



AMERICAN BATTLE
MONUMENTS COMMISSION

Fiscal Year 2019 Annual Financial Report





President Donald Trump and ABMC Secretary William Matz at the Suresnes American Cemetery overlooking Paris, France, to commemorate the Centennial of the First World War on Armistice Day, Nov. 11, 2018.

On the cover:

President Donald Trump and First Lady Melania Trump walk among the gravesites of Normandy American Cemetery on June 6, 2019, following the commemoration of the 75th Anniversary of the D-Day Landings.



Letter from the Secretary

Within these pages we present the Commission's financial statements and performance results for the year ending September 30, 2019.

Like the previous fiscal year, FY 2019 was a year of significant commemoration and remembrance, highlighted by the 75th Anniversary of the D-Day Landings. It was the largest overseas commemorative event in our agency's 96-year history. Fourteen thousand guests gathered at Normandy American Cemetery to remember the history defining day of June 6, 1944. Two presidents and First ladies, 17 United States senators, 63 members of the House of Representatives, numerous cabinet officials and ambassadors, 14 four-star generals and admirals, together with European political and diplomatic leaders and 900 credentialed media were present.

Impressive as that list is, they were not the focus of attention, the reason for the long exhausting hours of preparation, or the recipients of our thanks. Instead, the applause and tears honored the more than 170 World War II veterans in attendance, 57 of whom came across the beach or parachuted in on D-Day; the 168 next of kin, whose presence reflected the families' loss; and the thousands who rest peacefully within that hallowed ground, or in graves unknown. It was and always will be a day to be remembered, a day that changed the course of history.

The next day our Board of Commissioners rededicated the Normandy American Cemetery Visitor Center. The visitor center opened in 2007; it was time for a refresh. Visitors now enjoy a dramatic new interior design and layout of exhibits and videos, but the focus remains on sharing the personal stories of those who wrote the history with their service and sacrifice during the largest amphibious invasion the world has known.

Normandy received the first of nine modern visitor centers the Commission will have opened by the end of calendar year 2019. A new visitor center at Manila American Cemetery was dedicated in October, on the 75th Anniversary of General MacArthur's return to the Philippines, and November brings the dedication of a visitor center at our Lafayette Escadrille Memorial Cemetery, located in the suburbs of Paris, France. An old caretaker's cottage now presents the legendary achievements of the Escadrille, forerunners of American combat aviation. Our tenth visitor center, which will be built at the Netherlands American Cemetery, received design concept approval from the U.S. Commission of Fine Arts in September. We expect to open that new visitor experience by 2022.

The commemoration at Normandy was preceded by the 75th Anniversary of the Anzio landings at Sicily-Rome cemetery in January, and was followed by the 75th Anniversary of the Southern Landings at Rhone American Cemetery in August. In December 2019, we will remember the 75th Anniversary of the Battle of the Bulge. Several events are scheduled in Bastogne, Belgium, and at our Luxembourg American Cemetery.

The Bastogne events will be hosted by the Government of Belgium and will center on the Mardasson Memorial, built by the Belgian people as a tribute to the American forces that fought at the Bulge. Under our Monument Maintenance Program authority, ABMC is managing the cleaning and repair of the memorial with funding provided by the memorial's sponsors. In addition to the Bastogne events, ABMC will host two events at Luxembourg American Cemetery, including a Luminary, in which a candle is placed on every headstone in the cemetery; 5,073 candles lit in honor of those who gave their young lives so that others might live free.

All of the World War II events were preceded in November 2018 by the culmination of our remembrance of the World War I Centennial. We were honored to host President Donald Trump and Secretary of State Mike Pompeo on Armistice Day, November 11, at Suresnes American Cemetery, also outside Paris. Under rainy skies, the President brought to a close America's commemoration of our nation's participation in the Great War, perpetually remembered at nine cemeteries and 14 monuments ABMC administers in Europe.

While the 26 cemeteries we maintain around the world have become the face of the Commission, we never forget that the name of our agency is the American Battle *Monuments* Commission. This is our genesis and core mission. In December 2018, we dedicated our 30th monument in Wellington, New Zealand. Built at the invitation of the Government of New Zealand, it sits on a prominent parcel in New Zealand's National War Memorial Park, alongside other international monuments that commemorate lasting partnerships and



William M. Matz

mutual sacrifice. U.S. Ambassador Scott Brown, New Zealand Minister of Defense Ron Mark, and U.S. Assistant Secretary of Defense Randall Shriver cut the ribbon on ABMC's newest memorial.

These are the events that capture public attention, but the yeoman's work of our Commission, performed every day, is maintaining these commemorative shrines. Our dedicated and in many instances long-serving work force does this in outstanding fashion. Over time, however, the ravages of age and weather take their toll. In FY 2019, we began an initiative to ensure that all of our monuments are restored to our "like new" standard. The war dead entrusted to our care deserve nothing less.

Our mission is to honor service and sacrifice. We do so by tending the graves and memorials of our fallen service men and women, buried and memorialized at our 26 American cemeteries around the world. We do so, also, by preserving the stories of their deeds, and the endeavors of those that fought at their side; courageous actions that bequeathed the blessings of freedom to generations yet unborn. FY 2019 efforts of note include:

- 1) A World War I Battlefield Companion book, published for the Centennial, that was selected as a 2019 Outstanding Federal Government Document by the Government Documents Roundtable of the American Library Association.
- 2) A partnership with the Washington Metropolitan Airport Authority to place two large wall murals at Dulles International Airport that highlight the Commission's overseas cemeteries and memorials.
- 3) Education program partnerships solidified with the Smithsonian Institution in Washington, D.C., and the National World War II Museum in New Orleans.
- 4) The beginning of a promising association with the American Battle Monuments Foundation, a private 501(c)3 organization established to support the Commission's commemorative and educational programs.

None of this would be possible, of course, without the resourcing support provided to us by the Administration and the Congress. I and some of our commissioners had the privilege over the past year of participating in many of the events reported here. At each, I shared this observation: the character of a country can be determined by the way it takes care of and remembers its war dead and is a measure of its very heart and soul. Through their visits and participation in our commemorative events, and through the resources they provide to fund our worldwide operations, our nation's leaders and representatives reflect the heart and soul of the American people; they have not forgotten and will never forget the sacrifice made for our freedoms and the freedoms of others.

That is our purpose; to fulfill the vision of our first chairman, General of the Armies John J. Pershing, that "time will not dim the glory of their deeds."

William M. Matz



ABMC Commissioner Benjamin Cassidy (center) participates in the 75th Anniversary commemoration of the Anzio Landings, held at Sicily-Rome American Cemetery, Nettuno, Italy, in January 2019.



Management's Discussion and Analysis

Mission and Organization

ABMC's Mission Statement

As the preeminent guardian of America's overseas commemorative cemeteries and memorials, the American Battle Monuments Commission honors the service of the armed forces by designing, constructing, maintaining and operating permanent American cemeteries, and establishing, maintaining, and approving designs of memorials, monuments, and markers where America's armed forces have served beyond our borders.

Mission

The American Battle Monuments Commission (the Commission) — guardian of America's overseas commemorative cemeteries and memorials — honors the service, achievements and sacrifice of the United States armed forces. Since 1923, the Commission has executed this mission by (1) commemorating the achievements and sacrifices of America's armed forces through the erection and maintenance of suitable memorial shrines in the U.S. when authorized by Congress and where they have served overseas since April 6, 1917; (2) designing, constructing, operating, and maintaining permanent American military burial grounds in foreign countries; and (3) controlling the design and construction on foreign soil of U.S. military memorials, monuments, and markers by other U.S. citizens and organizations, both public and private, and encouraging their maintenance. The Commission's fiscal year 2019 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 26 permanent American military cemeteries; 30 federal memorials, monuments, and markers; and eight nonfederal memorials. Three memorials are located in the United States; the remaining memorials and all of the Commission's cemeteries are located in 15 foreign countries, the U.S. Commonwealth of the Northern Mariana Islands, the Midway Atoll, and the British dependency of Gibraltar. 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 the 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; and (2) maintain and repair nonfederal war memorials with private contributions.

During fiscal year 2019, 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.

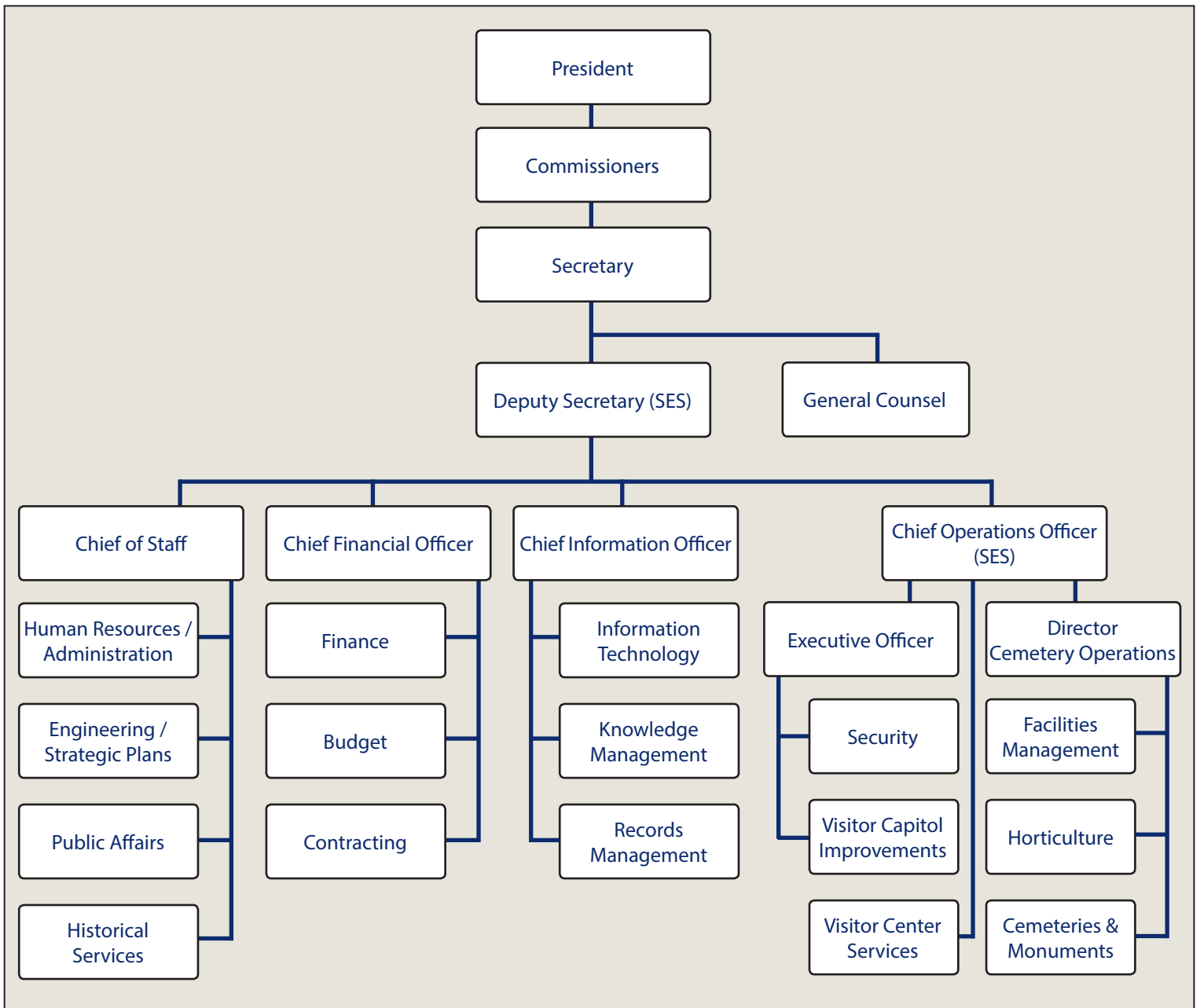


Figure 1: The Commission's Organizational Structure

Organizational Structure

The Commission's organizational structure for fiscal year 2019 is shown in Figure 1.

The Commission's policy-making body consists of a Board of Commissioners comprised of up to 11 members appointed by the President of the United States for an indefinite term and who serve without pay. However, the members of the Commission may receive reimbursement for actual expenses related to the work and travel of the Commission. 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 assisted by a Deputy Secretary.

The Commission's headquarters is in Arlington, Virginia and an Overseas Operations Office is located in Paris, France. For fiscal year 2019, the Commission had a total of 454 full-time equivalent (FTE) positions.



Management's Discussion and Analysis

Operations Management

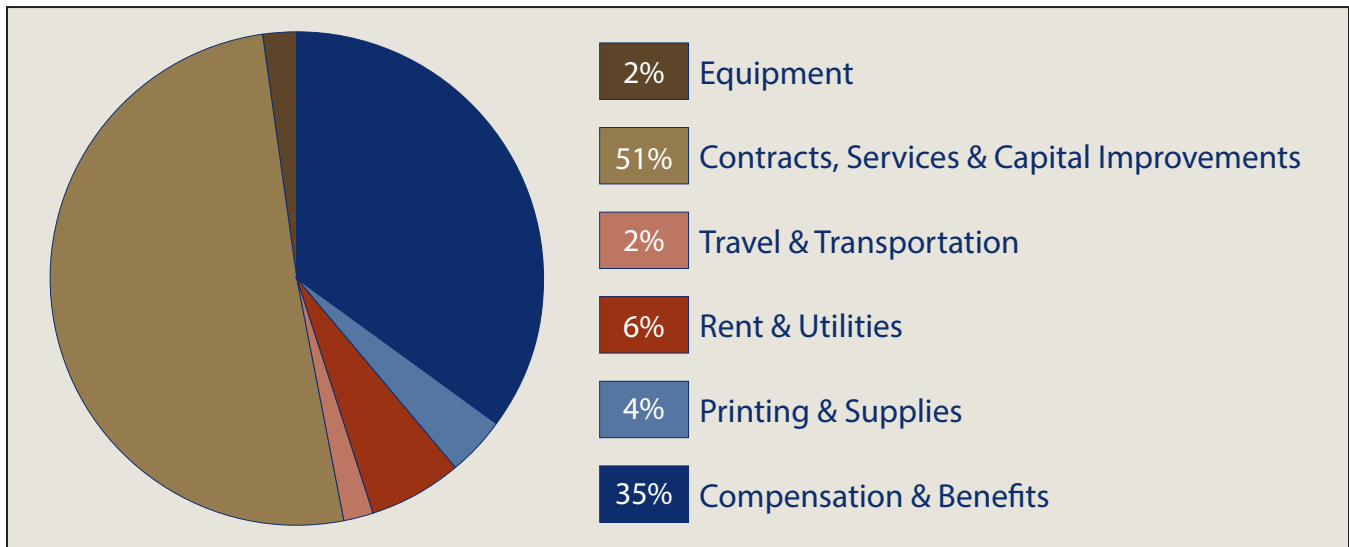


Figure 2: Fiscal Year 2019 Obligations by Object Class

Operations management activities in fiscal year 2019 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 2019, the Commission received \$104,000,000 from appropriations in its Salaries and Expenses account. The Commission's Foreign Currency Fluctuations Account appropriation for fiscal year 2019 contained "such sums as may be necessary" language. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

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

The Commission prioritizes the use of its engineering, maintenance and horticulture funds carefully to ensure the most effective and efficient utilization of its available resources. This care includes the upkeep of graves and headstones, memorial structures within and external to the cemeteries, visitor facilities, quarters for assigned personnel, roads and paths, and ornamental landscaping and fine lawns, all on approximately 1,700 acres of land.

Care and maintenance of these resources requires exceptionally intensive labor at the Commission's cemeteries and memorials. Compensation and benefits consumed approximately 35% of the Commission's fiscal year 2019 spending, while the remaining 65% supported engineering, maintenance, horticulture, logistics, interpretation, services, supplies and other administrative costs critical to its operations.



Management's Discussion and Analysis

Performance Highlights

An overview of ABMC's strategic goals and a brief discussion of ABMC's results by strategic goal follows.

Focus Area 1: Operational Enhancement

The American Battle Monuments Commission (ABMC) is the guardian of America's overseas commemorative cemeteries and memorials. In this role, we carry out a noble mission to honor the service of United States armed forces. We do this by maintaining our commemorative sites to an exceptional standard and by telling the story of those we honor. As an independent federal agency, ABMC has a global presence with a culturally diverse workforce. As such, there are inherent challenges associated with operational aspects, including internal communications amplified by dissimilar languages, work processes, cultural multiplicity, leadership and management effectiveness, common standards, and training requirements. It is imperative that these challenges are transformed into opportunities and strengths in order for us to not only continue to fulfill our mission, but to enhance our operational efficiency and effectiveness as guardians of America's overseas commemorative cemeteries and memorials.

A strategic priority of ABMC is to achieve operational enhancements through several key objectives, as follows:

- ★ Improve internal communications agency-wide;
- ★ Tell the story;
- ★ Clarify and formalize the roles and responsibilities of headquarters and overseas counterparts;
- ★ Institute an internal control program;
- ★ Improve, streamline, standardize and clarify administrative, financial, and procurement procedures;
- ★ Sustain equal employment opportunity mandates; and,
- ★ Establish an innovation review board.

The collective result of these objectives offers a number of benefits: They generate common expectations, standards, and lexicon; encourage innovations; create a culture of transparency, ownership, shared knowledge, collaboration, and sense of team; re-affirm shared values; improve stewardship of resources; and enhance the visitor experience. The agency has met all operational enhancement goals set for FY 2019.

Focus Area 2: Security, Safety, and Welfare

As a globally dispersed organization featuring a culturally diverse staff, the challenges of the twenty-first century command our attention to a rapidly evolving and unpredictable security environment. Threats to our personnel, visitors, cemeteries, memorials and facilities range from those with a low probability but high severity (ex: acts of terrorism that could shut down facilities and result in loss of life), to those with high probability but low severity (ex: a network virus that temporarily interrupts communications and services). These threats can manifest themselves from both external and internal sources. The most important priority is the security, safety and welfare of our employees and our visitors. Conditions and maintenance of our offices, grounds, equipment, and facilities, with an emphasis on safe working procedures, all influence the welfare of our workforce, which in turn impacts our effectiveness.

The agency's strategic goal is to create a secure and safe environment that promotes the welfare of our people, thereby generating a workforce unencumbered with associated concerns, and focused on efficient and effective mission execution and service through the following objectives:

- ★ Conduct an agency-wide threat assessment;
- ★ Prepare an emergency management and disaster preparedness plan; and
- ★ Complete the planning and execution for relocation of the Overseas Operations Office.

While security, safety, and welfare are leadership responsibilities, they demand the full engagement by the entire ABMC workforce. This Focus Area places these entities in the forefront of concerns as a strategic imperative. As a result, a mixture of specific technical and administrative measures, combined with common sense and awareness, will ensure that security, safety and welfare are paramount considerations woven into every aspect, effort, plan, and activity undertaken by our staff. This will result in a work environment of confidence, mutual support, and effectiveness. Preliminary results show that ABMC is on track to meet targets within the next fiscal year.

Focus Area 3: Knowledge Management

Knowledge Management is a concept that facilitates an integrated approach to identifying, retrieving, evaluating, and sharing an enterprise's tacit (what people know) and explicit (documentary) information. First, the Knowledge Management process focuses on the people and the institutional culture by creating and fostering an environment of sharing and collaboration throughout the entire ABMC workforce. Second, it encourages the transformation of processes into systems that will better support the ABMC mission. Third, it promotes the use of smart technologies to empower ABMC personnel to produce more effective results.

ABMC's strategy is to align the Commission with state-of-the-art knowledge management initiatives by leveraging twenty-first century best practices and technologies to transform our culture, products, services and information into an asset of more value and relevance to the global community. The route to a successful implementation of a Knowledge Management environment requires significant changes in the overall processes and culture of an organization. The Knowledge Management Maturity Model (KMMM) shall analyze the complete scope of key areas of knowledge management, such as organizational environment, culture, technology and strategy. ABMC will develop a KMMM report to define the agency's current position and future direction. We will work towards conducting knowledge audits to identify, quantify and measure knowledge assets within the agency to determine effective processes and systems. The agency continues to work towards achieving its goals for Knowledge Management.

Focus Area 4: Collections and Preservation

ABMC is the guardian of America's overseas commemorative cemeteries and memorials. Inherent in this mission is the care and accountability of not only the cemeteries, memorial structures, and landscapes themselves, but also the Commission's collection – the full spectrum of material culture associated with ABMC and its operations over the past 93 years. In the course of meeting agency duties, ABMC is adding to the historic record by maintaining its cemeteries and monuments, constructing new visitor center facilities, keeping an administrative record, actively collecting specific objects and artifacts in support of visitor education and enhanced scholarship, and maintaining cultural resources including historic structures, cultural landscapes, and archeological features. The Collections & Preservation Directorate was established to preserve ABMC's tangible history so that we can better tell the stories of those we honor.

ABMC is well known for its impeccable maintenance of cemeteries, memorials, architectural elements, and their associated designed landscapes. This new directorate will extend that same standard of excellence to the long-term protection and preservation of agency cultural resources, including: material culture, document and photographic collections, cultural landscapes, archeological features, and historic structures throughout ABMC-managed cemeteries and memorials, the Arlington Headquarters, and the Overseas Operations Office. The strategic direction for ABMC Collections & Preservation is informed by legal mandates, field-oriented operational needs, input from the Superintendents Leadership Council, and agency priorities as defined by the Commissioners, Secretary, Deputy Secretary and Chief Operations Officer.

The agency's strategic goal is to identify, evaluate, document, and preserve ABMC collections, cultural landscapes, archeological features, and historic structures so that the Commission can have better access to its past, inform present and future decisions, and provide physical and intellectual access to its collections to facilitate telling the compelling stories of those who are commemorated at ABMC sites. ABMC will establish an interim collections storage solution, develop a comprehensive strategy for long-term storage, and increase collaboration with professionals of various disciplines. The Commission met all FY 2019 goals for collections and preservation.

Focus Area 5: Training and Development

ABMC is staffed with a professional and dedicated workforce characterized by an array of disciplines, skills, and experiences. The depth and variety of expertise and knowledge is an invaluable resource which must be leveraged



Installation of exhibits at the Lafayette Escadrille Memorial Cemetery visitor center in a converted caretaker's cottage. The visitor center was dedicated on Veterans Day, Nov. 11, 2019.



Luminary event at North Africa American Cemetery, Tunisia, with more than 2,800 headstones illuminated by a candle.

to meet the global demands of the twenty-first century, while continuing to render the highest honor in the execution of our mission. Long-term sustainability and continuing relevance of the American Battle Monuments Commission rests ultimately on our people. This mandates the continued professional development of a diverse and talented workforce encompassing a broad range of skills, knowledge, and abilities.

The agency will establish civilian training and development as an enduring priority within ABMC that encompasses all training areas: mandatory annual training, supervisory development, functional training, career program training, leader development programs and self-development opportunities. Leaders and employees alike must make civilian training and professional development a top priority. Every leader must take a personal role in their professional development and the professional development of those they supervise. The benefits that ABMC will work to achieve include:

- ★ Develop and implement a training and professional development program management system;
- ★ Establish and conduct leader and manager developmental training;
- ★ Develop and implement structured training programs for locally engaged staff in the cemeteries;
- ★ Develop and implement cultural awareness training/ education; and
- ★ Develop an agency-wide human capital plan.

A professional and skilled workforce is achieved and sustained by an organizational commitment to training and professional development. Such a program must position for success an intellectually agile, flexible, and innovative culture that adheres to the highest standards of professionalism and the values of the American Battle Monuments Commission. The agency is on track to meet its goals for training and development.



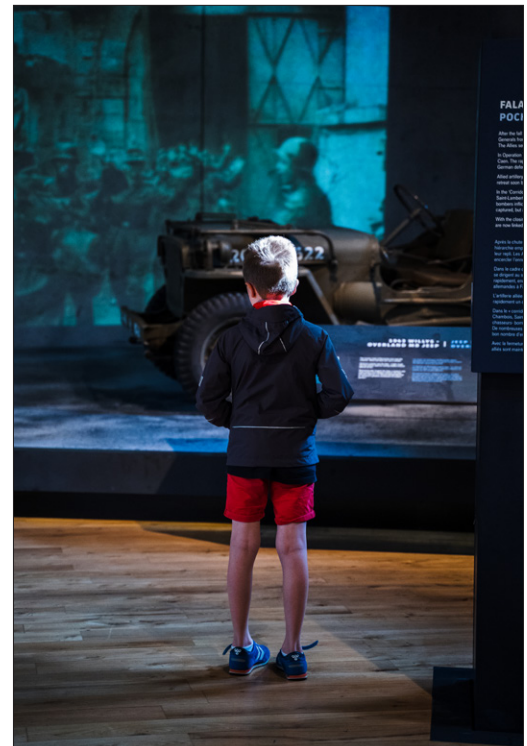
Assistant Superintendent Mike Coonce presents a flag flown over Normandy American Cemetery to a World War II veteran.



Oise-Aisne American Cemetery, France.



Newly-installed exhibits in the Manila American Cemetery visitor center, dedicated on Oct. 19, 2019, the 75th Anniversary of MacArthur's return to the Philippines.



A young boy gazes upon a World War II jeep newly installed in the Normandy American Cemetery visitor center.



Management's Discussion and Analysis

Financial Analysis

Assets

The Consolidated Balance Sheet reflects total assets of \$119.5 million at the end of fiscal year 2019, an increase of \$7.5 million from the \$112.0 million at the end of fiscal year 2018. The Fund Balance with Treasury line item increased by \$6.9 million, which is attributable to the increase in appropriations from Congress. Other Assets increased by \$0.6 million due to prepaid rent at the Commission's office space in downtown Paris, France. The Commission's assets reflected in the Consolidated Balance Sheet were as follows:

Assets by Type

	2019	%	2018	%
Fund Balance with Treasury	\$ 116,534,243	98%	\$ 109,597,584	98%
Cash and Foreign Accounts	8,944	0%	13,836	0%
Accounts Receivable and Employee Advances	54,463	0%	86,627	0%
General Property and Equipment, Net	2,227,576	2%	2,337,208	2%
Other	643,827	0%	–	0%
Total Assets	\$119,469,053	100%	\$112,035,255	100%

Liabilities

The Commission's Consolidated Balance Sheet reflects total liabilities of \$13.5 million at the end of fiscal year 2019, a \$2.4 million decrease from the previous year's total liabilities of \$15.9 million. The decrease is mainly attributable to completion of construction of two visitor center projects. Liabilities are categorized as intragovernmental liabilities or liabilities held with the public. Intragovernmental liabilities totaled \$0.5 million in fiscal year 2019 compared to \$0.9 million in fiscal year 2018. Liabilities held with the public totaled \$13.0 million in fiscal year 2019 compared to \$15.0 million in fiscal year 2018. The composition of the Commission's liabilities was as follows:

Liabilities by Type

	2019	%	2018	%
Accounts Payable	\$ 6,793,339	50%	\$ 9,448,491	60%
Other Liabilities	6,729,549	50%	6,415,118	40%
Total Liabilities	\$ 13,522,888	100%	\$ 15,863,609	100%



Design Architect Monica Ponce de Leon and U.S. Ambassador Scott Brown at the December 2019 dedication of the New Zealand Memorial in Wellington, NZ. The memorial is ABMC's 30th, commemorating the Allied defense of the nation during World War II and the enduring bonds forged between the United States and New Zealand during the war.

Net Position

The Commission's Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position reflect a Net Position of \$105.9 million at the end of fiscal year 2019, a 10% increase from the \$96.2 million net position in fiscal year 2018. The increase is mainly attributable to the increase in Fund Balance with Treasury and decrease in liabilities. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

Net Costs

The Commission's total net cost of operations for fiscal year 2019 was \$95.5 million. This represents an increase of \$4.7 million from the Commission's net cost of operations of \$90.8 million in fiscal year 2018. The increase is mainly attributable to the construction of two new visitor centers in our Lafayette Escadrille Memorial Cemetery and Manila American Cemetery.

Budgetary Resources

The Consolidated Statement of Budgetary Resources provides information on how budgetary resources were made available to the Commission for the year and the status of these resources at fiscal year-end. For the 2019 fiscal year, the Commission had total budgetary resources of \$165.8 million, which represents a 4% increase from fiscal year 2018 levels of \$159.0 million. Budget authority of \$104.7 million consisted of appropriations received. The Commission incurred obligations totaling \$83.9 million in fiscal year 2019 compared

with fiscal year 2018 obligations incurred of \$100.0 million. The decrease was due to the completion of large projects, notably the completion of the two new visitor centers.

Net Outlays reflect the actual cash disbursed against previously established obligations. For fiscal year 2019, the Commission had net outlays of \$97.8 million, compared to \$87.6 million in net outlays in fiscal year 2018, an increase of 12%.

Heritage Assets

Heritage assets are property, plant and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.

Heritage assets are significant to the mission of the Commission, which is to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories: cemeteries, federal memorials, and nonfederal memorials. Through September 30, 2019, the Commission had 26 cemeteries, 30 federal memorials and 8 nonfederal memorials. Presently, nearly 140,000 U.S. war dead and others are interred in these cemeteries. Commemorated individually by name on stone tablets at the cemeteries and federal memorials are over 94,000 war dead, whose remains were not recovered. The cemeteries and federal memorials encompass nearly 1,650 acres. This land is provided to the Commission through host nation agreements for permanent use as cemeteries and memorials.



Management's Discussion and Analysis

Statements and Controls

Financial Statements and Limitations

The Commission is required to obtain an independent audit of its financial statements under the Accountability of Tax Dollars Act of 2002. The Commission has selected Harper, Rains, Knight and Company to conduct its fiscal year 2019 financial audit.

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

Management Assurances: Systems, Controls, Legal Compliance

Federal Managers' Financial Integrity Act (FMFIA)

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 the Federal Manager's Financial Integrity Act (FMFIA). 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 its internal control over effectiveness and efficiency of operations as of September 30, 2019 was operating effectively and met the objectives of both Sections 2 and 4 of the 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.

Anti-Deficiency Act

The Anti-Deficiency Act prohibits federal employees from:

- ★ making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;
- ★ involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law;
- ★ accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and
- ★ making obligation or expenditure in excess of an apportionment or reappportionment, or in excess of the amount permitted by agency regulations.

The agency implemented effective internal controls to track commitments, and ensured managers are knowledgeable about the current year's appropriations and budget to ensure compliance. The agency did not have any Anti-Deficiency Act violations during FY 2019.

Pay and Allowance System for Civilian Employees as provided in 5 U.S.C. Chapters 51-59

The Pay and Allowance System for Civilian Employees requires employees to be paid at the appropriate rates established by law, including general pay increases. The Commission ensures that pay and allowances for agency employees are appropriately administered and executed in accordance with laws, regulations, and agency policies.

Prompt Payment Act

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act requires establishing and maintaining safeguards and internal controls for the charge card program.

The Commission assessed the charge card program as directed by the guidance provided in OMB Circular A-123 Appendix B, OMB Memorandum M-12-12 *Promoting Efficient Spending to Support Agency Operations*, and OMB Memorandum M-13-21 *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The agency continues to review and update its policies to help prevent improper payments and deter misuse of cards.

Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014

The Federal Information Security Management Act of 2002 (FISMA 2002) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. To further improve cybersecurity and clarify oversight responsibilities, Congress passed Federal Information Security Modernization Act of 2014 (FISMA 2014). FISMA 2014 is intended to address the increasing sophistication of cybersecurity attacks, promote the use of automated security tools with the ability to continuously monitor and diagnose the security posture of federal agencies, and provide for improved oversight of federal agencies' information security programs.

The agency last submitted its FISMA report on October 31, 2019 in compliance with OMB Memorandum M-17-05, *Fiscal Year 2016-2017 Guidance on Federal Information Security and Privacy Management Requirements*. In its submission, the Commission reported progress made toward meeting the 2019 FISMA metrics. The agency continues to work towards strengthening its information security program.

Digital Accountability and Transparency (DATA) Act

The Digital Accountability and Transparency Act of 2014 is intended to make Federal spending data more accessible, searchable, and reliable. The U.S. Department of the Treasury (Treasury) and OMB are leading the government-wide implementation of the DATA Act.

The Commission was successful in uploading its data into the data broker by the reporting deadline. The agency has continued to review and reconcile its procurement and accounting data to ensure that we will successfully meet the quarterly filing requirements.

Accountability of Tax Dollars Act

ATDA requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to produce a consolidated Performance and Accountability Report or a separate Agency Financial Report. The Commission chose to produce an Agency Financial Report. This report meets the requirements of the Act.

The Commission's financial statements are audited each year. The Commission received an unmodified opinion for FY 2019 (see Independents Auditor's Report on page 18).

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, legislation was enacted in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. The Commission closely monitors fluctuations between the U.S. dollar and various foreign currencies as its budget is disproportionately affected by foreign currency fluctuation. Legislation was enacted which included "such sums as may be necessary" language for the Commission's fiscal year 2019 FCFA appropriation. This allows the Commission to preserve its purchasing power against a suddenly falling U.S. dollar against the euro. With this language the Commission will continue to estimate and report its FCFA requirements as it has in the past. However, when a need arises where the amount forecast by the Commission for this account is insufficient, the Commission will submit an adjusted estimate to the Office of Management and Budget, and then to the Congress.

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



Message from the Chief Financial Officer

I am pleased to present the American Battle Monuments Commission's financial statements for the FY 2019 Annual Financial Report (AFR). The AFR provides us the opportunity to report the results of our commitment to the efficient and effective stewardship of resources entrusted to the Commission to carry out our mission. The independent accounting firm of Harper, Rains, Knight & Company issued an unmodified opinion on the Commission's FY 2019 financial statements. Our unmodified opinion, along with no material weaknesses or significant deficiencies, is the result of the effort of the Commission's financial management and business professionals, whose commitment to promoting financial integrity and applying effective controls ensures high quality, accurate and reliable information for all of our customers.

During the past year there were several other key accomplishments. For example, the Commission:

- ★ Partnered with our Shared Service Provider to upgrade to a more recent version of the Oracle Federal Financial software, providing additional functionality and stronger integration with the Contracting Lifecycle Management module.
- ★ Continued progress integrating Enterprise Risk Management (ERM) into its business processes to identify, assess and manage risks to ensure that funding is committed to the highest-ranked initiatives and programs.
- ★ Developed and implemented an annual acquisition plan that successfully integrates the budget, procurement, and finance functions, facilitating the orderly flow of procurement activity and ensuring the proper execution of the Commission's expenditure plan.

Looking forward to FY 2020, in addition to sustaining its audit readiness, the Commission will:

- ★ Partner with our Shared Service Provider to implement the Department of Treasury's G-Invoicing initiative.
- ★ Expand its internal controls program and test and evaluate key controls, and also incorporate the risk process into the ongoing activities of the Commission.
- ★ Together with all Interior Business Center client agencies, transition to Oracle Business Intelligence Enterprise Edition, a modern analytical reporting tool.

We are pleased with our progress and accomplishments, and we remain committed to ensuring a sound financial management environment. The accomplishments in FY 2019 and the past few years were the result of efforts across the entire organization. The CFO team looks forward to working closely with internal and external stakeholders to make further improvements to the Commission's financial management and internal controls operations in FY 2020.



Christine Philpot

Christine Philpot
Chief Financial Officer



Fiscal Year 2019

Financial Statements and Notes



Independent Auditors' Report

Chairman and Secretary
American Battle Monuments Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the American Battle Monuments Commission (ABMC). ABMC's financial statements comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost and changes in net position, and combined statements of budgetary resources, for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility

ABMC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; (2) preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider

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Auditors' Responsibility (continued)

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, ABMC's financial statements present fairly, in all material respects, ABMC's financial position as of September 30, 2019 and 2018, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on ABMC's financial statements. The information in the Statement of Board Chairman and CEO, Statement of Chief Financial Officer, and Other Information section contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements.

Other Matters (continued)

The Statement of Board Chairman and CEO, Statement of Chief Financial Officer, and Other Information section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of ABMC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*, we considered the entity's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the entity's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to preparing performance information and ensuring efficient operations. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABMC's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Chairman and Secretary
American Battle Monuments Commission (continued)

Compliance and Other Matters (continued)

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the entity that have a direct effect on the determination of material amounts and disclosures in the entity's financial statements and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to ABMC.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to ABMC. Accordingly, we do not express such an opinion.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ABMC's internal control or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hopper, Ramo, Knight & Company, P.A.

November 15, 2019



Consolidated Balance Sheets

As of September 30, 2019 and 2018

(in dollars)

	2019	2018
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 116,534,243	\$ 109,597,584
Total intragovernmental	116,534,243	109,597,584
Cash and other monetary assets (Note 3)	8,944	13,836
Accounts receivable, net (Note 4)	54,463	86,627
General property and equipment, net (Note 5)	2,227,576	2,337,208
Other (Note 6)	643,827	-
Total Assets	<u>\$ 119,469,053</u>	<u>\$ 112,035,255</u>
Stewardship PP&E (Note 1, I, 7)		
Liabilities (Note 17):		
Intragovernmental:		
Accounts payable	\$ 179,098	\$ 708,591
Other (Note 8)	309,809	168,931
Total intragovernmental	488,907	877,522
Accounts payable	6,614,241	8,739,899
Other (Note 8)	6,419,740	6,246,187
Total Liabilities	<u>13,522,888</u>	<u>15,863,608</u>
Net Position:		
Unexpended appropriations-All Other Funds	105,223,617	95,106,547
Cumulative results of operations-Funds from Dedicated Collections	3,010,058	3,644,932
Cumulative results of operations-All Other Funds	(2,287,510)	(2,579,832)
Total Net Position	<u>\$ 105,946,165</u>	<u>\$ 96,171,647</u>
Total liabilities and net position	<u>\$ 119,469,053</u>	<u>\$ 112,035,255</u>

The accompanying notes are an integral part of these statements.



Consolidated Statements of Net Cost

For the Years Ended September 30, 2019 and 2018

(in dollars)

	2019	2018
Gross Program costs:		
Operations and Maintenance:		
Gross costs	\$ 97,994,910	\$ 92,443,862
Less: earned revenue	2,487,450	1,607,344
Net cost of operations	<u>\$ 95,507,460</u>	<u>\$ 90,836,518</u>

The accompanying notes are an integral part of these statements.



Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2019 and 2018
(in dollars)

	2019	2018
Unexpended Appropriations:		
Beginning Balance	\$ 95,106,547	\$ 103,849,753
Budgetary Financing Sources:		
Appropriations Received	104,000,000	79,000,000
Appropriations Used	<u>(93,882,930)</u>	<u>(87,743,206)</u>
Total Budgetary Financing Sources	<u>10,117,070</u>	<u>(8,743,206)</u>
Total Unexpended Appropriations	<u>105,223,617</u>	<u>95,106,547</u>
Cumulative Results from Operations:		
Beginning Balance (includes Funds from Dedicated Collections of \$3,644,932 in FY 2019 and \$4,737,974 in FY 2018 (Combined Totals) - (Note 16)	\$ 1,065,100	\$ 3,492,380
Budgetary Financing Sources:		
Appropriations used	93,882,930	87,743,206
Donations and forfeitures of cash and cash equivalents	707,253	101,207
Other Financing Sources (Non-Exchange):		
Imputed financing (Note 13)	<u>574,725</u>	<u>564,825</u>
Total Financing Sources (includes Funds from Dedicated Collections of \$707,253 in FY 2019 and \$101,207 in FY 2018 (Combined Totals) - (Note 16)	95,164,908	88,409,238
Net Cost of Operations (includes Funds from Dedicated Collections of \$1,342,127 in FY 2019 and \$1,194,249 in FY 2018 (Combined Totals) - (Note 16)	<u>(95,507,460)</u>	<u>(90,836,518)</u>
Net Change	(342,552)	(2,427,280)
Cumulative Results of Operations (includes Funds from Dedicated Collections of \$3,010,058 in FY 2019 and \$3,644,932 in FY 2018 (Combined Totals) - (Note 16)	<u>722,548</u>	<u>1,065,100</u>
Net Position	<u>\$ 105,946,165</u>	<u>\$ 96,171,647</u>

The accompanying notes are an integral part of these statements.



Combined Statements of Budgetary Resources

For the Years Ended September 30, 2019 and 2018
(in dollars)

	2019	2018
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 61,064,427	\$ 79,849,639
Appropriations (discretionary and mandatory)	104,707,253	79,100,736
Total budgetary resources	<u>\$ 165,771,680</u>	<u>\$ 158,950,375</u>
Status of Budgetary Resources:		
New obligations and upward adjustments (Note 14)	\$ 83,880,793	\$ 99,955,087
Unobligated balance, end of year:		
Apportioned, unexpired accounts	80,047,725	56,701,537
Exempt from apportionment, unexpired accounts	1,843,162	2,293,751
Total unobligated balance, end of year (total)	<u>81,890,887</u>	<u>58,995,288</u>
Total budgetary resources	<u>\$ 165,771,680</u>	<u>\$ 158,950,375</u>
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	97,775,487	87,553,308
Agency outlays, net (discretionary and mandatory)	<u>\$ 97,775,487</u>	<u>\$ 87,553,308</u>

The accompanying notes are an integral part of these statements.



Notes to Consolidated Financial Statements

For the Years Ended September 30, 2019 and 2018

(in dollars)

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying 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. Certain assets, liabilities, and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental is defined as transactions made between two reporting entities within the federal government.

B. Reporting Entity and Funding Sources

The Commission is an independent agency within the executive branch of the federal government and was created by the Act for creation of the American Battle Monuments Commission, March 4, 1923, 67 P.L. 534; 42 Stat. 1509; 67 Cong. Ch. 283, 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 and North America when directed by the Congress. The Commission designs, administers, constructs, operates, and maintains 26 American military cemeteries and 30 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 15 foreign countries, the Marianas, Midway Atoll and Gibraltar. The Commission is also responsible for maintaining 8 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through an office located in Paris, France.

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 funds 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. The Commission is responsible for remaining funds residing 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; and (2) 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, 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 Balance 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, appropriated foreign currency fluctuation funds, and trust funds. The Fund balance with Treasury is the aggregate amount for which the Commission is authorized to make expenditures and pay liabilities.

E. 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 to/from the Commission's Foreign Currency Fluctuation Account to fund net currency gains/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.

F. 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.

G. Operating Materials and Supplies

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.

H. General Property and Equipment

General property and equipment is composed of real and personal property. Related purchases exceeding \$50,000 are capitalized and depreciated on a straight line basis over the useful life of the item, which for (1) personal property is considered to be 5 years, and (2) real property is considered to be 30 years. Purchases of general property and equipment of \$50,000 or less are expensed in the period of acquisition.

I. Heritage Assets

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 non-collection 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 13.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 6.2 percent from FERS employees' earnings. In addition, the Commission contributes 7.65 percent 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 government wide 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 2019, FERS employees could contribute up to \$19,000 (\$25,000 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2019, CSRS employees may also contribute up to \$19,000 (\$25,000 if at least age 50) on a tax-deferred basis; however, they receive no matching contribution from the Commission. Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

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

K. Program Costs

Program costs are broken out into two categories - “Intragovernmental” and “With the Public”. Intragovernmental costs are costs the Commission incurs through contracting with other federal agencies for goods and/or services, such as rent paid to U.S. Department of State, payroll processing services received from the Interior Business Center (IBC), and costs for retirement and other benefits paid by OPM. With the Public costs are costs the Commission incurs through contracting with the private sector for goods or services, payments for employee salaries, depreciation, annual leave and other non-Federal entity expenses.

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.

M. Reclassification

Certain amounts presented in the prior year have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or budgetary resources.

Note 2. Fund Balance with Treasury

All undisbursed accounts balances with the U.S. Treasury, as reflected in the Commission’s records, as of September 30, 2019 and 2018 are available and were as follows:

Status of Fund Balance with Treasury	2019	2018
Unobligated Balance:		
Available	\$ 80,047,725	\$ 56,701,537
Unavailable	1,843,162	2,293,751
Obligated Balance not yet Disbursed	34,652,300	50,616,132
Non-Budgetary FBWT	(8,944)	(13,836)
Total Status of Fund Balance with Treasury	\$ 116,534,243	\$ 109,597,584

Note 3. Cash and other Monetary Assets

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, 2019 and 2018 were as follows:

	2019	2018
Imprest Cash Funds	\$ 928	\$ 928
Foreign Bank Accounts	8,016	12,908
	<u>\$ 8,944</u>	<u>\$ 13,836</u>

Note 4. Accounts Receivable

The gross balance of accounts receivable was \$151,128 and \$197,264 at September 30, 2019 and September 30, 2018, respectively. The Commission has a pledge from a living trust valued at \$96,665 as of September 30, 2019 and \$100,637 as of September 30, 2018. However, due to the uncertainty of time and amount when the pledge is collected, the Commission has elected to fully allow for this balance until such time as the receivable can be collected. The accounts receivable are primarily for employee debts which the Commission anticipates are fully collectible. These items may be reported to the Department of the Treasury, Treasury Offset Program if not collected within prescribed collection terms.

Note 5. General Property and Equipment

Non-capitalized assets, such as general property and equipment acquisitions with an aggregate cost basis of \$50,000 or less and all acquisitions of heritage assets, totaling \$2,055,730 were expensed by the Commission as of September 30, 2019. In comparison, \$1,378,753 was expensed as of September 30, 2018.

General property and equipment as of September 30, 2019 and 2018 is as follows:

Category	2019			2018		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings, Improvements, and Renovations	\$ 923,460	\$ 471,763	\$ 451,697	\$ 923,460	\$ 440,980	\$ 482,480
Equipment	3,966,150	3,612,794	\$ 353,356	4,160,379	3,965,260	\$ 195,119
Leasehold Improvements	1,876,939	454,416	\$ 1,422,523	1,876,939	217,330	\$ 1,659,609
	<u>\$ 6,766,549</u>	<u>\$ 4,538,973</u>	<u>\$ 2,227,576</u>	<u>\$ 6,960,778</u>	<u>\$ 4,623,570</u>	<u>\$ 2,337,208</u>

Note 6. Other Assets

Other assets as of September 30, 2019 and 2018 were as follows:

	2019	2018
Prepaid Rent	\$ 643,827	-
Total Other Assets	<u>\$ 643,827</u>	<u>-</u>

Note 7. Heritage Assets

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 2019 were as follows:

	Cemeteries	Federal Memorials	Non-Federal Memorials
Beginning of Year 10-1-18	26	29	8
Number Acquired, Fiscal Year 2019	-	1	-
Number Withdrawn, Fiscal Year 2019	-	-	-
As of 9-30-19	<u>26</u>	<u>30</u>	<u>8</u>

Note 8. Other Liabilities

Other liabilities as of September 30, 2019 and 2018 were as follows:

Intragovernmental Liabilities:	2019	2018
Accrued Salaries and Benefits	\$ 309,809	\$ 168,931
	<u>\$ 309,809</u>	<u>\$ 168,931</u>
Public Liabilities:	2019	2018
Accrued Salaries and Benefits	\$ 1,054,492	\$ 1,090,648
Unfunded Separation Pay Liability	295,896	397,541
Unfunded Deferred Rent Liability	2,994,291	3,262,977
Unfunded Annual Leave	2,075,061	1,495,021
	<u>\$ 6,419,740</u>	<u>\$ 6,246,187</u>

These liabilities are all classified as current.

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 \$295,896 as of September 30, 2019, and \$397,541 as of September 30, 2018.

Note 9. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, Headquarters Office is rented under a 10-year operating lease expiring in July 2027. In November 2017, the Commission's overseas office moved to leased office space in downtown Paris, France under a 9-year operating lease expiring in September 2025. Future minimum payments due on these operating leases as of September 30, 2019, are as follows:

Fiscal Year	
2020	\$ 2,859,971
2021	2,868,415
2022	2,877,112
2023	2,886,070
2024	2,895,296
After 5 Years	<u>4,745,890</u>
Total	<u>\$ 19,132,754</u>

Lease payments for 18 living quarters leases for the benefit of the Commission's Office of Overseas Operations, are made through the International Cooperative Administrative Support Services (ICASS) program with the U.S. State Department. These leases are on a month-to-month basis and the Commission has no obligation for future payments associated with these leases.

As of September 30, 2019, rent expenses for all operating leases amounted to \$2,766,597. For September 30, 2018, rent expense for all operating leases was \$2,607,021.

Note 10. Reconciliation of Net Cost of Operations to Budget

The new reconciliation, referred to as the Budget and Accrual Reconciliation (BAR), requires a reconciliation of the net outlays on a budgetary basis and the net cost of operations during the period.

As of September 30, 2019
(in dollars)

	Intra- governmental	With the public	Total
Net Cost	\$ 19,143,633	\$ 76,363,827	\$ 95,507,460
Components of Net Cost That Are Not Part of Net Outlays			
Property, plant, and equipment depreciation	-	(363,339)	(363,339)
Property, plant, and equipment disposal & revaluation	-	2,902,237	2,902,237
Other	-	(2,869,202)	(2,869,202)
Increase/(decrease) in assets:			
Accounts receivable	-	(32,164)	(32,164)
Other assets	-	643,827	643,827
(Increase)/decrease in liabilities:			
Accounts payable	529,494	2,125,659	2,655,153
Salaries and benefits	61,057	(165,779)	(104,722)
Other liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	(27,314)	(182,396)	(209,710)
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(574,725)	-	(574,725)
Total Components of Net Cost That Are Not Part of Net Outlays	(11,488)	2,058,843	2,047,355
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of capital assets	-	220,672	220,672
Total Components of Net Outlays That Are Not Part of Net Cost	-	220,672	220,672
Net Outlays	<u>\$19,132,145</u>	<u>\$78,643,342</u>	<u>97,775,487</u>

Note 11. Fiduciary Activities and Net Assets

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

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

The Scottish Widows Defined Benefit Scheme was established by a Trust Deed, which authorized the Commission to collect contributions on behalf of beneficiaries, foreign service national employees of the Commission's two cemeteries in England. Fiduciary assets as of September 30, 2019 and 2018 were as follows:

Schedule of Fiduciary Activity

	2019	2018
Investment earnings (losses)	\$ (31,214)	\$ 126,028
Increases (decreases) in fiduciary fund balances	(31,214)	126,028
Fiduciary net assets, beginning of year	2,974,910	2,848,882
Fiduciary net assets, end of year	<u>\$ 2,943,696</u>	<u>\$ 2,974,910</u>

Fiduciary Net Assets

	2019	2018
Fiduciary Assets		
Investments	\$ 2,943,696	\$ 2,974,910
Total Fiduciary Assets	<u>\$ 2,943,696</u>	<u>\$ 2,974,910</u>

Note 12. Commitments and Contingencies

As of September 30, 2019, the Commission had commitments of \$26.5 million from undelivered orders as a result of open contracts and purchase orders. In comparison, the Commission had commitments of \$39.9 million from undelivered orders as a result of open contracts and purchase orders as of September 30, 2018.

Note 13. Imputed Financing

The Commission imputes financing for retirement and other benefits paid by OPM. The Commission recognized these expenses and related imputed financing in its financial statements.

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. As of September 30, 2019, the Commission incurred \$2,225,029 of pension and ORB costs, \$574,725 of which was imputed. For September 30, 2018, the Commission incurred \$1,938,673 of pension and ORB costs, \$564,825 of which was imputed.

Note 14. New Obligations and Upward Adjustments

In fiscal year 2019, the Commission changed its characterization of all new obligations and upward adjustments to category “B” on the Statement of Budgetary Resources. In fiscal year 2018, the Commission characterized its obligations and upward adjustments as category “A”. The Commission has \$1.17 million direct and reimbursable obligations incurred against amounts apportioned as exempt from apportionment.

Apportionment Categories of New Obligations and Upward Adjustments	FY2019
Budgetary resources	\$ 165,771,680
Total outlays	97,775,487
Category A New Obligations and Upward Adjustments	4,766,152
Category B New Obligations and Upward Adjustments	77,949,589
Exempt from Apportionment	1,165,052
Total New Obligations and Upward Adjustments	\$ 83,880,793

Note 15. Budgetary Resource Comparisons to the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting”, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President’s Budget). Information from the President’s Budget and the Combined Statement of Budgetary Resources for the period ended September 30, 2018 is shown in the following tables. A reconciliation is not presented for the period ended September 30, 2019, since the President’s Budget for this period has not been issued by Congress.

(Dollars in millions)	President’s Budget FY 2018 actual as of 9/30/18	Statement of Budgetary Resources FY 2018 as of 9/30/18
Budgetary resources	\$160	\$159
Total obligations incurred	99	100
Total outlays	87	88

The differences between the President’s 2018 budget and the Combined Statement of Budgetary Resources for 2018 are shown below:

(Dollars in millions)		Budgetary Resources	Obligations	Outlays
As reported on the Combined Statement of Budgetary Resources for FY 2018		\$159	\$100	\$88
Audit adjustments not included in the President’s Budget	(a)	\$1	-	-
Audit adjustments not included in the President’s Budget	(a)	-	(\$1)	-
Audit adjustments not included in the President’s Budget	(a)	-	-	(\$1)
As reported in the President’s Budget for FY 2018		\$160	\$99	\$87

(a) Audit adjustments included in the Statement of Budgetary Resources were not included in the President’s Budget.

Note 16. Funds from Dedicated Collections

The Commission had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, DC. 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 Park Service for its future care and maintenance. The Commission is responsible for remaining funds residing 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.

Funds from dedicated collections balances as of September 30, 2019, were as follows:

	WWII Memorial Fund	Other	Total
Assets:			
Fund Balance with Treasury	\$ 2,186,755	\$ 1,401,759	\$ 3,588,514
Total Assets	<u>\$ 2,186,755</u>	<u>\$ 1,401,759</u>	<u>\$ 3,588,514</u>
Liabilities:			
Accounts Payable	\$ 458,326	\$ 120,130	\$ 578,456
Total Liabilities	<u>\$ 458,326</u>	<u>\$ 120,130</u>	<u>\$ 578,456</u>
Net Position:			
Cumulative Results of Operations	\$ 1,728,429	\$ 1,281,629	\$ 3,010,058
Total Net Position	<u>\$ 1,728,429</u>	<u>\$ 1,281,629</u>	<u>\$ 3,010,058</u>
Total Liabilities and Net Position	<u>\$ 2,186,755</u>	<u>\$ 1,401,759</u>	<u>\$ 3,588,514</u>
Cumulative Results of Operations:			
Beginning Balances	\$ 2,798,223	\$ 846,709	\$ 3,644,932
Total Financing Sources (Non-Exchange)	57,009	650,244	707,253
Net Cost of Operations	<u>1,126,803</u>	<u>215,324</u>	<u>1,342,127</u>
Cumulative Results of Operations:	<u>\$ 1,728,429</u>	<u>\$ 1,281,629</u>	<u>\$ 3,010,058</u>
Unexpended Appropriations:			
Beginning Balance	-	-	-
Total Budgetary Financing Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Unexpended Appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 1,728,429</u>	<u>\$ 1,281,629</u>	<u>\$ 3,010,058</u>

Funds from dedicated collections balances as of September 30, 2018, were as follows:

	WWII Memorial Fund	Other	Total
Assets:			
Fund Balance with Treasury	\$ 2,842,258	\$ 1,016,296	\$ 3,858,554
Total Assets	\$ 2,842,258	\$ 1,016,296	\$ 3,858,554
Liabilities:			
Accounts Payable	\$ 44,035	\$ 169,587	\$ 213,622
Total Liabilities	\$ 44,035	\$ 169,587	\$ 213,622
Net Position:			
Cumulative Results of Operations	\$ 2,798,223	\$ 846,709	\$ 3,644,932
Total Net Position	\$ 2,798,223	\$ 846,709	\$ 3,644,932
Total Liabilities and Net Position	\$ 2,842,258	\$ 1,016,296	\$ 3,858,554
Cumulative Results of Operations:			
Beginning Balances	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974
Total Financing Sources (Non-Exchange)	14,121	87,086	101,207
Net Cost of Operations	806,314	387,935	1,194,249
Cumulative Results of Operations:	\$ 2,798,223	\$ 846,709	\$ 3,644,932
Unexpended Appropriations:			
Beginning Balance	-	-	-
Total Budgetary Financing Resources	-	-	-
Total Unexpended Appropriations	-	-	-
Net Position	\$ 2,798,223	\$ 846,709	\$ 3,644,932

In addition to the World War II Memorial, the Commission maintains other funds which consist of the following:

1-5 Field Artillery	3 rd Division Association	Lafayette Escadrille Memorial
147 th Engineer Monument	4 th Division Association	National Guard Association of the
90 th Infantry Division	507 th Parachute Infantry Regiment	United States
1 st Division Memorial Association	5 th Division Association	Pointe Du Hoc
1 st Engineer Special Brigade	5 th Engineer Special Brigade	Society of American Military Engineers
29 th Infantry Division Association	6 th Engineer Special Brigade	State of Missouri
2 nd Division Association	American Overseas Memorial Day	State of Tennessee
30 th Infantry Division Association	Commemorative Fund	Subsidies Fund
316 th Infantry Division Association	Commonwealth of Pennsylvania	Theodore Roosevelt Association
351 st Bomb Group Monument	Flower Fund	Vietnam Veterans Plaque
381 st Bomb Group Monument	Generic Private Memorials	
398 th Bomb Group Monument	Korean War Veterans Fund	

The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The dedicated cash receipts collected from the public into the fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the Commission as evidence of its receipts. Treasury securities are an asset to the Commission and a liability to the U.S. Treasury. Because the Commission and the U.S. Treasury are both parts of the government, the assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements. Treasury securities provide the Commission with authority to draw upon the U. S. Treasury to make future expenditures. When the Commission requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising tax or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

Note 17. Liabilities not covered by Budgetary Resources

A. Intragovernmental and Public Liabilities

	2019	2018
Intragovernmental:		
Accounts Payable	\$ 179,098	\$ 708,591
Other	309,809	168,931
Total Intragovernmental	<u>488,907</u>	<u>877,522</u>
Public:		
Accounts Payable	6,614,241	8,739,899
Unfunded Separation Pay	295,896	397,541
Unfunded Annual Leave	2,075,061	1,495,021
Unfunded Deferred Rent	2,994,291	3,262,977
Other	1,054,492	1,090,648
Total Liabilities	<u>13,522,888</u>	<u>15,863,608</u>
Total Liabilities Not Covered by Budgetary Resources	5,365,248	5,155,538
Total Liabilities Covered by Budgetary Resources	<u>8,157,640</u>	<u>10,708,070</u>
Total Liabilities	<u>\$ 13,522,888</u>	<u>\$ 15,863,608</u>

B. Other Information

Liabilities not covered by Budgetary Resources:

Actuarial FECA Liability-The amount recorded by employer agencies for the actuarial present value of future Federal Employees' Compensation Act benefits provided to Federal employees or their beneficiaries as a result of work-related deaths, disability, or occupational disease.

Liability for Non-Entity Assets-The amount of non-entity assets held in a General Fund receipt account or other Treasury Account Symbol for transfer to other entities.

Other Unfunded Employment Related Liability-Amounts of unfunded employment related liabilities not otherwise classified above that will be funded by future years' budgetary resources. Include the unfunded liability for unemployment for Federal employees in this account.

Unfunded Leave-The amount recorded by an employer agency for unpaid leave earned that the employee is entitled to upon separation and that will be funded by future years' budgetary resources.

Liabilities covered by Budgetary Resources: Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Examples are Accounts Payable, Disbursements in Transit, Accrued Funded Payroll and Leave, Withholdings Payable, and Employer Contributions and Payroll Taxes Payable.



Required Supplementary Information

As of September 30, 2018
(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 \$3.5 million in fiscal year 2019 and \$4.6 million in fiscal year 2018. For fiscal years 1998 through 2002, the Commission received \$11.3 million of additional appropriations from the Congress that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002. No deferred maintenance backlog existed as of September 30, 2019, and 2018.

In addition to condition assessment surveys, the Commission uses a Project Prioritization Methodology with a “plot area out” focus to identify current and future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition. 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, 2019, the Commission has identified 12 maintenance, repair, and improvement projects, with an estimated cost of \$3.2 million, scheduled to be performed in fiscal year 2020, subject to available funding.



Henri-Chapelle American Cemetery, Belgium



Statement of Heritage Assets

26 Cemeteries

As of September 30, 2019

(Unaudited)

Name	Location	Interred	Memorialized	Acres	War
Aisne-Marne American Cemetery	Belleau (Aisne), France	2,289	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,197	463	90.5	WW II
Brittany American Cemetery	St. James (Manche), France	4,404	500	27.9	WW II
Brookwood American Cemetery	Brookwood, England	468	564	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,811	5,127	30.5	WW II
Clark Veterans Cemetery	Angeles City, Philippines	8,877	0	17.3	***
Corozal American Cemetery	Panama City, Panama	5,528	0	16	*
Epinal American Cemetery	Epinal (Vosges), France	5,251	424	48.6	WW II
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I
Florence American Cemetery	Florence, Italy	4,392	1,409	70	WW II
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,985	450	57	WW II
Lafayette Escadrille Memorial Cemetery	Marnes-la-Coquette, France	51	3	11.1	****WW I
Lorraine American Cemetery	St. Avold (Moselle), France	10,481	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg City, Luxembourg	5,072	371	50.5	WW II
Manila American Cemetery	Luzon, Philippines	16,978	36,286	152	WW II
Meuse-Argonne American Cemetery	Romagne (Meuse), France	14,246	954	130.5	WW I
Mexico City National Cemetery	Mexico City, Mexico	1,563	0	1	**
Netherlands American Cemetery	Margraten, Holland	8,289	1,722	65.5	WW II
Normandy American Cemetery	Colleville-sur-Mer, France	9,375	1,557	172.5	*****WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27	WW II
Oise-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Rhone American Cemetery	Draguignan, Var, France	852	294	12.5	WW II
St. Mihiel American Cemetery	Thiaucourt, Meurthe, France	4,153	284	40.5	WW I
Sicily-Rome American Cemetery	Nettuno, Italy	7,855	3,095	77	WW II
Somme American Cemetery	Bony (Aisne), France	1,844	333	14.3	WW I
Suresnes American Cemetery	Suresnes, France	1,560	974	7.5	WW I/II
Subtotal for Cemeteries		139,742	60,322	1,322.9	

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

** Acquired by Executive Order from the War Department.

*** Acquired by the Dignified Burial and Other Veterans' Benefits Improvement Act (Public Law 112-260).

**** Acquired from the Lafayette Escadrille Memorial Foundation as authorized by Public Law 114-227.

***** 1 individual from WWI interred at Normandy American Cemetery



Statement of Heritage Assets

30 Federal Memorials, Monuments, and Markers

As of September 30, 2019
(Unaudited)

Name	Location	Interred	Memorialized	Acres	War
East Coast Memorial	New York City, NY		4,611	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,808	1.0	WW II/Korean/ Vietnam
West Coast Memorial	San Francisco, CA		413	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, Philipines				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
Dartmouth Monument	Dartmouth, United Kingdom				WW II
Gibraltar Naval Monument	Gibraltar			0.1	WW I
Guadalcanal Memorial	Guadalcanal			0.5	WW II
Kemmel Monument	Ypres, Belgium			0.2	WW I
Korean War Monument	Busan, Korea				Korean
Marine Monument Belleau Wood	Aisne, France			199.6	WW I
Midway Monument	Midway Island				WW II
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiaucourt, France			47.5	WW I
New Zealand Memorial	Wellington, New Zealand				WW II
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
Sommepy Monument	Sommepy, France			15.0	WW I
Souilly Marker	Souilly, France				WW I
Tours Monument	Tours, France			0.5	WW I
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II
Western Naval Task Force Marker	Casablanca, Morocco				WW II
XI Amphibious Force Marker	Dartmouth, United Kingdom				WW II
Subtotal for Memorials		0	33,832	368.9	
Subtotal for Cemeteries		139,742	60,322	1,322.9	
Grand Total		139,742	94,154	1,691.8	



Statement of Heritage Assets

8 Nonfederal Memorials

As of September 30, 2019

(Unaudited)

<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
381st Bomb Group Monument	Ridgewell, England	WW II



Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit					
Audit Opinion: Unmodified					
Restatement: No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0

Table 2: Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance: Unmodified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance: Unmodified						
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0

Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance: Unmodified¹						
Non-Compliance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Compliances</i>	0	0	0	0	0	0

¹ The Commission uses a federal shared services provider, the Department of Interior's (DOI), Interior Business Center (IBC), for financial systems.

Payment Integrity

The information presented in this report complies with guidance provided in the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Office of Management and Budget (OMB) Circular A-136, and Appendix C of OMB Circular A-123, M-15-02, *Requirements for Effective Estimation and Remediation of Improper Payments*.

The guidance requires agencies to assess every Federal program and dollar for improper payment risk, measure the accuracy of payments annually, and initiate program improvements to ensure payment errors are reduced. On November 20, 2009, *Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs*, was issued for the purpose of intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal government, while continuing to ensure that the right people receive the right payment for the right reason at the right time. The supporting website, <https://paymentaccuracy.gov/>, contains the following information.

- Current and historical rates and amounts of improper payments for Federal agencies.
- Why improper payments occur.
- What agencies are doing to reduce and recover improper payments.

Program Review

The ABMC has only one program for budget purposes. The FY 2019 appropriated funding for the program is \$104.0 million in appropriations. All of the agency's transactions are for employee payroll and benefits, intra-governmental and non-Federal transactions.

The ABMC does not maintain its own financial management system, but uses a shared service provider to process all accounting transactions to include payroll and benefits. The IBC is subject to external audit in accordance with the Standards for Attestation Engagements (SSAE) 18, *Attestation Standards: Clarification and Recodification*. The OCFO examines the SSAE 18 audit results annually to determine if the shared service provider's internal controls are operating effectively and evaluates the internal controls required to supplement the shared service provider's controls as outlined in the SSAE 18.

Intra-governmental transactions, accounts payables, and payments to agency employees are reviewed as part of the agency's internal control program under OMB Circular A-123, Appendix A, *Internal Control over Financial Reporting* and Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*.

Based on OMB Circular A-123, Appendix C, Part I.A.9 Step 1, all programs and activities were reviewed to identify those that were susceptible to significant improper payments. For FY 2019 the ABMC non-Federal payments were \$43.2 million (vendor disbursements and non-federal accounts payable) and payroll were \$34.2 million for a combined total of \$77.4 million. IPERA defines "significant" as either (1) improper payments that exceed both \$10 million and 1.5 percent of program disbursements; or (2) improper payments in excess of \$100 million. Significant improper payments in the ABMC's program needed to exceed both \$1.2 million (1.5 percent improper payment rate) and \$10 million of all non-Federal payments and payments to Federal employees. The improper payments identified by ABMC in FY 2019 are beneath the defined thresholds for significant improper payment reporting.

In addition, the following risk factors, likely to contribute to improper payments, were applied to the ABMC's appropriated funds.

1. Any new programs or activity in the agency.
2. Complexity of the activity with respect to correct payment amounts.
3. Volume of payments made annually.
4. Whether payment decisions were made outside the agency.
5. Recent major changes in activity funding, authority, practice or procedures.
6. Level, experience, and quality of training for personnel responsible for certifying that payments are accurate.
7. Inherent risks of improper payments due to the nature of agency operations.
8. Significant deficiencies in the audit reports.
9. Results from prior improper payment work.

Improper Payments Strategy

The IPERA Act of 2010 requires agencies to conduct payment recapture audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective. The ABMC addresses proper management of payments by:

- preventing payment errors through documented processes and internal controls;
- detecting overpayment and underpayments through control testing; and
- establishing a process with the U.S. Treasury (Treasury Offset Program) to recapture overpayments when identified.

Do Not Pay (DNP) Initiative

The OCFO reviews the System for Award Management (SAM) database prior to each acquisition award to ensure the vendor is registered to do business with the Federal government. For post award payments, the IBC sends the weekly payee file to the Treasury's DNP Business Center for continuous monitoring. The data sources currently used are listed below.

- Death Master File (DMF).
- Systems for Awards Management-Exclusion Records – Private.
- List of Excluded Individuals/Entities (LEIE).
- System for Award Management (SAM) Entity Registration Records, Private.

	Number of payments reviewed for improper payments	Dollars of payments reviewed for improper payments	Number of payments stopped	Dollars of payments stopped	Number of improper payments reviewed and not stopped	Dollars of improper payments reviewed and not stopped
Reviews with the DMF only	All agency payments submitted to shared service provider	\$42.8M ²	0	0	0	0
Reviews with all other databases ³	All agency payments submitted to shared service provider	\$42.8M	0	0	0	0

² \$42.8M was cash disbursements paid to non-Federal vendors. Any resulting matches are provided to the OCFO for determination of payment.

³ Databases are 1) Systems for Awards Management-Exclusion Records – Private; 2) List of Excluded Individuals/Entities (LEIE); and 3) System for Award Management (SAM) Entity Registration Records, Private.

Recapture of Improper Payments Reporting

The IPERA Act of 2010 replaced the recovery auditing program contained in the National Defense Authorization Act of 2002. It requires agencies to conduct recovery audits with respect to each program and activity of the agency that expends \$1 million or more annually, if conducting such audits would be cost-effective.

Once the OCFO has identified an improper payment with a non-Federal vendor, it is ABMC's policy to aggressively correct the improper payment. Upon research and analysis of supporting documentation the vendor is contacted for resolution (underpayment to the agency). If it is an ongoing contract, the OCFO will offset the amount to be recovered on the next billing. For all other contracts the vendor is contacted and a receivable is established for collection. If the vendor does not provide payment the debt is entered into the Treasury Offset Program. If an improper payment is identified as an overpayment to the ABMC the vendor is promptly paid.

The table below summarizes improper payments (in millions) identified during FY 2019.

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	\$0	\$0	\$0	\$0
Administrative processing	0	0	0	0
Total	\$0	\$0	\$0	\$0

The following table summarizes cumulative improper payments (in millions) through FY 2019.

Reason for Improper Payment	Overpayment	Underpayment	Total Amount Overpayment Recaptured	Total Amount Underpayment Paid
Failure to verify vendor invoice amount	\$0	\$0	\$0	\$0
Administrative processing	0	0	0	0
Total	\$0	\$0	\$0	\$0

The recovery rate of employee overpayments is expected to be between 40 percent and 50 percent and a recover rate of 100 percent is expected for employee underpayments for FY 2020.

Fraud Reduction

OMB Circular A-123 and the GAO Green Book calls for agencies to adhere to leading practices for managing fraud risk. Standards now require agencies to take a closer look at fraud risks (GAO principle 8 shown below) and identify fraud risk factors and programs with increased susceptibility for fraud.

Control environment	Risk assessment	Control activities	Information & communication	Monitoring activities
<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibilities 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability 	<ol style="list-style-type: none"> 6. Define objectives and risk tolerances 7. Identifies, analyzes, and responds risk 8. Assesses fraud risk 9. Identifies and analyzes and responds to change 	<ol style="list-style-type: none"> 10. Designs control activities 11. Selects and develops general controls for the system 12. Deploys and implements control activities 	<ol style="list-style-type: none"> 13. Uses relevant, quality information 14. Communicates internally 15. Communicates externally 	<ol style="list-style-type: none"> 16. Performs ongoing monitoring activities 17. Evaluates issues and remediates deficiencies

Figure 3: COSO Framework of Internal Control

The following financial controls are in place to prevent potential fraud, waste and abuse within the government purchase card program.

- The purchase card has a limit of \$10,000 per cardholder.
- Purchase card policies are published defining the roles and rules of the program. The policies are reviewed and updated periodically.
- The Purchase Card Coordinator conducts reviews and audits of cardholder statements and supporting documentation.
- Any purchases that are deemed suspect are referred to the agency Head of Contracting.

Government travel cards issued to ABMC employees are not deemed a fraud risk as the travel card account is the cardholder's financial responsibility and not the agency's. Travel card usage by an individual cardholder is reviewed monthly by the OCFO for any suspected misuse.

The Office of Human Resources and the Office of Finance are reviewing internal controls, processes and procedures to identify possible areas for fraud within payroll processing.



U.S. President Donald Trump and French President Emmanuel Macron, with the First Ladies Melania Trump and Brigitte Macron, watch World War II aircraft fly over Omaha Beach at Normandy American Cemetery. The flyover followed the bilateral ceremony marking the 75th Anniversary of D-Day.



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