



NATIONAL COUNCIL ON DISABILITY
GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2011 & 2010

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Independent Auditor's 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, 2011 and 2010 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 audits, we also considered the National Council on Disability's internal control over financial reporting and tested the National Council on Disability'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 years ended September 30, 2011 and 2010, we found:

- The financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.
- No material weaknesses in internal control over financial reporting (including safeguarding assets) in FY 2011, however, we did identify one matter that we consider to be a significant deficiency in internal control over financial reporting. During FY 2010 we identified four matters that we considered to be 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, contracts and agreements; 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, 2011 and 2010 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, 2011 and 2010, 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 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in Appendix B-Notice of Findings and Recommendations and Management Responses, that we consider to be significant deficiencies in internal control over financial reporting: NFR 11-01 Ineffective Monitoring of Internal Control Effectiveness.

We noted certain additional matters that we reported to the Council's management addressing internal control matters.

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* or OMB Bulletin No. 07-04, 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, (3) complying with laws, regulations, contracts and agreements applicable to the Council.

Auditor's Responsibilities: Our responsibility is to express an opinion on the fiscal years 2011 and 2010 financial statements of the National Council on Disability based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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's 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 years 2011 and 2010 audit, we considered the National Council on Disability's 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's fiscal years 2011 and 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, 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, contracts and agreements 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 solely 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.

Cheryl A. Sotter, LLP

Washington, DC
November 15, 2011

NATIONAL COUNCIL ON DISABILITY

BALANCE SHEETS

As Of September 30, 2011 and 2010

		2011	2010
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 1,086,477	\$ 1,711,213
Total Intragovernmental		<u>1,086,477</u>	<u>1,711,213</u>
With The Public:			
Accounts Receivable, net	(Note 3)	236	
Loans Receivable	(Note 4)	2,962	
Other	(Note 5)	28,285	
Total Assets		<u>\$ 1,117,960</u>	<u>\$ 1,711,213</u>
Liabilities:	(Note 6)		
Intragovernmental:			
Accounts Payable		\$ 28,548	\$ 131
Other	(Note 7)	5,644	13,266
Total Intragovernmental		<u>34,192</u>	<u>13,397</u>
With The Public			
Accounts Payable		\$ 211,393	\$ 245,656
Other	(Note 7)	127,985	174,807
Total Liabilities		<u>373,570</u>	<u>433,860</u>
Net Position:			
Unexpended Appropriations - Earmarked Funds	(Note 9)	70,267	70,789
Unexpended Appropriations - Other Funds		744,355	1,300,189
Cumulative Results of Operations - Other Funds		(70,233)	(93,626)
Total Net Position		<u>744,390</u>	<u>1,277,353</u>
Total Liabilities and Net Position		<u>\$ 1,117,960</u>	<u>\$ 1,711,213</u>

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

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY
STATEMENTS OF NET COST
For The Years Ended September 30, 2011 and 2010

		2011	2010
Program Costs:		<u> </u>	<u> </u>
Program A:			
Gross Costs	(Note 10)	<u>\$ 3,673,458</u>	<u>\$ 3,340,387</u>
Net Program Costs		<u> 3,673,458</u>	<u> 3,340,387</u>
Net Cost of Operations		<u><u>\$ 3,673,458</u></u>	<u><u>\$ 3,340,387</u></u>

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

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY
STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2011 and 2010

2011

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ (93,626)	\$	\$ (93,626)
Budgetary Financing Sources:				
Appropriations Used	522	3,621,227		3,621,749
Other Financing Resources (Non-Exchange):				
Imputed Financing		75,102		75,102
Total Financing Sources	522	3,696,329		3,696,851
Net Cost of Operations (+/-)	522	3,672,936		3,673,458
Net Change		23,393		23,393
Cumulative Results of Operations	<u>\$</u>	<u>\$ (70,233)</u>	<u>\$</u>	<u>\$ (70,233)</u>
Unexpended Appropriations:				
Beginning Balances	\$ 70,789	\$ 1,300,189	\$	\$ 1,370,978
Budgetary Financing Sources:				
Appropriations Received		3,271,000		3,271,000
Other Adjustments		(205,606)		(205,606)
Appropriations Used	(522)	(3,621,227)		(3,621,749)
Total Budgetary Financing Sources	(522)	(555,833)		(556,356)
Total Unexpended Appropriations	70,267	744,355		814,623
Net Position	<u>\$ 70,267</u>	<u>\$ 674,123</u>	<u>\$</u>	<u>\$ 744,390</u>

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

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY
STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2011 and 2010

2010

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ (95,410)	\$	\$ (95,410)
Budgetary Financing Sources:				
Appropriations Used	86,973	3,196,199		3,283,171
Other Financing Resources (Non-Exchange):				
Imputed Financing		59,000		59,000
Total Financing Sources	86,973	3,255,199		3,342,172
Net Cost of Operations (+/-)	86,973	3,253,415		3,340,387
Net Change		1,784		1,784
Cumulative Results of Operations	<u>\$</u>	<u>\$ (93,626)</u>	<u>\$</u>	<u>\$ (93,626)</u>
Unexpended Appropriations:				
Beginning Balances	\$ 157,762	\$ 1,225,602	\$	\$ 1,383,365
Budgetary Financing Sources:				
Appropriations Received		3,271,000		3,271,000
Other Adjustments		(215)		(215)
Appropriations Used	(86,973)	(3,196,199)		(3,283,171)
Total Budgetary Financing Sources	(86,973)	74,587		(12,386)
Total Unexpended Appropriations	70,789	1,300,189		1,370,978
Net Position	<u>\$ 70,789</u>	<u>\$ 1,206,563</u>	<u>\$</u>	<u>\$ 1,277,353</u>

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

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY
STATEMENTS OF BUDGETARY RESOURCES
For The Years Ended September 30, 2011 and 2010

	2011	2011	2010	2010
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:				
Unobligated Balance:				
Beginning of Period	\$ 587,382	\$	\$ 516,232	\$
Recoveries of Prior Year Obligations	192,468		65,637	
Budget Authority:				
Appropriations Received	3,271,000		3,271,000	
Earned				
Collected	51,759		3,293	
Subtotal	<u>\$ 3,322,759</u>	<u>\$</u>	<u>\$ 3,274,293</u>	<u>\$</u>
Permanently Not Available	(205,606)		(215)	
Total Budgetary Resources	<u><u>\$ 3,897,002</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,855,947</u></u>	<u><u>\$</u></u>
Status of Budgetary Resources:				
Obligations Incurred				
Direct (Note 11)	\$ 3,655,093	\$	\$ 3,268,566	\$
Subtotal	<u>\$ 3,655,093</u>	<u>\$</u>	<u>\$ 3,268,566</u>	<u>\$</u>
Unobligated Balances				
Apportioned	82,543		263,879	
Subtotal	<u>\$ 82,543</u>	<u>\$</u>	<u>\$ 263,879</u>	<u>\$</u>
Unobligated Balances - Not Available	159,366		323,503	
Total Status of Budgetary Resources	<u><u>\$ 3,897,002</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,855,947</u></u>	<u><u>\$</u></u>
Change in Obligated Balances:				
Obligated Balance, Net:				
Unpaid Obligations, Brought Forward, October 1	\$ 1,123,831	\$	\$ 1,053,583	\$
Obligations Incurred	3,655,093		3,268,566	
Gross Outlays (-)	(3,741,888)		(3,132,681)	
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(192,468)		(65,637)	
Change in Uncollected Customer Payments from Federal Sources				
Obligated Balance, Net, End of Period:				
Unpaid Obligations (+) (Note 12)	844,568		1,123,831	
Total, Unpaid Obligated Balance, Net, End of Period	<u><u>\$ 844,568</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,123,831</u></u>	<u><u>\$</u></u>
Net Outlays:				
Gross Outlays (+)	3,741,888		3,132,681	
Offsetting Collections (-)	(51,759)		(3,293)	
Net Outlays	<u><u>\$ 3,690,129</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,129,387</u></u>	<u><u>\$</u></u>

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

The accompanying notes are an integral part of these financial statements

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

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. Strategic goals established for fiscal year 2011 included:

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."

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of Presentation – (Continued)

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, 2011, 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 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 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 (FY) 2011 and 2010, 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.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Revenues and Other Financing Sources

NCD receives substantially all of the funding needed to support its programs through appropriations. NCD receives annual and no-year appropriations that may be used,

Revenues and Other Financing Sources – (Continued)

within statutory limits, for operating and capital expenditures. 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 insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued. Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, 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% of the employees’ basic pay to the plan. For FERS employees, NCD contributes an amount equal to 7% of the employees’ basic pay to the plan.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Personnel Compensation and Benefits – (Continued)

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 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%. CSRS employees receive no matching contribution from 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 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.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fund Balance with Treasury

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

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 has established the following policies for PP&E:

PP&E is reported 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.

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.

Depreciation on assets is calculated using the straight-line method. Depreciation begins the month after the asset is placed in service.

Useful lives are as follows:

Equipment -	4 years
Furniture -	4 years

Maintenance, repairs and minor renovations are expensed as incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

General Property, Plant, and Equipment, Net – (Continued)

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 7 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 4 years. Purchased commercial software that does not meet the capitalization criteria is expensed. Enhancements that do not add significant new capability or functionality are expensed.

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. Available budgetary resources include new budget authority, spending authority from the offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees’ Compensation Act (FECA) payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions, and claims, will not materially affect the financial position of results of operations.

Net Position

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

NOTE 2 – FUND BALANCE WITH TREASURY

All of NCD's fund balance with treasury is coming from appropriations. No trust, revolving or other fund type are used to fund NCD's activities. NCD operates as an annual fund, where each year is a new appropriation. This fund balance with treasury is a consolidated balance of one no-year fund and five annual funds (FY 2007, FY 2008, FY 2009, FY 2010, and FY 2011). The annual fund for FY 2006 is cancelled and the remaining fund balance of \$199,064 is given back to US Treasury during fiscal year 2011.

A. Fund Balance with Treasury	<u>2011</u>	<u>2010</u>
Appropriated Fund	\$1,086,477	\$1,711,213
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	82,543	263,879
b) Unavailable	159,366	323,503
2) Obligated Balance not yet Disbursed	844,568	1,123,831
Total	<u><u>\$1,086,477</u></u>	<u><u>\$1,711,213</u></u>

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees.

	<u>2011</u>	<u>2010</u>
Accounts Receivable - With the Public	\$236	

NOTE 4 – LOANS RECEIVABLE, NET

Loans Receivable, Net from the Public represents a Loan Receivable from a current employee.

	<u>2011</u>	<u>2010</u>
Loans Receivable - With the Public	\$2,962	

NOTE 5 – OTHER ASSETS WITH THE PUBLIC

NCD has an obligation that involves the advancement of funds for a current employee and with other non-federal entities.

	<u>2011</u>	<u>2010</u>
Assets With The Public - Other Assets	\$ 28,285	

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of NCD are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2011, NCD showed liabilities covered by budgetary resources of \$272,354 and liabilities not covered by budgetary resources of \$101,216. As of September 30, 2010, NCD showed liabilities covered by budgetary resources of \$340,234 and liabilities not covered by budgetary resources of \$93,626.

As of September 30, 2011, liabilities covered by budgetary resources is composed of Accounts Payable of \$239,941, Accrued Funded Payroll and Leave of \$25,915, and Employer Contributions and Payroll Taxes Payable of \$6,498. As of September 30, 2010, liabilities covered by budgetary resources is composed of Accounts Payable of \$245,787, Accrued Funded Payroll and Leave of \$81,181, and Employer Contributions and Payroll Taxes Payable of \$13,266.

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

**NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES –
(CONTINUED)**

	<u>2011</u>	<u>2010</u>
With the Public		
Other (Unfunded leave liability)	101,216	93,626
Total liabilities not covered by budgetary resources	101,216	93,626
Total liabilities covered by budgetary resources	272,354	340,234
Total Liabilities	<u>\$373,570</u>	<u>\$433,860</u>

NOTE 7 – OTHER LIABILITIES

As of September 30, 2011, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$25,915, unfunded leave in the amount of \$101,216, and employer contributions and payroll taxes payable – TSP of \$855. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$5,644. As of September 30, 2010, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$81,181 and unfunded leave in the amount of \$93,626. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of \$13,266.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2011	Other Liabilities	\$101,216	\$26,770	\$127,985 *
2010	Other Liabilities	\$93,626	\$81,181	\$174,807

*Rounding

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2011	Other Liabilities	\$0	\$5,644	\$5,644
2010	Other Liabilities	\$0	\$13,266	\$13,266

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 8 - LEASES

Entity as Lessee:

Operating Leases

NCD leases office space at 1331 F Street, NW, Washington, DC. The lease was entered into and became effective December 2007, and expires September 2011. The lease does not contain an option to renew, and the space may be vacated at any time upon four (4) months written notice. As of September 30, 2011 the lease has expired and the tenant is renegotiating and continues to occupy the space.

NOTE 9 – 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).

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 9 – EARMARKED FUNDS – (CONTINUED)

2011	NCD Earmarked Funds	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	\$ 105,267	\$ 981,210	\$ 1,086,477
Assets with the Public:			
Accounts Receivable		236	236
Loans Receivable		2,962	2,962
Other Assets		28,285	28,285
Total Assets	<u>\$ 105,267</u>	<u>\$ 1,012,693</u>	<u>\$ 1,117,960</u>
Intragovernmental Liabilities:			
Accounts Payable		\$ 28,548	\$ 28,548
Other Liabilities		5,644	5,644
Total Intragovernmental Liabilities	<u></u>	<u>\$ 34,192</u>	<u>\$ 34,192</u>
Liabilities with the Public:			
Accounts Payable	\$ 35,000	\$ 176,393	\$ 211,393
Other Liabilities		\$ 127,985	\$ 127,985
Total Liabilities with the Public	<u>\$ 35,000</u>	<u>\$ 304,378</u>	<u>\$ 339,378</u>
Total Liabilities	<u>\$ 35,000</u>	<u>\$ 338,570</u>	<u>\$ 373,570</u>
Unexpended Appropriations	\$ 70,267	\$ 744,355	\$ 814,623
Cumulative Results of Operations	<u></u>	<u>\$ (70,233)</u>	<u>\$ (70,233)</u>
Total Liabilities and Net Position	<u>\$ 105,267</u>	<u>\$ 1,012,693</u>	<u>\$ 1,117,960</u>
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	<u>\$ 522</u>	<u>\$ 3,672,936</u>	<u>\$ 3,673,458</u>
Net Program Costs	<u>\$ 522</u>	<u>\$ 3,672,936</u>	<u>\$ 3,673,458</u>
Net Cost of Operations	<u>\$ 522</u>	<u>\$ 3,672,936</u>	<u>\$ 3,673,458</u>
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances		\$ (93,626)	\$ (93,626)
Budgetary Financing Sources:			
Appropriations Used	\$ 522	\$ 3,621,227	\$ 3,621,749
Other Financing Sources			
Imputed Financing		\$ 75,102	\$ 75,102
Total Financing Sources	<u>\$ 522</u>	<u>\$ 3,696,329</u>	<u>\$ 3,696,851</u>
Net Cost of Operations	<u>\$ 522</u>	<u>\$ 3,672,936</u>	<u>\$ 3,673,458</u>
Change in Net Position	<u></u>	<u>\$ 23,393</u>	<u>\$ 23,393</u>
Cumulative Results of Operations		\$ (70,233)	\$ (70,233)
Unexpended Appropriations:			
Beginning Balances	\$ 70,789	\$ 1,300,189	\$ 1,370,978
Budgetary Financing Sources:			
Appropriations Received		3,271,000	3,271,000
Other Adjustments		(205,606)	(205,606)
Appropriations Used	(522)	(3,621,227)	(3,621,749)
Total Budgetary Financing Sources	<u>\$ (522)</u>	<u>\$ (555,833)</u>	<u>\$ (556,356)</u>
Total Unexpended Appropriations	<u>\$ 70,267</u>	<u>\$ 744,355</u>	<u>\$ 814,623</u>
Net Position End of Period	<u>\$ 70,267</u>	<u>\$ 674,123</u>	<u>\$ 744,390</u>

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 9 – EARMARKED FUNDS – (CONTINUED)

FY 2010	NCD Earmarked Funds	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	\$ 78,110	\$ 1,633,103	\$ 1,711,213
Total Assets	<u>\$ 78,110</u>	<u>\$ 1,633,103</u>	<u>\$ 1,711,213</u>
 Intragovernmental Liabilities:			
Accounts Payable		\$ 131	\$ 131
Other Liabilities		13,266	13,266
Total Intragovernmental Liabilities		<u>\$ 13,397</u>	<u>\$ 13,397</u>
 Liabilities with the Public:			
Accounts Payable	\$ 7,321	\$ 238,335	\$ 245,656
Other Liabilities		\$ 174,807	\$ 174,807
Total Liabilities with the Public	<u>\$ 7,321</u>	<u>\$ 413,143</u>	<u>\$ 420,463</u>
Total Liabilities	<u>\$ 7,321</u>	<u>\$ 426,540</u>	<u>\$ 433,860</u>
 Unexpended Appropriations			
Cumulative Results of Operations	\$ 70,789	\$ 1,300,189	\$ 1,370,978
		\$ (93,626)	\$ (93,626)
Total Liabilities and Net Position	<u>\$ 78,110</u>	<u>\$ 1,633,103</u>	<u>\$ 1,711,213</u>
 Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	\$ 86,973	\$ 3,253,415	\$ 3,340,387
Net Program Costs	<u>\$ 86,973</u>	<u>\$ 3,253,415</u>	<u>\$ 3,340,387</u>
Net Cost of Operations	<u>\$ 86,973</u>	<u>\$ 3,253,415</u>	<u>\$ 3,340,387</u>
 Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances		\$ (95,410)	\$ (95,410)
 Budgetary Financing Sources:			
Appropriations Used	\$ 86,973	\$ 3,196,199	\$ 3,283,171
Other Financing Sources			
Imputed Financing		\$ 59,000	\$ 59,000
Total Financing Sources	\$ 86,973	\$ 3,255,199	\$ 3,342,172
Net Cost of Operations	<u>\$ 86,973</u>	<u>\$ 3,253,415</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)
 Unexpended Appropriations:			
Beginning Balances	\$ 157,762	\$ 1,225,602	\$ 1,383,365
 Budgetary Financing Sources:			
Appropriations Received		3,271,000	3,271,000
Other Adjustments		(215)	(215)
Appropriations Used	(86,973)	(3,196,199)	(3,283,171)
Total Budgetary Financing Sources	<u>\$ (86,973)</u>	<u>\$ 74,587</u>	<u>\$ (12,386)</u>
Total Unexpended Appropriations	<u>\$ 70,789</u>	<u>\$ 1,300,189</u>	<u>\$ 1,370,978</u>
Net Position End of Period	<u>\$ 70,789</u>	<u>\$ 1,206,563</u>	<u>\$ 1,277,353</u>

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 10 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	Total 2011	Total 2010
Program A		
Intragovernmental costs	843,738	536,324
Public costs	2,829,721	2,804,063
Total Program A costs	3,673,458 *	3,340,387
Total Program A	3,673,458 *	3,340,387

* Rounding

NOTE 11 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

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.

	<u>2011</u>	<u>2010</u>
Direct		
Category A	\$1,782	\$12
Category B	3,653,311	3,268,554
	<u>\$3,655,093</u>	<u>\$3,268,566</u>

NOTE 12 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of Unpaid Obligated Balance, Net, End of Period includes obligations relating to Undelivered Orders (good and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year for goods and services received).

	Undelivered Orders	Delivered Orders, Obligations Unpaid	Unpaid Obligated Balance Net
2011	572,214	272,354	\$844,568
2010	783,597	340,234	\$1,123,831

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

**NOTE 13 – RECONCILIATION OF NET COST OF OPERATIONS
(PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF
FINANCING)**

NATIONAL COUNCIL ON DISABILITY

	2011	2010
<i>Resources Used to Finance Activities:</i>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 3,655,093	\$ 3,268,566
Less: Spending Authority from Offsetting Collections and Recoveries	<u>244,226</u>	<u>68,930</u>
Net Obligations	3,410,866	3,199,636
Other Resources		
Imputed Financing from Costs Absorbed by Others	<u>75,102</u>	<u>59,000</u>
Other Resources (+/-)		
<i>Net Other Resources Used to Finance Activities</i>	<u>75,102</u>	<u>59,000</u>
<i>Total Resources Used to Finance Activities</i>	3,485,968	3,258,636
<i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>		
Change in Budgetary Resources Obligated for Goods		
Services and Benefits Ordered But Not Yet Provided	(183,098)	(83,536)
Resources that Finance the Acquisition of Assets	<u>3,198</u>	<u></u>
<i>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</i>	<u>(179,900)</u>	<u>(83,536)</u>
<i>Total Resources Used to Finance the Net Cost of Operations</i>	3,665,868	3,342,172
<i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>		
Components Requiring or Generating Resources in Future Periods:		
Increase/(decrease) in Annual Leave Liability	<u>7,590</u>	<u>(1,784)</u>
<i>Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods</i>	<u>7,590</u>	<u>(1,784)</u>
<i>Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period</i>	<u>7,590</u>	<u>(1,784)</u>
<i>Net Cost of Operations</i>	<u>\$ 3,673,458</u>	<u>\$ 3,340,387</u>

Liabilities not covered by budgetary resources total \$101,216 and the change in components requiring or generating resources in future period shows \$7,590. The \$7,590 is the net increase of future funded expenses – leave between appropriations of annual fund 2010 and annual fund 2011. 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 increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2011</u>	<u>2010</u>
Liabilities not covered by budgetary resources	\$101,216	\$93,626
Change in components requiring/generating resources	\$7,590	(\$1,784)

**NATIONAL COUNCIL ON DISABILITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring after the balance sheet date and through the date of November 15, 2011, the date the financial statements were available for release. Based on this evaluation, management has determined that no subsequent events have occurred that require disclosure in the financial statements.

APPENDIX A –
NATIONAL COUNCIL ON DISABILITY COMMENTS ON
DRAFT AUDIT REPORT



National Council on Disability

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.


November 15, 2011

Martin & Wall, A Division of Chortek & Gottschalk, LLP
Mark E. Albrecht, CPA, Partner
1633 Q Street, NW, Suite 230
Washington, DC 20009

Dear Mr. Albrecht:

We have reviewed the draft audit report provided to us relating to your audit of National Council of Disability for the fiscal years ended September 30, 2011 and 2010. We concur with the facts and conclusions in the draft report.

Sincerely,


Aaron Bishop, M.S.S.W.
Executive Director

**APPENDIX B –
NOTICE OF FINDINGS AND RECOMMENDATIONS AND MANAGEMENT
RESPONSES**



**National Council on Disability
Notice of Finding and Recommendation
FYE September 30, 2011**

11-01: Ineffective 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. This is a repeat finding now considered a significant deficiency.

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 finalized its design and implementation of controls for evaluating that key internal controls are designed effectively to mitigate identified risks, and monitoring that controls have been implemented and are operating effectively.

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 prioritize the risk factors identified in its risk assessment process and determine if internal controls have been suitably designed and implemented to reduce those risks to an acceptable level. Evaluations should be documented in writing. Results should be shared with accounting 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

Notice of Finding and Recommendation 11-01
Ineffective Monitoring of Internal Control Effectiveness

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 SSAE-16 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.

Management Response:

Management concurs with the finding and is in the process of completing open items on the corrective action plan. Since the issuance of the FY 2010 audit report on April 29, 2011, management has implemented the following corrective actions:

- NCD developed and 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. On July 27, 2011 management completed a 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. The assessment was submitted to the audit and finance committee.
- Management increased on-going monitoring of internal control effectiveness ensuring that the findings of audits and other internal or external financial and program reviews were promptly resolved and that results of monitoring were reported to the agency's governing body.

Below is a listing of the remaining corrective actions and target completion dates:

- Management shall continue to monitor whether key controls are operating effectively.