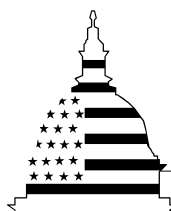


March 2004

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2003 and 2002



G A O

Accountability ★ Integrity ★ Reliability

GAO
Accountability • Integrity • Reliability

Highlights

Highlights of [GAO-04-404](#), a report to the Senate and House Committees on Veterans' Affairs

Why GAO Did This Study

In accordance with 36 U.S.C. 2103, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission. We audited the financial statements of the Commission for the fiscal years ended September 30, 2003, and 2002. The audits were done to determine whether, in all material respects, (1) the Commission's financial statements were reliable, (2) Commission management maintained effective internal control over financial reporting and compliance with laws and regulations, and (3) Commission management complied with applicable laws and regulations.

The American Battle Monuments Commission was created in 1923 to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, and locations within the United States as directed by Congress. The Commission designs, administers, operates, and maintains 24 American military cemeteries on foreign soil and 25 federal memorials, monuments, and markers, 22 of which are on foreign soil. The Commission is also responsible for designing and constructing the national World War II Memorial on the Capitol Mall in Washington, D.C., and for maintaining 4 nonfederal memorials with funds provided by those memorials' sponsors.

www.gao.gov/cgi-bin/getrpt?GAO-04-404.

The full report is available by clicking the link above, which includes information on objectives, scope, and methodology. For additional information, contact McCoy Williams at (202) 512-6906.

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2003 and 2002

What GAO Found

In our opinion, the financial statements of the American Battle Monuments Commission as of September 30, 2003, and 2002, and for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Commission maintained effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 2003. In addition, we found no instances of Commission noncompliance in fiscal year 2003 with selected provisions of laws and regulations we tested.

However, our work identified inadequate controls over information technology in two areas and nonrecognition of accrued liabilities as of September 30, 2003, that we considered to be reportable conditions. The Commission has booked audit adjustments to correct its accrued liabilities at yearend and is working to improve internal controls in all these areas during fiscal year 2004.

For fiscal year 2003, the Commission spent \$37.7 million of appropriated funds to maintain its 24 cemeteries and 25 federal memorials. It also spent \$41.9 million of private contributions and investment earnings, primarily for construction-in-progress of the World War II Memorial that is expected to be dedicated on Memorial Day weekend 2004. The Commission also spent \$.2 million of private contributions and investment earnings for gravesite floral decorations and to maintain 4 nonfederal memorials.

October 2003 Construction of the WWII Memorial in Washington, D.C.



Source: Commission photo by Richard Latoff.

Contents

Letter	1
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Auditor’s Report	3
Opinion on Financial Statements	3
Opinion on Internal Control	3
Reportable Conditions	4
Compliance With Laws and Regulations	6
Consistency of Other Information	6
Objectives, Scope, and Methodology	6
Commission Comments and Our Evaluation	9

Appendix

Appendix I: Annual Financial Report on the American Battle Monuments Commission	10
Annual Financial Report	10
Management’s Discussion and Analysis	11
Consolidating Balance Sheet	17
Consolidating Statement of Net Cost and Changes in Net Position	18
Consolidating Statement of Budgetary Resources	19
Consolidating Statement of Financing	20
Notes to the Consolidating and Consolidated Financial Statements	21
Required Supplementary Stewardship Information	29
Statements of Heritage Assets	30
Note to Statements of Heritage Assets	33

Abbreviations

FMFIA	Federal Managers' Financial Integrity Act of 1982
OMB	Office of Management and Budget

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United States General Accounting Office
Washington, D.C. 20548

March 1, 2004

The Honorable Arlen Specter
Chairman
The Honorable Bob Graham
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

The Honorable Christopher H. Smith
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

As required by 36 U.S.C. 2103, this report presents the results of our audits of the American Battle Monuments Commission's (the Commission) financial statements for the fiscal years ended September 30, 2003, and 2002.

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

Should you or your staffs have any questions concerning this report, please contact me on (202) 512-6906 or Roger R. Stoltz, Assistant Director, at (202) 512-9408. Key contributors to this assignment were Patricia A. Summers, Eugene E. Stevens IV, Deborah A. Silk, Felicia C. Brooks, and Lindsay L. Saylor.

McCoy Williams
Director
Financial Management and Assurance



United States General Accounting Office
Washington, D.C. 20548

To the Chairman of the American Battle Monuments Commission

In accordance with 36 U.S.C. 2103, we are responsible for conducting audits of the agencywide financial statements of the American Battle Monuments Commission (the Commission). In our audits of the Commission for fiscal years 2003 and 2002, we found

- the consolidating financial statements as of and for the fiscal year ended September 30, 2003, and comparative consolidated totals as of and for the fiscal year ended September 30, 2002, are presented fairly in conformity with U.S. generally accepted accounting principles;
- although internal controls should be improved, the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations as of September 30, 2003; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and other supplementary information and (2) the objective, scope, and methodology of our audit.

Opinion on Financial Statements

The American Battle Monuments Commission's consolidating balance sheet as of September 30, 2003, and its related consolidating statements of net cost and changes in net position; budgetary resources; and financing, with accompanying notes for the fiscal year then ended, and comparative consolidated totals as of and for the fiscal year ended September 30, 2002, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Opinion on Internal Control

The Commission maintained, in all material respects, effective internal control over financial reporting (including safeguarding assets) and compliance as of September 30, 2003, that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the consolidating financial statements or to stewardship information would be prevented or detected on a timely basis. Our opinion is based upon criteria established under 31 U.S.C. 3512 (c), (d) [Federal Managers' Financial

Integrity Act (FMFIA)], and Office of Management and Budget (OMB) Circular No. A-123, *Management Accountability and Control*.

However, our work identified the need to improve certain internal controls, as described below, that we consider reportable conditions. Such conditions are a deficiency in the design or operation of internal control that, in our judgment, could adversely affect the Commission's ability to meet internal control objectives or meet OMB criteria for reporting matters under FMFIA. We did not consider these deficiencies to be a material weakness, which occurs when the design or operation of internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the consolidating financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. In addition, misstatements may occur in other Commission financial information not included in this report as a result of these reportable conditions.

Reportable Conditions

During our audit we noted inadequate controls over information technology systems and nonrecognition of accrued liabilities as of September 30, 2003. Commission management reported the information technology deficiencies in its fiscal year 2003 FMFIA report and is working to implement corrections for all internal control deficiencies.

Inadequate Controls Over Information Technology Systems

Inadequate controls over information technology systems were identified in the two following areas.

- **User Documentation:** While the Commission's new accounting system has adequate user documentation, there continued to be a lack of user documentation to support its old legacy systems that were still used during fiscal year 2003, primarily for payroll. This included the Clipper system used by the European Regional Office, the dBase IV system used by the Mediterranean Regional Office, and the Foxpro accounting system used by the Headquarters Office. Commission personnel have learned how to use these legacy systems over the years primarily through on-the-job training and have limited support to explain how systems functions should be performed and to answer questions. However, the age of these systems and their pending replacement did not justify the cost of developing user documentation during fiscal year

2003. Effective January 1, 2004, payroll processing for all of the Commission's General Schedule (GS) employees was being done by Treasury Financial Management Services and payroll processing for all of the Commission's Foreign Service National (FSN) employees was in negotiation for conversion later in fiscal year 2004.

- **Security Program and Access Controls:** While Commission Headquarters completed documentation of an agencywide security planning and management program for security and privacy of information during fiscal year 2003, some security controls over its computer system, such as administrative controls over network configuration, passwords, and access to files, were not effective at all Commission locations as of September 30, 2003. In a separate Limited Official Use report issued after our fiscal year 2002 audit, we communicated detailed information and made 49 specific recommendations to strengthen Commission internal controls, including information technology, accounting procedures, financial reporting, and cash management. While the Commission has corrected many of these deficiencies and has implemented a number of our recommendations during fiscal year 2003, it continues working towards correcting the remaining weaknesses during fiscal year 2004.

In a previous report,¹ we indicated that business continuity plans of Commission Headquarters and its European and Mediterranean Regional Offices did not contain sufficient detail to ensure successful manual operations and timely recovery of automated processing in the event of a business interruption. During fiscal year 2003, the Commission revised its business continuity plans to ensure the operational stability of its computerized functions.

Nonrecognition of Accrued Liabilities

As of September 30, 2003, the Commission's European region had not recognized \$1.1 million of accrued liabilities for accounts payable and accrued salaries and benefits that also understated General Fund fiscal year 2003 expenses by the same amount. We believe that this condition was caused by early year-end closing of the accounting records and a misunderstanding by accounting and engineering staff regarding proper

¹ U.S. General Accounting Office, *Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 2002 and 2001*, [GAO-03-444](#) (Washington, D.C.: Feb. 28, 2003).

year-end cutoff required by accrual accounting. Proper cutoff is necessary to identify goods and services that had been received in fiscal year 2003, particularly for costly engineering projects, but invoiced and paid in fiscal year 2004. The Commission has recognized this \$1.1 million of accrued liabilities through subsequent audit adjustments in order to fairly present its financial statements for fiscal year 2003 in accordance with generally accepted accounting principles.

Compliance With Laws and Regulations

Our tests for Commission compliance with selected provisions of laws and regulations for fiscal year 2003 disclosed no instances of noncompliance reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Commission's Management Discussion and Analysis and stewardship statements of heritage assets with an accompanying note contain a wide range of data, some of which are not directly related to the consolidating financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the consolidating financial statements and discussed the methods of measurement and presentation with officials of the Commission. Based upon this limited work, we found no material inconsistencies with the consolidating financial statements or nonconformance with OMB guidance.

Objectives, Scope, and Methodology

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

We are responsible for obtaining reasonable assurance about whether (1) the Commission's consolidating financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles and (2) Commission management maintained effective internal control that provides reasonable, but not absolute, assurance that the following objectives were met.

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

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

- examined, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements;
- assessed the accounting principles used and significant estimates made by Commission management;
- evaluated the overall presentation of the consolidating financial statements;
- obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- obtained an understanding of the recording, processing, and summarizing of performance measures as reported in Management's Discussion and Analysis;
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;

-
- considered the process for evaluating and reporting on internal control and financial management systems under FMFIA; and
 - tested compliance with selected provisions of the following laws and regulations:
 - The Commission's enabling legislation codified in 36 U.S.C. Chapter 21,
 - Public laws applicable to the World War II Memorial Fund,
 - Departments of VA and HUD, and Independent Agencies Appropriations Act 2003,
 - Antideficiency Act,
 - Pay and Allowance System for Civilian Employees, and
 - Prompt Payment Act.

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

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those required by OMB audit guidance that we deemed applicable to the Commission's consolidating financial statements for the fiscal year ended September 30, 2003. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

Commission Comments and Our Evaluation

Commission management was provided with a draft of this report and concurred with its facts and conclusions.

A handwritten signature in black ink that reads "McCoy Williams". The signature is written in a cursive, flowing style.

McCoy Williams
Director
Financial Management and Assurance

January 30, 2004

Annual Financial Report on the American Battle Monuments Commission

Annual Financial Report

ANNUAL FINANCIAL REPORT

THE AMERICAN BATTLE MONUMENTS COMMISSION

FOR THE YEAR ENDED SEPTEMBER 30, 2003

Management's Discussion and Analysis

AMERICAN BATTLE MONUMENTS COMMISSION
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

History and Mission

The American Battle Monuments Commission was created in 1923 to commemorate the sacrifices and achievements of American armed forces where they have served since April 6, 1917, the date of United States entry into World War I. From appropriated funds the Commission administers, operates, and maintains 24 permanent American Military Cemeteries on foreign soil and 25 stand alone memorials, monuments, and markers: three in the United States and 22 in 14 foreign countries, the Northern Mariana Islands, and Gibraltar. Presently, 124,917 U.S. War Dead are interred in these cemeteries: 30,922 from World War I, 93,245 from World War II, and 750 from the Mexican War. Additionally, 6,010 American veterans and others are interred in the Mexico City and Corozal (Panama) National Cemeteries. Commemorated individually by name on stone tablets at the World War I and II cemeteries and three memorials on U.S. soil are the 94,132 U.S. servicemen and women who were missing in action, or lost or buried at sea during the World Wars and the Korean and Vietnam Wars. In addition, 38,320 Korean War Dead are honored in the Korean War Veterans Memorial database that the Commission maintains.

The Commission also administers trust funds to: (1) build memorials authorized by Congress, but financed primarily from private contributions, commemorative coin proceeds, and investment earnings; (2) decorate grave sites with flowers from private contributions; and (3) maintain and repair nonfederal war memorials with private contributions. As of the end of fiscal year 2003, the Commission was responsible for the maintenance and repair of four nonfederal memorials in Europe.

Organizational Structure and Operations

The Commission's policymaking body is comprised of an 11-member Board of Commissioners appointed by the President for an indefinite term, and who serve without pay. The eighth and current Chairman is General P. X. Kelley, USMC (Ret), who has served since 2001, and previously served from 1990-1994. The Commissioners establish policy and ensure proper staff functioning in carrying out the mission of the Commission. During inspections, they observe, inquire, 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, Major General John P. Herrling, USA (Ret), appointed by the President and who is assisted by an Executive Director, Kenneth S. Pond.

The Commission's headquarters office in Arlington, Virginia, provides oversight for two regional offices, three independent cemeteries, and eight memorials, monuments, and markers. The European Region, headquartered near Paris, France, is responsible for 17 cemeteries and 15 memorials, monuments, and markers. The Mediterranean Region, headquartered in Rome, Italy, operates and maintains four cemeteries, one memorial, and one monument.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

For fiscal year 2003, the Commission was authorized and employed 390 full-time civilian employees. U.S. citizens constituted 66 staff members while the remaining 324 were foreign service nationals employed in the countries where the Commission operates.

The care of these shrines to our War Dead requires a formidable annual program of maintenance and repair of facilities, equipment, and grounds. This care includes upkeep of almost 131,000 graves and headstones; and 73 memorial structures (within and external to the cemeteries) on 1,641.2 acres of land. Additionally, the Commission maintains 41 quarters, utilities, and maintenance facilities; 67 miles of roads and walks; 911 acres of flowering plants, fine lawns and meadows; nearly 3 million square feet of shrubs and hedges; and over 11,000 ornamental trees. Care and maintenance of these resources is exceptionally labor intensive, thus personnel costs accounted for 53 percent of the appropriation for fiscal year 2003. The remaining 47 percent was required to fund other operating costs and fluctuations in four foreign currencies.

According to H.R. Conf. Rep. No. 108-10, at 1430 (2003), the appropriation provided to the Commission in fiscal year 2003 included an additional \$4.0 million for the development of an Interpretive Visitors Center at the Normandy American Cemetery. The Commission selected an architect-engineering team to assist in programming and design of the Center and is currently projecting design completion in fiscal year 2004.

Performance Goals and Results

The Commission prepared a five-year Strategic Performance Plan and an Annual Performance Plan in accordance with the Government Performance and Results Act. These plans were coordinated with key Congressional Staffs and the Office of Management and Budget. The following goals and results are directly related to our Strategic Performance Plan.

Goal 1

Provide the best, most extensive support possible to next of kin and other customers who use the services of the American Battle Monuments Commission.

Results

On request, the Commission provides information and assistance to relatives and friends of War Dead interred in or commemorated at its facilities. These services include burial and memorialization site information, a letter authorizing non-fee passports for members of the immediate family traveling overseas primarily to visit the cemetery, in-country travel and accommodation information, and upon arrival at the cemetery, escort to the appropriate grave or memorialization site. Requestors are provided with a photograph that is taken of the appropriate headstone or section of the Tablet of the Missing, which is mounted on a color lithograph of the cemetery or memorial where a serviceman or woman is buried or commemorated by name. The Commission also purchases floral decorations with donor funds and the donor is provided with a photograph of the headstone or Tablet of the Missing with the decoration in place.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

In addition to responding to inquiries by friends and relatives of the War Dead interred or memorialized at its sites, the Commission also provides information to the Executive Branch, Members of Congress, other government agencies, historians, and other interested individuals.

During fiscal year 2003, the Commission responded to approximately 10,190 inquiries, requiring over 6,485 written responses. In addition, we mailed out more than 2,810 cemetery lithographs.

Some eight million American and foreign citizens visited Commission cemeteries, memorials, monuments, and markers during fiscal year 2003. Most visitors paid homage collectively to the interred Honored War Dead. Many had a more personal reason for visiting a friend or relative who never returned home. Regardless of the visitor's motivation, Commission employees dedicated themselves to making each visit gratifying and memorable.

Throughout the year at sites around the world, the Commission hosts a variety of special events and commemorations including Memorial Day, Independence Day, and Veterans' Day. In addition, many military units hold ceremonies to honor their fallen comrades, and local organizations pay tribute to those who died while liberating the region. While some ceremonies received national attention and publicity, many drew local attention only. All ceremonies reflected a solemn respect for America's Honored War Dead, and appreciation for the sacrifices of all veterans.

The Commission's Internet web site at www.abmc.gov received about 1.2 million visitors this year and provided its customers with a convenient, user friendly method to access information on the Commission as well as its cemeteries, memorials, monuments, markers, and headquarters operations. In addition, information on the U.S. War Dead from the Korean War and those interred or commemorated at its World War I and II cemeteries overseas are accessible on the web site.

Goal 2

Conduct an effective Infrastructure Modernization Program at all Commission cemeteries, memorials, and monuments in order to modernize its facilities and maintain the desired standards.

Results

During fiscal year 2000, the Commission conducted a review of its facilities to determine the most appropriate course of action to implement an Infrastructure Modernization Program. This phase involved completing assessments of its electrical systems and analyzing the structural aspects of its facilities within the European and Mediterranean Regions that identified an estimated \$3.1 million in projects. For fiscal year 2001, Congress appropriated \$1.0 million to fund this initiative.

In fiscal year 2002, Congress appropriated \$2.0 million for continuation of the Infrastructure Modernization Program. The Commission turned its attention to replacement of electrical systems and a review of the water and drainage systems for its cemeteries. During fiscal year 2002, the Commission completed \$2.0 million worth of improvement projects.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

In fiscal year 2003, an additional \$2.0 million was included in the Commission's budget request for continued work on the Infrastructure Modernization Program. Work during this fiscal year included replacement of water and drainage systems. These continued initiatives allowed the Commission to modernize its aging facilities and infrastructure.

Goal 3

Determine if technology, outsourcing, and automation can improve efficiency and/or reduce the costs of foreign manpower.

Results

During fiscal year 2002, the Commission continued to review business practices in its overseas locations. For fiscal year 2002, Congress provided \$3.0 million funding with which the Commission continued modernization of its equipment, development of evaluation processes, procurement of enhanced automation programs, and performance of deep core aerification, vertidrain, and sanding at selected cemeteries.

During fiscal year 2003, an additional \$3.0 million was included in the Commission's budget request for labor saving initiatives. Over the last several years, the Commission has made great strides in improving the efficiency of its workforce.

Goal 4

Modernize the Commission's accounting systems and funding processes to ensure that funding is used and accounted for in the most efficient and effective manner.

Results

Commission accounting systems did not comply with current OMB Circular A-127 requirements to maintain a single, integrated financial management system.

In April 2000, the Commission contracted with PricewaterhouseCoopers (PwC) to assist in the selection of an automated, integrated accounting system that conforms to regulatory and user requirements. PwC began the process by documenting the Commission's accounting and finance business processes, assessing the Information Technology (IT) architecture at Field Offices and Headquarters, and developing both functional and technical requirements. PwC then identified replacement options for the Commission's current system. Commission leadership selected as a preferred alternative a vendor, or vendor team, that could supply appropriate IT infrastructure and supporting resources, as well as resources to maintain and upgrade the selected software package. In August 2000, the Commission issued a Request for Proposals (RFP) to secure software and hosting services to replace its legacy accounting systems. The RFP responses were received on October 10, 2000. During December 2000, the vendors, USInternetworking (USi), Inc. and PeopleSoft Financials for Government and Education, were selected as the application services provider and software team.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Implementation began in calendar year 2001 and the new system became operational in October 2001. During fiscal year 2003 the Commission continued to refine its computer processes. Its data continues to improve and its employee familiarity with the system has streamlined Commission processes.

The Commission has made other significant strides over the last several years to streamline its financial processes and procedures. Except for 10 Tunisian staff, all of the Commission's employees are paid through electronic funds transfer (EFT). The headquarters office paid approximately 85% of its vendor purchases through EFT in fiscal year 2003.

Goal 5

Establish a National World War II Memorial in Washington, DC, to honor those who served in the Armed Forces of the United States during World War II and commemorate the participation of the nation in that war.

Results

In 1993, Congress directed the Commission to establish a World War II Memorial in Washington, D.C. or its environs. It will be the first national memorial dedicated to the 16 million who served in uniform during the war, the more than 400,000 who gave their lives, and the millions who supported the war effort from the home front. Congress provided legislative authority for siting the memorial in the prime area of the capital, which includes the National Mall. The total estimated cost of the memorial project is \$172 million, which includes site selection and design, construction, a National Park Service maintenance fee required by the Commemorative Works Act, groundbreaking and dedication ceremonies, fund raising and administration of the project from its inception in 1993 through projected completion in 2004. Construction of the memorial began in September 2001 and is on schedule for completion in March 2004. The memorial will be formally dedicated on May 29, 2004.

Financial Statements

The Commission is required by 36 U.S.C. 2103, as codified by Public Law 105-225, August 12, 1998, to prepare agency wide financial statements annually, beginning with fiscal year 1997, and to have such financial statements audited by the U.S. General Accounting Office (GAO) in accordance with U.S. generally accepted government auditing standards.

While the financial statements have been prepared from the books and records of the Commission in conformity with U.S. generally accepted accounting principles used by the Federal Government, 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. Also, the financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Audits of the Commission for fiscal years 1997 and 1998 were performed by the public accounting firm of KPMG under contract to the GAO. Audits of the Commission for fiscal years 1999 through 2003 were conducted by the GAO. Additionally, separate audits of the World War II Memorial Fund for fiscal years 1999 and 2000 were conducted by the public accounting firm of KPMG. Copies of the separate KPMG reports are available upon request.

Systems, Controls, and Legal Compliance

The Commission has assessed the effectiveness of its internal controls to provide reliable financial and performance reporting, and compliance with applicable laws and regulations.

Future Risks

In order to insulate the Commission's annual appropriation against major changes in its purchasing power due to foreign currency exchange fluctuations, legislation was enacted in 1988 establishing a currency fluctuation account in the U.S. Treasury. During fiscal year 2003, the Commission's net foreign currency exchange loss was \$3.7 million. Cumulative gains and losses in recent years have brought the currency account balance to \$5.5 million as of September 30, 2003. The Commission is concerned that if the U.S. dollar continues to weaken against the Euro, it could potentially face additional losses that may impact its operating budget.

Beginning in fiscal year 2002, Congress directed and provided appropriated funds to the Commission for the design and construction of an interpretive and visitor center at the Normandy American Cemetery near St. Laurent-sur-Mer, France. The total cost of this project has been estimated at \$27.0 million. Congress earmarked an additional \$5.0 million in the Commission's appropriation for fiscal year 2002 and according to H.R. Conf. Rep. No. 108-10, at 1430 (2003), provided another \$4.0 million in fiscal year 2003. On January 23, 2004, the Commission's fiscal year 2004 appropriation passed and according to H.R. Conf. Rep. No. 108-401 at 1109 (2003), provided another \$9 million towards the center's design and construction. This brings appropriated funding for the center for fiscal years 2002 through 2004 to a total of \$18 million. The Commission has included the remaining \$9 million in its fiscal year 2005 appropriation request. However, in the event that Congress does not fully fund the remaining amount, the Commission's operating budget may have to be amended in order to complete the center.

An additional risk the Commission and other federal agencies may face is the provision of funding for ongoing military operations in Iraq and Afghanistan. Based on projected costs, Congress may direct across the board budget reductions for all federal agencies to fund this effort. In the event the Commission's budget is reduced, it will have to reexamine its priorities and shift funding to maintain its operations.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Consolidating Balance Sheet

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING BALANCE SHEET
As of September 30, 2003
(With Comparative Consolidated Total as of September 30, 2002)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries</u>	<u>World</u>	<u>2003</u>	<u>2002</u>
	<u>and</u>	<u>War II</u>		
<u>Assets</u>	<u>Memorials</u>	<u>Memorial</u>	<u>Total</u>	<u>Total</u>
Intragovernmental:				
Fund balances with Treasury (note 2)	\$25,054,863	\$6,989,421	\$231,214	\$32,275,498
Treasury investments, net (note 3)		58,139,556	49,068	58,188,624
Total intragovernmental	25,054,863	65,128,977	280,282	90,464,122
Cash and foreign accounts (note 4)	64,367		5,517	69,884
Advances				0
Property sale receivable	352,671			352,671
Contributions receivable, net (note 5)		1,380,777		1,380,777
General property, plant, & equipment, net (note 6)	1,510,814	3,570		1,514,384
Total Assets	\$26,982,715	\$66,513,324	\$285,799	\$93,781,838
				\$131,644,584
<u>Liabilities</u>				
Intragovernmental:				
Accounts payable	\$134,624	\$3,599,288		\$3,733,912
Accrued salaries and benefits	139,435			139,435
Total intragovernmental	274,059	3,599,288		3,873,347
Accounts payable	1,207,711	838,696	\$5,440	2,051,847
Other liabilities (note 7)	2,681,382	14,800		2,696,182
Total Liabilities	4,163,152	4,452,784	5,440	8,621,376
				9,726,496
Commitments and contingencies (note 8)				
<u>Net Position</u> (notes 9, 10)				
Unexpended appropriations	22,804,842			22,804,842
Cumulative results of operations	14,721	62,060,540	280,359	62,355,620
Total Net Position	22,819,563	62,060,540	280,359	85,160,462
				121,918,088
Total Liabilities and Net Position	\$26,982,715	\$66,513,324	\$285,799	\$93,781,838
				\$131,644,584

The accompanying notes are an integral part of these statements.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Consolidating Statement of Net Cost and Changes in Net Position

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF NET COST AND CHANGES IN NET POSITION
For the Year Ended September 30, 2003
(With Comparative Consolidated Total For the Year Ended September 30, 2002)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
	<u>Cemeteries</u>	<u>World</u>	<u>2003</u>	<u>2002</u>
	<u>and</u>	<u>War II</u>		<u>(restated)</u>
	<u>Memorials</u>	<u>Memorial</u>	<u>Total</u>	<u>Total</u>
		(note 10)		
<u>PROGRAM COSTS</u>				
Intragovernmental program costs:				
Operations and maintenance	\$2,385,701		\$2,385,701	\$2,154,068
Design and construction		\$36,687,726	36,687,726	26,843,765
Program costs with the public:				
Operations and maintenance	28,729,005		\$152,838	28,881,843
Fund raising		1,884,054		1,884,054
Administrative		1,080,009		1,080,009
Design and construction		2,063,817		2,063,817
Memorial costs		158,887		158,887
Property, plant and equipment (note 6)	2,872,802	9,727		2,882,529
Foreign currency losses, net	3,721,818			3,721,818
				850,397
Net Cost of Operations	\$37,709,326	\$41,884,220	\$152,838	\$79,746,384
				\$58,450,325
<u>CHANGES IN NET POSITION</u>				
Net Position - Start of the Year	\$24,479,940	\$97,132,897	\$305,251	\$121,918,088
				\$132,766,694
<u>Budgetary Financing Sources</u>				
Appropriations used	36,487,234			36,487,234
Increase (decrease) in unexpended appropriations	(1,470,149)			(1,470,149)
				27,729,020
Total Budgetary Financing Sources	35,017,085			35,017,085
				35,441,000
<u>Other Financing Sources</u>				
Contributions	28,000	4,976,568	125,957	5,130,525
Treasury investment earnings		1,835,295	1,989	1,837,284
Gain on property sales	420,181			420,181
Imputed financing (note 7)	583,683			583,683
				457,305
Total Other Financing Sources	1,031,864	6,811,863	127,946	7,971,673
				12,160,719
Total Financing Sources	36,048,949	6,811,863	127,946	42,988,758
				47,601,719
Net Cost of Operations	37,709,326	41,884,220	152,838	79,746,384
				58,450,325
Net Position - End of the Year	\$22,819,563	\$62,060,540	\$280,359	\$85,160,462
				\$121,918,088

The accompanying notes are an integral part of these statements.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Consolidating Statement of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2003
(With Comparative Consolidated Total For the Year Ended September 30, 2002)

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total Funds</u>	<u>Total Funds</u>
				<u>2003</u>	<u>2002</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>Total</u>	<u>Total</u>
<u>Budgetary Resources</u>					
Budgetary Authority:					
Appropriations	\$35,246,000			\$35,246,000	\$35,466,000
Net transfer in (out) for net foreign exchange loss (gain)	3,721,818			3,721,818	850,397
Other (contributions collected)		\$11,625,066	\$129,867	11,754,933	25,697,911
Less: Rescinded	(229,099)			(229,099)	(25,000)
Unobligated Balances:					
Start of year	15,893,671	75,842,645	259,480	91,995,796	84,802,290
Net transfer (out) in for net foreign exchange (loss) gain	(3,721,818)			(3,721,818)	(850,397)
Recoveries of prior year obligations	20,614			20,614	4,286
Total Budgetary Resources	\$50,931,186	\$87,467,711	\$389,347	\$138,788,244	\$145,945,487
<u>Status of Budgetary Resources</u>					
Obligations incurred - direct	\$40,883,026	\$37,729,285	\$174,204	\$78,786,515	\$53,949,691
Unobligated balances available	10,048,160	49,738,426	215,143	60,001,729	91,995,796
Total Status of Budgetary Resources	\$50,931,186	\$87,467,711	\$389,347	\$138,788,244	\$145,945,487
<u>Outlays</u>					
Obligations incurred	\$40,883,026	\$37,729,285	\$174,204	\$78,786,515	\$53,949,691
Plus: Obligated balances, start of year:					
Undelivered orders	8,385,851	14,041,070	44,378	22,471,299	26,078,510
Delivered orders - unpaid	1,959,003	6,052,099	4,533	8,015,635	2,778,264
Less: Obligated balances, end of year:					
Undelivered orders	(12,756,682)	(9,922,037)	(69,338)	(22,748,057)	(22,471,299)
Delivered orders - unpaid	(2,250,071)	(4,437,984)	(5,440)	(6,693,495)	(8,015,635)
Total Outlays	\$36,221,127	\$43,462,433	\$148,337	\$79,831,897	\$52,319,531

The accompanying notes are an integral part of these statements.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Consolidating Statement of Financing

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATING STATEMENT OF FINANCING
For the Year Ended September 30, 2003
(With Comparative Consolidated Total For the Year Ended September 30, 2002)

	<u>General Fund</u>	<u>Trust Funds</u>	<u>Total Funds</u>	<u>Total Funds</u>
			<u>2003</u>	<u>2002</u>
	<u>Cemeteries and Memorials</u>	<u>World War II Memorial</u>	<u>Other Trust Funds</u>	<u>Total</u>
			<u>Total</u>	<u>Total</u>
<u>Resources Used To Finance Activities</u>				
Obligations incurred - direct	\$40,883,026	\$37,729,285	\$174,204	\$78,786,515
Imputed retirement and audit services	583,683			583,683
Other transfers and adjustments	21,126	2,173	3,594	26,893
Total Resources Used to Finance Activities	41,487,835	37,731,458	177,798	79,397,091
<u>Resources That Do Not Fund Net Cost of Operations</u>				
General property capitalized on the balance sheet	(211,544)			(211,544)
Decrease in unfunded annual leave		(4,237)		(4,237)
Undelivered orders - start of year	8,385,851	14,041,070	44,378	22,471,299
Less: Undelivered orders - end of year	(12,756,682)	(9,922,037)	(69,338)	(22,748,057)
Total Resources That Do Not Fund Net Cost of Operations	(4,582,375)	4,114,796	(24,960)	(492,539)
<u>Components of Net Cost of Operations Not Requiring Resources in the Current Period</u>				
Components Requiring Resources in Future Periods:				
Increase in Unfunded Annual Leave	98,536			98,536
Increase in Unfunded Separation Pay	196,550			196,550
Components Not Requiring Resources:				
Depreciation	480,780	21,176		501,956
In-kind expenses	28,000	16,790		44,790
Total Costs Not Requiring Resources in the Current Period	803,866	37,966	0	841,832
Net Cost of Operations	\$37,709,326	\$41,884,220	\$152,838	\$79,746,384
			\$79,746,384	\$58,450,325

The accompanying notes are an integral part of these statements.

Notes to the Consolidating and Consolidated Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION
NOTES TO THE CONSOLIDATING AND CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended September 30, 2003 and 2002

Note 1. Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity and Funding Sources

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

The Commission is also responsible for designing and constructing the National World War II Memorial to be located on the Mall in Washington, D.C. In accordance with 40 U.S.C. 8909, the Secretary of the Interior will assume responsibility for maintenance of the Memorial after its completion. Also in accordance with 40 U.S.C. 8906 (b), the Commission provided \$6.6 million for deposit in a separate Treasury account to offset the Memorial's costs of perpetual maintenance.

Commission programs are funded primarily through appropriations available without fiscal year limitation. The Commission also administers several trust funds established to: (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings; (2) decorate grave sites; and (3) maintain and repair certain non-federal war memorials.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

C. Basis of Accounting

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

D. Fund Balances with Treasury

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

E. Investments

In accordance with Public Law 103-32, the Commission is authorized to invest World War II Memorial Trust Fund receipts in U.S. Treasury securities. The Commission is also authorized under a modification to its original legislation to invest receipts from certain non-federal war memorial organizations in U.S. Treasury securities. Treasury investments are recorded at par value plus unamortized premium or less unamortized discount. Premiums and discounts are amortized using the interest method.

F. Foreign Currency

The Commission's overseas offices maintain accounts of foreign currencies to be used in making payments in foreign countries. These accounts are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

G. Contributions and Revenue Recognition

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

H. Operating Materials and Supplies Inventories

The Commission has determined that it is more cost beneficial to record operating materials and supplies 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.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

I. Property, Plant, and Equipment

Purchases of general property, plant, and equipment of \$25,000 or less are expensed in the year of acquisition. Purchases of personal property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over five years. Expenditures relating to real property exceeding \$25,000 are capitalized and depreciated on a straight-line basis over 30 years. Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, and federal memorials, monuments, and markers acquired through purchase or transfer to be heritage assets. Heritage assets are acquired through purchase or transfer and 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 unaudited information concerning heritage assets is found in the Statements of Heritage Assets as required supplementary stewardship 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 10.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 7.65 percent from FERS employees' earnings, matches this amount on a dollar-for-dollar basis, and remits the total amount to the Social Security Administration. The Commission withholds 7.00 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings, and as employer contributes 8.51 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 the TSP. FERS employees have the option of contributing up to 13 percent of their base pay on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. CSRS employees may contribute up to 8 percent of their base pay to TSP on a tax-deferred basis, and 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

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

prior year appropriations are not available to fund annual leave and separation pay, funding will be obtained from future financing resources. Sick leave and other types of unvested leave are expensed when incurred.

K. Imputed Financing

The Commission received imputed financing for retirement and other benefits paid by OPM and financial audits paid by the General Accounting Office (GAO) during fiscal year 2003. The Commission recognized these expenses and related imputed financing in its financial statements.

L. Use of Estimates

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

M. Restatement

Certain amounts from fiscal year 2002 have been restated to conform to the fiscal year 2003 presentation.

Note 2. Fund Balances with Treasury

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

	2003		2002	
	General Fund	Trust Funds	Total	Total
Appropriated Funds	\$19,522,806		\$19,522,806	\$15,501,379
Currency Fluctuation	5,532,057		5,532,057	9,637,890
WW II Memorial Fund		\$6,989,421	6,989,421	13,895,789
Other Trust Funds		<u>231,214</u>	<u>231,214</u>	<u>250,415</u>
	<u>\$25,054,863</u>	<u>\$7,220,635</u>	<u>\$32,275,498</u>	<u>\$39,285,473</u>

Note 3. Treasury Investments, Net

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

EY	Cost	Interest Rates	Net Premium	Interest Receivable	Net Investment
03	\$57,168,000	2.00% to 7.50%	\$503,949	\$516,675	\$58,188,624
02	\$82,098,000	4.25% to 10.75%	\$976,094	\$1,243,054	\$84,317,148

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

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Note 4. Cash and Foreign Accounts

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

	<u>2003</u>	<u>2002</u>
Imprest Cash Funds	\$37,564	\$33,534
Foreign Bank Accounts	23,530	1,184,880
Undeposited Cash	<u>8,790</u>	<u>8,690</u>
	<u>\$69,884</u>	<u>\$1,227,104</u>

Note 5. Contributions Receivable

The Commission has pledges from the private sector to be used for the World War II Memorial with substantial pledges by major corporations and foundations. These pledges are recorded as contribution receivables and revenue in the fiscal year pledged, and \$1,380,777 is temporarily restricted until collected. Amounts due in future years are as follows:

Fiscal Year Due

2004	\$823,934
2005	315,000
2006	160,000
2007	100,000
After 2007	<u>170,000</u>
Total amount due	1,568,934
Less: Present value discount at 2% Treasury rate	<u>(188,157)</u>
Net Receivable	<u>\$1,380,777</u>

The Commission believes that all contributions receivable are fully collectible, and therefore, no allowance for uncollectible accounts has been established.

As of September 30, 2003, \$250,200 of conditional promises to give to the Memorial were outstanding, including a pledge for in-kind services with a balance of \$250,000 that was not included in contributions receivable.

Note 6. General Property, Plant, and Equipment, and Heritage Assets

General property, plant, and equipment with an aggregate cost basis of \$25,000 or less and all heritage assets were expensed by the Commission and totaled \$2,872,802 in fiscal year 2003 and \$3,194,072 in fiscal year 2002. WWII Memorial equipment totaling \$9,727 in fiscal year 2003 and \$4,421 in fiscal year 2002 were also expensed.

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

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

General property, plant, and equipment as of September 30 was:

	<u>2003</u>			<u>2002</u>		
Category	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings	\$0	\$0	\$0	\$70,513	\$49,288	\$21,225
Accounting System	1,760,065	704,026	1,056,039	1,760,065	352,013	1,408,052
Equipment	<u>1,525,116</u>	<u>1,066,771</u>	<u>458,345</u>	<u>1,313,571</u>	<u>944,930</u>	<u>368,641</u>
	<u>\$3,285,181</u>	<u>\$1,770,797</u>	<u>\$1,514,384</u>	<u>\$3,144,149</u>	<u>\$1,346,231</u>	<u>\$1,797,918</u>

There was no change in the number of physical units or acreage of cemeteries and federal memorials in fiscal year 2003 while the number of private memorials increased from 3 to 4.

Note 7 Other Liabilities

Other liabilities as of September 30 were:

	<u>2003</u>	<u>2002</u>
Accrued Salaries and Benefits	\$768,301	\$657,833
Separation Pay Liability	1,075,542	878,992
Unfunded Annual Leave	852,339	758,040
Clearing Account Liability	<u>0</u>	<u>85,699</u>
	<u>\$2,696,182</u>	<u>\$2,380,564</u>

Under a host nation agreement, the Commission's Italian employees earn separation pay for each year of service with the Commission. The Commission recognized an unfunded liability for separation pay for these employees of \$1,075,542 as of September 30, 2003, and \$878,992 as of September 30, 2002.

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 the OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2003, the Commission incurred \$1,002,933 of pension and ORB costs, \$325,683 of which was imputed. For fiscal year 2002, the Commission incurred \$878,193 of pension and ORB costs, \$262,305 of which was imputed. Total imputed costs of \$583,683 for fiscal year 2003 and \$457,305 for fiscal year 2002 included audit services provided by the General Accounting Office.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia headquarters, including office space for the WWII Memorial Project, are rented under a 10-year operating lease expiring in July 2007. The European Director's living quarters are rented under a yearly agreement. The Commission's Mediterranean office occupies commercial office space under a six-year operating lease expiring in May 2007. The Mediterranean Director's living quarters are rented under a six-year operating lease expiring in December 2007. Rent expense for these fiscal year 2003 operating leases was \$556,258. Future minimum payments due on these operating leases as of September 30, 2003, are:

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

<u>Fiscal Year</u>	
2004	\$558,147
2005	507,843
2006	499,389
2007	419,760
2008	<u>10,190</u>
	<u>\$1,995,329</u>

Note 9. Net Position

Net position balances as of September 30, 2003 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$10,048,160 ¹			\$10,048,160
Undelivered Orders	<u>12,756,682</u>			<u>12,756,682</u>
	<u>\$22,804,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$22,804,842</u>
Cumulative Results of Operations:				
Unrestricted	\$14,721	\$50,757,726	\$211,021	\$50,983,468
Undelivered Orders		9,922,037	69,338	9,991,375
Temporarily Restricted		1,380,777	-	1,380,777
Permanently Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$14,721</u>	<u>\$62,060,540</u>	<u>\$280,359</u>	<u>\$62,355,620</u>
Total Net Position	<u>\$22,819,563</u>	<u>\$62,060,540</u>	<u>\$280,359</u>	<u>\$85,160,462</u>

Net position balances as of September 30, 2002 were:

	<u>General Fund</u>	<u>Trust Funds</u>		<u>Total</u>
		WWII	Other	
Unexpended Appropriations:				
Unobligated	\$15,889,139 ²			\$15,889,139
Undelivered Orders	<u>8,385,851</u>			<u>8,385,851</u>
	<u>\$24,274,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,274,990</u>
Cumulative Results of Operations:				
Unrestricted	\$204,950	\$78,077,700	\$260,873	\$78,543,523
Undelivered Orders		14,041,070	44,378	14,085,448
Temporarily Restricted		5,014,127	-	5,014,127
Permanently Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$204,950</u>	<u>\$97,132,897</u>	<u>\$305,251</u>	<u>\$97,643,098</u>
Total Net Position	<u>\$24,479,940</u>	<u>\$97,132,897</u>	<u>\$305,251</u>	<u>\$121,918,088</u>

¹ Includes \$272,028 unobligated from \$5,000,000 no-year appropriation earmark for FY 2002 and \$4,000,000 unobligated from \$4,000,000 no-year appropriation that according to the conference report for the FY 2003 appropriation was added for design and construction of the Normandy Interpretive Center.

² Includes \$5,000,000 no-year appropriation earmark for FY 2002 for design and construction of the Normandy Interpretive Center.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Note 10. Trust Fund – World War II Memorial Fund Program

Financial progress since the inception of the Fund in fiscal year 1993 through fiscal year 2003 is as follows:

Costs	2003	Total 1993-2003*
Fundraising	\$1,884,054	\$34,197,178
Administration	1,080,009	7,846,590
Memorial project costs	158,887	1,807,909
Property, plant and equipment	9,727	262,282
Education	-	<u>426,834</u>
Subtotal	3,132,677	44,540,793
Design & Construction	<u>38,751,543</u>	86,720,366
Net Cost of Operations	41,884,220	131,261,159
Financing Sources		
Coin surcharge proceeds		4,797,329
Department of Defense		5,000,000
Sale of titanium		6,000,000
General support	<u>4,976,568</u>	<u>162,722,825</u>
Contributions	4,976,568	178,520,154
Investment earnings	<u>1,835,295</u>	<u>14,801,545</u>
Total Financing Sources	<u>6,811,863</u>	<u>193,321,699</u>
Net Results of Operations	<u>\$(35,072,357)</u>	<u>\$62,060,540</u>

*The amounts for fiscal years 1993 through 2000 were audited by the U.S. General Accounting Office and presented in their reports GAO/AIMD-95-9 for fiscal year 1993; GAO/AIMD-96-24 for fiscal year 1994; GAO/AIMD-97-68R for fiscal years 1995 and 1996; GAO/AIMD-98-129R for fiscal year 1997; GAO/AIMD-99-74 for fiscal year 1998; GAO/AIMD-00-85 for fiscal year 1999; GAO-01-375 for fiscal year 2000; GAO-02-390 for fiscal year 2001, and GAO-03-444 for fiscal year 2002.

Note 11. Subsequent Event

On January 23, 2004, Public Law 108-199 appropriated \$41.3 million of no-year funds for the Commission's salaries and expenses for fiscal year 2004. The Commission plans to use \$9 million of this appropriation towards the construction of a new interpretive and visitors' center at the American Cemetery in Normandy, France according to H.R. Conf. Rep. No. 108-401 at 1109 (2003). This brings appropriated funding for the center for fiscal years 2002 through 2004 to a total of \$18 million. Design and construction costs are estimated to be \$27 million and the Commission has included the remaining \$9 million in its fiscal year 2005 appropriation request.

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Required Supplementary Stewardship Information

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Statements of Heritage Assets

American Battle Monuments Commission
Statement of Heritage Assets
September 30, 2003
(Unaudited)

24 Cemeteries

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
<u>European Region</u>					
Aisne Marne American Cemetery	Belleau, (Aisne), France	2,290	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,328	462	90.5	WW II
Brittany American Cemetery	St James, (Manche), France	4,410	498	7.5	WW II
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,812	5,126	30.5	WW II
Epinal American Cemetery	Epinal, (Vosges), France	5,255	424	48.6	WW II
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,992	450	57.0	WW II
Lorraine American Cemetery	St. Avold, (Moselle), France	10,489	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg	5,076	371	48.7	WW II
Meuse-Argonne American Cemetery	Romagne, (Meuse), France	14,246	954	130.5	WW I
Netherlands American Cemetery	Margraten, Holland	8,301	1,723	65.5	WW II
Normandy American Cemetery	Colleville Sur-Mer, France	9,387	1,557	172.5	WW II
Oisne-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Somme American Cemetery	Bony, (Aisne), France	1,844	333	14.3	WW I
St Mihiel American Cemetery	Thiacourt, Meurthe, France	4,153	284	40.5	WW I
Suresnes American Cemetery	Seine, France	1,565	974	7.5	WW I/II
<u>Mediterranean Region</u>					
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II
Rhone American Cemetery	Draguignan, Var, France	861	294	12.5	WW II
Sicily-Rome American Cemetery	Nettuno, Italy	7,861	3,095	77.0	WW II
<u>Other</u>					
Corozal American Cemetery	Panama City, Panama	5,197		16.0	*
Mexico City American Cemetery	Mexico City, Mexico	1,563		1.0	Mex Am
Manila American Cemetery	Luzon, Phillipines	17,206	36,282	152.0	WW II
Sub Total for Cemeteries		130,927	60,311	1,272.3	

* Acquired by Executive Order from the former Panama Canal Zone

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

American Battle Monuments Commission
Statement of Heritage Assets
September 30, 2003
(Unaudited)

25 FEDERAL MEMORIALS, MONUMENTS & MARKERS

<u>Name</u>	<u>Location</u>	<u>Interred</u>	<u>Memorialized</u>	<u>Acres</u>	<u>War</u>
East Coast Memorial	New York City, NY		4,609	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,800	1.0	WW II/Korea/Vietnam
West Coast Memorial	San Francisco, CA		412	1.3	WW II
Audenarde Monument	Audenarde, Belgium			0.4	WW I
Bellicourt Monument	St. Quentin, France			1.8	WW I
Brest Naval Monument	Brest, France			1.0	WW I
Cabanatuan Memorial	Luzon, Phillipines				WW II
Cantigny Monument	Cantigny, France			0.4	WW I
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I
Chaumont Marker	Chaumont, France				WW I
Gibraltar Naval Monument	Gibraltar			0.1	WW I
Guadalcanal Memorial	Guadalcanal			0.5	WW II
Kemmel Monument	Ypres, Belgium			0.2	WW I
Marine Monument Belleau Wood	Aisne, France			199.6	WW I
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiacourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Point du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II
Saipan Monument	Saipan, Northern Mariana Islands				WW II
Santiago Surrender Tree	Santiago, Cuba				Sp American War
Sommepy Monument	Sommepy, France			15.0	WW I
Souilly Marker	Souilly, France				WW I
Tours Monument	Tours, France			0.5	WW I
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II
Western Naval Task Force Memorial	Casablanca, Morocco				WW II
Sub Total for Memorials		0	33,821	368.9	
Grand Total		<u>130,927</u>	<u>94,132</u>	<u>1,641.2</u>	

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

American Battle Monuments Commission
Statement of Heritage Assets
September 30, 2003
(Unaudited)

4 NON-FEDERAL MEMORIALS

<u>Name</u>	<u>Location</u>	<u>War</u>
29th Infantry Division	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

Appendix I
Annual Financial Report on the American
Battle Monuments Commission

Note to Statements of Heritage Assets

American Battle Monuments Commission
Note to Statement of Heritage Assets
September 30, 2003
(Unaudited)

Maintenance and Repairs

Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$4.0 million in fiscal year 2003. Prior year maintenance and repairs totaled \$4.3 million in fiscal year 2002, \$3.5 million in fiscal year 2001, \$5.6 million in fiscal year 2000, \$6.1 million in fiscal year 1999, and \$5.9 million in fiscal year 1998, most of which was applied to deferred maintenance projects. The Commission received \$11.3 million of additional appropriations from the Congress for fiscal years 1998 through 2002 that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002.

Condition assessment surveys, using a five-point scale of one (excellent) to five (very poor), identify needed future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition of three (fair) or better. Using these condition assessment surveys, 128 engineering maintenance projects with an estimated cost of \$4.1 million were identified as of September 30, 2003 to be performed in future years as necessary to maintain real property in an acceptable condition.

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