United States Government Accountability Office

Report to the Chairman and the Secretary, American Battle Monuments Commission

July 2013

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2012 and 2011

GAO-13-641

GAO Highlights

Highlights of GAO-13-641, a report to the Chairman and the Secretary, American Battle Monuments Commission

Why GAO Did This Study

Created in 1923, the Commission operates and maintains 24 American military cemeteries on foreign soil; 25 federal memorials, monuments, and markers; and 8 nonfederal memorials.

In accordance with section 2103 of title 36, United States Code, GAO initiated work in July 2012 to conduct the annual audit of the Commission's financial statements for fiscal years ended September 30, 2012 and 2011. Subsequently, on December 28, 2012, the GAO Mandates Revision Act of 2012 was enacted, which repealed GAO's annual requirement to audit the Commission's financial statements. However, because the audit was in progress at the time the act was passed, GAO elected to complete it under the authority of the Comptroller General to conduct evaluations on GAO's initiative.

GAO audited the Commission's 2012 and 2011 financial statements to determine whether, in all material respects, the financial statements were fairly presented. GAO also tested the Commission's compliance with selected laws and regulations.

What GAO Recommends

GAO is not making any recommendations in this report, but will be reporting separately on the internal control matters identified during its audit and providing recommendations for corrective action.

In commenting on a draft of this report, the Commission concurred with GAO's findings and conclusions and stated that it has initiated corrective actions on the material weaknesses and significant deficiency.

View GAO-13-641. For more information, contact Cheryl E. Clark at (202) 512-9377 or clarkce@gao.gov.

July 2013

FINANCIAL AUDIT

American Battle Monuments Commission's Financial Statements for Fiscal Years 2012 and 2011

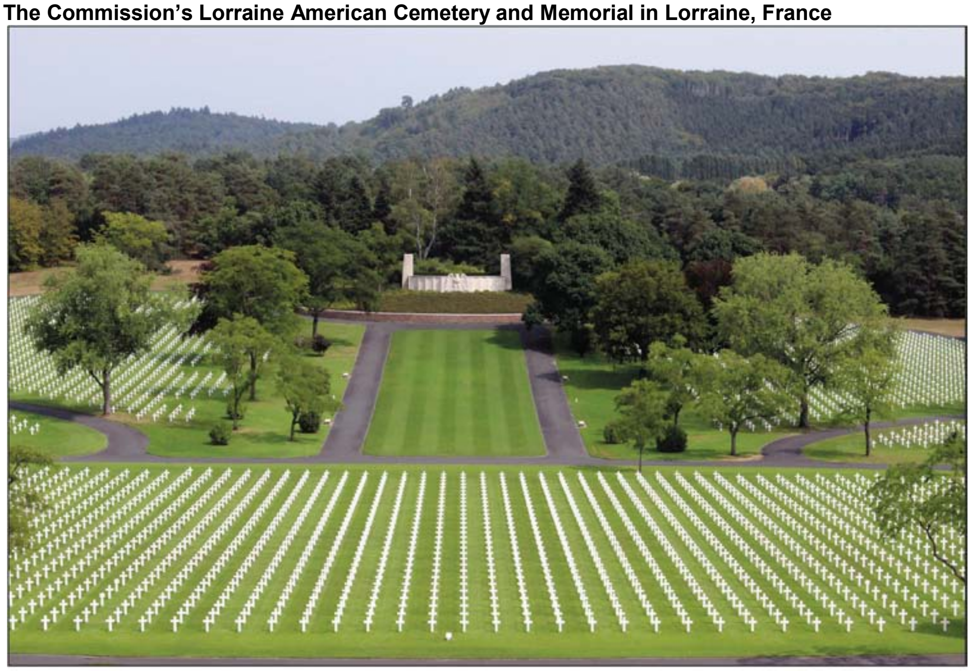
What GAO Found

In GAO's opinion, the financial statements of the American Battle Monuments Commission (the Commission) as of September 30, 2012 and 2011, and for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. However, GAO found two material weaknesses that resulted in ineffective internal control over financial reporting. GAO also found one area of noncompliance with laws and regulations it tested.

The material weaknesses concern the Commission's financial reporting process and its monitoring process. Because of these control weaknesses, GAO found significant errors in the Commission's financial reporting that were not detected by the Commission. The Commission made the necessary adjustments and was able to prepare financial statements that were fairly stated in all material respects by fiscal year-end. However, these material weaknesses increase the risk that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. GAO also found that a previously reported significant deficiency concerning foreign payroll processing continued to exist during fiscal year 2012. These material weaknesses and the significant deficiency in internal control warrant the attention of those charged with governance of the Commission.

The area of noncompliance concerns the Commission not properly using its Foreign Currency Fluctuation Account for fluctuations in foreign currency exchange rates related to payments made in foreign currencies.

The Commission's Lorraine American Cemetery and Memorial in Lorraine, France



Source: American Battle Monuments Commission.

Contents

Abbreviations

ABMC	American Battle Monuments Commission (the Commission)
FASAB	Federal Accounting Standards Advisory Board
FCFA	Foreign Currency Fluctuations Account
FMFIA	Federal Managers' Financial Integrity Act of 1982
OMB	Office of Management and Budget
RSI	Required Supplementary Information
U.S. GAAP	U.S. generally accepted accounting principles

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

July 19, 2013

The Honorable Merrill McPeak
Chairman
The Honorable Max Cleland
Secretary
American Battle Monuments Commission

This report presents the results of our audits of the financial statements of the American Battle Monuments Commission (the Commission) as of and for the fiscal years ending September 30, 2012 and 2011. These financial statements are the responsibility of the Commission. This report contains our (1) opinions on the Commission's financial statements, (2) results of our consideration of the Commission's internal control over financial reporting, and (3) results of our tests of the Commission's compliance with selected provisions of laws and regulations.

In response to a recurring requirement to audit the Commission's financial statements in section 2103(h)(2)(B) of title 36, United States Code, we initiated work in July 2012 to conduct the annual audit of the Commission's financial statements for fiscal years 2012 and 2011. Subsequently, on December 28, 2012, the GAO Mandates Revision Act of 2012 was enacted, which repealed GAO's annual requirement to audit the Commission's financial statements. (See Pub. L. No. 112-234, § 2(g), 126 Stat. 1624, 1625 (2012).) However, because we had made significant progress on the audit when the act was passed, we elected to complete the audit under the authority of the Comptroller General to conduct evaluations on GAO's initiative. We conducted our audit in accordance with U.S. generally accepted government auditing standards.

We are sending copies of this report to the commissioners, interested congressional committees, the Director of the Office of Management and Budget, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

Should you or your staff have any questions concerning this report, please contact me at (202) 512-9377 or clarkce@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report.

Cheryl E. Clark

Cheryl E. Clark
Director
Financial Management and Assurance

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
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Independent Auditor's Report

To the Chairman and Secretary of the American Battle Monuments Commission

In our audits of the American Battle Monuments Commission's (the Commission) financial statements for fiscal years 2012 and 2011,[1] we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP);
- material weaknesses in internal control concerning the Commission's (1) financial reporting process and (2) monitoring process that resulted in ineffective internal control over financial reporting for fiscal year 2012;[2] and
- a noncompliance with the laws governing the Commission's use of its Foreign Currency Fluctuations Account (FCFA).[3]

The following sections discuss (1) these conclusions; (2) required supplementary information (RSI) and other information included with the

[1] In response to a recurring requirement to audit the Commission's financial statements in section 2103(h)(2)(B) of title 36, United States Code, we initiated work in July 2012 to conduct the annual audit of the Commission's financial statements for fiscal years 2012 and 2011. Subsequently, on December 28, 2012, the GAO Mandates Revision Act of 2012 was enacted, which repealed GAO's annual requirement to audit the Commission's financial statements. Pub. L. No. 112-234, § 2(g), 126 Stat. 1624, 1625 (2012). However, because we had made significant progress on the audit when the act was passed, we elected to complete the audit of the Commission's financial statements for fiscal years 2012 and 2011 under the authority of the Comptroller General to conduct evaluations on GAO's initiative.

[2] 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 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.

[3] Congress created the FCFA in 1988. FCFA funds are only to be used to pay the cost of salaries and expenses that exceed the amount appropriated for salaries and expenses because of fluctuations in foreign currency exchange rates that occur after the Commission's budget request is submitted to Congress. 36 U.S.C. § 2109(a).

financial statements; (3) our audit objectives, scope, and methodology; and (4) the Commission's comments on a draft of this report.

Opinion on Financial Statements

The Commission's financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. GAAP, the Commission's assets, liabilities, and net position as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the fiscal years then ended.

However, misstatements may nevertheless occur in other financial information reported by the Commission and not be detected as a result of the deficiencies in internal control described in this report.

Material Weaknesses in Internal Control over Financial Reporting

During our fiscal year 2012 audit, we identified two material weaknesses concerning the Commission's (1) financial reporting process and (2) monitoring process that resulted in ineffective internal control over financial reporting. We also determined that a significant deficiency in internal control over the Commission's foreign employee payroll processes,[4] which we reported in last year's audit,[5] continued to exist in fiscal year 2012. Because of the existence of the material weaknesses, the Commission's internal control did not provide reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements would be prevented, or detected and corrected, on a timely basis. Further, as a result of the material weakness in its monitoring process, the Commission did not identify and therefore disclose the two material weaknesses in its fiscal year 2012 assertion on the effectiveness of internal control issued pursuant to Office of Management and Budget (OMB) Circular No. A-123, *Revisions to OMB Circular A-123, Management's Responsibility for Internal Control* (OMB A-123), and the Federal Managers' Financial Integrity Act of 1982 (FMFIA).[6]

[4] 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 the attention of those charged with governance.

[5] GAO, *Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 2011 and 2010*, GAO-12-404 (Washington, D.C.: Mar. 1, 2012).

[6] 31 U.S.C. § 3512(c), (d), commonly known as FMFIA, requires the head of an agency, based on the agency's internal evaluation, to provide an annual Statement of Assurance on the effectiveness of the agency's management, administrative, and financial reporting controls. OMB A-123 implements FMFIA and defines management's responsibility for internal control in federal agencies.

The Commission's assertion is presented in its Management's Discussion and Analysis, which accompanies the financial statements.

In planning and performing our audit, we considered the Commission's internal control over financial reporting for the purpose of determining our procedures for auditing the financial statements, not to express an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting. We considered the material weaknesses and the significant deficiency in determining the nature, timing, and extent of our audit procedures. Based on the scope of our audit, our internal control work would not necessarily identify all deficiencies in internal control, including those that might be material weaknesses or significant deficiencies. We caution that our consideration of internal control, conducted for the limited purposes discussed above, may not be sufficient for other purposes.

A significant factor contributing to the material weaknesses was that the Commission did not effectively assess the risks related to recent changes it made to its organizational and financial reporting structure and did not design its internal control processes to address the change in risks. Therefore, during fiscal year 2012, the Commission did not have appropriate policies, procedures, and mechanisms in place to effectively and consistently implement internal control over financial reporting.

Although there were material weaknesses in internal control, the Commission made the necessary adjustments and was able to prepare financial statements that were fairly presented in all material respects for fiscal years 2012 and 2011. However, the material weaknesses may adversely affect any decisions by the Commission's management that are based, in whole or in part, on information that is inaccurate because of these weaknesses.

We will be reporting separately to Commission management further details about the material weaknesses we found during this year's audit and providing recommendations for corrective action. Our recommendations concerning the significant deficiency over foreign payroll that we made in last year's audit remain open.[7] We also identified

[7] GAO, *Management Report: Improvements Are Needed to Strengthen the American Battle Monuments Commission's Internal Controls and Accounting Procedures*, GAO-12-830R (Washington, D.C.: July 26, 2012).

other deficiencies in the Commission's system of internal control that we do not consider to be material weaknesses or significant deficiencies, but which we believe are important enough to warrant management's attention. We have communicated these matters to Commission management.

Material Weakness in the Commission's Financial Reporting Process

During our audit of the Commission's fiscal year 2012 financial statements, we identified several deficiencies in the Commission's financial reporting process that collectively represent a material weakness. The deficiencies that constituted this material weakness include the Commission's (1) inadequate process for preparing the financial statements, (2) improper accounting for accrued foreign currency transactions, and (3) ineffective review of financial transactions. These deficiencies contributed to significant errors recorded in the Commission's accounting records and in the draft financial statements. As a result, adjustments were necessary to finalize the Commission's fiscal year 2012 financial statements to achieve fair presentation. A discussion of these deficiencies follows.

Preparation of Financial Statements

Beginning with its fiscal year 2012 financial reporting period, the Commission used an external service organization to prepare its financial statements. However, the Commission did not have an effective quality control process or mechanisms in place to reasonably assure that the financial statements were properly prepared in accordance with U.S. GAAP and OMB guidance for federal agencies. As a result, the fiscal year 2012 draft financial statements the Commission provided to us to audit contained numerous errors, including significant amounts that were misclassified or reported on the wrong financial statement, adjustments that were incorrectly reflected in the financial statements, and budgetary and proprietary accounts that did not appropriately reconcile. In addition, the draft notes to the financial statements omitted certain required disclosures and contained information that was incomplete or did not properly correspond to related amounts in the financial statements.

Accounting for Foreign Currency Transactions

During our fiscal year 2012 audit, we found that the Commission did not use the appropriate foreign currency exchange rate to recognize the value of accrued transactions originally denominated in foreign currencies in its financial statements. In financial statements denominated in U.S. dollars such as the Commission's, all amounts in the balance sheet that are originally denominated in foreign currencies should be translated into U.S. dollars at the U.S. Department of the Treasury (Treasury) exchange rate at the balance sheet date for financial reporting purposes.[8] However, in its draft financial statements, the Commission translated these amounts using an internally developed exchange rate that for euro-denominated accrued transactions, significantly understated the value compared to the value that would be derived if the Commission had used the Treasury exchange rate for these transactions.[9] Since the preponderance of the Commission's accrued balances were originally denominated in euros, the draft financial statements were significantly misstated.

Review of Financial Transactions

The Commission did not effectively review transactions to ensure that the transactions were accurate, valid, complete, and recorded in the appropriate accounting period. For example, the Commission did not review its open obligations to verify that they remained valid and that adjustments were made properly and timely.[10] As a result, the Commission was not aware that as of September 30, 2012, at least $603,000 of recorded obligations were no longer valid, thereby restricting the availability of these funds for other purposes. In another example, we found amounts recorded in the general ledger that could not be reconciled to supporting detail, such as certain deposits of trust fund donations the Commission collected from donors to decorate grave sites with flowers and maintain and repair nonfederal war memorials. However, we were able to obtain sufficient, appropriate evidence that the related general ledger balance was not materially misstated. Further, our audit found numerous instances in which transactions were incorrectly recorded in the general ledger accounting system, including accounts

[8] See Federal Accounting Standards Advisory Board 1, *Accounting for Selected Assets and Liabilities*, and Financial Accounting Standards Board 830, *Foreign Currency Matters*. In addition, the *Treasury Financial Manual* instructs federal agencies to use the Treasury exchange rate for this purpose.

[9] The internal exchange rates the Commission used for recognizing transactions denominated in the other currencies were significantly closer to the statutory rate and the volume of transactions was considerably less than those denominated in euros. Consequently, the effect on these foreign currency transactions was not significant.

[10] When the Commission initially places orders with vendors, it records budgetary obligations to reserve funds to pay for the goods and services. Once the goods have been received, the services have been performed, or a decision has been made that the goods or services are no longer needed, the related obligation is no longer valid and should be deobligated.

payable amounts, budgetary entries, payroll accruals, and depreciation calculations.

Material Weakness in Monitoring Internal Control

During fiscal year 2012, the Commission did not have an adequate process for monitoring the design and operating effectiveness of its internal control to identify, evaluate, and correct internal control deficiencies. For example, the Commission did not

- consider its internal control environment, which entails such elements as the tone at the top, ethical standards, and personnel management, and which can have a significant effect on how the organization functions and the integrity of its financial accounting and reporting;
- adequately assess the risk of material misstatement to its financial statements;
- document its OMB A-123 approach for assessing its internal control, or provide sufficient, appropriate evidence to support its conclusions on the effectiveness of its internal control activities;[11] or
- establish a corrective action plan or process for addressing deficiencies that have been identified.

In addition to not adequately monitoring its in-house control processes, the Commission did not adequately monitor the effectiveness of internal control at the service organizations that performed significant aspects of its financial transaction processing and reporting, including processing its federal employee payroll transactions, reconciling its fund balance with Treasury, and preparing its annual financial statements.[12] Specifically, the Commission did not evaluate the service organizations' service auditor reports that contained information on the service organizations' controls and the effectiveness of those controls, and did not consider the impact of the findings and conclusions contained in the service auditor reports on

[11] OMB A-123 defines management's responsibility for developing and maintaining internal control in federal agencies and provides guidance for federal managers to use in providing an annual FMFIA assurance statement on whether the agency's internal control met the objectives of effective and efficient operations, reliable financial reporting, and compliance with laws and regulations. The internal control assessment that OMB A-123 directs agencies to perform to support its annual FMFIA assurance statement is critical to effective monitoring of internal control over financial reporting.

[12] In fiscal year 2012, the Commission contracted with one outside service organization to process its federal employee payroll transactions and another organization to reconcile its fund balance with Treasury and to prepare its financial statements.

the effectiveness of its internal control.[13] Further, the Commission did not design and implement appropriate complementary user entity controls that were identified by the service auditors.[14]

As a result of its inadequate monitoring process, the Commission did not identify the deficiencies discussed above and therefore did not include these deficiencies in its FMFIA assurance statement for fiscal year 2012. The deficiencies in the Commission's monitoring process increase the risk that additional deficiencies in internal control over financial reporting beyond those identified in this report may exist.

Significant Deficiency in Foreign Employee Payroll Processes

In our audit of the Commission's fiscal year 2011 and 2010 financial statements,[15] we identified a significant deficiency in the Commission's internal control over payroll processes for its non-U.S. citizen employees (foreign employees) that increased the risk of financial reporting misstatements and unauthorized access and manipulation of the systems or their data.[16] Specifically, we found that (1) two system administrators had inappropriate access, allowing them to not only make system changes but also to alter data in systems for which they were responsible; (2) the Commission had not installed critical updates and patches on several of its servers as outlined in its Computer Security Plan; and (3) the Commission did not have policies and procedures clearly delineating the responsibilities of both the Human Resources and Finance Directorates with respect to ensuring accurate payroll information for

[13] In accordance with Statement of Standards on Attestation Engagements No. 16, *Reporting on Controls at a Service Organization*, the auditors of each of these external service organizations issued reports concerning the design and operating effectiveness of the service organizations' internal control over the processing of user transactions. Services provided by an external service organization are considered to be part of a user entity's information system relevant to the user entity's financial reporting if the services affect classes of transactions that are significant to the user entity's financial statements as well as the financial reporting process used to prepare the financial statements.

[14] Service auditor reports identify any key complementary user entity controls that user entities should have in place to achieve the control objectives described in the service auditor reports.

[15] GAO-12-404.

[16] The Commission maintains three payroll systems for foreign employees located in the following countries: (1) Belgium, (2) the United Kingdom (England), (3) France, (4) Italy, (5) Luxembourg, (6) the Netherlands, and (7) Tunisia.

foreign employees. During fiscal year 2012, the Commission contracted with a consultant to assess information relating to the Commission's foreign payroll operations, analyze outsourcing options, and compare vendors for final selection and contract negotiations. However, as of September 30, 2012, the Commission had not taken action to address the specific deficiencies we identified during our fiscal year 2011 audit concerning its foreign payroll processes. Consequently, the deficiencies we identified concerning the Commission's foreign payroll processes remained as of September 30, 2012, thus increasing the risk of undetected errors or irregularities in the processing of the Commission's foreign payroll and, ultimately, in its financial statements.

Compliance with Laws and Regulations

Our tests of the Commission's compliance with selected provisions of laws and regulations for fiscal year 2012 disclosed one area of noncompliance that is reportable under U.S. generally accepted government auditing standards. This area relates to the Commission not properly charging its FCFA for fluctuations in foreign currency exchange rates related to payments made in foreign currencies. Specifically, the Commission did not comply with the FCFA's governing statutes in (1) section 2109 of title 36, United States Code, which authorizes the use of FCFA funds to pay the costs of salaries and expenses that exceed the amount appropriated for salaries and expenses because of fluctuations in currency exchange rates of foreign countries occurring after a budget request is submitted to Congress and (2) the Consolidated Appropriations Act, 2012, which appropriated an unlimited amount of FCFA funds for purposes authorized by section 2109.[17]

To determine the portion of costs of salaries and expenses incurred because of fluctuations in foreign currency exchange rates that occurred after the submission of the budget request to Congress involves a comparison of the Treasury exchange rates in effect on the date of payment with those in effect on the date the Commission submitted its budget request. In instances where the Treasury exchange rate (from the foreign currency into U.S. dollars) in effect on the date of payment exceeds the Treasury exchange rate that was in effect on the date of budget submission, the Commission can use the FCFA to fund the resultant additional cost related to the exchange rate fluctuations.

[17] Pub. L. No. 112-74, div. H, title III, 125 Stat. 786, 1160 (2011).

However, we found that the Commission's process for determining the amount to charge to the FCFA was based on the Commission comparing the Treasury exchange rate on the date of payment to internally developed exchange rates the Commission used for foreign currency transactions in its budget submission. Because the Commission's internal rate for euro transactions, which accounted for the predominance of foreign currency transactions, undervalued the euro on the date of budget submission, the Commission charged significantly more costs to the FCFA than were allowable by law in the transactions we evaluated.[18]

Specifically, in our testing of charges to the FCFA, we found certain instances where the Commission used FCFA funds to pay for portions of expenses for which FCFA funds were not available. Therefore, we are concluding that in these instances, the Commission was not in compliance with section 2109 of title 36, United States Code, and the Consolidated Appropriations Act, 2012. Based on our statistical evaluations, of the $8.6 million charged to the FCFA during fiscal year 2012, we estimate that as much as $7.3 million of that amount shares characteristics with the FCFA funds in the transactions we fully evaluated and found to be noncompliant.[19]

Except as noted above, our tests for compliance with laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. 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.

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[18] The internally developed exchange rates the Commission used for recognizing transactions denominated in the other foreign currencies, including the Tunisian dinars, Philippine pesos, and Mexican pesos, were significantly closer to the Treasury rate, and the volume of these transactions was significantly less than that of those denominated in euros. Consequently, funds, if any, used from the FCFA for these other foreign currency transactions were less significant.

[19] Our evaluation was based on a statistical sample from a population of 15,650 expenditures totaling $8.6 million charged to the FCFA during fiscal year 2012. Net and absolute dollar value totals for the population were $8.6 million and $9.1 million, respectively. We are 95 percent confident that the upper error limit total that should have been charged to the Commission's appropriations for salaries and expenses is $7.3 million if the use of FCFA funds was noncompliant in a similar fashion as in those transactions we fully evaluated.

Required Supplementary Information

U.S. GAAP requires that the RSI be presented to supplement the financial statements.[20] This information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. 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

The Commission's other information contains a wide range of information, some of which is not directly related to the financial statements.[21] This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Our audit was conducted for the purpose of forming an opinion on the Commission's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Objectives, Scope, and Methodology

Commission management is responsible for (1) preparing the financial statements in conformity with U.S. GAAP; (2) preparing, measuring, and presenting the RSI in accordance with the prescribed guidelines in U.S. GAAP; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) establishing and maintaining effective internal control over financial reporting and evaluating its effectiveness; and (5) complying with applicable laws and regulations.

We are responsible for planning and performing the audit to obtain reasonable assurance and provide our opinion about whether the Commission's financial statements are presented fairly, in all material respects, in conformity with U.S. GAAP. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial

[20] The RSI comprises the Management's Discussion and Analysis and the Maintenance, Repairs, and Improvements sections that are included with the financial statements.

[21] Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

reporting to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements, and (3) applying certain limited procedures to the RSI and other information included with the financial statements.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by Commission management;
- evaluated the overall presentation of the Commission's financial statements;
- obtained an understanding of the Commission and its operations, including its internal control over financial reporting;
- assessed the risk that a material misstatement exists in the financial statements;
- tested relevant internal controls over the Commission's financial reporting for the purposes of planning and performing our other audit procedures;
- considered the Commission's process for evaluating and reporting on internal control over financial reporting under FMFIA;
- tested compliance with selected provisions of the Antideficiency Act, as amended; Prompt Payment Act; Pay and Allowance System for Civilian Employees; Civil Service Retirement Act; Federal Employees Health Benefits Act of 1959, as amended; Federal Employees' Retirement System Act of 1986, as amended; Social Security Act of 1935, as amended; Tax Relief Unemployment Insurance Reauthorization and Job Creation Act of 2010; Temporary Payroll Tax Cut Continuation Act of 2011; Middle Class Tax Relief and Job Creation Act of 2012; Continuing Appropriations Act, 2012; Consolidated Appropriations Act, 2012; the Commission's enabling legislation, codified at 36 U.S.C. Chapter 21; and public laws applicable to the World War II Memorial Fund;
- conducted inquiries of management about the methods of preparing the RSI, and compared this information for consistency with

management's responses to the auditor's 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;

- read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements; and

- performed such other procedures as we considered necessary in the circumstances.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. Because of inherent limitations, internal control may not prevent, or detect and correct, misstatements caused by error or fraud, losses, or noncompliance. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with policies and procedures may deteriorate.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the Commission's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards. We believe our audit provides a reasonable basis for our opinion and other conclusions.

Commission's Comments

We received e-mail comments on a draft of this report from the Commission's Chief Financial Officer on July 3, 2013, on behalf of the Commission. The Commission concurred with the findings concerning the material weaknesses and significant deficiency and stated that corrective actions have already been initiated on each of these findings. The Commission also concurred with the noncompliance with the laws governing the use of the FCFA, recognizing its misreading of the authorizing law.

Cheryl E. Clark
Director
Financial Management and Assurance

June 28, 2013

AMERICAN BATTLE MONUMENTS COMMISSION
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 2012 appropriation supported its continued commitment to the worldwide responsibilities that flow from this mission.

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

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

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

During fiscal year 2012, the Commission continued to ensure that its commemorative cemeteries and memorials remain fitting shrines to those who have served our nation in uniform since America's entry into World War I.

The Commission's mission statement:

The American Battle Monuments Commission—guardian of America's overseas commemorative cemeteries and memorials—honors the competence, courage, and sacrifice of United States armed forces.

Organizational Structure

The Commission's organizational structure for fiscal year 2012 is shown in figure 1.

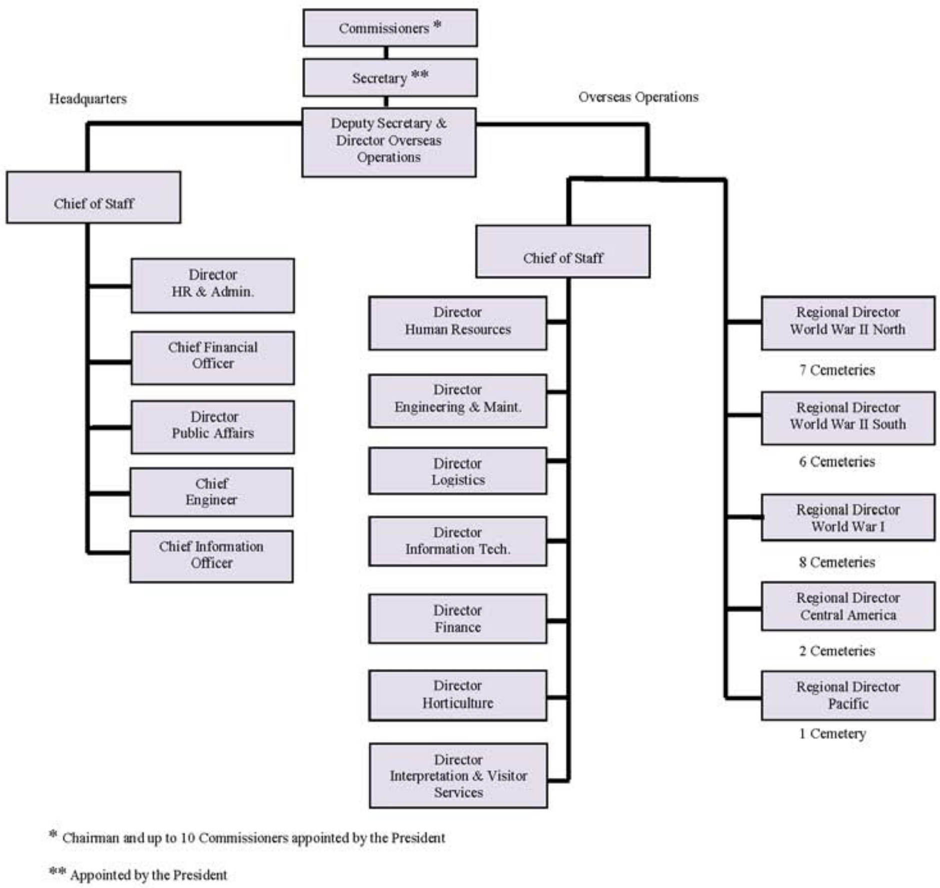

Figure 1: The Commission's Organizational Structure

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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 appointed by the President and assisted by a Deputy Secretary.

The Commission's headquarters is in Arlington, Virginia and an Office of Overseas Operations is located in Garches, France, just outside Paris. For fiscal year 2012, the Commission had a total of 393 full-time equivalent (FTE) positions.

Operations Management

Operations management activities in fiscal year 2012 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 2012, the Commission received $61,100,000 from appropriations in its Salaries and Expenses account. The Commission's Foreign Currency Fluctuations Account appropriation for fiscal year 2012 contained "such sums as may be necessary" language. For fiscal year 2012, the Commission estimated $16,000,000 be used to offset currency exchange losses. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

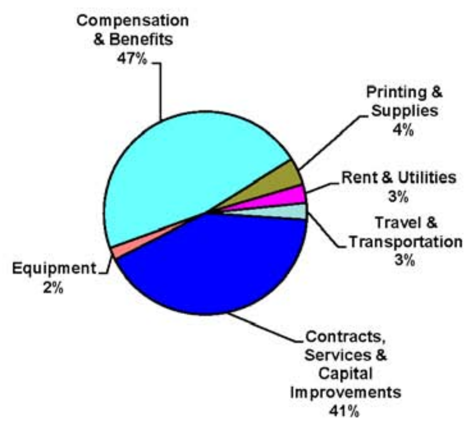

Figure 2: Fiscal Year 2012 Obligations by Object Class

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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 upkeep of more than 131,000 graves and headstones and 73 memorial structures (within and external to the cemeteries) on approximately 1,650 acres of land. Additionally, the Commission maintains 65 visitor facilities and quarters for assigned personnel; 67 miles of roads and paths; and 911 acres of ornamental trees, flowering plants, shrubs and hedges, fine lawns, and meadows.

Care and maintenance of these resources requires exceptionally intensive labor at the Commission's cemeteries and memorials. Compensation and benefits consumed approximately 47% of the Commission's fiscal year 2012 spending while the remaining 53% supported engineering, maintenance, horticulture, logistics, services, supplies and other administrative costs critical to its operations.

Financial Analysis

Assets

The Combined Balance Sheet reflects total assets of $96.6 million at the end of FY 2012, an increase of $13.7 million over the $82.9 million at the end of FY 2011. The Fund Balance with Treasury and Treasury Investment line items increased by $13.7 million, as construction projects had been obligated by fiscal year end, but payments had not yet commenced. The increase is also attributable to the Commission taking an in depth look at preserving the integrity of its heritage assets. Some projects designated to enhance heritage assets were postponed to the next fiscal year. The postponed projects were not part of regularly scheduled maintenance. The Commission's assets reflected in the Combined Balance Sheet were as follows:

ASSETS BY TYPE

	2012	%	2011	%
Fund Balance with Treasury	89,766,221	93%	75,990,111	92%
Investments, Net	4,461,772	5%	4,531,154	5%
Cash and Foreign Accounts	147,368	0%	139,225	0%
Accounts Receivable and Employee Advances	17,919	0%	6,751	0%
General Property and Equipment, Net	2,208,337	2%	2,278,459	3%
Total Assets	96,601,617	100%	82,945,700	100%

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Liabilities

The Commission's Combined Balance Sheet reflects total liabilities of $11.6 million at the end of FY 2012, which represents an increase from the previous year's total liabilities of $9.0 million. The increase is mainly due to construction projects that had been obligated by year end, but payments had not yet commenced. Liabilities are categorized as intragovernmental liabilities or liabilities held with the public. Intragovernmental liabilities totaled $0.7 million in fiscal year 2012 compared to $1.7 million in fiscal year 2011. The decrease is mainly attributable to the completion of the outsourcing of the new financial management system to the Department of Interior's Interior Business Center. Liabilities held with the public totaled $11.0 million in fiscal year 2012 compared to $7.2 million in fiscal year 2011. The increase is mainly attributable to construction projects that had been obligated by year end, but payments had not yet commenced. The composition of the Commission's liabilities was as follows:

LIABILITIES BY TYPE

	2012	%	2011	%
Accounts Payable	7,790,009	67%	5,319,786	59%
Other Liabilities	3,828,348	33%	3,690,157	41%
Total Liabilities	11,618,357	100%	9,009,943	100%

Net Position

The Commission's Combined Balance Sheet and Combined Statement of Changes in Net Position reflect a Net Position of $85.0 million at the end of FY 2012, a 15% increase from the $73.9 million net position in fiscal year 2011. The increase is mainly attributable to the increase in Fund Balance with Treasury. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

Net Costs

The Commission's total net cost of operations for FY 2012 was $67.8 million. This represents an decrease of $5.6 million of the Commission's net cost of operations of $73.4 million in FY 2011. The decrease is mainly attributable to the completion of the implementation of a new financial management system in FY 2011 and postponing of engineering and horticulture projects to the next fiscal year. All postponed projects were designated to enhance and add value to heritage assets, they were not part of any regularly scheduled maintenance.

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Budgetary Resources

The Combined 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 2012 fiscal year, the Commission had total budgetary resources of $133.9 million, which represents a 5% increase from FY 2011 levels of $127.8 million. Gross Budget Authority of $77.9 million consisted of $77.1 million in appropriations received and $0.8 million in other receipts. The Commission incurred obligations totaling $80.5 million in fiscal year 2012 compared with FY 2011 obligations incurred of $78.0 million.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2012, the Commission had net outlays of $63.3 million, compared to $70.9 million in net outlays in fiscal year 2011, a decrease of 11%. The decrease is mainly attributable to construction projects that had been obligated by fiscal year end, but payments had not yet commenced.

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, 2012, the Commission had 24 cemeteries, 25 federal memorials and 8 nonfederal memorials. Presently, over 131,000 U.S. war dead 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 over 1,600 acres. This land is provided to the Commission through host nation agreements for permanent use as cemeteries and memorials.

High Priority Performance Goals and Results

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

Goal 1: Provide an inspirational and educational visitor experience through effective outreach and interpretive programs.

Objectives for Goal 1

- Educate the public about the Commission's mission, and the competence, courage, and sacrifice of those honored at the agency's commemorative sites.
- Increase visitation to the Commission's cemeteries, memorials, and website.
- Educate and train all employees who provide visitor services in interpretive skills.
- Leverage international events and relevant anniversary dates to interpret the Commission's cemeteries.
- Satisfy constituents' needs through timely distribution of information and products.

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Strategy for Achieving Goal 1

We will develop educational materials and new technology capabilities to improve visitor education programs, both on-site and on our website. We will expand Web marketing and public/media outreach to increase visitation to our website and memorial sites. We will also develop a methodology to count visitors so that we can document both on-site and website visitation. We will expand training and mentoring opportunities to enhance professional and personal development of our employees. We will also create historical reference libraries to assist in the interpretive mission. We will leverage upcoming milestones to increase the public reach of the interpretive initiative, including D-Day, Memorial Day, Veterans Day, the 100th anniversary of World War I, and the 70th anniversary of World War II. We will automate frequently requested services for our constituents in order to improve on-site and website customer service.

Selected Performance Results toward Achieving Goal 1

- Work under a contract to produce 18 educational military campaign interactive programs for the agency website and visitor centers progressed well during the fiscal year. A World War II timeline interactive was completed and installed at the Normandy and Cambridge cemeteries and a web version was nearing completion; a World War I timeline program was to be completed in January 2013 and work was begun on several campaign interactive programs related to Cambridge and Sicily-Rome cemeteries.

- The agency's first mobile application for smart phones—a tour of the Pointe du Hoc battlefield—was in development as the fiscal year ended, with a projected launch in January 2013. With its completion, the Commission will begin work on mobile apps for Aisne-Marne, Meuse-Argonne and St. Mihiel cemeteries, timed for the World War I Centennial, and an app for the Honolulu Memorial, where the missing from World War II in the Pacific, the Korean War, and the Vietnam War are memorialized.

- Also underway was a total redesign of the agency website and war dead database, which will complement the agency's emphasis on becoming a respected educational resource for students and teachers. The new website was expected to launch by April 2013.

- Interest from military units, veterans groups, and local citizens and organizations continued, as they took opportunities to pay tribute to those honored at the Commission's cemeteries by visiting individually or participating in ceremonies and "adopt a grave" programs.

- The Commission continued to respond to customer requests for lithographs, no fee passport authorizations, flower placements, and general information about the overseas cemeteries and memorials we administer.

Goal 2: Develop, operate, maintain, and improve the Commission's facilities as the world's best commemorative sites.

Objective for Goal 2

- Review and evaluate facilities and execute approved maintenance, repair, and improvements.

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Strategy for Achieving Goal 2

We will continue to operate, maintain, and improve the Commission's facilities and infrastructure in like-new condition, and implement our evaluation processes to ensure compliance with our high standards. We will work to reduce the growth of operational and routine maintenance costs and promote more effective long-term planning, operations, and resource management.

Selected Performance Results toward Achieving Goal 2

- The following are examples of the engineering, maintenance and horticulture projects executed in fiscal year 2012:
  - Repaired the memorial terraces at Ardennes, Epinal and Henri-Chapelle cemeteries
  - Renovated the service areas at Rhone and North Africa cemeteries
  - Cleaned and repointed the exteriors of memorials at Epinal, Netherlands and Luxembourg cemeteries and the federal monument at Montsec
  - Repaired the Wall of the Missing at Rhone cemetery
  - Repaired the stonework at Oudenaarde and Monfaucon federal monuments
- The Commission continued a headstone refurbishing program to keep the headstones in "like new" condition.

Goal 3: Attract and retain quality employees through personal and professional investment and development.

Objectives for Goal 3

- Establish baseline employee satisfaction through an employee survey.
- Ensure timely and effective employee recognition.
- Implement an enhanced performance management program with annual performance work plans tied to the strategic plan.
- Balance employee personal and professional responsibilities through work/life initiatives.
- Implement a professional development program responsive to agency and employee needs.

Strategy for Achieving Goal 3

We will implement a professional training and development program, clearly map employee roles and responsibilities to the components of our strategic plan, develop a better understanding of employee needs and satisfaction, and make sure that truly outstanding performance is appropriately recognized.

Selected Performance Results toward Achieving Goal 3

- The Commission continues to recognize employees for special acts in a timely manner.

- New performance appraisal program was issued in January 2012 and used for interim and final performance appraisals.

- Made progress in developing needed HR policies and streamlining/establishing procedures required for the proper functioning of a good HR program. Among the policies developed and issued were use of POV's, and pass/fail performance appraisal system.

- The Commission continues to make progress in providing management and supervisory training to its most visible and important positions—its cemetery superintendents. Training for other employees is provided as the need is foreseen or arises.

- Contracted for an outside party to conduct an employee satisfaction survey to be completed in early FY 2013.

Goal 4: Continually improve business and resource management practices.

Objectives for Goal 4

- Effectively manage resources.
- Modernize business processes to utilize new technologies and IT practices.
- Formalize processes for development and promulgation of policies and procedures.
- Modernize the Financial Management System and fully utilize the capabilities of the new system.

Strategy for Achieving Goal 4

We will focus our efforts on standardizing core processes, identifying opportunities to use technology to streamline their execution, improving our organizational standards for site evaluation, and regularly reviewing each site for compliance with standards.

Selected Performance Results toward Achieving Goal 4

- The Commission's allocation processes and procedures annually fully fund its mandatory and operational requirements in order to achieve its mission requirements.

- During fiscal year 2012, the Commission completed an effort to upgrade the financial management system.

- An internal control review was conducted in fiscal year 2012 to examine the Commission's internal control mechanisms and business processes.

Financial Statements and Limitations

Since FY 1997, the Commission has been required to produce financial statements and the Comptroller General of the United States has independently audited these statements. The Commission earned unqualified opinions, each year, on its financial statements from the Government Accountability Office.

The financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Commission in accordance with generally accepted accounting principles for federal entities and the formats prescribed by 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 Integrity: Systems, Controls, Legal Compliance

The Commission is cognizant of the importance of, and need for, management accountability and responsibility as the basis for quality and timeliness of program performance, mission accomplishment, productivity, cost-effectiveness, and compliance with applicable laws. It has taken management actions to ensure that the annual evaluation of these controls is performed in a conscientious and thorough manner according to Office of Management and Budget regulations and guidelines and in compliance with 31 U.S.C. 3512 (c), (d), commonly known as the Federal Manager's Financial Integrity Act (FMFIA). The Commission's evaluation of its information technology systems, internal management practices and controls during fiscal year 2012 revealed a significant deficiency related to lack of documented policies and procedures. 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 as of September 30, 2012 it cannot provide reasonable assurance that it complies with the provisions of FMFIA. The reasonable assurance concept recognizes that the cost of internal controls should not exceed the benefits expected to be derived and that the benefits reduce the risk of failing to achieve stated objectives.

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, legislation was enacted in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. However, since the summer of 2006, the U.S. dollar has fallen precipitously against the euro. The Commission has been closely monitoring this because its budget is disproportionately affected by foreign currency fluctuation. Legislation was enacted which included "such sums as may be necessary" language for the Commission's fiscal year 2012 Foreign Currency Fluctuation

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Account (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.

Financial Statements

Consolidated Balance Sheets

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED BALANCE SHEETS
As of September 30, 2012 and 2011
(in dollars)

	2012	2011
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	$ 89,766,221	$ 75,990,111
Investments (Note 3)	4,461,772	4,531,154
Total intragovernmental	94,227,993	80,521,265
Cash and other monetary assets (Note 4)	147,368	139,225
Accounts receivable, net	4,747	4,747
General property and equipment, net (Note 6)	2,208,337	2,278,459
Other	13,172	2,004
Total assets	$ 96,601,617	$ 82,945,700
Liabilities:		
Intragovernmental:		
Accounts payable	$ 444,938	$ 1,383,041
Other (Note 7)	218,357	348,853
Total intragovernmental	663,295	1,731,894
Accounts payable	7,345,071	3,884,123
Other (Note 7)	3,609,991	3,393,926
Total liabilities	11,618,357	9,009,943
Net position:		
Unexpended appropriations	74,035,804	63,578,453
Cumulative results of operations	10,947,456	10,357,304
Total net position	$ 84,983,260	$ 73,935,757
Total liabilities and net position	$ 96,601,617	$ 82,945,700

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2012 and 2011
(in dollars)

	2012	2011
Gross Program costs:		
Operations and Maintenance:		
Gross costs	$ 67,946,438	$ 73,504,370
Less: earned revenue (Note 1, N)	160,961	99,530
Net cost of operations (Note 9, 17)	$ 67,785,477	$ 73,404,840

The accompanying notes are an integral part of these

Consolidated Statements of Changes in Net Position

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2012 and 2011
(in dollars)

	2012	2011
Cumulative Results of Operations:		
Beginning Balances	$ 10,357,304	$ 12,290,964
Budgetary Financing Sources:		
Appropriations used	66,642,649	69,914,171
Donations and forfeitures of cash and cash	737,232	457,301
Other Financing Sources (Non-Exchange):		
Imputed financing (Note 12)	995,748	1,099,708
Total Financing Sources	68,375,629	71,471,180
Net Cost of Operations (Note 1, N)	(67,785,477)	(73,404,840)
Net Change Other Financing Sources (Non-Exchange)	590,152	(1,933,660)
Cumulative Results of Operations	10,947,456	10,357,304
Unexpended Appropriations:		
Beginning Balance	63,578,453	53,552,402
Budgetary Financing Sources:		
Appropriations received	77,100,000	80,039,600
Appropriations transferred in/out	-	(29,787)
Other adjustments	-	(69,591)
Appropriations Used	(66,642,649)	(69,914,171)
Total Budgetary Financing Resources	10,457,351	10,026,051
Total Unexpended Appropriations	74,035,804	63,578,453
Net Position	$ 84,983,260	$ 73,935,757

The accompanying notes are an integral part of these statements.

Consolidated Statements of Budgetary Resources

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2012 and 2011
(in dollars)

	2012	2011
Budgetary Resources:		
Unobligated balance brought forward, October 1	$ 49,810,192	$ 47,349,229
Recoveries of prior year unpaid obligations	6,566,912	-
Other changes in unobligated balance	(391,763)	-
Unobligated balance from prior year budget authority, net	55,985,341	47,349,229
Appropriations (discretionary and mandatory) (Note 1, N)	77,100,000	80,039,600
Spending authority from offsetting collections (discret. and mandat.) (Note 1, N)	848,321	450,077
Total budgetary resources	$ 133,933,662	$ 127,838,906
Status of Budgetary Resources:		
Obligations Incurred (Note 13)	$ 80,523,225	$ 78,028,714
Unobligated balance, end of year:		
Apportioned (Note 1, N)	45,584,619	39,400,688
Exempt from apportionment (Note 1, N)	7,825,818	10,409,504
Total unobligated balance, end of year	53,410,437	49,810,192
Total budgetary resources	$ 133,933,662	$ 127,838,906
Change in Obligated Balance:		
Unpaid obligations, brought forward, October 1 (gross)	$ 30,978,290	$ 24,320,393
Obligations incurred (Note 13)	80,523,225	78,028,714
Outlays (gross)	(64,135,397)	(71,370,817)
Recoveries of prior year unpaid obligations	(6,566,912)	-
Obligated balance, end of year (net)	$ 40,799,205	$ 30,978,290
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory) (Note 1, N)	$ 77,948,321	$ 80,489,677
Actual offsetting collections (discretionary and mandatory) (Note 1, N)	(848,321)	(450,077)
Budget authority, net (discretionary and mandatory)	$ 77,100,000	$ 80,039,600
Outlays, gross (discretionary and mandatory)	$ 64,135,397	$ 71,370,817
Actual offsetting collections (discretionary and mandatory) (Note 1, N)	(848,321)	(450,077)
Agency outlays, net (discretionary and mandatory)	$ 63,287,076	$ 70,920,740

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

AMERICAN BATTLE MONUMENTS COMMISSION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended September 30, 2012 and 2011

(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 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 8 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and Rome, Italy; and cemeteries in Manila, the Philippines; Mexico City, Mexico; and Panama City, Panama.

The Commission also had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, D.C. In accordance with 40 U.S.C. 8906(b), the Commission deposited $6.6 million into a separate Treasury account to offset the memorial's costs of perpetual maintenance. On November 1, 2004, the Commission signed an agreement with the National Park Service to formally transfer the National World War II Memorial to the Service for its future care and maintenance. 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; (2) decorate gravesites; and (3) maintain and repair certain nonfederal war memorials.

C. Basis of Accounting

The Commission's proprietary accounts (assets, liabilities, equity, revenue, and expenses) are maintained on the accrual basis, where appropriated funds are accounted for by appropriation year; operating expenses are recorded as incurred; and depreciation is taken on property, 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. Investments

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

F. Foreign Currency

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

G. Contributions and Revenue Recognition

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

H. Operating Materials and Supplies

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

I. General Property and Equipment

General property and equipment is composed of real and personal property. Related purchases exceeding $25,000 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 $25,000 or less are expensed in the period of acquisition.

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

K. Employee Benefits

The Commission's civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. The Commission's civilian U.S. nationals hired on or before December 31, 1983, could elect to transfer to FERS or remain with the Civil Service Retirement System (CSRS). For FERS employees, the Commission withholds .80 percent of base pay and as employer contributes 11.9 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 5.65 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 2012, FERS employees could contribute up to $17,000 ($22,500 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2012, CSRS employees may also contribute up to $17,000 ($22,500 if at least age 50) on a tax-deferred basis; however, they receive no matching contribution from the Commission. Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

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

L. 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 U.S. General Services Administration (GSA), 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.

M. 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.

N. Reclassification of Prior Year Balances

Previously reported fiscal year 2011 balances have been reclassified for consistency with the presentation of corresponding fiscal year 2012 balances.

Note 2. Fund Balance with Treasury

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

Fund Balance:		2012		2011
General Fund	$	63,116,046	$	46,440,675
Foreign Currency Fluctuation Fund	$	19,857,604	$	23,357,595
Trust Fund (Note 15)		6,792,571		6,191,841
Total Fund Balance with Treasury	$	89,766,221	$	75,990,111
Status of Fund Balance with Treasury				
Unobligated Balance:				
Available	$	48,921,907	$	44,961,203
Unavailable		45,108		52,622
Obligated Balance Not Yet Disbursed		40,799,206		30,976,286
Total Status of Fund Balance with Treasury	$	89,766,221	$	75,990,111

Note 3. Treasury Investments, Net

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

		Interest			
FY	Cost	Interest Rates	Net Premium	Interest Receivable	Net nvestments
12	$ 4,368,932	4.250 to 4.50%	$0	$92,840	$4,461,772
11	$ 4,368,932	4.250 to 4.50%	$162,222	$0	$4,531,154

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

Note 4. 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 were as follows:

	2012	2011
Imprest Cash Funds	$ 1,328	$ 2,284
Foreign Bank Accounts	146,040	136,941
	$147,368	$ 139,225

Note 5. Contributions Receivable

The Commission has a pledge from a living trust valued at $141,776 as of September 30, 2012. However, due to the uncertainty of time and amount when the pledge is collected, the contribution will be recognized when received. In comparison, the pledge as of September 30, 2011 was valued at $125,819.

Note 6. General and Heritage Property and Equipment

Non-capitalized assets, such as general property and equipment acquisitions with an aggregate cost basis of $25,000 or less and all acquisitions of heritage assets, totaling $1,608,251 were expensed by the Commission in fiscal year 2012. In fiscal year 2011, $2,180,338, was expensed.

Since the 1960s, the Commission's Office of Overseas Operations near Paris, France, has occupied a residential structure owned by the U.S. Department of State. The Commission is responsible for all utilities, maintenance, and repairs.

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

	2012			2011		
Category	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings, Improvements, and Renovations	$923,460	$256,288	$667,172	$923,460	$225,507	$697,953
Equipment	4,668,997	3,193,613	1,475,384	4,372,562	2,934,828	1,437,734
Info. Tech. Software	384,951	319,170	65,781	384,951	242,179	142,772
	$5,977,408	$3,769,071	$2,208,337	$5,680,973	$3,402,514	$2,278,459

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 2012 were as follows:

	Cemeteries	Federal Memorials	Nonfederal Memorials
Beginning of Year 10-1-11	24	25	7
Number Acquired, Fiscal Year 2012	0	0	1
Number Withdrawn, Fiscal Year 2012	0	0	0
End of Year 9-30-12	24	25	8

Note 7. Other Liabilities

Other liabilities as of September 30 were as follows:

Intragovernmental Liabilities:

	2012	2011
Accrued Salaries and Benefits	218,357	348,853

Public Liabilities:

	2012	2011
Accrued Salaries and Benefits	876,401	717,552
Unfunded Separation Pay Liability	1,150,883	1,212,663
Unfunded Annual Leave	1,537,599	1,411,089
Liability for Non-Entity Assets-Proceeds from sale of equipment	45,108	52,622
	3,609,991	**3,393,926**

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 $1,537,599 as of September 30, 2012, and $1,212, 663 as of September 30, 2011.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, Headquarters Office is rented under a 5-year operating lease expiring in July 2017. Future minimum payments due on this operating lease as of September 30, 2012, are as follows:

Fiscal Year		
2013	$	659,722
2014		666,928
2015		672,608
2016		678,433
2017		566,131
After 5 Years		-
Total	$	3,243,822

The Commission's Rome Office moved from commercial leased space to the United States Embassy in Rome. Lease payments for the Rome office space, and for nine 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.

Rent expense for all operating leases was $675,710 during fiscal year 2012. In fiscal year 2011, rent expense for all operating leases was $829,154.

Note 9. Reconciliation of Net Cost of Operations to Budget

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

Reconciliation of Net Cost of Operations (Proprietary) to Budget
As of September 30, 2012 and 2011

	2012	2011
Resources Used to Finance Activities:		
Current Year Gross Obligations Incurred	$ 80,523,225	$ 78,028,714
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections	(848,321)	(450,077)
Recoveries of Prior Year Unpaid Obligations	(6,566,912)	-
Offsetting Receipts (Note 1, N)	713,776	328,860
Other Financing Resources		
Imputed Financing Sources	995,748	1,099,708
Other Adjustments	-	35,085
Total Resources Used to Finance Activity	$ 74,817,516	$ 79,042,290
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Budgetary Obligations and Resources not in the Net Cost of Operations		
Change in Undelivered Orders (Note 1, N)	(7,228,507)	(6,041,277)
Current Year Capitalized Purchases (Note 1, N)	(501,783)	(259,876)
Resources/Adjustments that do not Affect Net Cost of Operations	(117,400)	-
Components of Net Cost which do not Generate or Use Resources in the Reporting Period		
Revenues without Current Year Budgetary Effect		
Change in NonFederal Receivables	92,840	-
Other Financing Sources Not in the Budget	(995,748)	(1,099,708)
Costs without Current Year Budgetary Effect		
Accrued Annual Leave-Future Funded Expense	(115,646)	(85,261)
Disposition of Assets (Note 1, N)	(8,596)	(30,935)
Depreciation and Amortization	847,053	746,539
Imputed costs	995,748	1,099,708
Other Expenses Not Requiring Budgetary Resources-In Kind Expenses	-	33,360
Net Cost of Operations	$ 67,785,477	$ 73,404,840

Note 10. 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 were as follows:

Schedule of Fiduciary Activity

	2012	2011
Contributions	$ 144,615	$ 280,926
Investment earnings	86,154	49,231
Increases in fiduciary fund balances	230,769	330,157
Fiduciary net assets, beginning of year	1,272,308	942,151
Fiduciary net assets, end of year	$ 1,503,077	$ 1,272,308

Fiduciary Net Assets

	2012	2011
Fiduciary Assets		
Investments	$ 1,503,077	$ 1,272,308
Total Fiduciary Assets	$ 1,503,077	$ 1,272,308

Note 11. Commitments and Contingencies

As of September 30, 2012 the Commission had commitments of $31.9 million from undelivered orders as a result of open contracts and purchase orders. In comparison, the Commission had commitments of $24.5 million from undelivered orders as a result of open contracts and purchase orders as of September 30, 2011. Also as of September 30, 2012, the Commission had contingencies related to pending administrative proceedings and personnel actions that will be resolved by future events. The Commission has determined the likelihood of an unfavorable outcome is remote and is not expected to have a material effect on the financial statements.

Note 12. Imputed Financing

The Commission imputes financing for retirement and other benefits paid by OPM, financial audit costs incurred by the U.S. Government Accountability Office (GAO), and a heritage asset musical carillon generally donated each fiscal year. The Commission recognized these expenses and related imputed financing in its financial statements. The Commission did not receive a donation from AMVETS for a musical carillon in fiscal year 2012. In fiscal year 2011, the Commission received a donation of a carillon valued at $33,361.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2012, the Commission incurred $1,499,039 of pension and ORB costs, $336,949 of which was imputed. For fiscal year 2011, the Commission incurred $1,799,724 of pension and ORB costs, $550,708 of which was imputed. Total imputed costs of $995,748 for fiscal year 2012 and $1,099,708 for fiscal year 2011 included audit services provided by GAO.

Note 13. Obligations Incurred

All obligations incurred are characterized as category A on the Statement of Budgetary Resources. The Commission does not have any direct and reimbursable obligations incurred against amounts apportioned under category "B" or exempt from apportionment.

Note 14. 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). The President's Budget for fiscal year 2014 was published in April 2013 and can be found at the OMB Web site: [hyperlink, http://www.whitehouse.gov/omb/]. A material difference was identified between obligations incurred as reported in the fiscal year 2012 Statement of Budgetary Resources and the fiscal year 2012 "Actual" column in the 2014 Budget of the United States Government. The material difference of four million dollars was due to obligated balances in foreign currencies that were revalued at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year. No other material differences were identified.

Note 15. Trust Fund

The Commission's combined financial statements consist of general and trust fund activity. The operational and maintenance expenses for FY 12 were $4,091 for intragovernmental and $211,977 for program costs with the public. The trust fund has obligated balances of $3,128,734 and unobligated balances of $8,032,769. The operational and maintenance expenses for FY 2011 were $1,807,468 for intragovernmental and $208,879 for program costs with the public. In FY 2011, the trust funds had obligated balances of $313,491 and unobligated balances of $10,409,504.

Note 16. Liabilities not covered by Budgetary Resources

A. Intragovernmental and Public Liabilities

		2012		2011
Public Liabilities:				
Liability for Non-Entity Assets		45,108		52,622
Other Unfunded Employment Related Liability		1,150,883		1,212,663
Unfunded Leave		1,537,599		1,411,089
Total Liabilities Not Covered by Budgetary Resources	$	2,733,590	$	2,676,374
Total Liabilities Covered by Budgetary Resources		8,884,767		6,333,569
Total Liabilities	$	11,618,357	$	9,009,943

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 leaved 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.

Note 17. Intragovernmental Costs And Exchange Revenue

Intragovernmental costs represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs are summarized as follows:

		2012		2011
Program Costs				
Intragovernmental Costs	$	18,136,283	$	18,829,788
Public Costs		49,810,155		54,674,582
Total Program Costs	$	67,946,438	$	73,504,370
Program Revenues				
Intragovernmental Earned Revenue	$	69,210	$	68,595
Public Earned Revenue		91,751		30,935
Total Program Revenues	$	160,961	$	99,530

Required Supplementary Information

American Battle Monuments Commission
Required Supplementary Information
September 30, 2012
(Unaudited)

Required Supplementary Information

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 $7.2 million in fiscal year 2012 and $6.8 million in fiscal year 2011. 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, 2012, and 2011.

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, 2012, the Commission has identified 46 maintenance, repair, and improvement projects, with an estimated cost of $7.3 million, scheduled to be performed in fiscal year 2013, subject to available funding.

Other Information

Schedule of Heritage Assets

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2012
(Unaudited)

24 CEMETERIES

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	5,323	462	90.5	WW II
Brittany American Cemetery	St. James (Manche), France	4,410	498	27.9	WW II
Brookwood American Cemetery	Brookwood, England	468	563	4.5	WW I
Cambridge American Cemetery	Cambridge, England	3,812	5,127	30.5	WW II
Corozal American Cemetery	Panama City, Panama	5,443	0	16.0	*
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
Florence American Cemetery	Florence, Italy	4,402	1,409	70.0	WW II
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,992	450	57.0	WW II
Lorraine American Cemetery	St. Avold (Moselle), France	10,489	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg City, Luxembourg	5,076	371	50.5	WW II
Manila American Cemetery	Luzon, Phillippines	17,202	36,285	152.0	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	1.0	**
Netherlands American Cemetery	Margraten, Holland	8,301	1,722	65.5	WW II
Normandy American Cemetery	Colleville-sur-Mer, France	9,387	1,557	172.5	WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27.0	WW II
Oise-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Rhone American Cemetery	Draguignan, Var, France	861	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	7,861	3,095	77.0	WW II
Somme American Cemetery	Bony (Aisne), France	1,844	333	14.3	WW I
Suresnes American Cemetery	Suresnes, France	1,565	974	7.5	WW I/II
Subtotal for Cemeteries		131,163	60,314	1,294.5	

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

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2012
(Unaudited)

25 FEDERAL MEMORIALS, MONUMENTS, AND MARKERS

Name	Location	Interred	Memorialized	Acres	War
East Coast Memorial	New York City, NY		4,609	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,800	1.0	WW II/Korea/Vietnam
West Coast Memorial	San Francisco, CA		412	1.3	WW II
Audenarde Monument	Audenarde, Belgium			0.4	WW I
Bellicourt Monument	St. Quentin, France			1.8	WW I
Brest Naval Monument	Brest, France			1.0	WW I
Cabanatuan Memorial	Luzon, Phillipines				WW II
Cantigny Monument	Cantigny, France			0.4	WW I
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I
Chaumont Marker	Chaumont, France				WW I
Gibraltar Naval Monument	Gibraltar			0.1	WW I
Guadalcanal Memorial	Guadalcanal			0.5	WW II
Kemmel Monument	Ypres, Belgium			0.2	WW I
Marine Monument Belleau Wood	Aisne, France			199.6	WW I
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiaucourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Pointe du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II
Saipan Monument	Saipan, Northern Mariana Islands				WW II
Santiago Surrender Tree	Santiago, Cuba				Sp American War
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
Subtotal for Memorials		0	33,821	368.9	
Subtotal for Cemeteries		131,163	60,314	1,294.5	
Grand Total		131,163	94,135	1,663.4	

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2012
(Unaudited)

8 NONFEDERAL MEMORIALS

Name	Location	War
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

* Nonfederal memorial added in fiscal year 2012.

Schedule of Spending

American Battle Monuments Commission
Schedule of Spending
September 30, 2012
(Unaudited)

Section I of the Schedule of Spending	
What Money is Available to Spend?	
Total Resources	**133,933,662**
Apportioned	(45,584,619)
Exempt from Apportionment	(7,825,818)
Less Amount Available But Not Agreed to be Spent	**(53,410,437)**
Total Amounts Agreed to be Spent	**80,523,225**
Section II of the Schedule of Spending	
How was the Money Spent?	
Personnel Compensation and Benefits	31,576,770
Contractual Services and Supplies	22,577,491
Acquisition of Assets	10,087,951
Grants and Fixed Charges	-
Other	(106,815)
Total Spending	**64,135,397**
Amounts Remaining to be Spent	**16,387,828**
Total Amounts Agreed to be Spent	**80,523,225**
Section III of the Schedule of Spending	
Who Did the Money Go To?	
Federal Destinations	2,143,282
Non-Federal Destinations	78,379,943
Total Amounts Agreed to be Spent	**80,523,225**
Section IV of the Schedule of Spending	
How Was the Money Issued?	
Non-Financial Assistance Direct Payments	33,935,584
Contracts	46,743,412
Grants	-
Loans and Guarantees	-
Financial Assistance Direct Payments	-
Insurance	-
Interest and Dividends	-
Other Payment Types	(155,771)
Total Amounts Agreed to be Spent	**80,523,225**

(196261)

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