

March 2011

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2010 and 2009



G A O

Accountability ★ Integrity ★ Reliability

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Why GAO Did This Study

Created in 1923, the American Battle Monuments Commission (the Commission) operates and maintains 24 American military cemeteries on foreign soil; 25 federal memorials, monuments, and markers; and 7 nonfederal memorials. For fiscal year 2010, the Commission incurred program costs of \$69.6 million to maintain its cemeteries and federal memorials.

In accordance with 36 U.S.C. § 2103, GAO is responsible for conducting audits of the agencywide financial statements of the Commission. GAO audited the financial statements of the Commission for the fiscal years ended September 30, 2010, and 2009.

The audits were done to determine whether, in all material respects, (1) the Commission's financial statements were presented fairly and (2) Commission management maintained effective internal control over financial reporting. GAO also tested Commission management's compliance with selected laws and regulations.

What GAO Recommends

GAO is not making any recommendations in this report, but will be reporting separately on matters identified during its audit, along with recommendations for strengthening the Commission's internal controls.

In commenting on a draft of this report, the Commission concurred with its facts and conclusions.

View [GAO-11-320](#) or key components. For more information, contact Steven J. Sebastian at (202) 512-3406 or sebastians@gao.gov.

What GAO Found

In GAO's opinion, the financial statements of the Commission as of September 30, 2010, and 2009, and for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles (GAAP). Also, in GAO's opinion, the Commission maintained effective internal control over financial reporting as of September 30, 2010. In addition, GAO found no reportable instance of Commission noncompliance in fiscal year 2010 with selected provisions of laws and regulations tested. However, the Commission did not provide an analysis of the agency's overall financial position and results of operations in Management's Discussion and Analysis as required by U.S. GAAP and OMB Circular No. A-136, *Financial Reporting Requirements*.

In a prior report (GAO-10-399), GAO identified a significant deficiency in the Commission's internal control over financial reporting as of September 30, 2009, and a violation of the Antideficiency Act. In July 2010, the significant deficiency was resolved by the President's appointment of eight Commissioners, a significant component of the Commission's governance structure. The Commissioners provide high-level strategic oversight of Commission operations, including its internal control over financial reporting. The new Commissioners also approved a delegation of authority to the Secretary in the event all Commissioner positions become vacant. The Antideficiency Act violation was caused by a contract containing a hold-harmless clause which subjected the Commission to potentially unlimited liability. The violation was resolved by termination of the contract in fiscal year 2009 and the Commission's reporting of the violation in fiscal year 2010.

GAO noted other less significant matters involving the Commission's internal control and will be reporting separately to Commission management.

The Commission's Suresnes American Cemetery in Suresnes, France



Source: American Battle Monuments Commission.

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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 Government Accountability Office
Washington, D.C. 20548

March 1, 2011

The Honorable Patty Murray
Chairman
The Honorable Richard Burr
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Jeff Miller
Chairman
The Honorable Bob Filner
Ranking Member
Committee on Veterans' Affairs
House of Representatives

In accordance with 36 U.S.C. § 2103, this report presents the results of our audits of the financial statements of the American Battle Monuments Commission (the Commission) for the fiscal years ended September 30, 2010, and 2009. This report contains our (1) unqualified opinion on the Commission's fiscal years 2010 and 2009 financial statements; (2) opinion that the Commission maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010; and (3) conclusion that our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2010 disclosed no instances of noncompliance. The accompanying report also provides information regarding a significant deficiency in the Commission's internal control over financial reporting and a violation of the Antideficiency Act identified during last year's audit that were resolved in fiscal year 2010.

We are sending copies of this report to the Chairmen and Ranking Members of the Senate Committee on Appropriations and the House Committee on Appropriations. We are also sending copies to the Director of the Office of Management and Budget, the Commissioners and Secretary of the Commission, and other interested parties. This report also 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 at (202) 512-3406 or at sebastians@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this engagement were Roger R. Stoltz, Taya R. Tasse, Tory E. Wudtke, Eugene E. Stevens IV, Melanie B. Swift, Brian S. Harechmak, Casey L. Kopcho, and Cynthia Rios.

A handwritten signature in black ink, reading "Steven J. Sebastian". The signature is fluid and cursive, with the first name "Steven" and last name "Sebastian" clearly legible.

Steven J. Sebastian
Director
Financial Management and Assurance



United States Government Accountability Office
Washington, D.C. 20548

To the Commissioners and Secretary 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's financial statements for fiscal years 2010 and 2009, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2010, and comparative consolidated totals as of and for the fiscal year ended September 30, 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- the Commission had effective internal control over financial reporting as of September 30, 2010; and
- no reportable noncompliance with provisions of laws and regulations we tested.

The following sections discuss in more detail (1) our basis for these conclusions; (2) our conclusions on Management's Discussion and Analysis and other supplementary information; (3) our audit objectives, scope, and methodology; and (4) Commission comments.

Opinion on Financial Statements

The Commission's consolidating balance sheet as of September 30, 2010, consolidating statement of net cost and changes in net position, and consolidating statement of budgetary resources, with accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 2009, 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 as of September 30, 2010. Commission internal control provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the consolidating financial statements would be prevented or detected and corrected on a timely basis. Our opinion is based upon criteria established under 31 U.S.C. § 3512

(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our audit of the Commission's fiscal year 2009 financial statements,¹ we identified a significant deficiency² in the Commission's governance structure because all Commissioner positions were vacant.³ Consistent with U.S. generally accepted government auditing standards, the Commissioners, the Secretary, and other designated officials collectively function as the Commission's governance structure. However, while the President appointed a new Commission Secretary on June 3, 2009, Commissioner appointments had not been made as of September 30, 2009. Further, we reported that we did not find any evidence of the Commission's express delegation of authority and assignment of responsibilities to the Secretary. In July 2010, eight⁴ Commissioners were appointed who now provide high-level strategic oversight of Commission operations, including its internal control over financial reporting. Additionally, the new Commissioners approved and implemented a Commission policy to delegate the Commissioners' governance authority to the Commission Secretary in the event all Commissioner positions become vacant. Consequently, this prior year significant deficiency was resolved as of September 30, 2010.

We identified other less significant matters concerning the Commission's internal control that we will report separately along with recommended corrective actions.

¹GAO, *Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 2009 and 2008*; GAO-10-399 (Washington, D.C.: Mar.1, 2010).

²A significant deficiency in internal control is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

³Under the Commission's enabling legislation, up to 11 Commissioners and the Secretary are appointed by the President of the United States. The Commissioners are charged with the execution of the Commission's mission, but may delegate any of its authorities to its Chairman, the Secretary, or to other officials in charge of Commission offices.

⁴A ninth Commissioner was appointed in December 2010.

Compliance With Laws and Regulations

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2010 disclosed no instance of noncompliance that is reportable under U.S. generally accepted government auditing standards. 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.

During our audit of the Commission's fiscal year 2009 financial statements, we determined that a Commission contract with a commercial employment services firm to provide temporary employees to the Commission violated the Antideficiency Act because it contained an open-ended hold-harmless clause which subjected the Commission to potentially unlimited liability.⁵ Commission officials agreed with our conclusion that the hold-harmless clause was an Antideficiency Act violation. In accordance with the act, the violation and relevant facts, circumstances, and actions taken by the Commission were subsequently reported to the Congress and the President of the United States, with a copy to the Comptroller General, following the guidance issued by the Office of Management and Budget (OMB). Since the contract was terminated in fiscal year 2009 and the violation reported, this matter has been resolved.

Consistency of Other Information

The Commission's Management Discussion and Analysis and other information related to heritage assets presented in the Commission's financial report contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with officials of the Commission. On the basis of this limited work, we found no material inconsistencies with the financial statements. However, the Commission did not provide an analysis of the agency's overall financial position and results of operations in Management's Discussion and Analysis as required by U.S. generally

⁵The Antideficiency Act prohibits officers and employees of the U.S. government from obligating or spending in advance or in excess of appropriations. 31 U.S.C. § 1341(a). The U.S. Supreme Court and the Comptroller General have held that open-ended indemnification agreements violate this prohibition in the absence of specific statutory authority. See *Hercules, Inc. v. United States*, 516 U.S. 417, 427-28 (1996); B-242146, Aug. 16, 1991.

accepted accounting principles and OMB Circular No. A-136, *Financial Reporting Requirements*.

Objectives, Scope, and Methodology

Commission management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control over financial reporting and evaluating its effectiveness, and (3) complying with applicable laws and regulations. Commission management evaluated the effectiveness of its internal control over financial reporting as of September 30, 2010, based upon the criteria established under FMFIA. Commission management's assertion based on its evaluation is included in appendix I.

We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion on whether (1) the Commission's financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) Commission management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2010. We are also responsible for (1) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements, and (2) performing limited procedures with respect to certain other information accompanying the financial statements. In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, including evidence supporting statistical samples of Commission payroll and nonpayroll expenditures;⁶
- assessed the accounting principles used and significant estimates made by Commission management;

⁶These statistical samples were selected primarily to determine the validity of activities reported in the Commission's financial statements. We projected any errors in dollar amount to the population of transactions from which they were selected. In testing some of these samples, certain attributes were identified that indicated deficiencies in the design or operation of internal control. These attributes, where applicable, were statistically projected to the appropriate populations.

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- evaluated the overall presentation of the Commission's financial statements;
 - obtained an understanding of the Commission and its operations, including its internal control over financial reporting;
 - considered the Commission's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA;
 - assessed the risk of (1) material misstatement in the Commission's financial statements, and (2) material weakness in its internal control over financial reporting;
 - tested relevant internal control over the Commission's financial reporting;
 - evaluated the design and operating effectiveness of the Commission's internal control over financial reporting based on the assessed risk; 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,
 - Buffalo Soldiers Commemoration Act of 2005,
 - Continuing Appropriations Resolution, 2010,
 - Consolidated Appropriations Act, 2010,
 - Antideficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

We did not evaluate all internal control relevant to operating objectives as broadly established under FMFIA, such as controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting and may not be sufficient for other purposes. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness. Because of inherent limitations in internal control, internal control may not prevent or detect and correct misstatements due to error or fraud, losses, or noncompliance. We also caution that projecting any evaluation of effectiveness 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 policies or procedures may deteriorate.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those laws and regulations that have a direct and material effect on the financial statements for the fiscal year ended September 30, 2010. 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 audit in accordance with U.S. generally accepted government auditing standards. We believe our audit provides a reasonable basis for our opinions and other conclusions.

Commission Comments

In commenting on a draft of this report, the Commission concurred with its facts and conclusions.

Sincerely yours,

A handwritten signature in black ink, reading "Steven J. Sebastian". The signature is written in a cursive, flowing style.

Steven J. Sebastian
Director
Financial Management and Assurance

February 11, 2011

Management's Discussion and Analysis

**AMERICAN BATTLE MONUMENTS COMMISSION
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Mission

The American Battle Monuments Commission (the Commission) — guardian of America's overseas commemorative cemeteries and memorials — honors the service, achievements and sacrifice of the United States armed forces. Since 1923, the Commission has executed this mission by (1) commemorating the achievements and sacrifices of America's armed forces through the erection and maintenance of suitable memorial shrines in the U.S. when authorized by Congress and where they have served overseas since April 6, 1917; (2) designing, constructing, operating, and maintaining permanent American military burial grounds in foreign countries; and (3) controlling the design and construction on foreign soil of U.S. military memorials, monuments, and markers by other U.S. citizens and organizations, both public and private, and encouraging their maintenance. The Commission's fiscal year 2010 appropriation supported its continued commitment to the worldwide responsibilities that flow from this mission.

In performance of its mission, the Commission administers, operates, and maintains 24 permanent American military cemeteries; 25 federal memorials, monuments, and markers; and seven nonfederal memorials. Three memorials are located in the United States; the remaining memorials and all of the Commission's cemeteries are located in 14 foreign countries, the U.S. Commonwealth of the Northern Mariana Islands, and the British dependency of Gibraltar. These cemeteries and memorials are among the most beautiful and meticulously maintained shrines in the world. The Commission's World War I, World War II, and Mexico City cemeteries are closed to future burials except for the remains of U.S. war dead discovered in World War I and II battle areas.

In addition to grave sites, the World War I and II cemeteries, together with three memorials on U.S. soil, commemorate by name on Tablets of the Missing those U.S. service members who were missing in action or lost or buried at sea during the First and Second World Wars and the Korean and Vietnam Wars.

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.

During fiscal year 2010, the Commission continued to ensure that its commemorative cemeteries and memorials remain fitting shrines to those who have served our nation in uniform since America's entry into World War I.

The Commission's mission statement:

The American Battle Monuments Commission—guardian of America's overseas commemorative cemeteries and memorials—honors the competence, courage, and sacrifice of United States armed forces.

Organizational Structure

The Commission's organizational structure for fiscal year 2010 is shown in figure 1.

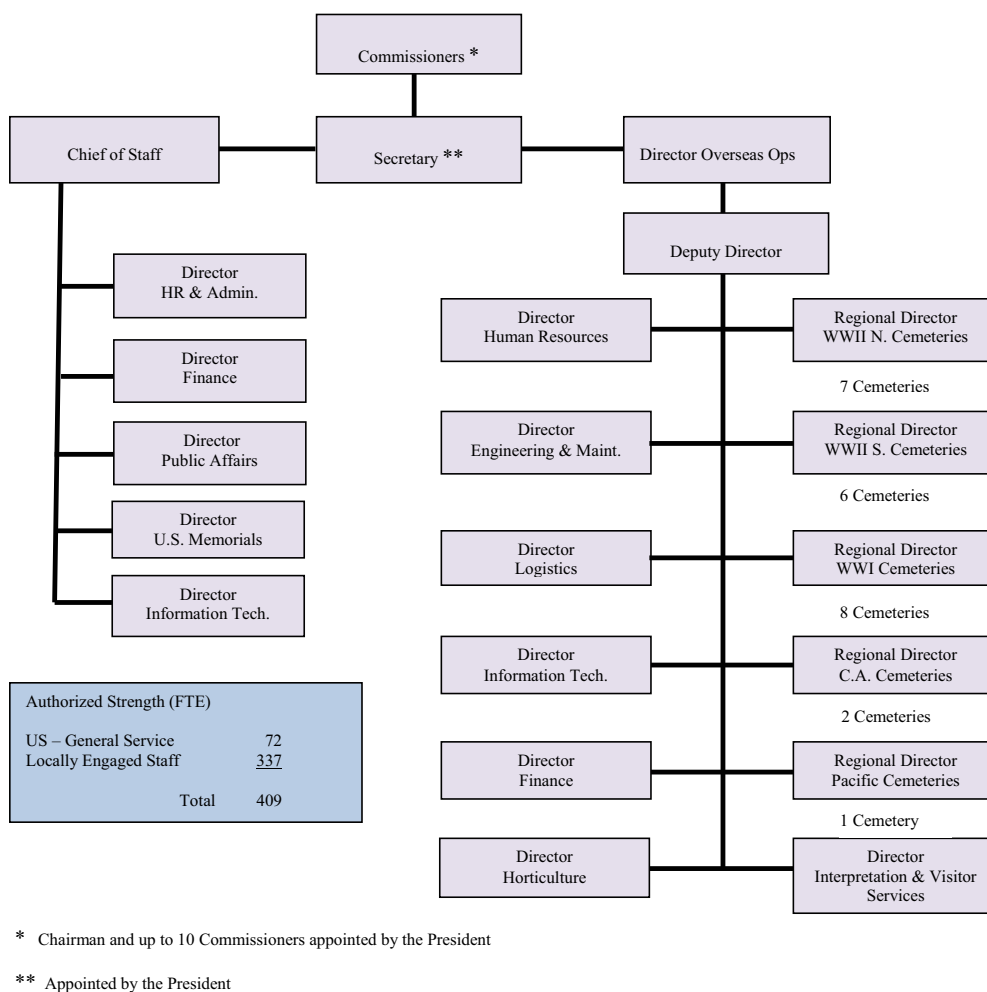


Figure 1: The Commission's Organizational Structure

The Commission's policy-making body consists of up to an 11-member Board of Commissioners appointed by the President of the United States for an indefinite term and whose members serve without pay. The commissioners establish policy and ensure proper staff functioning in carrying out the mission of the Commission. During inspection visits to Commission cemeteries, they observe, inquire about, comment upon, and make recommendations on any and all aspects of Commission operations. The Administration had appointed 8 members to the Board of Commissioners by the close of the fiscal year. The Commission's daily operations are directed by an Executive Level Secretary, who is appointed by the President and assisted by a Chief of Staff.

The Commission's headquarters office is in Arlington, Virginia and an Office of Overseas Operations located in Garches, France, just outside Paris. For fiscal year 2010, the Commission had a total of 409 full-time equivalent (FTE) positions. U.S. citizens constituted 72 members of the staff, while the remaining 337 were locally engaged staff employed at the Commission's regional offices and at the cemeteries in the countries where the Commission operates.

Operations Management

Operations management activities in fiscal year 2010 focused on funding salaries and benefits, service fees, scheduled maintenance and repairs, supplies, materials, spare parts, replacement of uneconomically repairable equipment, and capital improvements.

For fiscal year 2010, the Commission received \$62,675,000 from appropriations in its Salaries and Expenses account. The Commission's Foreign Currency Fluctuation Account appropriation for fiscal year 2010 contained "such sums as may be necessary" language. For fiscal year 2010, the Commission estimated \$20,200,000 be used to offset currency exchange losses. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

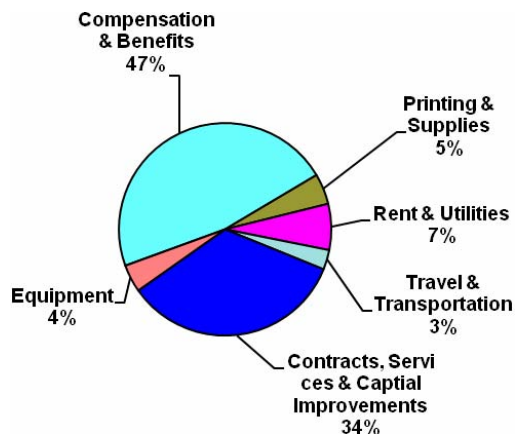


Figure 2: Fiscal Year 2010 Obligations by Object Class

The Commission has received funding for engineering, maintenance and horticulture programs that make the Commission's facilities among the most beautiful memorials in the world. These shrines to America's war dead require a formidable annual program of maintenance and repair of facilities, equipment, and grounds.

The Commission prioritizes the use of its engineering, maintenance and horticulture funds carefully to ensure the most effective and efficient utilization of its available resources. This care includes upkeep of more than 131,000 graves and headstones and 73 memorial structures (within and external to the cemeteries) on approximately 1,650 acres of land. Additionally, the Commission maintains 65 visitor facilities and quarters for assigned personnel; 67 miles of roads and paths; 911 acres of flowering plants, fine lawns, and meadows; 3 million square feet of shrubs and hedges; and 11,000 ornamental trees.

Care and maintenance of these resources requires exceptionally intensive labor at the Commission's cemeteries and memorials. Compensation and benefits consumed approximately 47 percent of the Commission's fiscal year 2010 spending while the remaining 53 percent supported engineering, maintenance, horticulture, logistics, services, supplies and other administrative costs critical to its operations.

High Priority Performance Goals and Results

Summarized below are the Commission's performance goals and results.

Goal 1: Provide an inspirational and educational visitor experience through effective outreach and interpretive programs.

Objectives for Goal 1

- Develop, educate the public about the Commission mission, and the competence, courage, and sacrifice of those honored at its commemorative sites.
- Increase visitation to Commission cemeteries, memorials, and website.
- Educate and train all employees who provide visitor services in interpretive skills.
- Leverage international events and relevant anniversary dates to interpret Commission cemeteries.
- Satisfy constituents' needs through timely distribution of information and products

Strategy for Achieving Goal 1

We will develop educational materials and new technology capabilities to improve visitor education programs, both on-site and on our Web site. We will expand Web marketing and public/media outreach to increase visitation to our Web site and memorial sites. We will also develop a methodology to count visitors so that we can document both on-site and Web site visitation. We will expand training and mentoring opportunities to enhance professional and personal development of our employees. We will also create historical reference libraries to assist in the interpretive mission. We will leverage upcoming milestones to increase the public reach of the interpretive initiative, including D-Day, Memorial Day, Veterans Day, 100th anniversary of WWI, 70th anniversary of WWII, and the 2012 London Olympics. We will automate frequently requested services for our constituents in order to improve on-site and Web site customer service.

Selected Performance Results toward Achieving Goal 1

- The PBS documentary “Hallowed Grounds” continued to air on stations nationwide over the Memorial Day and Veterans Day weekends, achieving a total viewership of five million since its launch in FY 2009 and becoming the best selling PBS video in its category—a significant boost for the Commission's outreach efforts. Likewise, a cover story authored by the Secretary appeared in the May issue of the American Legion magazine, which reaches into millions of homes, and numerous other travel-related articles ran in major metropolitan newspapers.
- Military units, veterans groups, and local citizens and organizations continued to pay tribute to those honored at Commission cemeteries by visiting individually or participating in ceremonies and popular “adopt a grave” programs in several host European nations. Significantly, those who lived through the world wars have passed this tradition on to younger generations in an effort to ensure the American sacrifice is never forgotten in those liberated lands.
- Interpretive specialists in the Commission's Overseas Operations Office in France executed an ambitious program to train our cemetery-based staffs on effective interpretive techniques and effective visitor services programs. Professional reference libraries, comprised of general military history as well as books relevant to the wars and campaigns associated with individual cemeteries, were provided to each cemetery, another enhancement to our staffs' ability to interpretive historical events for their visitors.
- New visitor brochures were designed and printed for another 10 cemeteries in fiscal year 2010, bringing the total completed to 15. The final 11 brochures will be designed in fiscal year 2011. When this initiative is completed, newly designed multi-language brochures will be available in all 24 cemeteries as well as the Pointe du Hoc and Honolulu Memorials. The Commission continued to provide prompt responses to customer requests for lithographs, no fee passport authorizations, flower placements, and general information about how to visit the overseas cemeteries and memorials we administer.
- Execution was administratively delayed on several Web-related initiatives: a site redesign; a war dead database redesign; and awarding of a contract for 18 campaign interactive programs. All three projects are expected to be completed or awarded in fiscal year 2011.

Goal 2: Develop, operate, maintain, and improve Commission facilities as the world's best commemorative sites.

Objective for Goal 2

- Review and evaluate facilities and execute approved maintenance, repair, and improvements.

Strategy for Achieving Goal 2

We will continue to operate, maintain, and improve Commission facilities and infrastructure in like-new condition, and implement our evaluation processes to ensure compliance with our high standards. We will work to reduce the growth of operational and routine maintenance costs and promote more effective long-term planning, operations, and resource management.

Selected Performance Results toward Achieving Goal 2

- The following are examples of the engineering, maintenance and horticulture projects executed in fiscal year 2010:
 - Rehabilitation of the Service Area at Oise Aisne American Cemetery
 - Renovated storm drainage and sewage systems at Epinal American Cemetery
 - Cliff stabilization for the Point du Hoc Federal Monument
 - Replacement of irrigation systems at Florence and Sicily-Rome American Cemeteries
 - Renovation of former Visitor Center at Normandy American Cemetery
- The Commission recently awarded a study to assess all program needs and requirements at all European and Mediterranean sites and is in the process of developing a Master Plan for its American Cemetery in Manila

Goal 3: Attract and retain quality employees through personal and professional investment and development.

Objectives for Goal 3

- Establish baseline employee satisfaction through employee survey.
- Ensure timely and effective employee recognition
- Implement an enhanced performance management program with annual performance work plans tied to the strategic plan.
- Balance employee personal and professional responsibilities through work/life initiatives.
- Implement a professional development program responsive to agency and employee needs.

Strategy for Achieving Goal 3

We will implement a professional training and development program, clearly map employee roles and responsibilities to the components of our strategic plan, develop a better understanding of employee needs and satisfaction, and make sure that truly outstanding performance is appropriately recognized.

Selected Performance Results toward Achieving Goal 3

- Two new employees with extensive Human Resources experience were hired during 2010. They are tasked with developing needed HR policies and streamlining/establishing procedures required for the proper functioning of a good HR program.
- In coordination with Federal Occupational Health under the Department of Health and Human Services, the Commission has continued its formal Employee Assistance Program.
- A telework policy is being reviewed, and a policy letter will be issued in 2011. It will supplement the Commission's Alternative Work Schedule Pilot Program.
- The Commission has made considerable progress in providing management and supervisory training to cemetery superintendents.

Goal 4: Continually improve business and resource management practices.

Objectives for Goal 4

- Effectively manage resources.
- Modernize business processes to utilize new technologies and IT practices.
- Formalize processes for development and promulgation of policies and procedures.
- Modernize the Financial Management System and fully utilize the capabilities of the new system.

Strategy for Achieving Goal 4

We will focus our efforts on standardizing core processes, identifying opportunities to use technology to streamline their execution, improving our organizational standards for site evaluation, and regularly reviewing each site for compliance with standards.

Selected Performance Results toward Achieving Goal 4

- The Commission's allocation processes and procedures annually fully fund its mandatory and operational requirements in order to achieve its mission requirements.
- During fiscal year 2010, the Commission initiated an effort to implement a new financial management system.
- An internal control review and risk assessment was conducted in fiscal year 2010 to examine the Commission's internal control mechanisms and business processes.

The Commission continues to receive “clean opinions” from its annual audit by the Government Accountability Office, with no material weaknesses noted.

- The Commission continues to report that its internal control policies and procedures provide reasonable assurance that it complies with the provisions of 31 U.S.C. 3512 (c), (d) – Federal Managers’ Financial Integrity Act (FMFIA).

Financial Statements and Limitations

Since fiscal year 1997, the Commission has been required to produce financial statements and the Comptroller General of the United States has been required to independently audit these statements. The Commission earned unqualified opinions, each year, on its financial statements from the Government Accountability Office.

The financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Commission in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget 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. The statements are for a component of the U.S. Government, a sovereign entity.

Management Integrity: Systems, Controls, Legal Compliance

The Commission is cognizant of the importance of, and need for, management accountability and responsibility as the basis for quality and timeliness of program performance, mission accomplishment, productivity, cost-effectiveness, and compliance with applicable laws. It has taken management actions to ensure that the annual evaluation of these controls is performed in a conscientious and thorough manner according to Office of Management and Budget regulations and guidelines and in compliance with 31 U.S.C. 3512 (c), (d), commonly known as FMFIA. The Commission’s evaluation of its system of internal management practices and controls during fiscal year 2010 revealed no material weaknesses. The objectives of the Commission’s internal management control policies and procedures are to provide reasonable assurance that

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- revenue and expenditures applicable to agency operations are promptly recorded and accounted for; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Based on its evaluation, the Commission concluded that there is reasonable assurance that it complies with the provisions of FMFIA. The reasonable assurance concept recognizes that the cost of internal controls should not exceed the benefits expected to be derived and that the benefits reduce the risk of failing to achieve stated objectives.

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, legislation was enacted in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. However, since the summer of 2006, the U.S. dollar has fallen precipitously against the euro. The Commission has been closely monitoring this because its budget is disproportionately affected by foreign currency fluctuation. Legislation was enacted which included "such sums as may be necessary" language for the Commission's fiscal year 2010 Foreign Currency Fluctuation Account appropriation. This allows the Commission to preserve its purchasing power against a suddenly falling U.S. dollar against the euro. With this language the Commission will continue to estimate and report its Foreign Currency Fluctuation Account requirements as it has in the past. However, when a need arises where the amount forecast by the Commission for this account is insufficient, the Commission will submit an adjusted estimate to the Office of Management and Budget and to the Congress.

Overall, by maintaining close scrutiny of the Commission's obligation status, as well as monitoring and distributing the Foreign Currency Fluctuation Account balance, the Commission reduces its overall future financial risk to continued operations.

Financial Statements

Consolidating Balance Sheet

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 2010
(With Comparative Consolidated Total as of September 30, 2009)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2010</u>	<u>Total 2009</u>
<u>Assets</u>				
Intragovernmental:				
Fund balance with Treasury (note 2)	\$59,268,841	\$3,155,429	\$62,424,270	\$47,379,636
Treasury investments, net (note 3)		9,077,064	9,077,064	9,380,713
Total Intragovernmental	59,268,841	12,232,493	71,501,334	56,760,349
Cash and foreign accounts (note 4)	163,540		163,540	228,671
Accounts receivable	4,747		4,747	
Contributions receivable, net (note 5)				
General property and equipment, net (note 6)	2,775,546		2,775,546	2,883,378
Heritage property (note 6)				
Total Assets	\$62,212,674	\$12,232,493	\$74,445,167	\$59,872,398
<u>Liabilities</u>				
Intragovernmental:				
Accounts payable	\$156,065		\$156,065	\$158,804
Accrued salaries and benefits	386,666		386,666	441,063
Total Intragovernmental	542,731		542,731	599,867
Accounts payable	3,684,876	\$6,059	3,690,935	3,003,754
Other liabilities (note 7)	4,368,135		4,368,135	4,516,412
Total Liabilities	8,595,742	6,059	8,601,801	8,120,033
Commitments and contingencies (note 8)				
<u>Net Position</u> (note 9)				
Unexpended appropriations	53,552,402		53,552,402	39,267,566
Cumulative Results of Operations (deficit)	64,530	12,226,434	12,290,964	12,484,799
Total Net Position	53,616,932	12,226,434	65,843,366	51,752,365
Total Liabilities and Net Position	\$62,212,674	\$12,232,493	\$74,445,167	\$59,872,398

The accompanying notes are an integral part of these statements.

Financial Statements

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, 2010
(With Comparative Consolidated Total for the Year Ended September 30, 2009)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2010</u>	<u>Total 2009</u>
<u>PROGRAM COSTS</u>				
Intragovernmental program costs:				
Operations and maintenance	\$11,173,447	\$26,852	\$11,200,299	\$9,351,245
Program costs with the public:				
Operations and maintenance	40,881,014	702,468	41,583,482	39,040,255
Property and equipment (note 6)	6,482,130		6,482,130	2,887,482
Foreign currency losses, net	11,032,311		11,032,311	8,565,315
Net Cost of Operations	\$69,568,902	\$729,320	\$70,298,222	\$59,844,297
<u>CHANGES IN NET POSITION</u>				
Cumulative Results (Deficit) - Start of Year	\$16,776	\$12,468,023	\$12,484,799	\$12,279,956
<u>Budgetary Financing Sources</u>				
Appropriations used	68,590,164		68,590,164	58,389,099
Total Budgetary Financing Sources	68,590,164		68,590,164	58,389,099
<u>Other Financing Sources</u>				
Other revenue				64,010
Contributions	25,560	414,287	439,847	672,954
Treasury investment earnings		73,444	73,444	21,068
Imputed financing	1,000,932		1,000,932	877,619
Gain on disposition of assets				24,390
Total Other Financing Sources	1,026,492	487,731	1,514,223	1,660,041
Total Financing Sources	69,616,656	487,731	70,104,387	60,049,140
Less: Net Cost of Operations	69,568,902	729,320	70,298,222	59,844,297
Net Increase (Decrease) for the Year	47,754	(241,589)	(193,835)	204,843
Cumulative Results (Deficit) - End of Year	64,530	12,226,434	12,290,964	12,484,799
<u>Unexpended Appropriations</u>				
Unexpended Appropriations - Start of Year	39,267,566		39,267,566	20,610,467
Appropriations received	82,875,000		82,875,000	76,570,000
Appropriations transferred in				500,000
Other offsetting receipts and adjustments				(23,802)
Appropriations used	(68,590,164)		(68,590,164)	(58,389,099)
Increase (decrease) in unexpended appropriations	14,284,836		14,284,836	18,657,099
Unexpended Appropriations - End of Year	53,552,402		53,552,402	39,267,566
TOTAL NET POSITION - END OF YEAR	\$53,616,932	\$12,226,434	\$65,843,366	\$51,752,365

The accompanying notes are an integral part of these statements.

Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2010
(With Comparative Consolidated Total for the Year Ended September 30, 2009)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2010</u>	<u>Total 2009</u>
<u>Budgetary Resources</u>				
Budgetary Authority:				
Appropriations	\$82,875,000		\$82,875,000	\$76,570,000
Appropriations transferred in				\$500,000
Net transfer in for net foreign exchange loss	11,590,892		11,590,892	9,263,087
Other receipts collected	43,166	\$487,731	530,897	732,472
Unobligated Balances:				
Start of year	27,795,433	11,480,804	39,276,237	23,938,362
Net transfer (out) for net foreign exchange (loss)	(11,590,892)		(11,590,892)	(9,263,087)
Other adjustments	(27,368)		(27,368)	
Total Budgetary Resources	\$110,686,231	\$11,968,535	\$122,654,766	\$101,740,834
<u>Status of Budgetary Resources</u>				
Obligations incurred - direct	\$74,565,006	\$740,531	\$75,305,537	\$62,288,791
Unobligated balances available	36,121,225	11,228,004	47,349,229	39,452,043
Total Status of Budgetary Resources	\$110,686,231	\$11,968,535	\$122,654,766	\$101,740,834
<u>Change in Obligated Balances</u>				
Obligations incurred for year	\$74,565,006	\$740,531	\$75,305,537	\$62,288,791
Plus: Obligated balances, start of year	16,628,021	1,000,993	17,629,014	13,337,497
Less: Gross outlays for year	(67,877,123)	(737,035)	(68,614,158)	(57,997,274)
Obligated Balances, End of Year	\$23,315,904	\$1,004,489	\$24,320,393	\$17,629,014
<u>Net Outlays</u>				
Gross outlays for year	\$67,877,123	\$737,035	\$68,614,158	\$57,997,274
Less: Offsetting collections	(43,166)		(43,166)	(151,656)
Net Outlays	\$67,833,957	\$737,035	\$68,570,992	\$57,845,618

The accompanying notes are an integral part of these statements.

Notes to Consolidating and Consolidated Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION**NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS****For the Fiscal Years Ended September 30, 2010 and 2009****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, and budgetary resources 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 the 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 7 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and Rome, Italy; and cemeteries in Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

The Commission also had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, D.C. In accordance with 40 U.S.C. 8906(b), the Commission deposited \$6.6 million into a separate Treasury account to offset the memorial's costs of perpetual maintenance. On November 1, 2004, the Commission signed an agreement with the National Park Service to formally transfer the National World War II Memorial to the Service for its future care and maintenance. Remaining funds reside in a trust fund in the U.S. Treasury to be used solely to benefit the World War II Memorial for other than routine maintenance expense.

Commission programs are funded primarily through appropriations available without fiscal year limitation (no-year). 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 gravesites; and (3) maintain and repair certain nonfederal 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 composed of appropriated general funds and trust funds.

E. Investments

In accordance with 36 U.S.C. 2113(b), 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 nonfederal 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. Amounts are recorded at a standard budget rate in U.S. dollars and a gain or loss recognized when paid in foreign currency. Appropriated monies are transferred from the Commission's Foreign Currency Fluctuation Account to fund net currency losses. Cash accounts in foreign currencies 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 operating materials and supplies located at its cemeteries are not significant amounts and that it is more cost beneficial to record them 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.

I. Property and Equipment

Purchases of general property 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 5 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 donation to be noncollection heritage assets. Heritage assets acquired through purchase or donation

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 disclosure on individual heritage asset cemeteries and memorials are found in the Schedules of Heritage Assets presented as unaudited other 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 11.2 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 7.00 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 governmentwide 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 TSP. For 2010, FERS employees could contribute up to \$16,500 (\$22,000 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2010, CSRS employees may also contribute up to \$16,500 (\$22,000 if at least age 50) on a tax-deferred basis; however, they 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 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 imputes financing for retirement and other benefits paid by OPM, financial audit costs incurred by the Government Accountability Office (GAO), and a heritage asset musical carillon donated each fiscal year. The Commission recognized these expenses and related imputed financing in its financial statements. A heritage asset musical carillon is also recognized each fiscal year as a donation by AMVETS and an in-kind expense. For fiscal year 2010, a donation was not given for a musical carillon.

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.

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 as follows:

	2010			2009
	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Total</u>
Appropriated Funds	\$36,227,394		\$36,227,394	\$ 29,846,213
Currency Fluctuation	23,041,447		23,041,447	14,432,339
Other Trust Funds		\$3,155,429	3,155,429	3,101,084
	<u>\$59,268,841</u>	<u>\$3,155,429</u>	<u>\$62,424,270</u>	<u>\$ 47,379,636</u>

Note 3. Treasury Investments, Net

As of September 30, the Commission's Trust Fund investments in U.S. Treasury notes, which are marketable securities due within 2 years were as follows:

<u>FY</u>	<u>Cost</u>	<u>Interest Rates</u>	<u>Net Premium</u>	<u>Interest Receivable</u>	<u>Net Investment</u>
10	<u>\$8,834,026</u>	<u>4.250 to 5.0%</u>	<u>\$156,464</u>	<u>\$86,574</u>	<u>\$9,077,064</u>
09	<u>\$8,832,026</u>	<u>4.250 to 5.750%</u>	<u>\$461,929</u>	<u>\$86,758</u>	<u>\$9,380,713</u>

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

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 as follows:

	2010	2009
Imprest Cash Funds	\$ 40,636	\$ 45,380
Foreign Bank Accounts	122,141	183,291
Undeposited Cash-Trust	763	0
	<u>\$163,540</u>	<u>\$228,671</u>

Note 5. Contributions Receivable

The Commission has a pledge from a living trust valued at \$138,231 as of September 30, 2010. However, due to the uncertainty of time and amount when the pledge is collected, the contribution will be recognized at the amount when received.

Note 6. General and Heritage Property and Equipment

General property and equipment acquisitions with an aggregate cost basis of \$25,000 or less and all acquisitions of heritage assets which totaled \$6,482,130 were expensed by the Commission in fiscal year 2010. This included \$2,293,504 related to the Normandy Visitor Center, a heritage asset. In fiscal year 2009, \$2,887,482 was expensed, which included \$1,532,186 of costs related to the construction of the Normandy Visitor Center.

Since the 1960s, the Commission's Office of Overseas Operations 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.

General property and equipment as of September 30 was as follows:

Category	2010			2009		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	\$923,460	\$196,068	\$727,392	\$923,460	\$165,316	\$758,144
Accounting Systems	2,145,016	1,929,838	215,178	2,145,016	1,852,848	292,168
Equipment	<u>4,522,998</u>	<u>2,690,022</u>	<u>1,832,976</u>	<u>4,121,515</u>	<u>2,288,449</u>	<u>1,833,066</u>
	<u>\$7,591,474</u>	<u>\$4,815,928</u>	<u>\$2,775,546</u>	<u>\$7,189,991</u>	<u>\$4,306,613</u>	<u>\$2,883,378</u>

Heritage assets are significant to the mission of the Commission to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories; cemeteries, federal memorials, and nonfederal memorials. Changes in heritage assets for fiscal year 2010 were as follows:

	Cemeteries	Federal Memorials	Nonfederal Memorials
Beginning of Year 10-1-09	24	25	7
Number Acquired, Fiscal Year 2010	0	0	0
Number Withdrawn, Fiscal Year 2010	<u>0</u>	<u>0</u>	<u>0</u>
End of Year 9-30-10	<u>24</u>	<u>25</u>	<u>7</u>

Through September 30, 2010, Commission cemeteries contain over 131,000 interments. Over 94,000 Honored War Dead, whose remains were not recovered, are memorialized in the cemeteries and federal memorials that encompass over 1,600 acres. This land is provided to the Commission through host agreements with foreign countries for permanent use as cemeteries and memorials.

Note 7. Other Liabilities

Other liabilities as of September 30 were as follows:

	2010	2009
Accrued Salaries and Benefits	\$1,657,119	\$1,573,798
Unfunded Separation Pay Liability	1,393,036	1,674,295
Unfunded Annual Leave	<u>1,317,980</u>	<u>1,268,319</u>
	<u>\$4,368,135</u>	<u>\$4,516,412</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 \$1,393,036 as of September 30, 2010, and \$1,674,295 as of September 30, 2009.

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 OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2010, the Commission incurred \$1,496,691 of pension and ORB costs, \$501,932 of which was imputed. For fiscal year 2009, the Commission incurred \$1,331,151 of pension and ORB costs, \$417,619 of which was imputed. Total imputed costs of \$1,000,932 for fiscal year 2010 and \$877,619 for fiscal year 2009 included audit services provided by GAO.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, Headquarters Office is rented under a 5-year operating lease expiring in July 2012.

The Commission's Rome office is located in the United States Embassy in Rome and payment for this space is made through the International Cooperative Administrative Support Services (ICASS) program with the U.S. State Department. The Florence Cemetery Superintendent's living quarters is rented under an operating lease expiring in January 2011.

Living quarters for the Luxembourg Cemetery Assistant Superintendent are rented under an operating lease expiring in June 2011. Nine other living quarters leases for the benefit of the Commission's Paris office have been signed by the U.S. State Department and therefore, the Commission has no future liability for these leases.

Rent expense for fiscal year 2010 operating leases was \$714,175. Future minimum payments due on operating leases as of September 30, 2010, are as follows:

<u>Fiscal Year</u>	
2011	\$721,986
2012	<u>553,416</u>
	<u>\$1,275,402</u>

Note 9. Net Position

Net position balances as of September 30, 2010, were as follows:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Unexpended Appropriations:			
Unobligated	\$36,121,225		\$36,121,225
Undelivered Orders	<u>17,431,177</u>		<u>17,431,177</u>
	<u>\$53,552,402</u>	<u>\$ -</u>	<u>\$53,552,402</u>
Cumulative Results of Operations (deficit):			
Unrestricted	\$ 64,530	\$11,228,004	\$11,292,534
Restricted for Undelivered Orders	<u>\$ 64,530</u>	<u>998,430</u>	<u>998,430</u>
		<u>\$12,226,434</u>	<u>\$12,290,964</u>
Total Net Position	<u>\$53,616,932</u>	<u>\$12,226,434</u>	<u>\$65,843,366</u>

Net position balances as of September 30, 2009, were as follows:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Unexpended Appropriations:			
Unobligated	\$27,795,433 ¹		\$27,795,433
Undelivered Orders	<u>11,472,133</u>		<u>11,472,133</u>
	<u>\$39,267,566</u>	<u>\$ -</u>	<u>\$39,267,566</u>
Cumulative Results of Operations (deficit):			
Unrestricted	\$ 16,776	\$11,480,804	\$11,497,580
Restricted for Undelivered Orders	<u>\$ 16,776</u>	<u>987,219</u>	<u>987,219</u>
		<u>\$12,468,023</u>	<u>\$12,484,799</u>
Total Net Position	<u>\$39,284,342</u>	<u>\$12,468,023</u>	<u>\$51,752,365</u>

¹ No-year appropriations received from FY 2002 through FY 2006 totaling \$30.0 million (after rescissions totaling \$182,900) for design and construction of the Normandy Visitor Center were obligated by September 30, 2009.

Note 10. Reconciliation of Net Cost of Operations to Budget

SFFAS No. 7 requires a reconciliation of proprietary and budgetary information in a way that helps users determine how budget resources obligated for programs relate to net costs of operations. Prior to fiscal year 2007, this reconciliation was accomplished by presenting a Statement of Financing as a basic financial statement. Effective for fiscal year 2007, the Office of Management and Budget in its Circular No. A-136, *Financial Reporting Requirements*, decided that this information for federal entities would be better placed and understood in a note. Consequently, this information is presented as follows:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2010</u>	<u>Total 2009</u>
<u>Resources Used To Finance Activities</u>				
Obligations incurred - direct	\$74,565,006	\$740,531	\$75,305,537	\$62,288,791
Offsetting collections and recoveries	(43,166)		(43,166)	(36,623)
Imputed retirement and audit services	1,000,932		1,000,932	877,619
Other adjustments	98,634		98,634	49,554
Total Resources Used to Finance Activities	75,621,406	740,531	76,361,937	63,179,341
<u>Resources That Do Not Fund Net Cost of Operations</u>				
General property capitalized on the balance sheet	(599,582)		(599,582)	(1,148,462)
Undelivered orders - start of year	11,472,133	987,219	12,459,352	9,386,385
Less: Undelivered orders - end of year	(17,431,177)	(998,430)	(18,429,607)	(12,459,352)
Total Resources That Do Not Fund Net Cost of Operations	(6,558,626)	(11,211)	(6,569,837)	(4,221,429)
<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	49,661		49,661	113,593
(Decrease) increase in unfunded separation pay liability	(281,259)		(281,259)	39,363
Increase in accounts receivable	4,747		4,747	
Components Not Requiring Resources:				
Depreciation	707,413		707,413	620,223
In-kind expenses	25,560		25,560	113,206
Total Costs Not Requiring Resources in the Current Period	506,122		506,122	886,385
Total Resources Used to Finance the Net Cost of Operations	\$69,568,902	\$729,320	\$70,298,222	\$59,844,297

Budget amounts agree with actual fiscal year 2009 amounts in the President's published 2011 Budget. Actual budget amounts for fiscal year 2010 will appear in the President's 2012 budget to be published after February 11, 2011, the date of audit completion.

Note 11. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet.

The Scottish Widows Defined Benefit Scheme was established by a Trust Deed, which authorized the Commission to collect contributions on behalf of beneficiaries, foreign service national employees of the Commission's two cemeteries in England. Fiduciary assets as of September 30 were as follows:

Schedule of Fiduciary Activity

	<u>2010</u>	<u>2009</u>
Contributions	\$ 79,791	\$ 454,197
Investment earnings	<u>36,827</u>	<u>67,515</u>
Increases in fiduciary fund balances	116,618	521,712
Fiduciary net assets, beginning of year	<u>825,533</u>	<u>303,821</u>
Fiduciary net assets, end of year	<u>\$ 942,151</u>	<u>\$ 825,533</u>

Fiduciary Net Assets

	<u>2010</u>	<u>2009</u>
Fiduciary Assets		
Investments	<u>\$ 942,151</u>	<u>\$ 825,533</u>
Total Fiduciary Assets	<u>\$ 942,151</u>	<u>\$ 825,533</u>

Note 12. Commitments and Contingencies

As of September 30, 2010 the Commission had commitments of \$18.4 million from undelivered orders as a result of open contracts and purchase orders. Also as of September 30, 2010 the Commission had no contingencies expected to have a material effect on the financial statements.

Other Information

Required Supplementary Information

American Battle Monuments Commission Other Information September 30, 2010 (Unaudited)

Maintenance, Repairs, and Improvements

The following unaudited information is required supplementary information on deferred maintenance and the condition of real property at Commission cemeteries and memorials:

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and that, therefore, is put off or delayed for a future period. Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$10.0 million in fiscal year 2010 and \$11.1 million in fiscal year 2009. For fiscal years 1998 through 2002, the Commission received \$11.3 million of additional appropriations from the Congress that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002. No deferred maintenance backlog existed as of September 30, 2010, and 2009.

Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. These surveys are reviewed and updated at least annually by the Commission's engineering staff. In addition, engineering projects identified improvements in cemetery irrigation, drainage, roads, parking areas, and buildings. As of September 30, 2010, the Commission has identified 39 maintenance, repair, and improvement projects, with an estimated cost of \$8.6 million, scheduled to be performed in fiscal year 2011, subject to available funding.

Schedules of Heritage Assets

The following three pages present unaudited other information not required by U.S. generally accepted accounting principles on the Commission's 24 cemeteries; 25 federal memorials, monuments, and markers; and 7 nonfederal memorials as of September 30, 2010.

Schedules of Heritage Assets

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2010
(Unaudited)

24 CEMETERIES

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
Aisne-Marne American Cemetery	Belleau (Aisne), France	2,289	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,323	462	90.5	WW II
Brittany American Cemetery	St. James (Manche), France	4,410	498	27.9	WW II
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,812	5,127	30.5	WW II
Corozal American Cemetery	Panama City, Panama	5,407	0	16.0	*
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
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II
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 City, Luxembourg	5,076	371	50.5	WW II
Manila American Cemetery	Luzon, Phillippines	17,202	36,285	152.0	WW II
Meuse-Argonne American Cemetery	Romagne (Meuse), France	14,246	954	130.5	WW I
Mexico City National Cemetery	Mexico City, Mexico	1,563	0	1.0	**
Netherlands American Cemetery	Margraten, Holland	8,301	1,722	65.5	WW II
Normandy American Cemetery	Colleville-sur-Mer, France	9,387	1,557	172.5	WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II
Oise-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II
St. Mihiel American Cemetery	Thiaucourt, Meurthe, France	4,153	284	40.5	WW I
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II
Somme American Cemetery	Bony (Aisne), France	1,844	333	14.3	WW I
Suresnes American Cemetery	Suresnes, France	1,565	974	7.5	WW I/II
Subtotal for Cemeteries		131,127	60,314	1,294.5	

*Acquired by Executive Order as a result of the Panama Canal Treaty.

**Acquired by Executive Order from the War Department.

Other Information

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2010
(Unaudited)

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	Thiaucourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Pointe 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
Sommepy Monument	Sommepy, 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 Marker	Casablanca, Morocco				WW II
Subtotal for Memorials		0	33,821	368.9	
Grand Total		131,127	94,135	1,663.4	

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2010
(Unaudited)

7 NONFEDERAL 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
351st Bomb Group Memorial	Oundle, England	WW II
147th Engineer Battalion Monument	Englesqueville-la-Percee, France	WW II
507th Parachute Infantry Regiment Memorial	Amfreville, France	WW II
398th Bomb Group Memorial	Herdfordshire, England	WW II

Management's Report on Internal Control Over Financial Reporting



Established by Congress 1923

AMERICAN BATTLE MONUMENTS COMMISSION

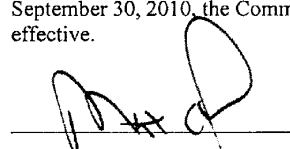
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Mr. Steven J. Sebastian
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Sebastian: *Steve*

The American Battle Monuments Commission's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The Commission's internal control over financial reporting is designed to reasonably assure that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

Commission management is responsible for establishing and maintaining effective internal control over financial reporting. Commission management evaluated the effectiveness of its internal control over financial reporting as of September 30, 2010, based on the criteria established under 31 U.S.C. 3512 (commonly known as the Federal Manager's Financial Integrity Act). Based on that evaluation, we conclude that, as of September 30, 2010, the Commission's internal control over financial reporting was effective.


Max Cleland
Secretary


Christine Fant
Chief Financial Officer

February 11, 2011

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