

February 2009

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2008 and 2007



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Highlights

Highlights of [GAO-09-293](#), a report to congressional committees

Why GAO Did This Study

In accordance with 36 U.S.C. 2103, GAO is responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (the Commission). GAO audited the financial statements of the Commission for the fiscal years ended September 30, 2008, and 2007. The audits were done to determine whether, in all material respects, (1) the Commission's financial statements were presented fairly and (2) Commission management maintained effective internal control over financial reporting and compliance with laws and regulations. Also, GAO tested Commission management's compliance with selected laws and regulations.

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

View [GAO-09-293](#) or key components. For more information, contact Steven J. Sebastian at (202) 512-3406 or sebastians@gao.gov.

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American Battle Monuments Commission's Financial Statements for Fiscal Years 2008 and 2007

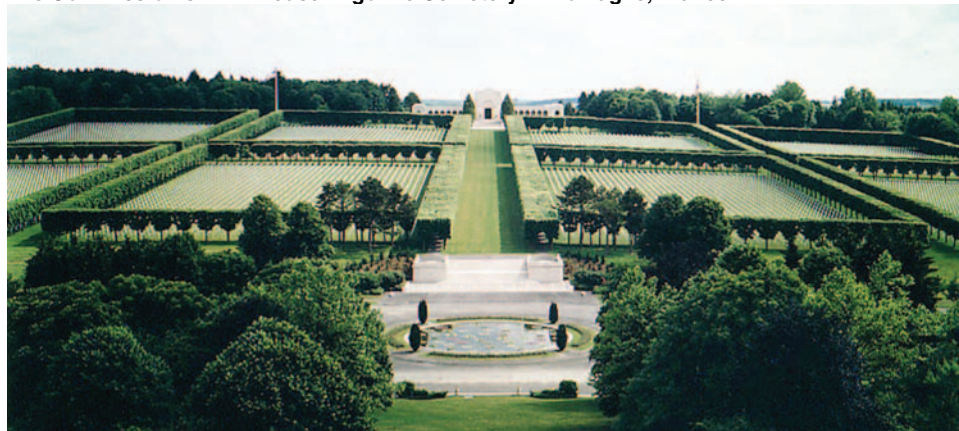
What GAO Found

In GAO's opinion, the financial statements of the Commission as of September 30, 2008, and 2007, and for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Also, in GAO's opinion, the Commission maintained effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2008. In addition, GAO found no reportable instances of Commission noncompliance in fiscal year 2008 with selected provisions of laws and regulations tested.

In its audit of the Commission's fiscal year 2007 financial statements, GAO reported a significant deficiency in two areas of the Commission's information technology controls. Specifically, GAO reported that (1) user documentation was lacking for the Commission's Foreign Service National (FSN) employee payroll and (2) security program and access controls over its computer systems, while improving, were not effective at all Commission locations. During fiscal year 2008, the Commission implemented a new FSN payroll system that eliminated the deficiency in user documentation, and improved its security program and access controls such that GAO no longer considers them to be a significant deficiency as of September 30, 2008.

For fiscal year 2008, the Commission incurred program costs of \$53.2 million to maintain its 24 cemeteries and 25 federal memorials that were financed from appropriated funds. Another \$.2 million of program costs incurred by Commission-administered trust funds were financed by private contributions for nonroutine repair and maintenance related to the World War II Memorial, purchase of grave site flowers, and the repair and maintenance of nonfederal memorials.

The Commission's WWI Meuse-Argonne Cemetery in Romagne, France



Source: American Battle Monuments Commission.

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Abbreviations

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

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

February 27, 2009

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

The Honorable Bob Filner
Chairman
The Honorable Steve Buyer
Ranking Member
Committee on Veterans' Affairs
House of Representatives

In accordance with 36 U.S.C. 2103, this report presents the results of our audits of the financial statements of the American Battle Monuments Commission (the Commission) for the fiscal years ended September 30, 2008, and 2007.

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

Should you or your staffs have any questions concerning this report, please contact me at (202) 512-3406 or at sebastians@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this engagement were Roger R. Stoltz, Patricia A. Summers, Edward R. Alexander, Jr., Cara L. Bauer, Emily M. Clancy, Maria C. Belaval, and Alejandra Ramos.

Steven J. Sebastian
Director
Financial Management and Assurance



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

To the Secretary of the American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (the Commission). In our audits of the Commission's financial statements for fiscal years 2008 and 2007, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2008, and comparative consolidated totals as of and for the fiscal year ended September 30, 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2008; and
- no reportable noncompliance with laws and regulations we tested.

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

Opinion on Financial Statements

The Commission's consolidating balance sheet as of September 30, 2008, consolidating statement of net cost and changes in net position, and consolidating statement of budgetary resources, with accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

The Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2008. Commission internal control provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the consolidating financial statements would be prevented or detected on a timely basis. Our opinion is based upon criteria established under 31 U.S.C. 3512 (c), (d) [Federal

Managers' Financial Integrity Act (FMFIA)], and the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Internal Control*.

In our audit of the Commission's fiscal year 2007 financial statements,¹ we reported on internal control deficiencies we identified in the Commission's information technology systems, which we considered collectively to represent a significant deficiency. Specifically, inadequate controls existed in the areas of (1) user documentation for the Commission's Foreign Service National (FSN) employee payroll and (2) the Commission's security program and related access controls at several locations. During fiscal year 2008, the Commission implemented a new FSN payroll system that eliminated the deficiency in user documentation, and improved its security program and access controls such that we no longer consider them individually or collectively to be a significant deficiency as of September 30, 2008.

Compliance with Laws and Regulations

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2008 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Commission's Management Discussion and Analysis and other information related to heritage assets presented in the Commission's financial report contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with officials of the Commission. On the basis of this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

¹ GAO, *Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 2007 and 2006*, GAO-08-326 (Washington, D.C.: Feb. 29, 2008).

Objectives, Scope, and Methodology

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

We are responsible for obtaining reasonable assurance about whether (1) the Commission's financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, and (2) Commission management maintained effective internal control, the objectives of which are as follows:

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and other information in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with applicable laws and regulations:** Transactions are executed in accordance with (1) laws governing the use of budgetary authority; (2) other laws and regulations that could have a direct and material effect on the financial statements; and (3) any other laws, regulations, and governmentwide policies identified by OMB audit guidance.

We are also responsible for (1) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and for which OMB guidance requires testing and (2) performing limited procedures with respect to certain other information appearing in the Commission's annual financial report. In order to fulfill these responsibilities, we

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

-
- obtained an understanding of the Commission and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
 - tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
 - considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; and
 - tested compliance with selected provisions of the following laws and regulations:
 - the Commission’s enabling legislation codified in 36 U.S.C. Chapter 21,
 - public laws applicable to the World War II Memorial Fund,
 - Buffalo Soldiers Commemoration Act of 2005,
 - Fiscal Year 2008 Continuing Resolution, as amended,
 - Consolidated Appropriations Act, 2008,
 - Antideficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

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

changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Commission's financial statements for the fiscal year ended September 30, 2008. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Commission Comments

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



Steven J. Sebastian
Director
Financial Management and Assurance

February 6, 2009

Management's Discussion and Analysis

**AMERICAN BATTLE MONUMENTS COMMISSION
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Mission

The American Battle Monuments Commission (the Commission)—guardian of America's overseas commemorative cemeteries and memorials—honors the service, achievements and sacrifice of the United States Armed Forces. Since 1923, the Commission has executed this mission by (1) commemorating the achievements and sacrifices of the United States Armed Forces where they have served overseas since April 6, 1917, through the erection and maintenance of suitable memorial shrines; (2) designing, constructing, operating, and maintaining permanent American military burial grounds in foreign countries; and (3) controlling the design and construction on foreign soil of U.S. military memorials, monuments, and markers by other U.S. citizens and organizations, both public and private, and encouraging their maintenance. The Commission's fiscal year 2008 appropriation supported its continued commitment to the worldwide responsibilities that flow from this mission.

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

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

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

During fiscal year 2008, the Commission continued to ensure that its commemorative cemeteries and memorials remain fitting shrines to those who have served our nation in uniform since America's entry into World War I.

The Commission's mission statement:

*The American Battle Monuments Commission—guardian of America's
overseas commemorative cemeteries and memorials—honors the service,
achievements, and sacrifice of United States Armed Forces.*

Organizational Structure

The Commission's organizational structure for fiscal year 2008 is shown in figure 1.

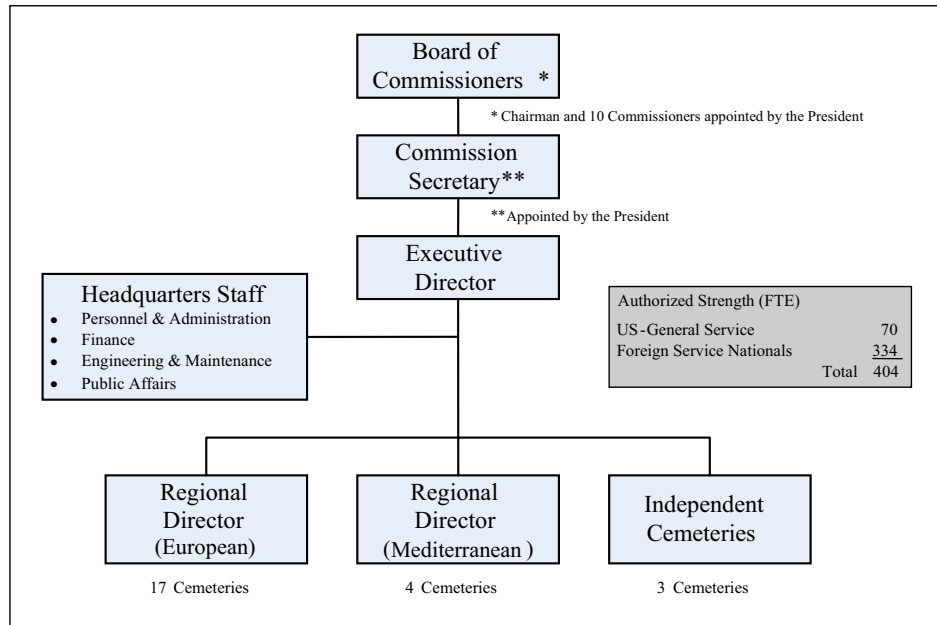


Figure 1: The Commission's Organizational Structure

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

The Commission's headquarters office is in Arlington, Virginia and regional offices are located in Garches, France, just outside Paris, and in Rome, Italy. For fiscal year 2008, the Commission had a total of 404 full-time equivalent (FTE) positions. U.S. citizens constituted 70 members of the staff, while the remaining 334 were foreign service nationals employed at the Commission's regional offices and at the cemeteries in the countries where the Commission operates.

Operations Management

Operations management activities in fiscal year 2008 focused on funding salaries and benefits, service fees, scheduled maintenance and repairs, supplies, materials, spare parts, replacement of uneconomically repairable equipment, and capital improvements.

For fiscal year 2008, the Commission received \$44,600,000 from appropriations in its Salaries and Expenses account. Additionally, the Commission received \$11,000,000 from appropriations in its Foreign Currency Fluctuation Account to be used to offset currency exchange losses.

Figure 2 shows how the Commission has obligated funding from its Salaries and Expenses account, by object class.

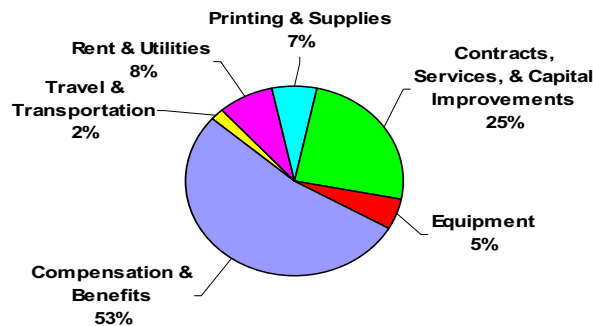


Figure 2: Fiscal Year 2008 Obligations by Object Class

With the help of Congress and the Office of Management and Budget, the Commission has eliminated its backlog of deferred maintenance projects and has moved toward a planned program to upgrade or replace outdated and deteriorating systems. The Commission takes a systemic look at its infrastructure and addresses areas that: (1) reduce the growth of operational and routine maintenance costs and (2) promote more effective long-term planning and budgeting. The programs associated with this level of effort include:

- Equipment
- Horticulture
- Interpretation
- Handicapped Accessibility
- Headstones
- Quarters
- Roofs
- Security
- Service Areas
- Other Engineering

Within each of these program areas, the Commission has identified specific objectives and requirements essential to accomplish its mission.

Performance Goals and Results

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

Goal 1: To develop, operate, maintain, and improve Commission facilities as the world's best commemorative sites.

Objectives for Goal 1

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

Strategy for Achieving Goal 1

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

Since fiscal year 2000, the Commission has worked to resolve deficiencies noted during in-depth technical surveys conducted by professional engineering firms that applied current industry standards, regulations, and technological advances in making their assessment. The first priority established by the Commission focused on correcting deficiencies noted in its electrical and structural systems at the memorial cemeteries and monuments. In fiscal year 2008, the Commission continued its work on resolving infrastructure deficiencies and prioritized that work based on a systematic process of review and analysis.

Selected Performance Results toward Achieving Goal 1

- In fiscal year 2008, the Commission completed top-to-bottom cemetery reviews within its European and Mediterranean Regions. These reviews assist in matching requirements to resources across engineering, logistics, and horticulture.
- The Commission's fiscal year 2006 appropriation included funding for a study to determine what action is warranted to reopen to the public the World War II Pointe du Hoc Ranger Monument in France and to preserve the long-term stability of this iconic symbol. The initial study was completed in May 2007 and the results called for additional studies. Further studies were completed in the summer of 2008. The Commission is working with the French government on a solution to preserve the Pointe du Hoc site.
- In fiscal year 2008, the Commission introduced 10 program areas to advance a life cycle management emphasis.

Goal 2: To value and invest in each employee.

Objectives for Goal 2

- Recruit, develop, and retain a world-class workforce.
- Recognize and award superior performance.
- Create an environment in which employees feel that their needs are being met.

- Develop a skilled and dedicated workforce by encouraging learning throughout the organization.
- Ensure that employees have a stake in and can relate their jobs to the vision.
- Ensure that employees are energized and “feel good” about working at the Commission.
- Communicate Commission programs and priorities to employees.

Strategy for Achieving Goal 2

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

Selected Performance Results toward Achieving Goal 2

- In coordination with the Federal Occupational Health Services, a formal Employee Assistance Program was established for all employees, which provided services such as blood pressure monitors; defibrillators; health care books; free 24/7 professional counseling on such topics as adult care and aging; child care and parenting; pregnancy and adoption; legal assistance; debt consolidation; and an on line personal training program, among many other services.
- An on line federal retirement calculator was made available that provides interactive retirement planning tools to help employees make critical decisions regarding retirement.
- A Foreign Currency Allotment feature was established in coordination with the Commission's servicing National Payroll Center. This enables Commission employees to establish payroll allotments in local foreign currencies to be deposited in foreign banks. This will save employees time and currency exchange fees.
- In October 2007, a 3 hour block of instruction on estate and retirement planning was conducted for all of the Commission's overseas U.S. personnel at the Superintendents' Conference.
- An Alternative Work Schedule Pilot Program was instituted to help employees balance family and workplace responsibilities.

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

Objectives for Goal 3

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

Strategy for Achieving Goal 3

The competence, courage, and sacrifice of the men and women buried in Commission cemeteries and memorialized on Tablets of the Missing helped preserve freedom throughout the world. The Commission honors that service and sacrifice by operating and maintaining uniquely splendid commemorative cemeteries and memorials, but to truly honor the memory of those buried or

memorialized at commemorative sites the Commission also must tell their stories. To achieve this objective, the Commission initiated an interpretive program that will adapt the storytelling techniques and visitor programs used so successfully in the new Normandy Visitor Center to the existing visitor buildings at its 23 other cemeteries.

The Commission continues its efforts to increase public awareness of its commemorative mission and encourage more U.S. and foreign citizens to visit its cemeteries and memorials worldwide. To achieve these objectives, the Commission focused its outreach program on relevant constituencies such as travel industry representatives and writers, national media publications, active duty military personnel, the U.S. diplomatic community, educators and students, and national veterans' groups. Concurrently, the Commission is expanding the amount of information provided to the public through its Web site and working to streamline the delivery of information products.

Selected Performance Results toward Achieving Goal 3

- In support of next of kin and other customers who use its services, the Commission provided burial and memorialization site information; letters authorizing nonfee passports for members of the immediate family traveling overseas primarily to visit a Commission cemetery; in-country travel information; and, upon arrival at the cemetery, escort to the appropriate grave or memorialization site. Requesters were provided a photograph taken of the appropriate headstone or section on the Tablet of the Missing, which was mounted on a color lithograph of the cemetery or memorial where a service member is buried or commemorated by name. The Commission also purchased floral decorations with donor funds and each donor was given a photograph of the headstone or Tablet of the Missing with the decoration in place.
- In addition to responding to inquiries by friends and relatives of the war dead interred or memorialized at its sites, the Commission also provided information to the executive branch, Members of Congress, government agencies, historians, and other interested individuals. The Commission provided cemetery lithographs, photos, and other information throughout the year.
- The Commission's Web site at www.abmc.gov provided visitors a convenient, user-friendly method to access information on the Commission, as well as its cemeteries, memorials, monuments, markers, and headquarters operations. In addition, information on U.S. war dead from the Korean and Vietnam Wars and those interred or commemorated at the Commission's World War I and World War II cemeteries and memorials was accessible on the Web site. The quality and quantity of historical information on the Commission Web site was improved. A Normandy campaign interactive program developed for the Web is the first of 35 planned over the next decade, and efforts were begun to merge multiple Commission war dead databases into a single, integrated file with enriched information.
- The Commission's overseas commemorative sites are recognized for their beauty and inspirational qualities, yet few Americans are aware of their existence. Through a variety of methods, including using traveling displays and increasing contacts with media and representatives of the travel and tour industry, the Commission continued to work toward achieving its strategic goal of having its commemorative sites recognized for their educational and inspirational qualities. Commission cemeteries were the subject of several major newspaper travel articles and a cover story in the Veterans of Foreign Wars monthly magazine. The student ambassador program will renew its programmed visits to Florence cemetery in the summer of 2009 and a PBS documentary on the Commission is scheduled to air on Memorial Day in May 2009. The Commission strives to further expand public awareness of its overseas

commemorative sites by working with editors of travel and veterans' publications, Web sites, major national media outlets, and national convention planners; and to develop a standard methodology to quantify the number of visitors to its cemeteries as a measurement of the success of the Commission's public outreach efforts.

- Throughout the year, the Commission hosted a variety of special events and commemorations including ceremonies on Memorial Day and Veterans Day. In addition, military units, veterans groups, and local citizens and organizations paid tribute to those who died while liberating their regions, whether through organized ceremonies or individual visits to graves "adopted" by local families.
- The American Veterans of WWII, Korea, and Vietnam (AMVETS) and the Robert R. McCormick Tribune Foundation have generously donated chromatically tuned bells in carillons to enhance our overseas cemeteries. AMVETS installed the first carillon in our Manila cemetery in 1985 and subsequently formed a partnership with the foundation. In May 2008, a carillon was dedicated at the Suresnes American Cemetery in France, the 19th donated over the years.
- To further satisfy constituent needs for information, the Commission strives to (1) produce five visitor brochures per year until each cemetery has a brochure tailored to its unique assets and storylines, (2) automate the lithograph production process to reduce delivery time to customers from up to 6 weeks to 1 week or less, (3) provide an online credit card ordering process for the Commission's Flower Fund Program to speed and streamline the ordering process and reduce manual check processing, (4) develop two new interactive campaign programs per year for the Web, and (5) develop one cemetery virtual tour per year for the Web.

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

Objectives for Goal 4

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

Strategy for Achieving Goal 4

The Commission recognizes that improved financial performance depends on putting useful and timely information in the hands of its managers so they can make timely and informed decisions. The fiscal year 2008 budget not only supported the Commission's daily accounting operations and proper internal controls, but allowed it to identify, develop, and employ additional management needs and reports to provide the best financial information available.

Central to achieving the Commission's business and resources process improvement goal are mechanisms that aid managers at all levels of the organization in monitoring and evaluating the wide variety of systems and programs inherent in its operations.

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

Selected Performance Results toward Achieving Goal 4

- The Commission's allocation processes and procedures annually fully fund its mandatory and operational requirements in order to achieve its mission requirements.
- The Commission continues to receive "clean opinions" from its annual audit by the Government Accountability Office, with no material weaknesses noted.
- The Commission continues to report that its internal control policies and procedures provide reasonable assurance that it complies with the provisions of 31 U.S.C. 3512 (c), (d) – Federal Managers' Financial Integrity Act (FMFIA).

Financial Statements and Limitations

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

The financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Commission in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements are for a component of the U.S. Government, a sovereign entity.

Management Integrity: Systems, Controls, Legal Compliance

The Commission is cognizant of the importance of, and need for, management accountability and responsibility as the basis for quality and timeliness of program performance, mission accomplishment, productivity, cost-effectiveness, and compliance with applicable laws. It has taken management actions to ensure that the annual evaluation of these controls is performed in a conscientious and thorough manner according to Office of Management and Budget regulations and guidelines and in compliance with 31 U.S.C. 3512 (c), (d), commonly known as FMFIA. The Commission's evaluation of its system of internal management practices and controls during fiscal year 2008 revealed no material weaknesses. The objectives of the Commission's internal management control policies and procedures are to provide reasonable assurance that

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

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

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, Congress enacted legislation in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. However, since the summer of 2006, the U.S. dollar has fallen precipitously against the euro. The Commission has been closely monitoring this because its budget is disproportionately affected by foreign currency fluctuation as over 70 percent of the budget is exposed to foreign currency.

As a strategic hedge against currency fluctuation, the Commission proposed a change that would affect the appropriations language for the Foreign Currency Fluctuation Account. In seeking "such sums as may be necessary" language, the Commission would preserve its purchasing power against a suddenly falling U.S. dollar against the euro.

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

Financial Statements

Consolidating Balance Sheet

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 2008
(With Comparative Consolidated Total as of September 30, 2007)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2008</u>	<u>Total 2007</u>
<u>Assets</u>				
Intragovernmental:				
Fund balance with Treasury (note 2)	\$24,426,075	\$6,938,140	\$31,364,215	\$28,798,476
Treasury investments, net (note 3)		5,818,787	5,818,787	8,164,160
Total Intragovernmental	24,426,075	12,756,927	37,183,002	36,962,636
Cash and foreign accounts (note 4)	91,273	405	91,678	92,902
Contributions receivable, net (note 5)	0		0	0
General property and equipment, net (note 6)	2,355,139		2,355,139	1,806,015
Heritage property (note 6)	0		0	0
Total Assets	\$26,872,487	\$12,757,332	\$39,629,819	\$38,861,553
<u>Liabilities</u>				
Intragovernmental:				
Accounts payable	\$192,791		\$192,791	\$359,540
Accrued salaries and benefits	354,182		354,182	422,330
Total Intragovernmental	546,973		546,973	781,870
Accounts payable	2,243,694	\$42,857	2,286,551	4,623,094
Other liabilities (note 7)	3,905,677	195	3,905,872	4,114,424
Total Liabilities	6,696,344	43,052	6,739,396	9,519,388
Commitments and contingencies (note 8)				
<u>Net Position</u> (note 9)				
Unexpended appropriations	20,610,467		20,610,467	18,061,682
Cumulative Results of Operations (deficit)	(434,324)	12,714,280	12,279,956	11,280,483
Total Net Position	20,176,143	12,714,280	32,890,423	29,342,165
Total Liabilities and Net Position	\$26,872,487	\$12,757,332	\$39,629,819	\$38,861,553

The accompanying notes are an integral part of these statements.

Financial Statements

Consolidating Statement of Net Cost and Changes in Net Position

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF NET COST AND CHANGES IN NET POSITION
For the Year Ended September 30, 2008
(With Comparative Consolidated Total for the Year Ended September 30, 2007)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2008</u>	<u>Total 2007</u>
<u>PROGRAM COSTS</u>				
Intragovernmental program costs:				
Operations and maintenance	\$9,678,446	\$14,865	\$9,693,311	\$4,288,293
Program costs with the public:				
Operations and maintenance	27,445,298	215,730	27,661,028	29,984,368
Property and equipment (note 6)	4,694,825		4,694,825	13,716,452
Foreign currency losses, net	11,394,894		11,394,894	13,453,070
Net Cost of Operations	\$53,213,463	\$230,595	\$53,444,058	\$61,442,183
<u>CHANGES IN NET POSITION</u>				
Cumulative Results (Deficit) - Start of Year	(\$1,068,392)	\$12,348,875	\$11,280,483	\$12,886,861
<u>Budgetary Financing Sources</u>				
Appropriations used	53,079,263		53,079,263	57,977,412
Total Budgetary Financing Sources	53,079,263		53,079,263	57,977,412
<u>Other Financing Sources</u>				
Contributions	35,007	459,686	494,693	813,646
Treasury investment earnings		136,314	136,314	320,432
Imputed financing	733,261		733,261	724,315
Total Other Financing Sources	768,268	596,000	1,364,268	1,858,393
Total Financing Sources	53,847,531	596,000	54,443,531	59,835,805
Less: Net Cost of Operations	53,213,463	230,595	53,444,058	61,442,183
Net Increase (Decrease) for the Year	634,068	365,405	999,473	(1,606,378)
Cumulative Results (Deficit) - End of Year	(434,324)	12,714,280	12,279,956	11,280,483
<u>Unexpended Appropriations</u>				
Unexpended Appropriations - Start of Year	18,061,682		18,061,682	33,809,576
Appropriations received	55,600,000		55,600,000	42,169,000
Other offsetting receipts and adjustments	28,048		28,048	60,518
Appropriations used	(53,079,263)		(53,079,263)	(57,977,412)
Increase (decrease) in unexpended appropriations	2,548,785		2,548,785	(15,747,894)
Unexpended Appropriations - End of Year	20,610,467		20,610,467	18,061,682
TOTAL NET POSITION - END OF YEAR	\$20,176,143	\$12,714,280	\$32,890,423	\$29,342,165

The accompanying notes are an integral part of these statements.

Financial Statements

Consolidating Statement of Budgetary Resources

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2008
(With Comparative Consolidated Total for the Year Ended September 30, 2007)**

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2008</u>	<u>Total 2007</u>
<u>Budgetary Resources</u>				
Budgetary Authority:				
Appropriations	\$55,600,000		\$55,600,000	\$42,169,000
Net transfer in for net foreign exchange loss	7,626,087		7,626,087	9,256,916
Other (receipts collected)	28,252	\$699,090	727,342	1,101,089
Unobligated Balances:				
Start of year	10,997,432	11,946,144	22,943,576	29,934,668
Net transfer (out) for net foreign exchange (loss)	(7,626,087)		(7,626,087)	(9,256,916)
Other adjustments		(260,807)	(260,807)	176,610
Total Budgetary Resources	\$66,625,684	\$12,384,427	\$79,010,111	\$73,381,367
<u>Status of Budgetary Resources</u>				
Obligations incurred - direct	\$54,371,487	\$857,811	\$55,229,298	\$50,558,257
Unobligated balances available	12,254,197	11,526,616	23,780,813	22,823,110
Total Status of Budgetary Resources	\$66,625,684	\$12,384,427	\$79,010,111	\$73,381,367
<u>Change in Obligated Balances</u>				
Obligations incurred for year	\$54,371,487	\$857,811	\$55,229,298	\$50,558,257
Plus: Obligated balances, start of year	13,459,503	657,167	14,116,670	25,081,130
Less: Adjustment to obligated balances	(4,735)		(4,735)	
Less: Gross outlays for year	(55,561,731)	(442,006)	(56,003,737)	(61,522,717)
Obligated Balances, End of Year	\$12,264,524	\$1,072,972	\$13,337,496	\$14,116,670
<u>Net Outlays</u>				
Gross outlays for year	\$55,561,731	\$442,006	\$56,003,737	\$61,522,717
Less: Offsetting collections	(205)		(205)	(6,522)
Net Outlays	\$55,561,526	\$442,006	\$56,003,532	\$61,516,195

The accompanying notes are an integral part of these statements.

Notes to Consolidating and Consolidated Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION

NOTES TO CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 2008 and 2007

Note 1. Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity and Funding Sources

The Commission is an independent agency within the executive branch of the federal government and was created by an Act of March 4, 1923, the current provisions of which are now codified in 36 U.S.C. Chapter 21. The Commission's mission is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, the date of the United States entry into World War I, and at locations within the United States when directed by the Congress. The Commission designs, administers, constructs, operates, and maintains 24 American military cemeteries and 25 federal memorials, monuments, and markers (herein collectively referred to as memorials). Three of the memorials are located in the United States while all of the cemeteries and the remaining memorials are located on foreign soil in 14 foreign countries, the Marianas, and Gibraltar. The Commission is also responsible for maintaining 7 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through regional offices located near Paris, France; and in Rome, Italy; and cemeteries in Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

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

Commission programs are funded primarily through appropriations available without fiscal year limitation (no-year). The Commission also administers several trust funds established to: (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings; (2) decorate gravesites; and (3) maintain and repair certain nonfederal war memorials.

C. Basis of Accounting

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

D. Fund Balances with Treasury

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

E. Investments

In accordance with 36 U.S.C. 2113(b), the Commission is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. The Commission is also authorized under a modification to its original legislation to invest receipts from certain nonfederal war memorial organizations in U.S. Treasury securities. Treasury investments are recorded at par value plus unamortized premium or less unamortized discount. Premiums and discounts are amortized using the interest method.

F. Foreign Currency

The Commission's overseas offices maintain accounts of foreign currencies to be used in making payments in foreign countries. Amounts are recorded at a standard budget rate in U.S. dollars and a gain or loss recognized when paid in foreign currency. Appropriated monies are transferred from the Commission's Foreign Currency Fluctuation Account to fund net currency losses. Cash accounts in foreign currencies are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

G. Contributions and Revenue Recognition

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

H. Operating Materials and Supplies Inventories

The Commission has determined that operating materials and supplies located at its cemeteries are not significant amounts and that it is more cost beneficial to record them on the purchase method of accounting whereby items are expensed as purchased rather than when consumed. Consequently, the Commission reports no operating materials or supplies inventories.

I. Property and Equipment

Purchases of general property and equipment of \$25,000 or less are expensed in the year of acquisition. Purchases of personal property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 5 years. Expenditures relating to real property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 30 years. Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, and federal memorials, monuments, and markers acquired through purchase or donation to be noncollection heritage assets. Heritage assets acquired through purchase or donation are accounted

for in the Commission's property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded upon formal agreement with recipients. Additional disclosure on individual heritage asset cemeteries and memorials are found in the Schedules of Heritage Assets presented as unaudited other information. Cemetery land is owned by the foreign countries in which cemeteries are located and is provided to the United States in perpetuity.

J. Employee Benefits

The Commission's civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. The Commission's civilian U.S. nationals hired on or before December 31, 1983, could elect to transfer to FERS or remain with the Civil Service Retirement System (CSRS). For FERS employees, the Commission withholds .80 percent of base pay and as employer contributes 11.2 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 7.65 percent from FERS employees' earnings, matches this amount on a dollar-for-dollar basis, and remits the total amount to the Social Security Administration. The Commission withholds 7.00 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings and as employer contributes 7.00 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the Office of Personnel Management (OPM) and the Social Security Administration. OPM is responsible for governmentwide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987, the federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. The Commission contributes a minimum of 1 percent of FERS employees' base pay to TSP. For 2008, FERS employees could contribute up to \$15,500 (\$20,500 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2008, CSRS employees may also contribute up to \$15,500 (\$20,500 if at least age 50) on a tax-deferred basis; however, they receive no matching contribution from the Commission.

Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

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

K. Imputed Financing

The Commission imputes financing for retirement and other benefits paid by OPM, financial audit costs incurred by the Government Accountability Office (GAO), and a heritage asset musical carillon donated each fiscal year. The Commission recognized these expenses and related imputed financing in its financial statements. A heritage asset musical carillon is also recognized each fiscal year as a donation by AMVETS and an in-kind expense.

L. Use of Estimates

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

Note 2. Fund Balances with Treasury

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

	2008			2007
	General Fund	Trust Funds	Total	Total
Appropriated Funds	\$17,830,649		\$17,830,649	\$21,223,693
Currency Fluctuation	6,595,426		6,595,426	3,136,717
Other Trust Funds		<u>\$6,938,140</u>	<u>6,938,140</u>	<u>4,438,066</u>
	<u>\$24,426,075</u>	<u>\$6,938,140</u>	<u>\$31,364,215</u>	<u>\$28,798,476</u>

Note 3. Treasury Investments, Net

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

FY	Cost	Interest Rates	Net Premium /(Discount)	Interest Receivable	Interest Net Investment
08	<u>\$5,700,000</u>	<u>4.625%</u>	<u>\$30,912</u>	<u>\$87,875</u>	<u>\$5,818,787</u>
07	<u>\$8,085,000</u>	<u>4.375%</u>	<u>\$(9,270)</u>	<u>\$88,430</u>	<u>\$8,164,160</u>

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

Note 4. Cash and Foreign Accounts

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

	2008	2007
Imprest Cash Funds	\$46,746	\$45,019
Foreign Bank Accounts	44,527	46,771
Undeposited Cash-Trust	<u>405</u>	<u>1,112</u>
	<u>\$91,678</u>	<u>\$92,902</u>

Note 5. Contributions Receivable

The Commission has a pledge from a living trust valued at \$139,554 as of September 30, 2008. However, due to the uncertainty of time and amount when the pledge is collected, the contribution will be recognized at the amount when received.

Note 6. General and Heritage Property and Equipment

General property and equipment acquisitions with an aggregate cost basis of \$25,000 or less and all acquisitions of heritage assets which totaled \$4,694,825 were expensed by the Commission in fiscal year 2008. This included \$4,061,634 related to the Normandy Visitor Center, a heritage asset. In fiscal year 2007, \$13,716,452 was expensed, which included \$12,540,802 of costs related to the construction of the Normandy Visitor Center.

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

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

<u>Category</u>	<u>2008</u>			<u>2007</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings	\$923,710	\$134,565	\$789,145	\$923,461	\$103,814	\$819,647
Accounting Systems	2,039,026	1,794,890	244,136	1,760,065	1,760,065	0
Equipment	<u>3,441,212</u>	<u>2,119,354</u>	<u>1,321,858</u>	<u>2,919,282</u>	<u>1,932,914</u>	<u>986,368</u>
	<u>\$6,403,948</u>	<u>\$4,048,809</u>	<u>\$2,355,139</u>	<u>\$5,602,808</u>	<u>\$3,796,793</u>	<u>\$1,806,015</u>

Heritage assets are significant to the mission of the Commission to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories; cemeteries, federal memorials, and nonfederal memorials. Changes in heritage assets for fiscal year 2008 were as follows:

	<u>Cemeteries</u>	<u>Federal Memorials</u>	<u>Nonfederal Memorials</u>
Beginning of Year 10-1-07	24	25	7
Number Acquired, Fiscal Year 2008	0	0	0
Number Withdrawn, Fiscal Year 2008	<u>0</u>	<u>0</u>	<u>0</u>
End of Year 9-30-08	<u>24</u>	<u>25</u>	<u>7</u>

Through September 30, 2008, Commission cemeteries contain over 131,000 interments. Over 94,000 Honored War Dead, whose remains were not recovered, are memorialized in the cemeteries and federal memorials that encompass over 1,600 acres. This land is provided to the Commission through host agreements with foreign countries for permanent use as cemeteries and memorials.

Note 7. Other Liabilities

Other liabilities as of September 30 were as follows:

	<u>2008</u>	<u>2007</u>
Accrued Salaries and Benefits	\$1,116,214	\$1,239,990
Unfunded Separation Pay Liability	1,634,931	1,665,616
Unfunded Annual Leave	<u>1,154,727</u>	<u>1,208,818</u>
	<u>\$3,905,872</u>	<u>\$4,114,424</u>

Under a host nation agreement, the Commission's Italian employees earn separation pay for each year of service with the Commission. The Commission recognized an unfunded liability for separation pay for these employees of \$1,634,931 as of September 30, 2008, and \$1,665,616 as of September 30, 2007.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2008, the Commission incurred \$1,111,431 of pension and ORB costs, \$333,261 of which was imputed. For fiscal year 2007, the Commission incurred \$1,173,374 of pension and ORB costs, \$364,315 of which was imputed. Total imputed costs of \$733,261 for fiscal year 2008 and \$724,315 for fiscal year 2007 included audit services provided by GAO.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, headquarters, including office space for the WWII Memorial Project, are rented under a 5-year operating lease expiring in July 2012.

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

Living quarters for the Normandy Visitor Center Director and Assistant Director are rented under operating leases expiring in February 2013 and August 2009, respectively. Six other living quarters leases for the benefit of the Commission's European Regional Office have been signed by the U.S. State Department and therefore, the Commission has no future liability for these leases.

Rent expense for fiscal year 2008 operating leases was \$782,774. Future minimum payments due on operating leases as of September 30, 2008, are as follows:

<u>Fiscal Year</u>	
2009	\$805,586
2010	722,032
2011	712,811
2012	602,391
2013	5,617
After 5 years	<u>0</u>
	<u>\$2,848,437</u>

Financial Statements

Note 9. Net Position

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

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

Net position balances as of September 30, 2007, were as follows:

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total</u>
Unexpended Appropriations:			
Unobligated	\$10,997,432 ²		\$10,997,432
Undelivered Orders	<u>7,064,250</u>		<u>7,064,250</u>
	<u>\$18,061,682</u>	<u>\$ -</u>	<u>\$18,061,682</u>
Cumulative Results of Operations (deficit):			
Unrestricted	\$(1,068,392)	\$11,946,144	\$10,877,752
Restricted for Undelivered Orders	<u>\$(1,068,392)</u>	<u>402,731</u>	<u>402,731</u>
		<u>\$12,348,875</u>	<u>\$11,280,483</u>
Total Net Position	<u>\$16,993,290</u>	<u>\$12,348,875</u>	<u>\$29,342,165</u>

¹ Includes \$2,580,891 unobligated for design and construction of the Normandy Visitor Center (after a \$31,000 rescission) from a \$3,100,000 no-year appropriation for FY 2006.

² Includes \$4,578,877 for design and construction of the Normandy Visitor Center, consisting of zero unobligated from a \$5,000,000 no-year appropriation earmark for FY 2002; \$31,446 unobligated (after a \$26,000 rescission) from a \$4,000,000 no-year appropriation for FY 2003; \$26,735 unobligated (after a \$53,100 rescission) from a \$9,000,000 no-year appropriation for FY 2004; \$1,451,696 unobligated (after a \$72,800 rescission) from a \$9,100,000 no-year appropriation for FY 2005; and \$3,069,000 unobligated (after a \$31,000 rescission) from a \$3,100,000 no-year appropriation for FY 2006.

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Note 10. Reconciliation of Net Cost of Operations to Budget

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

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries and Memorials</u>	<u>WWII and Other Trust Funds</u>	<u>Total 2008</u>	<u>Total 2007</u>
<u>Resources Used To Finance Activities</u>				
Obligations incurred - direct	554,371,487	857,811	555,229,298	\$50,558,257
Offsetting collections and recoveries	(205)		(205)	(6,522)
Imputed retirement and audit services	733,261		733,261	724,315
Other adjustments	111		111	85,615
Total Resources Used to Finance Activities	55,104,432	857,811	55,962,243	51,361,665
<u>Resources That Do Not Fund Net Cost of Operations</u>				
General property capitalized on the balance sheet	(1,118,784)		(1,118,784)	(299,258)
Undelivered orders - start of year	7,064,250	402,731	7,466,981	17,233,311
Less: Undelivered orders - end of year	(8,356,270)	(1,030,115)	(9,386,385)	(7,466,981)
Total Resources That Do Not Fund Net Cost of Operations	(2,410,804)	(627,384)	(3,038,188)	9,467,072
<u>Components of Net Cost of Operations Not Requiring Resources in the Current Period</u>				
Components Requiring Resources in Future Periods:				
(Decrease) increase in unfunded annual leave	(54,259)	168	(54,091)	(4,499)
(Decrease) in unfunded separation pay liability	(30,685)		(30,685)	173,480
Components Not Requiring Resources:				
Depreciation	569,772		569,772	415,125
In-kind expenses	35,007		35,007	29,340
Total Costs Not Requiring Resources in the Current Period	519,835	168	520,003	613,446
Total Resources Used to Finance the Net Cost of Operations	553,213,463	\$230,595	\$53,444,058	\$61,442,183

Other Information

Required Supplementary Information

**American Battle Monuments Commission
Other Information
September 30, 2008
(Unaudited)**

Maintenance, Repairs, and Improvements

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

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and that, therefore, is put off or delayed for a future period. Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$5.6 million in fiscal year 2008 and \$3.2 million in fiscal year 2007. For fiscal years 1998 through 2002, the Commission received \$11.3 million of additional appropriations from the Congress that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002. No deferred maintenance backlogs existed as of September 30, 2007, and 2008.

Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. These surveys are reviewed and updated at least annually by the Commission's engineering staff. In addition, engineering projects identified improvements in cemetery irrigation, drainage, roads, parking areas, and buildings. As of September 30, 2008, the Commission has identified 36 maintenance, repair, and improvement projects, with an estimated cost of \$5.0 million, scheduled to be performed in fiscal year 2009, subject to available funding.

Schedules of Heritage Assets

The following three pages present unaudited other information not required by U.S. generally accepted accounting principles on the Commission's 24 cemeteries; 25 federal memorials, monuments, and markers; and 7 nonfederal memorials as of September 30, 2008.

Other Information

Schedules of Heritage Assets

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2008
(Unaudited)

24 CEMETERIES

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
<u>European Region</u>					
Aisne Marne American Cemetery	Belleau (Aisne), France	2,289	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,325	462	90.5	WW II
Brittany American Cemetery	St. James (Manche), France	4,410	498	27.9	WW II
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,812	5,127	30.5	WW II
Epinal American Cemetery	Epinal (Vosges), France	5,255	424	48.6	WW II
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,992	450	57.0	WW II
Lorraine American Cemetery	St. Avold (Moselle), France	10,489	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg City, Luxembourg	5,076	371	50.5	WW II
Meuse-Argonne American Cemetery	Romagne (Meuse), France	14,246	954	130.5	WW I
Netherlands American Cemetery	Margraten, Holland	8,301	1,722	65.5	WW II
Normandy American Cemetery	Colleville-sur-Mer, France	9,387	1,557	172.5	WW II
Oise-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Somme American Cemetery	Bony (Aisne), France	1,844	333	14.3	WW I
St. Mihiel American Cemetery	Thiaucourt, Meurthe, France	4,153	284	40.5	WW I
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW I/II
<u>Mediterranean Region</u>					
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II
<u>Other</u>					
Corozal American Cemetery	Panama City, Panama	5,374		16.0	*
Mexico City American Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am
Manila American Cemetery	Luzon, Phillipines	17,202	36,285	152.0	WW II
Subtotal for Cemeteries		131,096	60,314	1,294.5	

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

Other Information

American Battle Monuments Commission
 Schedule of Heritage Assets
 September 30, 2008
 (Unaudited)

25 FEDERAL MEMORIALS, MONUMENTS, AND MARKERS

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
East Coast Memorial	New York City, NY		4,609	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,800	1.0	WW II/Korea/Vietnam
West Coast Memorial	San Francisco, CA		412	1.3	WW II
Audenarde Monument	Audenarde, Belgium			0.4	WW I
Bellicourt Monument	St. Quentin, France			1.8	WW I
Brest Naval Monument	Brest, France			1.0	WW I
Cabanatuan Memorial	Luzon, Phillipines				WW II
Cantigny Monument	Cantigny, France			0.4	WW I
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I
Chaumont Marker	Chaumont, France				WW I
Gibraltar Naval Monument	Gibraltar			0.1	WW I
Guadalcanal Memorial	Guadalcanal			0.5	WW II
Kemmel Monument	Ypres, Belgium			0.2	WW I
Marine Monument Belleau Wood	Aisne, France			199.6	WW I
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiaucourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Pointe du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II
Saipan Monument	Saipan, Northern Mariana Islands				WW II
Santiago Surrender Tree	Santiago, Cuba				Sp American War
Sommepey Monument	Sommepey, France			15.0	WW I
Souilly Marker	Souilly, France				WW I
Tours Monument	Tours, France			0.5	WW I
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II
Western Naval Task Force Memorial	Casablanca, Morocco				WW II
Subtotal for Memorials		0	33,821	368.9	
Grand Total		131,096	94,135	1,663.4	

Other Information

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2008
(Unaudited)

7 NONFEDERAL MEMORIALS

<u>Name</u>	<u>Location</u>	<u>War</u>
29th Infantry Division Memorial	Vierville-sur-Mer, France	WW II
30th Infantry Division Memorial	Mortain, France	WW II
6th Engineering Special Brigade Memorial	Vierville-sur-Mer, France	WW II
351st Bomb Group Memorial	Oundle, England	WW II
147th Engineer Battalion Monument	Englesqueville-la-Percee, France	WW II
507th Parachute Infantry Regiment Memorial	Amfreville, France	WW II
398th Bomb Group Memorial	Herdfordshire, England	WW II

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