

# ***NATIONAL COUNCIL ON DISABILITY***

## **Performance & Accountability Report (PAR)**

**FISCAL YEAR 2010**



**National Council on Disability**  
1331 F Street, NW, Suite 850  
Washington, DC 20004

(202) 272-2004 Voice  
(202) 272-2074 TTY  
(202) 272-2022 Fax

**[www.ncd.gov](http://www.ncd.gov)**

<b>TABLE OF CONTENTS</b>	<b>Page</b>
<b>Message from the Chairman</b> .....	1
<b>How to Use This Report</b> .....	4
<b>Part I: Management’s Discussion and Analysis</b> .....	5
NCD at a Glance.....	5
Mission & Vision.....	5
Strategic Goals.....	6
NCD Organizational Overview.....	8
Organizational Chart.....	9
Performance Goals, Objectives, and Results in Brief.....	10
Analysis of Financial Statements.....	11
Analysis of Management Controls, Systems and Compliance.....	13
<b>Chairman’s Statement of Assurance</b> .....	15
<b>Part II: Performance Section</b> .....	17
Performance by Strategic Goals.....	17
<b>Part III: Financial Section</b> .....	22
Message from the Executive Director.....	22
Independent Auditors’ Report.....	23
Opinion on Financial Statements.....	24
Internal Control over Financial Reporting.....	24
Compliance and Other Matters.....	25
Appendix A, The National Council on Disability’s Comments on the Draft Audit Report.....	28
Appendix B, Notice of Findings and Recommendations and Agency Responses	30
National Council on Disability Fiscal Year 2010 Audit.....	
<b>Financial Statements</b> .....	43
Consolidated Balance Sheet.....	43
Statement of Net Cost.....	44
Statement of Changes in Net Position.....	45
Statement of Budgetary Resources.....	47
Notes to the Financial Statements.....	48
Note 1: Significant Accounting Policies.....	48
Note 2: Fund Balances with Treasury.....	52
Note 3: Liabilities not covered by Budgetary Resources.....	53
Note 4: Other Liabilities.....	53
Note 5: Leases.....	54
Note 6: Commitments and Contingencies.....	54
Note 7: Earmarked Funds.....	54
Note 8: Intra-Governmental Costs and Exchange Revenue.....	57
Note 9: Apportionment Categories of Obligations Incurred.....	57
Note 10: Statement of Budgetary Resources.....	57
Note 11: Reconciliation of Net Cost of Operations to Budget.....	58
Note 12: Subsequent Events.....	58
<b>Part IV: Other Accompanying Information</b> .....	59
<b>Exhibit A – List of Acronyms</b> .....	60



## National Council on Disability

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An independent federal agency making recommendations to the President and Congress to enhance the quality of life for all Americans with disabilities and their families.

### Message from the Chairman

*Jonathan Young*  
*Council Chair*

On behalf of the members of the National Council on Disability (“NCD” or “the Council”), I am pleased to submit the FY 2010 Performance and Accountability Report (PAR). The Council received an unqualified opinion from its independent auditors on its FY 2010 annual financial statements. While we are pleased to report an unqualified opinion on the financial statements, our scrutiny of internal agency operations and financial management, along with the results of the annual audit, revealed significant weaknesses that we are aggressively remedying.

The Council’s role as an independent advisor on disability matters to the President and Congress is essential to assuring the Federal government is well informed and qualified to perform their duties and effectively serve the public, including individuals with disabilities. NCD carries out its mission to promote equality of opportunity, full participation, independent living and economic self-sufficiency for people with disabilities of all ages and backgrounds by: continually reviewing disability programs and policies, meeting with people with disabilities and other stakeholders around the country to learn about on-the-ground realities, and providing advice, analysis and recommendations on disability policy to the President, Congress, and other federal agencies. NCD’s analysis and recommendations have led to enactment of important laws and other improvements to the programs and services provided by the many federal agencies that serve the disability community. NCD’s most notable achievement is drafting and recommending the Americans with Disabilities Act.

During fiscal year 2010, the Council faced significant challenges. In particular, the Council endured extensive turnover in key positions. Prior to my confirmation in March 2010, the Council Chair resigned (December 2009), the Vice Chair and Finance Committee Chair resigned (September 2009), the Executive Director resigned (January 2010), and a new interim Executive Director was appointed for six months (March 2010). In March 2010 seven new Council Members were confirmed, including me as Chairman, and an eighth new member was confirmed in June 2010. Another Council Member resigned in September 2010. In addition, during the fiscal year NCD also had three staff vacancies. Finally, I appointed a new Executive Director in September 2010, who did not start until November 2010.

In sum, during fiscal year 2010:

- Eleven of fifteen presidentially appointed Council members departed due to resignation or replacement
- Eight new members joined the Council
- Three different members served as Chair
- Three different individuals served as Executive Director with a fourth appointed as Executive Director at the close of the fiscal year.

The extensive turnover of key positions as well as turnover of more than two-thirds of the Council members unleashed new energy and provided an opportunity to reexamine and strengthen NCD's future. However, it also had a direct impact on the Council's operations. Accordingly, the Council was unable to issue its annual Progress Report to the President and Congress along with this report within the established deadlines. In addition, the Council identified four material weaknesses relating to its control environment and financial reporting.

The extent of turnover experienced in fiscal year 2010 would be challenging even for an agency whose governance, financial management, operations, and program execution were functioning optimally. However, shortly after my appointment as Chairman it became clear that NCD needed to closely scrutinize its organization, finances, and operations as well as its approach to achieving its statutory mission. We therefore undertook a strategic planning process, under the guidance of OPM and an independent contractor obtained through OPM. We undertook long-term strategic planning immediately, even though the Council simultaneously had to execute a major disability policy summit in July 2010 in honor of the Americans with Disabilities Act's 20<sup>th</sup> anniversary. We also decided to reallocate fiscal year 2010 funds to prioritize internal long-term investments to help put NCD on the foundation needed to achieve its mission more effectively.

In connection with a Strategic Plan that is still undergoing modification in light of our ongoing internal analysis, the Council is updating its bylaws, revising the organizational structure, and performing an assessment of, and investing in improvements in, its current operations, including a review of its programs, human capital, information and communications systems, and financial management. I am pleased to report that significant efforts have been made to improve the overall efficiency and effectiveness of the Council's operations; however, much more remains to be accomplished, as management implements the recommendations received as a result of the assessments performed to-date.

This document emphasizes the over-arching goal of the Council to remain responsible stewards of the federal funds entrusted to us for the accomplishment of an extremely important mission. It also reflects both financial and program performance results and demonstrates our enduring commitment to fulfill the responsibilities for which the NCD has been entrusted.

NCD's accomplishments in fiscal year 2010, as detailed herein, were achieved due to the dedicated efforts of Council members and staff. Fortunately, the substantive control weaknesses revealed during the fiscal year did not impede the Council's efforts to achieve its mission.

Rather, the identified weaknesses provided an opportunity to rebuild the operations of the agency equal to the breadth and gravity of its statutory mission.

Finally, this report provides the results of a variety of assessments regarding our performance and financial data, management controls, and financial systems. See Section I of this report for greater detail of the Council's compliance with the Federal Managers' Financial Integrity Act.

NCD is proud to serve as an advocate for people with all types of disabilities, and of all ages, throughout the country. We take very seriously the requirements contained in the laws that allow the Council to be entrusted with this responsibility, and I personally pledge that we will take aggressive action wherever necessary to uphold this trust. We pledge to continue to achieve the vision of a country, and society, that accommodates and supports the needs of individuals with disabilities, so that they may fully contribute to and enjoy the enduring values of the American people.

Sincerely,

Jonathan Young, Ph.D., J.D.  
Chairman  
April 29, 2011

## **How To Use This Report**

This Performance and Accountability Report (PAR) presents comprehensive performance and financial information on the National Council on Disability's ("NCD" or "Council") operations. The report was prepared pursuant to the *Accountability of Tax Dollars Act of 2002* and Office of Management and Budget (OMB) Circular No. A-136, revised, *Financial Reporting Requirements*, and covers activities from October 1, 2009 through September 30, 2010.

The Council places a high importance on keeping the public informed of its activities. To learn more about who we are and what we do to serve the American public, visit NCD's website at <http://www.ncd.gov/Accountability> to access this report.

The FY 2010 Performance and Accountability Report is organized into four sections:

**Section I – Management's Discussion and Analysis (MD&A)** provides an overview of the NCD. It describes our mission, organizational structure and regulatory responsibility.

**Section II – Performance Information** summarizes the NCD's strategic goal and related objectives and provides a forward-looking discussion of future challenges.

**Section III – Financial Information, including Auditor's Report** details the NCD's financial performance by highlighting the financial position, audit results and describing the NCD's compliance with key legal and regulatory requirements.

**Section IV – Other Accompanying Information**

**Exhibit A – List of Acronyms**

## Part I: Management's Discussion and Analysis

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### NCD at a Glance

NCD was initially established in 1978 as an advisory board within the Department of Education (Public Law 95-602). The Rehabilitation Act Amendments of 1984 (Public Law 98-221) transformed NCD into an independent agency and required NCD to provide expert advice to Congress and the Administration on a continuing basis, with particular emphasis on helping to ensure that disability programs and policies promoted independence rather than dependence. Revisions to NCD's statutory mandate were subsequently made by the Rehabilitation Act Amendments of 1992 and 1998 and the Education of the Deaf Act Technical Amendments of 1993.

### Mission

The mission of NCD is to promote equality of opportunity, full participation, independent living and economic self-sufficiency of people with disabilities of all ages and backgrounds by providing advice, analysis and recommendations on disability policy to the President, Congress and other federal agencies.

NCD is tasked with completing an annual progress report, no later than October 31 each year, regarding the state of disability in the United States and delivering this along with related recommendations to the President and Congress each year. The agency also completes studies and research reports on other issues of concern to the disability community, and uses those as background for developing policy recommendations for the President, Congress and other federal agencies.

### Vision

***We lead by facilitating, articulating and promoting inclusion and empowerment of individuals with disabilities to live, learn and earn based on informed choices.***

Disability touches everyone. In 2005, over 54.0 million Americans reported some level of disability. Almost all Americans have some experience with disability through their own daily experience or contact with relatives, colleagues or friends. At some point, most Americans will experience some form of functional limitation as either a disability that is lifelong, was acquired, or is part of the typical aging process.

Americans with disabilities represent a diverse group which includes individuals with physical, sensory and intellectual disabilities. Disabilities vary in terms of the impact on functional limitations that substantially influences the ability to participate in everyday life, longevity, cause and consequences. Some disabilities remain static throughout a person's life while others may have periods of remission or regression.

Through its outreach efforts, in various community venues, and at its quarterly meetings, NCD has continually learned about the impact of disability on individuals, families, and their communities. NCD findings are shared through comprehensive reports, policy briefs, media

## Part I: Management's Discussion and Analysis

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outreach, our award-winning Internet website (<http://www.ncd.gov/index.html>), and a monthly newsletter that receives worldwide attention.

Despite their diverse profile, Americans with disabilities share many common concerns. They face personal, social and economic disadvantages and barriers that prevent access to the same opportunities as Americans without disabilities. People with disabilities continue, for example, to have lower education levels and to be socially isolated and discriminated against in the workplace. They often face economic hardship in their daily lives and far too many live below the poverty line. Women and people with disabilities from diverse cultures, in particular, experience greater disadvantages, reporting higher incidences of unemployment and poverty.

Americans with disabilities share many common aspirations for themselves and for their country. They want a nation which demonstrates leadership with respect to disability issues. Persons with disabilities desire a country that respects individual needs and ensures that Americans with disabilities have input into the policies, programs and decisions that affect them. They seek a country which makes it possible to achieve a decent standard of living and support an approach to disability issues that is common to all jurisdictions but sensitive to regional differences and needs. People with disabilities want a nation that uses legal and other measures to promote social and economic equity and equality of outcomes.

Through our work, NCD continually seeks to make those aspirations a reality. As the only agency in the Federal government that addresses the issues of all people with disabilities, regardless of type or severity, NCD will be aggressive and resolute until the day arrives when people with disabilities in every corner of the world are no longer distinguished by a disability label.

We will use the vision, values and guiding principles we adopted, along with an improved statement of our mission, as we begin our journey down the pathway to our future. Our vision is supported by a set of strategic goals, strategies, objectives, actions and metrics designed to assure we are held accountable and that our activities are transparent to our stakeholders.

### Strategic Goals

The Council is transforming its planning processes to ensure all activities create a comprehensive and integrated approach to effectively fulfilling its mandate. To achieve this: 1) the Council's Mission Statement, Strategic Goal, and Objectives must articulate the Council's direction and desired outcomes; 2) annual operating plans are developed, budgeted, and executed to implement the larger goal and objectives and day-to-day activities; and 3) performance metrics are established and applied to determine level of success and to provide a means for review, evaluation, and effective improvement. The NCD's transformation is evident in many ways at the staff level and at the Council as a whole.

The Council is reviewing its existing organizational structure to continue its move from a "flat" structure to a hierarchal structure that effectively enables NCD to manage its operations and achieve its statutory mission. As of the date of this report, NCD is still determining how best to implement an optimal hierarchal structure. The Council is trying to balance the need for Strategic



## **Part I: Management's Discussion and Analysis**

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and Operational Planning and Financial Management to meet the various statutory reporting requirements, with its ability to meet the Council's mission and statutory role to advise the President, Congress, and other Federal agencies on the enforcement, implementation, and effectiveness of the Americans with Disabilities Act (ADA) of 1990, as amended. This is an extremely delicate balance, given the approximately \$3.2 million of funding NCD receives annually, with a current allocation for 12 full-time staff along with 15 Senate-confirmed presidential appointees.

With such limited funding, it is crucial that the Council operate as efficiently and effectively as possible to achieve its mission, while ensuring a sound internal control structure allowing NCD to comply with applicable laws and regulations. Accordingly, new techniques are being employed to establish priorities, assign responsibility for executing them, and tracking them to completion.

Together, these planning, execution, and review actions create a structure to best identify and accomplish priorities and make the most efficient use of NCD's resources. Development and communication of the Strategic Plan and operational activities inform all NCD staff and the public of the direction of the Council and how it will measure success. These long-range planning and execution processes provide a framework to effectively adjust programs in response to an ever-changing environment.

The Council is employing a more inclusive approach to develop, adopt, and implement its new long-range Strategic Plan. The Strategic Plan is being created by the Council under the direction of its management team, the Executive Director, Council members, and the Chairman. As a result, the Strategic Plan represents the direction that will be taken to fulfill the legislative and regulatory mandates placed on the Council. This direction establishes the long-term programmatic requirements, which will be translated into mid and short-term operational activities.

The revised Strategic Plan will form the basis for each fiscal year's annual operating plan and associated activities and requirements. The proposed Annual Operating Plan establishes the basis and justification for the Council's Office of Management and Budget (OMB) and Congressional budget requests. When the annual appropriation is finalized and placed into law, the fiscal year Annual Operating Plan is adjusted as necessary and executed by staff.

At the end of the fiscal year or at the conclusion of individual activities, staff evaluate performance and resource utilization against the performance measures identified in the Strategic Plan and in the budget. These evaluations tell the Council how effective it has been and whether adjustments are needed in future program activities or resource allocations.

The described process, while informal, has been in place and has been effective. However, as the need for doing more with less is becoming increasingly more evident, a more formal documented set of planning processes needs to be developed and put into place. The development and implementation of this formal set of processes will ensure the continued success and effectiveness of the NCD in not only serving individuals with disabilities, but every single taxpayer who has trusted the Council to serve as good stewards.

## Part I: Management's Discussion and Analysis

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Finally, the Council must be prepared to modify or change its planned direction or level of effort if factors not within its control change in unanticipated ways. Some of the factors that could materially affect the Council's operations include:

- **Legislation** could be enacted that adds to or reduces NCD's scope of authority or increases reporting requirements;
- **Appropriations** may be above or below the level requested; or
- **Critical staff** with hard-to-replace competencies may leave or be unable to work for some period of time.

Specifically, the Council is working to refine its previous seven goals, which were:

- *Goal 1: Increase Levels of Public Participation and Outreach*
- *Goal 2: Advise the President and Congress about Issues of Importance to the Disability Community through an Annual Progress Report.*
- *Goal 3: Review Programs, Practices and Policies of Other Federal Agencies and Provide Recommendations for Improvement.*
- *Goal 4: Respond to the Needs and Priorities Identified by the Public by Completing Comprehensive Research Reports on Issues of Concern.*
- *Goal 5: Support the Attendance and Participation of Council Members at Meetings and in Activities Where NCD Accomplishments and Outreach Occur.*
- *Goal 6: Continue to Be Responsible Stewards of Funding Committed to the Support of NCD and Its Activities.*
- *Goal 7: Continue to Work with the Federal Emergency Management Agency (FEMA) and Others Responsible for Enhancing the Safety and Security of the Nation's Disability Community As Mandated by the Post-Katrina Emergency Management Reform Act.*

The revisions to the strategic plan will also achieve compliance with NCD's reporting requirements, under the Government Performance and Results Act (GPRA) and OMB Circular No. A-136. Although revision of the strategic plan is still underway, the renewed concepts serve as the foundation with respect to implementing and achieving the strategic goal and objectives for FY 2010. Accordingly, the Performance Section of this report incorporates the prior year's goals with the overarching goal outlined in the draft strategic plan.

There is still a great deal of effort needed to meet the goals and objectives set forth in the ADA and other pertinent Legislative and Executive Branch policies. Our revised NCD Strategic Plan for 2011-2016 will outline the goals, strategies and actions to be employed to help NCD achieve its mission. The plan provides a pathway to the future that the Council believes will prove to have a positive impact on society.

### Organizational Overview

Concurrent with the development of the Council's Strategic Plan and the mid and short-term operational activities, staff determined the related resource requirements to carry out the proposed effort. The resource requirements include, among other things, staffing, IT, contractual,

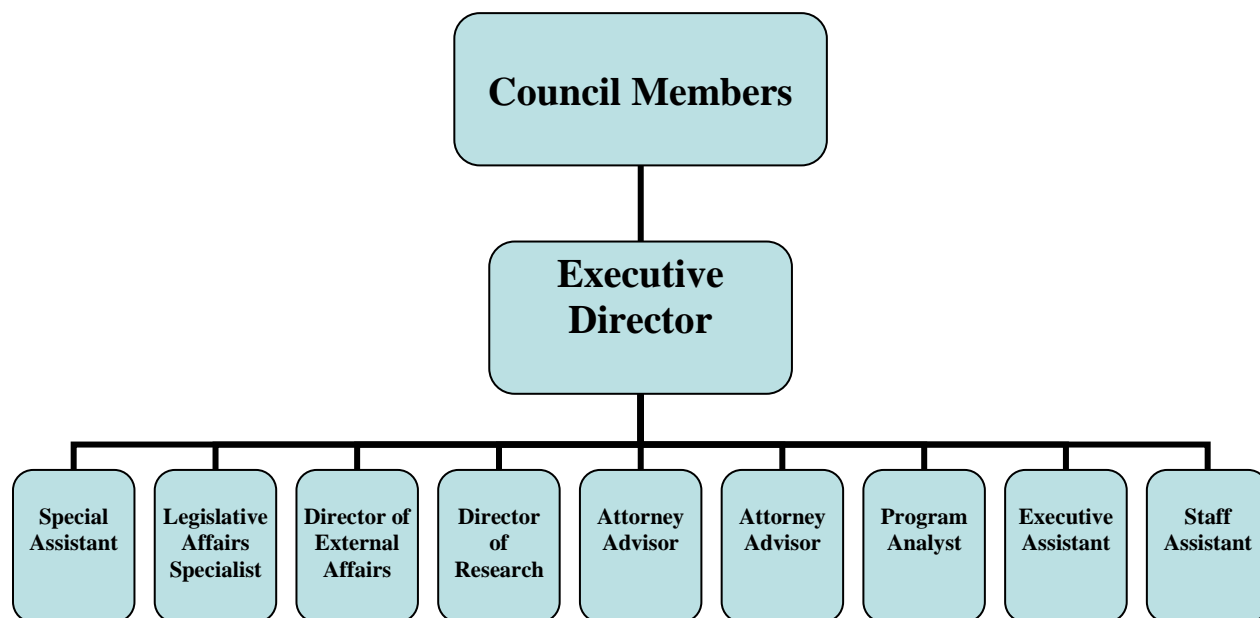
## Part I: Management's Discussion and Analysis

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and ancillary needs. The anticipated resource requirements are being reviewed for overall reasonableness and effectiveness before finalizing the Strategic Plan. The Council's Strategic Plan and associated resource requirements are being thoroughly vetted and approved by the Council members.

As a small agency, operating as a true policy Board, the Council sets the overall agency's budget and establishes the parameters for what it will support. The Executive Director (ED), by delegation of the Council, serves as the Chief Operating Officer (COO) directing the effective and efficient allocation and use of resources and developing the management and administrative policy and programs of the Council. The ED's responsibilities include management operations, legal, secretariat, human resources, financial management, information technology, and administration. During FY 2010, NCD had 11 full-time equivalents (FTEs) authorized to report directly to the ED, of which only eight of the positions were filled.

Prior to the strategic planning process, NCD operated on a flat structure, as illustrated below:



As part of the Council's revision to the Strategic Plan, the Council determined that it needs to create an organizational structure enhancing the effectiveness of the staff, operations and its systems by reducing the number of functions and consolidating them under a logical grouping. As a result, the Council is looking to dramatically restructure its organization to reflect its core functions and to prioritize the importance of effective management of finance and operations. The revised structure will provide for more delegation of authority, consistent with NCD's legislation. Accordingly, the lines of authority will strengthen communication and enhance operational efficiency and effectiveness.

## **Part I: Management's Discussion and Analysis**

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### **Performance Goals, Objectives, and Results in Brief**

The Council provides leadership in the disability policy arena by building on its traditions of innovation, objectivity, independence, and transcending disciplinary boundaries to meet the changing needs of society. Influencing the policy making process is important to NCD in the work that it conducts as an independent federal advisory agency. Informing and influencing federal policy making and implementation is an important core activity of NCD.

Many NCD project and program activities reflect the expectation that the work it undertakes and supports will influence or have a positive impact on the policy process, and ultimately improve the quality of life and outcomes for Americans with disabilities. Within projects and programs, NCD members and staff promote various means of linking their activities to Federal Government policy and the work undertaken and supported is often reported to have enhanced decision makers' awareness of policy options or to have been otherwise taken into account in policy processes. As is often the case, NCD engages in research and policy analysis that is cumulative in nature and its impact may not be measurable within any one fiscal year. Nonetheless, NCD works diligently to ensure its efforts have a positive influence and timely impact. The following provides a summary of the results NCD attained, as related to the goal outlined in the draft FY 2010 Strategic Plan:

#### ***Goal: Advance the goals of the Americans with Disabilities Act***

##### ***Objective 1: Improve Processes for Stakeholder Input and Communication***

Over the last several years, NCD has provided extensive and wide-ranging outreach to individuals with disabilities and members of their communities, closely consulting with them as key informants to NCD's policy work. Many NCD publications have resulted in invitations for Council Members or staff to present NCD findings through conference presentations, Internet web casts and policy briefings. However, NCD is changing the way it conducts business. While NCD's large publications and reports have generated great interest and have impacted disability policy for millions of people, we are moving towards the rapid development of shorter policy briefs and white papers instead of lengthy evidence-based research and policy reports to be more responsive to the immediate needs of the community, particularly in light of today's fast-paced communications.

##### ***Objective 2: Increase Emphasis on Effective Disability Policy Implementation***

NCD gathers information from the public through a number of means: public testimony at meetings either in person or on toll-free phone lines, electronic mail received on the NCD Web site, letters of concern from members of the public, formal public consultations utilizing the Internet in order to provide advice on reports underway at NCD, information gathered by contractors preparing NCD research reports, interaction between NCD Council Members and staff at conferences and meetings of stakeholder groups, and during sessions where NCD is releasing its research reports. In addition, NCD has also pursued creation of public-private working groups on priority issues such as health care reform implementation to ensure that NCD

## Part I: Management's Discussion and Analysis

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is both in continual contact with stakeholders and able to act nimbly in response to identified need for action.

Over the past year, NCD reviewed and evaluated key disability laws, programs and policies to assess their effectiveness. NCD extended its outreach through public consultations and its quarterly board meetings. As a result of these various efforts, and others, NCD issued formal advice (e.g., reports, policy papers, proceedings papers, and oral and written testimony) that was disseminated to decision makers in the White House and members of the U.S. Congress, key leaders in the Executive Branch of the Federal Government, individuals with disabilities, and various stakeholders throughout the nation.

To support the Council in achieving its goal and objectives, NCD has also established a tactical goal of Creating Effective Staff and Council Operations. Management excellence is a key strategy by which the Council strives to ensure its mission is carried out in the most efficient and effective manner. Accordingly, the Council is (1) updating its strategic plan; (2) updating its IT infrastructure; (3) restructuring its financial operations; (4) updating its policies and procedures manual; and (5) updating its performance management system.

As part of these efforts, NCD is also addressing the training needs of its staff. NCD takes its role as sound stewards of taxpayer dollars seriously, and wants to ensure that the Council's operations and systems are up-to-date and operating as effectively and efficiently as possible.

NCD's efforts in advancing the goals of the ADA are delivered through the Council's Annual Progress Report, which reports on the status of individuals with disabilities regarding their needs, concerns and progress in becoming integrated into all aspects of our society. These reports, each titled *National Disability Policy: a Progress Report*, are to be delivered to the president and Congress.

The Report discusses the progress made in the past year when it comes to disability programs or needs and they also outline challenges being faced by the people with disabilities in this country as detailed by them during multiple means of testifying to NCD at quarterly meetings, during public consultations, during interviews with researchers engaged in completing NCD reports, or in writing. Ultimately, the Annual Progress Report provides NCD with a means in documenting and measuring its efforts in achieving its goal and objectives set forth in the Strategic Plan. NCD annual progress reports can be viewed on the NCD web site at [www.ncd.gov/progress\\_reports](http://www.ncd.gov/progress_reports).

See Section II below for further discussion of NCD's performance goals, objectives and results.

### Analysis of Financial Statements

The Council prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the required format in accordance with OMB Circular No. A-136, revised, *Financial Reporting Requirements*.

## **Part I: Management's Discussion and Analysis**

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The following is a brief description of the nature of each required financial statement and its relevance. Certain significant balances or conditions are explained to elaborate on the impact on the NCD's operations. Readers are encouraged to gain a deeper understanding by reviewing the Council's financial statements and notes to the accompanying audit report presented in the Financial Section of this report.

### **Balance Sheet**

The Balance Sheet presents the total amounts available for use by the Council (assets) against the amounts owed (liabilities) and amounts that comprise the difference (Net Position). As a small independent agency, 100 percent of the NCD's assets consist of Fund Balance with Treasury (FBWT). Fund Balance with Treasury represents NCD's cash balances with the U.S. Treasury from which the Council is authorized to make expenditures and pay liabilities from operational activities. FBWT increased by \$141,400, or 9.0 percent, from FY 2009, largely due to obligations incurred in the fiscal year but not paid as of September 30, 2010.

### **Statement of Net Cost**

The Statement of Net Cost presents the annual cost of operating the Council's programs. Gross costs less any earned revenue is used to arrive at the total net cost of operations. The Council's total budget in FY 2010 was approximately \$3.3 million. Overall, costs increased by approximately 7.3 percent, which relates primarily to an approximate increase of \$227,000.

Approximately \$1.7 million, or 52.0 percent, of the budget was dedicated to personnel costs. This amount is approximately 6.0 percent below budget due to the significant staff turnover that NCD encountered throughout FY 2010. The remaining costs were related to rent, information technology initiatives, and general operating expenses. To reduce duplication of administrative overhead in the Federal government, NCD depends on larger agencies to provide many of the support functions that are provided in-house by large agencies, it requires extreme vigilance to control costs and ensure that all needs and reporting requirements are being met. The Council uses the General Services Administration (GSA) to provide accounting, payroll, human resources, facilities management, and legal assistance. The Department of Education provides a contracted ethics and conflict of interest attorney on an as-needed basis to educate members and staff about their responsibilities as federal employees. The Department of Homeland Security provides building security, and the Government Printing Office provides printing services and supports the agency Web site. The services provided by these agencies consume about 10 percent of the Council's budget.

### **Statement of Changes in Net Position**

This statement presents in greater detail the net position section of the Balance Sheet, which includes Cumulative Results of Operations and Unexpended Appropriations. The statement identifies the activity that caused the net position to change during the reporting period. The total net position decreased by approximately \$10,600.

## Part I: Management's Discussion and Analysis

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### Statement of Budgetary Resources

The Statement of Budgetary Resources provides information on the source and status of budgetary resources made available to the NCD during the reporting period. It presents the relationship between budget authority and budget outlays, as well as the reconciliation of obligations to total outlays. Total Budgetary Resources and Status of Budgetary Resources increased by approximately 71,000, or 1.9 percent, over FY 2009. The slight increase is due to the limited increase in funding from FY 2009.

### Analysis of Management Controls, Systems and Compliance

#### Federal Managers' Financial Integrity Act (FMFIA)

The *Federal Managers' Financial Integrity Act (FMFIA) of 1982* is implemented by OMB Circular A-123, revised, *Management's Responsibility for Internal Control*. The FMFIA requires federal agencies to provide an annual statement of assurance regarding management controls and financial systems. The objectives of the Council's internal controls are to provide reasonable assurance that:

- Obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Council operations are properly recorded and accounted for to permit the preparation of accounts and reliable to financial and statistical reports, and to maintain accountability over assets; and
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

NCD is unable to provide assurance based on reviews and consideration of internal analyses, reconciliations and the findings identified in the *Independent Auditor's Report on Internal Control Over Financial Reporting*, dated April 29, 2011. See pages 23 through 42 for the full report.

The Council has determined that internal control weaknesses existed preventing the Council from fully achieving the objectives of FMFIA. Specifically, the Council identified the following weakness: (1) NCD did not have a framework in place to effectively monitor or manage its operations; (2) NCD did not perform risk assessments to adequately assess internal controls; (3) NCD has not formally documented procedures on how NCD intends to monitor internal controls; and (4) NCD does not have procedures in place to effectively review and monitor financial transactions (e.g., open obligations/payables) to ensure the amounts are properly stated on the financial statements.

As a result of an ineffective internal control environment, (1) Management reviews and analyses of financial transactions was not occurring timely or frequently, increasing the risk that financial data may have been misstated; (2) Contract oversight was inconsistent, causing projects and the issuance of reports to be delayed, reducing the effectiveness of the recommendations made by the Council; and (3) Policies and procedures were outdated.

## Part I: Management's Discussion and Analysis

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The turnover of key positions heightened the weaknesses within the agency, while also highlighting the fact that NCD does not have sufficient depth in its staffing to ensure operations are not adversely impacted upon someone's departure from the Council. Furthermore, the turnover brought to light that individuals were performing tasks that they were not sufficiently trained to perform. As such, the need for the Council to have updated documented policies and procedures became more evident.

As a result of the issues raised by the Council members and the interim, acting management team that was in place during FY 2010, NCD is unable to provide assurance that the Council's management controls comply with the requirements of the FMFIA. As these issues are interrelated, NCD has four material weaknesses to report for FY 2010 relating to Section 2 of the FMFIA.

**Section 4 of the FMFIA** requires that agencies' financial management systems controls be evaluated annually. NCD evaluated its financial management systems for the fiscal year ending September 30, 2010 in accordance with the *FMFIA* and OMB Circular No. A-127, *Financial Management Systems*, as applicable. NCD uses GSA as its accounting service provider. GSA's financial management systems conform with the principles and standards required under Section 4 of the FMFIA. Accordingly, NCD is able to provide reasonable assurance under Section 4 of the FMFIA.





## National Council on Disability

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An independent federal agency making recommendations to the President and Congress to enhance the quality of life for all Americans with disabilities and their families.

### Chairman's Statement of Assurance

The Council's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Council is unable to provide assurance that the internal controls and financial management systems meet the objectives of FMFIA.

The Council recognizes that the flat organizational structure and the manner in which responsibilities were delegated led to an ineffective control environment. Accordingly, several material weaknesses surrounding NCD internal control were identified by the Council, as well as the independent auditors. The weaknesses identified were further heightened by the insufficient resources with the appropriate skill sets at the member and staff level to effectively manage NCD's operations. As a result, the Council was unable to comply with the reporting requirements of its statute or the Accountability of Tax Dollars Act of 2002. Specifically, the Council was unable to issue the Annual Progress Report and the Performance and Accountability Report within the established deadlines. The Council is fully committed to addressing the weakness and will take the steps necessary to also strengthen its internal control. See the *Summary of the Financial Audit and Management's Assurances* in Section IV of this report, as well as the *Independent Auditor's Report on Internal Control* for more detail.

The Council conducted its assessment of the effectiveness of internal control in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Council identified four material weaknesses in total, one over its internal control over the effectiveness of financial reporting and three in its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010. Other than the exceptions noted in the *Summary of Financial Audit and Managements Assurances* of Section IV of this report and the *Independent Auditor's Report on Internal Control*, dated April 29, 2011, the internal controls were operating effectively and no other material weaknesses were found in the design or operation of the internal controls.

Jonathan Young, Ph.D., J.D.  
Chairman  
April 29, 2011

## **Part I: Management's Discussion and Analysis**

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### **Prompt Payment Act**

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2010, the NCD paid an immaterial amount in interest penalties on invoices processed.

### **Federal Financial Management Improvement Act (FFMIA)**

Agencies subject to the Accountability of Tax Dollars Act (ATDA) of 2002 are not subject to the requirements of FFMIA. Accordingly, since NCD is a federal agency subject to the ATDA, it is not subject to the requirements of FFMIA.

### **Improper Payments Information Act**

The Improper Payments Information Act (P.L. No. 107-300) defined requirements to reduce improper/erroneous payments made by the federal government. OMB also has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on the results of recovery auditing activities. A significant erroneous payment as defined by OMB guidance is an annual payment in a program that exceeds both 2.5 percent of the program payments and \$10 million. NCD does not have any programs where significant erroneous payments have occurred within the agency. The Council will continue to review its financial operations on an annual basis to determine if any significant erroneous payments exist.

### **Limitations of the Financial Statements**

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

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

## Part II: Performance Section

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NCD has a unique mission among federal agencies because it is charged with reviewing all programs and policies across the federal government, not merely one aspect of policy affecting people with disabilities. While the Council's independent status allows NCD to provide an unbiased overview of many of those agency services and programs, it is the nature of NCD's overview and the recommendations that makes NCD's work so important in the eyes of those who eventually benefit when those recommendations are acted upon by those who have the power to do so.

The Council produces information critical to improving the delivery of programs to individuals with disabilities. The Council's series of reports and papers study a broad array of disability-related laws and programs and has resulted in or documented the need for ongoing changes to many of the services needed to sustain the health and independence of our most vulnerable citizens. These reports can be found at <http://www.ncd.gov/publications>. In addition, as related below, NCD has been given substantial responsibilities for disability-related issues in the nationwide effort to improve emergency preparedness and enhance homeland security.

### Performance by Strategic Goals

The Council's Strategic Plan links the agency's funding to its goals and accomplishments and demonstrates NCD's continued commitment to shaping and preserving a complex framework of policies and programs that serve and support people with disabilities nationwide. The following is a summary of the results NCD attained, as related to its operations and framed under the draft FY 2010 Strategic Plan, which is still under development as of the date of this report.

***Goal: Advance the Goals of the Americans with Disabilities Act by promoting policies, programs, practices, and procedures that guarantee equal opportunity and provide for economic self-sufficiency, independent living, and inclusion and integration into all aspects of society for individuals with disabilities.***

#### ***Objective 1: Improve Processes for Stakeholder Input and Communication***

Over the last several years, NCD has provided extensive and wide-ranging outreach to people with disabilities and members of their communities, closely consulting with them as key informants to NCD's policy work. To accomplish that mandate NCD conducted six public meetings in FY10:

- Nashville, TN                      October 26–28, 2009
- Houston, TX                        January 19–21, 2010
- Arlington, VA                      May 13, 2010
- Washington, DC                    July 28, 2010

In addition to the four meetings listed above, there were two additional meetings held via telephone conference on April 20, 2010 and September 13, 2010. Public participation in NCD meetings has increased approximately 48 percent in the past three years, from approximately 435 in FY09 to approximately 832 in FY10. Many NCD publications have resulted in invitations for Council Members or staff to present NCD findings through conference presentations, Internet

## Part II: Performance Section

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web casts and policy briefings. However, NCD is changing the way it conducts business. While NCD's large publications and reports have generated great interest and have impacted disability policy for millions of people, we are moving towards the rapid development of shorter policy briefs and white papers instead of lengthy evidence-based research and policy reports to be more responsive to the immediate needs of the community.

From July 25-28, 2010 approximately 500 participants including people with disabilities, disability community stakeholders and representatives from Congress and federal agencies gathered in Washington to provide recommendations for disability policy for the next decade and beyond through NCD's 2010 ADA Summit. The participants included individuals from 49 different states plus the District of Columbia, Guam, Puerto Rico as well as other countries.

During the Summit, participants engaged in dialogue and roundtable discussions to identify emerging opportunities to improve the coordination of disability policies, programs, and advocacy efforts as well as to energize collaborative networks to guide future disability policy.

To continue the national dialogue begun at the Summit, NCD expanded its outreach by launching a Facebook page ([www.facebook.com/pages/Washington-DC/National-Council-on-Disability/131414496898167?v=wall&ref=ts](http://www.facebook.com/pages/Washington-DC/National-Council-on-Disability/131414496898167?v=wall&ref=ts)). NCD is dedicated to ensuring that those individuals not able to participate in person are able to provide input on the same questions posed to the participants.

From October 25-27, 2010 NCD conducted a regional forum in Detroit, Michigan. NCD intends to use regional forums and other similar events annually to listen and reach out to stakeholders in the disability community.

NCD's increased outreach activities are not limited to the disability community. NCD needs to respond to requests from Congress and the Administration quickly, efficiently, and effectively. While NCD has started to move down that path, more work needs to be done in this area.

NCD also focused on emergency preparedness specific to individuals with disabilities. On October 20, 2009, then NCD Chairperson, John Vaughn, testified on emergency preparedness before the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management at a hearing entitled "Looking Out for the Very Young, the Elderly and Others with Special Needs: Lessons from Katrina and other Major Disasters." He addressed the procedures and plans currently in place to aid children and people with disabilities during and after a natural disaster.

On June 15, 2010, Chairman Jonathan M. Young testified before the House Homeland Security Subcommittee on Emergency Communications, Preparedness and Response on "Caring for Special Needs during Disasters: What's being done for Vulnerable Populations." The purpose of this hearing was to receive testimony on the actions taken by the Federal Emergency Management Agency (FEMA), non-profits, and localities to address the needs of vulnerable populations, including people with disabilities, the poor, children, and persons with limited English proficiency, during disasters.

## Part II: Performance Section

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On July 22, 2010, Chairman Young testified before the House Judiciary Subcommittee on the Constitution, Civil Rights and Civil Liberties on “Americans with Disabilities Act at 20 — Celebrating Our Progress, Affirming Our Commitment.” The purpose of the hearing was to highlight the ADA’s accomplishments.

### ***Objective 2: Increase Emphasis on Effective Disability Policy Implementation***

NCD gathers information from the public through a number of means: public testimony at meetings either in person or on toll-free phone lines, electronic mail received on the NCD Web site, letters of concern from members of the public, formal public consultations utilizing the Internet in order to provide advice on reports underway at NCD, information gathered by contractors preparing NCD research reports, interaction between NCD Council Members and staff at conferences and meetings of stakeholder groups, and during sessions where NCD is releasing its research reports.

NCD commissioned and participated in the preparation of many reports, papers and briefs. The information gathered during the preparation of these reports and during NCD’s periodic meetings is typically used by the Council to develop policy recommendations that are shared with Congress and the president through the mentioned reports and papers, as well as the annual progress report or as needed during discussions about pending legislation. During FY10, NCD completed or released reports on the following subjects:

- Five 5 topical briefs on Workforce Investment Act (WIA) reauthorization (vocational rehabilitation; youth transition; one-stops; performance indicators; and system infrastructure)
- Equality of Opportunity: The Making of the Americans with Disabilities Act (Reissued 2010)
- Workforce Infrastructure in Support of People with Disabilities: Matching Human Resources to Service Needs
- The State of Housing in America in the 21st Century: A Disability Perspective
- NCD 2010 National Disability Policy Summit Proceedings Report

NCD also had the following reports or studies underway during FY 2010:

- *United States Marine Corps Exceptional Family Members: How to Improve Access to Health Care, Special Education, and Long-Term Supports and Services to Family Members with Disabilities.* This effort is examining the unique challenges of active duty Marines with family members with disabilities, assess the services provided to them by the Marine Corps Exceptional Family Program, and make recommendations to enhance access to disability-related services, including health care, special education and related services, and long-term services and supports.
- *The Prospect of Digital Inclusion: Technology’s Impact on Employment and Opportunities for People with Disabilities.* NCD explored the utility and accessibility of key digital technologies and media that have the potential to enhance social engagement,

## Part II: Performance Section

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increase opportunities for workplace participation and heighten employment prospects - or create new employment opportunities for people with disabilities using the networked economy.

- *Toward the Full Inclusion of People with Disabilities: Examining the Accessibility of Overseas Facilities and Programs Funded by the United States.* This report assesses the implementation of disability inclusion in US Government-funded overseas programs, facilities, and employment opportunities.
- *Rising Expectations: The Developmental Disabilities Rights Act Revisited (developed during FY2010).* This report addresses what the Developmental Disabilities Act accomplished in the past 40 years; what the strengths and weaknesses of the current structure are; and whether the structure is suited to address the current and future social and policy environment.

In keeping with its mission to advise Congress, in April 2010, NCD provided the U.S. House Committee on Education and Labor a set of policy principles and recommendations for the Committee's consideration during the Elementary and Secondary Education Act (ESEA), also known as the No Child Left Behind Act (NCLBA) reauthorization.

On January 19, 2010, NCD submitted a report to President Obama entitled, *The State of Housing in America in the 21st Century: A Disability Perspective*. The report offers recommendations to improve housing opportunities for people with disabilities. The report highlights the need for additional housing that is affordable, accessible and appropriate.

From NCD's review of the Summit activities and national dialogue, its Board deliberations, and the activities and accomplishments highlighted in NCD's *Annual Progress Report*, NCD believes policies can and will be underpinned by a more integrated and coordinated approach to government programs. Importantly, the approach will recognize not only the complexity of implementing disability policies, but also the intricacies of people's lives and the intersection and interdependence of the many programs needed to address those lives.

As previously discussed, NCD releases its *Progress Report* annually to the President and Congress based on research completed during the preceding year. However, in 2010 based on the strategic plan and in consultation with Congressional staff and the White House, the Council chose to redevelop the report's contents and decided not to release a report in October 2010. NCD believed that the NCD report did not meet the needs of Congress, the President and Administration, or the disability community.

The annual report will continue to highlight successes and the need for continuing emphasis on the implementation of Federal laws, rules, and programs affecting the disability community. However, future annual reports will not only discuss the actions of the Council but will also highlight the effectiveness of actions necessary to implement policies, programs, and practices in support of the disability community, as specified in NCD's authorizing statute. Furthermore, these reports will provide a significant discussion of the overall state of the disability community

## Part II: Performance Section

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and the policies affecting it based upon the information NCD develops through use of the strategies envisioned in the strategic plan.

### **Support Objective – Management Excellence**

*Provide operations and systems that support NCD staff and enable the Council to operate as efficiently and effectively as possible.*

The Council places a high priority on ensuring the effective use of technology and internal procedures to optimize its operations. Management excellence is a key strategy by which the Council strives to ensure its mission is in the most efficient and effective manner. Consistent with the President's Management Agenda (PMA), the Council is updating its human capital plan to better address the following elements: (1) strategic alignment; (2) workforce planning; (3) leadership development; and (4) knowledge transfer and results-oriented performance. Furthermore, the Council believes that, in addition to investing in its people, strong financial management and up-to-date technology are critical means to achieving its mission. Accordingly, NCD continues to improve its programs and operations, strengthening internal controls, financial management, and information technology across the agency.

For example, during FY 2010, NCD began the following initiatives:

- Updating the bylaws, strategic plan, policies and procedures, and performance management system to ensure that staff understands their role and responsibilities.
- Assessing IT infrastructure, which included identifying enhancements relating to risk assessments of operations, disaster recovery, continuity of operations and accessibility.
- Upgrading its website to make information more accessible and proactively available to the public in support of the Administration's initiative for more transparency.
- Implementing a "Facebook" page that encourages an open dialogue, further expanding its outreach and collaborative efforts with its stakeholders.
- Restructuring its organization structure from a horizontal organization to a hierarchical organization to enhance communication.
- Identifying training needs of its staff.

NCD recognizes the progress it has made and the accomplishments achieved by its staff to enhance the efficiency of its operations. However, NCD recognizes more progress is needed. In the past year, NCD has encountered turnover in key positions, which included the Chairman, Vice Chairman, the Executive Director, along with other management positions. Such turnover prevented NCD from accomplishing many of its intended objectives. In addition, several vacant positions remained open longer than anticipated due to management's decision to delay hiring until there was more clarity about staffing priorities, which resulted in an insufficient number of staff to accomplish the work. Staff shortages had a direct impact on NCD's ability to hold meetings, conferences, and hearings or to prepare reports in a timely manner. NCD will continue to focus on resolution of issues identified in audits, establishing sound policies and procedures, educating staff on the relationship between budget and performance, maximizing use of staff and financial resources, and training NCD staff on responsible financial management processes.

## **Part III: Financial Section**

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### **Message From the Executive Director**

I am pleased to report that for the fourth consecutive year, the Council earned an unqualified “clean” audit opinion on its consolidated financial statements. However, during FY 2010, the Council endured numerous issues that adversely impacted its internal control, which ultimately led to the identification of four material weaknesses. As noted in the Chairman’s Letter, NCD encountered a high level of turnover in several key leadership positions. Such turnover highlighted NCD’s organizational structure was in need of a major overhaul. In particular, the financial operations needed more resources in order to process transactions accurately and timely. As a result of the lack of resources, management was unable to perform a thorough review of key financial transactions, which ultimately resulted in a material weakness being cited by the independent auditors specific to undelivered orders/accounts payable.

Since the controls were deficient for a significant portion of FY 2010, which covers the period of October 1, 2009 through September 30, 2010, the weaknesses noted by management, as well as the auditors, were not fully resolved in FY 2010. However, NCD had begun to take steps to address the deficiencies, which are still underway in FY 2011. NCD has outlined several actions needed to resolve the weaknesses, and most importantly to strengthen its internal control. To date, we have begun to address several of the recommendations, including:

- Assessing current operational processes and systems;
- Identifying training needs for employees to further enhance awareness of financial management; and
- Updating policies and procedures as they pertain to programs, administrative matters, and financial management.

We recognize improvement is a continuous process and more needs to be done to further strengthen internal controls, as outlined by the recommendations made in the Auditor’s Report on Internal Control. We take financial accountability very seriously and are committed to effective internal control and performance, while also providing the taxpayers with the service they expect and deserve. NCD has made financial management a priority in FY 2011 and is committed to ensuring it has the organization, systems, and resources to sustain an unqualified opinion in future years, demonstrating our ability to serve as trusted stewards.

Finally, I want to take this opportunity to acknowledge the efforts of the Council’s interim acting management and the entire staff that made financial management a priority during FY 2010 during a time of tremendous instability and difficulty. The unqualified opinion is fully attributable to their dedication and commitment to quality financial management.

Aaron Bishop  
Executive Director





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Tel. 202.332.3566 · Fax 202.332.3672 · [www.martinwallcpa.com](http://www.martinwallcpa.com)

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## **Independent Auditors' Report**

Chairman, Executive Director and Council Members  
National Council on Disability  
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the National Council on Disability. We have audited the accompanying balance sheets of the National Council on Disability as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2010 audit, we also considered the National Council on Disability's internal control over financial reporting and tested the Council's compliance with selected provisions of applicable laws and regulations that could have a direct and material effect on these financial statements.

### **Summary**

In our audits of the National Council on Disability for the fiscal year ended September 30, 2010 and 2009, we found:

- The financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- Four material weaknesses in internal control over financial reporting,
- No reportable noncompliance with laws and regulations we tested.

The following sections discuss our opinion on the Council's financial statements; our consideration of the Council's internal controls over financial reporting; our tests of the Council's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.



## **Opinion on Financial Statements**

We have audited the accompanying balance sheets of the National Council on Disability as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above, including the accompanying notes, present fairly, in all material respects, the financial position of the National Council on Disability, as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis, Required Supplementary Stewardship Information and Required Supplementary Information sections is not a required part of the financial statements, but is supplemental information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted of principally inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

## **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

In our fiscal year 2010 audit, we identified four deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

- NFR 10-01 Ineffective Control Environment
- NFR 10-02 Ineffective Risk Assessment Process
- NFR 10-03 Ineffective On-Going Monitoring of Internal Control Effectiveness
- NFR 10-04 Ineffective Process for Period End Review of Accounts Payable and Undelivered Orders.



See Appendix B – Notice of Findings and Recommendations, and Agency Responses, for details of condition, criteria, cause, effect, recommendations, and agency responses.

We noted certain additional matters that we reported to the Council’s management addressing internal control matters in a letter dated April 29, 2011.

### **Compliance and Other Matters**

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

### **Responsibilities**

**Management Responsibilities:** National Council on Disability’s management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control, and (3) complying with laws, regulations, and contracts and applicable to the Council.

**Auditor’s Responsibilities:** Our responsibility is to express an opinion on the fiscal year 2010 and 2009 financial statements of the National Council on Disability based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Council on Disability’ internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management;
- Evaluating the overall financial statement presentation;
- Obtaining an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- Considering the design of the process for evaluating and reporting on internal control;



- Testing compliance with selected provisions of laws, regulations, grants and controls applicable to the Council that could have a direct and material effect on the financial statements.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2010 audit, we considered the National Council on Disability' internal control over financial reporting by obtaining an understanding of the Council's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the National Council on Disability' fiscal year 2010 financial statements are free of material misstatement, we performed tests of the Council's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Council. However, providing an opinion on compliance with laws, regulations, contracts and grant agreements was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

### **Agency Comments and Our Evaluation**

In commenting on a draft of this report (see Appendix A), the National Council on Disability concurred with the facts and conclusions in our report.



### **Use and Distribution of Report**

This report is intended sole for the information and use of the National Council on Disability's management, Council Members, U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC  
April 29, 2011

**Appendix A**  
**The National Council on Disability**  
**Comments on the Draft Audit Report**



## National Council on Disability

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An independent federal agency making recommendations to the President and Congress to enhance the quality of life for all Americans with disabilities and their families.

April 29, 2011

Martin & Wall, P.C.  
Andrew B. Martin, MS, CFE, CFF, CICA, CPA  
Managing Partner  
1633 Q Street, NW  
Suite 230  
Washington, DC 20009

Dear Mr. Martin:

We have reviewed the draft audit report provided to us relating to your audits of National Council on Disability for the fiscal years ended September 30, 2010 and 2009. We concur with the facts and conclusions in the draft report. We have provided responses to notice of findings and recommendations in Appendix B.

Sincerely,

Aaron Bishop  
Executive Director

**Appendix B**  
**Notice of Findings and Recommendations and Agency Responses**  
**National Council on Disability Fiscal Year 2010 Audit**



## Notice of Findings and Recommendations (NFR) Summary Table

Table Key: CD=Control Deficiency, SD=Significant Deficiency and MW=Material Weakness

		Risk Level			Affected Activity	
NFR#	Findings by Area	CD	SD	MW	Financial Reporting	Compliance
Entity Level Controls						
10-01	Ineffective Control Environment			√	√	√
10-02	Ineffective Risk Assessment Process			√	√	√
10-03	Ineffective On-Going Monitoring of Internal Control Effectiveness			√	√	√
Accounts Payable & Undelivered Orders						
10-04	Ineffective Process for Period End Review of Accounts Payable and Undelivered Orders			√	√	√

The following pages present the condition, criteria, cause, effect, recommendation and management response for each NFR.

## Material Weaknesses

### Entity-Level Controls

#### **10-01: Ineffective Control Environment**

##### Condition:

During the fiscal year ended September 30, 2010, the National Council on Disability experienced numerous resignations, new appointments and vacancies in senior leadership positions that exposed an inconsistent and ineffective control environment, which undermined the effectiveness of the remaining components of internal control (i.e. risk assessment, information and communication systems, control activities, and monitoring). Specific deficiencies include:

1. The governing body has not established a senior management council or audit committee to define financial reporting and compliance requirements and internal control objectives related to those requirements.
2. The governing body has not performed a formal, written risk assessment to identify risks of material misstatement of the financial statements, fraud, and non-compliance with laws and regulations that could have a direct and material effect on the financial statements.
3. The governing body has not developed a formal process to evaluate if internal controls have been suitably designed to mitigate identified risks, to determine if controls have been implemented, and whether controls are operating effectively or have been overwritten.
4. The governing body failed to establish a formal process for monitoring corrective actions for audit report findings.

##### Criteria:

*The Federal Manager's Financial Integrity Act of 1982 (FMFIA)* requires federal agency managers to comply with specific standards for internal control in the federal government as established by the U.S. Government Accountability Office (GAO). Specific internal control guidance is provided in GAO's *Standards for Internal Control in the Federal Government* (Green Book) and OMB Circular No. A-123, *Management's Responsibility for Internal Control*. These internal control standards establish three broad internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

GAO published its "Internal Control Management and Evaluation Tool" in August 2001 (<http://www.gao.gov/new.items/d011008g.pdf>) to provide federal agency managers with best

practices for evaluating the five integrated components of internal control applied to a federal agency context. The best practices are based on The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *"Internal Control – Integrated Framework"* that established standards for designing and implementing effective internal controls. The COSO Report defines an integrated framework for assessing the adequacy of internal control in five components: control environment, risk assessment, control activities, information and communication systems, and monitoring. The accounting profession, the federal government and the private sector have all adopted COSO as best practices.

The control environment is the organizational structure and culture created by management and employees to sustain organizational support for effective internal control. This includes evaluating systems for: (i) communicating integrity and values throughout the organization and identifying instances of management override of internal controls; (ii) demonstrating a commitment to competence through appropriate human capital policies; (iii) a management philosophy and operating style that properly evaluates enterprise, program, financial and compliance risks, implements performance based management, minimizes employee turnover, and communicates an appropriate attitude toward financial, budgetary, and operational/programmatic reporting; and (iv) developing an organization structure that is appropriate for the size of the agency, properly defines roles and responsibilities and assigns authority and responsibility accordingly; (v) human capital policies; and (vi) oversight groups. Evaluating the capabilities of key personnel with responsibilities for executing key controls (such as authorization, reconciliation, and management review) and the workload of those individuals is particularly important.

Statement on Auditing Standards (SAS) 109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, is guidance to auditors for identifying risks and evaluating the effectiveness of controls designed to reduce those risks to an acceptable level. SAS 109 indicates:

the primary responsibility for the prevention and detection of fraud and error rests with those charged with governance and the management of the entity. In evaluating the design of the entity's control environment, the auditor should consider [whether the elements mentioned above] have been incorporated into the entity's processes.

The American Institute of Certified Public Accountants (AICPA) has published "The Audit Committee Toolkit: Government Organizations" to advise on best practices for formulating a senior management council or audit committee. That publication states:

*Governing body/audit committee.* A strong, active governing body is necessary. This is particularly important when the organization is controlled by an executive or management team with tight reins over the organization and the people within the organization. The governing body should recognize that its scope of oversight of the internal control system applies to all the three major areas of control: operations, compliance with laws and regulations, and financial reporting. The

audit committee is the governing body's first line of defense with respect to the system of internal control over financial reporting.

Cause:

Members of the Council are typically appointed based on their knowledge of substantive disability policy rather than for their corporate governance expertise. The Council's governing bylaws were not implemented to ensure effective financial management oversight of the agency. Although NCD established a Finance Committee, the role and responsibilities of the Finance Committee were not sufficiently documented, thereby creating deficiencies in the internal control environment of the Council.

Furthermore, roles and responsibilities were not adequately specified and delegated from the Council to the Executive Director, and from the Executive Director to other staff, to ensure effective separation of execution and oversight functions.

Structural weaknesses were exposed and exacerbated by extensive turnover. In September 2009 the Vice Chair and Finance Committee Chair resigned. In October 2010 the Executive Director resigned with an effective last day of January 8, 2010. On December 17, 2009 eight new members were nominated to serve on the Council and shortly thereafter a new Chairperson was appointed among previously serving members until the designation of a new Chairperson upon confirmation. On December 23, 2009 the previous Chairperson resigned effective immediately—two weeks before the scheduled last day of the Executive Director. At the time, the Executive Director presided over a flat organizational structure and directly played critical roles in authorizing and executing transactions, developing and executing contracts, monitoring internal controls, and monitoring the performance of service providers and other government support contracts.

Because the Executive Director departed during a transition period in leadership among Council members including the Chairperson of the agency, the interim Chair filled the position on a short-term acting basis by appointing an individual from within the staff until the newly confirmed Chair could select a permanent Executive Director. However, the Acting Executive Director did not possess the same financial and internal control expertise or experience as the former Executive Director. Finally, a new Executive Director was not selected until September 2010, and his prior obligations delayed the starting date until November 15—more than 10 months after the Executive Director's departure. The concentration of critical management and oversight functions in one individual put NCD at risk that these functions could not be performed as intended once that individual departed.

Effect:

By not documenting roles and responsibilities of the Finance Committee and individual staff, the Council was inconsistent with its approach to governance and oversight of the agency, which was even more prevalent in fiscal year 2010 as a result of the significant turnover on the Council.

Furthermore, the lack of delegation of responsibilities to the appropriate level within the agency caused too many functions to be controlled by one individual.

The ineffective control environment also exposes NCD to significant risk of material misstatement of the financial statements. Material audit adjustments related to improper recording of accounts payable (with corresponding effects on budgetary accounts) were detected in fiscal year 2009 and 2010 audits. The significant leadership turnover in fiscal year 2010 exacerbates risks and undermines control effectiveness.

#### Recommendations:

The Council should establish a senior management council to serve the audit committee function based on the best practices presented by the Government Accountability Office (GAO) and AICPA Audit Committee Effectiveness Center. We recommend the agency create a senior management council, select its members, and write a memorandum of roles and responsibilities by June 30, 2011.

NCD should review the materials on the audit committee effectiveness center.  
<http://www.aicpa.org/ForThePublic/AuditCommitteeEffectiveness/Pages/ACEC.aspx>

NCD should purchase “The AICPA Audit Committee Toolkit” Government Organizations” which provides sample checklists, matrices, reports, questionnaires and other materials pertinent to a government organization.

Now we wish to provide some commentary of specific oversight activities this senior management council should conduct.

We believe there are opportunities for improving how an audit committee and senior management review financial statements and evaluate internal control effectiveness, assesses the effectiveness of internal control design and implementation, and perform other audit committee-related activities. This oversight group should meet at least on a quarterly basis and address issues that are the typical responsibility of an audit committee. Accordingly, we think the key activities this oversight group should address at quarterly meetings are:

1. Reviewing the financial statements produced by the accounting service provider (GSA ESD) each quarter and at year-end.
2. Monitoring progress on implementation of auditor recommendations. This should be done in the form of a matrix with timelines for implementation corrective actions, assignment of responsibilities, and procedures for verifying implementation.
3. Identifying risks to reliability of financial reporting and compliance with laws and regulations. This assessment should be written and reviewed at least annually. Minutes should be taken of discussions of these matters. See NFR 10-02 for details.

4. Discussing fraud risk factors and who in the organization is responsible for fraud prevention, detection and deterrence. We have provided you a fraud risk self-assessment questionnaire developed by the Association of Certified Fraud Examiners. See NFR 10-02 for details.
5. Discussing the effectiveness of design of key internal controls to reduce identified risks to an acceptable level, verifying the implementation of those key controls, and periodically testing the operating effectiveness of those controls. This should all be documented in writing. See NFR 10-03 for details.
6. Discussing how effectively the agency integrates its internal controls over initiating, authorizing, processing, recording, reconciling and reporting events and transactions with the systems and processes of GSA ESD, the accounting and payroll service provider. This includes understanding that GSA states its controls are only effective of its clients have:
  - Controls to provide reasonable assurance that transactions are entered and processed completely and accurately.
  - Controls to provide reasonable assurance that produced reports accurately and completely reflect the information supplied to the service provider.
  - Controls to provide reasonable assurance that any significant obligation, accrual or payment anomalies affecting budgeted amounts are identified and resolved in a timely manner.
7. Preparing for the following year's audit. This includes reviewing policies and procedures to determine they are up to date and reviewing documentation to assess completeness.
8. Developing key performance indicators that measure financial, program and operational performance.

We strongly recommend a detailed set of minutes summarizing discussion topics and actions items from these quarterly senior management council meetings.

Agency Response:

Management concurs with the finding and recommendations. We will develop a corrective action plan within 30 days. It is the Council's goal to implement procedures that will address and resolve the internal control weakness no later than June 30, 2011.

## **NFR 10-02: Ineffective Risk Assessment Process**

### Condition:

National Council on Disability has not developed or implemented a formal risk assessment process to comprehensively identify, analyze, and evaluate risks that could lead to a material misstatement of the financial statements or a misappropriation of assets or fraudulent financial reporting.

### Criteria:

*The Federal Manager's Financial Integrity Act of 1982 (FMFIA) requires federal agency managers to comply with specific standards for internal control established by the U.S. Government Accountability Office (GAO). Specific control guidance is provided in GAO's Standards for Internal Control in the Federal Government (Green Book). As a federal agency, NCD is required to design and implement internal controls to provide reasonable assurance over the reliability of financial reporting and compliance with laws and regulations. Programs to detect, prevent and deter fraud encompass both of these control objectives. The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) "Internal Control – Integrated Framework" established standards for designing and implementing effective internal controls that have been universally adopted by the accounting profession, the federal government and the private sector. COSO presents five interrelated components of internal control: control environment, risk assessment, control activities, information and communication system and monitoring. Statement of Auditing Standards (SAS) 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, provides auditors guidance for evaluating an entity's risk assessment process. SAS 109 states: "An entity's risk assessment process for financial reporting purposes is its identification, analysis, and management of risks relevant to the preparation of financial statements that are presented fairly in conformity with generally accepted accounting principles. For example, risk assessment may address how the entity considers the possibility of unrecorded transactions or identifies and analyzes significant estimates relevant to financial statements. Risks relevant to reliable financial reporting also relate to specific events or transactions."*

### Cause:

The agency has not developed a formal process for developing a written risk assessment of financial reporting, fraud and compliance risks, and reviewing that risk assessment against changes in the operating environment on a period basis.

### Effect:

Material misstatements of the financial statements, fraud risks or noncompliance with laws and regulations that could have a direct and material effect on the financial statements could occur and go undetected. Audits for fiscal years ended September 30, 2010 and 2009 detected material errors in financial reporting that went undetected by the entity's internal control structures and

required material audit adjustments to fairly present the financial statements. Audit adjustments focused on improper recording of A/P accruals, undelivered orders, obligations and deobligations.

Recommendation:

NCD should conduct a formal risk assessment resulting in a written document, to be updated annually and shared with its accounting service provider. The risk assessment should include:

1. Identifying which account balances and significant transaction classes that contain the highest risk of error and evaluating the effectiveness of internal controls that are in place to reduce those risks to an acceptable level. This should include a review of audit adjustments for prior years to identify account balances and significant classes of transactions that have contained errors and omissions that have materially misstated the draft financial statements. Adjustments have been primarily related to cut off (recording expenditures in the proper year).
2. Identifying risks of material misstatement, non-compliance with laws and regulations, or fraud that result from internal control deficiencies identified during the audit process. This should include making a list of the relevant laws and regulations to which the agency is subject and identifying controls to ensure compliance. See OMB Bulletin No 07-04 *Audit Requirements for Federal Financial Statements, as amended* and GAO Financial Audit Manual 802 for details. Also see [www.ignet.gov](http://www.ignet.gov) materials on Improper Payments Act.
3. Identifying fraud risks. We have provided a Fraud Prevention Checkup prepared by the Association of Certified Fraud Examiners. This is a self-assessment questionnaire we recommend senior management review and update this on an annual basis.
4. Identifying risks related to changes in the environment, such as growth, personnel changes, new technology, new programs or new regulations. Turnover of key personnel in the accounting organization has negatively impacted the organization. A continuity of operations plan should be developed to reduce potential adverse effects of key person dependencies and departures of key personnel.
5. Making cost-benefit-risk assessments as to where limited resources can be most effectively deployed to strengthen internal controls. In general, investing in entity level controls (control environment, risk assessment, information & communication, and monitoring) and financial close and reporting processes provides a greater value than investing in activity-level controls targeting specific account balances or transaction types.



Agency Response:

Management concurs with the finding and recommendations. We will develop a corrective action plan within 30 days. It is the Council's goal to implement procedures that will address and resolve the internal control weakness no later than June 30, 2011.

**NFR 10-03: Ineffective Ongoing Monitoring of Internal Control Effectiveness**

Condition:

National Council on Disability lacks a well-defined process to regularly evaluate whether internal controls are effectively designed, have been properly implemented, and are operating effectively.

Criteria:

The *Federal Manager's Financial Integrity Act of 1982* (FMFIA) requires all federal agencies to annually assess and report on the adequacy of management control systems. GAO and OMB have established guidelines for agencies to monitor on an on-going basis the effectiveness of internal controls in detecting and preventing material misstatements to the financial statements and complying with relevant laws and regulations. Additionally, Statement of Auditing Standards (SAS) 109 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* states: "An important management responsibility is to establish and maintain internal control on an ongoing basis. Management's monitoring of controls includes whether they are operating as intended and that they are modified as appropriate for changes in conditions."

Cause:

Management has not created a system for evaluating the effectiveness of the design, implementation and operation of internal control.

Effect:

A control deficiency may occur in the course of the organization's operations and not be detected, leading to a misstatement of the organization's financial statements, misappropriation of assets or noncompliance with relevant laws, regulations, grants and contracts.

Recommendation:

Management should first perform the risk assessment process recommended in NFR 10-02 Ineffective Risk Assessment Process. Then management should develop a streamlined approach to evaluating the effectiveness of controls designed to reduce the risks of material misstatement of financial statements to an acceptable level. Evaluations should be documented in writing. Results should be shared with the service provider where appropriate.

On-going monitoring of internal control effectiveness should include activities such as management's review of whether: (1) financial transactions are being initiated, authorized, recorded and processed through to the general ledger in accordance with policies, procedures and controls on a consistent basis or if controls are being overridden, (2) internal controls are effectively detecting and preventing the types of errors or omissions anticipated by the agency's risk assessment process the GSA External Services Division "user control considerations" in its SAS 70 reports for the Pegasys Financial Management System and the Payroll Accounting and Reporting System, (3) key persons are ensuring compliance with terms of relevant laws, regulations, grants and contracts, (4) ensuring that the findings of audits and other internal or external financial and program reviews are promptly resolved and that results of monitoring are reported to the agency's governing body.

The Chief Financial Officer's Council ([www.cfoc.gov](http://www.cfoc.gov)) *Implementation Guide for OMB Circular A-123* provides a blueprint for federal agencies to evaluate and test internal control. While the risk assessment process is designed to identify risks and design and implement key controls to reduce those risks to acceptable levels, once that is completed, management should monitor whether those key controls are operating effectively. Acceptable tests of operating effectiveness typically involve: (i) inspection of documents, reports, or electronic files demonstrating control performance, (ii) reperforming the application of specific controls, (iii) observing the application of specific controls in operation, (iv) inquiry of appropriate personnel, and (v) a walkthrough tracing a transaction from origination through the information system until the transaction is reflected in the financial reports. A walkthrough encompasses the entire process of initiating, authorizing, recording, processing, and reporting individual transactions and controls for each significant process.

Agency Response:

Management concurs with the finding and recommendations. We will develop a corrective action plan within 30 days. It is the Council's goal to implement procedures that will address and resolve the internal control weakness no later than June 30, 2011.

**Process/Activity Level Controls**

**10-04: Ineffective Process for Period End Review of Accounts Payable and Undelivered Orders (Repeat Condition)**

Condition:

The National Council on Disability lacks formal policies and procedures to facilitate the timely identification and estimation of accruals related to accounts payable, and the validation of outstanding obligations at period-end.

Criteria:

Statement of Federal Financial Accounting Standards (SFFAS) Number 1, *Accounting for Selected Assets and Liabilities*, defines accounts payable as “amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities.” SFFAS No. 1 further indicates, “[i]f invoices for those goods [or services] are not available when financial statements are prepared, the amounts owed should be estimated.

The Federal Manager’s Financial Integrity Act of 1982 (FMFIA) required the Government Accountability Office (GAO) to establish standards for internal control. GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, provides, “[t]ransactions should be promptly recorded to maintain their relevance and value to management...This applies to the entire process or life cycle of a transaction...In addition, control activities help to ensure that all transactions are completely and accurately recorded...Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form.”

Cause:

The National Council on Disability has not developed formal policies and procedures to facilitate the timely identification and estimation of accruals related to accounts payable, and the validation of outstanding obligations at period-end. Furthermore, NCD has not provided training outlining roles and responsibilities to those individuals involved in monitoring contracts (e.g. the contracting officer’s technical representatives (COTRs).

Effect:

The National Council on Disability failed to identify a material amount in goods and services received prior to year-end, which should have been accrued as of September 30, 2010. This oversight led to a material understatement of accounts payable and expenses and an overstatement of undelivered orders that was identified in the course of conducting the audit. An adjustment was proposed by the auditors and recorded by management, thereby ensuring that the financial statements were properly stated. This same error was detected during the fiscal year 2009 audit. Additionally, fiscal year 2010 audit adjustments also detected errors in the accuracy and completeness of recording obligations and deobligations. Deficiencies in budget execution controls increase the risk of non-compliance with the Anti-Deficiency Act.

Furthermore, without effective monitoring of contracts, which includes training of personnel, there is an increased risk that the National Council on Disability may be receiving goods or services that may not comply with the terms and conditions of the contracts. This could lead to a violation of the Improper Payments Act.

### Recommendations:

The National Council on Disability should formally document the policy and procedures necessary to facilitate the period-end financial close and reporting process. The policy and procedures discussed above should incorporate the following elements:

1. Review all current, active contracts to identify if an accrual would be necessary. If needed, contact the vendor to determine how much is expected to be invoiced for the goods or services provided for the period of accrual.
2. Review purchase card and travel card transactions to identify any costs incurred associated with the period of accrual.
3. Obtain and review the aging obligation detail report, at least quarterly, to determine whether obligations, undelivered orders, accounts payable accruals, and total payments for each obligation are accurate and complete.
4. Develop a written list of accounts payable accruals, requests for deobligations, and/or other corrections required prior to submission of the periodic financial statements to the Office of Management and Budget (OMB) and the independent auditor.
5. Reconcile financial statements to source documentation, prior to finalizing and submitting the statements to OMB and the independent auditor.
6. Identify the vendors or classes of transactions that present the greatest risk of error, develop controls to reduce those risks to an acceptable level, and perform on-going monitoring of the operating effectiveness of those controls.
7. Provide training to all staff to ensure the staff are familiar with the policy and procedures, and understand their roles and responsibilities as it pertains to reviewing contracts and determining if information is needed from the vendor to support an accrual.

### Agency Response:

Management concurs with the finding and recommendations. We will develop a corrective action plan within 30 days. It is the Council's goal to implement procedures that will address and resolve the internal control weakness no later than June 30, 2011.

**National Council on Disability  
Balance Sheet  
As of September 30, 2010 and 2009  
(in dollars)**

	2010	2009
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 1,711,213	\$ 1,569,815
<b>Total Intragovernmental</b>	<u>1,711,213</u>	<u>1,569,815</u>
 <b>Total Assets</b>	 <u><u>\$ 1,711,213</u></u>	 <u><u>\$ 1,569,815</u></u>
 <b>Liabilities:</b>		
Intragovernmental:		
Accounts payable	\$ 131	\$ 27,385
Other (Note 4)	<u>13,266</u>	<u>12,512</u>
<b>Total Intragovernmental</b>	13,397	39,897
 Accounts payable	245,656	87,812
Other (Note 4)	<u>174,807</u>	<u>154,152</u>
<b>Total Liabilities</b>	<u>433,860</u>	<u>281,861</u>
 <b>Net Position:</b>		
Unexpended appropriations -- Earmarked Funds (Note 7)	105,379	157,762
Unexpended appropriations -- Other Funds	1,265,600	1,225,602
Cumulative results of operations	<u>(93,626)</u>	<u>(95,410)</u>
<b>Total Net Position</b>	<u>1,277,353</u>	<u>1,287,954</u>
 <b>Total Liabilities and Net Position</b>	 <u><u>\$ 1,711,213</u></u>	 <u><u>\$ 1,569,815</u></u>

The accompanying notes are an integral part of these statements.

**National Council on Disability**  
**STATEMENT OF NET COST**  
**For the Years Ended September 30, 2010 and 2009**  
**(in dollars)**

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	2010	2009
Program costs:		
 Total program costs	 \$ <u>3,340,387</u>	 \$ <u>3,113,436</u>

The accompanying notes are an integral part of these statements.

**National Council on Disability  
Statement of Changes in Net Position  
For the Year Ended September 30, 2010  
(In Dollars)**

	<b>2010</b>		
	Earmarked Funds	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>			
Beginning Balance	\$	\$ (95,410)	\$ (95,410)
<b>Budgetary Financing Sources:</b>			
Appropriations used	52,383	3,230,789	3,283,172
<b>Other Financing Sources (Non-Exchange):</b>			
Imputed financing costs		58,999	58,999
Total Financing Sources	52,383	3,289,788	3,342,171
Net Cost of Operations	52,383	3,288,004	3,340,387
Net Change		1,784	1,784
<b>Cumulative Results of Operations</b>	<u>\$</u>	<u>\$ (93,626)</u>	<u>\$ (93,626)</u>
<b>Unexpended Appropriations:</b>			
Beginning balance	\$ 157,762	\$ 1,225,602	\$ 1,383,364
<b>Budgetary Financing Sources:</b>			
Appropriations received		3,271,000	3,271,000
Appropriations used	(52,383)	(3,230,789)	(3,283,172)
Other Adjustments		(213)	(213)
Total budgetary financing sources	<u>(52,383)</u>	<u>39,998</u>	<u>(12,385)</u>
Total unexpended appropriations	<u>105,379</u>	<u>1,265,600</u>	<u>1,370,979</u>
<b>Net Position</b>	<u>\$ 105,379</u>	<u>\$ 1,171,974</u>	<u>\$ 1,277,353</u>

The accompanying notes are an integral part of these statements.

**National Council on Disability  
Statement of Changes in Net Position  
For the Year Ended September 2009  
(In Dollars)**

	<b>2009</b>		
	Earmarked Funds	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>			
Beginning Balance	\$	\$ (81,375)	\$ (81,375)
<b>Budgetary Financing Sources:</b>			
Appropriations Used	110,828	2,933,800	3,044,628
<b>Other Financing Sources (Non-Exchange):</b>			
Imputed Financing Costs		54,773	54,773
Total Financing Sources	110,828	2,988,573	3,099,401
Net Cost of Operations	110,828	3,002,608	3,113,436
Net Change		(14,035)	(14,035)
<b>Cumulative Results of Operations</b>	<u>\$</u>	<u>\$ (95,410)</u>	<u>\$ (95,410)</u>
<b>Unexpended Appropriations:</b>			
Beginning Balance	\$ 268,590	\$ 968,281	\$ 1,236,871
<b>Budgetary Financing Sources:</b>			
Appropriations Received		3,206,000	3,206,000
Appropriations Used	(110,828)	(2,933,800)	(3,044,628)
Other Adjustments		(14,879)	(14,879)
Total Budgetary Financing Sources	(110,828)	257,321	146,493
Total Unexpended Appropriations	157,762	1,225,602	1,383,364
<b>Net Position</b>	<u>\$ 157,762</u>	<u>\$ 1,130,192</u>	<u>\$ 1,287,954</u>

The accompanying notes are an integral part of these statements.



**National Council on Disability**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2010 and 2009**  
**(In Dollars)**

	2010	2009
<b>Budgetary Resources:</b>		
Unobligated balance, brought forward, October 1	\$ 516,232	\$ 415,579
Recoveries of prior year unpaid obligations	<u>65,637</u>	<u>178,168</u>
Total resources from prior year		
Budget authority:		
Appropriation (Note 1)	3,271,000	3,206,000
Spending authority from offsetting collections:		
Earned		
Collected	3,292	500
Permanently Not Available	<u>(213)</u>	<u>(14,879)</u>
Total Budgetary Resources	\$ <u><u>3,855,948</u></u>	\$ <u><u>3,785,368</u></u>
<b>Status of Budgetary Resources:</b>		
Obligations incurred:		
Direct	\$ 3,268,566	\$ 3,269,136
Unobligated balance:		
Available	263,879	257,081
Not Available	<u>323,503</u>	<u>259,151</u>
Total status of budgetary resources	\$ <u><u>3,855,948</u></u>	\$ <u><u>3,785,368</u></u>
<b>Change in Obligated Balance:</b>		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	\$ 1,053,583	\$ 924,491
Total unpaid obligated balance, net	<u>1,053,583</u>	<u>924,491</u>
Obligations Incurred, net	3,268,566	3,269,136
Gross outlays	(3,132,681)	(2,961,876)
Recoveries of prior year unpaid obligations, actual	<u>(65,637)</u>	<u>(178,168)</u>
Obligated balance, net, end of period:		
Unpaid obligations	1,123,831	1,053,583
Total, unpaid obligated balance, net, end of period	\$ <u><u>1,123,831</u></u>	\$ <u><u>1,053,583</u></u>
<b>Net Outlays</b>		
Net outlays:		
Gross outlays	3,132,681	2,961,876
Offsetting collections	<u>(3,292)</u>	<u>(500)</u>
Net outlays	\$ <u><u>3,129,389</u></u>	\$ <u><u>2,961,376</u></u>

The accompanying notes are an integral part of these statements.

## NOTES to the FINANCIAL STATEMENTS

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### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

The National Council on Disability (NCD) is an independent agency of the Executive Branch of the United States Government that makes recommendations to the President and Congress on issues affecting Americans with disabilities.

NCD was initially established in 1978 as an advisory board within the Department of Education (Public Law 95-602). The Rehabilitation Act Amendments of 1984 (Public Law 98-221) transformed NCD into an independent agency and required NCD to provide expert advice to Congress and the Administration. The Rehabilitation Act Amendments of 1992 and 1998 and the Education of the Deaf Act Technical Amendments of 1993 updated NCD's statutory mandate.

NCD is composed of fifteen members appointed by the President and confirmed by the U.S. Senate. The Council members set the agency budget and establish the parameters for what it will support. The NCD Executive Director has full responsibility for carrying out the agency's operations as necessary to accomplish the goals and mission of the agency as established by the Council members.

NCD's overall purpose is to promote policies, programs, practices, and procedures that guarantee equal opportunity for all individuals with disabilities, regardless of the nature or severity of the disability; and to empower individuals with disabilities to achieve economic self-sufficiency, independent living, and inclusion and integration into all aspects of society. This mission is accomplished by serving as a policy agency that publishes reports and works with other federal agencies on policy development and implementing best practices.

#### **Basis of Presentation**

These financial statements have been prepared from the accounting records of NCD in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, *Financial Reporting Requirements*. GAAP for Federal entities is the hierarchy of accounting principles prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards issued by the Financial Accounting Standards Board*.

OMB Circular No. A-136 requires agencies to prepare principal statements, include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2010, amounts of future economic benefits owned or managed by NCD (assets), amounts owed by NCD (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting

## **NOTES to the FINANCIAL STATEMENTS**

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services provided by other segments within NCD and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

### **Basis of Accounting**

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

### **Use of Estimates**

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

### **Budgets and Budgetary Accounting**

NCD follows standard federal budgetary accounting policies and practices in accordance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," dated June 2008. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. Each year, Congress provides NCD appropriations to incur obligations in support of agency programs. For fiscal years 2010 and 2009, NCD is accountable for general fund appropriations and no-year fund carryover. NCD recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and when spending authority from the offsetting collections is incurred.

### **Revenues and Other Financing Sources**

NCD receives substantially all of the funding needed to support its programs through appropriations. NCD receives annual appropriations that may be used, within statutory limits, for operating and capital expenditures. Additionally, in FY 2007, NCD received \$300,000 in no-year funds, which is described in greater detail in Note 7. Appropriations are recognized as revenues as the related programs or administrative expenses are incurred.

Other financing sources for NCD consist of imputed financing sources which are costs financed by other federal entities on behalf of NCD, as required by SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. In certain instances, operating costs of NCD are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, all expenses of a federal entity should be reported by that agency regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of NCD, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. NCD records imputed expenses and financing sources for employee retirement plan contributions, group term life

## NOTES to the FINANCIAL STATEMENTS

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insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

### **Compensation and Benefits**

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

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees.

Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

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

For CSRS employees, NCD contributes an amount equal to 11.2 percent of the employees' basic pay to the plan. For FERS employees, NCD contributes an amount equal to seven percent of the employees' basic pay to the plan.

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

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

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

## **NOTES to the FINANCIAL STATEMENTS**

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coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Board has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

### **Assets and Liabilities**

Intra-governmental assets and liabilities arise from transactions between NCD and other Federal entities. Funds with the U.S. Treasury comprise the majority of assets on NCD's balance sheet. All other assets result from activity with non-federal sources.

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

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

### **Fund Balance with Treasury**

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

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

### **General Property, Plant, and Equipment, Net**

Property, plant, and equipment (PP&E) have been defined in the Federal Government as tangible items owned by the Federal Government and having an expected useful life of greater than two years.

NCD records PP&E at acquisition cost. The capitalization threshold is \$5,000 for assets with a useful life of two or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least two years and the property has an aggregate value of \$100,000 or more. Depreciation on assets is calculated using the straight-line method. Depreciation begins the month after the asset is placed in service. Depreciation is calculated using a useful life of four years for Equipment & Furniture.

## **NOTES to the FINANCIAL STATEMENTS**

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The costs of any leasehold improvements financed with NCD appropriated funds is capitalized if the total cost exceeds \$25,000. Construction costs are accumulated as “construction in-progress” until completion, at which time they are transferred to “leasehold improvements” and depreciated over seven years or the remainder of the lease, whichever is less.

Internal use software development and acquisition costs of \$25,000 are capitalized as “software development-in-progress” until the development stage is completed and the software is successfully tested. At acceptance, “software development-in-progress” costs are reclassified as “internal use software” and amortized using the straight-line method over an estimated useful life of four years.

Acquisitions of PP&E that do not meet the capitalization criteria outlined above are recorded as operating expenses. General PP&E consists of items that are used by NCD to support its mission. Also, maintenance, repairs and minor renovations are expensed as incurred.

### **Prepaid and Deferred Charges**

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

### **Liabilities**

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees’ Compensation Act (FECA) payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

### **Net Position**

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent budgetary authority, including unobligated or obligated balances. Cumulative results of operations is comprised of the following: (1) the difference between revenues and expenses and (2) the net amount of transfers of assets in and out without reimbursement.

## **NOTE 2 – FUND BALANCE WITH TREASURY**

All of NCD’s Fund Balance with Treasury is derived from appropriations. NCD received funding on an annual basis for day-to-day operations. In FY 2007, NCD received no-year funds earmarked for necessary expenses related to the requirements of the Post-Katrina Emergency Management Reform Act of 2006 (Public Law 109-295). The following provides a summary of

## NOTES to the FINANCIAL STATEMENTS

NCD's Consolidated Fund Balance with Treasury as of September 30:

	2010	2009
Fund Balance with Treasury		
Appropriated Fund	\$1,711,213	\$1,569,815
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	263,879	257,081
Unavailable	323,503	259,151
Obligated Balance not yet Disbursed	1,123,831	1,053,583
Total	<u>\$1,711,213</u>	<u>\$1,569,815</u>

### NOTE 3 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2010 and 2009, NCD showed liabilities covered by budgetary resources of \$340,234 and \$186,451, respectively and liabilities not covered by budgetary resources of \$93,626 and \$95,410, respectively. Liabilities covered by budgetary resources is composed of the following:

	2010	2009
Liabilities Covered by Budgetary Resources		
Accounts Payable	\$ 245,787	\$ 115,197
Accrued Funded Payroll & Leave	81,181	58,742
Employer Contributions & Payroll Taxes Payable	13,266	12,512
Total Liabilities	<u>\$ 340,234</u>	<u>\$ 186,451</u>
	2010	2009
With the Public		
Other (Unfunded leave liability)	\$ 93,626	\$ 95,410
Total liabilities not covered by budgetary resources	93,626	95,410
Total liabilities covered by budgetary resources	340,234	186,451
Total Liabilities	<u>\$ 433,860</u>	<u>\$ 281,861</u>

Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the decrease in annual leave liability for which the budgetary resources will be provided in a subsequent period.

### NOTE 4 – OTHER LIABILITIES

As of September 30, 2010 and 2009, other liabilities with the public for consist of Accrued Funded Payroll and Leave of \$81,181 and \$58,742, respectively and unfunded leave in the amount of \$93,626 and \$95,410, respectively. Other Intragovernmental liabilities consist of

## NOTES to the FINANCIAL STATEMENTS

employer contributions and payroll taxes payable for FY 2010 and FY 2009 were \$13,266 and \$12,512, respectively.

	2010	2009
Other Liabilities with the Public		
Non-Current	\$ 93,626	\$ 95,410
Current	81,181	58,742
Total Other Liabilities	<u>\$ 174,807</u>	<u>\$ 154,152</u>
	2010	2009
Intragovernmental		
Non-Current	\$ 0	\$ 0
Current	13,266	12,512
Total Other Liabilities	<u>\$ 13,266</u>	<u>\$ 12,512</u>

### NOTE 5 - LEASES

NCD leases office space at 1331 F Street, NW, Washington, DC. The lease is deemed an operating lease. The future minimum lease payment required under the lease agreement for FY 2011 is \$222,079. NCD lease expires August 21, 2011. NCD is under negotiation to renew its lease agreement.

### NOTE 6 – COMMITMENTS AND CONTINGENCIES

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). NCD recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. NCD does not have any proceedings, actions, or claims that will not materially affect the financial position of results of operations.

### NOTE 7 – EARMARKED FUNDS

In 2007, \$300,000 was appropriated to remain available until expended, for necessary expenses related to the requirements of the Post-Katrina Emergency Management Reform Act of 2006, as enacted by the Department of Homeland Security Appropriations Act, 2007 (Public Law 109-295). This appropriation is accounted for as an earmark in accordance with SFFAS No. 27, *Identifying and Reporting Earmarked Funds*. In FY 2010, NCD used these funds to conduct an analysis and review of topics of disaster, emergency management, and disability issues. The goal of the analysis was to address gaps in homeland security policy and practices regarding individuals with disabilities.



## NOTES to the FINANCIAL STATEMENTS

The following provides a breakout of these funds from the annual appropriation, in relation to NCD's financial statements:

FY 2010	Earmarked Funds	Other Funds	Total Funds
<b>Balance Sheet as of September 30</b>			
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 112,700	\$ 1,598,513	\$ 1,711,213
Total Assets	<u>\$ 112,700</u>	<u>\$ 1,598,513</u>	<u>\$ 1,711,213</u>
<b>Intragovernmental Liabilities:</b>			
Accounts Payable		\$ 131	\$ 131
Other Liabilities		13,266	13,266
Total Intragovernmental Liabilities		<u>\$ 13,397</u>	<u>\$ 13,397</u>
<b>Liabilities with the Public:</b>			
Accounts Payable	\$ 7,321	\$ 238,335	\$ 245,656
Other Liabilities		\$ 174,807	\$ 174,807
Total Liabilities with the Public	<u>\$ 7,321</u>	<u>\$ 413,142</u>	<u>\$ 420,463</u>
Total Liabilities	<u>\$ 7,321</u>	<u>\$ 426,539</u>	<u>\$ 433,860</u>
Unexpended Appropriations	\$ 105,379	\$ 1,265,600	\$ 1,370,979
Cumulative Results of Operations		<u>\$ (93,626)</u>	<u>\$ (93,626)</u>
Total Liabilities and Net Position	<u>\$ 112,700</u>	<u>\$ 1,598,513</u>	<u>\$ 1,711,213</u>
<b>Statement of Net Cost For the Period Ended September 30</b>			
Gross Program Costs	\$ 52,383	\$ 3,288,004	\$ 3,340,387
Net Program Costs	<u>\$ 52,383</u>	<u>\$ 3,288,004</u>	<u>\$ 3,340,387</u>
Net Cost of Operations	<u>\$ 52,383</u>	<u>\$ 3,288,004</u>	<u>\$ 3,340,387</u>
<b>Statement of Changes in Net Position For the Period Ended September 30</b>			
<b>Cumulative Results of Operations:</b>			
Beginning Balances		\$ (95,410)	\$ (95,410)
<b>Budgetary Financing Sources:</b>			
Appropriations Used	\$ 52,383	\$ 3,230,789	\$ 3,283,172
Other Financing Sources			
Imputed Financing		\$ 58,999	\$ 58,999
Total Financing Sources	<u>\$ 52,383</u>	<u>\$ 3,289,788</u>	<u>\$ 3,342,171</u>
Net Cost of Operations	<u>\$ 52,383</u>	<u>\$ 3,288,004</u>	<u>\$ 3,340,387</u>
Change in Net Position		<u>\$ 1,784</u>	<u>\$ 1,784</u>
Cumulative Results of Operations		\$ (93,626)	\$ (93,626)
<b>Unexpended Appropriations:</b>			
Beginning Balances	\$ 157,762	\$ 1,225,602	\$ 1,383,364
<b>Budgetary Financing Sources:</b>			
Appropriations Received		3,271,000	3,271,000
Other Adjustments		(213)	(213)
Appropriations Used	(52,383)	(3,230,789)	(3,283,172)
Total Budgetary Financing Sources	<u>\$ (52,383)</u>	<u>\$ 39,998</u>	<u>\$ (12,385)</u>
Total Unexpended Appropriations	<u>\$ 105,379</u>	<u>\$ 1,265,600</u>	<u>\$ 1,370,979</u>
Net Position End of Period	<u>\$ 105,379</u>	<u>\$ 1,171,974</u>	<u>\$ 1,277,353</u>

## NOTES to the FINANCIAL STATEMENTS

### NOTE 7 – EARMARKED FUNDS, CONTINUED

**Balance Sheet as of September 30**

**ASSETS**

Fund Balance with Treasury	\$ 157,762	\$ 1,412,053	\$ 1,569,815
Total Assets	<u>\$ 157,762</u>	<u>\$ 1,412,053</u>	<u>\$ 1,569,815</u>

**Intragovernmental Liabilities:**

Accounts Payable		\$ 27,385	\$ 27,385
Other Liabilities		12,512	12,512
Total Intragovernmental Liabilities		<u>\$ 39,897</u>	<u>\$ 39,897</u>

**Liabilities with the Public:**

Accounts Payable		\$ 87,812	\$ 87,812
Other Liabilities		\$ 154,152	\$ 154,152
Total Liabilities with the Public		<u>\$ 241,964</u>	<u>\$ 241,964</u>
Total Liabilities		<u>\$ 281,860</u>	<u>\$ 281,860</u>

Unexpended Appropriations	\$ 157,762	\$ 1,225,602	\$ 1,383,364
Cumulative Results of Operations		<u>\$ (95,410)</u>	<u>\$ (95,410)</u>

Total Liabilities and Net Position	<u>\$ 157,762</u>	<u>\$ 1,412,053</u>	<u>\$ 1,569,815</u>
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**Statement of Net Cost For the  
Period Ended September 30**

Gross Program Costs	\$ 110,828	\$ 3,002,608	\$ 3,113,436
Net Program Costs	<u>\$ 110,828</u>	<u>\$ 3,002,608</u>	<u>\$ 3,113,436</u>
Net Cost of Operations	<u>\$ 110,828</u>	<u>\$ 3,002,608</u>	<u>\$ 3,113,436</u>

**Statement of Changes in Net Position  
For the Period Ended September 30  
Cumulative Results of Operations:**

Beginning Balances		\$ (81,375)	\$ (81,375)
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**Budgetary Financing Sources:**

Appropriations Used	\$ 110,827	\$ 2,933,800	\$ 3,044,627
Other Financing Sources			
Imputed Financing		\$ 54,774	\$ 54,774
Total Financing Sources	<u>\$ 110,827</u>	<u>\$ 2,988,574</u>	<u>\$ 3,099,401</u>
Net Cost of Operations	<u>\$ 110,828</u>	<u>\$ 3,002,608</u>	<u>\$ 3,113,436</u>
Change in Net Position		<u>\$ (14,034)</u>	<u>\$ (14,035)</u>
Cumulative Results of Operations		\$ (95,410)	\$ (95,410)

**Unexpended Appropriations:**

Beginning Balances	\$ 268,590	\$ 968,281	\$ 1,236,871
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**Budgetary Financing Sources:**

Appropriations Received		3,206,000	3,206,000
Other Adjustments		(14,879)	(14,879)
Appropriations Used	(110,828)	(2,933,800)	(3,044,628)
Total Budgetary Financing Sources	<u>\$ (110,828)</u>	<u>\$ 257,321</u>	<u>\$ 146,493</u>
Total Unexpended Appropriations	<u>\$ 157,762</u>	<u>\$ 1,225,602</u>	<u>\$ 1,383,364</u>
Net Position End of Period	<u>\$ 157,762</u>	<u>\$ 1,130,192</u>	<u>\$ 1,287,954</u>

## NOTES to the FINANCIAL STATEMENTS

### NOTE 8 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs are those of goods/services purchased from a federal entity.

	2010	2009
Program Costs		
Intragovernmental costs	\$ 536,324	\$ 475,234
Public costs	<u>2,804,063</u>	<u>2,638,202</u>
Total Program Costs	<u>\$3,340,387</u>	<u>\$3,113,436</u>

NCD does not have any exchange revenue.

### NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Apportionment is a plan, approved by OMB to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. OMB defines apportionment categories as follows: (1) *Category A* apportionments distribute budgetary resources by fiscal quarters; and (2) *Category B* apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

Obligations for NCD are split between category A and category B, which is the amount of direct obligations incurred against amounts apportioned under category A and category B on the latest SF 132.

	2010	2009
Direct		
Category A	\$ 64,434	\$ 129,080
Category B	<u>3,204,132</u>	<u>3,140,056</u>
Total Obligations	<u>\$3,268,566</u>	<u>\$ 3,269,136</u>

### NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. As of September 30, 2010 and 2009, the amount of Undelivered Orders was \$783,597 and \$867,132, respectively.

## NOTES to the FINANCIAL STATEMENTS

### NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

	2010	2009
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 3,268,566	\$ 3,269,136
Less: Spending Authority from Offsetting Collections and Recoveries	68,929	178,668
Net Obligations	3,199,637	3,090,468
Other Resources		
Imputed Financing from Costs Absorbed by Others	58,999	54,773
Other Resources (+/-)		
Net Other Resources Used to Finance Activities	58,999	54,773
Total Resources Used to Finance Activities	3,258,636	3,145,241
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods		
Services and Benefits Ordered But Not Yet Provided	(83,535)	45,840
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(83,535)	45,840
Total Resources Used to Finance the Net Cost of Operations	3,342,171	3,099,401
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	(1,784)	14,035
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	(1,784)	14,035
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	(1,784)	14,035
Net Cost of Operations	\$ 3,340,387	\$ 3,113,436

### NOTE 12 – SUBSEQUENT EVENTS

NCD has evaluated subsequent events occurring after the balance sheet date and through the date of April 29, 2011, the date the financial statements were available for release. Based on this evaluation, NCD has determined that no subsequent events have occurred that require disclosure in the financial statements.

## Section IV Other Accompanying Information

### Summary of the Financial Statement Audit and Management's Assurances

Table 1: Summary of Financial Statement Audit:

Audit Opinion	<b>Unqualified</b>				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	4	0	0	4
Total Material Weaknesses	0	4	0	0	4

Table 2: Summary of Management Assurances:

Summary of Management Assurances <b>Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)</b>						
Statement of Assurance	<b>No Assurance</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	1	0	0	0	1
Total Material Weaknesses	0	1	0	0	0	1

Summary of Management Assurances <b>Effectiveness of Internal Control over Operations (FMFIA § 2)</b>						
Statement of Assurance	<b>No Assurance</b>					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	3	0	0	0	3
Total Material Weaknesses	0	3	0	0	0	3

Conformance with Financial Management Systems Requirements (FMFIA § 4)						
Statement of Assurance	<b>Systems conform to financial management system requirements</b>					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

## Exhibit A List of Acronyms

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ADA	Americans with Disabilities Act of 1990, as amended
AICPA	American Institute of Certified Public Accountants
ATDA	Accountability of Tax Dollars Act of 2002
CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CSRS	Civil Service Retirement System
DOL	Department of Labor
ED	Executive Director
ESEA	Elementary and Secondary Education Act
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contribution Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FTE	Full-time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
IPIA	Improper Payments Information Act
IT	Information Technology
MD&A	Management's Discussion and Analysis
NCD	National Council on Disability
NCLBA	No Child Left Behind Act reauthorization
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PP&E	Property, Plant and Equipment
PAR	Performance and Accountability Report
SAS	Statement on Auditing Standards
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SNC	Statement of Net Cost
TSP	Thrift Savings Plan
UDO	Undelivered Orders
USC	United States Code