

NATIONAL COUNCIL ON DISABILITY

Performance & Accountability Report (PAR)

FISCAL YEAR 2011



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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.

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 Fiscal Year (FY) 2011 Performance and Accountability Report (PAR). The Council received an unqualified opinion from its independent auditors on its FY 2011 annual financial statements.

We are pleased to report NCD has effectively addressed the four material weaknesses reported in the FY 2010 independent audit by making substantial progress on improving internal agency operations and financial management. To increase accountability and transparency, the Council has implemented best practice procedures in accordance with guidance from the Government Accountability Office (GAO) and AICPA Audit Committee Effectiveness Center. During the course of the past year, NCD has, among other things, developed and implemented a corrective action plan, updated its by-laws, strengthened reporting to the NCD Audit & Finance Committee, conducted a formal risk assessment, established procedures for annual completion of a risk assessment, and reached the final stages of updating and revising internal policies and procedures.

While NCD has addressed the four material weaknesses reported in the FY 2010 independent audit, the on-going monitoring of internal control effectiveness has been reported in our FY 2011 independent audit as a significant deficiency. Effective internal control, risk assessment and mitigation, and segregation of duties is often challenging for small agencies such as NCD due to resource limitations. However, because NCD took aggressive steps to address the material weaknesses reported in FY 2010, the agency is now equipped to address the FY 2011 significant deficiency by utilizing tools such as its risk assessment and linking it to the monitoring and effectiveness of internal controls.

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



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serve the disability community. NCD's most notable achievement is drafting and recommending the Americans with Disabilities Act.

During FY 2011, the Council extended its engagement in several substantive areas that contributed to the nation's progress toward achieving the goals of equality of opportunity, independent living, full participation, and economic self-sufficiency for all people with disabilities. These efforts have been undertaken as effective stewards of limited fiscal resources and included promoting success in the design and implementation of health care reform, increasing telecommunications access, and enhancing protection of individual rights.

The Council partnered with the White House on several initiatives including the White House Conference on Bullying Prevention, and the implementation of the Affordable Care Act. NCD also partnered with the U.S. House of Representatives Bi-Partisan Disabilities Caucus to hold a hearing on challenges and issues of concern to people with disabilities highlighted by deliberations over the federal budget. NCD also released a series of timely reports, publications and letters including:

- Report: [*The Power of Digital Inclusion: Technology's Impact on Employment and Opportunities for People with Disabilities*](#)
- Letter: [*To Secretary Duncan regarding forthcoming NCLB waivers*](#)
- Letter: [*To Massachusetts DDS Commissioner Urging Elimination of Electric Shock, Other Aversives*](#)
- Briefing Paper: [*"Bullying and Students with Disabilities"*](#)
- Report: [*Rising Expectations: The Developmental Disabilities Act Revisited*](#)
- Letter: [*To USAID Administrator Raj Shah in Wake of Disaster in Japan*](#)
- Letter: [*To TSA Administrator John Pistole Regarding Security Screenings*](#)

The Council released its Annual Progress Report on October 31, 2011, in accordance with NCD's authorizing statute.

NCD is proud of its successful efforts in promoting equality of opportunity, full participation, independent living, and economic sufficiency for all individuals with disabilities, of all ages, throughout the country. I want to express my profound appreciation for the hard work and dedication of NCD's members and staff, who continued to make important policy contributions while simultaneously addressing four material weaknesses reported in the FY 2010 independent audit. We remain steadfast in our commitment to carrying out our responsibilities in working with the President, the Congress and each level of local, state and federal agencies to accomplish our nation's vision of valuing and respecting each member of our society.



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Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Young", with a long, sweeping horizontal line extending to the right.

Jonathan Young, Ph.D., J.D.
Chairman

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, 2010 through September 30, 2011.

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 2011 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

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.

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.

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. 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 or know someone with a disability that is lifelong, was acquired owing to an illness or an injury or as part of the typical aging process.

People with disabilities represent a diverse group which includes individuals with physical, sensory and intellectual disabilities. Disability is individualized and the cause, consequences, and impact disability has on the ability to participate in everyday life varies. Some disabilities remain static throughout a person's life while others may have periods of remission or regression.

Part I: Management's Discussion and Analysis

Through its outreach efforts, in various community venues, and at its quarterly meetings, NCD continually learns about the impact of disability on individuals, families, and their communities. Outreach efforts generate findings that are shared through comprehensive reports, policy briefs, media outreach, our award-winning Internet website (<http://www.ncd.gov/index.html>), and a monthly newsletter that receives worldwide attention.

Despite their diverse profile, people with disabilities share many common concerns. They face personal, social and economic disadvantages and barriers that prevent access to the same opportunities as people 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 underrepresented groups and cultures, in particular, experience greater disadvantages, reporting higher incidences of unemployment and poverty.

People 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 they 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 specifically tasked with considering and addressing the complete range of issues faced by all people with disabilities regardless of disability 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

Given the current economic and financial challenges facing the nation, it is of utmost importance that the Council operate as efficiently and effectively as possible to achieve its mission, while also complying with applicable laws and regulations and ensuring a sound internal control structure. Accordingly, NCD revised its Strategic Plan, and implemented new techniques to establish priorities, assign responsibility for executing them, and tracking them to completion.

The Strategic Plan forms the basis for each fiscal year's annual operating plan and associated activities and requirements. The proposed Annual Operating Plan establishes the basis and

Part I: Management's Discussion and Analysis

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.

Together, these planning, execution, and review actions helped NCD to establish an organizational structure that best identifies and accomplishes priorities, while making the most efficient use of NCD's limited resources.

At the end of the fiscal year or at the conclusion of individual activities, staff evaluate program 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.

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.

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. NCD's Strategic Plan for 2012-2017 outlines 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, and ancillary needs. The anticipated resource requirements were reviewed for overall reasonableness and effectiveness before finalizing the Strategic Plan. The Council's Strategic Plan and associated resource requirements were 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

Part I: Management's Discussion and Analysis

administration. The Executive Director supervises 11 full-time staff. NCD is organized into the following teams:

Policy & Legal Team

The Policy & Legal Team analyzes federal laws, regulations, programs, policies, and case law precedent; and proposes and develops NCD policy positions that have a national, state and international impact on the lives of people with disabilities.

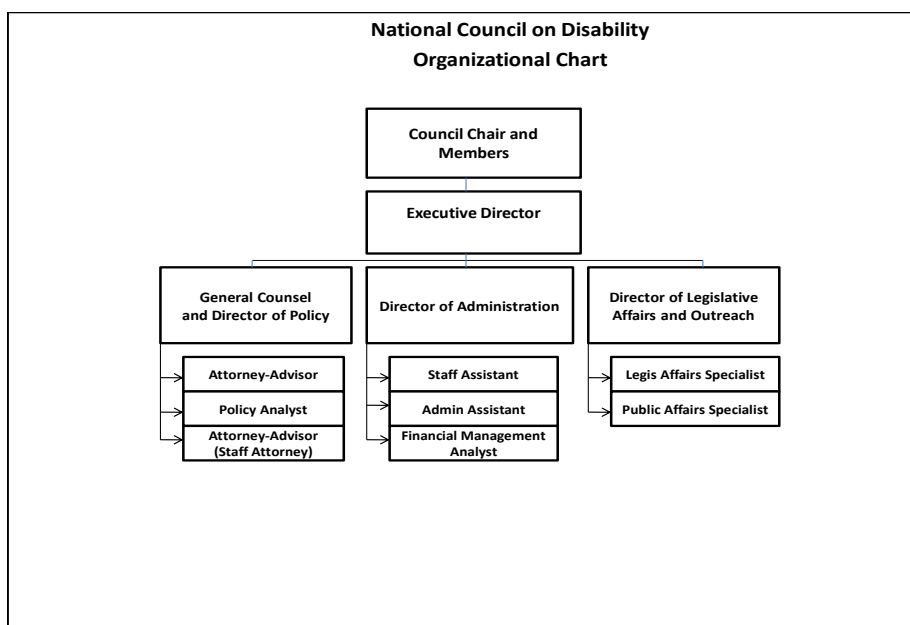
Legislative Affairs & Outreach Team

The Legislative Affairs & Outreach Team closely monitors Congressional activity on issues critical to the disability community and cultivates and maintains effective working relationships with NCD stakeholders at the federal, state, and local levels.

Finance, Operations & Administration Team

The Operations & Administration Team provides critical staff support and monitors the agency's finance and accounting, information technology, and human resources management, as well as partners with the policy and outreach teams to build strategic relationships that are critical to the agency's work.

The current organizational structure provides for more delegation of authority than the previous flat organizational structure, consistent with NCD's legislation. Accordingly, the lines of authority strengthen communication and enhance NCD's operational efficiency and effectiveness.



Performance Goals, Objectives, and Results in Brief

Part I: Management's Discussion and Analysis

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.

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 people with disabilities. Within projects and programs, NCD members and staff link their activities to Federal Government and Congressional policy and the work undertaken and supported is often reported to have influenced the policy making process or enhanced decision makers' awareness of policy. It is often the case that 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 NCD's goal and objectives:

Strategic 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: Engagement -- Engage stakeholders in order to assess concerns and priorities and build a network of NCD partners.

- Creating and maintaining regular opportunities to receive direct input from community stakeholders.
- Cultivating trusted relationships with Congress.
- Establishing and cultivating trusted relationships with state, local, and tribal governments and other entities.
- Branding NCD as a principal national voice of the disability community.

Objective 2: Policy Development and Collaboration -- Address stakeholder concerns and priorities by advancing specific, practical policy solutions and encouraging collaboration.

- Cultivating trusted relationships with other federal agencies and looking for opportunities to coordinate and work collaboratively.
- Working closely with and enlisting the support of stakeholders to develop and advance policy responses to priority issues.
- Producing materials that have practical utility for federal, state, tribal, and local stakeholders regarding successful implementation of federal policies.
- Updating NCD's annual progress report to be more responsive to Congress and the Administration.

Part I: Management's Discussion and Analysis

Objective 3: Accountability -- Institute efficient and effective agency operations and systems to support the agency's core mission.

- Recalibrating the Council's operations.
- Evaluating and establishing effective agency operations and systems.
- Strengthening NCD's financial management system.

Management excellence is a key means to ensure that NCD achieves these objectives 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) leadership development; (3) knowledge transfer, and (4) results-oriented performance. In addition to investing in its people, the Council believes strong financial management and up-to-date technology are critical to supporting the mission and business operations, thereby ensuring that controls and systems meet applicable standards and can accommodate changes in stakeholder expectations and needs.

Part I: Management's Discussion and Analysis

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*.

The following table summarizes the significant changes in the NCD's financial position during FY 2011:

Financial Condition	FY 2011 Balance	FY 2010 Balance	Increase/ Decrease	Percentage Difference
Total Assets	\$ 1,117,960	\$ 1,711,213	Decrease	35%
Total Liabilities	\$ 373,570	\$ 433,860	Decrease	14%
Net Position	\$ 744,390	\$ 1,277,353	Decrease	42%
Net Cost of Operations	\$ 3,673,458	\$ 3,340,387	Increase	10%
Budgetary Resources	\$ 3,897,002	\$ 3,855,947	Increase	1%

Below 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 decreased by \$624,736, or 36 percent, from FY 2010, largely due to obligations incurred in the fiscal year but not paid as of September 30, 2011.

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 2011 was approximately \$3.3 million. Overall, costs increased by approximately 10 percent, or \$330,071.

Approximately \$1.7 million, or 52.0 percent, of the budget was dedicated to personnel costs. This amount is approximately 6.5 percent below budget due to the significant staff turnover that

Part I: Management's Discussion and Analysis

NCD encountered throughout FY 2011. The remaining costs were related to rent, financial management and 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. NCD also obtains support from the Department of Education for ethics and conflict of interest matters on an as-needed basis, and to provide the required training to members and staff about their responsibilities as federal employees. Finally, the Government Printing Office provides printing services to NCD. 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 \$533,000.

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 \$41,000 or 1 percent, over FY 2010.

Analysis of Management Controls, Systems and Compliance

Federal Managers' Financial Integrity Act (FMFIA)

NCD 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) of 1982* as 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

Part I: Management's Discussion and Analysis

- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Section 2 of the FMFIA requires federal agencies to report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. NCD conducted risk assessments and internal control reviews during FY 2011, which resulted in an unqualified assurance that NCD's systems and management controls comply with the requirements of the FMFIA. The Council has addressed a number of the weaknesses identified in FY 2010. The primary outstanding item, final documentation of policies and procedures, will be completed by March 31, 2012. Accordingly, NCD's assurance on its control environment was unqualified based on the risk assessments and reviews and consideration of internal analyses, reconciliations and the findings identified in the *Independent Auditor's Report on Internal Control Over Financial Reporting*, dated November XX, 2011. See pages XX through XX for the full report.

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.



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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 conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Council can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2011 was operating effectively and no material weaknesses were found in the design or operation of the internal controls. However, the on-going monitoring of internal control effectiveness has been identified as a significant deficiency.

NCD has addressed all four material weaknesses reported for Fiscal Year (FY) 2010. Steps taken pursuant to an aggressive Corrective Action Plan have included: updating NCD Bylaws to establish an effective Audit and Finance Committee and undertaking a more comprehensive revision of the Bylaws to meet current agency needs; adopting a comprehensive Audit and Finance Committee Charter to ensure that the committee fulfills the functions needed to protect the agency; approving NCD's first five-year Strategic Plan in accordance with OMB Circular A-11 Section 210; conducting a risk assessment based on a newly developed risk assessment tool and taking actions necessary to reduce risks identified through the assessment; identifying critical areas for staff training and commencing the training; enhancing period-end financial close and reporting processes; enhancing the effectiveness and efficiency of Council governance and oversight through the establishment of standing committees for Policy & Program Evaluation and Governance & Planning in addition to the Audit & Finance Committee, as well as a repurposed Executive Committee; and revised its organizational structure, including documenting roles and responsibilities for all critical agency functions.

As part of its revised organizational structure, NCD has established two new positions needed to assure that our internal control environment and financial management systems meet the objectives of FMFIA. NCD has begun the hiring process by working with the General Services Administration to classify the positions and post them on USAJOBS, the United States government's one-stop clearinghouse for civil service job opportunities with federal agencies, with a goal of filling positions filled by the end of the calendar year. In addition, NCD will finalize our policy and procedures surrounding the period-end financial close and reporting processes by March 31, 2012.



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While the on-going monitoring of internal control effectiveness has been identified as a significant deficiency in FY 2011, NCD took steps to confront the FY 2010 material weaknesses that can be utilized to address the significant deficiency.

Based on our assessment, we have determined that the Council's financial management systems are now positioned to conform to applicable financial systems requirements.

A handwritten signature in dark ink, appearing to read "Jonathan Young", with a long, sweeping horizontal line extending to the right.

Jonathan Young, Ph.D., J.D.
Chairman
November 15, 2011

Part II: Performance Section

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 2011, 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, NCD is not subject to the requirements of FFMIA.

Improper Payments Elimination and Recovery Act

The Improper Payments Information Act (IPIA—P.L. 107-300) requires federal agencies to identify and report on significant payment programs that are susceptible to improper payments. The Act defines significant improper payments as those within a single payment program that exceed both 2.5 percent of that program's annual amounts paid and \$10 million annually. The Improper Payments Elimination and Recovery Act of 2010 (IPERA), enacted on July 22, 2010, requires the development of policies and procedures for the prevention and detection of improper payments in the federal government. The Act expands on the Improper Payments Information Act of 2002 (IPIA), which requires an initial assessment to identify those programs that are susceptible to significant risk of improper payments. "Significant," as defined in the Act, means that in the preceding fiscal year, improper payments in the program or activity may have exceeded \$10,000,000 of all program or activity payments made during that fiscal year reported and 2.5 percent of program outlays; or \$100,000,000.

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.

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

Part II: Performance Section

overview and recommendations that make 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 2011 Strategic Plan.

Strategic 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: Engagement -- Engage stakeholders in order to assess concerns and priorities and build a network of NCD partners.

NCD's stakeholders include all people with disabilities; policymakers and decision makers; groups and organizations concerned with people with disabilities; families and support systems of people with disabilities; and society at large. Given the diversity of the agency's stakeholders, NCD has employed a variety of engagement methods in the last year, which have enabled NCD to capture real-time, on-the-ground snapshots of individuals' and community's challenges, priorities, and emergency needs, which in turn informs NCD's policy development and collaboration (Objective 2).

In the last fiscal year, NCD held **two regional policy forums**, in engaging 155 individuals representing advocacy organizations, service providers, self-advocates, state agencies, and federal partners. The first regional forum, NCD's "Earning" Forum, held in Detroit, Michigan, October 25 – 27, 2010, created a venue through which NCD engaged and received valuable regional information about the experiences of stakeholders from Michigan, Ohio, Illinois, Indiana, Wisconsin, and Minnesota pertaining to Vocational Rehabilitation and One-Stop Centers, community-based employment, asset development, and innovative state and local partnerships that pool resources for greater yields.

Part II: Performance Section

The second regional forum, NCD's "Living" Forum, held in Portland, Oregon, May 5-6, 2011, gave participants an opportunity to present and constructively discuss challenges and best practices related to community living systems change for people with disabilities. Stakeholders from Oregon, Washington, California, Nevada, and Idaho examined various state and local experiences using litigation, legislation, and community partnerships to improve independent, community living. The forum also examined the issues of safeguarding the rights of parents with disabilities and improving the interactions between law enforcement and people with disabilities. At the end of the forum, NCD held a **town hall**, at which approximately 50 individuals provided comments about the effects of budget cuts on community living for people with disabilities, the availability of affordable, accessible, integrated housing, transition experiences of people with disabilities joining or rejoining the community, and a variety of other personal and professional experiences related to community living.

Over the last fiscal year, NCD also held **six public meetings**: December 2-3, 2010; March 10-11, 2011; May 19, 2011; June 28, 2011; July 22, 2011; and September 7, 2011. All of the meetings took place in Washington, DC or via conference call. NCD's public participation at these meetings remained low throughout the fiscal year, with fewer than five individuals joining each time. However, this is perhaps unsurprising given the subject matter of these meetings, which by and large reflected an inward planning focus of the agency during development and early implementation of the strategic plan and agency staff and Council changes. NCD remains committed to strengthening its public participation at its meetings and believes an anticipated greater focus on the policy work of the agency in FY 2012 will aid in gaining the public's greater interest.

These events have generated several outcomes and projects on both the state and local level. Owing to the "Earning" forum that took place in Detroit Vocational Rehabilitation agencies in Michigan, Ohio, Illinois, Indiana, Wisconsin, and Minnesota are now meeting periodically to discuss job training for people with disabilities and to brainstorm over problems that the agencies face. Officials in Ohio held a state-based "Earning" forum in April 2011 to discuss state issues. NCD's Chair participated in the event. A panel discussion at the "Living" forum in Portland identified numerous discriminatory state laws and practices carried out by child welfare agencies and family courts that have caused parents with disabilities to lose legal custody of their children. NCD has started new work that advances the goals of the Americans with Disabilities Act by safeguarding the rights of parents with disabilities. At the December Council meeting the perils of travelers with disabilities at airport security screenings was discussed. Council members expressed strong support in working with Transportation Security Administration (TSA) to eliminate such problems. A meeting with TSA ensued and as a result of our meeting TSA's Office of Disability Policy and Outreach formed an Integrated Product Team to conduct an extensive review of the Screening Checkpoint Standard Operating Procedures sections that apply to people with disabilities and medical conditions.

In addition to its meetings and forums, NCD also entered **social networks** in the last fiscal year by establishing both a Facebook and Twitter presence, which both enjoy healthy and growing numbers of followers. These new extensions of the agency's online presence have created additional venues for engaging and collecting critical stakeholder opinions and experiences about current policy developments.

Part II: Performance Section

NCD's stakeholder engagement also included enhanced efforts aimed at strengthening its relationships with Congress as a trusted, independent, nonpartisan authority regarding the challenges, priorities, and emergent needs of the disability community. As a result of this work on May 12, 2011, NCD held a public **Congressional Forum** that examined "Disability in the Budget: Why It Matters" in the Rayburn House Office Building in Washington, DC. The forum represented the first of its kind in the agency's history. Congresswoman Cathy McMorris Rodgers (R-WA) and Congressman James Langevin (D-RI) testified, as did Under Secretary Kevin Concannon of the U.S. Department of Agriculture. Ms. Kelly Stuart Woodall, Executive Director of the Association of Self-Advocates of North Carolina; Mr. Ed Lorenzen, Executive Director of The Moment of Truth Project of the Committee for a Responsible Federal Budget; and Ms. Bonnie Miller, a parent and coordinator of the Pennsylvania Self-Determination Consumer and Family Group also provided testimony. The forum generated considerable interest and was well-attended by Congressional staff, advocates, and members of the public. NCD received several written submissions to the record of the forum after the event, as well. NCD has used ideas from our reports, generated through the Congressional forum, and written testimony submitted to the record in subsequent discussions with Congressional staff about budgetary issues and programs that affect people with disabilities. Furthermore, Senator Harkin (D-IA) and Representative McMorris Rogers (R-WA), co-authored an op-ed on *Olmstead*, citing a number of data points that NCD used in the briefing.

In addition to NCD holding its own Congressional Forum on Capitol Hill and because of our enhanced efforts to strengthen relationships with Congress, on September 15, 2011, NCD Chairman Jonathan Young was invited to testify before the Senate Health Education Labor and Pensions Committee in a roundtable discussion titled "The Future of Employment for People with the Most Significant Disabilities." Furthermore, NCD has been asked by several Congressional staff to identify witnesses to testify at hearings including: the Senate Health Education Labor and Pensions Committee, Special Committee on Aging, and Senate Homeland Security and Governmental Affairs Committee.

In addition to ongoing congressional liaising with individual and committee offices, NCD has also continued to enjoy a strong relationship with the Bipartisan Disabilities Caucus, co-chaired by Representatives Jim Langevin (D-RI) and Cathy McMorris Rodgers (R-WA). On June 21, 2011, NCD co-hosted a **congressional briefing** with the Bipartisan Disabilities Caucus titled "The 12th Anniversary of the *Olmstead* Decision: The Role of Home and Community-Based Services in Health Care," which provided an opportunity for congressional staff to learn the history of the *Olmstead* decision, the evolution of home- and community-based services under programs like Medicaid, and opportunities and challenges of providing these services in the current budgetary environment. Henry Claypool, Director of the Office on Disability (U.S. Department of Health and Human Services); Jennifer Mathis, Deputy Legal Director of the Bazelon Center for Mental Health Law; and Nancy Thaler, Executive Director of the National Association of State Directors of Developmental Disabilities Services (NASDDDS) presented.

NCD has also continued to place an emphasis on stakeholder input from traditionally underserved populations. Through its Tribal Consultation Workgroup, NCD continued to work with leaders at the Consortia of Administrators of Native American Rehabilitation, utilizing

Part II: Performance Section

phone and in-person meetings to facilitate dialogue that yielded input and perspectives on matters affecting the lives of tribal people with disabilities.

NCD also sought to establish and deepen agency relationships with several key state government membership groups. During the fiscal year, NCD invited representatives of the National Council on State Legislatures (NCSL), the Council of State Governments (CSG), and the National Governors' Association (NGA) to speak and participate in regional forums. NCD Members also attended several of their events, as well.

Objective 2: Policy Development and Collaboration -- Address stakeholder concerns and priorities by advancing specific, practical policy solutions and encouraging collaboration

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, comments received through NCD's social networking sites, 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 in the preparation of NCD reports, interaction between NCD Council Members and staff at conferences and meetings of stakeholder groups, and during sessions where NCD is releasing its reports.

During FY2011, NCD commissioned and developed several 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 NCD's annual progress report or as needed during discussions about pending legislation. During FY11, NCD completed or released reports on the following subjects:

Rising Expectations: The Developmental Disabilities Act Revisited -- In FY10, NCD conducted a year-long study of how well the set of programs established under the Developmental Disabilities Assistance and Bill of Rights Act (Developmental Disabilities Act), last reauthorized in 2000, are meeting the needs of people with developmental disabilities and their families. This report presents the findings and offers recommendations for changes to help develop a more uniform national policy that will support the goals of the Developmental Disabilities Act and improve the program supports and services for people with developmental disabilities.

On October 6, 2010, NCD co-hosted a congressional staff briefing with staff of the House Energy and Commerce Subcommittee on Health regarding this report, at which the findings and recommendations of the report were highlighted and Commissioner Sharon Lewis of the Administration on Developmental Disabilities responded and presented. The briefing was well-attended by legislative staff of the House Energy and Commerce Committee, House Education and Labor Committee, and staff of members of the Bipartisan Disabilities Caucus.

NCD held the official release of this report in coordination with the Disability Policy Collaboration on February 14, 2011.

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National Disability Policy: A Progress Report -- NCD has overhauled the agency's mandated annual Progress Report. In 2008, NCD released a report titled "Keeping Track: National Disability Status and Program Performance Indicators" which recommended the development of a social indicator system that would measure the status of people with disabilities in the United States. This type of indicator system would fill a major gap in the disability literature, providing a comprehensive picture of the well-being of people with disabilities and the gaps in this well-being as compared to people without disabilities. In 2008, the Government Accountability Office (GAO) also recommended that the Federal Government create a common set of outcomes that will measure the status of people with disabilities and progress toward achieving program goals.

In 2009, based on the 2008 NCD report, the National Institute on Disability and Rehabilitation Research (NIDRR) at the U.S. Department of Education drafted an un-published report titled "The State Of Disability in America: 2009 Status Report." The report presented the most recent data for a set of social indicators measuring the quality of life of people with disabilities in the United States. The indicators covered a variety of social domains and were designed to compare the status of people with disabilities to those without disabilities. The domains included in the indicator set were comprised of: employment, education, housing, health, finances, community participation, and crime and safety. In FY 2011, NCD, NIDRR, and American Institutes for Research (AIR) collaborated on updating the NIDRR indicators to use in NCD's revamped annual progress report, providing a significant discussion of the overall state of disability in America. The indicators were used in conjunction with information gleaned through NCD's summits, forums, listening sessions, and workgroups to address the policies affecting the disability community and compliment the indicators.

NCD's FY 2011 annual progress report was released in early FY2012. But unlike past years it is important to note that the revamped report will highlight policy successes and failures throughout the year, and the need for continuing emphasis on the implementation of federal laws, rules, and programs affecting the disability community. NCD believes that the FY 2011 annual progress report will be a model report for FY 2013 and years to come.

NCD briefed Congressional staff, via conference call, on the report and received very positive results. During the call staff requested specific information related to Medicaid and the Federal Medicaid Assistance Percentage (FMAP). Additionally, after the call staff followed-up with questions regarding the Social Security Disability Insurance program.

Briefing Paper: "Bullying and Students with Disabilities" -- NCD also continued to develop and release policy papers and reports, while also identifying new areas of focus. Since its inception, NCD has been viewed by the disability community, congressional leaders, various administrations, and organizations in the public as a trusted source and leader in the disability arena. In December 2010, NCD responded to a White House request for a white paper focusing on the bullying of people with disabilities for a White House conference on bullying. NCD's renewed focus on rapid policy development facilitated the development and submission of the paper within a one month time frame. The paper was so well-received that NCD was asked by the White House for assistance in identifying potential participants at the White House conference on bullying as well as tasked to work with the Department of Education on anti-bullying initiatives.

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In FY 2011, NCD also completed an additional three policy reports, which will be released in FY2012:

Towards the Full Inclusion of People with Disabilities: Examining the Accessibility of Overseas Facilities and Programs Funded by the United States -- The report examines the work of USAID, the U.S. Department of State (DOS), and the U.S. Department of Defense (DOD), and provides recommendations that will strengthen the operation of these agencies. It reviews U.S. federal disability laws, the United States Agency for International Development's (USAID) disability policy, and the Convention on the Rights of Persons with Disabilities (CRPD) and discusses their application to U.S. foreign assistance programs with the goal of ensuring the accessibility and inclusion of people with disabilities in foreign assistance programs funded by the United States. The Senate Armed Services Committee is very interested in this report given the number of bases that they have internationally and have requested a briefing when the report is available.

The Power of Digital Inclusion: Technology's Impact on Employment and Opportunities for People with Disabilities -- This report examines the importance of social media and other information technologies in connecting people to job opportunities. The recommendations contained in this report are designed to open the doors to digital technologies that can lead to better jobs for more people with disabilities.

U.S. 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. -- At the request of the U.S. Marine Corps, NCD conducted a study to systematically examine the challenges experienced by Marine families that include family members with disabilities and to identify steps toward ameliorating these challenges. This report documents the experiences of USMC families with members with disabilities in accessing appropriate and effective services in health care, special education and related services, and long-term supports and services; identifies barriers impeding access to appropriate resources; and develops recommendations to improve access. NCD is currently working with the Senate Armed Services Committee as well as several other Congressional offices on strategies to enhance the visibility of the report and on working with the other branches of the military on similar reports or to implement the recommendations suggested in the report.

NCD also continued its work on two other policy reports, which will be completed in FY2012: *The Case for Deinstitutionalization: Unfinished Business*; and *Exploring New Paradigms for the Developmental Disabilities and Bill of Rights Act*.

During FY2011, we also began work in two other policy areas: protecting the parenting rights of people with disabilities; and a cooperative agreement with The National Association of State Directors of Developmental Disabilities Services (NASDDDS) on the impact of Medicaid managed care for people with disabilities.

Health Care Reform Implementation -- NCD is also continuing our work to strengthen access to and improve the quality of health care for people with disabilities. With the new health care

Part II: Performance Section

reform law NCD must focus on health care reform implementation assuring that areas such as disparities in health care that impact people with disabilities and others appropriately address the needs of this important segment of the population. To achieve these goals NCD has been working with several stakeholders to study the Administration's implementation of the Patient Protection and Affordable Care Act (PPACA) to assure that the needs of people with disabilities are addressed consistently throughout the law. NCD sent letters to the Health Resources and Services Administration (HRSA) and the Centers for Disease Control and Prevention at the U.S. Department of Health and Human Services, offering assistance, in a technical advisory capacity on ways in which NCD can assist the two agencies implement provisions of PPACA that fall under their purview. Based on that outreach HRSA and NCD have been meeting on policy matters including how to address the needs of people with disabilities in grant awards for prevention programs, primary care services, and the development of the health professions workforce.

Air Travel of People with Disabilities -- Furthermore, based upon the negative experiences of travelers with disabilities at airport security checkpoints NCD has also reached out to the Transportation Security Administration (TSA) offering our assistance, in a technical advisory capacity, regarding security screenings of passengers with disabilities and specifically the need for a universal design-based solution for the screening of all passengers. As a result of our meeting with TSA's Office of Disability Policy and Outreach, TSA formed an Integrated Product Team to conduct an extensive review of the Screening Checkpoint Standard Operating Procedures sections that apply to people with disabilities and medical conditions. Additionally, they are collaborating with TSA's Office of Technical Training on a complete redesign of the training curriculum for same.

No Child Left Behind Waivers -- After the U.S. Department of Education announced its intention to offer waivers to states to key provisions of the No Child Left Behind Act (NCLB) in return for state adoption of various college- and career-ready standards and teacher evaluations, NCD was quick to meet with key leadership in the Department, including Secretary Arne Duncan and Assistant Secretary for Special Education and Rehabilitative Services Alexa Posny, as well as majority and minority staff in the Senate Health Education Labor and Pensions Committee. Following those constructive meetings, NCD issued a letter to Secretary Duncan, supporting the notion of "flexibility for reform" but entreating the Department to ensure that the flexibility not compromise the accountability provisions, teacher quality provisions, and data subpopulation disaggregation by which students with disabilities have made great strides under NCLB. NCD has reached out to several groups to develop a technical assistance circular for states that provides guidance on disability specific items that states should include in their waiver application.

Judge Rotenberg Center (JRC) -- In light of the effect on children and youth and with disabilities nationwide, NCD sent a letter to the Massachusetts DDS Commissioner urging elimination of aversives – the only known school in the United States to provide such treatment. Students from an estimated 17 other states and the District of Columbia attend JRC and are therefore potential recipients of such aversive treatments. As such, NCD views this as a significant issue of national importance. <http://www.ncd.gov/publications/2011/July182011>

Part II: Performance Section

Limited English Proficiency Plan -- NCD submitted its annual Limited English Proficiency Plan, highlighting its commitment to meaningful access. NCD review its LEP plan at least annually, including the provisions of opportunity for external stakeholder input. NCD will continue its work to address the inadequacies and unique needs of people who are culturally diverse and have LEP, and work for their meaningful inclusion into our society. <http://www.ncd.gov/publications/2011/LEP2011>

Emergency Management -- Prior to the catastrophic hurricanes of 2005 (Katrina and Rita) NCD heard from the disability community of their safety concerns should a national disaster occur in the United States. In April of 2005 NCD released *Saving Lives: Including People with Disabilities in Emergency Planning*. Based on that work, NCD received additional funding through the Post-Katrina Emergency Management Reform Act of 2006 (PKEMRA) to continue our emergency preparedness efforts for people with disabilities. In FY2011, NCD collaborated with the Federal Emergency Management Agency (FEMA) Office of Disability Integration and Coordination on an inclusive emergency preparedness conference, Getting Real II, and held a webcast of the conference that was enthusiastically well-received. In addition to the 400 attendees (who came from 37 states and Guam) at the conference, 2,826 people visited the webcast, with 80 percent coming via direct traffic and 10 percent international traffic primarily from Japan, Canada, Germany and the United Kingdom along with participants from the African continent.

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.

United States Agency for International Development (USAID) -- After the triple disaster in Japan, NCD issued a letter to the Administrator of USAID highlighting the critical need for USAID to organize a response that fully addresses the needs of people with disabilities that builds on USAID's prior efforts. We urged USAID to build on the lessons learned in Haiti and reach out to its government and non-governmental partners in mounting a response. <http://www.ncd.gov/publications/2011/March212011>

Objective 3: Accountability -- Institute efficient and effective agency operations and systems to support the agency's core mission.

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,

Part II: Performance Section

NCD continues to improve its programs and operations, strengthening internal controls, financial management, and information technology across the agency.

For example, during FY 2011, NCD:

- Updated its strategic plan.
- Restructured its organization structure from a horizontal organization to a hierarchical organization to enhance communication.
- Contracted with a federal financial management expert.
- Continued to update policies and procedures, and performance management system to ensure that staff understands their role and responsibilities.
- Continued to assess its information technology infrastructure, including identifying enhancements relating to risk assessments of operations, disaster recovery, continuity of operations and accessibility.
- Upgraded its website to make information more accessible and proactively available to the public in support of the Administration's initiative for more transparency.
- Implemented a "Facebook" page that encourages an open dialogue, further expanding its outreach and collaborative efforts with its stakeholders.
- Identified 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. NCD will continue to focus on resolution of issues identified in audits, establishing sound policies and procedures, focusing on the relationship between budget and performance, maximizing use of staff and financial resources, and training NCD staff on responsible financial operational processes.

Part III: Financial Section

Message From the Executive Director

I am pleased to report that for the fifth consecutive year, the Council earned an unqualified “clean” audit opinion on its consolidated financial statements. As noted in the Chairman’s Statement of Assurance, during Fiscal Year (FY) 2010 the Council encountered several issues that adversely impacted its internal control, which ultimately led to the identification of four material weaknesses.

However, in FY 2011 NCD took aggressive steps through a Corrective Action Plan to address the material weaknesses including: updating NCD Bylaws to establish an effective Audit and Finance Committee and adopting a comprehensive Audit and Finance Committee Charter to ensure that the committee fulfills the functions needed to protect the agency; approving NCD’s first five-year Strategic Plan in accordance with OMB Circular A-11 Section 210; conducting a risk assessment based on a newly developed risk assessment tool and taking actions necessary to reduce risks identified through the assessment; identifying critical areas for staff training and commencing the training; enhancing period-end financial close and reporting processes; enhancing the effectiveness and efficiency of Council governance and oversight through the establishment of standing committees for Policy & Program Evaluation and Governance & Planning in addition to the Audit & Finance Committee, as well as a repurposed Executive Committee; and revised its organizational structure, including documenting roles and responsibilities for all critical agency functions.

The Council recognizes that its work is not done. The on-going monitoring of internal control weakness has been reported as a significant deficiency. The agency will take the necessary action to address the significant deficiency including finalizing our policy and procedures surrounding the period-end financial close and reporting processes by March 31, 2012, and utilizing tools such as our risk assessment developed to address the material weaknesses identified in FY 2010 and linking it to the monitoring of internal controls. NCD 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.

Finally, I want to take this opportunity to acknowledge the efforts of the Council and entire staff that made our financial management a priority during FY 2011. The unqualified opinion is fully attributable to their dedication and commitment to quality financial management.

Aaron Bishop
Executive Director

Part III: Financial Section

The final portion of the PAR includes our independent auditor's report. In summary for the Fiscal Year that ended September 30, 2011 and 2010 the Council's auditors 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.



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 S. 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><u>\$ 1,117,960</u></u>	<u><u>\$ 1,711,213</u></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><u>\$ 1,117,960</u></u>	<u><u>\$ 1,711,213</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
STATEMENTS OF NET COST
For The Years Ended September 30, 2011 and 2010

		2011	2010
		<u> </u>	<u> </u>
Program Costs:			
Program A:			
Gross Costs	(Note 10)	\$ 3,673,458	\$ 3,340,387
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>\$ 3,897,002</u>	<u>\$</u>	<u>\$ 3,855,947</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>\$ 3,897,002</u>	<u>\$</u>	<u>\$ 3,855,947</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>\$ 844,568</u>	<u>\$</u>	<u>\$ 1,123,831</u>	<u>\$</u>
Net Outlays:				
Gross Outlays (+)	3,741,888		3,132,681	
Offsetting Collections (-)	(51,759)		(3,293)	
Net Outlays	<u>\$ 3,690,129</u>	<u>\$</u>	<u>\$ 3,129,387</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	<u>\$ 86,973</u>	<u>\$ 3,255,199</u>	<u>\$ 3,342,172</u>
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, Obligation s 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>	7,590	(1,784)
<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.

Exhibit B List of Acronyms

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