

March 2000

FINANCIAL AUDIT**American Battle
Monuments
Commission's
Financial Statements
for Fiscal Years 1999
and 1998****G A O****Accountability * Integrity * Reliability**

Contents

Letter	3
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Opinion Letter	5
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Appendixes	
Appendix I: Report on Audit of the American Battle Monuments Commission	14
ABMC Assertion Letter on Internal Controls	14
ABMC Annual Financial Report	16
Overview	17
Consolidating Balance Sheet	24
Consolidating Statement of Net Cost and Changes in Net Position	25
Consolidating Statement of Budgetary Resources	26
Consolidating Statement of Financing	27
Notes to the Consolidating Financial Statements	28
Required Supplementary Stewardship Information	39
Statement of Heritage Assets	40
Note to Statement of Heritage Assets	42

Abbreviations

ABMC	American Battle Monuments Commission
COTS	commercial-off-the-shelf
FMFIA	Federal Managers' Financial Integrity Act of 1982
OMB	Office of Management and Budget
RSSI	required supplementary stewardship information



United States General Accounting Office
Washington, D.C. 20548

**Accounting and Information
Management Division**

B-284561

March 1, 2000

The Honorable Arlen Specter
Chairman
The Honorable John D. Rockefeller, IV
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

The Honorable Bob Stump
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

This report presents the results of the audit of the American Battle Monuments Commission's (ABMC) financial statements for the fiscal years ended September 30, 1999, and 1998. We prepared this report in response to 36 U.S.C. 2103.

We are sending copies of this report to Senator Ted Stevens, Chairman, and Senator Robert C. Byrd, Ranking Minority Member, Senate Committee on Appropriations and Representative C.W. Bill Young, Chairman, and Representative David R. Obey, Ranking Minority Member, House Committee on Appropriations. We are also sending copies to the Honorable Lawrence H. Summers, Secretary of the Treasury; the Honorable Jacob J. Lew, Director of the Office of Management and Budget; General Frederick F. Woerner, Chairman of ABMC; and other interested parties.

Should you or your staffs have any questions concerning this report, please contact me on (202) 512-9489 or Roger Stoltz, Assistant Director, on (202) 512-9408.

David L. Clark
Director, Audit Oversight
and Liaison

B-284561

General Frederick F. Woerner, Chairman
American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (ABMC). In our audits of ABMC for fiscal years 1999 and 1998, we found

- ABMC consolidating financial statements as of and for the fiscal year ended September 30, 1999, and comparative consolidated totals as of and for the fiscal year ended September 30, 1998, are presented fairly in conformity with generally accepted accounting principles.
- ABMC had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 1999. However, we noted one reportable condition concerning internal controls over information technology systems. We did not consider this condition to be a material weakness.
- No reportable instances of noncompliance with selected provisions of laws and regulations we tested.

The following sections discuss, in more detail, (1) these conclusions and our conclusions on the consistency of other information, (2) a reportable condition concerning internal controls over information technology systems, (3) Year 2000 (Y2K) preparations and results, and (4) the objective, scope, and methodology of our audit.

Opinion on Financial Statements

The ABMC consolidating balance sheet as of September 30, 1999, and its related consolidating statements of net cost and changes in net position; budgetary resources; and financing, including accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 1998, are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

The fiscal year 1999 overview and the required supplementary stewardship information (RSSI) consisting of a statement of heritage assets, was included for the purpose of additional information and was read for consistency, but was not audited.

Opinion on Internal Control

ABMC maintained, in all material respects, effective internal control over financial reporting and compliance as of September 30, 1999, that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the consolidating financial statements or RSSI, would be prevented or detected on a timely basis. In its letter in appendix I, ABMC management asserted that its internal control is effective based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular No. A-123, *Management Accountability and Control*.

However, we noted certain matters involving internal control and its operations that we considered to be a reportable condition under generally accepted government auditing standards and by OMB Bulletin No. 98-08, *Audit Requirements for Federal Financial Statements*, as amended. Reportable conditions are deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect ABMC ability to meet internal control objectives. A reportable condition may also be considered a material weakness in internal controls. This occurs when the design or operation of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the consolidating financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties.

Reportable Condition

During our audit we noted several deficiencies in internal controls over information technology systems that we considered a reportable condition as of September 30, 1999. The deficiencies are discussed below. We did not consider them to be a material weakness, primarily because all of the automated accounting and disbursing systems are not accessible from external sources and are not electronically interconnected between ABMC offices. Also, ABMC has a series of manual reviews and reconciliations that must be performed before any financial transactions can be processed and paid.

ABMC plans to correct its deficiencies through the acquisition and implementation of a new accounting system and through efforts to be taken in tandem with the new system. During fiscal year 1998, ABMC developed a design and implementation plan for an integrated, commercial-off-the-shelf (COTS) accounting system with assistance from Treasury's Financial Management Services Center. The new system was intended to conform to all current guidance and be Year 2000 compliant.¹ In fiscal year 1999, ABMC conducted acceptance testing of a COTS accounting system but terminated the implementation due to vendor problems. ABMC is now reviewing other systems options with an objective of installing a new accounting system during 2001.

Inadequate Controls Over Information Technology Systems
consisted of five areas for consideration, as follows.

- **User Documentation:** There was no user documentation to support the Clipper accounting system used by the European Regional Office and the dBase IV accounting system used by the Mediterranean Regional Office. Additionally, there was no user documentation on the payroll function of the Foxpro accounting system used by the headquarters office that involved 11 civilian employees. Users learned how to use the systems mainly through on-the-job training and had limited support to explain how functions should be performed and questions answered. While the age of these systems and their pending replacement do not cost justify the development of user documentation, they nevertheless continue to be a problem.
- **Security Program and Access Conditions:** ABMC had not documented an overall security program and had various access vulnerabilities as follows.
 - The headquarters office had not documented an overall security planning and management program for security and privacy of information as of September 30, 1999. OMB Circular A-130, *Management of Federal Information Resources* provides guidance on documenting such a program including control objectives, areas of responsibility, system rules, training, personnel controls, system

¹The Year 2000 problem is rooted in the way dates are recorded and calculated in many computer systems. For the past several decades, systems have typically used two digits to represent the year in order to conserve on electronic data storage and reduce operating costs. With this two-digit format, however, the year 2000 is indistinguishable from the year 1900. As a result, system or application programs that use dates to perform calculations, comparisons, or sorting may generate incorrect results when working with years after 1999.

interconnections, review of controls, and process authorization. This program would encompass an existing automated proprietary security program.

- The headquarters office did not log violations or critical, security-related events, such as changes to users' system privileges and access to unauthorized areas as of September 30, 1999. Although an automated security log feature was part of the existing system design, it was not activated until after September 30, 1999. Also, the European and Mediterranean regional office security logs did not perform sufficient logging of critical, security-related events, such as changes to users' system privileges and access to unauthorized areas, as of September 30, 1999.
- The headquarters office and the European regional office allowed indirect access to applications and data files to internal network users beyond the area of their prescribed duties. Internal users also had access to registry keys that could be used to install unauthorized programs. While the headquarters office Foxpro accounting system denied direct access to eight nonaccounting personnel, it was possible to gain access through the file allocation table feature. However, the ability to do this was closed after September 30, 1999.
- The headquarters office and the European and Mediterranean regional offices had not configured their systems to eliminate unneeded services such as file transfer protocols and world wide web access that expose the system to unnecessary vulnerability by attracting access from unauthorized individuals inside or outside the organization. These unneeded services were eliminated after September 30, 1999.
- Passwords: The headquarters office and the European and Mediterranean regional offices had some deficiencies in the use of system passwords as of September 30, 1999. The headquarters office system allowed users to enter short four character passwords and reuse old passwords after three password changes. Additionally, there was no minimum password age and the system administrator, who has special system privileges, had an easily identifiable password. The European office had several accounts without passwords, users could reuse passwords, and the system administrator had a password that was the same as the user ID. The Mediterranean office allows users to reuse passwords after four password changes and users are not prevented from changing their passwords four or more times in one session. However, accounting and disbursing systems have limited exposure as they have additional manual and security safeguards. Several of the above deficiencies were corrected after September 30, 1999.

- **Business Continuity Plans:** The headquarters office and the European regional office business continuity plans did not contain sufficient detail to ensure successful manual operations and timely recovery of automated processing in the event of a business interruption. The Pacific regional office was in the process of making its business continuity plans as of September 30, 1999. Sufficient details for all plans include identification of business operations and applications, personnel contacts, hardware and software needs, space requirements, and alternative sites.
- **Off-site Storage:** The headquarters office stores back-up systems tapes in a bank vault nearby that may be inaccessible in the event of a business interruption. The Pacific regional office did not have secure off-site storage of back-up systems tapes as of September 30, 1999, and was subsequently making arrangements for site storage.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations for fiscal year 1999 disclosed no instances of noncompliance reportable under generally accepted government auditing standards or OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations and, accordingly, we do not express such an opinion.

Year 2000 (Y2K) Preparations and Results

ABMC purchased Y2K diagnostic software and tested its existing systems to ensure compliance with the Y2K requirement. Most of the ABMC hardware and software was purchased with manufacturer certification of Y2K compliance. Costs associated with ensuring Y2K compliance were under \$5,000. On January 1, 2000, ABMC experienced no systems failures associated with Y2K.

Objectives, Scope, and Methodology

ABMC management is responsible for

- preparing the annual financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad internal control objectives of FMFIA are met; and

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- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the ABMC consolidating financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and (2) ABMC management maintained effective internal control. Effective internal control provides reasonable, but not absolute, assurance that the following objectives were met

- Reliability of financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and RSSI in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Compliance with applicable laws and regulations – transactions are executed in accordance with: (1) laws governing the use of budgetary authority and other laws and regulations that could have a direct and material effect on the financial statements, and (2) any other laws and regulations or governmentwide policies that OMB or ABMC management have identified as being significant for which compliance can be objectively measured and evaluated.
- Reliability of performance reporting – transactions and other data that support reporting measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the consolidating financial statements, with laws for which OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended, requires testing. We are also responsible for performing limited procedures with respect to certain other information appearing in the ABMC annual financial report.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the consolidating financial statements;

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- obtained an understanding of internal control related to financial reporting, (including safeguarding assets), compliance with laws and regulations, including execution of transactions in accordance with budget authority, and performance measures reported in the overview;
 - tested relevant internal controls over financial reporting, including safeguarding assets and compliance and evaluated ABMC management's assertion about the effectiveness of internal control;
 - considered the process for evaluating and reporting on internal control and financial management systems under FMFIA;
 - tested compliance with selected provisions of the following laws and regulations:
 - ABMC enabling legislation codified in 36 U.S.C. Chapter 21,
 - Anti-Deficiency Act,
 - Budget and Accounting Procedures Act of 1950,
 - Federal Managers' Financial Integrity Act of 1982,
 - Prompt Payment Act,
 - Civil Service Reform Act of 1978,
 - Fair Labor Standards Act of 1938, and
 - VA, HUD, and Independent Agency Appropriations Act for FY 1999, and
 - performed such other procedures we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the ABMC. We limited our tests of compliance to those required by OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended, and which we deemed applicable to ABMC consolidating financial statements for the fiscal year ended September 30, 1999. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We did our work in accordance with generally accepted government auditing standards and OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

We discussed the results of our audit with ABMC management who provided comments on a draft of this report and agreed with its contents. Appendix I contains the ABMC assertion letter on controls and the ABMC Annual Financial Report.

A handwritten signature in black ink, reading "David L. Clark". The signature is fluid and cursive, with a large, stylized "D" and "C".

David L. Clark
Director, Audit Oversight
and Liaison

January 28, 2000

Report on Audit of the American Battle Monuments Commission

ABMC Assertion Letter on Internal Controls



Established by Congress 1923

THE AMERICAN BATTLE MONUMENTS COMMISSION

Courthouse Plaza II, Suite 500
2300 Clarendon Boulevard
Arlington, VA 22201

January 28, 2000

The Honorable David M. Walker
Comptroller General of the United States
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Walker:

In connection with your examinations of our assertions regarding internal controls over financial reporting of the American Battle Monuments Commission (ABMC) as of September 30, 1999, we make the following representations:

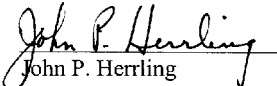
1. We are responsible for establishing and maintaining an internal control structure.
2. Pursuant to Federal Managers' Financial Integrity Act, we have assessed the effectiveness of the ABMC internal control in achieving the following objectives:
 - a. Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and required supplementary stewardship information in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - b. Compliance with applicable laws and regulations - transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws and regulations or government-wide policies that the Office of Management and Budget (OMB), or entity management have identified as being significant for which compliance can be objectively measured and evaluated; and
 - c. Reliability of performance reporting - transactions and other data that support reporting performance measures are properly recorded, processed and summarized to permit the preparation of performance information in accordance with criteria stated by management.

Appendix I
Report on Audit of the American Battle
Monuments Commission

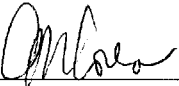
3. Except as disclosed in the Independent Auditors' Report, all internal controls are operated in accordance with applicable policies and procedures and are effective in meeting the forgoing objectives set forth in OMB Circular A-123.

There have been no changes to internal control subsequent to September 30, 1999 that would significantly affect internal controls over financial reporting.

Sincerely,


John P. Herrling
Major General, US Army (Ret.)
Secretary


Kenneth S. Pond
Executive Director


Anthony N. Corea
Colonel USAF
Director of Operations and Finance

ABMC Annual Financial Report

AMERICAN BATTLE MONUMENTS COMMISSION

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999

Overview

AMERICAN BATTLE MONUMENTS COMMISSION

OVERVIEW

History and Mission

Prior to 1923, no federal agency was responsible for commemorating the sacrifices and achievements of United States Armed Forces. After World War I, many American military units erected monuments and markers where they had served in Europe. These monuments and markers came in assorted sizes, shapes, and description. Many bore little relationship to the achievements of the units they represented, were poorly designed and constructed, erected on land not owned by the units, and without provision for future maintenance.

In response to this, Congress in 1923 created the American Battle Monuments Commission (ABMC), a small, independent agency of the Executive Branch of the Federal Government. Congress gave the ABMC the responsibility of commemorating the sacrifices and achievements of American armed forces where they have served since April 6, 1917, the date of United States entry into World War I.

From appropriated funds (which are available until expended), the ABMC administers, operates, and maintains 24 permanent American Military Cemeteries on foreign soil and 27 stand alone memorials, monuments, and markers, five of which are in the United States, and the remaining 22 in 14 foreign countries, the Northern Marianas Islands, and Gibraltar. Presently, 124,914 U.S. War Dead are interred in these cemeteries: 30,921 from World War I, 93,243 from World War II, and 750 from the Mexican War. Additionally, 5,857 American veterans and others are interred in the Mexico City and Corozal (Panama) National Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,120 U.S. servicemen and women who were missing in action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars. In addition, 37,278 Korean War dead are honored in the Korean War Veterans Memorial database.

The ABMC also administers trust funds to: (1) build memorials authorized by Congress, but financed primarily from private contributions, commemorative coin proceeds, and investment earnings; (2) decorate grave sites with flowers from private contributions; and (3) maintain and repair nonfederal war memorials with private contributions.

Organization and Operations

The ABMC policymaking body is comprised of an 11 member Board of Commissioners appointed by the President for an indefinite term, and who serve without pay. The Commissioners establish policy and ensure proper staff functioning in carrying out the mission of the agency. During inspections, they observe, inquire, comment upon, and make recommendations on any and all aspects of Commission

Appendix I
Report on Audit of the American Battle
Monuments Commission

operations. The ABMC's daily operations are directed by a compensated Executive Level Secretary appointed by the President.

The Commission's headquarters office in Arlington, Virginia, provides oversight for two regional offices, three cemeteries, and 10 memorials, monuments, and markers. The European Region, headquartered near Paris, France, is responsible for 17 cemeteries and 15 memorials, monuments, and markers. The Mediterranean Region, headquartered in Rome, Italy, operates and maintains four cemeteries, one memorial, and one monument.

For Fiscal Year (FY) 1999, the ABMC was authorized and employed 362 full-time civilian employees. Additionally, the Department of Defense (DoD) assigned and paid five active duty military officers for which the ABMC reimbursed DoD. U.S. citizens constitute 54 staff members while the remaining 308 were foreign service nationals employed in the countries where the ABMC operates.

The care of these shrines to our War Dead requires a formidable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of 130,771 graves and headstones; and 73 memorial structures (within and external to the cemeteries) on 1,648.5 acres of land. Additionally, the ABMC maintains 41 buildings, and maintenance facilities; 67 miles of roads and paths; 911 acres of flowering plants, fine lawns and meadows; nearly 3 million square feet of shrubs and hedges; and over 11,000 ornamental trees. Care and maintenance of these resources is exceptionally labor intensive. Therefore, personnel costs accounted for 56 percent of the appropriation for FY 1999. The remaining 44 percent was required to fund other operating costs and fluctuations in six foreign currencies.

In 1985, the U.S. Government embarked on a long-term program to lower the value of the U.S. dollar in foreign markets in order to make U.S. goods and services more competitive. Through its efforts, the dollar's exchange rate has decreased significantly in most of the countries where the ABMC's installations are located. In order to insulate the Commission's annual appropriation against major changes in its purchasing power due to currency exchange fluctuations, legislation was enacted in 1988 establishing an ABMC currency fluctuation account in the U.S. Treasury. During FY 1999, the ABMC's net foreign currency exchange gain was over \$357,000.

For the last several years, the American Veterans of WW II, Korea, and Vietnam (AMVETS) and the Robert R. McCormick Tribune Foundation have generously donated chromatically tuned bells in carillons to enhance our overseas cemeteries. The AMVETS installed the first carillon in our Manila cemetery in 1985. They subsequently formed a partnership with the foundation, and in May 1999 delivered a carillon to the Cambridge cemetery, the ninth they have donated over the years.

Performance Goals and Results

The American Battle Monuments Commission prepared a Strategic Performance Plan for FY 1999-2004 and an Annual Performance Plan for FY 2000 in accordance with the Government Performance and Results Act. These plans were coordinated with key Congressional Staffs and the Office of Management and Budget. While we anticipate there will be a number of refinements as we implement

Appendix I
Report on Audit of the American Battle
Monuments Commission

these plans, we feel we have developed a creditable "road-map" for the Commission. The following goals and results are directly related to our Strategic Performance Plan.

Goal 1

Provide the best, most extensive support possible to next of kin and other customers who use the services of the American Battle Monuments Commission.

Results

The ABMC provides information and assistance on request to relatives and friends of the War Dead interred in or commemorated at its facilities. These services include burial and memorialization site information, letters authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery, travel and accommodation information, floral decorations of grave or memorial sites utilizing funds provided by the donor, color Polaroid photographs of the decoration in place, color lithographs of the cemetery or memorial where a serviceman or woman is buried or commemorated by name on which has been mounted a photograph of the appropriate headstone or section of the Tablet of the Missing, and escort of relatives within the cemetery to the grave or memorial site.

In addition to responding to inquiries by friends and relatives of the War Dead interred or memorialized at our sites, we also provide information to the Executive Branch, members of Congress, other government agencies, historians, and other interested individuals.

During FY 1999, the ABMC responded to over 8,000 inquiries, requiring over 5,400 written responses. In addition, we mailed out more than 2,200 cemetery lithographs.

Over 10 million American and foreign citizens visited ABMC cemeteries, memorials, monuments, and markers during FY 1999. Most visitors paid homage collectively to the interred Honored War Dead. Many had a more personal reason for visiting a friend or relative who never returned home. Regardless of the visitor's motivation, ABMC employees dedicate themselves to making each visit gratifying and memorable.

Throughout the year at sites around the world, the ABMC hosts a variety of special events and commemorations including Memorial Day, Independence Day, and Veterans Day. In addition, many military units hold ceremonies to honor their fallen comrades and local organizations pay tribute to those who died while liberating the region. Some received national attention and publicity, many drew local attention only. All reflected solemn respect for America's Honored War Dead, and appreciation for the sacrifices of all veterans.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Our ABMC Internet web site, at ABMC.gov provides our customers a convenient, user friendly, method to access information on the Commission as well as our cemeteries, memorials, monuments, markers, and headquarters operations. In addition, information on the U.S. War Dead from the Korean War and those interred or commemorated at our World War II cemeteries overseas are now accessible on the web site at the same address.

Goal 2

Conduct an effective engineering maintenance and repair program at all the ABMC cemeteries, memorials, and monuments in order to sustain desired standards.

Results

One of our greatest challenges is dealing with aging facilities and equipment. Our World War I and World War II cemetery memorials range in age from 80 to 50 years old respectively and our Mexico City Cemetery is more than 100 years old. The permanent structures and plantings, which make our facilities among the most beautiful memorials in the world, are aging and require increased funding to maintain them at the current standards. Our maintenance and engineering budget is stretched to the limit. Accordingly, we have prioritized this spending carefully.

During FY 1999, we updated a worldwide comprehensive engineering and maintenance repair list, which identified 526 projects with an estimated cost of \$10.5 million. Congress, recognizing the critical requirements of our maintenance and engineering program, added \$2.5 million to our FY 1999 appropriations. By prioritizing our requirements on a worldwide basis, and with the additional funding provided by Congress, as of September 30, 1999, we were able to reduce our backlog to 451 projects with an estimated cost of \$7.5 million.

Congress, recognizing this continuing critical requirement, appropriated an additional \$2.0 million for FY 2000 specifically to reduce our backlog of maintenance and engineering projects.

Goal 3

Modernize ABMC's accounting systems and funding processes to ensure that funding is used and accounted for in the most efficient and effective manner.

Results

Our current accounting systems do not comply with current OMB Circular A-127 requirements to maintain a single, integrated financial management system. During FY 1997 we contracted with the Department of Treasury's Financial Management Services Center (FMSC) to study our accounting requirements, provide alternatives and recommendations, and design a new system. During Fiscal Year 1998, in coordination with FMSC, we finalized our requirements and developed a comprehensive implementation and training plan. A delivery order was issued on a commercial-off-the-shelf (COTS) software system from the General Services Administration (GSA) schedule of Joint Financial

Appendix I
Report on Audit of the American Battle
Monuments Commission

Management Improvement Program (JFMIP) compliant products. This new system, which we planned to implement in FY 1999, was to be Year 2000 (Y2K) compliant, conform to all current JFMIP guidance, and allow us to prepare comprehensive financial statements.

We proceeded with phased testing during the first two quarters of Fiscal Year 1999. Based on our experience, we discovered that the selected COTS system was in fact not capable of meeting the JFMIP requirements. After numerous meetings with the contractor, Treasury Department, and the Commerce Department we terminated the delivery order. We are still intent on obtaining the efficiencies of a single, integrated accounting system for ABMC's worldwide operations. We are in the process of obtaining an independent assessment of our needs as compared to the COTS or other systems that may be available.

We have purchased Y2K diagnostic software and tested our existing systems to re-ensure compliance with the Y2K requirement. Most of our hardware and software has recently been purchased with manufacture's certification of Y2K compliance. Costs associated with ensuring Y2K compliance have been under \$5,000 for our agency and there are no anticipated future costs. On January 1, 2000, we experienced no systems failures associated with Y2K problems.

The ABMC has made other significant strides over the last several years to streamline its operating processes and procedures. Currently, we have approximately 90% of our employees paid through electronic funds transfer (EFT). The headquarters office paid approximately 71% of its vendor purchases through EFT in FY 1999 with a goal of 90% worldwide in FY 2000. Also, in FY 1999, we began utilizing government purchase cards for procurements below the simplified acquisition threshold, allowing us to significantly reduce our document processing.

Goal 4

Establish a National World War II Memorial in Washington, DC, to honor those who served in the Armed Forces of the United States during World War II and commemorate the participation of the nation in that war.

Results

In 1993, Congress directed the ABMC to establish a World War II Memorial in Washington, DC or its environs. It will be the first national memorial dedicated to the 16 million who served in uniform during World War II, the 406,000 who gave their lives, and the millions who supported the war effort from the home front. Congress provided legislative authority for siting the memorial in the prime area of the national capital, which includes the National Mall. The cost to design, build, and maintain the memorial is currently estimated to be \$100 million.

The Commission of Fine Arts (CFA), the National Capital Planning Commission (NCPD) and the Department of Interior approved selection of the Rainbow Pool site, a 7.4-acre rectangular area at the east end of the Reflecting Pool between the Lincoln Memorial and the Washington Monument. This prominent location is commensurate with the historical importance and lasting significance of World

Appendix I
Report on Audit of the American Battle
Monuments Commission

War II to America and the world. The memorial site was dedicated by President Clinton on Veterans Day, November 11, 1995.

Friedrich St. Florian, an award winning architect based in Providence, Rhode Island, was selected to design the memorial through a two-stage, open competition through the General Services Administration's Design Excellence Program. President Clinton announced St. Florian's selection during a White House ceremony on January 17, 1997.

On July 24, 1997, in a public hearing, the CFA approved many elements of the memorial design concept, but voiced concern over the mass and scale of the concept as presented. The CFA unanimously reaffirmed the Rainbow Pool site and requested that the design be given further study and resubmitted at a later date. On July 31, 1997, the NCPC reaffirmed its approval of the site and, like the CFA, requested design modifications and an analysis of various environmental considerations.

On May 12, 1998, the National Park Service (NPS), on behalf of the ABMC, forwarded St. Florian's revised design concept to the CFA and the NCPC for their consideration and approval. On May 21, 1998, in a public hearing, the CFA "unanimously and enthusiastically" approved the location, site plan and revised design concept. On July 9, 1998, in a public hearing, the NCPC overwhelmingly approved the revised design concept. In May and June 1999, respectively, the CFA and the NCPC approved the memorial's preliminary design, successfully completing the second of a three phase design approval process.

The public fund raising effectively began in March 1997, when the ABMC announced the selection of former Senator Bob Dole as the National Chairman of the World War II Memorial Campaign. Joining Senator Dole in this endeavor was National Co-Chairman Frederick W. Smith, founder of Federal Express and Chairman, President and CEO of FDX Corporation. The Capital Campaign fund-raising efforts were extremely positive during the last months of FY 1997 and all of FY 1998 and FY 1999. As of September 30, 1999, \$77.2 million had been raised from all sources, resulting in an account balance of \$46.4 million after costs. As national awareness of the effort grows, the response of the giving public has been more positive.

In 1999 the World War II Memorial drive initiated a national public service ad campaign through the Ad Council that featured actor Tom Hanks. Cause-related marketing activities began with companies that expressed interest in bringing the Memorial to their consumer base. Films such as *Saving Private Ryan* substantially raised awareness of the sacrifices of the WWII generation and the planned recognition through the National World War II Memorial. Prominent corporate and public sector leaders have been enlisted to assist with the solicitation and advocacy process.

The ABMC has established realistic and prudent estimates of the various giving constituencies. To date the campaign has been led by corporate and foundation giving, and we project continued positive response. Many corporations played an integral role in the World War II effort. Millions of interested and committed individuals are becoming involved in the respective campaigns of veterans groups. These groups are enthusiastically supporting the campaign.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Civic organizations are beginning to step forward with fund-raising goals for their respective memberships. An initiative to have each state contribute \$1 for every person from the state that served in uniform during the war has exceeded our expectations. To date, 22 states have either contributed or pledged their support. Twenty-six states have committed to introduce legislation in FY 2000. Individuals of affluence are being cultivated for major gifts and should accelerate the total level of support during calendar year 2000. Direct Mail has helped us educate the giving public and continues to provide a profitable return for each dollar invested. More than 328,000 individuals have participated to date.

During 1999, Congress approved several legislative items that support the World War II Memorial's fund-raising efforts. Public Law 106-117, signed November 30, 1999, authorizes ABMC up to \$65 million in borrowing authority to assure timely construction of the Memorial. The legislation also: extended the authorization for initiation of Memorial construction to December 31, 2005; granted ABMC permanent authority to solicit and receive funds and preserves any such funds in ABMC controlled interest bearing Treasury Accounts, including any funds remaining after completion of the Memorial; and increased ABMC's authority to accept volunteer services and to use intellectual property interests. In addition, Public Law 106-58, signed September 29, 1999, makes the ABMC and the World War II Memorial Advisory Board (MAB) eligible to use nonprofit standard mail rates with respect to official mail sent in furtherance of soliciting funds and support for the creation of the National World War II Memorial.

The synergistic effect of national awareness, the immediacy of the need to recognize this extraordinary generation, and the general nation-wide interest in honoring the individuals who paved the way for present-day America make our fund raising goals both reasonable and attainable.

Financial Statements

The ABMC is required by 36 USC 2103, as codified by Public Law 105-225, August 12, 1998, to prepare agency wide financial statements annually, beginning with FY 1997, and to have such financial statements audited by the U.S. General Accounting Office (GAO) in accordance with generally accepted government auditing standards.

While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles used by the Federal Government, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. Also, the statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Audits for FY 1997 and FY 1998 were performed by the public accounting firm of KPMG under contract to the GAO. The audit for FY 1999 was conducted by GAO. Additionally, a separate audit of the World War II Fund for FY 1999 was conducted by the public accounting firm of KPMG and a copy of the report is available upon request.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Balance Sheet

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 1999
(With Comparative Consolidated Total as of September 30, 1998)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>1999</u>	<u>1998</u>
<u>Assets</u>	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>Total</u>
Intragovernmental:				
Fund balances with Treasury (note 2)	\$10,845,232	\$404,891	\$162,897	\$11,413,020
Treasury investments, net (note 3)		23,854,435		23,854,435
Interest receivable		292,536		292,536
Cash and foreign accounts (note 4)	1,389,381			1,389,381
Contributions receivable, net (note 5)		22,857,115		22,857,115
General property, plant, & equipment, net (note 6)	418,495	90,156		508,651
Total Assets	\$12,653,108	\$47,499,133	\$162,897	\$60,315,138
<u>Liabilities</u>				
Liabilities covered by budgetary resources:				
Intragovernmental:				
Accounts payable	\$43,377	\$65,329		\$108,706
Accrued salaries and benefits	209,168	220,167		429,335
Accounts payable	1,073,444	726,287	\$29	1,799,760
Accrued salaries and benefits	1,118,081	35,524		1,153,605
Liabilities not covered by budgetary resources:				
Unfunded annual leave	673,610	83,381		756,991
Separation pay liability (note 8)	800,816			800,816
Total Liabilities	3,918,496	1,130,688	29	5,049,213
Commitments and contingencies (notes 7, 11)				
<u>Net Position</u> (notes 9, 10)				
Unexpended appropriations	9,756,635			9,756,635
Cumulative results of operations	(1,022,023)	46,368,445	162,868	45,509,290
Total Net Position	8,734,612	46,368,445	162,868	55,265,925
Total Liabilities and Net Position	\$12,653,108	\$47,499,133	\$162,897	\$60,315,138

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Statement of Net Cost and Changes in Net Position

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF NET COST AND CHANGES IN NET POSITION
For the Year Ended September 30, 1999
(With Comparative Consolidated Total For the Year Ended September 30, 1998)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>1999</u>	<u>1998</u>
	<u>Cemeteries</u>	<u>World</u>	<u>Other</u>	<u>(Restated)</u>
	<u>and</u>	<u>War II</u>	<u>Trust</u>	
	<u>Memorials</u>	<u>Memorial</u>	<u>Funds</u>	<u>Total</u>
<u>Costs</u>		(note 10)	<u>Total</u>	
Program operations:				
Operations and maintenance	\$24,532,128		\$117,024	\$25,064,258
Fund raising		\$7,259,370		7,259,370
Administrative		1,579,891		1,579,891
Educational support		144,970		144,970
Design and construction		3,113,634		3,113,634
Memorial costs		612,405		612,405
Property, plant and equipment (note 6)	736,549	64,450	1,004	802,003
Foreign currency (gains), losses, net	(357,067)			(357,067)
				(1,948,798)
Net Cost of Operations	24,911,610	12,774,720	118,028	37,804,358
				32,937,651
<u>Financing Sources</u>				
Appropriations used	25,011,268			25,011,268
Foreign currency stabilization (gain)	(357,067)			(357,067)
Transfer-in				205,000
Contributions		41,360,049	115,230	41,475,279
Investment earnings		621,294		621,294
Imputed financing (note 8)	360,001			360,001
				309,589
Total financing sources	25,014,202	41,981,343	115,230	67,110,775
				39,690,307
Net Results of Operations	102,592	29,206,623	(2,798)	29,306,417
				6,752,656
<u>Changes in Net Position</u>				
Increase in unexpended appropriations	1,736,858			1,736,858
				3,836,289
Net Position - start of the year	6,895,162	18,365,983	165,666	25,426,811
				14,837,866
Prior period adjustment (note 10)		(1,204,161)		(1,204,161)
Net Position - end of the year	\$8,734,612	\$46,368,445	\$162,868	\$55,265,925
				\$25,426,811

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 1999
(With Comparative Consolidated Total For the Year Ended September 30, 1998)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>1999</u>	<u>1998</u>
	<u>Cemeteries</u>	<u>World</u>	<u>Other</u>	<u>(Restated)</u>
	<u>and</u>	<u>War II</u>	<u>Trust</u>	
	<u>Memorials</u>	<u>Memorial</u>	<u>Funds</u>	<u>Total</u>
			<u>Total</u>	<u>Total</u>
<u>Budgetary Resources</u>				
Budgetary authority	\$26,389,000		\$26,389,000	\$26,897,000
Transfer in				205,000
Unobligated balances, start of year	4,160,114	\$7,320,845	\$133,241	11,614,200
Spending authority from offsetting collections		27,713,862	115,230	27,829,092
Total Budgetary Resources	<u>\$30,549,114</u>	<u>\$35,034,707</u>	<u>\$248,471</u>	<u>\$65,832,292</u>
<u>Status of Budgetary Resources</u>				
Obligations incurred	\$25,864,400	\$14,002,178	\$119,373	39,985,951
Unobligated balances, end of year	<u>4,684,714</u>	<u>21,032,529</u>	<u>129,098</u>	<u>25,846,341</u>
Total Status of Budgetary Resources	<u>\$30,549,114</u>	<u>\$35,034,707</u>	<u>\$248,471</u>	<u>\$65,832,292</u>
<u>Outlays</u>				
Obligations incurred	\$25,864,400	\$14,002,178	\$119,373	\$39,985,951
Plus: obligated balances, start of year	6,625,640	2,168,110	32,911	8,826,661
Less: obligated balances, end of year	<u>(7,512,323)</u>	<u>(3,159,940)</u>	<u>(33,799)</u>	<u>(10,706,062)</u>
Total Outlays	<u>\$24,977,717</u>	<u>\$13,010,348</u>	<u>\$118,485</u>	<u>\$38,106,550</u>

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Consolidating Statement of Financing

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 1999
(With Comparative Consolidated Total For the Year Ended September 30, 1998)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>1999</u>	<u>1998</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>Total</u>
<u>Obligations and Nonbudgetary Resources</u>				
Obligations incurred	\$25,864,400	\$14,002,178	\$119,373	\$39,985,951
Imputed retirement and audit services	360,001			360,001
Total Obligations and Nonbudgetary Resources	26,224,401	14,002,178	119,373	40,345,952
				34,843,590
<u>Resources That Do Not Fund Net Cost of Operations</u>				
Cost capitalized on the balance sheet	(95,302)	(71,404)		(166,706)
Decrease in separation pay liability and annual leave	(138,336)			(138,336)
Undelivered orders - start of year	3,859,663	739,366	32,425	4,631,454
Less: Undelivered orders - end of year	(5,071,922)	(2,112,634)	(33,770)	(7,218,326)
Total Resources That Do Not Fund Net Cost of Operations	(1,445,897)	(1,444,672)	(1,345)	(2,891,914)
				(2,191,737)
<u>Costs That Do Not Require Resources</u>				
Depreciation	133,106	18,233		151,339
In-kind expenses		170,710		170,710
Total Costs That Do Not Require Resources	133,106	188,943		322,049
				127,507
<u>Financing Sources Yet to be Provided</u>				
Increase in unfunded annual leave		28,271		28,271
Net Cost of Operations	\$24,911,610	\$12,774,720	\$118,028	\$37,804,358
				\$32,937,651

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Notes to the Consolidating Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 1999 and 1998

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying consolidating financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the American Battle Monuments Commission (ABMC) in accordance with generally accepted accounting principles as used by the federal government. There are no intra-entity transactions to be eliminated.

B. Reporting Entity and Funding Sources

The ABMC is an independent agency within the Executive Branch of the Federal Government. The ABMC was created by an Act of March 4, 1923, the current provisions of which are now codified in 36 U.S.C. ch. 21 by Public Law 105-225, August 12, 1998. The ABMC's mission is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, and at locations within the United States when directed by the Congress. The ABMC designs, administers, constructs, operates, and maintains 24 American military cemeteries and 27 memorials, monuments, and markers (herein collectively referred to as memorials). All of the cemeteries are located on foreign soil. Five memorials are located in the United States, and the remainder in fourteen foreign countries, the Marianas, and Gibraltar. The ABMC is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and in Rome, Italy; Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama. The ABMC is also responsible for designing and constructing the national World War II Memorial, to be located on the Mall in Washington, D.C.

The ABMC's programs are funded primarily through permanent and indefinite appropriated funds. The ABMC also administers several trust funds established to: (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings; (2) decorate grave sites; and (3) maintain and repair certain non-federal war memorials.

C. Basis of Accounting

The ABMC proprietary (assets, liabilities, equity, revenue, and expenses) accounts are maintained on the accrual basis, where appropriated funds are accounted for by appropriation year, operating expenses are recorded as incurred, and depreciation is taken on property, plant, and equipment not otherwise classified as heritage assets. The ABMC budgetary accounts are maintained on a budgetary basis, which facilitates compliance with legal constraints and statutory funds control requirements. The functional budget classification is Veterans' Benefits and Services.

D. Fund Balances with Treasury

The ABMC's cash receipts and disbursements are processed by the U.S. Treasury. Fund balances with Treasury are comprised of appropriated general funds and trust funds.

E. Investments

In accordance with Public Law 103-32, the ABMC is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. Treasury investments are recorded at par value plus unamortized premium or less unamortized discount. Premiums and discounts are amortized using the interest method.

F. Foreign Currency

The ABMC operating offices maintain accounts of foreign currencies to be used in making payments in foreign countries. These accounts are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

G. Contributions and Revenue Recognition

Unrestricted contributions or unconditional promises to give to the ABMC are recognized as revenue in the period of initial pledge when sufficient verifiable evidence of pledges exists. Conditional promises to give are recorded as revenue when the condition has been met. Unconditional promises to give may be temporarily restricted or permanently restricted. Temporarily restricted promises to give are released from restriction when the conditions have been met. Permanently restricted promises to give are recorded as revenue in the period donated, however, donors generally allow only the earned income to be used for general or specific purposes. In-kind contributions of goods and services are recognized at fair value by the ABMC at the time the goods are received or the services are performed. Multiyear contributions due over a period of time are discounted to their present value based upon the short term Treasury interest rate.

H. Operating Materials & Supplies Inventories

The ABMC has determined that it is more cost beneficial to record operating materials and supplies as an expense when purchased rather than when consumed. Consequently, the ABMC reports no operating materials or supplies inventories.

I. Property, Plant, and Equipment

Purchases of general property, plant, and equipment (PP&E) of \$25,000 or less are expensed in the year of acquisition. Purchases of personal property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over five years. Expenditures relating to real property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over ten years. Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The ABMC considers cemeteries, memorials, monuments, and markers acquired through purchase or transfer to be heritage assets. Heritage assets are acquired through purchase or transfer and are accounted for in the ABMC's property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded upon formal agreement with recipients. Additional unaudited information concerning heritage assets is found in the Statement of Heritage Assets as required supplementary stewardship information. Cemetery land is owned by the foreign countries in which cemeteries are located, and is provided to the United States in perpetuity.

J. Employee Benefits

Most ABMC civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. ABMC civilian U.S. nationals hired on or before December 31, 1983 could elect to transfer to FERS, or remain with the Civil Service Retirement System (CSRS). For FERS employees, the ABMC withholds 1.05 percent of base pay, and as employer contributes 10.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act tax and Medicare, the ABMC withholds 7.65 percent from FERS employees' earnings, matches this amount on a dollar-for-dollar basis, and remits the total amount to the Social Security Administration. The ABMC withholds 7.25 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings, and as employer contributes 8.51 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the U.S. Office of Personnel Management and the Social Security Administration. The U.S. Office of Personnel Management is responsible for government-wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987 the Federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. The ABMC contributes a minimum of 1 percent of FERS employees' base pay to the TSP. FERS employees have the option of contributing up to 10 percent of their base pay on a tax deferred basis to FERS, which the ABMC matches up to 4 percent of base pay. CSRS employees may contribute up to 5 percent of their base pay to TSP on a tax deferred basis, and receive no matching contribution from the ABMC.

Retirement and other benefits for military personnel assigned to the ABMC are provided by the Military Retirement System (MRS). The military services bill the ABMC quarterly for reimbursement of assignees' pay and benefits, including MRS related amounts. The Department of Defense is responsible for reporting MRS assets, accumulated plan benefits, and unfunded liabilities.

Retirement and other benefits for the ABMC's foreign national employees are paid by the ABMC in accordance with the provisions of ten host nation agreements negotiated by the U.S. Department of State.

Annual leave is accrued as earned, and the resulting unfunded liability is reduced as leave is taken. Separation pay is provided in certain countries according to host nation agreements. Separation pay is accrued as earned, and the resulting unfunded liability is reduced when paid to the foreign national leaving the employ of the ABMC. Each year the balance in the accrued separation pay and annual leave accounts is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave and separation pay, funding will be obtained from future financing resources. Sick leave and other types of unvested leave are expensed when incurred.

K. Imputed Financing

The ABMC received imputed financing for retirement and audit services during FY 1999 and FY 1998, which was paid by others. The ABMC recognized these expenses and related imputed financing in the financial statements.

L. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and expenses reported during the reporting period. Actual results could differ from those estimates.

M. Transfer In

During FY 1998, \$205,000 was transferred from the U.S. State Department to the ABMC. This funding was for ICASS (International Cooperative Administrative Support Services) costs of the ABMC overseas operations that were budgeted and funded in prior years by the U.S. State Department.

N. Comparative Data

Comparative data is presented for FY 1999 and FY 1998. Certain reclassification of FY 1998 amounts were made for comparability with FY 1999 presentation.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 2. Fund Balances with Treasury

All undisbursed account balances with the U.S. Treasury, as reflected in the ABMC's records, as of September 30 were:

	1999			1998
	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Total</u>
General Fund Balance	\$6,328,051		\$6,328,051	\$4,997,751
Monument Fund -				
Washington Office		\$16,580	16,580	16,539
Monument Fund -				
European Offices		53,227	53,227	56,587
Floral Decorations Fund		62,545	62,545	61,462
Korean War Memorial Fund		30,545	30,545	31,564
WW II Memorial Fund		404,891	404,891	703,703
Currency Fluctuation	<u>4,517,181</u>		<u>4,517,181</u>	<u>3,891,879</u>
	<u>\$10,845,232</u>	<u>\$567,788</u>	<u>\$11,413,020</u>	<u>\$9,759,485</u>

Fund Balances with Treasury in the ABMC's FY 1999 accounting records are lower than its balances confirmed with the U.S. Treasury by \$99,643. In 1998 the difference was \$106,652. These differences are due to old, unidentified amounts, which the Treasury has not yet removed from its accounting records.

Note 3. Treasury Investments, Net

As of September 30, World War II Memorial Fund investments in U.S. Treasury Notes, which are marketable securities due within one year were:

<u>FY</u>	<u>Cost</u>	<u>Amortization Method</u>	<u>Interest Rates</u>	<u>Net Premium</u>	<u>Net Investment</u>
99	<u>\$23,800,000</u>	Interest	<u>4.75% to 7.75%</u>	<u>\$54,435</u>	<u>\$23,854,435</u>
98	<u>\$ 8,800,000</u>	Interest	<u>4.75% to 8.75%</u>	<u>\$14,480</u>	<u>\$ 8,814,480</u>

Amortized cost approximated market as of September 30 for these investments.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 4. Cash and Foreign Accounts

Outside the United States the ABMC makes payments in U.S. and foreign currencies through imprest cash funds and Treasury designated depository commercial bank accounts which as of September 30 were:

	<u>1999</u>	<u>1998</u>
Imprest Cash Funds	\$33,908	\$31,848
Foreign Bank Accounts	<u>1,355,473</u>	<u>1,898,719</u>
	<u>\$1,389,381</u>	<u>\$1,930,567</u>

Note 5. Contributions Receivable

The ABMC has pledges from the private sector to be used for the World War II Memorial with substantial pledges by major corporations and foundations. These pledges were recorded as contribution receivables and revenue in the fiscal year pledged. Amounts due in future years were as follows:

<u>Fiscal Year Due</u>	<u>1999</u>
2000	\$13,318,814
2001	4,644,250
2002	3,827,250
2003	1,740,000
2004	190,000
After five years	<u>300,000</u>
Total amount due	24,020,314
Less: Discount at 5%	<u>(1,163,199)</u>
Net Receivable	<u>\$22,857,115</u>

The ABMC believes that all contributions receivable are fully collectible, and therefore, no allowance for uncollectible accounts has been established.

As of September 30, 1999, the Memorial had outstanding conditional promises to give of \$1.6 million, including a pledge for in-kind services with a balance of \$600,000 that was not included in contributions receivable.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 6. General Property, Plant, and Equipment, and Heritage Assets

General property, plant, and equipment with an aggregate cost basis of \$25,000 or less, memorial costs, and all heritage assets were expensed by the ABMC and totaled \$802,003 in FY 1999 and \$553,004 in FY 1998.

Since the 1960s, the ABMC's European regional office near Paris, France has occupied a residential structure owned by the United States government. The ABMC is responsible for all utilities, maintenance, and repairs. While the structure has the characteristics of a heritage asset, it has been used as general property. However, it is now fully depreciated and no value is contained in the financial statements.

General property, plant, and equipment as of September 30 was:

Category	1999			1998		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	\$70,513	\$42,243	\$28,270	\$70,513	\$39,896	\$30,617
Equipment	<u>1,031,039</u>	<u>550,658</u>	<u>480,381</u>	<u>864,333</u>	<u>401,666</u>	<u>462,667</u>
	<u>\$1,101,552</u>	<u>\$592,901</u>	<u>\$508,651</u>	<u>\$934,846</u>	<u>\$441,562</u>	<u>\$493,284</u>

There was no change in the number of physical units or acreage of cemeteries or memorials in FY 1999 and FY 1998.

Note 7. Lease Agreements

The ABMC has no capital leases. Operating lease costs (rent) for the ABMC's Arlington, VA headquarters was \$555,865 in FY 1999 and \$308,000 in FY 1998 under a nine year lease. The European Director's living quarters are rented under a yearly agreement. The ABMC's Mediterranean office occupies commercial office space under a six-year renewable operating lease. The Mediterranean Director's living quarters are rented under a six year operating lease, with a two year renewal option.

Future minimum payments due on operating leases as of September 30, 1999 were:

<u>Fiscal Year</u>	<u>Totals</u>
2000	\$573,949
2001	546,561
2002	508,981
2003	508,982
2004	508,982
After five years	<u>1,442,116</u>
	<u>\$4,089,571</u>

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 8. Employee Benefits

Under host nation agreements, the ABMC's Mediterranean Region Italian and Tunisian employees earn separation pay for each year of service with the Commission. The ABMC recognized an unfunded liability for separation pay for these employees of \$800,816 as of September 30, 1999, and \$847,130 as of September 30, 1998.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by the Office of Personnel Management (OPM). These costs are computed in accordance with cost factors provided by OPM. For FY 1999, the ABMC incurred \$665,465 of pension and ORB costs, \$212,932 of which were imputed. For FY 1998, the ABMC incurred \$672,053 of pension and ORB costs, \$213,597 of which were imputed.

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 9. Net Position

Net position balances as of September 30, 1999 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$4,684,713			\$4,684,713
Undelivered Orders	<u>5,071,922</u>	<u> </u>	<u> </u>	<u>5,071,922</u>
	<u>\$9,756,635</u>	<u> -</u>	<u> -</u>	<u>\$9,756,635</u>
Cumulative Results of Operations:				
Unrestricted	(\$1,022,023)	\$21,743,364	\$129,098	\$20,850,439
Undelivered Orders		2,112,634	33,770	2,146,404
Temporarily Restricted		22,512,446		22,512,446
Permanently Restricted		<u> -</u>	<u> -</u>	<u> -</u>
	<u>(\$1,022,023)</u>	<u>\$46,368,445</u>	<u>\$162,868</u>	<u>\$45,509,290</u>
Total Net Position	<u>\$8,734,612</u>	<u>\$46,368,445</u>	<u>\$162,868</u>	<u>\$55,265,925</u>

Net position balances as of September 30, 1998 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$4,160,114			\$4,160,114
Undelivered Orders	<u>3,859,663</u>	<u> </u>	<u> </u>	<u>3,859,663</u>
	<u>\$8,019,777</u>	<u> -</u>	<u> -</u>	<u>\$8,019,777</u>
Cumulative Results of Operations:				
Unrestricted	(\$1,124,615)	\$17,626,617	\$133,241	\$16,635,243
Undelivered Orders		739,366	32,425	771,791
	<u>(\$1,124,615)</u>	<u>\$18,365,983</u>	<u>\$165,666</u>	<u>\$17,407,034</u>
Total Net Position	<u>\$6,895,162</u>	<u>\$18,365,983</u>	<u>\$165,666</u>	<u>\$25,426,811</u>

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note 10. Trust Fund – World War II Memorial Fund Program

Financial progress since the inception of the Fund in FY 1993 through FY 1999 is reflected as follows:

<u>Costs</u>	<u>FY99</u>	<u>Prior Period Adjustment¹</u>	<u>Total FY93-99*</u>
Fundraising	\$7,259,370		\$20,542,462
Administration	1,579,891		3,223,507
Memorial project costs	612,405		613,032
Property, plant and equipment	64,450		204,901
Education	<u>144,970</u>		<u>144,970</u>
Subtotal	9,661,086		24,728,872
Design & Construction	<u>3,113,634</u>		<u>6,089,058</u>
Net Cost of Operations	12,774,720		30,817,930

Financing Sources

Coin surcharge proceeds			4,797,329
Department of Defense			5,000,000
General support	<u>41,360,049</u>	<u>(1,204,161)</u>	<u>65,141,676</u>
Contributions	41,360,049	(1,204,161)	74,939,005
Investment earnings	<u>621,294</u>		<u>2,247,370</u>
Total Financing Sources	<u>41,981,343</u>	<u>(1,204,161)</u>	<u>77,186,375</u>
Net Results of Operations	<u>\$29,206,623</u>	<u>\$(1,204,161)</u>	<u>\$46,368,445</u>

*The amounts for fiscal years 1993 through 1998 were audited by the U.S. General Accounting Office and presented in their reports GAO/AIMD-95-9 for FY 1993; GAO/AIMD-96-24 for FY 1994; GAO/AIMD-97-68R for FY 1995 and FY 1996; GAO/AIMD-98-129R for FY 1997; and GAO/AIMD-99-74 for FY 1998.

¹ A prior period adjustment of \$1,204,161 increased FY 1999 contribution financing sources and decreased September 30, 1998 contributions receivable to correctly recognize temporary restrictions on contributions receivable.

Note 11. Contingencies

The Korean War Veterans Memorial was transferred by the ABMC to the National Parks Service, U.S. Department of the Interior, on July 26, 1995. Perpetual maintenance funds of \$1.1 million were provided to the Park Service at the time the Department of the Interior granted the construction permit. Following the transfer, design and construction problems were identified at the Memorial. Additionally, significant improvements were necessary to improve site drainage, leaf collection, and lighting systems. Total repair and improvement costs were estimated by the Army Corps of Engineers, who served as the Memorial's general contractor for design and construction, to be approximately \$2.7 million as of September 30, 1999. As of the end of fiscal year 1999, all repairs and improvements were substantially completed.

Through FY 1999, the ABMC had obligated and paid \$450,000 from appropriated funds to address the Memorial's most pressing repair requirements into a repair fund established by the Army Corps of Engineers. The Park Service contributed \$600,000 to the repair fund and the Army Corps of Engineers contributed \$130,000. The U.S. Congress passed legislation to fund \$2 million in estimated costs; this was included in the fiscal year 1999 appropriations to the Secretary of the Army and funded to the Army Corps of Engineers. Of that amount, \$1.5 million was used to complete remaining requirements.

Note 12. Subsequent Events

On November 30, 1999, Public Law 106-117 created special borrowing authority to assure the groundbreaking, construction, and dedication of the National World War II memorial is completed on a timely basis but no later than December 31, 2005. The ABMC may borrow up to \$65 million at Treasury interest rates not to exceed twenty years for repayment.

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

**Appendix I
Report on Audit of the American Battle
Monuments Commission**

Statement of Heritage Assets

American Battle Monuments Commission
Statement of Heritage Assets
(Unaudited)

24 Cemeteries

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>	<u>Deferred Maintenance</u>
<u>European Region</u>						
Aisne Marne American Cemetery	Belleau, (Aisne), France	2,289	1,060	42.5	WW I	\$244,920
Ardennes American Cemetery	Neupre, Belgium	5,328	462	90.5	WW II	\$214,700
Brittany American Cemetery	St James, (Manche), France	4,410	498	7.5	WW II	\$145,900
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I	\$67,900
Cambridge American Cemetery	Cambridge, England	3,812	5,126	30.5	WW II	\$106,100
Epinal American Cemetery	Epinal, (Vosges), France	5,255	424	48.6	WW II	\$249,000
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I	\$97,600
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,989	450	57.0	WW II	\$147,900
Lorraine American Cemetery	St. Avoild, (Moselle), France	10,489	444	113.5	WW II	\$494,500
Luxembourg American Cemetery	Luxembourg	5,076	371	48.7	WW II	\$251,500
Meuse-Argonne American Cemetery	Romagne, (Meuse), France	14,246	954	130.5	WW I	\$414,200
Netherlands American Cemetery	Margraten, Holland	8,302	1,723	65.5	WW II	\$169,400
Normandy American Cemetery	Colleville Sur-Mer, France	9,387	1,557	172.5	WW II	\$555,500
Oisne-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I	\$353,600
Somme American Cemetery	Bony, (Aisne), France	1,844	333	14.3	WW I	\$92,500
St Mihiel American Cemetery	Thiacourt, Meurthe, France	4,153	284	40.5	WW I	\$150,300
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW I/II	\$192,300
<u>Mediterranean Region</u>						
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II	\$431,572
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II	\$22,049
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II	\$202,034
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II	\$354,990
<u>Other</u>						
Corozal American Cemetery	Panama City, Panama	5,044		16.0	*	\$188,500
Mexico City American Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am	\$3,500
Manila American Cemetery	Luzon, Phillipines	17,206	36,282	152.0	WW II	\$802,600
Sub Total		130,771	60,311	1,272.3		\$5,953,065

* Acquired by Executive Order from the former Panama Canal Zone

Appendix I
Report on Audit of the American Battle
Monuments Commission

American Battle Monuments Commission
Statement of Heritage Assets
(Unaudited)

27 MEMORIALS, MONUMENTS & MARKERS

Name	Location	Interred	Memorialized	Acres	War	Deferred Maintenance
American Expeditionary Forces Monument	Washington, DC			0.1	WW I	
East Coast Memorial	New York City, NY		4,601	0.8	WW II	\$30,000
Honolulu Memorial	Honolulu, HI		28,796	1.0	WW II/Korea/Vietnam	\$980,000
Korean War Veterans Memorial	Washington, DC		37,278	7.5	Korea	
West Coast Memorial	San Francisco, CA		412	1.3	WW II	\$93,000
Audenarde Monument	Audenarde, Belgium			0.4	WW I	\$15,000
Bellicourt Monument	St. Quentin, France			1.8	WW I	\$2,500
Brest Naval Monument	Brest, France			1.0	WW I	\$28,000
Cabanatuan Memorial	Luzon, Philippines				WW II	\$32,000
Cantigny Monument	Cantigny, France			0.4	WW I	
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I	\$50,500
Chaumont Marker	Chaumont, France				WW I	
Gibraltar Naval Monument	Gibraltar			0.1	WW I	
Guadalcanal Memorial	Guadalcanal			0.5	WW II	
Kemmel Monument	Ypres, Belgium			0.2	WW I	
Marine Monument Belleau Wood	Aisne, France			199.6	WW I	\$60,200
Montfaucon Monument	Montfaucon, France			9.6	WW I	\$16,500
Montsec Monument	Thiacourt, France			47.5	WW I	\$31,900
Papua Marker	Port Moresby, New Guinea				WW II	
Point du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II	\$75,000
Saipan Monument	Saipan, Northern Mariana Islands				WW II	\$50,000
Santiago Surrender Tree	Santiago, Cuba				Sp American War	
Sommepy Monument	Sommepy, France			15.0	WW I	\$34,000
Souilly Marker	Souilly, France				WW I	
Tours Monument	Tours, France			0.5	WW I	\$8,500
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II	
Western Naval Task Force Memorial	Casablanca, Morocco				WW II	
<u>OTHER</u>						
European Region Garches Office						\$68,100
Sub Total		0	71,087	376.5		\$1,575,200
Grand Total		130,771	131,398	1,648.8		\$7,528,265

Appendix I
Report on Audit of the American Battle
Monuments Commission

Note to Statement of Heritage Assets

American Battle Monuments Commission
Note to Statement of Heritage Assets
(Unaudited)

Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been. The ABMC has deferred maintenance at many of its properties. Condition inspections of real property utilizing the condition assessment survey methodology are conducted at least biennially. As a result of these inspections, the ABMC estimates the cost to perform maintenance identified as necessary, but unperformed, during the current accounting period.

Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$6.1 million in FY 1999 and \$5.9 million in FY 1998, most of which was applied to deferred maintenance projects. Condition assessment surveys, using a five point scale of one (excellent) to five (very poor), identify needed maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. Using these condition assessment surveys, 451 engineering maintenance projects with an estimated cost of \$7.5 million were identified as of September 30, 1999 to be performed in future years as necessary to maintain real property in an acceptable condition. However, the actual cost of deferred maintenance projects is dependent upon future events, but is not expected to exceed \$10 million.

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