



USCENSUSBUREAU

Helping You Make Informed Decisions

U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU





ECONOMICS
AND STATISTICS
ADMINISTRATION

**Economics
and Statistics
Administration**

J. Lee Price

Acting Under Secretary
for Economic Affairs



U.S. CENSUS BUREAU

William G. Barron, Jr.

Acting Director

Nancy A. Potok

Principal Associate Director
and Chief Financial Officer

U.S. Census Bureau
2000 Financial Report

THE MISSION

The mission of the U.S. Census Bureau is to be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States.

OUR GOAL

To provide the best mix of timeliness, relevancy, quality, and cost for the data we collect and services we provide.

Our Strategies:

1. *Greater Customer Satisfaction*— What our customers want must dictate what we do.
2. *Greater Productivity*— Improved productivity results in lower costs, greater timeliness, and higher quality.
3. *Better Public Perception and Cooperation* — By giving attention to public needs and concerns, we improve the public's perception of the Census Bureau and increase public cooperation with our censuses and surveys.
4. *Develop a More Diverse, Effective, and Skilled Work Force*— We want to benefit from diversity, strengthen relationships with employees, and use highly productive teams.

2000 Financial Report

2000

Issued February 2001



U.S. Department of Commerce
Donald L. Evans,
Secretary

Economics and Statistics Administration
J. Lee Price, Acting Under Secretary
for Economic Affairs

U.S. CENSUS BUREAU
William G. Barron, Jr.,
Acting Director

Message

From the
CHIEF
FINANCIAL
OFFICER

The U.S. Census Bureau performs large surveys and censuses that provide high quality statistics about the American people and economy. Our business activities can be divided into four categories: decennial censuses; demographic programs; economic programs; and reimbursable work, mainly for other federal agencies. During FY2000, in addition to our ongoing surveys, we conducted the Decennial Census of Population and Housing (Census 2000), our largest and most complex activity.

The results of Census 2000 will be used to apportion seats in the U.S. House of Representatives, draw congressional and state legislative districts, and form the basis for the distribution of \$2 trillion of anticipated federal-program funds over the next decade. The costs of conducting Census 2000 are reflected in our financial statements.

Census 2000 was a tremendous operational success. We completed every planned operation on schedule, achieved higher than expected mail response rates, met our very ambitious hiring goals, and were under budget. We delivered the apportionment numbers to the President on December 28, 2000, 3 days ahead of our statutory deadline. In addition, we believe that Census 2000 was successful in improving coverage of the population and in reducing undercounts for some population groups compared to the 1990 census.

No less important than Census 2000, the Census Bureau conducts more than 200 demographic and economic surveys annually to collect official statistics on the current state of the economy, foreign trade, income and poverty, population, and housing characteristics on monthly, quarterly, and annual bases. For example, Census Bureau economic surveys provide a majority of the information used by the government to update Gross Domestic Product accounts. About 100 reimbursable surveys are conducted each year on behalf of other federal agencies covering a variety of critical topics. In addition, every 5 years, we conduct censuses of major sectors of the Nation's economy as well as state and local governments.

The Census Bureau supports the Department of Commerce's mission to promote job creation, economic growth, sustainable development, and improved living standards for all Americans. We partner with businesses, universities, communities, and other governmental agencies to build for the future. The Census Bureau helps to promote U.S. competitiveness by providing an unrivaled information base used for effective management and stewardship of the Nation's resources and assets.

The Census Bureau continued in FY2000 to improve its financial control structure. Final modifications were made to financial and budgetary systems to make them Year 2000 compliant. Commerce Administrative Management System (CAMS) management and audit reports were further refined this year to support financial and audit activities. In addition, while supporting the massive field operations of the decennial census, the Finance Division improved its efficiency and effectiveness.

The Census Bureau prepares its financial statements in conformity with generally accepted accounting principles for the federal government.

We look forward to additional success and continued improvement in FY2001.

Nancy A. Potok
Chief Financial Officer



United States
Census
2000

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Overview: General Information

General Information

The U.S. Census Bureau (BOC) is the largest statistical agency of the federal government. It conducts:

- The constitutionally mandated (Article 1, Section 2) Census of Population and Housing every 10 years for apportioning seats in the House of Representatives.

- Eight censuses related to economic entities and state and local governments every 5 years.

- More than 100 demographic and economic surveys on monthly, quarterly, and annual bases.

Our mission and goal support the Department of Commerce's (DOC) mission to promote job creation, economic growth, sustainable development, and improved living standards by working in partnership with businesses, universities, communities, and workers. We do this through decennial censuses, quinquennial economic censuses, and numerous economic and demographic surveys that measure changing individual and household demographics and the economic condition of the Nation.

The vast array of data the BOC collects describes the Nation's population, housing, businesses, governmental finances, foreign trade, and other vital characteristics. Its analysis forms the basis for fiscal and policy decisions by the Administration; the Congress; business leaders;

state, local, and tribal planners; trade associations; and academicians.

The BOC is composed of four major program areas:

Decennial, Economic, Demographic, and Reimbursable Programs. Statistical research, financial, administrative, and information technology divisions support the work of these program areas. In addition, a corps of field representatives carry out the direct collection of survey data through 12 regional offices across the United States. We operate three computer-assisted telephone centers. Our National Processing Center in Jeffersonville, Indiana, handles data processing, warehousing, publication distribution, and geographic services. Also, a Census Monitoring Board was created as a nonpartisan, independent



board to monitor, evaluate, and report on the planning and implementation of Census 2000.

The BOC's headquarters is outside Washington, DC, in Suitland, Maryland, which is located in Prince George's County. Our mission is to be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States. Our goal is to provide our customers with the best mix of timeliness, relevancy, quality, and cost for the data we collect and services we provide.

Major Programs

The Bureau's activities can be categorized in four different product lines: decennial censuses; economic statistics; demographic statistics; and reimbursable work, most often for other federal agencies.

The decennial census, funded through

the Periodic Censuses and Programs appropriation, is the Nation's oldest and most

comprehensive source of population and housing information. Census 2000 is the 22nd decennial enumeration in our Nation's history. As provided for in the Constitution, the U.S. Government uses our count of the population in each state to apportion the seats in the House of Representatives. The decennial census data are also used in drawing congressional and state legislative districts and for the annual distribution of billions of dollars of federal funds. The data will be used by state and local governments to make a wide variety of decisions to improve their communities. They will also be used as the basis for research, business plan-

ning, and investment. The decennial census is the only data collection operation

The FY2000 Financial Report of the Census Bureau is a compilation of descriptions of the Bureau's programs, a narrative of the accomplishments of the Bureau, and statements on the use of Bureau financial resources. In sum, this report is designed to provide a complete picture of the Bureau's activities for FY2000 - with an emphasis on the financial aspect. However, the presentation of the financial statements alone would make for a one-sided view of the Bureau. We have included the "so what" factor - what did we and the American public's gain as a result of the Bureau's programs. This is the complete picture of what was paid for versus what was received.



that produces a wide range of information at the smallest geographic levels. Census 2000 has made an unprecedented effort to count every household and person. It built partnerships at every stage of the process, made participation for respondents simple, used cutting-edge technology, employed special techniques to improve coverage ranging from automating operations to re-engineering the address list developing and incorporating it with the geographic database, and greatly expanded the marketing and promotion programs.



With the adoption of the Constitution in 1787 came the first census of the population in 1790. At that time, the census was conducted through the offices of the U.S. Marshall. A census office was established in time for the 1880 census with officers appointed by the President. The Census Bureau, however, was not established as a permanent entity until 1902.

In addition to an enumeration of the population, the government began to collect statistical information on other aspects of American life, including a survey on manufacturing (1810) and agriculture (1840). In 1954, Title 13 of the U.S. Code was adopted, which codified the, by then, numerous activities of the Census Bureau. In addition to putting into one law the authority for the many censuses for which the Census Bureau is responsible, that law confirms the principle of confidentiality of respondents' information. That principle is paramount in the operations of the Bureau's programs.

The mission of the U.S. Census Bureau is to be the preeminent collector and

Decennial

“Representatives and direct Taxes shall be apportioned among the several States which may be included within this Union, according to their respective Numbers... The actual Enumeration shall be made within three Years after the first Meeting of the Congress of the United States, and within every subsequent Term of ten Years, in such Manner as they shall by Law direct.”

United States Constitution
Article 1, Section 2



provider of timely, relevant, and quality data about the people and the economy of the United States. It is the use to which the information is put that has the most profound impact on the country. Many key components of the Bureau's economic data form the basis of the Federal Reserve's decisions about interest rate levels. The results of the 2000 decennial census will form the basis for the distribution of \$2 trillion of anticipated federal programs' aid over the next decade.



Economics

The diverse activities of this program produce information critical to the economic functioning of the United States and its citizens. Data, such as housing starts, retail sales, wholesale trade, merchandise imports and exports, mining, and manufacturing, are collected each month. These data support several leading indicators of national economic performance that shape the decisions of Wall Street investors and the Federal Reserve Board.

Demographics

Important demographic program efforts include: the preparation of official population estimates and projections; the collection of survey data for official statistics on income, poverty, families, race and ethnic groups; and the Nation's housing



characteristics. Our Survey of Income and Program Participation (SIPP) provides other government agencies with the data to evaluate the effects of their



programs upon the population. SIPP also provides insight into the causes of changes in an individual's economic situation. This type of information is invaluable to policy makers who work to make government entitlement programs, such as welfare, as effective as possible.



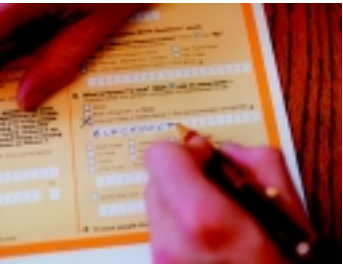
The collection and analysis of housing and socioeconomic data also support the decennial census program. Federal government agencies use our program data to allocate billions of dollars in federal funds every year. The program data also set the definitions and standards used throughout the federal government for policy decisions

(e.g., definitions of race and ethnicity, metropolitan statistical areas, and poverty).

The demographic programs continued to develop several major initiatives in the fiscal year. We are working on the Continuous Measurement

Program, which will provide annual population and housing profiles. These are data we now obtain only every 10 years from the decennial

census long form. The main components of the Continuous Measurement Program are the American Community Survey and the Small Area Income and Poverty Estimates program, which produce current estimates of population and housing characteristics derived from statistical models and provide more timely, accurate, and relevant data consistent with performance plan goals.



Reimbursable Work

Work performed under reimbursable agreements with other federal agencies (including the Departments of Labor, Health and Human Services, Housing and Urban

Development, and Justice)

comprises a large part of our activities. For example, data from our Consumer Expenditures Survey are an important element of the Consumer Price Index, which the

U.S. Bureau of Labor Statistics calculates and publishes. The Current Population Survey gathers data to calculate employment and unemployment statistics. Other major subject areas include health care, education, and criminal justice.

Overview: Accomplishments, Performance Measures, and Costs

Strategic Planning, Goals, Objectives, and Performance Measures

The Census Bureau's business is large-scale surveys and censuses. Our FY2000 accomplishments support DOC's strategic planning, goals, and objectives. In particular, the Census supports the FY2000 DOC priority and initiatives for enhancing the U.S. statistical infrastructure. They include:

- Conduct an accurate, timely, relevant, and cost-effective decennial census (Census 2000).
- Provide accurate, timely, and relevant statistical data (includes demographic and economic programs).

Census 2000

Every major operation in Census 2000 performed better than predicted by the General Accounting Office, by the Census Monitoring Board, and in a few important instances, by the Census Bureau itself. This year, the mail response rate improved over the previous census, arresting a decades-long decline in response. We have continually been on or ahead of schedule.



Ten years ago, the Congress had before it a request for a supplemental appropriation because

the 1990 census operations had not unfolded as expected and as budgeted. The FY2000 program costs were \$3,977,693,000. This means the Bureau was able to hold costs to less than what was appropriated.

This caps a year of succes-

ses for Census 2000. As stated in a letter to the appropriations committee, the Bureau was able to avoid at least \$305 million in costs during FY2000. While the analysis of the exact elements that contributed to this savings has not yet been completed, two factors weigh heavily. The first is the 67 percent mail response rate, which was substantially higher than the original expectation (61 percent) and higher than the 65 percent rate in 1990. This reverses a three decade-long decline in mail response rates. The second factor is the better than expected quality of the field



management team in the 520 local census offices coupled with the excellent performance of a number of automated systems, including the payroll and administration system (PAMS/ADAMS).

The first enumeration of Census 2000 took place in Alaska in January 2000 and, by Census Day, 98 million questionnaires were in the mail to 83 percent of the Nation's households. An additional 22 million forms were hand delivered to



households that did not have street name and house number addresses. Five out of six households nationwide received the short form, the rest received the long form. The completed questionnaires were processed at four state-of-the-art data capture facilities located in different regions of the country. Beginning in late April 2000, more than a half million temporary census workers conducted the most difficult and costly part of the census: trying to count all the people in the Nation's housing units that did not return their Census 2000 questionnaires. These enumerators contacted approximately forty-two million households during the nonresponse phase and finished ahead of schedule.

The Bureau found it challenging to attract and recruit the vast number of employees required to conduct the census. Difficulties in recruitment included a robust economy, limited labor pools in remote areas, and competition from the private sector. The Bureau overcame these difficulties and successfully performed another census.

Independent of the nonresponse follow-up operation, enumerators also contacted 314,000 house-

holds to conduct the Accuracy and Coverage Evaluation (A.C.E.), a quality check survey. Its results will be matched against those of Census 2000 to develop the most accurate numbers possible for projections or estimates for all nonapportionment purposes, such as redistricting and distributing federal program funds. These initial contacts were completed in early September 2000.

From July to September 2000, the Bureau also conducted the "Quality Counts" phase of Census 2000. During this stage, experienced field representatives double-checked addresses classified in earlier operations as vacant or nonexistent or for which a blank or incomplete questionnaire



was received. They also visited new housing units constructed in the months immediately before Census Day to insure that they were included in Census 2000. Several other quality-assurance operations, such as one that flags duplicate census responses and one that attempts to resolve inconsistent answers, were also conducted during the year.

The first results of Census 2000 are the state population totals used to reapportion the U.S. House of Representatives, which were delivered to the President on December 28, 2000. More detailed data, used to redraw U.S. and state legislative districts, must be delivered to governors and state majority and minority leaders by April 1, 2001. Over the next 3 years, detailed data on population and housing characteristics will be released as they are prepared.

There are no reportable performance measures in FY2000 for Census 2000. Several performance measures have been developed for FY2001. They include

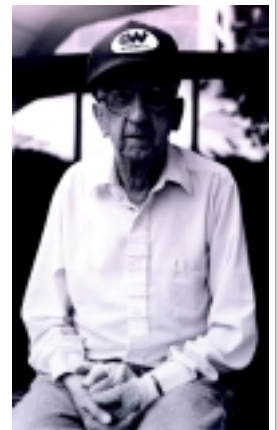
releasing apportionment counts by December 31, 2000 (already accomplished), using traditional enumeration methods; adjusting net population counts using the Accuracy and Coverage Evaluation Survey in all states; and meeting all Census 2000 pub-

lished data release milestones on time. Successful field operations, including a higher mailback response rate for Census 2000, have helped ensure that these goals would be met.



Economic Programs

As a part of the Commerce FY2001 Annual Performance Plan for the Bureau's current Economic Statistics Programs in FY2000, all economic program performance measures were assigned for reporting to the Economic and Statistics Administration (ESA), Department of Commerce; the primary customer of the Bureau's economic statistics programs. Bureau of Economic Analysis (BEA)/Economic and Statistics Administration uses census information to produce and disseminate economic



statistics and incorporates its vast amount of data into estimates of the U.S. Gross Domestic Product. The results of the measures will be reported by BEA/ESA. The FY2000 economic programs' net of operations was \$130,703,000. The majority of the cost supported regular ongoing economic statistic programs. Additional costs were incurred to process the 1997 Economic Census and begin releasing census reports.



Reimbursable Work

The FY2000 program cost of reimbursable work performed was \$166,654,000, which was offset by revenues received from customers for this work. The BOC performs more than 100 surveys for other organizations; 96 percent of which is for other federal agencies. These agencies use the survey data in their programs and incorporate the results in their own performance measures.

Demographic Programs

The Census Bureau reports the results below against its performance goals in the DOC's fiscal years 1999 and 2000 Annual Performance Plans. The FY2000 demographic program cost was \$98,109,000 as shown in the Consolidating Statement of Net Cost. The majority of the costs were for regular ongoing monthly surveys on income, the labor force, and welfare reform and for population analyses. Other costs were incurred to continue to collect and process data from 31 test sites for the American Community Survey.



Other Programs

The FY2000 net cost of operations for other programs was \$106,638,000 as shown in the Consolidating Statement of Net Cost. The majority of the net costs were for supporting Census Bureau programs, such as geographic support, information technology, survey methodology, and research.

Provide Accurate, Timely, and Relevant Statistical Data

Measures	FY1999 actual	FY2000 target	FY2000 actual
Household surveys with initial response rates >90%	100%	100%	100%
Percent of household surveys attaining 100% of reliability specifications	100%	100%	100%
Reduce time between data collection and data release for selected household surveys	9% decrease	Maintained decrease	Maintained decrease

Conduct an Accurate, Timely, Relevant, and Cost-Effective Decennial Census

Measures	FY1999 actual	FY2000 target	FY2000 actual	FY2001 target
Produce apportionment counts using traditional census-taking methods	N/A	N/A	N/A	100% on time
Adjust net population counts using the Accuracy and Coverage Evaluation Survey in all states*	N/A	N/A	N/A	100% on time
Meet all Census 2000 published data release milestones on time	N/A	N/A	N/A	100% on time

* The Accuracy and Coverage Evaluation Survey is intended to evaluate the census counts produced for apportionment of Congressional Representatives among the states. It will be conducted subsequent to exhaustive efforts to enumerate everyone as accurately as possible using traditional census-taking methods. The adjusted counts will be available in a form that allows states to use them for redistricting purposes. The more accurate adjusted counts also can be used for determining the allocation of federal funds and for ongoing statistical and programmatic purposes.

Source: Annual Performance Plan of the U.S. Department of Commerce for FY2001 (Revised) p.54.

Ensuring Financial Systems Are Year 2000 Compliant

Final modifications were made to financial and budgetary systems to support making them year 2000 compliant. Prior-year, unobligated balances in the amount of \$344,023 were available for FY2000. Of this amount, \$11,000 was transferred to the Information Technology System and Related Expenses account within the Office of Management and Budget (OMB), which provided a remaining balance of \$333,023 carried forward for FY2000.

As implied in the *1999 Financial Report of the U.S. Census Bureau*, page 6,

new performance measures have been applied to FY2000 programs. For Census 2000, activity was monitored constantly using activity measures, such as response

rate and data capture efficiency. None of these measures were included in the Department's Annual Performance Plan as they did not represent program accomplishments.

Accordingly, the measure for Census 2000 was to deliver and enumerate population count. This was to be done by December 31, 2000. It was accomplished on December 28, 2000.



Financial Management Information

Financial Management Organization

Changes in the Census Bureau (BOC) Financial Management Structure

Finance has continued its efforts to meet the requirements of the Government Performance and Results Act (GPRA), which took effect for the BOC in fiscal year 2000. Our two performance goals are (1) "Provide accurate, timely, and relevant statistical data" and (2) "Conduct an accurate, timely, relevant, and cost-effective decennial census."

To that end, Finance Division made several organizational changes to improve its overall financial management in FY2000. The Finance Division consists of three branches, Financial Management and Reporting Branch (FMRB), Financial Information Requirements Branch (FIRB), and Financial Services Branch (FSB).

Financial Management and Reporting Branch

As a result of the reorganization that was approved in FY1999, Finance hired two section chiefs and one branch chief for the Financial Management and Reporting

Branch to ensure the financial integrity of the financial statements. Finance Division ensured overall financial integrity by establishing a detailed management plan, including specific timelines, to ensure timely preparation and submission of financial reports as mandated by the Department of Commerce and Financial Management Services.

To ensure data integrity, Finance created a schedule to monitor and review assignments, timeframes, and filing deadlines. Finance sent employees to training on the

following courses: financial statements, SF-224, FACTS II, GOALS II, and year-end 2000 closing seminars.

The Cost Analysis and Reconciliation Section was dissolved and Thompson, Cobb and Bazilio & Associates, P.C. (TCBA) were under contract to prepare FY2000 reconciliations. The BOC management has played a very active role in monitoring the account reconciliations. The division chief has been reviewing and signing off on all the reconciliations.



Financial Information Requirements Branch

The Comptroller’s Office began scheduling monthly closeout meetings to improve the coordination and the communication with the administrative and program offices throughout the Bureau. For year-end, Finance sent a “Fiscal Year-End Close-Out” letter to the administrative and program offices to give Finance their support to ensure the financial records accurately reflected their use of budgetary resources. The Comptroller’s Office also created a schedule to process various reports and interfaces to minimize system contention.

Financial Information Requirements Branch (FIRB) also provided administrative training for program officials for review of

undelivered orders/deobligations, estimating accounts payable and accrued liabilities. They designed and conducted the training of the accounts payable employees as well as the program officials.

Financial Services Branch

Payments

Over the past year, the Financial Services Branch decreased the percentage of late penalties paid by the Prompt Payment Act. In addition, Finance decreased the percentage of the delinquent invoices in spite of the increased dollar volumes because of decennial activity. The number of penalties paid represents 1.5 percent of total invoices paid in FY2000 versus 3.5 percent in FY1999. Also, an *Accounts Payable Payment Processing Procedures* manual for the staff was produced.

Invoices Paid Subject to the Prompt Payment Act

Fiscal year	Number	Amount (millions)	Penalties	
			Number	Amount (thousands)
2000	2,390,044	\$797.7	35,563	\$352.0
1999	464,206	\$252.4	16,304	\$228.8

Converting Payments to Electronic Funds Transfers (EFT)

Effective January 3, 2000, Finance

Division required all federal payments to be made via EFT, (salary payments, Cash-in-a-Flash awards, travel advances, and local travel). The BOC has an EFT conversion plan. The plan includes converting: salary payments, wage withholdings, vendor payments, and miscellaneous payments to EFT. The plan also includes the pilot use of debit card technology for Survey Incentive Payments.



to the requirements of 31 U.S.C. 3535(b). While the statements have been prepared from the books and records of the BOC in accordance with the format prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the BOC, pursuant

The statements should be read with the realization that they are for the component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Financial Statements and Footnotes

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Consolidated Balance Sheet as of September 30, 2000

(In thousands)

	Consolidated total
Assets	
Intragovernmental	
Fund balances with Treasury (Note 2)	\$1,127,674
Accounts receivable (Note 3)	9,889
Other (Note 6)	1,478
Total intragovernmental assets	\$1,139,041
With the Public	
Accounts receivable, net (Note 3)	\$4,296
Inventories and operating supplies, net (Note 4)	1,210
Property and equipment, net (Note 5)	47,378
Other (Note 6)	1,968
Total assets	\$1,193,893
Liabilities	
Intragovernmental	
Accounts payable	\$22,126
Deferred revenue	88,090
Accrued benefits (Note 7)	6,050
Unfunded FECA accrual (Note 13)	4,260
Other (Note 8)	4,961
Total intragovernmental liabilities	\$125,487
With the Public	
Accounts payable	\$111,770
Deferred revenue	4,502
Accrued payroll and benefits (Note 7)	36,896
Actuarial FECA liability (Note 13)	58,552
Unfunded accrued leave (Note 13)	33,194
Contingent liabilities (Note 11)	8,000
Other (Note 8)	7,205
Total liabilities	\$385,606
Net Position	
Unexpended appropriations (Note 14)	\$788,190
Cumulative results of operations	20,097
Total net position	\$808,287
Total liabilities and net position	\$1,193,893

The accompanying notes are an integral part of these statements.

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Consolidating Statement of Net Cost for the Period Ending September 30, 2000

(In thousands)

	Goal 1: Conduct an accurate, timely, relevant, and cost effective decennial census		Goal 2: Provide accurate, timely, and relevant statistical data			Combined totals	Eliminations	Consolidated totals
	Decennial census	Economic programs	Demo-graphic programs	Reim-bursable programs	All others			
Program costs								
Intragovernmental	\$814,882	\$76,660	\$59,366	\$104,238	\$325,683	\$1,380,829	(\$487,895)	\$892,934
Public	3,162,811	54,043	38,743	62,416	269,169	3,587,182	-	3,587,182
Total program costs	\$3,977,693	\$130,703	\$98,109	\$166,654	\$594,852	\$4,968,011	(\$487,895)	\$4,480,116
Less earned revenue	-	-	-	(171,933)	(488,214)	(660,147)	487,895	(172,252)
Net cost of operations (Note 9)	\$3,977,693	\$130,703	\$98,109	(\$5,279)	\$106,638	\$4,307,864	\$-	\$4,307,864

The accompanying notes are an integral part of these statements.

FINANCIAL STATEMENTS AND FOOTNOTES

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

**Consolidating Statement of Changes in Net Position
for the Period Ending September 30, 2000**

(In thousands)

	Decennial census	Economic programs	Demo- graphic programs	Reim- bursable programs	All others	Total
Net cost of operations	(\$3,977,693)	(\$130,703)	(\$98,109)	\$5,279	(\$106,638)	(\$4,307,864)
Financing sources						
Appropriations used	4,006,381	143,888	101,344	-	48,241	4,299,854
Imputed financing	35,184	1,156	868	-	-	37,208
Total financing sources	\$4,041,565	\$145,044	\$102,212	\$-	\$48,241	\$4,337,062
Net results of operations	\$63,872	\$14,341	\$4,103	\$5,279	(\$58,397)	\$29,198
Increase in unexpended appropriations						465,025
Change in net position						\$494,223
Net position - beginning of period						314,064
Net position - end of period						\$808,287

The accompanying notes are an integral part of these statements.

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Consolidated Statement of Budgetary Resources for the Period Ending September 30, 2000

(In thousands)

	Consolidated total
Budgetary Resources	
Budget authority (Note 12)	\$4,774,597
Unobligated balances - beginning of period	24,895
Spending authority from offsetting collections (Note 12)	529,882
Recoveries of prior-year obligations	11,558
Cancellations and rescissions	(9,717)
Total budgetary resources	\$5,331,215
Status of Budgetary Resources	
Obligations incurred	\$4,893,249
Unobligated balances - available	402,908
Unobligated balances - not available	35,058
Total status of budgetary resources	\$5,331,215
Outlays	
Obligations incurred	\$4,893,249
Less: spending authority from offsetting collections (Note 12)	(529,882)
Recoveries of prior-year obligations	(11,558)
Obligated balance, net - beginning of period	492,289
Less: obligated balance, net - end of period	(633,856)
Total outlays	\$4,210,242

The accompanying notes are an integral part of these statements.

U.S. Department of Commerce
 Economics and Statistics Administration
 U.S. Census Bureau

Consolidated Statement of Financing for the Period Ending September 30, 2000

(In thousands)

	Consolidated total
Resources Used to Finance Activities	
Obligations incurred	\$4,893,249
Less: spending authority from offsetting collections	(529,882)
Recoveries of prior-year obligations	(11,558)
Financing imputed for cost subsidies	37,208
Exchange revenue not in the budget	(508)
Total obligations as adjusted and nonbudgetary resources	<u>\$4,388,509</u>
Resources Used That Do Not Fund Net Cost of Operations	
Change in obligations incurred for goods, services, and benefits ordered but not yet received or provided	(\$164,545)
Change in unfilled customer orders	57,636
Costs capitalized on the balance sheet	(26,217)
Other	3,230
Total resources used that do not fund net cost of operations	<u>(\$129,896)</u>
Costs That Do Not Require Budgetary Resources	
Depreciation and amortization	\$19,954
Bad debt expense	955
Loss on disposition of assets	2,674
Total costs that do not require budgetary resources	<u>\$23,583</u>
Costs that will be financed with budgetary resources received in future periods	<u>25,668</u>
Net cost of operations	<u>\$4,307,864</u>

The accompanying notes are an integral part of these statements.

Financial Footnotes

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The U.S. Census Bureau's (BOC) mission is to collect and provide high quality statistics about the American people and economy. To deliver high value, the BOC must target measurement on those trends and segments of our population and economy most critical to continued American success and prosperity.



The Congressional Act of March 6, 1902, established a Census Bureau and provides for various surveys and censuses. Title 13 of the United States Code regulates laws pertaining to the BOC's statistical programs and ensures confidentiality of data. Section 401 of Executive Order 12656 directs the Secretary of Commerce to provide for the collection and reporting of census information on human and economic resources and to maintain a capability to conduct emergency surveys to provide information on the status of these resources as required for national security emergencies. The BOC is a bureau within the U.S. Department of Commerce (DOC).

All BOC funding is under the Commerce and Housing Credit budget functional classification.

Budgets and Budgetary Accounting

To support its mission, the BOC receives financial resources from the

following:

Salaries and Expense (S&E) Appropriation

Annual 1-year appropriations are provided by Con-

gress and are available for obligation in the fiscal year for which it was provided to fund the overall operation of the BOC.

Periodic Censuses and Programs (PCP) Appropriation

No-year appropriations are provided by Congress to fund the decennial census conducted every 10 years; the economic censuses and the census of governments, which are conducted every 5 years; as well as other programs that are conducted on a cyclical basis.

Working Capital Fund

This is a nonappropriated account used to finance services within the BOC. These services are more efficiently performed on a centralized basis and include

reimbursable statistical work the BOC performs for other federal agencies, state and local governments, foreign governments, and the private sector.

Census Programs

The BOC is the largest statistical agency of the federal government. While best known for the decennial census, the BOC conducts other surveys and censuses that measure changing individual and household demographics and economic conditions of the United States. Major program functions and activities include:

Decennial Census of Population and Housing

The decennial census is one of the few federal activities for which authority rests in the Constitution (Article 1, Section 2). The decennial census is the Nation's oldest and most comprehensive source of population and housing information. Decennial census data provide the basis for apportioning among the states the seats in the U.S. House of Representatives and for developing the districts that members of Congress, state legislators, and other

elected individuals represent. Census 2000 was the largest in America's history.

Economic Programs

Economic programs produce information critical to the economic functioning of the United States and its citizens. Data, such as housing starts, retail sales, wholesale trade, merchandise imports and exports, mining, and manufacturing, are collected each month.

Demographic Programs

Important demographic efforts include the preparation of official population estimates and projections, plus the collection of survey data for official statistics on income and poverty, families, race and ethnic groups, and the Nation's housing characteristics.

Reimbursable Programs

Reimbursable programs receive funds from other federal agencies, such as the Departments of Labor, Health and Human Services, Housing and Urban Development, and Justice, in exchange for the BOC's survey and data collection activities.

Other Programs

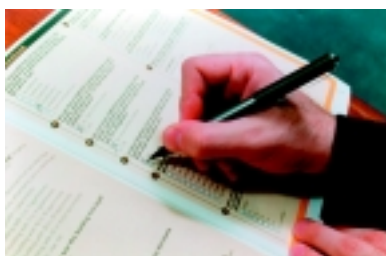
Other programs include methodology and standards, geographical support, data



processing systems, electronic information collection, continuous measurement, demographic surveys sample redesign, cost collection, and the working capital fund.

Basis of Accounting

The accompanying financial statements have been prepared to report the financial position, net costs, and changes in net position of the BOC, together with budgetary resources and a reconciliation of net costs to budgetary obligations, as required by the Government Management Reform Act of 1994 and in accordance with generally accepted accounting principles (GAAP). GAAP for federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body designated to establish these principles for these entities. The financial statements have also been prepared from the books and records of the BOC in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Bulletin 97-01, Form and Content of Agency Financial Statements, as amended, and Department of Commerce



accounting policies, when applicable, which are summarized in this note.

The financial statements are different from the financial reports prepared by the BOC pursuant to OMB directives that are used to monitor and control the BOC's use of budgetary resources.



The BOC records accounting transactions on both the accrual and budgetary basis of accounting. Under the accrual method, revenue is recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.



Revenues and Other Financing Sources

The BOC receives the funding needed to support its programs through appropriations. Both annual and multiyear appropriations are received and used, within statutory limits, for operating and capital expenditures. Additional resources are obtained through the collection of amounts from reimbursable programs performed for

other governmental and nongovernmental entities.

Appropriations are recognized as revenue at the time the related program or administrative expenses are incurred. The consumption of appropriations used to purchase property and equipment are recognized when the purchases are made.

Appropriations. Through Congressional appropriations, the BOC is provided financing sources for its programs. The funds are warranted by the Treasury and apportioned by the OMB.

Recoveries. No-year funds are authorized by the OMB's Letter of Apportionment to expend recoveries from prior-years' obligations.

Reimbursements. Reimbursements are authorized in various appropriations based on the Letter of Apportionment.

Imputed Financing Sources. In accordance with OMB Bulletin No. 97-01, certain expenses should be reported by agencies whether or not these expenses will be paid by the agency that incurs the expense. The amounts for certain expenses

of the BOC, which will be paid by other federal agencies, are recorded in the "Statement of Net Cost." A corresponding amount is recognized in the "Statement of Changes in Net Position" as an "Imputed

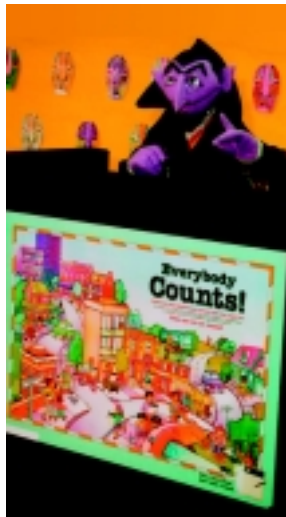
Financing Source." BOC's imputed expenses are for health care, life insurance, and pension plans for employees, which will be paid by the Office of Personnel Management. Expenses are recorded at year-end for losses in litigation proceeding against the BOC. Losses paid by the Treasury Judgement Fund are recognized as an imputing

financing source by the BOC.

Assets

Assets defined as Entity Assets, such as Fund Balance With Treasury, property and equipment, and accounts receivable, are available for use in the BOC's operations.

Nonentity assets are assets for which an agency has fiduciary responsibility and are not available for use in the agency's operations. Nonentity assets consist of suspense deposit funds and collection of an



accounts receivable that are not available to finance BOC activities.

BOC's assets are also classified as either intragovernmental or with the public. Intragovernmental assets are held by or due from federal government agencies. Assets with the public result from transactions with nonfederal entities.

Fund Balance With U.S. Treasury

The BOC does not, for the most part, maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. Funds with the U.S. Treasury consist of appropriated and deposited funds that are available to pay current liabilities and finance authorized purchase commitments.



Accounts Receivable, Net of Allowance

The BOC intragovernmental accounts receivable consists of receivables from the Department of Labor for erroneously billed Federal Employee Compensation (FEC) account activity as well as receivables from other federal agencies for reimbursable projects.

The BOC also records as accounts receivable amounts due from the public for employees' indebtedness for salary overpayments, health benefits, and other indebtedness of all current and noncurrent employees. Accounts receivable due from



the public also includes amounts owed by state and local governments and non-profit organizations that are not allowed to pay for services in advance.

The amounts due for public receivables are stated net of an allowance for uncollectible amounts. This

allowance is based on an analysis of the outstanding balances. No allowance for uncollectible accounts is recognized for intragovernmental accounts receivable because these accounts are due from other federal agencies and are deemed to be fully collectible.

Inventories

The BOC inventories are comprised of operating supplies as well as data and information contained in CD-ROMs held for sale. The inventories on hand are stated at average cost using the lower of cost or net realizable value.

Property and Equipment

The land and buildings that the BOC operates in are provided by the General Services Administration (GSA), which charges the BOC a Standard Level Users Charge (SLUC) that approximates the commercial rental rates for similar properties. The BOC allocates its rent expense to its various funding sources.



Leasehold improvements are capitalized and amortized over the lives of the related leases.

Effective October 1, 1996, the Office of Financial Management amended the DOC's accounting policy, raising the capitalization threshold from \$5,000 to \$25,000. The policy requires all equipment and software purchased after FY1996 for amounts \$25,000 and over with a useful life of at least 2 years to be recorded as a capital asset and depreciated/amortized over its estimated economic useful life. Assets purchased prior to FY1996, which were capitalized at the former \$5,000 threshold, are not affected by this change and will continue to be depreciated over the

estimated number of years of their useful life. Assets purchased for less than the new capitalization threshold will be recorded as accountable property and inventoried along with capitalized items.

Depreciation rates are established on the basis of a reasonable estimate of the useful life of the assets to be depreciated and are applied on a straight-line basis. In establishing useful lives for assets, due consideration is given to:

- Factors cited in feasibility studies and documents authorizing the acquisition of the ADP or other specialized equipment.
- The BOC actual prior experiences on the replacement of similar assets.

The ADP software service life was adjusted downward from 5 to 3 years effective October 1, 1997. The service life for ADP software purchased prior to October 1, 1997, remains at 5 years.

Liabilities

Liabilities represent the amount of money or other resources that are scheduled to be paid by the BOC as the result of a transaction or event that has already

occurred. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities. No liability can be paid by the BOC absent an appropriation.

All expenses and related accrued liabilities are recorded and reported by agencies whether or not amounts are funded. Appropriation law, however, prohibits federal agencies from obligating or spending funds for which appropriations have not been authorized. In order to comply with the above requirements and to provide accountability for unfunded expenses anticipated to be funded from future appropriations, the amounts for current unfunded expenses are reported in the "Statement of Net Cost," and related liabilities are included in the "Balance Sheet" and disclosed as Liabilities Not Covered by Budgetary Resources (see Note 13).

Deferred Revenue

BOC receives advances from others for goods to be delivered or services to be performed. Deferred Revenue represents amounts received from others for goods and services yet to be provided or rendered by the BOC. Revenue is recognized as costs are incurred, and the Deferred Revenue balance is reduced accordingly.

Intragovernmental Deferred Revenue is primarily advances from federal agencies for services that have not yet been provided. Deferred Revenue with the public is comprised mostly of unfinished work for state and local governments, nonprofit organizations, and universities.



Accrued Payroll and Benefits

Accrued Payroll and Benefits represents salaries, wages, and benefits earned by the employees, but not disbursed as of September 30, 2000. The employees' benefits accrued are payable to other federal agencies and are, therefore, reported under intragovernmental.



Annual, Sick, and Other Leave

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual and compensatory leave account is adjusted to reflect current leave balances and pay rates. To the extent current or prior-year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

FECA Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees

injured on the job, employees who have incurred a work-related occupational disease, and

beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for BOC employees under FECA are administered by the Department of Labor and are ultimately paid by the BOC.

FECA liability includes two components: (1) the accrued liability, which represents money owed for claims paid through the current fiscal year; and (2) the actuarial liability, which represents the expected future liability for approved compensation claim cases.

Future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The liability for future workers' compensation

benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined utilizing

historical benefit payment patterns related to a specific period to estimate the ultimate payments

related to that period.

Employee Retirement Plans

Employees hired after December 31, 1983, are automatically covered by the Federal Employees' Retirement System (FERS), implemented on January 1, 1987, while employees hired prior to that date may elect to join either FERS or to remain in the Civil Service Retirement System (CSRS). For employees in FERS, the BOC withholds 1.05% of gross earnings in addition to Social Security (FICA), and matches the withholding with a 10.7% contribution. The sum is transferred to the Federal Employees' Retirement Fund. For employees covered by the CSRS, the BOC withholds 7.25% of gross earnings. This withholding is matched by the BOC, and the sum of the



withholding and the matching funds is transferred to the CSRS.

On April 1, 1987, the federal government initiated the Thrift Savings Plan (TSP), which is a retirement savings and investment plan for employees covered by either FERS or CSRS. The BOC makes a mandatory contribution of 1% of basic pay for FERS-covered employees. Employees are eligible to contribute up to 10% of basic pay to their TSP account. In addition, BOC makes matching contributions of up to 5% of basic pay for employees who contribute to the Thrift Savings Plan. CSRS participants may contribute up to 5% of their gross pay, but there is no governmental matching contribution. The maximum amount that either FERS or CSRS employees may contribute to the plan in calendar year 2000 was \$10,500. The sum of employee and BOC contributions is transferred to the Federal Retirement Thrift Investment Board to administer.

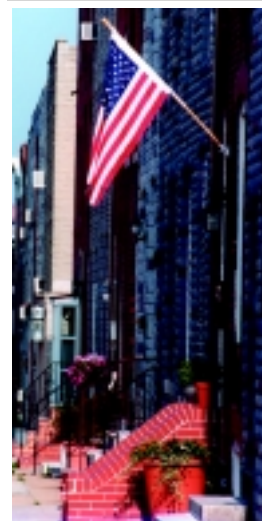
The BOC financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to BOC's employees and funded by BOC. Such reporting is



the responsibility of the U.S. Office of Personnel Management.

Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government, and OMB Bulletin 97-01, Form and Content of Agency Financial Statements, require federal entities to recognize an expense for pension and other retirement benefits at the time the employees' services are rendered.

To calculate the liability for pensions and other retirement benefit costs, the "service cost" or normal cost is calculated. Service cost is defined as the actuarial present value of benefits attributed by the pension plan's benefit formula to services rendered by employees during the accounting period. The amount of the service cost, less any employee contributions attributable to post-retirement benefits, is defined as the "pension expense" for the entity. To calculate the amount of additional expense to be recorded, the employer's contribution is subtracted from the pension expense since the employer's contribution is expended with each pay period. Since the benefit



for pensions is received after retirement, employee and employer contributions are attributed to the period after retirement and are subtracted from the service costs. The employee and employer contributions for health care and life insurance are attributed to the current period, and therefore, there is no offset to these service costs to calculate the other retirement benefit expenses for the entity. These additional expenses represent the “subsidy” being made by the Office of Personnel Management (OPM) for employees’ retirement benefits.

BOC recognizes these imputed costs on the Consolidating Statement of Net Cost. In addition, BOC recognizes an imputed financing source on the Consolidating Statement of Changes in Net Position and the Consolidated Statement of Financing. For FY2000, the amount of imputed financing is \$37,208 thousand.

Net Position

BOC’s net position at September 30, 2000, consisted of the following:

Unexpended Appropriations. Unexpended appropriations include appropriations not yet obligated or expended, represented by the unobligated balances and undelivered orders of BOC’s appropriated funds. Multiyear appropriations remain available to BOC for obligation in future periods. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that account is closed, 5 years after the appropriations expire (see Note 14).

Cumulative Results of Operations. Cumulative results of operations at September 30, 2000, include the accumulated difference between expenses consuming budgetary resources and financing sources providing budgetary resources during the current and prior fiscal years; BOC’s investment in capitalized assets, which increases as capital assets are acquired and decreases as capital assets are depreciated or disposed of; and the excess of certain liabilities not consuming budgetary resources, net of



certain assets not providing budgetary resources, whose liquidation will require obligation of funds and may require funding from future Congressional appropriations or other budgetary resources.

Elimination of Intra-Census Transactions and Balances

All significant Intra-Census transactions and balances among BOC funds have been eliminated from BOC's financial statements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2. Fund Balances With the U.S. Treasury

The BOC cash receipts and disbursements are processed by the U.S. Treasury. Nonfederal receipts are deposited daily in commercial banks, which transfer the receipts to the U.S. Treasury. Federal checks are mailed directly to the Federal Reserve Bank. Funds with the U.S. Treasury represent appropriated and reimbursable funds available to finance expenditures. Included in the Fund Balance With Treasury are entity deposit funds for unfinished reimbursable work with other federal agencies and the public. Other Funds include nonentity deposit funds, which are suspense funds that are not available to finance BOC activities.

(In thousands)			
	Entity	Nonentity	Total
Revolving funds	\$165,534	\$-	\$165,534
Appropriated funds	955,062	-	955,062
Other funds	6,910	168	7,078
Total	\$1,127,506	\$168	\$1,127,674

Note 3. Accounts Receivable, Net

The BOC maintains an accounts receivable subsidiary ledger for amounts due for goods and services provided to other federal agencies, the public, and foreign entities. In addition, the Department of Agriculture, National Finance Center (NFC), maintains an accounts receivable subsidiary ledger on behalf of BOC for salary overpayments, health benefits, and other indebtedness of all current and noncurrent employees. The NFC receivables include both current

receivables billed to employees and in the process of repayment as well as unbilled receivables that will not be billed until the employee returns to active status and a salary offset is initiated. The detail of accounts receivable from other federal agencies is in the Required Supplementary Information, Intragovernmental Assets. The nonentity accounts receivable is from the United States Patent and Trademark Office. These funds will be transferred to the general fund of the United States Treasury upon collection.

(In thousands)			
	Gross accounts receivable	Allowance	Net accounts receivable
Entity intragovernmental	\$9,616	\$-	\$9,616
Nonentity intragovernmental	273		273
	\$9,889	\$-	\$9,889
Entity with the public	\$5,366	(\$1,070)	\$4,296
Total	\$15,255	(\$1,070)	\$14,185

The BOC estimates the allowance for uncollectible accounts receivable with the public based on the following aging schedule, reflective of historical collection patterns:

1 - 90 days	0%
91 - 180 days	15%
181 - 360 days	35%
Over 360 days	100%

Allowance for Uncollectible Accounts Receivable

(In thousands)

	FY2000
Beginning of period	(\$115)
FY2000 increase in allowance	(955)
End of period	<u>(\$1,070)</u>

Note 4. Inventories and Operating Supplies, Net

The BOC's inventory is comprised of operating supplies as well as data and information contained in CD-ROMs held for future sale to other federal government agencies and to the public. The inventories on hand are stated at average cost using the lower of cost or net realizable value. Expenses are recorded when the inventories are sold and revenues are received from the customer. A reserve for obsolete items is based on items held in inventory that may not be sold and would be removed from inventory at a later date. Inventories also include operating materials and supplies, such as unused postage meters. The BOC intends to maintain inventory levels sufficient to meet only current demand.

(In thousands)

	Inventory amount	Obsolete inventory allowance	Inventory, net
Inventory	\$1,241	(\$124)	\$1,117
Operating supplies	93	-	93
Total	<u>\$1,334</u>	<u>(\$124)</u>	<u>\$1,210</u>

Note 5. Property and Equipment, Net

The BOC owns and leases various property and equipment that are essential to its operations. This property and equipment is capitalized and expensed over the specific asset class's service life using the straight-line depreciation method. The BOC has adopted a capitalization threshold of \$25 thousand. Information regarding cost, accumulated depreciation, net book value, and estimated useful life is provided in the schedule below.

assets are for traveler's checks totaling \$1,719 thousand.

Note 7. Accrued Payroll and Benefits

Accrued payroll and benefit costs are earned by and owed to employees but unpaid as of year-end. Accrued payroll and benefit costs represent current liabilities. Census employees that are paid by the National Finance Center (NFC) are paid on a biweekly basis with a 2-week delay. The BOC accrued payroll costs for the period of

(In thousands)

Classes of assets	Service life (years)	Acquisition value	Accumulated depreciation	Net book value
Leasehold improvements	5-20	\$3,168	(\$1,750)	\$1,418
ADP software & licenses	3-5	7,410	(5,412)	1,998
Equipment	5-6	110,327	(66,439)	43,888
Capital leases - equipment	5	135	(61)	74
Total		\$121,040	(\$73,662)	\$47,378

Note 6. Other Assets

The BOC's other assets consist of advances and traveler's checks. Intragovernmental balances consist of advances to the Department of Commerce for \$1,478 thousand. The public amounts consist of advances to employees for travel expenses for \$249 thousand. Other public

September 11th to the 22nd and the last 5 business days of September 2000. BOC temporary employees working for the field decennial are paid by the Census Pre-Appointment Management System (PAMS) and Automated Decennial Administrative Management System (ADAMS) payroll

(In thousands)	
	FY2000
Intragovernmental	
Employer contribution and payroll taxes	\$6,050
With the Public	
Employee contribution to TSP	565
Accrued payroll - PAMS/ADAMS	1,102
Accrued payroll - NFC	35,229
	<u>\$36,896</u>
Total	<u><u>\$42,946</u></u>

systems. ADAMS payroll is accrued on a weekly basis. NFC payroll accrued at September 30, 2000, includes benefits that the BOC pays to OPM for the Thrift Savings Plan (TSP) and Social Security Administration (SSA) in addition to the amounts paid to employees.

Note 8. Other Liabilities

Other liabilities are accrued based on estimates of funds owed to other federal government entities and the public for services provided, but not yet paid.

The accruals for workers' compensation and unemployment compensation represent the estimated liability for the current fiscal year; for money owed, but not billed; and for claims that were paid by the Department of Labor.

The Deposit Funds liability represents money withheld or collected from BOC employees for bonds, state taxes, health benefits payments, and other payments.

(In thousands)			
	Current	Non-current	Total other liabilities
Intragovernmental			
Dept. of Comm. - WCF	\$212	\$-	\$212
Workers' compensation	1,066	-	1,066
Unemployment compensation	504	-	504
GSA basic telecommunications	3,179	-	3,179
Total intragovernmental	<u>\$4,961</u>	<u>\$-</u>	<u>\$4,961</u>
With the Public			
Capital lease liability	\$38	\$-	\$38
Deposit funds	6,987	-	6,987
Deposit funds - suspense accts.	168	-	168
Other	-	12	12
Total with the public	<u>\$7,193</u>	<u>\$12</u>	<u>\$7,205</u>
Total	<u>\$12,154</u>	<u>\$12</u>	<u>\$12,166</u>

Note 9. Statement of Net Cost

Suborganization Program Costs

The BOC Consolidating Statements of Net Cost and Changes in Net Position are presented by responsibility segment. These responsibility segments are based on the

BOC's mission and funding sources. The major programs that comprise the responsibility segments are fully described in *Note 1* of this report and include:

- Decennial census
- Economic programs
- Demographic programs
- Reimbursable programs
- All others

The BOC has two primary goals. These goals are consistent with the outputs described in the DOC Annual Performance Plan as required by GPRA. The first is to conduct an accurate, timely, relevant, and cost-effective decennial census. The second is to provide accurate, timely, and relevant statistical data. The earned revenues and expenses for the second goal are identified in the Responsibility segments: Reimbursable programs and All others.

Gross Cost and Earned Revenue by Budget Functional Classification

Budget functional classification	Gross cost	Earned revenue	Net cost
Commerce and Housing Credit	\$4,480,116	\$172,252	\$4,307,864

Intragovernmental Cost and Earned Revenue by Budget Functional Classification

Budget functional classification	Gross cost	Earned revenue	Net cost
Commerce and Housing Credit	\$892,934	\$164,937	\$727,997

Earned Revenues

Earned revenues in reimbursable programs collected by the BOC represent amounts collected, primarily from other federal agencies for work completed on a reimbursable basis. The majority of the reimbursable agreements are based on preliminary cost estimates.

Note 10. Leases

The BOC has commitments under cancelable leases for office space. The General Services Administration (GSA) leases the majority of buildings in which the BOC operates. The BOC is charged rent, which is intended to approximate commercial rental rates. The BOC has unique operating space needs for which commercial space is rented directly by

the BOC. The rental expense for operating leases for the fiscal year ended September 30, 2000, follows:

(In thousands)	
Operating leases	Total
Space Rentals	
GSA	\$135,163
Commercial rentals	4,808
Total	\$139,971

Future lease payments are calculated based on the GSA's annual rent rate adjustment formula. This annual rent rate adjustment considers two factors: (1) the percentage change in operating costs experienced by GSA in comparable buildings

(In thousands)			
Future payments due fiscal year	GSA	Commercial	Total
2001	\$36,540	\$4,848	\$41,388
2002	27,988	2,424	30,412
2003	28,215	12	28,227
2004	29,062	12	29,074
2005	29,933	12	29,945
2006 and thereafter	30,831	12	30,843
Total	\$182,569	\$7,320	\$189,889

in the area; and (2) 100% of the change in the local Consumer Price Index.

Commercial rental represents space rented by the Census Bureau in commercial buildings. The Census Bureau regional offices use this space in locations across the country.

Note 11. Contingent Liabilities

The BOC is party to various routine administrative proceedings, legal actions, and claims brought by or against it. It is the opinion of BOC management and legal counsel that the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or net costs of the BOC.

The BOC is subject to suits where an adverse outcome is probable. The range of loss for these suits is between \$8 million and \$17.5 million. Accordingly, \$8 million was accrued on the Balance Sheet and recognized in the Statement of Net Cost. Any settlements will be paid out of Treasury's Judgment Fund. Once the claims are settled or court judgments are assessed against the BOC, the liability will be removed from the financial statements and an "other financing source" (representing the amount to be paid by the Judgment Fund) will be recognized.

The BOC is party to other suits, with claim amounts of approximately \$5.5 million as of September 30, 2000.

In addition, there are other suits with no claim amounts. For all of these suits, it is reasonably possible that an adverse outcome will result. However, it is not possible to speculate a range of loss. Of these claims, all were or had a high probability of being funded by Treasury's Judgment Fund.

**Note 12. Footnote Disclosures
Related to the Statement of
Budgetary Resources**

(In thousands)

The numbers in this footnote include both appropriated and reimbursable resources. In fiscal year 2000, the BOC had three funding sources: (1) salaries and expenses; (2) periodic censuses and programs; and (3) reimbursable programs. Reimbursable programs are reflected as spending authority from offsetting collections on the Statement of Budgetary Resources.

Salaries and expenses (S&E) is an annual Congressional appropriation to fund current programs and ongoing surveys. Annual appropriations expire at the end of the first year of the appropriation and are canceled at the end of the sixth year. Upon expiration of an annual appropriation, the obligated and unobligated balances retain their fiscal year identity and are maintained separately within an expired account.

Obligated balances may be used to liquidate obligations properly chargeable to that fiscal year. The unobligated balance remains available to make legitimate obligation adjustments, such as new obligations, and to make upward adjustments in previously under-recorded obligations. The BOC received \$160,000 for fiscal year 2000 salaries and expenses, of which budget authority of \$30 was apportioned to the Commerce Office of Inspector General (OIG) to pay for costs related to the extension of the fiscal year 1999 audit. OMB requested that leftover budget authority in the amount of \$11 be returned to the Information Technology Systems related expenses account. This resulted in a net budget authority of \$159,959.

Periodic censuses and programs (PCP) is a Congressional no-year appropriation that funds programs that occur on a cyclical basis. A no-year appropriation is available for obligation without fiscal year limitation. The BOC received \$4,618,573 in new funding for fiscal year 2000. Pursuant to Congressional legislation, the Census Monitoring Board received \$3,935, resulting in net budget authority of \$4,614,638.

Reimbursable program funds are received from various entities in exchange

for BOC surveys and data collection activities. Reimbursable agreements may be established with other federal agencies or with public and private entities, such as colleges and universities. Total reimbursable earnings amounted to \$660,147 and advances of \$57,784 for total offsetting collections of \$717,931. This includes intra-census activity of \$188,049 for net offsetting collections of \$529,882.

Budgetary resources obligated for undelivered orders, including both appropriated and reimbursable activity, at the end of the period was \$490,058.

The BOC provides centralized services to support the program areas. A working capital fund is maintained to facilitate the processing and allocation of costs for maintaining these centralized administrative, computer, and field support activities.

Note 13. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources result from the receipt of goods and services, or the occurrence of events, for which budgetary resources are not available. All of the following represent noncurrent liabilities:

Accrued FECA liability represents BOC claims paid by the Department of Labor from the Employees Compensation Fund for the period of July 1, 1998, through September 30, 2000.

Actuarial FECA liability represents the estimated liability for future workers' compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

Unfunded accrued annual leave is accrued as it is earned and the accrued

(In thousands)

	Intra-governmental	With the public	FY2000
Accrued FECA liability	\$4,260	\$-	\$4,260
Actuarial FECA liability	-	58,552	58,552
Unfunded accrued annual leave	-	33,194	33,194
Contingent liabilities	-	8,000	8,000
Total	\$4,260	\$99,746	\$104,006

annual leave balance is reduced as leave is taken.

Contingent liabilities represent the estimated liability for suits against the BOC where an adverse outcome is probable and measurable.

Note 14. Unexpended Appropriations

The BOC receives appropriations on both a 1-year and no-year basis. One-year appropriations expire at the end of the first year of the appropriation and are canceled at the end of the sixth year. Upon expiration of a 1-year appropriation, the obligated and unobligated balances retain their fiscal-year identity and are maintained separately within an expired account. The unobligated balance can be used to make legitimate obligation adjustments, such as previously

(In thousands)	
FY2000	
Unobligated	
Available	\$324,726
Unavailable	6,879
	\$331,605
Undelivered orders	456,585
Total	\$788,190

unrecorded obligations, and to make upward adjustments in previously unrecorded obligations, but is otherwise not available for expenditures.

No-year appropriations may be retained beyond the current fiscal year and are available for obligations until expended.

REQUIRED SUPPLEMENTARY INFORMATION

U.S. Department of Commerce
 Economics and Statistics Administration
 U.S. Census Bureau

**Required Supplementary Information for the
 Fiscal Year Ended September 30, 2000 (Unaudited)**

Intragovernmental Assets

Intragovernmental assets represent transactions
 between other federal departments and agencies.

(In thousands)

Agency	Fund balance with Treasury	Accounts receivable	Advances and prepayments
Agency for International Development	\$ -	\$3,534	\$-
Department of Agriculture	-	60	-
Central Intelligence Agency	-	69	-
Department of Commerce	-	1,124	1,478
Corporation for National Service	-	(1)	-
Department of Defense	-	5	-
Department of Education	-	77	-
Department of Energy	-	29	-
Environmental Protection Agency	-	52	-
Federal Emergency Management Agency	-	18	-
General Service Administration	-	7	-
Government Printing Office	-	37	-
Department of Health and Human Services	-	356	-
Department of Housing and Urban Development	-	151	-
Department of Interior	-	1	-
International Trade Commission	-	5	-
Department of Justice	-	131	-
Department of Labor	-	3,549	-
National Aeronautics and Space Administration	-	17	-
National Science Foundation	-	49	-
Nuclear Regulatory Commission	-	202	-
Office of Personnel Management	-	50	-
Small Business Administration	-	1	-
Social Security Administration	-	75	-
Department of Transportation	-	35	-
Department of Treasury	1,127,674	36	-
Department of Veterans Affairs	-	11	-
Unassigned	-	209	-
Total	\$1,127,674	\$9,889	\$1,478

U.S. Department of Commerce
 Economics and Statistics Administration
 U.S. Census Bureau

**Required Supplementary Information for the
 Fiscal Year Ended September 30, 2000 (Unaudited)**

Intragovernmental Liabilities

Intragovernmental liabilities represent transactions between other federal departments and agencies.

(In thousands)

Agency	Accounts payable	Deferred revenue	Accrued benefits	Unfunded FECA accrual	Other
Agency for International Development	\$-	\$999	\$-	\$-	\$-
Department of Agriculture	86	485	-	-	-
Appalachian Regional Commission	-	2	-	-	-
Board of Governors of the Federal Reserve	-	346	-	-	-
Central Intelligence Agency	-	36	-	-	-
Department of Commerce	228	1,450	-	-	211
Corporation for National Service	-	1	-	-	-
Department of Defense	37	497	-	-	-
Department of Education	-	8,957	-	-	-
Department of Energy	20	220	-	-	-
Environmental Protection Agency	-	554	-	-	-
Equal Employment Opportunity Commission	1	-	-	-	-
General Services Administration	6,959	28	-	-	3,179
Government Printing Office	3	1	-	-	-
Department of Health and Human Services	(104)	17,127	-	-	-
Department of Housing and Urban Development	1	15,234	-	-	-
Department of Interior	-	96	-	-	-
Internal Revenue Service	-	-	-	-	-
International Trade Commission	-	2	-	-	-
Department of Justice	1	9,251	-	-	-
Department of Labor	4	27,408	-	4,260	1,571
Library of Congress	(35)	22	-	-	-
National Aeronautics & Space Administration	-	5	-	-	-
National Endowment Arts	-	214	-	-	-
National Science Foundation	(11)	2,247	-	-	-
Office of Personnel Management	451	(11)	4,060	-	-
Postal Service	13,931	1	-	-	-
Department of State	1	-	-	-	-
Small Business Administration	-	510	-	-	-
Smithsonian Institution	(8)	-	-	-	-
Social Security Administration	-	34	-	-	-
Department of Transportation	-	2,533	-	-	-
Department of the Treasury	535	120	1,990	-	-
U.S. Trade Representative	-	7	-	-	-
Department of Veterans Affairs	25	-	-	-	-
Unassigned	1	(286)	-	-	-
Total	\$22,126	\$88,090	\$6,050	\$4,260	\$4,961

REQUIRED SUPPLEMENTARY INFORMATION

U.S. Department of Commerce
 Economics and Statistics Administration
 U.S. Census Bureau

**Required Supplementary Information for the
 Fiscal Year Ended September 30, 2000 (Unaudited)**

Intragovernmental earned revenues and related costs

Intragovernmental earned revenues and related costs represent transactions between all federal departments and agencies.

(In thousands)

Agency	Earned Revenues
Agency for International Development	\$4,809
Appalachian Regional Commission	9
Department of Agriculture	1,005
Central Intelligence Agency	551
Department of Commerce	3,864
Corporation for National Public Services	22
Department of Defense	982
Department of Education	17,632
Department of Energy	995
Environmental Protection Agency	609
Federal Communications Commission	65
Federal Emergency Management Agency	53
Federal Reserve	203
General Services Administration	88
Government Printing Office	13
Department of Health and Human Services	33,495
Department of Housing and Urban Development	14,693
Department of Interior	816
International Trade Commission	23
Department of Justice	18,502
Department of Labor	56,390
National Air and Space Museum	70
National Science Foundation	3,192
U.S. Nuclear Regulatory Commission	202
Office of Personnel Management	67
Small Business Administration	1,439
Social Security Administration	231
U.S. Trade Representative	50
Department of Transportation	3,934
Department of the Treasury	105
Veterans Administration	267
Unassigned	561
Total	\$164,937
Gross Costs to Generate Revenue	
Budget Functional Classification	
Commerce and Housing Credit	\$164,937
Total	\$164,937

REQUIRED SUPPLEMENTARY INFORMATION

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

Required Supplementary Information
Budgetary Information by Major Budget Account
for the Year Ended September 30, 2000 (Unaudited)

(In thousands)

	Salaries and expenses	Periodic censuses & programs	Y2K compliance	Working capital fund	Other	Combined total	Eliminations	Consolidated totals
Budgetary Resources								
Budget authority	\$ 159,970	\$ 4,614,638	(\$ 11)	\$-	\$-	\$ 4,774,597	\$-	\$ 4,774,597
Unobligated balances beginning of period	10,905	4,559	344	9,057	30	24,895	-	24,895
Spending authority from offsetting collections	-	-	-	717,926	5	717,931	(188,049)	529,882
Recoveries of prior-year obligations	674	6,703	5	4,176	-	11,558	-	11,558
Cancellations and rescissions	(4,426)	(5,291)	-	-	-	(9,717)	-	(9,717)
Total budgetary resources	\$ 167,123	\$ 4,620,609	\$ 338	\$ 731,159	\$ 35	\$ 5,519,264	(\$ 188,049)	\$ 5,331,215
Status of Budgetary Resources								
Obligations incurred	\$ 159,728	\$ 4,257,822	\$ 321	\$ 663,427	\$-	\$ 5,081,298	(\$ 188,049)	\$ 4,893,249
Unobligated balances - available	516	366,722	28	35,642	-	402,908	-	402,908
Unobligated balances - not available	6,879	(3,935)	(11)	32,090	35	35,058	-	35,058
Total status of budgetary resources	\$ 167,123	\$ 4,620,609	\$ 338	\$ 731,159	\$ 35	\$ 5,519,264	(\$ 188,049)	\$ 5,331,215
Outlays								
Obligations incurred	\$ 159,728	\$ 4,257,822	\$ 321	\$ 663,427	\$-	\$ 5,081,298	(\$ 188,049)	\$ 4,893,249
Less: spending authority from offsetting collections	-	-	-	(717,926)	(5)	(717,931)	188,049	(529,882)
Recoveries of prior-year obligations	(674)	(6,703)	(5)	(4,176)	-	(11,558)	-	(11,558)
Obligated balance, net - beginning of period	13,718	407,754	6,782	64,033	2	492,289	-	492,289
Less: obligated balance, net - end of period	(26,168)	(636,936)	(37)	29,248	37	(633,856)	-	(633,856)
Total outlays	\$ 146,604	\$ 4,021,937	\$ 7,061	\$ 20,036	\$ 34	\$ 4,210,242	\$-	\$ 4,210,242

OTHER ACCOMPANYING INFORMATION

U.S. Department of Commerce
Economics and Statistics Administration
U.S. Census Bureau

**Other Accompanying Information
Schedule for Financing for the
Period Ending September 30, 2000**

(In thousands)

	Combined total	Eliminations	Consolidated total
Resources Used to Finance Activities			
Obligations incurred	\$5,081,298	(\$188,049)	\$4,893,249
Less: spending authority from offsetting collections	(717,931)	188,049	(529,882)
Recoveries of prior-year's obligations	(11,558)	-	(11,558)
Financing imputed for cost subsidies	37,208	-	37,208
Exchange revenue not in the budget	(508)	-	(508)
Total obligations as adjusted and nonbudgetary resources	\$4,388,509	\$-	\$4,388,509
Resources Used That Do Not Fund Net Cost of Operations			
Change in obligations incurred for goods, services, and benefits ordered but not yet received or provided	(\$164,545)	-	(\$164,545)
Change in unfilled customer orders	57,636	-	57,636
Costs capitalized on the balance sheet	(26,217)	-	(26,217)
Other	3,230	-	3,230
Total resources used that do not fund net cost of operations	(\$129,896)	\$-	(\$129,896)
Costs That Do Not Require Budgetary Resources			
Depreciation and amortization	\$19,954	-	\$19,954
Bad debt expense	955	-	955
Loss on disposition of assets	2,674	-	2,674
Total costs that do not require budgetary resources	\$23,583	\$-	\$23,583
Costs that will be financed with budgetary resources received in future periods	\$25,668	\$-	\$25,668
Net cost of operations	\$4,307,864	\$-	\$4,307,864

Independent Auditor's Report on the Financial Statements

Office of Inspector General

United States Department of Commerce

The Director

Bureau of the Census

We have audited the accompanying Balance Sheet of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce, as of September 30, 2000, and the related Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the year then ended. These financial statements are the responsibility of the management of the BOC. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BOC as of September 30, 2000, and its net cost, changes in net position, budgetary resources and related reconciliation of budgetary obligations to net cost for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information in the Overview and the Required Supplementary Information (RSI) is not a required part of these financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe that the RSI for intra-governmental transactions and balances with non-Department of Commerce trading partners were not prepared in conformity with guidelines established by OMB, because the Department of Commerce was unable to perform most of the reconciliations with its federal trading partners in accordance with the guidelines of OMB Bulletin No. 97-01, *Form and Content of Federal Financial Statements*, as amended.

Independent Auditor's Report on Financial Statements, continued

The Other Accompanying Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated January 19, 2001, on our consideration of the BOC's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of the audit, these reports should be read in conjunction with this report.

Urbach Kahn & Werlin LLP

Washington, DC

January 19, 2001

Independent Auditor's Report on Internal Control

Office of Inspector General
United States Department of Commerce

The Director
Bureau of the Census

We have audited the financial statements of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce, as of and for the year ended September 30, 2000, and have issued our report thereon, dated January 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the BOC's internal control over financial reporting by obtaining an understanding of the BOC's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the BOC's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected.

Independent Auditor's Report on Internal Control, continued

However, we noted certain matters involving the internal control and its operation that we considered to be reportable conditions and with respect to the first two items below, material weaknesses.

These conditions detailed on the following pages, are summarized in the following categories:

1. Financial Management and Reporting
2. Account Reconciliations
3. Information System Reporting and Controls

In addition, with respect to internal controls related to performance measures reported in the Overview, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control over financial reporting which have been reported to the management of the BOC in a separate letter dated January 19, 2001.

This report is intended solely for the information and use of the Office of Inspector General of the United States Department of Commerce, the management of the BOC and the Department of Commerce, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Washington, DC

January 19, 2001

REPORTABLE CONDITION 1 (Material Weakness)

FINANCIAL MANAGEMENT AND REPORTING (Updated Finding)

The Bureau of the Census (BOC) improved its financial reporting process towards the end of fiscal year 2000, including establishing a detailed management plan and year-end closing procedures for the preparation of the annual financial statements. However, the BOC continued to experience significant difficulties and delays in producing complete and accurate financial statements. The BOC was able to produce a set of draft financial statements by the Departmental deadline; however, throughout the financial statement drafting process, we found technical and clerical errors, as well as inconsistencies in the form and content of the financial statements and related footnotes. The reporting deficiencies were closely associated with the preparation of account reconciliations, as discussed in detail in Reportable Condition 2.

Difficulties still exist in the ability to produce in a routine and timely manner, the necessary reports from the Commerce Administrative Management System (CAMS) which meet the BOC's internal and audit requirements. Because of these difficulties, the financial statements were manually compiled for fiscal year 2000, instead of being generated directly from CAMS. Compounding the potential for error, adjustments to the financial statements must be posted manually. Additionally, each adjustment must be crosswalked to the financial statements, Required Supplementary Information and the Intra-Commerce Transaction Detail and Intragovernmental Transaction Summary Reports not only by line account balance, but also by program (Responsibility Segment), fund, project number and intragovernmental or public effect. Largely as a result, the allocation of costs and revenue between Responsibility Segments and among intragovernmental versus public amounts on the Statements of Net Cost and Changes in Net Position were reported in error on the draft financial statements. A corollary effect of the need to manually compile data is to create an impediment to financial analysis and review of summary level data. The substantial effort required impedes the production of interim financial statements.

CAMS cannot distinguish between year-end data entered before a preliminary close, and year-end data entered after a preliminary close as an audit adjustment. Additionally, other regulatory reporting requirements such as the *Statement of Transactions* (SF – 224) and the *Report on Budget Execution and Budgetary Resources* (SF – 133) were not supported by CAMS reports, and must be prepared manually.

There were improvements evident in terms of BOC management's attention to financial matters; however, the BOC did not provide an in-depth level of supervisory review of the financial statements throughout the year-end reporting process to detect potential errors and omissions, and to ensure the financial statements were prepared in accordance with OMB Bulletin 97-01 form and content requirements. Specifically, the BOC did not perform the liquidation of certain fourth quarter Deferred Revenue and Accounts Receivable balances until December 2000, creating a material overstatement of those accounts on the original version of the draft financial statements. In addition, it appears the BOC did not have a sufficient number of experienced accountants familiar with the financial statement preparation process.

REPORTABLE CONDITION 1 (Material Weakness), continued

Although the necessary corrections were eventually made and significant improvements were noted in subsequent draft versions of the financial statements, the numerous resubmissions delayed the timely completion of the final financial statements.

The Government Management Reform Act (GMRA) requires federal agencies to submit Department-wide financial statements to the Office of Management and Budget (OMB) by March 1, 2001. To meet this deadline, the Department of Commerce developed consolidated reporting deadlines to ensure the timely completion of individual component audits.

The objective of financial reporting is to ensure that the users of the entity's financial reports are provided with all the accurate information that is relevant to the reporting entity, subject to cost and time constraints and on which financial management decisions can be made.

OMB Circular A-127, *Policies and Standards for Financial Management Systems* states,

The agency financial management system shall be able to provide financial information in a timely and useful fashion to (1) support management's fiduciary role; (2) support the legal, regulatory and other special management requirements of the agency; (3) support budget formulation and execution functions; (4) support fiscal management of program delivery and program decision making; (5) comply with internal and external reporting requirements, including, as necessary, the requirements for financial statements prepared in accordance with the form and content prescribed by OMB and reporting requirements prescribed by Treasury; and (6) monitor the financial management system to ensure the integrity of financial data.

RECOMMENDATIONS:

We recommend the Director of the BOC:

1. Ensure the BOC works closely with the Commerce Support Center (CSC) to produce its interim and year-end financial statements directly from CAMS, instead of being prepared manually, as well as to timely produce the necessary reports from CAMS which meet the BOC's internal, regulatory and audit requirements. In addition, ensure CAMS has the capability to provide for multiple preliminary year-end closings before final year-end closing, while maintaining the capability to post current period data, and support multiple pre-final closings to accommodate incremental adjustments and closing.
2. Ensure an in-depth and documented supervisory level review of the year-end financial statements is performed by the BOC to detect potential errors and omissions, and to ensure the financial statements are prepared in accordance with OMB Bulletin 97-01 form and content requirements. In addition, ensure the Division of Finance develops a strong internal audit function and recruits experienced accountants who are skilled in the financial statement preparation process to test the propriety of the amounts reported on financial statements and in the general ledger to ensure adjustments are being recorded properly and accounting controls are operating effectively throughout the fiscal year.

REPORTABLE CONDITION 2 (Material Weakness)

ACCOUNT RECONCILIATIONS (Updated Finding)

The BOC made improvements in its account reconciliation function during fiscal year 2000, including developing procedures and performing training regarding the recording of Accounts Payable and accrued liabilities. However, many key financial statement account balances were not reconciled in a timely manner for the first six months of the fiscal year. With respect to the preparation of these reconciliations, the BOC accountants performing these functions were unfamiliar with the nature and details of the accounts they were reconciling, the reconciliations were not adequately supported, and the reconciliations were not properly reviewed by the BOC management. Specifically, for the first six months of the fiscal year, the BOC did not properly identify, investigate and resolve differences between the amounts reported by the Department of the Treasury and the general ledger for its Fund Balance with Treasury account.

Thereafter, the BOC hired a contractor to assist in preparing its key financial statement account balance reconciliations. The BOC was preparing adequately supported and properly reviewed account reconciliations at year-end for most account balances.

However, Deferred Revenue and Accounts Receivable were not being properly reconciled throughout the fiscal year. The Division of Finance was not reconciling Deferred Revenue and Accounts Receivable financial transactions with information from the BOC program offices to determine the proper amounts to report for those account balances. Reimbursable project folders maintained by the Division of Finance did not contain adequate information regarding the amounts collected from customers, or the accumulation of costs incurred for the projects. The BOC's Cash Balance Report, *CMC 929: Detail Report by Project Number* was not updated throughout the fiscal year to properly reflect the current balances of Deferred Revenue and Accounts Receivable. In addition, because Accounts Receivable was not being reconciled throughout the fiscal year, the BOC had a large amount of Unbilled Accounts Receivable on the books at year-end, where the customer had not yet been billed for amounts that were owed to the BOC. Additionally, Accounts Receivable with the Public was not being aged properly throughout the fiscal year, and an Allowance for Uncollectible Accounts was not set up until after year-end.

The BOC did not reconcile intragovernmental balances with their trading partner agencies other than the DOC, at least annually, in order to comply with the provisions of OMB Bulletin 97-01. In addition, the BOC experienced difficulties in producing the Intra-Commerce Transaction Detail and the Intra-governmental Transaction Summary Reports for eliminating entries. Those reports were prepared manually, were submitted more than one month past the Departmental deadline, contained errors and were not complete. Additionally, CAMS does not have the capability to identify separately amounts that should be eliminated for intragovernmental purposes.

REPORTABLE CONDITION 2 (Material Weakness), continued

OMB Circular A-123, *Management Accountability and Control* states,

Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

OMB Transmittal Memorandum 00-05, Technical Amendments to OMB Bulletin 97-01, *Form and Content of Agency Financial Statements* states,

For fiscal years beginning after September 30, 1999 (FY 2000 and beyond), reporting entities shall reconcile intra-governmental asset, liability, and revenue amounts reported in the required supplementary information with their trading partners at least annually as of the fiscal year end (September 30). Quarterly reconciliations are encouraged.

RECOMMENDATIONS:

We recommend the Director of the BOC:

3. Ensure accurate and timely account reconciliations are performed, including ensuring all accounting and budgetary transactions are properly recorded in the general ledger, reconciled, supported and reviewed on a monthly basis.
4. Ensure all Deferred Revenue and Accounts Receivable financial transactions are reconciled on a timely basis throughout the fiscal year with information related to costs incurred for the reimbursable projects from the BOC program offices, including generating updated and timely Deferred Revenue and Accounts Receivable reports from CAMS. Additionally, maintain a schedule of amounts that need to be billed to customers, in order to ensure customers are billed on a timely basis. Furthermore, maintain a schedule of amounts that have been billed to customers to ensure Accounts Receivable with the Public are aged properly throughout the fiscal year, including maintaining a current Allowance for Uncollectible Accounts throughout the fiscal year to assist in collecting amounts owed that are outstanding from customers.
5. Ensure the BOC reconciles intragovernmental balances with all of their trading partner agencies at least annually in order to comply with the provisions of OMB Bulletin 97-01. In addition, ensure the Intra-Commerce Transaction Detail and Intra-governmental Transaction Summary Reports for eliminating entries are prepared on a timely basis throughout the fiscal year and at year-end, as required by the Department. Furthermore, ensure CAMS has the capability to produce reports that separately identify amounts that should be eliminated for intragovernmental purposes. Consideration should be given to utilizing the guidance stated in the Financial Management Service's *Federal Intragovernmental Transactions Accounting Policies and Procedures Guide* to assist in the reconciling with trading partner agencies.

REPORTABLE CONDITION 3

INFORMATION SYSTEM REPORTING AND CONTROLS (Updated Finding)

The BOC made significant improvements in the design and implementation of general and application-level controls during fiscal year 2000. However, due in part to the accelerated deployment of enterprise-wide systems and procedures to support the Decennial Census, many of the actions undertaken in response to the BOC's own corrective action plan from fiscal year 1999 were not completed prior to September 30, 2000. As a result, a series of potential management, technical and cost risks were not adequately mitigated according to applicable federal guidelines.

We presented a separate report to BOC management, *Improvements Needed in General Controls Associated with Financial Management Systems*, dated January 2001, which covered the detailed findings and recommendations related to information systems. (Note: Refer to the full report for details, since these findings are considered sensitive information.)

The key findings identified during our review are in accordance with applicable domains of the General Accounting Office's, *Federal Information System Controls Audit Manual* (FISCAM), and are summarized as follows:

Entity-wide Security Program Planning and Management

- The BOC lacked current risk assessments for Headquarters and the National Processing Center (NPC) **(Updated)**

Risk assessments are required by OMB Circular A-130, *Management of Federal Information Resources*, to ensure that information assets are properly identified, classified, assessed for vulnerabilities and prioritized for protection. Headquarters' risk assessment was outdated and the NPC's was not completed prior to year-end.
- The BOC did not have approved security plans in place prior to year-end for primary processing locations and the core financial application, CAMS. **(Updated)**

Completed risk assessments form the basis for structured security plans, which are needed to mitigate identified risks commensurate with the assessed value of information assets. In absence of a comprehensive, approved security plan, information controls may be poorly designed, or deployed ineffectively. Management approval is critical to ensure alignment of the security plan with the BOC's business and control objectives, and was not achieved prior to year-end.

REPORTABLE CONDITION 3, continued

Access Controls

- Physical access controls over PCs on the Local-Area Network at Headquarters needed improvement. **(Updated)**
- Safeguards are needed to ensure that network-attached computers are properly secured. Lack of adequate physical security increases the opportunity for unauthorized individuals to compromise sensitive information. Particular concerns were cited in our separate report.
- Timely disabling and removal of system access rights for terminated employees was not consistently timely. **(Updated)**
- Failure to remove privileges when an employee separates from the BOC increases the risk of unauthorized access. We identified numerous instances of such user IDs still available on BOC systems.
- Logical controls over access to information on the BOC Intranet were inadequate. **(Updated)**
- Our observations revealed that certain information freely available on the BOC Intranet was not properly restricted according to specific groups or employees' "need to know." Combined with the concern regarding physical access to BOC computers, we found a high risk of unauthorized disclosure of sensitive system and organizational information.
- Physical security at the NPC and the Bowie Computer Center needed improvement. **(Updated/Closed)**

We determined that most of the suggested improvements made in fiscal year 1999 were addressed during fiscal year 2000; however, an issue related to compliance with security policy by security guards remained open at one BOC facility.

- Controls within the UNIX operating system supporting CAMS needed improvement. **(Updated)**

Significant improvements were made under ADP Security's corrective action plan in response to our fiscal year 1999 audit. Some issues remained open, however, as presented in our fiscal year 2000 report.

- Dial-out access via modem was permitted at the NPC **(New)**

We found there were certain users who were permitted to use modems in desktop computers to access the Internet by connecting to external Internet Service Providers (ISPs). Since network security at the BOC's perimeter is only managed by the main BOC firewall, such connections effectively bypass BOC network security controls, increasing the risk of intrusion from unauthorized parties via the Internet.

REPORTABLE CONDITION 3, continued

- Specific vulnerabilities were identified during penetration testing (**New**)
Our report identifies new concerns raised as a result of penetration testing and analysis, a level of substantive testing of network and host security performed by us for the first time under this year's Statement of Work.

RECOMMENDATIONS:

We have presented specific recommendations regarding the above information systems deficiencies in a separate report entitled, *Improvements Needed in General Controls Associated with Financial Management Systems*, FSD-12850-1-0001, dated January 2001. Due to the sensitive nature of the specific findings and resulting recommendations, they are not repeated here.

Status of Prior Year's Recommendations

As required by *Government Auditing Standards* and OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, we have reviewed the status of the BOC's corrective actions with respect to findings and recommendations from the fiscal year 1999 audit of the BOC. We have summarized the current status of those conditions below.

Status of Prior Year's Recommendations		
Reported Condition	Recommendation	Status
Financial Management and Reporting (Material Weakness)	1. Establish a detailed management plan, including specific timelines to ensure the timely preparation and submission of financial reports as mandated by DOC guidelines.	Completed
	2. Ensure adequate supervisory and management level reviews of financial reports are performed to detect potential errors and omissions. In addition, procedures should be developed requiring the preparation of interim financial reports to ensure adjustments are recorded on a timely basis and accounting controls are operating effectively throughout the fiscal year.	In process
Accounts Reconciliations (Material Weakness)	3. Ensure accurate and timely account reconciliations are performed. Consideration should be given to designating a Chief Accountant within the Division of Finance responsible for ensuring all accounting transactions and account balances are properly recorded in the general ledger, reconciled, supported and reviewed on a regular basis.	In process

Status of Prior Year's Recommendations

Reported Condition	Recommendation	Status
Account Reconciliations, continued	4. Provide additional training to finance personnel related to the account reconciliation process to ensure reconciliations and accompanying journal vouchers are more clearly documented and supported to allow an independent reviewer to understand the reconciliation.	Completed
	5. Revise policies and procedures relating to the accounting for specific Fund Balance with Treasury transactions to ensure controls are in place to reduce or eliminate future reconciling items, and review the format of the monthly reconciliation to ensure reconciling items are adequately identified, reported and subsequently resolved.	Completed
	6. Develop policies and procedures regarding the recording of Accounts Payable and accrued liabilities in the general ledger. Such policies and procedures should require finance personnel to review open obligations for unpaid invoices and receiving reports, with emphasis on the largest balances, and generate the necessary entries in the general ledger to properly record Accounts Payable and accrued liabilities on a regular basis.	Completed
	7. Provide additional training for finance and program officials regarding the proper procedures for determining and estimating Accounts Payable and accrued liabilities. Such training should emphasize the necessity for finance personnel to work with appropriate program official to identify key contacts within other agencies to determine interagency accruals and	In process

Status of Prior Year's Recommendations		
Reported Condition	Recommendation	Status
Accounts Reconciliations, continued	reconcile interagency transactions. In addition, the BOC should reconcile intragovernmental balances with their partner agencies at least quarterly beginning with the quarter ending March 31, 2000 in order to comply with the provisions of OMB Bulletin 97-01 <i>Form and Content of Agency financial Statements</i> .	
Information System Reporting and Controls (Material Weakness)	Recommendations were made in a separate report entitled, <i>Improvements Needed in the General Controls</i> , associated with the BOC's Financial Management Systems, dated November 1999.	In process

Independent Auditor's Report on Compliance With Laws and Regulations

Office of Inspector General
United States Department of Commerce

The Director
Bureau of the Census

We have audited the financial statements of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce, as of and for the year ended September 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the BOC is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the BOC.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations discussed in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the BOC's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances where the BOC's financial management systems did not substantially comply with the requirements discussed in the preceding paragraph.

Independent Auditor's Report on Compliance With Laws and Regulations, continued

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Office of Inspector General of the United States Department of Commerce, management of the BOC and the Department of Commerce, OMB and Congress and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Washington, DC

January 19, 2001



For Additional Information Contact:

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