



RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

2010 Agency Financial Report

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Home > Where is The Money Going? > Map Gallery

MAP GALLERY

Featured Map

Tufte Lights On Map
Designed by Edward Tufte, this map shows the recipient awards mapped over time.

See Where the Money Is Going
Go to the Recipient Reported Data Map

Map Gallery

- Recipient Reported Data
- Agency Reported Data
- Images of Recovery

Job Training Awards vs. Unemployment

Recipient Reported Jobs by State

Recovery Awards vs. Unemployment

Recipient Reported Awards

Community Oriented Policing Services (COPS) vs. US Population Density

Community Oriented Policing Services (COPS) vs. Median Household Income

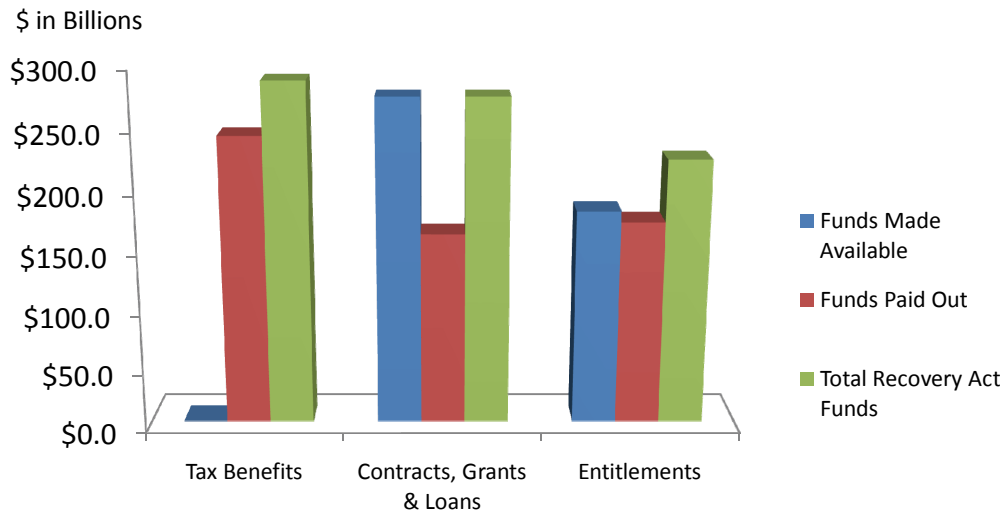




Overview of Recovery Act Funding

Overview of Funding

The American Recovery and Reinvestment Act of 2009 distributes the \$787 billion as follows:



\$ in Billions	Funds Made Available	Funds Paid Out	Total Recovery Act Funds
Tax Benefits *	--	\$243.4	\$288.0
Contracts, Grants & Loans	\$275.0	\$164.0	\$275.0
Entitlements	\$181.8	\$172.9	\$224.0

**Note: The U.S. Treasury does not provide estimates of Funds Made Available for Tax Benefits*



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Agency Financial Report

Introduction

The Recovery Accountability and Transparency Board (the Board) is an independent executive branch agency not subject to the requirements of the Chief Financial Officers (CFO) Act of 1990; however, the Board does fall within the definition of a covered executive agency under the Accountability of Tax Dollars Act (ATDA) of 2002. The Reports Consolidation Act of 2000 gives the executive branch the discretion to consolidate certain statutorily required reports and to use other approaches to consolidation of performance and financial information. After consultation with the Office of Management and Budget (OMB), the Board's fiscal year 2010 Annual Report will serve as the agency's Annual Performance Report. Further, the Agency Financial Report (AFR) will present the highlights of the agency's financial position, audited financial statements, and other financial management activities. Collectively, these two reports satisfy the reporting requirements of OMB Circulars A-11 and A-136, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, and the ATDA. Together, the reports provide fiscal information on how resources have been expended and high-level performance results that enable the Board's stakeholders to assess agency accomplishments for the fiscal year (October 1, 2009, through September 30, 2010). Ultimately, the reports provide an overview of the Board's accomplishments and challenges, and enable the President, the Congress, and the public to assess the performance of the agency and proper stewardship of U.S. taxpayer funds.



Message from the Chairman

It is my pleasure to present the Recovery Accountability and Transparency Board's Agency Financial Report for Fiscal Year 2010. The American Recovery and Reinvestment Act of 2009 created the Board and appropriated \$84 million to the Board to fulfill its mission of providing transparency and accountability for \$787 billion in Recovery Act funds.



Photo Courtesy of David Kidd

This report, prepared in conjunction with the agency's Annual Report to the President and Congress, provides an overview of the Board's financial operations to help Congress, the President, and the public assess how we are managing the resources entrusted to us. Together, the Annual Report and Agency Financial Report provide insight and information on how the Board operated in 2010. Our goals, challenges and accomplishments are detailed in the Annual Report. The Agency Financial Report includes a succinct and easily understandable analysis of the Board's structure, mission, and resources invested to provide transparency and oversight of Recovery Act funds.

Much has transpired in the 21 months since the creation of the Recovery Board. In 2009, we hit the ground hard, setting up a new federal agency in three months, creating two websites to collect, track and display billions of dollars of Recovery spending in record time, and establishing an unprecedented accountability program to safeguard those funds from fraud, waste and mismanagement. The key to our accomplishments are the dedication and hard work of the 12 Inspectors General who serve with me on the Board, their staff members, the Recovery Board staff, and the thousands of individuals who are our partners in the Recovery community.

In 2010, we continued our momentum, refining strategies, policies and practices when necessary. We improved FederalReporting.gov and Recovery.gov, based on public input and the advice of technological experts. These changes gave us award-winning websites that serve as a model of how to bring greater transparency to other government websites.



Message from the Chairman

We believe in the “power of partnership,” a practice that has yielded an unprecedented collaborative accountability program for the law enforcement and the broader oversight community. This is a new era for the federal government – one that requires us to abandon practices that no longer work and implement more effective and efficient ones. The time has come to dismantle proprietary agency operations and replace them with universal systems that connect us to each other and allow for information sharing. The Board’s efforts to establish a uniformed award numbering system and the work of our Recovery Operations Center are significant steps in this direction. The Recovery Act has been a catalyst for change in government, and the Board is the agent of that change, but the end product must be a sustainable effort if the true meaning of open government is to be realized.

As you will read on the following pages, our efforts have been directed at creating a blueprint and laying the foundation for a transparent and accountable government.

A handwritten signature in black ink that reads "Earl E. Devaney". The signature is written in a cursive style with a large, looping "y" at the end.

Earl E. Devaney



Management Discussion & Analysis

Agency Overview

Mission: To promote accountability by coordinating and conducting oversight of Recovery funds to prevent fraud, waste, and abuse and to foster transparency on Recovery spending by providing the public with accurate, user friendly information



The Recovery Accountability and Transparency Board was established on February 17, 2009, when the President signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Board is the watchdog for the American public on the use of Recovery Act funds. Chairman Earl E. Devaney and the Inspectors General (IGs) who serve on the Board are charged with developing a system of transparency and accountability for the

\$787 billion Recovery initiative. Although only 12 agency IGs serve on the Board, a total of 28 federal agencies received Recovery monies and 29 Inspectors General are involved in oversight of those agency spending programs (see Exhibit 1).

The Board received \$84 million in Recovery funds to carry out its dual mission of establishing and maintaining a user friendly website to show the American people how and where their money is being spent and



Management Discussion & Analysis

coordinating and conducting oversight of Recovery funds to help minimize fraud, waste, and abuse.

Exhibit 1

NAME	RECOVERY AGENCY	INSPECTOR GENERAL OVERSIGHT	RECOVERY BOARD MEMBER *
Agency for International Development	✓	✓	
Amtrak		✓	
Corporation for National and Community Service	✓	✓	
Department of Agriculture	✓	✓	✓
Department of Commerce	✓	✓	✓
Department of Defense	✓	✓	✓
Department of Education	✓	✓	✓
Department of Energy	✓	✓	✓
Department of Health and Human Services	✓	✓	✓
Department of Homeland Security	✓	✓	✓
Department of Housing and Urban Development	✓	✓	
Department of the Interior	✓	✓	✓
Department of Justice	✓	✓	✓
Department of Labor	✓	✓	
Department of State	✓	✓	
Department of Transportation	✓	✓	✓
Department of Treasury	✓	✓	✓
Department of Veterans Affairs	✓	✓	
Environmental Protection Agency	✓	✓	
Federal Communications Commission	✓	✓	
General Services Administration	✓	✓	
National Aeronautics and Space Administration	✓	✓	
National Endowment for the Arts	✓	✓	
National Science Foundation	✓	✓	
Railroad Retirement Board	✓	✓	
Small Business Administration	✓	✓	
Smithsonian Institution	✓	✓	
Social Security Administration	✓	✓	
Treasury Inspector General for Tax Administration		✓	✓
US Army Corps of Engineers	✓		
Total Participating	28	29	12

**Inspectors General Who Serve on the Recovery Board*



Management Discussion & Analysis

The Board was granted specific powers and functions under the Recovery Act.

- ✓ Audit and review Recovery spending on its own or in collaboration with federal Inspectors General
- ✓ Issue subpoenas to carry out audit and review responsibilities
- ✓ Refer instances of fraud, waste, and mismanagement to federal Inspectors General
- ✓ Hold public hearings and compel testimony through subpoenas
- ✓ Enter into contracts with public agencies and private entities
- ✓ Review whether there are sufficient and qualified personnel overseeing Recovery Act funds
- ✓ Submit quarterly and annual reports to the President and Congress, as well as "flash reports" on potential problems that require immediate attention
- ✓ Make recommendations to federal agencies on measures to prevent fraud, waste, and mismanagement of Recovery Act funds.

For more information on the legislation, please visit: http://www.recovery.gov/About/Pages/The_Act.aspx.



Management Discussion & Analysis

The Board consists of 12 presidentially appointed Board members and a Chairman. Three standing Board Committees were established in 2009. These committees are responsible for setting the strategic direction to accomplish the accountability and transparency mission of the Board.



COMMITTEES

Committee	Board Members	Board Staff
Recovery.gov	J. Russell George	Mike Wood
	Daniel Levinson	
	Todd J. Zinser Gordon Heddell	
Accountability	Richard L. Skinner	Douglas R. Hassebrock
	Glenn A. Fine	
	Gregory H. Friedman	
	Kathleen S. Tighe	
Recovery Funds Working Group	Calvin L. Scovel, III	John Higgins
	Phyllis K. Fong	
	Mary L. Kendall Eric M. Thorson	



Management Discussion & Analysis

The Recovery Board has occupied office space at 1717 Pennsylvania Avenue NW in Washington, DC, since April 20, 2009. The Chairman and Board members have assembled a support staff that provides the overall management of the agency's operations. The support organization is led by an Executive Director, Director of Recovery.gov, Director of Accountability, Director of Communications, seven Assistant Directors, and the Chief of Mission Support. This team along with approximately 40 other employees handles the day-to-day management of Recovery Board operations including the following:

- ✓ Performing website design, development and maintenance
- ✓ Providing technology and content management
- ✓ Conducting data development and analysis
- ✓ Coordinating investigations, audits, evaluations, reviews, and inspections
- ✓ Monitoring Recovery Act procurement and grant compliance
- ✓ Conducting training and outreach with federal, state, and local agencies
- ✓ Communicating with Congress, agencies, and members of the media

- ✓ Complying with finance, budget, legal and other regulatory requirements

Nearly 40% of the staff members are on detail from various federal agencies. To maintain a streamlined workforce, the Board partners with the 29 Inspectors General with Recovery oversight and obtains administrative support from the General Services Administration. Additionally, Section 1541 of the Recovery Act established an Independent Advisory Panel, which is currently composed of four presidentially-appointed members. The Panel makes recommendations to the Board on preventing fraud, waste and abuse of covered funds. Exhibit 2 shows the organizational structure of the Board.

The Recovery Board ended Fiscal Year 2010 with 54 employees. Thirty-five were direct appointees, while the remainder were detailed from other federal agencies. Our employees play a vital role in achieving the Board's mission. Exhibit 3 shows the Board's complement for FY 2010 and FY 2009.



Management Discussion & Analysis

Exhibit 2

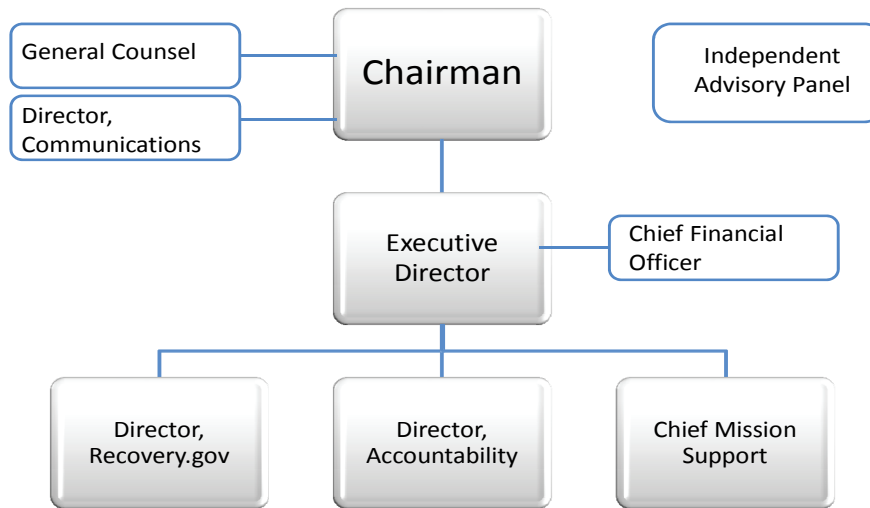
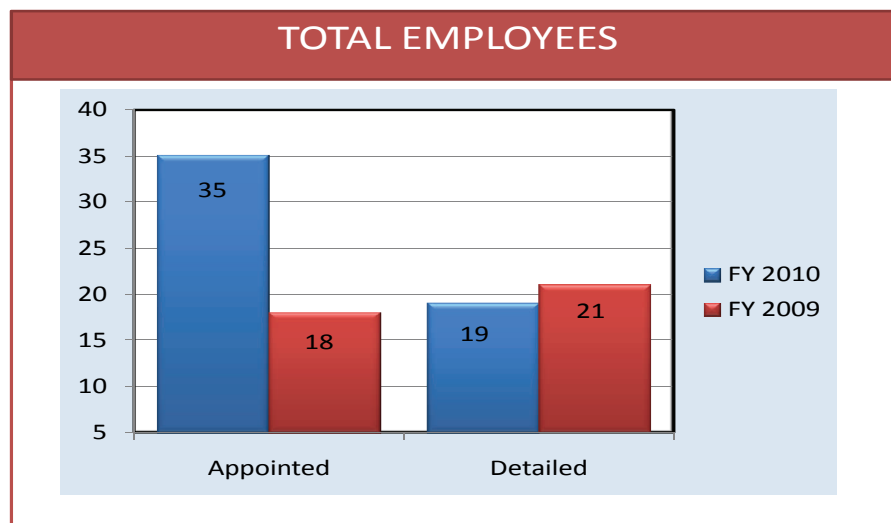


Exhibit 3





Management Discussion & Analysis

Summary Analysis of Financial Conditions

Preparing the Board's financial statements is part of the goal to improve financial management and provide accurate, reliable information that is useful for assessing performance and allocating resources. The Board's management is responsible for the integrity and objectivity of the financial information presented in the statements. The Board's internal controls are in place to ensure that all assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

The principal financial statements in the financial section of this report have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of 31 U.S.C. §3515 (b). Although the statements have been prepared from the books and records of the Board in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by the 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.

This section presents a summary analysis of the key financial statements. This analysis summarizes the data contained in the statements in a format that allows any reader to understand the financial activities and net position of the Board. The principal statements include a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources.

The Recovery Act provided \$84 million to the Board to fulfill its mission for fiscal years 2009 through 2011. The Board's annual financial statements are prepared on an accrual basis, in accordance with generally accepted accounting principles, meaning that economic events are recorded as they occur, regardless of when cash is received or disbursed. The complete financial statements are included in the financial section of this report.



Management Discussion & Analysis

Summary Analysis of Financial Conditions

To assist the reader, key financial terms are identified in the table below.

Accounting Basics

Assets – What the Board owns or manages

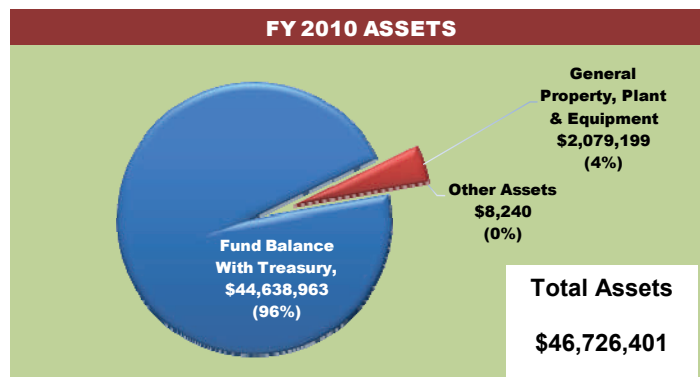
Liabilities – Amounts the Board owes as a result of past transactions or events

Net Position – The difference between assets and liabilities (similar to net worth)

Net Cost of Operations – The difference between the costs incurred by the Board’s programs and the Board’s revenue

BALANCE SHEET SUMMARY

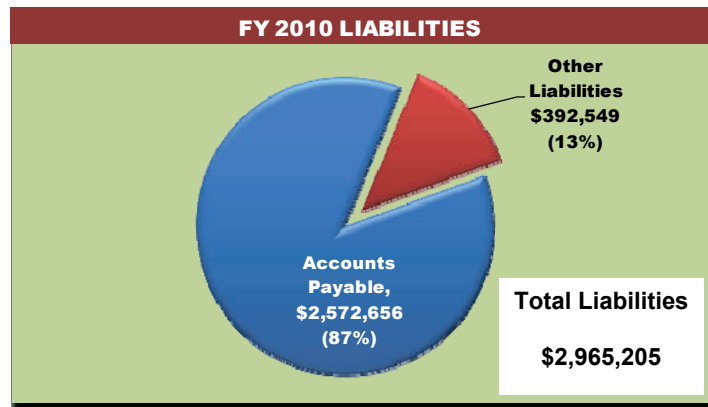
Assets. The total assets were \$46.7 million as of September 30, 2010. The pie charts to the right present a comparison of the major asset and liability categories as a percentage of total assets and liabilities. The most significant assets are the Fund Balance with Treasury and General Property, Plant and Equipment which represents 96% and 4% of the Recovery Board’s current period assets, respectively. The Fund Balance with Treasury consists of funding available through the Department of Treasury’s accounts that are accessible by the Agency to pay for both current and future obligations.





Management Discussion & Analysis

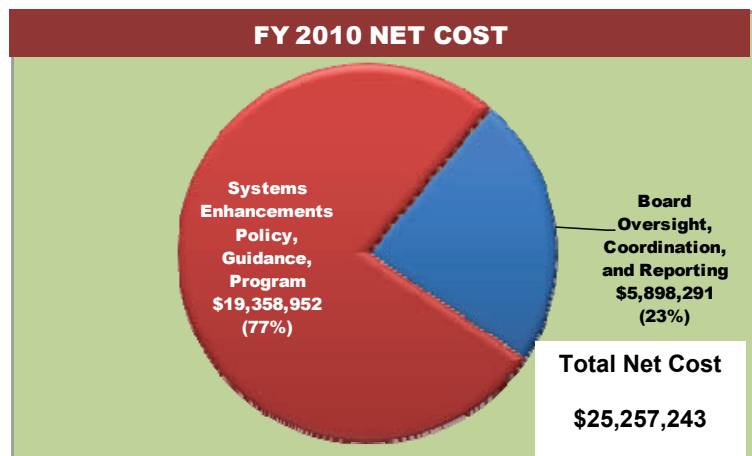
Liabilities. The Consolidated Balance Sheet reflects total liabilities of \$2.9 million. The Agency's accounts payable makes up 87% or \$2.5 million, of the total liabilities. This balance decreased 71% primarily due to a change in the accrued expense methodology.



Ending Net Position. The Statement of Changes in Net Position represents the Board's equity which includes the cumulative net earnings and unexpended authority granted by Congress. The Board's Net Position as shown on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position decreased \$25.2 million. The decrease is primarily due to the Board continuing to incur Operating Expenses without receiving any additional appropriations.

Results (Net Cost of Operations)

The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position. The Consolidated Statement of Net Cost represents the cost (net of earned revenues) of operating the Board's major objectives. These objectives are consistent with the Board's

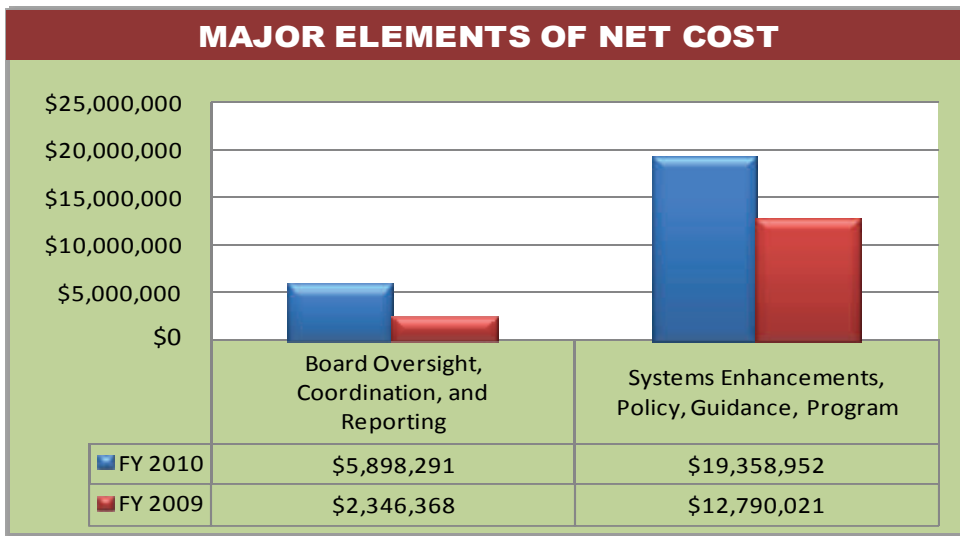


statutory mandate to (1) coordinate and conduct oversight of covered funds in order to prevent fraud, waste and abuse, and (2) establish and maintain a user-friendly, public-



Management Discussion & Analysis

facing website to foster greater accountability and transparency in the use of Recovery funds. These two objectives; Board Oversight, Coordination and Reporting and Systems Enhancements, Policy, Guidance and Program Management represent the major investments at 23% and 77% of net cost of operations, respectively. For FY 2010 and FY 2009, Board's net cost of operations totaled \$25.2 million and \$15.1 million, respectively.



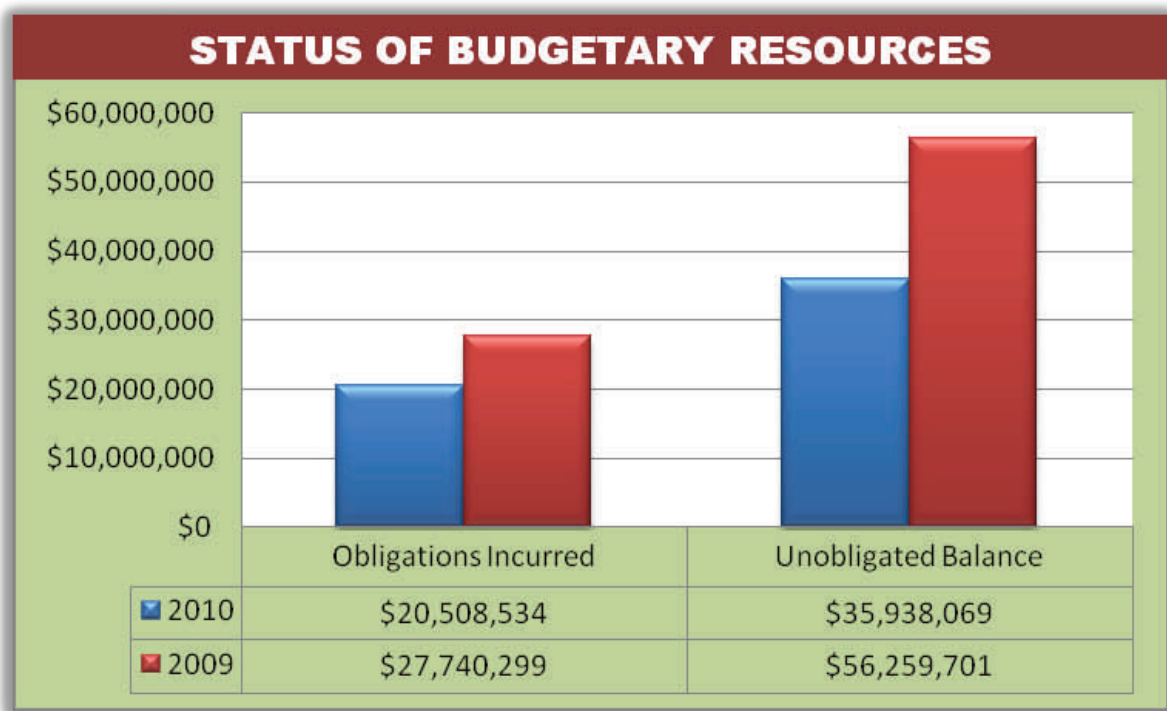
BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the Board during the fiscal year and the status of those resources at the end of the fiscal year. The Board receives its funding from government funds administered by the Department of Treasury and appropriated for the Board's use by Congress. Budgetary Resources consist of the resources available to the Board at the beginning of the year, plus the appropriation, spending authority from offsetting collections, and other budgetary resources received during the year. The agency had \$56.4 million in budgetary resources of which \$35.9 million remained unobligated and \$20.5 billion are obligations incurred at year-end. The Recovery Board recorded total net



Management Discussion & Analysis

outlays of \$32.7 million by the end of the year, and these outlays were disbursed on time according to contracted terms. The chart below presents the status of budgetary resources comparatively between FY 2010 and FY 2009.





Management Discussion & Analysis

Management Assurances

The Accountability of Tax Dollars Act of 2002 (ATDA) requires independent agencies not subject to the CFO Act to undergo annual financial statement audits in accordance with generally accepted auditing standards, *Government Auditing Standards* (“Yellow Book”), and OMB audit guidance. These standards require financial statements prepared in accordance with generally accepted accounting principles for federal entities, notes to financial statements, and an audit report that contains an opinion letter on the reliability of the financial statements, comments on the effectiveness of internal control, and comments on compliance with laws and regulations.

The Recovery Accountability and Transparency Board’s (Board) management is responsible for establishing and maintaining effective internal control and financial management systems that meet applicable provisions of the Federal Managers’ Financial Integrity Act (FMFIA) and Office of Management and Budget (OMB) Circular A-123, Management’s Responsibility for Internal Control, dated December 21, 2004. Management’s objectives are to ensure (1) effective and efficient operations; (2) compliance with applicable laws and regulations; and (3) reliable financial reporting. Our overall goals for financial management systems focus on ensuring effective internal controls, systems integration, and the ability to produce timely and reliable financial data for reporting.

The CPA Firm of Martin & Wall, P.C. has audited the financial records of the Board and issued an unqualified audit opinion. The audit report also reported no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations. The principal financial statements have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Board in accordance with GAAP 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



Management Discussion & Analysis

records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Given our comprehensive management controls, I am pleased to certify with reasonable assurance the following:

- ✓ The Board's financial reporting is reliable. Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- ✓ The Board is in compliance with applicable laws and regulations. Transactions are executed in accordance with laws governing the use of budget authority; other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in OMB guidance.

A handwritten signature in black ink that reads "Earl E. Devaney". The signature is fluid and cursive, with a large loop at the end of the last name.

Earl E. Devaney

Chairman



Financial Section

Message from the Chief Financial Officer

As the Chief Financial Officer for the Recovery Accountability and Transparency Board, I recognize that our Agency is accountable to the American Public. We are careful to use taxpayer resources wisely to carry out the Board's mission to provide transparency and accountability of the \$787 billion of Recovery funds.

This year, the Board has chosen to incorporate the Agency Financial Report (AFR) into the Annual Report. The AFR is prepared in accordance with the requirements of Office and Management and Budget Circular A-136, and documents the use of funds appropriated to the Board to conduct oversight of Recovery funds. The resources appropriated to the Board in fiscal year 2010 permitted the Board to add features and functions to Recovery.gov and make the website more accessible and meaningful to visitors, strengthen the Board's oversight programs, and sustain some of the best and brightest in the field of information technology, law enforcement, public relations, and mission support.

As the principal financial officer for the Board, I am committed to the efficient use of our resources and maintaining effective internal controls over financial information, reporting, and systems. I would like to thank the Board's staff and financial partners whose efforts on a daily basis have helped to plan, execute and account for resources provided to the Board to accomplish its monumental mission. This report complements our year long efforts to provide accountability and transparency of the Board's appropriated funds. Each month we provide detailed spending reports on Recovery.gov, along with reports of our efforts to prevent and detect fraud in the Recovery program.

We have established and applied accounting and financial reporting policies and procedures that comply with all applicable laws and regulations and safeguard U.S. government assets related to the Board's operations. Our prepared financial statements and appropriate disclosures conform to generally accepted accounting principles (GAAP). We have engaged the services of independent external auditors to review our financial records and related information to establish and relay the effectiveness of our internal controls and



Financial Section

our compliance with OMB guidance and the laws and regulations that govern the Board.

I am pleased to announce that for the second consecutive year, the firm of Martin & Wall, P.C. Certified Public Accountants has given the Board an unqualified audit opinion and has found no material weaknesses in our internal controls or financial management. Our successful audit results reflect the Board's tireless pursuit of sound financial management practices and our commitment to protecting all of the funds allocated to the Recovery program.

A handwritten signature in black ink, appearing to read "Eric M. Lippold".

Eric M. Lippold

Chief Financial Officer



Financial Section

Independent Auditor's Letter



Tel. 202.332.3566 · Fax 202.332.3672 · www.martinwallcpa.com

Independent Auditors' Report

Chairman and Board Members
Recovery Accountability and Transparency Board
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the Recovery Accountability and Transparency Board. In our audits of the Recovery Accountability and Transparency Board for fiscal years ended September 30, 2010 and 2009, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations,
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management Discussion and Analysis and other supplementary information, (3) our audit objectives, scope and methodology, and (4) agency comments and our evaluation.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Recovery Accountability and Transparency Board's assets, liabilities, and net position as of September 30, 2010 and 2009; and net costs; changes in net position; and budgetary resources; for the years then ended.

1633 Q Street, NW · Suite 230 · Washington, DC 20009



Financial Section



Consideration of Internal Control

In planning and performing our audit, we considered the Recovery Accountability and Transparency Board's internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on internal control included in Management's Discussion and Analysis. However, for the controls we tested, we found no material weakness in internal control over financial reporting (including safeguarding assets) and compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements, fraud or noncompliance in amounts that would be material to the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

Compliance with Laws and Regulations

Our tests of the Recovery Accountability and Transparency Board's compliance with selected provisions of laws and regulations for fiscal year 2010 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 Recovery Accountability and Transparency Board's Management's Discussion and Analysis, required supplementary information (including stewardship information), and other accompanying information contain a wide range of information, some of which is 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 Recovery Accountability and Transparency Board officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.



Financial Section



Objectives, Scope, and Methodology

Recovery Accountability and Transparency Board's 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 control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

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 management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity 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 design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and
- tested compliance with selected provisions of the following laws and regulations: the Anti-Deficiency Act; Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E), including the Debt Collection Improvement Act of 1996 (DCIA), the Prompt Payment Act; the Pay and Allowance System for Civilian Employees as provided primarily in Chapters 51-59 of title 5, United States Code; the Civil Service Retirement Act, 5 U.S.C. Chapter 83; Federal Employee Health Benefits Act, 5 U.S.C. Chapter 89; Federal Employees Compensation Act (FECA), 5 U.S.C. Chapter 81; and the Federal Employee's Retirement System (FERS) Act of 1986, 5 U.S.C. Chapter 84.



Financial Section



We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, 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. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Recovery Accountability and Transparency Board. 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 Recovery Accountability and Transparency Board's financial statements for the fiscal year ended September 30, 2010. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

Agency Comments and Our Evaluation

In commenting on a draft of this report (see Appendix A), the Recovery Accountability and Transparency Board concurred with the facts and conclusions in our report.

McIntire & Kelly P.C.

Washington, DC
November 12, 2010



Financial Section

Principle Financial Statements

RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

BALANCE SHEETS

As of September 30, 2010 and 2009

		2010	2009
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 44,638,963	\$ 77,353,028
Total Intragovernmental		44,638,963	77,353,028
General Property, Plant and Equipment	(Note 3)	2,079,199	464,569
Other Assets: Advances and Prepayments	(Note 4)	8,240	
Total Assets		\$ 46,726,401	\$ 77,817,597
Liabilities:			
Intragovernmental Liabilities:			
Accounts Payable		\$ 1,310,379	\$ 3,277,032
Other	(Note 6)	49,502	24,982
Total Intragovernmental Liabilities		1,359,881	3,302,015
Liabilities With the Public:			
Accounts Payable		1,262,277	5,478,905
Other	(Note 6)	343,047	147,601
Total Liabilities With the Public		1,605,324	5,626,506
Total Liabilities		\$ 2,965,205	\$ 8,928,521
Net Position:			
Unexpended Appropriations - Other Funds		41,817,945	68,458,059
Cumulative Results of Operations		1,943,251	431,017
Total Net Position		43,761,196	68,889,076
Total Liabilities and Net Position		\$ 46,726,401	\$ 77,817,597

*Amounts may be off by a dollar due to rounding.



Financial Section

RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

STATEMENT of NET COST

For The Years Ended September 30, 2010 and 2009

	2010	2009
Board Oversight, Coordination, and Reporting, Including Admin Expenses: (Note 8)		
Gross Costs	<u>\$ 5,898,291</u>	<u>\$ 2,346,368</u>
Net Program Costs	<u>\$ 5,898,291</u>	<u>\$ 2,346,368</u>
Other Programs: (Note 8)		
Systems Enhancements, Policy, Guidance, Program Management, Oversight:	<u>\$ 19,358,952</u>	<u>\$ 12,790,021</u>
Total Other Program Costs:	<u>\$ 19,358,952</u>	<u>\$ 12,790,021</u>
Net Cost of Operations	<u><u>\$ 25,257,243</u></u>	<u><u>\$ 15,136,389</u></u>



Financial Section

RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

STATEMENT of CHANGES in NET POSITION

For The Years Ended September 30, 2010 and 2009

2010

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ 431,017	\$	\$ 431,017
Budgetary Financing Sources:				
Appropriations Used		26,640,114		26,640,114
Other Financing Resources (Non-Exchange):				
Imputed Financing		129,363		129,363
Total Financing Sources		26,769,476		26,769,476
Net Cost of Operations (+/-)		25,257,243		25,257,243
Net Change		1,512,234		1,512,234
Cumulative Results of Operations	\$	\$ 1,943,251	\$	\$ 1,943,251
Unexpended Appropriations:				
Beginning Balances	\$	\$ 68,458,059	\$	\$ 68,458,059
Budgetary Financing Sources:				
Appropriations Used		(26,640,114)		(26,640,114)
Total Budgetary Financing Sources		(26,640,114)		(26,640,114)
Total Unexpended Appropriations		41,817,945		41,817,945
Net Position	\$	\$ 43,761,196	\$	\$ 43,761,196

*Amounts may be off by a dollar due to rounding.



Financial Section

RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

STATEMENTS of BUDGETARY RESOURCES

For The Years Ended September 30, 2010 and 2009

	2010	2010	2009	2009
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
Unobligated Balance:				
Beginning of Period	\$ 56,259,701	\$	\$	\$
Recoveries of Prior Year Obligations	186,902			
Budget Authority:				
Appropriations Received			84,000,000	
Total Budgetary Resources	<u>\$ 56,446,602</u>	<u>\$</u>	<u>\$ 84,000,000</u>	<u>\$</u>
Status of Budgetary Resources:				
Obligations Incurred				
Direct	\$ 20,508,534	\$	\$ 27,740,299	\$
Unobligated Balances				
Apportioned	35,751,167		54,659,701	
Unobligated Balances - Not Available	186,902		1,600,000	
Total Status of Budgetary Resources	<u>\$ 56,446,602</u>	<u>\$</u>	<u>\$ 84,000,000</u>	<u>\$</u>
Change in Obligated Balances:				
Obligated Balance, Net:				
Unpaid Obligations, Brought Forward, October 1	\$ 21,093,327	\$	\$	\$
Obligations Incurred	20,508,534		27,740,299	
Gross Outlays (-)	(32,714,065)		(6,646,972)	
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(186,902)			
Obligated Balance, Net, End of Period: (Note 10)				
Unpaid Obligations (+)	8,700,894		21,093,327	
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$ 8,700,894</u>	<u>\$</u>	<u>\$ 21,093,327</u>	<u>\$</u>
Net Outlays:				
Gross Outlays (+)	32,714,065		6,646,972	
Net Outlays	<u>\$ 32,714,065</u>	<u>\$</u>	<u>\$ 6,646,972</u>	<u>\$</u>

*Amounts may be off by a dollar due to rounding.



Financial Section

Notes to Financials

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Recovery Accountability and Transparency Board (Board) is an independent agency of the Executive Branch of the United States Government. The Board was created by the American Recovery and Reinvestment Act of 2009 (Recovery Act) on February 17, 2009 to promote accountability by coordinating and conducting oversight of Recovery Act funds to prevent fraud, waste, and abuse and to foster transparency on Recovery Act spending by providing the public with accurate, user-friendly information.

The Board is the watchdog for the American public on the use of Recovery Act funds. Earl E. Devaney, appointed by the President, serves as Board chairman. The Board also includes 12 federal Inspectors General from various government agencies. The Board has two principal goals: to prevent and detect waste, fraud and mismanagement; and to provide the American people with extraordinary transparency on how Recovery Act funds are being used by states, local governments and private recipients. The Board will issue quarterly and annual reports on its oversight findings and provide advice to government agencies. When a matter requires immediate attention, the Board will send "flash reports" to the President and Congress. The Board also maintains Recovery.gov, which provides information on agency plans and programs and disbursements around the country. Beginning in October 2009, reports from recipients of stimulus funds have been posted on Recovery.gov.

The Recovery Act appropriated \$84 million of multi-year funds to the Board available for use through September 30, 2011.

(b) Basis of Presentation

These financial statements have been prepared from the accounting records of the Board in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the form and content for entity financial statements specified in Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements." GAAP for Federal entities is the hierarchy of accounting principles prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 34, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards issued by the Financial Accounting Standards Board."



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Presentation (continued)

OMB Circular A-136 requires agencies to prepare principal statements that include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources.

The Balance Sheets present, as of September 30, 2010 and 2009, amounts of future economic benefits owned or managed by the Board (assets), amounts owed by the Board (liabilities), and amounts, which comprise the difference (net position). The Statements of Net Cost report the full cost of the Board's operations, which includes costs of identifiable supporting services provided by other federal agencies. The Statements of Budgetary Resources report the Board's budgetary activity.

(c) Basis of Accounting

Transactions are recorded on the accrual accounting basis of accounting in accordance with OMB Circular A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash.

(d) Use of Estimates

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

(e) Budgets and Budgetary Accounting

The Board follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," dated July 2010. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. In fiscal year 2009, the Board received a one-time appropriation of no-year funds to incur obligations in support of



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Budgets and Budgetary Accounting (continued)

agency programs. The Board recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and when spending authority from the offsetting collection is incurred.

(f) Revenues and Other Financing Sources

The Board received the funding necessary to support its programs from the American Recovery and Reinvestment Act of 2009. On February 17, 2009, the President signed the legislation into law which appropriated \$84 million of multi-year funds. None of the appropriations is “earmarked” funds.

(g) Imputed Financing Sources

In certain instances, operating costs of the Board are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, “Accounting for Liabilities of the Federal Government,” all expenses of a federal entity should be reported by that agency regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of the Board, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. The Board records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

(h) Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued.

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint,



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Personnel Compensation and Benefits (continued)

this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

The Board's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. The Board and its employees both contribute to these systems. Although the Board funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

For CSRS employees, the Board contributes an amount equal to 11.2% of the employees' basic pay to the plan. For FERS employees, the Board contributes an amount equal to 7% of the employees' basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under CSRS and FERS. For FERS employees, the Board contributes an amount equal to 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%. CSRS employees receive no matching contribution from the Board.

The Office of Personnel Management (OPM) is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including the Board's employees. The Board has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Board and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the Board paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because the Board's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Board has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Assets and Liabilities

Intra-governmental assets and liabilities arise from transactions between the Board and other Federal entities.

Funds with the U.S. Treasury comprise the majority of assets on the Board's balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Board as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Board for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

(j) Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes the Board's receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the agency's accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. The fund balance is increased through the receipt of non-expenditure Treasury warrants for appropriations, positive non-expenditure transfers, and other expenditure inflows of funds. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for rescissions, negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

The Board's funds with the U.S. Treasury are cash balances from appropriations as of the fiscal year-end from which the Board is authorized to make expenditures and pay liabilities resulting from operational activity.

(k) Property, Plant, and Equipment (PPE)

PPE consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment.



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, Plant, and Equipment (PPE) (Continued)

The Board capitalizes PPE with a useful life of at least two (2) years and individually costing more than \$10,000 (\$25,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the aggregate cost is \$100,000 or greater.

Assets are depreciated on a straight-line basis over the estimated used life of the property. Information Technology (IT) equipment and software is depreciated over a useful life of two (2) years. All other equipment is depreciated over a four (4) year useful life and leasehold improvements are depreciated over the remaining life of the lease.

(l) Prepaid and Deferred Charges

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

(m) Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from the offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees' Compensation Act (FECA) payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

(n) Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated).



Financial Section

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Contingencies (continued)

The Board recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

(o) Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget authority to include unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations is comprised of the following: (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

(p) Allocation Transfers

The Board is party to allocation transfers with other federal agencies as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created by the U.S. Treasury as a subset of the parent fund account for tracking purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activities related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. The Board allocates funds, as the parent, to the General Services Administration and the Office of Management and Budget to provide support for its mission and programs.



Financial Section

NOTE 2 – FUND BALANCE WITH TREASURY

The Board's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2010, is as follows:

	<u>FY 2010</u>	<u>FY 2009</u>
Fund Balances		
General Fund	<u>\$ 44,638,963</u>	<u>\$ 77,353,028</u>
Total	<u>\$ 44,638,963</u>	<u>\$ 77,353,028</u>

Status of Fund Balance with Treasury

Unobligated Balance		
(a) Available	35,751,167	54,659,701
(b) Unavailable	186,902	1,600,000
2) Obligated Balance not yet Disbursed	<u>8,700,894</u>	<u>21,093,327</u>
Total	<u>\$ 44,638,963</u>	<u>\$ 77,353,028</u>

NOTE 3 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The Board's total cost, accumulated depreciation, and net book value for PPE for the year ended September 30, 2010 and 2009 are as follows.



Financial Section

NOTE 3 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

2010	CIP- Leasehold Improvements	Equipment	Internal-Use Software	Total
Cost	\$ 151,527	\$1,414,230	\$1,052,246	\$2,618,003
Accum. Depr.	\$ 0	(313,971)	(224,834)	(538,805)
Net Book Value	\$ 151,527	\$1,100,259	\$ 827,412	\$2,079,199*

*Rounding

2009	Equipment	Internal-Use Software	Total
Cost	\$ 483,341	\$ 32,851	\$ 516,192
Accum. Depr.	(44,704)	(6,919)	(51,623)
Net Book Value	\$ 438,637	\$ 25,932	\$ 464,569

NOTE 4 – OTHER ASSETS – ADVANCES AND PREPAYMENTS

Other assets of the Board consist of the Government Printing Office (GPO) deposit account. An estimated cost of printing is determined by the Board, in which the funds are then deposited into their GPO account. As the Board utilizes the GPO services, the funds are disbursed from the GPO account. Advanced payments to GPO for printing and binding are authorized by 44 USC Section 310.

	<u>2010</u>	<u>2009</u>
Advance to GPO	\$ 8,240	\$ 0
Total Other Assets	\$ 8,240	\$ 0

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Board are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2010, the Board had liabilities covered by budgetary resources of \$2,829,257 and liabilities not covered by budgetary resources of \$135,948. As of September 30, 2009, the Board had liabilities covered by budgetary resources of \$8,894,969 and liabilities not covered by budgetary resources of \$33,552.



Financial Section

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES (CONTINUED)

As of September 30, 2010, liabilities covered by budgetary resources is composed of Accounts Payable of \$2,572,656, Employer Contributions and Payroll Taxes Payable of \$49,502 and Accrued Funded Payroll and Accrued Funded Payroll and Leave of \$207,099. As of September 30, 2009, liabilities covered by budgetary resources is composed of Accounts Payable of \$8,755,937, Employer Contributions and Payroll Taxes Payable of \$24,982 and Accrued Funded Payroll and Accrued Funded Payroll and Leave of \$114,050.

	<u>2010</u>	<u>2009</u>
Unfunded Leave	\$ 135,948	\$ 33,552
Total liabilities not covered by budgetary resources	\$ 135,948	\$ 33,552
Total liabilities covered by budgetary resources	\$ 2,829,257	\$ 8,894,969
Total Liabilities	<u>\$ 2,965,205</u>	<u>\$ 8,928,521</u>

NOTE 6 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2010 and 2009 consist of Accrued Funded Payroll and Leave and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

	FY 2010		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ 0	\$ 49,502	\$ 49,502
Total Intragovernmental	0	49,502	49,502
Unfunded Leave	135,948	0	135,948
Accrued Funded Payroll & Leave	0	207,099	207,099
Total Other Liabilities	<u>\$ 135,648</u>	<u>\$ 256,601</u>	<u>\$ 392,549</u>
FY 2009			
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ 0	\$ 24,982	\$ 24,982
Total Intragovernmental	0	24,982	24,982
Unfunded Leave	33,552	0	33,552
Accrued Funded Payroll & Leave	0	114,050	114,050
Total Other Liabilities	<u>\$ 33,552</u>	<u>\$ 139,032</u>	<u>\$ 172,583*</u>

*Rounding



Financial Section

NOTE 7 – LEASES

Entity as Lessee:

Operating Leases:

Description of Leasing Arrangements:

The Board leases office space located at 1717 Pennsylvania Avenue, NW, Suite 700 in Washington, DC. The lease was entered into on April 10, 2009, became effective April 13, 2009, and has a term of 54 months, terminating September 30, 2013. The tenant may relinquish space upon four (4) months notice. Thus, at any time, the Board's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through GSA's Public Building Services, plus any rent concession not yet earned. The Board has elected to expend a total of \$199,000 for their tenant improvements. This amount has been amortized in rent.

The following is a schedule of future minimum lease payments required by the lease:

Future Payments Due:

Year Ending September 30, 2011	\$ 707,336
2012	716,403
2013	725,742
Total Future Lease Payments	<u>\$ 2,149,481</u>

Amounts of future minimum lease payments may vary due to real estate tax escalations.

Occupancy expenses were \$698,534 and \$85,127 for the years ended September 30, 2010, and 2009, respectively.



Financial Section

NOTE 8 – INTRAGOVERNMENTAL COSTS

Intragovernmental costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to GSA). Costs with the Public are incurred from exchange transactions with non-Federal entities (i.e., all other program costs). The table below presents the portion of the Board’s program costs related to Intragovernmental Costs and Costs with the Public. Since the Board earns no revenue from its operations, gross costs and net costs are identical.

Fiscal Year Ended September 30, 2010			
Program	Intragovernmental Costs	Costs with the Public	Total Program Costs
Board Oversight, Coordination, and Reporting, Including Admin Expenses	\$ 3,326,957	\$ 2,571,334	\$ 5,898,291
Systems Enhancements, Policy, Guidance, Program Management, Oversight	\$ 9,138,153	\$10,220,799	\$19,358,952
Total	\$12,465,110	\$12,792,133	\$ 25,257,243
Fiscal Year Ended September 30, 2009			
Program	Intragovernmental Costs	Costs with the Public	Total Program Costs
Board Oversight, Coordination, and Reporting, Including Admin Expenses	\$1,375,215	\$ 971,153	\$ 2,346,368
Systems Enhancements, Policy, Guidance, Program Management, Oversight	\$5,983,676	\$6,806,345	\$12,790,021
Total	\$7,358,891	\$7,777,498	\$15,136,389



Financial Section

NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

Apportionment is a plan, approved by the U.S. Office of Management and Budget (OMB), to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). Resources are apportioned by *Treasury Appropriation Fund Symbol (TAFS)*. The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportioned amount may be further subdivided by an agency into allotments, suballotments, and allocations.

OMB Circular A-11 defines apportionment categories as follows:

- *Category A* apportionments distribute budgetary resources by fiscal quarters.
- *Category B* apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.
- *Category C* apportionments may be used in multi-year and no-year TAFS to apportion funds into future fiscal years.
- *Exempt* – Exempt from apportionment (see OMB Circular A-11, paragraph 120.8 for details).

All of the Board's obligations incurred are considered direct. None is reimbursable. Obligations incurred for the Board are Category B apportionments, as defined by OMB Circular A-11, and reported on the Board's latest SF-132. The Board has no funds exempt from apportionment. The table below presents the distribution of obligations incurred by apportionment category.

	<u>2010</u>	<u>2009</u>
Direct		
Category B	<u>20,508,534</u>	<u>27,740,299</u>
	<u>\$ 20,508,534</u>	<u>\$ 27,740,299</u>



Financial Section

NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders and Delivered Orders, Obligations Unpaid (amounts owed at the end of the year by the Board for goods and services received plus unfunded leave presented in Note 6). The amount of each is as follows:

	Undelivered Orders	Delivered Orders, Obligations Unpaid	Unpaid Obl. Balance, Net
FYE 09-30 2010	\$ 5,871,637	\$2,829,257	\$ 8,700,894
FYE 09-30-2009	\$12,198,358	\$8,894,969	\$21,093,327

NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Board in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Board in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for Board employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e. .goods and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future



Financial Section

NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (CONTINUED)

periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated and net cost of operations (i.e. providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2010	FY 2009
Budgetary Resources Obligated	\$20,508,534	\$27,740,299
Less: Spending Authority from Offsetting Collections and Recoveries	186,902	
Obligations Net of Offsetting Collections and Recoveries	\$20,321,632	\$27,740,299
Imputed Financing from Costs Absorbed by Others	129,363	25,465
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	6,318,482	(12,198,358)
Resources that Finance the Acquisition of Assets	(2,101,812)	(516,192)
Financing Sources Yet to be Provided	102,396	33,552
Components Not Requiring or Generating Resources	487,182	51,623
Net Cost of Operations	\$25,257,243	\$15,136,389

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2010, which is the date the financial statements were available to be issued.



Other Accompanying Information

Acting under the American Recovery and Reinvestment Act of 2009, President Obama announced in March the four appointees to the Recovery Independent Advisory Panel. These four panel members will recommend ways to assist the Board in its mission of finding and minimizing fraud, waste and abuse in the Recovery program. The panel members are:

Steven Koch, a vice chairman and co-chairman of Credit Suisse’s Mergers and Acquisitions Group. Mr. Koch joined Credit Suisse in 1985. He also teaches at the Director’s Consortium, a semi-annual seminar he helped to organize that is sponsored by the Amos Tuck School of Business Administration at Dartmouth, the University of Chicago Booth School of Business, Stanford Graduate School of Business and the Stanford Law School.



Chris Sale, a vice president for Development Finance at CHF International where she provides guidance and informs policy for the CHF International’s micro-enterprise, housing finance and small-to-medium enterprise lending programs. Ms. Sale has more than 20 years experience in finance and development, having served as the deputy advisor for External Relations for the Inter-American Development Bank, deputy to the chairman and CFO of the FDIC, COO of the U.S. Small Business Administration, among other positions. Ms. Sale is currently a fellow of the National Academy of Public Administration, and the Finance and Investment Chair for the National Partnership for Women and Families.



Malcolm K. Sparrow, a professor of the Practice of Public Management at Harvard’s Kennedy School of Government, where he has taught since 1988. Before joining the Harvard faculty, Dr. Sparrow served 10 years with the British Police Service, rising to the rank of Detective Chief Inspector. At Harvard, Dr. Sparrow has focused on the risk management challenges faced by regulatory and law enforcement agencies. He is the author of several books and has worked closely with U.S. and overseas regulators on issues including crime, terrorism, corruption, fraud, environmental protection, safety management and regulatory compliance.





Other Accompanying Information

Edward Tufte, a Professor Emeritus of political science, statistics, and computer science at Yale University. Dr. Tufte wrote, designed, and self-published *The Visual Display of Quantitative Information*, *Envisioning Information*, *Visual Explanations* and *Beautiful Evidence*, which together have received 40 awards for content and design. He is a fellow of the American Academy of Arts and Sciences, the Guggenheim Foundation, the Center for Advanced Study in the Behavioral Sciences, the Society for Technical Communication, and the American Statistical Association.



On August 5, 2010, a public meeting in Cambridge, MA was conducted with the Advisory Panel. Minutes of the meeting are available on the Board's website www.Recovery.gov. To contact the Advisory Panel, email panel@ratb.gov.



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