMA's Center for Domestic Preparedness (CDP), located in Alabama, has an emergency response community prepared for responding to hazardous events. The CDP identifies, develops, tests, and delivers training to state, local, and tribal emergency response providers.



The CDP provides on-site and mobile training at the performance, management, and planning levels. This location also facilitates the delivery of training by the training partners of DHS.

The Federal Law Enforcement Training Centers, headquartered in Georgia, provide technical law enforcement training (and housing of students while being trained) to Federal, State, Local, and Tribal organizations.

ICE maintains a portfolio of federally owned land used to support the ICE missions to protect America from the cross-border crime and illegal immigration that threaten national security and public safety. The land and associated facilities are used by ERO entities to identify, arrest, transport, detain, and remove noncitizens in the U.S. illegally. Similarly, ICE-owned land and facilities are used to support HSI in conducting federal criminal investigations into the illegal cross-border movement of people, goods, money, technology, and other contraband throughout the U.S.

USCG’s land holdings mainly support ports, waterways, and coastal security, aids to navigation, search and rescue, and eight other agency missions.

USSS owns federal land at the James J. Rowley Training Center located in Maryland that is used for various mission support and training purposes.

Estimated Acreage by Predominant Use – Stewardship Land

| As of September 30, 2024 and 2023 (in acreage): | Conservation and Preservation | Operational | Total Estimated Acreage |
|---|-------------------------------|-------------|-------------------------|
| Stewardship Land | | | |
| Start of Prior Year | 647 | 107 | 754 |
| End of Prior Year/Start of Current Year | 647 | 107 | 754 |
| End of Current Year | 647 | 107 | 754 |

FEMA’s National Emergency Training Center (NETC) in Maryland offers educational resources. The NETC campus houses the U.S. Fire Administration and the National Fire Academy.

S&T’s Plum Island Lighthouse and the Fort Terry Historic District, both located in New York, are listed in the National Register of Historic Places and houses a motor pool, fire station and duty quarters.

For additional information on stewardship property, plant, and equipment, see [Note 12](#), Stewardship Property, Plant, and Equipment.



Independent Auditors' Report

**U.S. DEPARTMENT OF HOMELAND SECURITY
OFFICE OF INSPECTOR GENERAL**

OIG-25-05 November 15, 2024

FINAL REPORT
**Independent Auditors' Report on the Department of
Homeland Security's FYs 2024 and 2023 Consolidated
Financial Statements and Internal Control over
Financial Reporting**





OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

Washington, DC 20528 | www.oig.dhs.gov

November 15, 2024

MEMORANDUM FOR: The Honorable Alejandro Mayorkas
Secretary
Department of Homeland Security

FROM: GLENN E SKLAR
Glenn Sklar SKLAR
Principal Deputy Inspector General

Digitally signed by GLENN E SKLAR
Date: 2024.11.15 10:26:46
-0500'

SUBJECT: *Independent Auditors' Report on the Department of Homeland Security's FYs 2024 and 2023 Consolidated Financial Statements and Internal Control over Financial Reporting*

The attached report presents the results of an integrated audit of the Department of Homeland Security's consolidated financial statements for fiscal years 2024 and 2023 and internal control over financial reporting as of September 30, 2024. This audit is required by the *Chief Financial Officers Act of 1990*, as amended by the *Department of Homeland Security Financial Accountability Act* (October 16, 2004).

We contracted with the independent public accounting firm KPMG LLP (KPMG) to conduct the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the GAO/CIGIE *Financial Audit Manual*.

The Department achieved an unmodified (clean) opinion on all financial statements. However, KPMG issued an adverse opinion on DHS's internal control over financial reporting because of material weaknesses in internal control in three areas. KPMG also identified a significant deficiency in one area and two instances of noncompliance with laws and regulations.

Below is the list of material weaknesses, significant deficiency, and laws and regulations with which DHS did not comply.

Material Weaknesses in Internal Control

- Information Technology Controls and Information Systems
- Financial Reporting
- Seized and Forfeited Property Other than Monetary Instruments

OIG Project No. AUD-24-014-AUD-DHS



Significant Deficiency in Internal Control

- Grants Monitoring

Noncompliance with Laws and Regulations

- *Federal Managers' Financial Integrity Act of 1982* (FMFIA)
- *Federal Financial Management Improvement Act of 1996* (FFMIA)

KPMG is responsible for the attached Independent Auditors' Report dated November 14, 2024, and the conclusions expressed in the report. We do not express opinions on DHS' financial statements or internal control over financial reporting or conclusions on compliance and other matters.

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Kristen Bernard, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment

Office of Inspector General

U.S. Department of Homeland Security | Washington, DC 20528 | www.oig.dhs.gov

2





DHS OIG HIGHLIGHTS

Independent Auditors' Report on the Department of Homeland Security's FYs 2024 and 2023 Consolidated Financial Statements and Internal Control over Financial Reporting

November 15, 2024

Why We Did This Audit

The *Chief Financial Officers Act of 1990* (Public Law 101-576) and the *Department of Homeland Security Financial Accountability Act* (Public Law 108-330) require us to conduct an annual audit of the Department of Homeland Security's consolidated financial statements and internal control over financial reporting.

What We Recommend

KPMG LLP made 18 recommendations that, when implemented, may help improve the Department's internal control.

For Further Information:
Contact our Office of Public Affairs at (202) 981-6000, or email us at: DHS-OIG.OfficePublicAffairs@oig.dhs.gov.

What We Found

The independent public accounting firm KPMG LLP (KPMG) under contract with the DHS, Office of Inspector General, has issued an unmodified (clean) opinion on DHS's fiscal years 2024 and 2023 consolidated financial statements. KPMG noted that the financial statements present fairly, in all material respects, DHS' financial position as of September 30, 2024, and 2023.

KPMG issued an adverse opinion on DHS's internal control over financial reporting as of September 30, 2024, due to material weaknesses identified in the following three areas:

- A. Information Technology Controls and Information Systems
- B. Financial Reporting
- C. Seized and Forfeited Property Other than Monetary Instruments

KPMG also identified a significant deficiency related to Grants Monitoring as well as noncompliance with the Federal Managers' Financial Integrity Act of 1982 and the Federal Financial Management Improvement Act of 1996.

Management's Response

DHS concurred with all the recommendations, noting that it is committed to continuous improvement and will implement an aggressive plan to modernize their financial systems. They continue to focus on remediation of outstanding deficiencies in financial reporting and other areas discussed in the report.



OFFICE OF INSPECTOR GENERAL
U.S. Department of Homeland Security

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

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Homeland Security

Report on the Consolidated Financial Statements and Internal Control

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements of the U.S. Department of Homeland Security (DHS), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net cost, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of DHS as of September 30, 2024 and 2023, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

We also have audited the DHS's internal control over financial reporting as of September 30, 2024, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. In our opinion, because of the effect of the material weaknesses described in the Basis for Adverse Opinion on Internal Control over Financial Reporting section on the achievement of the objectives of the control criteria, DHS has not maintained effective internal control over financial reporting as of September 30, 2024.

We considered the material weaknesses described in the Basis for Adverse Opinion on Internal Control Over Financial Reporting section in determining the nature, timing, and extent of audit procedures applied in our audit of the fiscal year 2024 consolidated financial statements, and the material weaknesses do not affect such report on the consolidated financial statements.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of DHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. The following areas of material

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



weakness have been identified and included in the accompanying *Management's Report on Internal Controls Over Financial Reporting* and are further described in the accompanying *Exhibits* as Exhibits I-A and I-B.

- A. Information Technology Controls and Information Systems
- B. Financial Reporting

Material weaknesses in the control environment, risk assessment process, information and communication, and monitoring activities have been identified but not included in the accompanying *Management's Report on Internal Controls Over Financial Reporting* and are further described as the 'Causes' of the deficiencies reported throughout the accompanying *Exhibits*. The following area of material weakness has been identified but not included in the accompanying *Management's Report on Internal Controls Over Financial Reporting* and is further described in the accompanying Exhibit I-C.

- C. Seized and Forfeited Property Other than Monetary Instruments

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, DHS had intragovernmental debt used to finance the National Flood Insurance Program (NFIP) of approximately \$21 billion as of September 30, 2024 and 2023. The debt and interest payments are financed by the flood premiums from policyholders. Given the current rate structure, DHS will not be able to pay its debt from the premium revenue alone; therefore, DHS does not anticipate repaying the debt. Our opinion is not modified with respect to this matter.

Other Matter – Interactive Data

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

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Controls Over Financial Reporting*.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve





Independent Auditors' Report



collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the consolidated financial statement audit.

We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other Matter – Management's Report on Internal Controls Over Financial Reporting

Management's statements regarding challenges faced and areas of improvement, included in the accompanying Management's *Report on Internal Controls Over Financial Reporting*, have not been subjected



to any of our auditing procedures, and accordingly, we do not express an opinion or provide any assurance on it.

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Table of Contents, Message from the Secretary, Connect with DHS, About this Report, About this Section, Message from the Acting Chief Financial Officer, Other Information, Appendix A: Acronym List, and Appendix B: Acknowledgements sections, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

Other Reporting on Internal Control

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our audit of internal control over financial reporting was not designed to identify all deficiencies in internal control that might be significant deficiencies. Given these limitations, significant deficiencies may exist that were not identified. We consider the following deficiency that is further described in the accompanying *Exhibits* as Exhibit II-D to be a significant deficiency.

D. Grants Monitoring

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DHS's consolidated financial statements as of and for the year ended September 30, 2024 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02, and which are further described in the accompanying *Exhibits* as Exhibit III-E:





E. Federal Managers' Financial Integrity Act of 1982 (FMFIA)

We also performed tests of DHS's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances, in which DHS's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, and (2) the United States Government Standard General Ledger at the transaction level. These instances are further described in the accompanying *Exhibits* as Exhibit III-F:

F. Federal Financial Management Improvement Act of 1996 (FFMIA)

DHS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DHS's response to the findings identified in our audit and described in Appendix A. DHS's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements or the audit of internal control over financial reporting and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the Other Reporting Required by *Government Auditing Standards* is solely to describe the deficiencies we consider to be significant deficiencies and the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 14, 2024



Independent Auditors' Report

Exhibits Overview

The weaknesses in internal control over financial reporting (internal control) existed as of September 30, 2024, and the instances of noncompliance with certain provisions of laws and regulations occurred during the year ended September 30, 2024. The determination of which control deficiencies rise to the level of a material weakness or a significant deficiency is based on an evaluation of the impact of control deficiencies identified across DHS (including headquarters and the components), considered individually and in the aggregate, on the DHS consolidated financial statements as of, and for the year ended, September 30, 2024. The associated material weaknesses in entity level controls, as defined by the Government Accountability Office's *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States (Green Book), are also identified in relation to the control activities in the corresponding areas of the following Exhibits. The material weaknesses in entity level controls are reported by each of the impacted Green Book principles in Exhibits I and II.

The findings are presented in three Exhibits:

- Exhibit I** Material Weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. DHS has material weaknesses within each of the following areas as well as the associated Entity Level Controls related to the Control Environment, Risk Assessment Process, Information and Communication and Monitoring activities:
- A. Information Technology Controls and Information Systems
 - B. Financial Reporting
 - C. Seized and Forfeited Property Other than Monetary Instruments
- Exhibit II** Significant Deficiency. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by DHS management and others in positions of DHS oversight. DHS has a significant deficiency within the following area:
- D. Grants Monitoring
- Exhibit III** Compliance and Other Matters. The compliance and other matters section includes instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that are required to be reported under *Government Auditing Standards* or Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. DHS has instances of noncompliance as follows:
- E. *Federal Managers' Financial Integrity Act of 1982*
 - F. *Federal Financial Management Improvement Act of 1996*
- Criteria** DHS's internal control over financial reporting is based on the criteria established by the 17 principles of the Green Book.





Independent Auditors' Report Exhibit I – Material Weaknesses

I-A Information Technology Controls and Information Systems

Background:

Information technology (IT) systems are comprised of four layers of technology – application, database, operating system, and network. Each layer may present risks arising from IT that an entity needs to control in order for automated controls to operate and function effectively, and for the integrity of data and information sources from the entity's IT system to be maintained. IT general controls (ITGCs) address risks arising from IT in the areas of access to programs and data, program changes, program acquisition and development, and computer operations. Automated controls are controls performed by an IT system.

Conditions:

DHS did not design its information system and related control activities to achieve objectives and respond to risks arising from IT (Principle 11). For certain areas of its information system that were properly designed, DHS did not implement the control activities (Principle 12). In addition, certain control activities that were properly designed and implemented did not operate effectively. Material weaknesses existed in ITGCs within information systems used for financial reporting at headquarters and various components across DHS, including the Federal Emergency Management Agency (FEMA), U.S. Immigration and Customs Enforcement (ICE), Transportation Security Administration (TSA), and U.S. Coast Guard (USCG). These deficiencies include control activities performed by third-party service providers.

Specifically, DHS did not design, implement, or effectively operate ITGCs in the following areas:

Access to programs and data

- User, service, shared, privileged, and generic (including emergency, temporary, developer, and migrator) accounts were not properly authorized, recertified, or revoked timely.

Program changes

- System changes to the application layer were not documented, authorized, or monitored, including changes made by privileged users.

-

Computer operations

- Logical access to make changes to systems was not commensurate with job responsibilities.

In addition, DHS did not:

- obtain a Service Organization Controls (SOC) report, or test the effectiveness of controls at two service providers;
- update policies and procedures related to a deficient ITGC;
- timely review and remediate certain database and operating system vulnerabilities; and
- properly design a component's application control.

Causes:

These deficiencies are a result of weaknesses in the entity's control environment, risk assessment process, information and communication, and monitoring activities. DHS did not:

- document changes to controls and timely communicate the changes to those responsible for their performance (Principles 3 and 14);
- identify and mitigate risks arising from IT, including at third party service providers (Principle 7);
- resolve the risks created by historic limitations in the functionality of its information systems (Principle 7);
- communicate internally to properly authorize, recertify, or revoke access to systems, or to authorize and monitor system changes (Principle 14);

I.2



Independent Auditors' Report Exhibit I – Material Weaknesses

- effectively implement a formalized process to monitor the third-party service organizations responsible for maintaining the infrastructure support for various IT systems (Principle 16); and
- effectively design and implement controls to remediate IT deficiencies and execute corrective actions to address deficiencies that have existed for years in multiple information systems (Principle 17).

Effects:

As a result of these ITGC deficiencies, material weaknesses existed in the automated controls for 15 information systems. As such, there is a reasonable possibility that material misstatements in each financial statement caption and related disclosures of the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

The deficiencies increase the risk of unauthorized access to information systems or data and inappropriate disclosures of sensitive data. Key DHS financial information systems, including general ledger systems at USCG, FEMA and TSA, are not compliant with Federal financial management system requirements as defined by FFMIA, as reported in Exhibit III-F. An automated control at a component is not compliant with USSGL at the transaction level as defined by FFMIA, as reported in Exhibit III-F. In some cases, in response to these deficiencies, DHS intended to utilize manual controls; however, these manual controls often were not properly designed or implemented, or did not operate effectively.

Recommendations:

We recommend the DHS:

1. Office of the Chief Financial Officer (OCFO), in coordination with the Office of the Chief Information Officer (OCIO), the Office of the Chief Information Security Officer (OCISO), and component IT and financial management:
 - a) improve organizational structure to consistently complete a comprehensive risk analysis at each component and develop a mitigation plan to timely respond to risks related to ITGC and application control deficiencies;
 - b) design, implement, and communicate internal controls to address the risk of errors due to IT system functionality issues, the inability to rely on information derived from systems, and the inability to rely on application controls until information system deficiencies are remediated;
 - c) design and implement internal controls to review service organization risks, evaluate ineffective service organization controls, and design and implement appropriate compensating controls; and
 - d) develop, implement, operate and monitor policies and procedures and corrective action plans.
2. OCISO, the OCIO, and component IT management sufficiently monitor IT vulnerabilities and limitations, and coordinate with the OCFO and component financial management to implement manual controls to mitigate risk until automated controls are adequately designed and implemented.





Independent Auditors' Report Exhibit I – Material Weaknesses

I-B Financial Reporting

Background:

Internal control is a process effected by those charged with governance, management, and other personnel, and is designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. Material weaknesses existed in each of the areas of financial reporting described below.

Conditions:

DHS did not design control activities to achieve internal control objectives and respond to risks (Principle 10), or implement the entity's information systems and related control activities through policies (Principles 11 and 12). Material weaknesses were identified in controls over journal entries, disclosures, monitoring of the control environment, and in controls at USCG over the organizational structure and internal communication.

Specifically, DHS did not effectively design, implement, or operate controls in the financial reporting process across DHS in the following areas:

Journal entries and disclosures

- Implement controls to ensure entries received the appropriate level of supervisory review at CBP, and maintain an effective control over the entries for taxes, duties, and trade receivables and the related allowance.
- Design and implement controls to assess the completeness and accuracy of reports used to record entries at USCG and CBP.
- Design controls over the preparation of the Custodial Revenue disclosure at CBP.

Monitoring of control environment

- Design controls to inventory and baseline all automated controls, including automated controls producing information used in manual controls at FEMA, ICE, TSA, and USCG.
- Operate effective controls to baseline all automated controls, including automated controls producing information used in manual controls at CBP.
- Design and implement monitoring controls over National Flood Insurance Program (NFIP) Write Your Own (WYO) service providers at FEMA.

USCG organizational structure and internal communication

- Establish an organizational structure to plan and execute controls, appropriately communicate internal control responsibilities, and assign personnel with the necessary background and skills to execute controls at USCG.

Causes:

These deficiencies are a result of weaknesses in the entity's control environment, risk assessment process, information and communication, and monitoring activities. DHS did not:

- communicate the necessary information to plan, document and execute controls over financial reporting at USCG (Principles 3 and 14);
- adequately resource internal control owners to perform control responsibilities related to the review of journal entries and disclosures at CBP (Principle 4);
- adequately resource internal control owners to perform a complete risk assessment over construction in progress related activity at USCG (Principle 4);
- adequately resource internal control owners to perform the review of NFIP exhibits and underlying data included within the actuarial flood liability provided by NFIP WYO service providers at FEMA (Principle 4);



Independent Auditors' Report Exhibit I – Material Weaknesses

- adequately hold personnel accountable to their internal control responsibilities over journal entries at CBP (Principle 5);
- sufficiently respond to the risk posed by incomplete or inaccurate supporting documentation used to record journal entries and disclosures at CBP and USCG (Principle 7);
- assess the risks related to the reliance on automated controls, including risks related to inappropriate reliance on automated controls supporting the performance of manual controls at CBP, FEMA, ICE, TSA, and USCG (Principle 7);
- identify the impact of a change in record retention requirements on internal controls used in other areas at USCG (Principle 9);
- obtain and process the appropriate information to support proposed journal entries and disclosures at CBP and USCG (Principle 13);
- use quality information to assess the effectiveness of the control environment for all controls including automated controls at CBP, FEMA, ICE, TSA, and USCG (Principle 13); and
- effectively design and implement controls to remediate Financial Reporting deficiencies and execute corrective actions to address deficiencies that have existed for years (Principle 17).

Effects:

As a result of the deficiencies described above, a material misstatement occurred in the Custodial Revenue disclosure and was subsequently corrected. Additionally, there is a reasonable possibility that additional material misstatements in each financial statement caption and related notes of the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. Also, the lack of compensating controls resulted in noncompliance with Federal financial management system requirements, as defined by FFMIA and reported in Exhibit III-F. In addition, the ineffective recording of journal entries at USCG resulted in instances of noncompliance with Federal accounting standards, as defined by FFMIA and reported in Exhibit III-F. The failure to perform continuous monitoring and testing of IT and business process-level controls results in a lack of timely remediation of existing deficiencies and noncompliance with FFMIA, as reported in Exhibit III-E.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

3. perform an analysis to assess the risks of insufficient organizational structure and implement processes and controls to ensure all necessary journal entries are completely recorded in each period;
4. reinforce existing policies, procedures, and established related internal controls, to ensure journal entries are adequately researched, supported, and reviewed for accuracy before recording in the general ledger;
5. improve the process for identification, analysis, and response over significant changes and updates to risk assessments related to financial reporting;
6. align knowledgeable individuals to monitor and evaluate internal controls;
7. update policies and procedures related to the review of NFIP WYO service providers; and
8. document thresholds requiring investigation for underlying data used in the Actuarial Flood Liability.





Independent Auditors' Report Exhibit I – Material Weaknesses

I-C Seized and Forfeited Property Other than Monetary Instruments

Background:

DHS is responsible for recording seized and forfeited property that is in its custody. DHS components, including CBP, ICE and USCG, seize or interdict various items, such as prohibited drugs and counterfeit goods. For each seizure, DHS components enter case information, including weights and measures, and disposition status into the seized and forfeited property assets tracking system.

Conditions:

DHS did not design control activities to achieve internal control objectives and respond to risks (Principle 10), or implement control activities through policies (Principle 12). Specifically, DHS did not:

- effectively design, implement and operate controls over the existence, accuracy, and presentation of seized and forfeited asset transactions recorded in the seized and forfeited property assets tracking system by CBP and ICE personnel; and
- effectively operate controls over the existence, accuracy, and presentation of seized and forfeited asset transactions held at temporary storage areas.

Causes:

These deficiencies are a result of weaknesses in the entity's control environment, risk assessment process, information and communication, and monitoring activities. DHS did not:

- establish a structure to communicate financial reporting requirements (Principle 3);
- respond to identified risks related to seized and forfeited property information input to and updated in the system of record (Principle 7);
- identify the appropriate method to effectively communicate among its components about the processes related to transfers and adjustments of seized and forfeited property (Principle 14);
- effectively monitor seized and forfeited property internal controls (Principle 16);
- effectively monitor seized and forfeited property temporary storage facilities' for consistency in implementing control activities (Principle 16); and
- effectively design and implement controls to remediate deficiencies in seized and forfeited property and execute corrective actions to address deficiencies that have existed for years (Principle 17).

Effects:

As a result of the deficiencies described above, there is a reasonable possibility that material misstatements in the Seized and Forfeited Property disclosure to the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

9. establish a structure to allow for the consistent recording of seizures throughout the organization;
10. enhance existing controls to prevent, detect, and correct material errors in the seized and forfeited property note to the consolidated financial statements;
11. communicate internally to establish and implement policies related to seized and forfeited property;
12. monitor the consistent implementation of policies to validate that they achieve DHS's objectives;
13. develop and maintain a complete listing of temporary storage areas that hold seized and forfeited property; and
14. enforce consistent security measures at temporary storage areas that hold seized and forfeited property.



Independent Auditors' Report Exhibit II – Significant Deficiency

II-D Grants Monitoring

Background:

DHS's FEMA manages multiple Federal disaster and non-disaster grant programs. In FY 2024, DHS continued efforts to standardize all grant management activities. This included coordination among the grant regional offices and central management as well as among the various grant program offices. To monitor the grant recipients' spending of the Federal disaster and non-disaster grants awarded to them, DHS performed site visits of the grant recipients and desk reviews of their submitted Federal Financial Reports.

Condition:

DHS did not fully design control activities to achieve objectives and respond to risks (Principle 10) or implement control activities through policies (Principle 12). Specifically, at FEMA, DHS did not:

- design and implement effective controls over the monitoring of grant recipients.

Causes:

The deficiency is a result of weaknesses in the entity's control environment, risk assessment process, and monitoring activities. DHS did not:

- enforce accountability of personnel responsible for monitoring grant recipients (Principle 5);
- establish control thresholds to determine the appropriate scope of grant monitoring site visits and desk reviews to minimize residual risk (Principle 7); and
- effectively design and implement controls to remediate grants management deficiencies and execute corrective actions to address deficiencies that have existed for years (Principle 17).

Effects:

As a result of the deficiency described above, there is a reasonable possibility of inaccurate or unauthorized expense reporting by grant recipients and ineffective monitoring of open and closed grants, which may affect the recoverability of grant funds and increases the risk that DHS may not identify corrective actions for grant recipients timely.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

15. enforce accountability for the established monitoring control procedures to prevent or detect inaccurate or non-responsive reporting by grant recipients; and
16. design and implement controls to enhance existing procedures related to grant monitoring site visits and desk reviews.





Independent Auditors' Report Exhibit III – Compliance and Other Matters

III-E Federal Managers' Financial Integrity Act of 1982

FMFIA requires agencies to establish effective internal control and information systems and to continuously evaluate and assess the effectiveness of their internal control. DHS has implemented a multi-year plan to implement OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, to comply with FMFIA. However, the DHS *Secretary's Assurance Statement*, dated November 14, 2024, as presented in *Management's Discussion and Analysis* of DHS's FY 2024 Agency Financial Report, acknowledged the existence of control activities demonstrating material weaknesses, and therefore provided modified assurance that internal control over financial reporting was operating effectively as of September 30, 2024. DHS did not perform continuous monitoring and testing of both IT and business process-level controls for all significant areas. DHS did not fully establish effective systems, processes, policies, and testing procedures to ensure that internal controls were operating effectively throughout DHS.

Recommendation:

In addition to previously listed recommendations, we recommend that DHS:

17. implement corrective actions to address internal control deficiencies to ensure compliance with FMFIA, and implement the recommendations provided in Exhibits I and II.



Independent Auditors' Report
Exhibit III – Compliance and Other Matters

III-F Federal Financial Management Improvement Act of 1996

FFMIA Section 803(a) requires that agency Federal financial management systems comply with: (1) applicable Federal accounting standards; (2) Federal financial management system requirements; and (3) the USSGL at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability.

As of September 30, 2024, DHS did not comply with applicable Federal accounting standards in certain instances, Federal financial management system requirements, and application of the USSGL at the transaction level in certain instances, as described in Exhibit I-A and Exhibit I-B. The DHS Secretary stated in the *Secretary's Assurance Statement*, dated November 14, 2024, that DHS's financial management systems did not substantially comply with government-wide requirements mandated by FFMIA.

Recommendation:

In addition to previously listed recommendations, we recommend that DHS:

18. enhance the capabilities of its financial management systems to ensure compliance with FFMIA, and implement the recommendations provided in Exhibits I and II.



**OFFICE OF INSPECTOR GENERAL***U.S. Department of Homeland Security***Appendix B
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U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

November 14, 2024

MEMORANDUM FOR: The Honorable Joseph V. Cuffari
Inspector General

FROM: Stacy Marcott
Acting Chief Financial Officer

**STACY A
MARCOTT** Digitally signed by STACY
A MARCOTT
Date: 2024.11.14
09:55:33 -05'00'

SUBJECT: Fiscal Year 2024 Financial Statement and Internal Control Over
Financial Reporting Audit

Thank you for your audit report on the Department's Financial Statements and Internal Control over Financial Reporting for Fiscal Years (FY) 2024 and 2023. In general, we agree with the Independent Public Accountant's (IPA) conclusion. We are pleased to have earned an unmodified (clean) opinion on our consolidated financial statements for twelve consecutive years.

Our FY 2024 results demonstrate the Department's commitment to continuous improvement of our processes as shown by the remediation of the Receipt of Goods and Services and the Insurance Liabilities material weaknesses. The Department continues to prioritize maturing its information technology controls as we implement an aggressive plan to modernize our financial systems. Throughout FY 2024, the Department continued to focus on strengthening controls over the Financial Systems Modernization Solution (FSMS), which has been implemented at the U.S. Coast Guard and the Transportation Security Administration. We have also commenced our efforts to modernize financial systems at FEMA and ICE. Finally, we continue to focus on remediation of our outstanding deficiencies in financial reporting and other areas discussed on the auditor's report.

I look forward to our continued partnership and collaboration with the Office of the Inspector General and the Independent Public Accountant in the years ahead.

