

February 2003

FINANCIAL AUDIT

American Battle
Monuments
Commission's
Financial Statements
for Fiscal Years 2002
and 2001



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-03-444](#), a report to the Senate and House Committees on Veterans' Affairs

Why GAO Did This Study

In accordance with 36 U.S.C. 2103, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission. We audited the financial statements of the Commission for the fiscal years ended September 30, 2002, and 2001. The audits were done to determine whether, in all material respects, (1) the Commission's financial statements were reliable, (2) Commission management maintained effective internal control over financial reporting and compliance with laws and regulations, and (3) Commission management complied with applicable laws and regulations.

The American Battle Monuments Commission was created in 1923 to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, and locations within the United States as directed by Congress. The Commission designs, administers, operates, and maintains 24 American military cemeteries on foreign soil and 25 federal memorials, monuments, and markers, 22 of which are on foreign soil. The Commission is also responsible for designing and constructing the national World War II Memorial on the Capitol Mall in Washington, D.C., and for maintaining 3 nonfederal memorials with funds provided by those memorials' sponsors.

www.gao.gov/cgi-bin/getrpt?GAO-03-444.

The full report is available by clicking the link above, which includes information on objectives, scope, and methodology. For additional information, contact McCoy Williams at (202) 512-6906.

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2002 and 2001

What GAO Found

In our opinion, the financial statements of the American Battle Monuments Commission as of September 30, 2002, and 2001, and for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Commission maintained effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2002. In addition, we found no instances of Commission noncompliance in fiscal year 2002 with selected provisions of laws and regulations we tested.

However, our work identified three deficiencies in internal controls over information technology as of September 30, 2002, that we considered to be a reportable condition. Commission management reported these deficiencies in its fiscal year 2002 report required by the Federal Managers' Financial Integrity Act and plans to substantially implement corrections in fiscal year 2003.

For fiscal year 2002, the Commission spent \$28.6 million of appropriated funds to maintain its 24 cemeteries and 25 federal memorials. It also spent \$29.8 million of private contributions and investment earnings, primarily for construction-in-progress of the World War II Memorial that is expected to be dedicated on Memorial Day 2004. With \$11.3 million of appropriations from Congress since fiscal year 1998, the Commission was able to eliminate its backlog of over 500 deferred maintenance projects as of September 30, 2002.

The Commission's North Africa American Cemetery in Carthage, Tunisia



Source: GAO photo.

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Abbreviations

FMFIA	Federal Managers' Financial Integrity Act of 1982
OMB	Office of Management and Budget

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

February 28, 2003

The Honorable Arlen Specter
Chairman
The Honorable Bob Graham
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

The Honorable Christopher H. Smith
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

As required by 36 U.S.C. 2103, this report presents the results of our audits of the American Battle Monuments Commission's (the Commission) financial statements for the fiscal years ended September 30, 2002 and 2001.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations and the House Committee on Appropriations. We are also sending copies to the Secretary of the Treasury, the Director of the Office of Management and Budget, the Chairman of the Commission, and other interested parties. In addition, this report will be available at no charge on the GAO web site at <http://www.gao.gov>.

Should you or your staffs have any questions concerning this report, please contact me on (202) 512-6906 or Roger R. Stoltz, Assistant Director, at (202) 512-9408. Key contributors to this assignment were Patricia A. Summers, Edward R. Alexander, Jr., Bronwyn E. Hughes, Polly Y. Cheung, and Donell L. Ries.

McCoy Williams
Director
Financial Management and Assurance



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

To the Chairman of the American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (the Commission). In our audits of the Commission for fiscal years 2002 and 2001, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2002, and comparative consolidated totals as of and for the fiscal year ended September 30, 2001, are presented fairly in conformity with U.S. generally accepted accounting principles;
- although internal controls should be improved, the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2002; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and other supplementary information and (2) the objective, scope, and methodology of our audit.

Opinion on Financial Statements

The American Battle Monuments Commission's consolidating balance sheet as of September 30, 2002, and its related consolidating statements of net cost and changes in net position; budgetary resources; and financing, with accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 2001, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

The Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2002, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the consolidating financial statements or to stewardship information would be prevented or detected on a timely basis. Our opinion is based upon criteria established under 31 U.S.C. 3512 (c), (d) [Federal Managers' Financial

Integrity Act (FMFIA)], and Office of Management and Budget (OMB) Circular No. A-123, *Management Accountability and Control*.

However, our work identified the need to improve certain internal controls, as described below, that we consider a reportable condition. Such a condition is a deficiency in the design or operation of internal control that, in our judgment, could adversely affect the Commission's ability to meet internal control objectives or meet OMB criteria for reporting matters under FMFIA. We did not consider these deficiencies to be a material weakness, which 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. In addition, misstatements may occur in other Commission financial information not included in this report as a result of this reportable condition.

Reportable Condition

During our audit we noted three deficiencies in internal controls over information technology systems as of September 30, 2002. Commission management reported these deficiencies in its fiscal year 2002 FMFIA report and plans to substantially implement corrections in fiscal year 2003. Inadequate controls over information technology systems were in the three following areas.

- **User Documentation:** While the Commission's new accounting system has adequate user documentation, there continued to be a lack of user documentation to support its old legacy systems that were still used during fiscal year 2002, primarily for payroll. This included the Clipper system used by the European Regional Office, the dBase IV system used by the Mediterranean Regional Office, and the Foxpro accounting system used by the Headquarters Office. Commission personnel have learned how to use these legacy systems over the years primarily through on-the-job training and have limited support to explain how systems functions should be performed and to answer questions. However, the age of these systems and their expected replacement did not justify the cost of developing user documentation during fiscal year 2002.
- **Security Program and Access Controls:** Commission Headquarters had not completed documentation of an agencywide security planning

and management program for security and privacy of information as of September 30, 2002. Also, some security controls over the computer system, such as passwords and access to files, were not effective at all Commission locations as of September 30, 2002. OMB Circular A-130, *Management of Federal Information Resources*, provides guidance on documenting a security program including control objectives, areas of responsibility, system rules, training, personnel controls, system interconnections, review of controls, and process authorization. This program would encompass the existing automated proprietary security program of the computer systems, plus physical and manual controls. The Commission expects to complete this documentation during the next fiscal year. In addition, we have separately provided the Commission detailed information on ineffective security controls. It corrected some of the deficiencies after September 30, 2002, and is working towards correcting the remaining deficiencies during fiscal year 2003.

- **Business Continuity Plan:** The business continuity plans of Commission Headquarters and its European and Mediterranean Regional Offices did not contain sufficient detail to ensure successful manual operations and timely recovery of automated processing in the event of a business interruption. Sufficient details would include identification of business operations and applications, personnel contacts, hardware and software needs, space requirements, and alternative sites. The Commission plans to revise the business continuity plans during fiscal year 2003.

Compliance With Laws and Regulations

Our tests for Commission compliance with selected provisions of laws and regulations for fiscal year 2002 disclosed no instances of noncompliance reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Commission's Management Discussion and Analysis and stewardship statements of heritage assets with an accompanying note contain a wide range of data, some of which are not directly related to the consolidating financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the

consolidating financial statements and discussed the methods of measurement and presentation with officials of the Commission. Based upon this limited work, we found no material inconsistencies with the consolidating financial statements or nonconformance with OMB guidance.

Objectives, Scope, and Methodology

Commission management is responsible for (1) preparing the consolidating financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad internal control objectives of FMFIA are met, and (3) complying with applicable laws and regulations.

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

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of consolidating financial statements and stewardship information in conformity with U.S. 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, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, or governmentwide policies identified by OMB guidance.

We are also responsible for (1) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the consolidating financial statements and for which OMB guidance requires testing and (2) performing limited procedures with respect to certain other information appearing in the Commission's 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 Commission management;
 - evaluated the overall presentation of the consolidating financial statements;
 - obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
 - obtained an understanding of the recording, processing, and summarizing of performance measures as reported in Management's Discussion and Analysis;
 - tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
 - considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; and
 - tested compliance with selected provisions of the following laws and regulations:
 - The Commission's enabling legislation codified in 36 U.S.C. Chapter 21,
 - public laws applicable to the World War II Memorial Fund,
 - Departments of VA and HUD and Independent Agencies Appropriations Act 2002,
 - Antideficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

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 Commission. We limited our tests of compliance to those required by OMB audit guidance that we deemed applicable to the Commission's consolidating financial statements for the fiscal year ended September 30, 2002. 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 performed our work in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Commission Comments and Our Evaluation

Commission management was provided with a draft of this report and concurred with its facts and conclusions.



McCoy Williams
Director
Financial Management and Assurance

January 31, 2003

Annual Financial Report on the American Battle Monuments Commission

Annual Financial Report

ANNUAL FINANCIAL REPORT

THE AMERICAN BATTLE MONUMENTS COMMISSION

FOR THE YEAR ENDED SEPTEMBER 30, 2002

Management's Discussion and Analysis

**AMERICAN BATTLE MONUMENTS COMMISSION
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

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 descriptions. 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 had no provision for future maintenance.

In response to this, Congress in 1923 created the American Battle Monuments Commission, a small, independent agency of the Executive Branch of the Federal Government. Congress gave the Commission 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 the Commission administers, operates, and maintains 24 permanent American Military Cemeteries on foreign soil and 25 stand alone memorials, monuments, and markers of which three are located in the United States and 22 are located on foreign soil. The cemeteries and memorials are located in 14 foreign countries, the Northern Mariana Islands, and Gibraltar. Presently, 124,917 U.S. War Dead are interred in these cemeteries of which 30,922 are from World War I, 93,245 are from World War II, and 750 are from the Mexican War. Additionally, 6,010 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 94,132 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, 38,320 Korean War Dead are honored in the Korean War Veterans Memorial database that the Commission maintains.

The Commission 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. As of the end of fiscal year 2002, the Commission was responsible for the maintenance and repair of three nonfederal memorials in Europe.

**Appendix I
Annual Financial Report on the American
Battle Monuments Commission**

Organizational Structure and Operations

The Commission's 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 Commission. During inspections, they observe, inquire, comment upon, and make recommendations on any and all aspects of Commission operations. The Commission'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 8 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 2002, the Commission was authorized and employed 368 full-time civilian employees. U.S. citizens constitute 61 staff members while the remaining 307 were foreign service nationals employed in the countries where the Commission 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 almost 131,000 graves and headstones; and 73 memorial structures (within and external to the cemeteries) on 1,648.8 acres of land. Additionally, the Commission maintains 41 quarters, utilities, and maintenance facilities; 67 miles of roads and walks; 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 53 percent of the appropriation for fiscal year 2002. The remaining 47 percent was required to fund other operating costs and currency exchange fluctuations in four foreign currencies.

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 a Commission currency fluctuation account in the U.S. Treasury. During fiscal year 2002, the Commission's net foreign currency exchange loss was about \$850 thousand. Cumulative net gains and losses in recent years have brought the currency account balance to \$9.6 million as of September 30, 2002.

For the last several years, the American Veterans of WWII, 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 2002 delivered a carillon to the Henri-Chapelle American Cemetery in Belgium, the twelfth they have donated over the years.

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In fiscal year 2002, Congress added an additional \$5.0 million to the Commission's budget for the development of an Interpretive Visitors Center at the Normandy American Cemetery. The Commission selected an architect-engineering team to assist in the design of the center and is currently projecting design completion in fiscal year 2004.

Performance Goals and Results

The American Battle Monuments Commission prepared a five-year Strategic Performance Plan and an Annual Performance Plan 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 there will continue to be a number of refinements as these plans are implemented, the Commission feels it has developed a creditable "road-map" for the future. 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

On request, the Commission provides information and assistance to relatives and friends of War Dead interred in or commemorated at its facilities. These services include burial and memorialization site information, a letter authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery, in-country travel and accommodation information, and upon arrival at the cemetery, escort to the appropriate grave or memorialization site. Requestors are provided with a photograph that is taken of the appropriate headstone or section of the Tablet of the Missing that is mounted on a color lithograph of the cemetery or memorial where a serviceman or woman is buried or commemorated by name. The Commission also purchases floral decorations with donor funds and the donor is provided with a photograph of the headstone or Tablet of the Missing with the decoration in place.

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 fiscal year 2002, the Commission responded to approximately 7,500 inquiries that required over 6,300 written responses. In addition, we mailed out more than 3,200 cemetery lithographs.

Some 8.5 million American and foreign citizens visited the Commission's cemeteries, memorials, monuments, and markers during fiscal year 2002. 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, Commission employees are dedicated to making each visit gratifying and memorable.

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Throughout the year at sites around the world, the Commission hosted 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. While some ceremonies received national attention and publicity, many drew local attention only. All ceremonies reflected a solemn respect for America's Honored War Dead, and appreciation for the sacrifices of all veterans.

The Commission's Internet web site at www.abrnc.gov received about 600,000 visitors this year and 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 I and II cemeteries overseas are accessible on the web site.

Goal 2

Conduct an effective Infrastructure Modernization Program at all Commission cemeteries, memorials, and monuments in order to modernize our facilities and maintain the desired standards.

Results

During fiscal year 2000, the Commission began a review of its facilities to determine the most appropriate course of action to implement an Infrastructure Modernization Program. The first phase of this program involved assessing the electrical systems and analyzing the structural aspects of our facilities within the European and Mediterranean Regions. This effort identified an estimated \$3.1 million in projects. For fiscal year 2001, Congress appropriated \$1.0 million to fund this initiative and appropriated another \$2.0 million for fiscal year 2002. During fiscal year 2002, we focused on the second phase of the program to review water and drainage systems in the cemeteries. During fiscal year 2002, we completed \$2.0 million worth of improvement projects.

As a result of \$11.3 million of additional funding from Congress since fiscal year 1998, the Commission was able to eliminate its backlog of over 500 deferred maintenance projects as of September 30, 2002.

Goal 3

Determine if technology, outsourcing, and automation can improve efficiency and/or reduce the costs of foreign manpower.

Results

During fiscal year 2002, the Commission continued to review business practices in its overseas locations. Congress provided \$3.0 million of fiscal year 2002 funding that we used for modernization of equipment, development of evaluation processes, procurement of enhanced automation programs, and performance of deep core aeration, vertidrain, and sanding at selected cemeteries.

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Goal 4

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

Results

The Commission's legacy accounting systems did not comply with current OMB Circular A-127 requirements to maintain a single, integrated financial management system. In April 2000, the Commission contracted with PricewaterhouseCoopers (PwC) to assist in the selection of an automated, integrated accounting system that conforms to regulatory and user requirements. PwC began the process by documenting the Commission's accounting and finance business processes, assessing the Information Technology (IT) architecture at field offices and headquarters, and developing both functional and technical requirements. PwC then identified replacement options for the Commission's existing systems. Commission leadership selected as a preferred alternative a vendor, or vendor team, that can supply appropriate IT infrastructure and supporting resources, as well as resources to maintain and upgrade the selected software package.

In August 2000, the Commission issued a Request for Proposals (RFP) to secure software and hosting services to replace its legacy accounting systems. The RFP responses were received on October 10, 2000. During December 2000, the vendors, USInternetworking (USi), Inc. and PeopleSoft Financials for Government and Education were selected as the application services provider and software team. Implementation began in calendar year 2001 with the new system going operational on October 1, 2001. While the Commission has experienced some implementation problems during fiscal year 2002, the system has met expectations and the needs of the Commission's financial network.

The Commission has also made other significant strides over the last several years to streamline its financial processes and procedures. Except for nine Tunisian staff, all of the Commission's employees are paid through electronic funds transfer (EFT). Additionally, the headquarters office paid approximately 76% of its vendor purchases through EFT during fiscal year 2002.

Goal 5

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 Commission to establish a World War II Memorial in Washington, D.C. or its environs. It will be the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 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 capital, which includes the National Mall. The total estimated cost of the memorial project is currently \$172 million, which includes site selection and design, construction, a National Park

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Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund raising, and administration of the project from its inception in 1993 through projected completion in 2004.

The Commission of Fine Arts (CFA), the National Capital Planning Commission (NCPC) and the Department of Interior approved selection of the Rainbow Pool site, a 7.4-acre 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 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 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. The CFA and NCPC approved St. Florian's memorial design concept in 1998, his preliminary design in 1999, and his final architectural design in 2000, clearing the way for a ceremonial groundbreaking that occurred on Veterans' Day, November 11, 2000. The Commission subsequently approved the memorial ancillary elements (comfort station, information pavilion, contemplative area and access road) in late 2000, granite selections in the summer of 2001, and sculpture and inscriptions in 2002. Through September 30, 2002, the memorial site and design has been the subject of 27 public hearings since 1995.

The public fund raising began in earnest in March 1997 when the Commission announced that former Senator Bob Dole would serve as the National Chairman of the World War II Memorial Campaign. He was joined in this endeavor by National Co-Chairman Frederick W. Smith, founder and CEO of FedEx Corporation. With sufficient funds accounted for to cover estimated project costs, fund raising activity was curtailed in mid-fiscal year 2001. The campaign received \$7.6 million in contributions during fiscal year 2002, bringing the total funds received from all sources, including the federal government, to \$186.5 million. Support of the campaign came from hundreds of thousands of individual Americans, corporations, foundations, veterans groups, civic, fraternal and professional organizations, states, and students across the country.

Congress also approved several legislative items that supported the memorial fund-raising efforts. Public Law 106-117, signed November 30, 1999, authorized the Commission up to \$65 million in borrowing authority to assure timely construction of the memorial. This legislation also extended the authorization for initiation of the memorial construction to December 31, 2005; granted the Commission permanent authority to solicit and receive funds and preserves any such funds in Commission controlled interest-bearing Treasury accounts, including any funds remaining after completion of the memorial; and increased the Commission's authority to accept volunteer services and to use intellectual property interests. In addition, Public Law 106-398, signed October 30, 2000, designated \$6 million of the proceeds expected from the sale of titanium from the National Defense Stockpile for completion of the design, groundbreaking, construction, maintenance, and dedication of the memorial.

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Our greatest challenge has been to ensure that construction is completed so that as many of the World War II generation as possible will live to see and be honored by the memorial. Although the National Park Service issued a construction permit in January 2001, a coalition of groups opposed to the site and design filed a federal lawsuit to block the project. Construction, which should have begun in March 2001, was delayed by this legal action. Public Law 107-11, signed on Memorial Day 2001, directed that the memorial “be constructed expeditiously at the dedicated Rainbow Pool site” and provided that previous site and design decisions “shall not be subject to judicial review.” On the basis of this legislation, the federal lawsuit was dismissed, clearing the way for award of a construction contract in June 2001. Actual construction began in September 2001 and the memorial is expected to be completed and dedicated Memorial Day weekend of 2004.

Financial Statements

The Commission is required by 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, to prepare agency wide financial statements annually, beginning with fiscal year 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 financial statements have been prepared from the books and records of the Commission in conformity with U.S. 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 financial 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.

For fiscal years 1997 and 1998, annual audits of the Commission were performed by the public accounting firm of KPMG under contract to the GAO. For fiscal years 1999 through 2002, annual audits of the Commission were conducted by GAO. In addition, separate annual audits of the World War II Memorial Fund for fiscal years 1999 and 2000 were conducted by the public accounting firm of KPMG. Copies of the separate KPMG reports are available upon request.

Systems, Controls, and Legal Compliance

The Commission is in the process of modernizing its accounting system as discussed in goal 4 to include controls in place over electronic data processing to prevent unauthorized access and computer viruses. The Commission has assessed its internal controls as effective in providing reliable financial and performance reporting, and compliance with applicable laws and regulations.

Future Effects on the Commission

The Commission continues to support next of kin and others who use our services and to maintain the final resting places of American Honored War Dead on foreign soil. Despite its aging facilities, the Commission strives to maintain high standards of physical appearance and operational efficiency to honor those who have died in the service of our country.

**Appendix I
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Battle Monuments Commission**

Consolidating Balance Sheet

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 2002
(With Comparative Consolidated Total as of September 30, 2001)**

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>2002</u>	<u>2001 (restated)</u>
<u>Assets</u>				<u>Total</u>	<u>Total</u>
Intragovernmental:					
Fund balances with Treasury (note 2)	\$25,139,269	\$13,895,789	\$250,415	\$39,285,473	\$18,467,687
Treasury investments, net (note 3)		84,267,199	49,949	84,317,148	97,477,378
Total intragovernmental	25,139,269	98,162,988	300,364	123,602,621	115,945,065
Cash and foreign accounts (note 4)	1,221,278		5,826	1,227,104	1,155,239
Advances	2,814			2,814	
Contributions receivable, net (note 5)		5,014,127		5,014,127	17,972,843
General property, plant, & equipment, net (note 6)	1,773,172	24,746		1,797,918	2,027,930
Total Assets	\$28,136,533	\$103,201,861	\$306,190	\$131,644,584	\$137,101,077
<u>Liabilities</u>					
Intragovernmental:					
Accounts payable	\$262,226	\$6,030,049		\$6,292,275	\$185,151
Accrued salaries and benefits	225,268			225,268	149,676
Total intragovernmental	487,494	6,030,049		6,517,543	334,827
Accounts payable	827,450		\$939	828,389	1,630,868
Other liabilities (note 7)	2,341,649	38,915		2,380,564	2,368,688
Total Liabilities	3,656,593	6,068,964	939	9,726,496	4,334,383
Commitments and contingencies (note 8)					
<u>Net Position</u> (notes 9, 10)					
Unexpended appropriations	24,274,990			24,274,990	16,563,010
Cumulative results of operations	204,950	97,132,897	305,251	97,643,098	116,203,684
Total Net Position	24,479,940	97,132,897	305,251	121,918,088	132,766,694
Total Liabilities and Net Position	\$28,136,533	\$103,201,861	\$306,190	\$131,644,584	\$137,101,077

The accompanying notes are an integral part of these statements.

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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, 2002
(With Comparative Consolidated Total For the Year Ended September 30, 2001)**

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u> (note 10)	<u>Other Trust Funds</u>	<u>2002 Total</u>	<u>2001 (restated) Total</u>
<u>PROGRAM COSTS</u>					
Intragovernmental program costs:					
Operations and maintenance	\$2,154,068			\$2,154,068	\$1,831,877
Design and construction		\$26,843,765		26,843,765	9,283,881
Program costs with the public:					
Operations and maintenance	24,753,302		\$119,726	24,873,028	20,508,088
Fund raising		1,348,962		1,348,962	3,473,850
Administrative		974,599		974,599	939,890
Educational support					65,385
Design and construction		494,590		494,590	847,980
Memorial costs		99,721		99,721	74,427
Property, plant and equipment (note 6)	806,774	4,421		811,195	1,747,700
Foreign currency losses, net	850,397			850,397	
Net Cost of Operations	\$28,564,541	\$29,766,058	\$119,726	\$58,450,325	\$38,773,078
<u>CHANGES IN NET POSITION</u>					
Net Position - Start of the Year	\$17,146,176	\$115,333,941	\$286,577	\$132,766,694	\$114,423,214
<u>Budgetary Financing Sources</u>					
Expended appropriations	27,729,020			27,729,020	27,928,853
Foreign currency appropriation account (net gain)					(2,678,256)
Increase in unexpended appropriations	7,711,980			7,711,980	2,692,728
Total Budgetary Financing Sources	35,441,000			35,441,000	27,943,325
<u>Other Financing Sources</u>					
Contributions		7,623,505	136,755	7,760,260	24,329,123
Treasury investment earnings		3,941,509	1,645	3,943,154	4,433,603
Imputed financing (note 7)	457,305			457,305	410,507
Total Other Financing Sources	457,305	11,565,014	138,400	12,160,719	29,173,233
Total Financing Sources	35,898,305	11,565,014	138,400	47,601,719	57,116,558
Net Cost of Operations	28,564,541	29,766,058	119,726	58,450,325	38,773,078
Net Position - End of the Year	\$24,479,940	\$97,132,897	\$305,251	\$121,918,088	\$132,766,694

The accompanying notes are an integral part of these statements.

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Consolidating Statement of Budgetary Resources

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2002
(With Comparative Consolidated Total For the Year Ended September 30, 2001)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>2002</u> <u>2001</u> <u>(restated)</u>
			<u>Total</u>	<u>Total</u>
<u>Budgetary Resources</u>				
Budgetary Authority:				
Appropriations	\$35,466,000		\$35,466,000	\$28,000,000
Borrowing authority adjustment				(65,000,000)
Net transfer in (out) for net foreign exchange loss (gain)	\$50,397		850,397	(2,678,256)
Other (contributions collected)		\$25,560,046	\$137,865	35,559,093
Less: Rescinded	(25,000)		(25,000)	(61,600)
Unobligated Balances:				
Start of year	10,488,287	74,062,839	251,164	84,802,290
Start of year adjustment		(764)	764	
Net transfer (out) in for net foreign exchange (loss) gain	(850,397)		(850,397)	2,678,256
Recoveries of prior year obligations	4,286		4,286	
Total Budgetary Resources	\$45,933,573	\$99,622,121	\$389,793	\$145,945,487
			\$145,945,487	\$142,101,288
<u>Status of Budgetary Resources</u>				
Obligations incurred - direct	\$30,039,902	\$23,779,476	\$130,313	\$53,949,691
Unobligated balances available	15,893,671	75,842,645	259,480	91,995,796
Total Status of Budgetary Resources	\$45,933,573	\$99,622,121	\$389,793	\$145,945,487
			\$145,945,487	\$142,101,288
<u>Outlays</u>				
Obligations incurred	\$30,039,902	\$23,779,476	\$130,313	\$53,949,691
Plus: Obligated balances, start of year:				
Undelivered orders	6,074,722	19,970,047	33,741	26,078,510
Delivered orders - unpaid	2,404,239	373,749	276	2,778,264
Less: Obligated balances, end of year:				
Undelivered orders	(8,385,851)	(14,041,070)	(44,378)	(22,471,299)
Delivered orders - unpaid	(1,959,003)	(6,052,099)	(4,533)	(8,015,635)
Total Outlays	\$28,174,009	\$24,030,103	\$115,419	\$52,319,531
			\$52,319,531	\$42,155,943

The accompanying notes are an integral part of these statements.

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Consolidating Statement of Financing

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2002
(With Comparative Consolidated Total For the Year Ended September 30, 2001)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>2002</u> <u>2001</u> <u>(restated)</u>
			<u>Total</u>	<u>Total</u>
<u>Resources Used To Finance Activities</u>				
Obligations incurred - direct	\$30,039,902	\$23,779,476	\$130,313	\$53,949,691
Imputed retirement and audit services	457,305			457,305
Other transfers and adjustments	(17,266)	44,291	50	27,075
Total Resources Used to Finance Activities	30,479,941	23,823,767	130,363	54,434,071
<u>Resources That Do Not Fund Net Cost of Operations</u>				
General property capitalized on the balance sheet	(272,841)			(272,841)
Decrease in unfunded annual leave		(20,838)		(20,838)
Undelivered orders - start of year	6,074,722	19,970,047	33,741	26,078,510
Less: Undelivered orders - end of year	(8,385,851)	(14,041,070)	(44,378)	(22,471,299)
Total Resources That Do Not Fund Net Cost of Operations	(2,583,970)	5,908,139	(10,637)	3,313,532
<u>Components of Net Cost of Operations Not Requiring Resources in the Current Period</u>				
Components Requiring Resources in Future Periods:				
Increase in Unfunded Annual Leave	82,110			82,110
Increase in Unfunded Separation Pay	105,410			105,410
Total Components Requiring Resources in Future Periods	187,520			187,520
Components Not Requiring Resources:				
Depreciation	481,050	21,803		502,853
In-kind expenses		12,349		12,349
Total Components Not Requiring Resources	481,050	34,152	0	515,202
Total Costs Not Requiring Resources in the Current Period	668,570	34,152	0	702,722
Net Cost of Operations	\$28,564,541	\$29,766,058	\$119,726	\$58,450,325

The accompanying notes are an integral part of these statements.

Notes to the Consolidating Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION
NOTES TO THE CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2002 and 2001

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying consolidating and consolidated financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and financing of the American Battle Monuments Commission (the Commission) in conformity with U.S. 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 Commission is an independent agency within the Executive Branch of the Federal Government and was created by an Act of March 4, 1923, the current provisions of which are now codified in 36 U.S.C. Chapter 21. The Commission's mission is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, the date of United States entry into World War I, and at locations within the United States when directed by the Congress. The Commission designs, administers, constructs, operates, and maintains 24 American military cemeteries and 25 federal memorials, monuments, and markers (herein collectively referred to as memorials). Three of the memorials are located in the United States while all of the cemeteries and the remaining memorials are located on foreign soil in 14 foreign countries, the Marianas, and Gibraltar. The Commission is also responsible for maintaining 3 nonfederal memorials with funds received from the memorial's sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through regional offices located near Paris, France and in Rome, Italy; and cemeteries in Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

The Commission is also responsible for designing and constructing the National World War II Memorial to be located on the Mall in Washington, D.C. In accordance with the Commemorative Works Act, the Secretary of Interior will assume responsibility for maintenance of the Memorial after its completion. Also in accordance with the Act, the Commission provided \$6.6 million for deposit in a separate Treasury account to offset the Memorial's costs of perpetual maintenance.

Commission programs are funded primarily through appropriations available without fiscal year limitation. The Commission 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 Commission's proprietary accounts (assets, liabilities, equity, revenue, and expenses) 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. Commission 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 Commission'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 Commission is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. The Commission is also authorized under a modification to its original legislation to invest receipts from certain non-federal war memorial organizations 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 Commission's overseas 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

The Commission recognizes unrestricted contributions or unconditional promises to give as revenue in the period of the initial pledge when sufficient verifiable evidence of the pledge 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 Commission 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 and Supplies Inventories

The Commission has determined that it is more cost beneficial to record operating materials and supplies on the purchase method of accounting whereby items are expensed as purchased rather than when consumed. Consequently, the Commission reports no operating materials or supplies inventories.

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I. Property, Plant, and Equipment

Purchases of general property, plant, and equipment 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 30 years. Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, and federal 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 Commission'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 Statements 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

The Commission's 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. The Commission's 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 Commission withholds .80 percent of base pay, and as employer contributes 10.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission 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 Commission withholds 7.00 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 Office of Personnel Management (OPM) and the Social Security Administration. OPM 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 Commission contributes a minimum of 1 percent of FERS employees' base pay to the TSP. FERS employees have the option of contributing up to 12 percent of their base pay on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. CSRS employees may contribute up to 7 percent of their base pay to TSP on a tax-deferred basis, and receive no matching contribution from the Commission.

Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 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 Commission. Each year balances in the accrued separation pay

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and annual leave accounts are 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 Commission received imputed financing for retirement and other benefits paid by OPM and financial audits paid by the General Accounting Office (GAO) during fiscal year 2002. The Commission recognized these expenses and related imputed financing in its 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. Restatement

Certain amounts from fiscal year 2001 have been restated to conform to the fiscal year 2002 presentation.

Note 2. Fund Balances with Treasury

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

	<u>2002</u>			<u>2001</u>
	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>	
Appropriated Funds	\$15,501,379		\$ 15,501,379	\$7,895,092
Currency Fluctuation	9,637,890		9,637,890	10,034,950
WW II Memorial Fund		\$13,895,789	13,895,789	277,700
Other Trust Funds		<u>250,415</u>	<u>250,415</u>	<u>259,945</u>
	<u>\$25,139,269</u>	<u>\$14,146,204</u>	<u>\$ 39,285,473</u>	<u>\$18,467,687</u>

Note 3. Treasury Investments, Net

As of September 30, the Commission's investments in U.S. Treasury notes, which are marketable securities due within two years were:

EY	Cost	Interest Rates	Net Premium/ (Discount)	Interest Receivable	Net Investment
02	\$82,098,000	4.25% to 10.75%	\$976,094	\$1,243,054	\$84,317,148
01	\$94,226,000	5.50% to 10.75%	\$1,355,974	\$1,895,404	\$97,477,378

Amortization is on the interest method and amortized cost approximated market as of September 30.

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Note 4. Cash and Foreign Accounts

Outside the United States the Commission 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>2002</u>	<u>2001</u>
Imprest Cash Funds	\$33,534	\$32,260
Foreign Bank Accounts	1,184,880	1,122,979
Undeposited Cash	<u>8,690</u>	<u>-</u>
	<u>\$1,227,104</u>	<u>\$1,155,239</u>

Note 5. Contributions Receivable

The Commission 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 are recorded as contribution receivables and revenue in the fiscal year pledged, and \$5,014,127 is temporarily restricted until collected. Amounts due in future years are as follows:

<u>Fiscal Year Due</u>	
2003	\$3,774,699
2004	816,451
2005	308,850
2006	110,000
2007	100,000
After five years	<u>252,087</u>
Total amount due	5,362,087
Less: Discount at 5%	<u>(347,960)</u>
Net Receivable	<u>\$ 5,014,127</u>

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

As of September 30, 2002, \$562,700 of conditional promises to give to the Memorial were outstanding, including a pledge for in-kind services with a balance of \$350,000 that was not included in contributions receivable.

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 and all heritage assets were expensed by the Commission and totaled \$806,774 in fiscal year 2002. WWII Memorial equipment totaling \$4,421 in fiscal year 2002 was also expensed.

Since the 1960s, the Commission's European regional office near Paris, France has occupied a residential structure owned by the United States government. The Commission 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 Commission's financial statements.

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

Category	2002			2001		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	\$70,513	\$49,288	\$21,225	\$70,513	\$46,940	\$23,573
Accounting System	1,760,065	352,013	1,408,052	1,760,065	-	1,760,065
Equipment	<u>1,313,571</u>	<u>944,930</u>	<u>368,641</u>	<u>1,040,730</u>	<u>796,438</u>	<u>244,292</u>
	<u>\$3,144,149</u>	<u>\$1,346,231</u>	<u>\$1,797,918</u>	<u>\$2,871,308</u>	<u>\$843,378</u>	<u>\$2,027,930</u>

There was no change in the number of physical units or acreage of cemeteries or memorial heritage assets in fiscal year 2002.

Note 7 Other Liabilities

Other liabilities as of September 30 were:

	2002	2001
Accrued Salaries and Benefits	\$657,833	\$812,565
Separation Pay Liability	878,992	773,582
Unfunded Annual Leave	758,040	696,767
Clearing Account Liability	<u>85,699</u>	<u>85,774</u>
	<u>\$2,380,564</u>	<u>\$2,368,688</u>

Under a host nation agreement, the Commission's Italian employees earn separation pay for each year of service with the Commission. The Commission recognized an unfunded liability for separation pay for these employees of \$878,992 as of September 30, 2002, and \$773,582 as of September 30, 2001.

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 OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2002, the Commission incurred \$878,193 of pension and ORB costs, \$262,305 of which was imputed. For fiscal year 2001, the Commission incurred \$705,895 of pension and ORB costs, \$217,507 of which was imputed. Total imputed costs of \$457,305 for fiscal year 2002 and \$410,507 for fiscal year 2001 included audit services provided by the General Accounting Office.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia headquarters, including office space for the WWII Memorial Project, are rented under a nine-year operating lease expiring in July 2007. The European Director's living quarters are rented under a yearly agreement. The Commission's Mediterranean office occupies commercial office space under a six-year operating lease expiring in May 2007. The Mediterranean Director's living quarters are rented under a six-year operating lease expiring in December 2007. Rent expense for these fiscal year 2002 operating leases was \$532,550. Future minimum payments due on these operating leases as of September 30, 2002, were:

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Fiscal Year	
2003	\$476,417
2004	477,975
2005	479,575
2006	481,219
2007	404,026
After five years	<u>8,421</u>
	<u>\$2,327,633</u>

Note 9. Net Position

Net position balances as of September 30, 2002 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$15,889,139			\$15,889,139
Undelivered Orders	<u>8,385,851</u>	<u> </u>	<u> </u>	<u>8,385,851</u>
	<u>\$24,274,990</u>	<u>\$ </u>	<u>\$ </u>	<u>\$24,274,990</u>
Cumulative Results of Operations:				
Unrestricted	\$204,950	\$78,077,700	\$260,873	\$78,543,523
Undelivered Orders		14,041,070	44,378	14,085,448
Temporarily Restricted		5,014,127	-	5,014,127
Permanently Restricted	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$204,950</u>	<u>\$97,132,897</u>	<u>\$305,251</u>	<u>\$ 97,643,098</u>
Total Net Position	<u>\$24,479,940</u>	<u>\$97,132,897</u>	<u>\$305,251</u>	<u>\$121,918,088</u>

Net position balances as of September 30, 2001 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$10,488,288			\$10,488,288
Undelivered Orders	<u>6,074,722</u>	<u> </u>	<u> </u>	<u>6,074,722</u>
	<u>\$16,563,010</u>	<u>\$ </u>	<u>\$ </u>	<u>\$16,563,010</u>
Cumulative Results of Operations:				
Unrestricted	\$583,166	\$77,391,051	\$252,836	\$78,227,053
Undelivered Orders		19,970,047	33,741	20,003,788
Temporarily Restricted		17,972,843	-	17,972,843
Permanently Restricted	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$583,166</u>	<u>\$115,333,941</u>	<u>\$286,577</u>	<u>\$116,203,684</u>
Total Net Position	<u>\$17,146,176</u>	<u>\$115,333,941</u>	<u>\$286,577</u>	<u>\$132,766,694</u>

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

Financial progress since the inception of the Fund in fiscal year 1993 through fiscal year 2002 is as follows:

Costs	2002	Total 1993-2002*
Fundraising	\$1,348,962	\$32,313,124
Administration	974,599	6,766,581
Memorial project costs	99,721	1,649,022
Property, plant and equipment	4,421	252,555
Education	<u>-</u>	<u>426,834</u>
Subtotal	2,427,703	41,408,116
Design & Construction	<u>27,338,355</u>	<u>47,968,823</u>
Net Cost of Operations	29,766,058	89,376,939
Financing Sources		
Coin surcharge proceeds		4,797,329
Department of Defense		5,000,000
Sale of titanium		6,000,000
General support	<u>7,623,505</u>	<u>157,746,257</u>
Contributions	7,623,505	173,543,586
Investment earnings	3,941,509	12,966,250
Total Financing Sources	11,565,014	186,509,836
Net Results of Operations	<u>\$(18,201,044)</u>	<u>\$97,132,897</u>

*The amounts for fiscal years 1993 through 2000 were audited by the U.S. General Accounting Office and presented in their reports GAO/AIMD-95-9 for fiscal year 1993; GAO/AIMD-96-24 for fiscal year 1994; GAO/AIMD-97-68R for fiscal years 1995 and 1996; GAO/AIMD-98-129R for fiscal year 1997; GAO/AIMD-99-74 for fiscal year 1998; GAO/AIMD-00-85 for fiscal year 1999; GAO-01-375 for fiscal year 2000; and GAO-02-390 for fiscal year 2001.

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Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

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Statement of Heritage Assets

American Battle Monuments Commission
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24 Cemeteries

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
<u>European Region</u>					
Aisne Marne American Cemetery	Belleau, (Aisne), France	2,290	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,328	462	90.5	WW II
Brittany American Cemetery	St James, (Manche), France	4,410	498	7.5	WW II
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,812	5,126	30.5	WW II
Epinal American Cemetery	Epinal, (Vosges), France	5,255	424	48.6	WW II
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,992	450	57.0	WW II
Lorraine American Cemetery	St. Avold, (Moselle), France	10,489	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg	5,076	371	48.7	WW II
Meuse-Argonne American Cemetery	Romagne, (Meuse), France	14,246	954	130.5	WW I
Netherlands American Cemetery	Margraten, Holland	8,301	1,723	65.5	WW II
Normandy American Cemetery	Colleville Sur-Mer, France	9,387	1,557	172.5	WW II
Oisne-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Somme American Cemetery	Bony, (Aisne), France	1,844	333	14.3	WW I
St Mihiel American Cemetery	Thiacourt, Meurthe, France	4,153	284	40.5	WW I
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW III
<u>Mediterranean Region</u>					
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II
<u>Other</u>					
Corozal American Cemetery	Panama City, Panama	5,197		16.0	*
Mexico City American Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am
Manila American Cemetery	Luzon, Phillipines	17,206	36,282	152.0	WW II
Sub Total for Cemeteries		130,927	60,311	1,272.3	

* Acquired by Executive Order from the former Panama Canal Zone

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25 Federal Memorials, Monuments, and Markers

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
East Coast Memorial	New York City, NY		4,609	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,800	1.0	WW II/Korea/Vietnam
West Coast Memorial	San Francisco, CA		412	1.3	WW II
Audenarde Monument	Audenarde, Belgium			0.4	WW I
Bellicourt Monument	St. Quentin, France			1.8	WW I
Brest Naval Monument	Brest, France			1.0	WW I
Cabanatuan Memorial	Luzon, Phillipines				WW II
Cantigny Monument	Cantigny, France			0.4	WW I
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I
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
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiacourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Point du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II
Saipan Monument	Saipan, Northern Mariana Islands				WW II
Santiago Surrender Tree	Santiago, Cuba				Sp American War
Sommepey Monument	Sommepey, France			15.0	WW I
Souilly Marker	Souilly, France				WW I
Tours Monument	Tours, France			0.5	WW I
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II
Western Naval Task Force Memorial	Casablanca, Morocco				WW II
Sub Total for Memorials		0	33,821	368.9	
Grand Total		<u>130,927</u>	<u>94,132</u>	<u>1,641.2</u>	

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3 Non-Federal Memorials

<u>Name</u>	<u>Location</u>	<u>War</u>
29th Infantry Division Memorial	Vierville-sur-Mer, France	WW II
30th Infantry Division Memorial	Mortain, France	WW II
6th Engineering Special Brigade Memorial	Vierville-sur-Mer, France	WW II

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Note to Statement of Heritage Assets

**American Battle Monuments Commission
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Maintenance and Repairs

Maintenance and repairs performed on Commission real property consisting of land improvements, buildings, and memorials totaled \$4.4 million in fiscal year 2002 and \$3.5 million in fiscal year 2001 that included deferred maintenance projects. During fiscal year 2002, the Commission eliminated its backlog of deferred maintenance projects to zero as of September 30, 2002.

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, 193 engineering maintenance projects with an estimated cost of \$3.8 million were identified as of September 30, 2002, to be performed in future years as necessary to maintain real property in an acceptable condition.

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