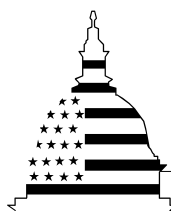


March 2010

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2009 and 2008



G A O

Accountability * Integrity * Reliability

GAO
Accountability · Integrity · Reliability

Highlights

Highlights of [GAO-10-399](#), a report to congressional committees

Why GAO Did This Study

In accordance with 36 U.S.C. 2103, GAO is responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (the Commission). GAO audited the financial statements of the Commission for the fiscal years ended September 30, 2009, and 2008.

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.

Created in 1923, the Commission operates and maintains 24 American military cemeteries on foreign soil; 25 federal memorials, monuments, and markers; and 7 nonfederal memorials.

GAO is not making any recommendations in this report, but will be reporting separately on our recommendations for strengthening the Commission's controls.

In commenting on a draft of this report, the Commission concurred with its facts and conclusions. Further, the Commission stated it would report the Antideficiency Act violation and noted that the appointment of Commissioners to provide governance resides with the President of the United States.

[View GAO-10-399](#) or [key components](#). For more information, contact Steven J. Sebastian at (202) 512-3406 or sebastians@gao.gov.

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2009 and 2008

What GAO Found

In GAO's opinion, the financial statements of the Commission as of September 30, 2009, and 2008, 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 GAO's opinion, although certain internal controls should be improved, the Commission maintained effective internal control over financial reporting as of September 30, 2009. In addition, GAO found a reportable instance of Commission noncompliance in fiscal year 2009 with selected provisions of laws and regulations tested.

GAO found a significant deficiency in the Commission's internal control over financial reporting as of September 30, 2009. Specifically, as of January 20, 2009, all 11 Commissioners, a significant component of the Commission's governance structure, resigned and new appointments were not made as of September 30, 2009. As a result, there were no Commissioners in place to provide high-level strategic oversight of Commission internal control over financial reporting. GAO also found that a Commission contract for temporary employees violated the Antideficiency Act as it contained a hold-harmless clause which subjected the Commission to potentially unlimited liability.

For fiscal year 2009, the Commission incurred program costs of \$59.0 million to maintain its cemeteries and federal memorials that were financed from appropriated funds. Another \$0.8 million of program costs incurred by Commission-administered trust funds were financed by private contributions for nonroutine repair and maintenance related to the World War II Memorial, purchase of grave site flowers, and maintenance of nonfederal memorials.

The Commission's WWII Ardennes American Cemetery in Neupre, Belgium



Source: American Battle Monuments Commission.

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Abbreviations

FMFIA	Federal Managers' Financial Integrity Act of 1982
FSN	Foreign Service National
OMB	Office of Management and Budget

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

March 1, 2010

The Honorable Daniel K. Akaka
Chairman
The Honorable Richard Burr
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Bob Filner
Chairman
The Honorable Steve Buyer
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, 2009, and 2008.

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 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, Patricia A. Summers, Cara H. Larson, West E. Coile, Francis L. Dymond, Jason S. Kirwan, Melanie B. Swift, Heather Moreland, and Ryan M. Heiling.

Steven J. Sebastian
Director
Financial Management and Assurance



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

To the 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 2009 and 2008, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2009, and comparative consolidated totals as of and for the fiscal year ended September 30, 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- although certain controls should be improved, the Commission had effective internal control over financial reporting as of September 30, 2009; and
- the Commission did not comply with one of the 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, 2009, 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, 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

Although certain controls should be improved as discussed below, the Commission maintained, in all material respects, effective internal control over financial reporting as of September 30, 2009. 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).

Significant Deficiency

As of September 30, 2009, the Commission had a significant deficiency in its governance structure because all Commissioner positions were vacant. Under 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. Historically, most of these officials were senior (active or retired) military officers who provided top-level strategic direction to the program, budget, and financial operations of the Commission. 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.¹

On or about January 20, 2009, all 11 Commissioners and the Secretary resigned. While the President appointed a new Commission Secretary on June 3, 2009, Commissioner appointments had not been made as of September 30, 2009. Therefore, Commissioners were not available to provide high-level strategic oversight of Commission internal control over financial reporting for the last 8 months of fiscal year 2009. Further, we did not find any evidence of the Commissioners' express delegation of authority and assignment of responsibilities to the Secretary. However, the new Secretary directed efforts to maintain, in all material respects, effective internal control over financial reporting.

During fiscal year 2009, the Commission engaged an outside contractor to assess whether the Commission's internal control process and procedures were effective and operating to achieve their intended objectives pursuant to FMFIA and its implementing guidance contained in Office of Management and Budget (OMB) Circular A-123, *Management's*

¹ As defined by auditing standard AU 380.03a, those charged with governance are the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity's financial reporting process. As applicable to a federal entity, this may include members of a board or commission, an audit committee, the Secretary of a cabinet-level department, or senior executives and financial managers responsible for the entity.

Responsibility for Internal Control. According to the Commission's 2009 FMFIA report, the contractor's efforts have indicated that the Commission's management control program appears to be effective in meeting management's expectations for compliance with federal requirements.

We tested the Commission's internal control to the extent necessary to express an opinion on the internal control over financial reporting. Our work indicated that the Commission's internal control as of September 30, 2009, provided reasonable assurance that misstatements, losses, or noncompliance material to the Commission's consolidating financial statements would be prevented, or detected and corrected. Nevertheless, we consider the absence of Commissioners and the lack of any delegations of authority and assignment of responsibilities to the Secretary as of September 30, 2009, to be a significant deficiency under U.S. generally accepted government auditing standards.²

We identified other less significant matters concerning the Commission's internal control that we will report separately.

Compliance With Laws and Regulations

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2009 disclosed one instance of noncompliance that is reportable under U.S. generally accepted government auditing standards. 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.³ While the contractor

² As defined by attestation standard AT 501.07, a 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.

³ The 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.

terminated the contract before September 30, 2009, Commission officials agreed with our conclusion that the hold-harmless clause was an Antideficiency Act violation.⁴

Our tests for compliance with laws and regulations disclosed no other instances of noncompliance that would be 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.

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, U.S. generally 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, 2009, based upon the criteria established under FMFIA. Commission management provided an assertion concerning the effectiveness of its internal control over financial reporting (see app. I).

We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion about whether (1) the Commission's financial statements are presented fairly, in all material

⁴ In accordance with the act, the violation and relevant facts, circumstances, and actions taken by the entity are to be reported to the Congress and the President of the United States, with a copy to the Comptroller General, following the guidance issued by OMB.

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, 2009. 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. This included selecting statistical samples of payroll and nonpayroll expenditures primarily to determine the validity of activities reported in the Commission's financial statements. We projected any errors in dollar amounts 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;
- assessed the accounting principles used and significant estimates made by Commission management;
- evaluated the overall presentation of the 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 misstatements in the financial statements, and (2) material weaknesses in internal control over financial reporting;
- tested relevant internal control over financial reporting;
- evaluated the design and operating effectiveness of 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,
 - Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009,
 - 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 accordance 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 defined by 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. 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, 2009. 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 and Our Evaluation

In commenting on a draft of this report, Commission management concurred with its facts and conclusions. The Commission's Acting Chief Financial Officer also commented that the Antideficiency Act violation was mitigated due to the termination of the contract prior to September 30, 2009, and no funds were obligated in excess of appropriations. However, in accordance with the Act and guidance issued by OMB, the Commission also stated it would report the violation and relevant facts to the Congress and the President of the United States, with a copy to the Comptroller General. With regard to the significant deficiency related to governance, the Commission noted that responsibility for appointing commissioners resides with the President of the United States.

We note that although no funds were expended to pay any claims by the contractor under the hold-harmless clause, the clause itself is a binding obligation of the Commission to pay amounts that could exceed its available appropriations if certain conditions outside the control of the Commission were to materialize. Under Supreme Court and Comptroller General precedent, such obligations violate the Antideficiency Act in the absence of specific statutory authority.

Sincerely yours,



Steven J. Sebastian
Director
Financial Management and Assurance

February 17, 2010

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, 2009**

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 2009 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 2009, 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 service, achievements, and sacrifice of United States Armed Forces.

Organizational Structure

The Commission's organizational structure for fiscal year 2009 is shown in figure 1.

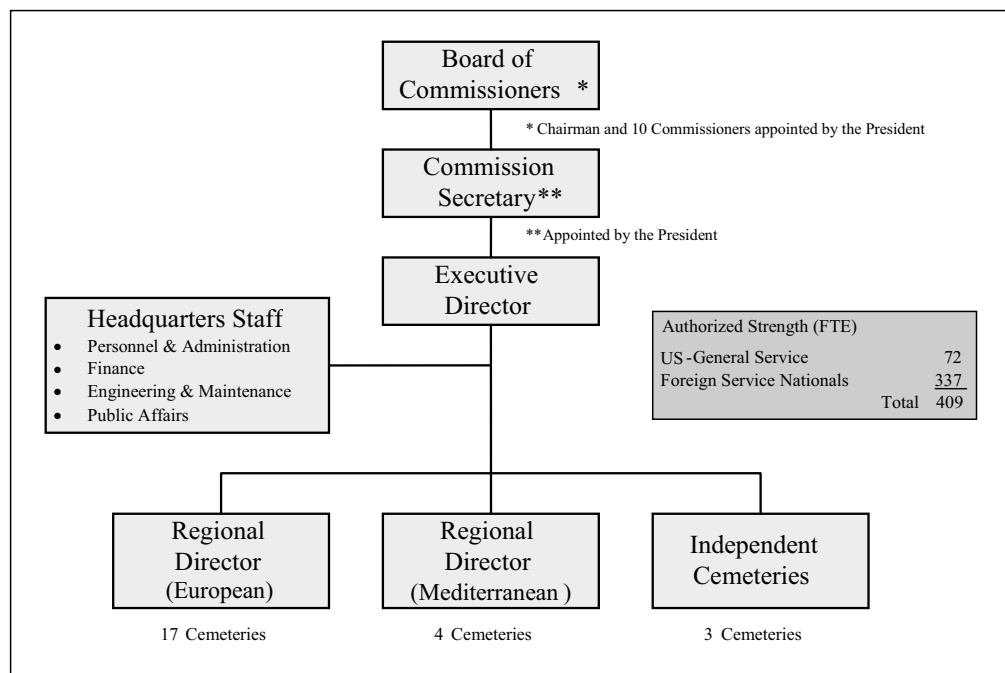


Figure 1: The Commission's Organizational Structure

The Commission's policy-making body consists of 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 new Administration had not appointed a 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 an Executive Director, a member of the Senior Executive Service.

The Commission's headquarters office is in Arlington, Virginia and regional offices are located in Garches, France, just outside Paris, and in Rome, Italy. For fiscal year 2009, 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 foreign service nationals 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 2009 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 2009, the Commission received \$59,470,000 from appropriations in its Salaries and Expenses account. Additionally, the Commission received \$500,000 from the United States Air Force to conduct an engineering study on the restoration of the Lafayette Escadrille Memorial in Marnes-La-Coquette, France. The Commission's Foreign Currency Fluctuation Account appropriation for fiscal year 2009 contained "such sums as may be necessary" language. For fiscal year 2009, the Commission estimated \$17,100,000 be used to offset currency exchange losses. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

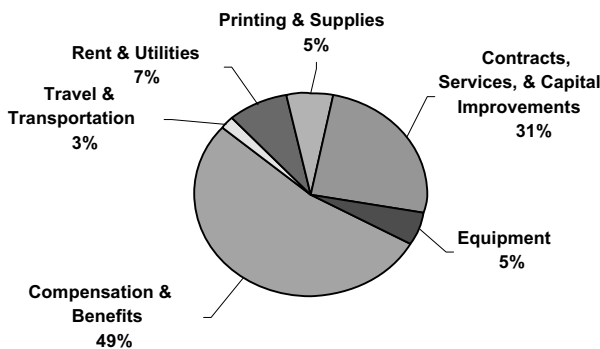


Figure 2: Fiscal Year 2009 Obligations by Object Class

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 49 percent of the Commission's fiscal year 2009 spending while the remaining 51 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: To develop, operate, maintain, and improve Commission facilities as the world's best commemorative sites.

Objectives for Goal 1

- Develop, implement, and sustain best business practices for commemorative operations.
- Sustain standardized processes for cemetery management and maintenance.
- Strengthen management of engineering, horticulture, logistics, and interpretation programs.

Strategy for Achieving Goal 1

The Commission takes a systematic look at its aging facilities. It addresses areas that will reduce the growth of operational and routine maintenance costs and promote more effective long-term planning, operations, and resource management.

Since fiscal year 2000, the Commission has successfully worked to resolve deficiencies noted during in-depth technical surveys conducted by professional engineering firms that applied current industry standards, regulations, and technological advances in making their assessment. In fiscal year 2009, the Commission worked to implement standardized processes for cemetery management and maintenance and to prioritize that work based on a systematic process of review and analysis.

Selected Performance Results toward Achieving Goal 1

- The following are examples of the engineering, maintenance and horticulture projects executed in fiscal year 2009:
 - storm drainage and road repairs at the Meuse-Argonne American Cemetery
 - service area renovation at the Sicily-Rome American Cemetery

- roof and deep well replacement at the Manila American Cemetery
- irrigation system replacement at the Cambridge American Cemetery
- The Commission continued successful implementation of the equipment template program which has shown great promise in regularizing equipment purchase and use across the cemeteries.
- With the additional FTE approved in fiscal year 2009, the Commission added an Engineering Technician to complement the overseas engineering workforce and to strengthen management of engineering projects.
- The Commission continued to standardize processes for cemetery management and maintenance with periodic reviews which identify and prioritize engineering, maintenance and horticulture requirements.

Goal 2: To value and invest in each employee.

Objectives for Goal 2

- Recruit, develop, and retain a world-class workforce.
- Recognize and award superior performance.
- Create an environment in which employees feel that their needs are being met.
- Develop a skilled and dedicated workforce by encouraging learning throughout the organization.
- Ensure that employees have a stake in and can relate their jobs to the vision.
- Ensure that employees are energized and “feel good” about working at the Commission.
- Communicate Commission programs and priorities to employees.

Strategy for Achieving Goal 2

Employee assistance programs play a critical role in recruiting and retaining a world-class workforce. The Commission provides programs and assistance that help employees and prospective employees manage their personal and familial responsibilities concurrently with their jobs. This also enables employees to feel that their personal needs are being met.

Selected Performance Results toward Achieving Goal 2

- In coordination with Federal Occupational Health under the Department of Health and Human Services, the Commission has continued its formal Employee Assistance Program.
- The Commission held a comprehensive strategic planning conference attended by a wide-range of key stakeholders. Through this undertaking, emphasis was placed on each employee's quality of life, both professionally and personally.
- A telework policy was drafted for agency head approval to supplement the previous fiscal year's Alternative Work Schedule Pilot Program.

Goal 3: To have the Commission's commemorative sites recognized worldwide as inspirational and educational visitor destinations.

Objectives for Goal 3

- Increase public awareness and understanding of the Commission's commemorative mission.
- Increase the number of visitors to Commission cemeteries and memorials.
- Satisfy constituents' needs through timely distribution of information and products.

Strategy for Achieving Goal 3

The Commission honors the service and sacrifice of the men and women memorialized in Commission cemeteries by operating and maintaining uniquely splendid commemorative cemeteries and memorials. But to truly honor their memory the Commission also must tell their stories. To achieve this objective, the Commission initiated an interpretive program in fiscal year 2008 to adapt the storytelling techniques and visitor programs used so successfully in the Normandy Visitor Center to the existing visitor buildings at the Pointe du Hoc Ranger Monument and its 23 other cemeteries. Interpretive program site surveys were completed for Cambridge, Manila, Oise-Aisne, Netherlands and Sicily-Rome cemeteries during this fiscal year, and exhibit design was begun for Pointe du Hoc. Cambridge, Oise-Aisne and Sicily-Rome cemeteries were selected as the next cemetery sites for interpretive program development, with the objective of completing work at Cambridge in time for the 2012 Summer Olympics in London.

The Commission continued its efforts to increase public awareness of its commemorative mission and to encourage more U.S. and foreign citizens to visit its cemeteries and memorials worldwide. Concurrently, the Commission began a redesign of its Web site and war dead database to expand the amount of information provided to the public through the site and to make it more attractive and visitor friendly.

Selected Performance Results toward Achieving Goal 3

- In support of next of kin and other customers who use its services, the Commission provided burial and memorialization site information; letters authorizing no-fee passports for members of the immediate family traveling overseas primarily to visit a Commission cemetery; in-country travel information; and, upon arrival at the cemetery, escort to the appropriate grave or memorialization site. Requesters were provided a photograph taken of the appropriate headstone or section of the Tablet of the Missing, which was mounted on a color lithograph of the cemetery or memorial where a service member is buried or commemorated by name. The Commission also purchased floral decorations with donor funds and each donor was given 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 its sites, the Commission also provided information to the executive branch, Members of Congress, government agencies, historians, and other interested individuals. The Commission provided cemetery lithographs, photos, and other information throughout the year.

- The Commission's Web site at www.abmc.gov provided visitors with information on the Commission and its commemorative sites, as well as information on U.S. war dead from the Korean and Vietnam Wars and those interred or commemorated at the Commission's World War I and World War II cemeteries and memorials. The quality of historical information on the Commission Web site continued to improve when a campaign interactive program on the "Battle for Pointe du Hoc," recognized as a Web site of the week by *Communication Arts Magazine*, was added to the site. An effort to merge multiple Commission war dead databases into a single, integrated file was nearing completion as the fiscal year ended and will be posted when the new Web site design is completed in fiscal year 2010.
- Throughout the year, the Commission hosted a variety of special events and commemorations, including ceremonies on Veterans Day in November, Memorial Day in May, and an international commemoration of the 65th Anniversary of the D-Day landings in June. The D-Day ceremony at Normandy American Cemetery was attended by the presidents of the United States and France, the prime ministers of England and Canada, and England's Prince Charles. In addition, throughout the year military units, veterans groups, and local citizens and organizations paid tribute to those who died while liberating their regions, whether through organized ceremonies or individual visits to graves "adopted" by local families.
- Through a variety of methods, the Commission continued to work toward achieving its strategic goal of having its commemorative sites recognized for their educational and inspirational qualities. A PBS documentary on the Commission that premiered on Memorial Day in May 2009 and the 65th anniversary of D-Day commemoration at Normandy cemetery combined to bring significant national and international attention to the Commission mission. The one-hour documentary—*Hallowed Grounds*—is expected to air on PBS outlets across the country several times a year over for the next decade.
- The American Veterans of WWII, Korea, and Vietnam (AMVETS) and the Robert R. McCormick Tribune Foundation presented the 20th carillon the organizations have donated to the Commission over the years. During the May 2009 Memorial Day ceremony, a carillon was dedicated at Epinal American Cemetery in France. AMVETS installed the first carillon in our Manila cemetery in 1985 and subsequently formed a partnership with the foundation.
- To further satisfy constituent needs for information, the Commission produced newly designed visitor brochures in multiple languages for Cambridge, Manila, Netherlands, Oise-Aisne and Sicily-Rome cemeteries, the first increment of a three-year effort to produce new brochures for all Commission cemeteries.

Goal 4: To make the Commission's business and resource management the best in government.

Objectives for Goal 4

- Fully resource the Commission's mission, vision, and standards.
- Improve internal controls.
- Leverage cutting-edge business technologies and practices.

Strategy for Achieving Goal 4

The Commission recognizes that improved financial performance depends on putting useful and timely information in the hands of its managers so they can make timely and informed decisions. The fiscal year 2009 budget not only supported the Commission's daily accounting operations and proper internal controls, but allowed it to identify, develop, and employ additional management needs and reports to provide the best financial information available. Central to achieving the Commission's business and resources process improvement goal are mechanisms that aid managers at all levels of the organization in monitoring and evaluating the wide variety of systems and programs inherent in its operations.

The Commission must maximize the return on all resources provided by the Administration and the Congress. Its fixed costs continue to consume a greater percentage of its total salaries and expenses appropriation.

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 2009, the Commission initiated an effort to update the five year strategic plan, including the development of performance measures and metrics.
- A baseline internal control review and risk assessment was begun in fiscal year 2009 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 2009 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, Congress enacted legislation 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. As a hedge against currency fluctuation, the Commission proposed a change that would affect the appropriations language for the Foreign Currency Fluctuation Account. In seeking "such sums as may be necessary" language, the Commission would preserve its purchasing power against a suddenly falling U.S. dollar against the euro. The Administration and Congress enacted "such sums as may be necessary" language for the Commission's fiscal year 2009 Foreign Currency Fluctuation Account appropriation. With this language the Commission will continue to estimate and report its FCFA 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, 2009
(With Comparative Consolidated Total as of September 30, 2008)

	<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 2009</u>	<u>Total 2008</u>
<u>Assets</u>				
Intragovernmental:				
Fund balance with Treasury (note 2)	\$44,278,552	\$3,101,084	\$47,379,636	\$31,364,215
Treasury investments, net (note 3)		9,380,713	9,380,713	5,818,787
Total Intragovernmental	44,278,552	12,481,797	56,760,349	37,183,002
Cash and foreign accounts (note 4)	228,671		228,671	91,678
Contributions receivable, net (note 5)	0		0	0
General property and equipment, net (note 6)	2,883,378		2,883,378	2,355,139
Heritage property (note 6)	0		0	0
Total Assets	\$47,390,601	\$12,481,797	\$59,872,398	\$39,629,819
<u>Liabilities</u>				
Intragovernmental:				
Accounts payable	\$158,804		\$158,804	\$192,791
Accrued salaries and benefits	440,871	\$192	441,063	354,182
Total Intragovernmental	599,675	192	599,867	546,973
Accounts payable	2,995,268	8,486	3,003,754	2,286,551
Other liabilities (note 7)	4,511,316	5,096	4,516,412	3,905,872
Total Liabilities	8,106,259	13,774	8,120,033	6,739,396
Commitments and contingencies (note 8)				
<u>Net Position</u> (note 9)				
Unexpended appropriations	39,267,566		39,267,566	20,610,467
Cumulative Results of Operations (deficit)	16,776	12,468,023	12,484,799	12,279,956
Total Net Position	39,284,342	12,468,023	51,752,365	32,890,423
Total Liabilities and Net Position	\$47,390,601	\$12,481,797	\$59,872,398	\$39,629,819

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, 2009
(With Comparative Consolidated Total for the Year Ended September 30, 2008)**

	<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 2009</u>	<u>Total 2008</u>
<u>PROGRAM COSTS</u>				
Intragovernmental program costs:				
Operations and maintenance	\$8,895,199	\$456,046	\$9,351,245	\$9,693,311
Program costs with the public:				
Operations and maintenance	38,669,228	371,027	39,040,255	27,661,028
Property and equipment (note 6)	2,887,482		2,887,482	4,694,825
Foreign currency losses, net	8,565,315		8,565,315	11,394,894
Net Cost of Operations	\$59,017,224	\$827,073	\$59,844,297	\$53,444,058
<u>CHANGES IN NET POSITION</u>				
Cumulative Results (Deficit) - Start of Year	(\$434,324)	\$12,714,280	\$12,279,956	\$11,280,483
<u>Budgetary Financing Sources</u>				
Appropriations used	58,389,099		58,389,099	53,079,263
Total Budgetary Financing Sources	58,389,099		58,389,099	53,079,263
<u>Other Financing Sources</u>				
Other revenue	64,010		64,010	
Contributions	113,206	559,748	672,954	494,693
Treasury investment earnings		21,068	21,068	136,314
Imputed financing	877,619		877,619	733,261
Gain on disposition of assets	24,390		24,390	
Total Other Financing Sources	1,079,225	580,816	1,660,041	1,364,268
Total Financing Sources	59,468,324	580,816	60,049,140	54,443,531
Less: Net Cost of Operations	59,017,224	827,073	59,844,297	53,444,058
Net Increase (Decrease) for the Year	451,100	(246,257)	204,843	999,473
Cumulative Results (Deficit) - End of Year	16,776	12,468,023	12,484,799	12,279,956
<u>Unexpended Appropriations</u>				
Unexpended Appropriations - Start of Year	20,610,467		20,610,467	18,061,682
Appropriations received	76,570,000		76,570,000	55,600,000
Appropriations transferred in	500,000		500,000	
Other offsetting receipts and adjustments	(23,802)		(23,802)	28,048
Appropriations used	(58,389,099)		(58,389,099)	(53,079,263)
Increase (decrease) in unexpended appropriations	18,657,099		18,657,099	2,548,785
Unexpended Appropriations - End of Year	39,267,566		39,267,566	20,610,467
TOTAL NET POSITION - END OF YEAR	\$39,284,342	\$12,468,023	\$51,752,365	\$32,890,423

The accompanying notes are an integral part of these statements.

Financial Statements

Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2009
 (With Comparative Consolidated Total for the Year Ended September 30, 2008)

	<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 2009</u>	<u>Total 2008</u>
<u>Budgetary Resources</u>				
Budgetary Authority:				
Appropriations	\$76,570,000		\$76,570,000	\$55,600,000
Appropriations transferred in	500,000		500,000	
Net transfer in for net foreign exchange loss	9,263,087		9,263,087	7,626,087
Other (receipts collected)	151,656	\$580,816	732,472	727,342
Unobligated Balances:				
Start of year	12,254,197	11,684,165	23,938,362	22,943,576
Net transfer (out) for net foreign exchange (loss)	(9,263,087)		(9,263,087)	(7,626,087)
Other adjustments				(260,807)
Total Budgetary Resources	\$89,475,853	\$12,264,981	\$101,740,834	\$79,010,111
<u>Status of Budgetary Resources</u>				
Obligations incurred - direct	\$61,504,420	\$784,371	\$62,288,791	\$55,229,298
Unobligated balances available	27,971,433	11,480,610	39,452,043	23,780,813
Total Status of Budgetary Resources	\$89,475,853	\$12,264,981	\$101,740,834	\$79,010,111
<u>Change in Obligated Balances</u>				
Obligations incurred for year	\$61,504,420	\$784,371	\$62,288,791	\$55,229,298
Plus: Obligated balances, start of year	12,264,524	1,072,973	13,337,497	14,116,670
Less: Adjustment to obligated balances			0	(4,735)
Less: Gross outlays for year	(57,140,923)	(856,351)	(57,997,274)	(56,003,737)
Obligated Balances, End of Year	\$16,628,021	\$1,000,993	\$17,629,014	\$13,337,496
<u>Net Outlays</u>				
Gross outlays for year	\$57,140,923	\$856,351	\$57,997,274	\$56,003,737
Less: Offsetting collections	(151,656)		(151,656)	(205)
Net Outlays	\$56,989,267	\$856,351	\$57,845,618	\$56,003,532

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, 2009 and 2008

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 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 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 2009, 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 2009, 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.

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.

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:

	<u>2009</u>			<u>2008</u>
	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>	<u>Total</u>
Appropriated Funds	\$29,846,213		\$29,846,213	\$17,830,649
Currency Fluctuation	14,432,339		14,432,339	6,595,426
Other Trust Funds		<u>\$3,101,084</u>	<u>3,101,084</u>	<u>6,938,140</u>
	<u>\$44,278,552</u>	<u>\$3,101,084</u>	<u>\$47,379,636</u>	<u>\$31,364,215</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 (Discount)</u>	<u>Interest Receivable</u>	<u>Interest Net Investment</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>
08	<u>\$5,700,000</u>	<u>4.625%</u>	<u>\$30,912</u>	<u>\$87,875</u>	<u>\$5,818,787</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:

	<u>2009</u>	<u>2008</u>
Imprest Cash Funds	\$45,380	\$46,746
Foreign Bank Accounts	183,291	44,527
Undeposited Cash-Trust	<u>0</u>	<u>405</u>
	<u>\$228,671</u>	<u>\$91,678</u>

Note 5. Contributions Receivable

The Commission has a pledge from a living trust valued at \$134,203 as of September 30, 2009. 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 \$2,887,482 were expensed by the Commission in fiscal year 2009. This included \$1,532,186 related to the Normandy Visitor Center, a heritage asset. In fiscal year 2008, \$4,694,825 was expensed, which included \$4,061,634 of costs related to the construction of the Normandy Visitor Center.

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.

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

<u>Category</u>	<u>2009</u>			<u>2008</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$923,460	\$165,316	\$758,144	\$923,710	\$134,565	\$789,145
Accounting Systems	2,145,016	1,852,848	292,168	2,039,026	1,794,890	244,136
Equipment	<u>4,121,515</u>	<u>2,288,449</u>	<u>1,833,066</u>	<u>3,441,212</u>	<u>2,119,354</u>	<u>1,321,858</u>
	<u>\$7,189,991</u>	<u>\$4,306,613</u>	<u>\$2,883,378</u>	<u>\$6,403,948</u>	<u>\$4,048,809</u>	<u>\$2,355,139</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 2009 were as follows:

	<u>Cemeteries</u>	<u>Federal Memorials</u>	<u>Nonfederal Memorials</u>
Beginning of Year 10-1-08	24	25	7
Number Acquired, Fiscal Year 2009	0	0	0
Number Withdrawn, Fiscal Year 2009	<u>0</u>	<u>0</u>	<u>0</u>
End of Year 9-30-09	<u>24</u>	<u>25</u>	<u>7</u>

Through September 30, 2009, 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:

	<u>2009</u>	<u>2008</u>
Accrued Salaries and Benefits	\$1,573,798	\$1,116,214
Unfunded Separation Pay Liability	1,674,295	1,634,931
Unfunded Annual Leave	<u>1,268,319</u>	<u>1,154,727</u>
	<u>\$4,516,412</u>	<u>\$3,905,872</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 \$1,674,295 as of September 30, 2009, and \$1,634,931 as of September 30, 2008.

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 2009, the Commission incurred \$1,331,151 of pension and ORB costs, \$417,619 of which was imputed. For fiscal year 2008, the Commission incurred \$1,111,431 of pension and ORB costs, \$333,261 of which was imputed. Total imputed costs of \$877,619 for fiscal year 2009 and \$733,261 for fiscal year 2008 included audit services provided by GAO.

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 5-year operating lease expiring in July 2012.

In May 2008, the Commission's Mediterranean Regional Office moved from commercial leased space to the United States Embassy in Rome. Beginning in FY 2009, payment for the Rome office space is made through the International Cooperative Administrative Support Services (ICASS) program with the U.S. State Department. The Mediterranean Regional Office Director and Florence Cemetery Superintendent's living quarters are rented under operating leases expiring in December 2009 and September 2011, respectively.

Living quarters for the Normandy Visitor Center Director and Assistant Director are rented under operating leases expiring in February 2013 and May 2012, respectively. Six other living quarters leases for the benefit of the Commission's European Regional 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 2009 operating leases was \$777,859. Future minimum payments due on operating leases as of September 30, 2009, are as follows:

<u>Fiscal Year</u>	
2010	\$775,077
2011	719,809
2012	573,021
2013	5,488
2014	0
After 5 years	0
	<u>\$2,073,395</u>

Financial Statements

Note 9. Net Position

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>\$ 16,776</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>

Net position balances as of September 30, 2008, were as follows:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Unexpended Appropriations:			
Unobligated	\$12,254,197 ²		\$12,254,197
Undelivered Orders	<u>8,356,270</u>		<u>8,356,270</u>
	<u>\$20,610,467</u>	<u>\$ -</u>	<u>\$20,610,467</u>
Cumulative Results of Operations (deficit):			
Unrestricted	\$(434,324)	\$11,684,165	\$11,249,841
Restricted for Undelivered Orders	<u>(434,324)</u>	<u>1,030,115</u>	<u>1,030,115</u>
	<u>\$(434,324)</u>	<u>\$12,714,280</u>	<u>\$12,279,956</u>
Total Net Position	<u>\$20,176,143</u>	<u>\$12,714,280</u>	<u>\$32,890,423</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.

² Includes \$2,580,891 unobligated for design and construction of the Normandy Visitor Center (after a \$31,000 rescission) from a \$3,100,000 no-year appropriation for FY 2006.

Financial Statements

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 2009</u>	<u>Total 2008</u>
<u>Resources Used To Finance Activities</u>				
Obligations incurred - direct	\$61,504,420	\$784,371	\$62,288,791	\$55,229,298
Offsetting collections and recoveries	(36,623)		(36,623)	(205)
Imputed retirement and audit services	877,619		877,619	733,261
Other adjustments	49,554		49,554	(111)
Total Resources Used to Finance Activities	62,394,970	784,371	63,179,341	55,962,243
<u>Resources That Do Not Fund Net Cost of Operations</u>				
General property capitalized on the balance sheet	(1,148,462)		(1,148,462)	(1,118,784)
Undelivered orders - start of year	8,356,270	1,030,115	9,386,385	7,466,981
Less: Undelivered orders - end of year	(11,472,133)	(987,219)	(12,459,352)	(9,386,385)
Total Resources That Do Not Fund Net Cost of Operations	(4,264,325)	42,896	(4,221,429)	(3,038,188)
<u>Components of Net Cost of Operations Not Requiring Resources in the Current Period</u>				
Components Requiring Resources in Future Periods:				
(Decrease) increase in unfunded annual leave	113,787	(194)	113,593	(54,091)
(Decrease) increase in unfunded separation pay liability	39,363		39,363	(30,685)
Components Not Requiring Resources:				
Depreciation	620,223		620,223	569,772
In-kind expenses	113,206		113,206	35,007
Total Costs Not Requiring Resources in the Current Period	886,579	(194)	886,385	520,003
Total Resources Used to Finance the Net Cost of Operations	\$59,017,224	\$827,073	\$59,844,297	\$53,444,058

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.

Schedule of Fiduciary Activity
As of September 30, 2009

Contributions	\$454,197
Investment earnings	<u>67,515</u>
Increases in fiduciary fund balances	521,712
Fiduciary net assets, beginning of year	<u>303,821</u>
Fiduciary net assets, end of year	<u>\$825,533</u>

Fiduciary Net Assets
As of September 30, 2009

FIDUCIARY ASSETS	
Investments	<u>\$825,533</u>
TOTAL FIDUCIARY ASSETS	<u>\$825,533</u>

Note 12. Commitments and Contingencies

As of September 30, 2009 the Commission had commitments of \$12.5 million from undelivered orders as a result of open contracts and purchase orders. Also as of September 30, 2009 the Commission had pending administrative proceedings and personnel actions resulting from a reorganization in June 2009. These contingencies will be resolved by future events and are not expected to have a material effect on the financial statements.

Other Information

Required Supplementary Information

**American Battle Monuments Commission
Other Information
September 30, 2009
(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 \$11.1 million in fiscal year 2009 and \$5.6 million in fiscal year 2008. 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, 2009, and 2008.

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, 2009, the Commission has identified 74 maintenance, repair, and improvement projects, with an estimated cost of \$10.2 million, scheduled to be performed in fiscal year 2010, 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, 2009.

Other Information

Schedules of Heritage Assets

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2009
(Unaudited)

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	2,289	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,325	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
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 City, Luxembourg	5,076	371	50.5	WW II
Meuse-Argonne American Cemetery	Romagne (Meuse), France	14,246	954	130.5	WW I
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
Oise-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	Thiaucourt, Meurthe, France	4,153	284	40.5	WW I
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW I/II
<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	5,391		16.0	*
Mexico City National Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am
Manila American Cemetery	Luzon, Phillipines	17,202	36,285	152.0	WW II
Subtotal for Cemeteries		131,113	60,314	1,294.5	

*Acquired by Executive Order from the former Panama Canal Zone.

Other Information

American Battle Monuments Commission
 Schedule of Heritage Assets
 September 30, 2009
 (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		131,113	94,135	1,663.4	

Other Information

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2009
(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

Courthouse Plaza II, Suite 500
2300 Clarendon Boulevard
Arlington, VA 22201-3367

February 17, 2010

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:

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, 2009, 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, 2009, the Commission's internal control over financial reporting was effective.

A handwritten signature in black ink, appearing to read "Max Cleland", is written over a horizontal line.

Max Cleland
Secretary

A handwritten signature in black ink, appearing to read "Matthew Beck", is written over a horizontal line.

Matthew Beck
Acting Chief Financial Officer

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