REPORT ON THE

FINANCIAL STATEMENTS AUDIT

OF THE GENERAL FUND

OF NATIONAL COUNCIL ON DISABILITY

FOR THE YEARS ENDED SEPTEMBER 30, 2013 and 2012

REGIS & ASSOCIATES, PC
MANAGEMENT CONSULTANTS &
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL STATEMENT AUDITS
OF THE GENERAL FUND
OF NATIONAL COUNCIL ON DISABILITY
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INDEPENDENT AUDITORS' REPORT

To the Chairman and Executive Director,
National Council on Disability

The Accountability of Tax Dollars Act of 2002 made the National Council on Disability (the Council) subject to the annual financial statement reporting requirements of the Chief Financial Officers' Act of 1990, which requires agencies to report annually to Congress on their financial status; and any other information needed to fairly present the Council's financial position and results of operations.

We have audited the accompanying balance sheet of the National Council on Disability (the Council), as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (hereinafter referred to as "financial statements" or "basic financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2013 and 2012 audits, we also considered the Council's internal control over financial reporting; and tested the Council's compliance with certain provisions of applicable laws, regulations, contracts, and agreements that could have a direct and material effect on these financial statements.

Summary

Except as discussed in the following paragraphs, with respect to a material weakness in internal control on the financial statements and a reportable condition on compliance with laws, regulations, contracts and agreements; these deficiencies may adversely affect any decision by management that is based, in whole or in part, on information that is inaccurate because of these deficiencies. We do not express an opinion on internal control over financial reporting and compliance because the purpose of our work was to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control or compliance with laws, regulations, contracts, and agreements. We also found ineffective controls over compliance with laws, regulations, contracts, and agreements.

A material weakness is a control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements.

During our examination of the Council's internal control system over information technology (IT), we noted that the Council did not have policies and procedures in place for IT general and entity level controls, including controls over access restriction to IT systems, on-boarding and off-boarding, and background checks for personnel with access to IT systems. (NFR No. 13-01).

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness, as defined in the Internal Control over Financial Reporting section of this report. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or significant deficiencies.

We concluded that the Council's financial statements as of, and for the years then ended, are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles, except for the material weakness in internal control and the reportable condition on compliance.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed an instance of noncompliance or other matters that are required to be reported herein under Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget's (OMB) Bulletin Number (No.) 14-02, *Audit Requirements for Federal Financial Statements*.

A reportable condition is defined in as matters that represent a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

During the audit, we noted a reportable condition that could affect the council's ability to fulfill future obligations with customers, and/or the satisfaction of liabilities. The Council does not appear to comply with the Prompt Payment Act. During our audit, we noted several instances where payment to contractors and vendors were not made within the required 30-day stipulation. (NFR No. 13-02).

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

Opinion on the Financial Statements

We have audited the accompanying balance sheet of the Council as of September 30, 2013 and 2012, 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, except for the material weakness in internal control and the reportable condition in compliance with laws, regulations, contracts and agreements, present fairly, in all material respects, the financial position of the Council as of September 30, 2013 and 2012, 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Council as of, and for the years ended, September 30, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. However, we found the material weakness described above, which resulted in ineffective controls over the Council's information technology. A material weakness is a control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance, in amounts that would be material to the financial statements.

During our examination of the Council's internal control over information technology (IT), we noted that the Council did not have policies and procedures in place for IT general and entity level controls, including controls over access restriction to IT systems, on-boarding and off-boarding, and background checks for personnel with access to IT systems. In addition, the IT Consultant did not document his monitoring activities over the IT controls, including observation of the active directory, checks of the event log, server log, security log, fire wall health check, and records of new threats and viruses; and, if any, alerts that may require further IT updates. (NFR No. 13-01).

See Appendix B – Notice of Findings and Recommendations (NFR) and Management's Responses, for details of condition, criteria, cause, effect, recommendations, and management responses related to this finding. We also noted certain additional matters that we reported to the Council's management addressing internal control matters, in a management letter dated February 18, 2014.

Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives, as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of the audit was not to provide assurance on internal control, or on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described above, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified a deficiency in internal control that we consider to be a material weaknesses, as defined above. The objective of our audit was not to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Agreements

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatements, we are also responsible for obtaining a sufficient understanding of compliance to plan the audit and for testing compliance with selected provisions of laws, regulations, contracts, and agreements that have a direct and material effect on the financial statements. Our testing of compliance with necessary laws, regulations, contracts and agreements necessary to achieve the objectives described in OMB Bulletin No. 14-02, and perform limited procedures with respect to certain other information specified in, except for those instances of noncompliance that in the auditor's judgment, are clearly inconsequential. We limited our tests of compliance to these provisions, and did not test compliance with all laws, regulations, and contracts applicable to the Council.

The results of our tests of compliance with laws, regulations, and contracts disclosed an instance of noncompliance that would be reportable under U.S. Generally Accepted Government Auditing Standards, or OMB audit guidance.

A reportable condition is defined as matters that represent a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

During the audit, we noted a reportable condition that could affect the council's ability to fulfill future obligations with customers, and/or the satisfaction of liabilities. The Council does not appear to comply with the Prompt Payment Act. During our audit, we noted several instances where payment to contractors and vendors were not made within the required 30-day stipulation. Section 1315.4(g) of the Prompt Payment rule states that payment is due on either 1) the date specified in the contract, 2) in accordance with discount terms when discounts are offered and taken, 3) in accordance with Accelerated Payment Methods, or 4) 30-days after the start of a payment period, when a proper invoice is receive. In addition, FAR part 32.904(c) (i), *Determining Payment Due Date,* states that the due date for making an invoice payment is the later of (1) day 30 after the designated billing office receives a proper invoice from the contractor, or the day 30 after government acceptance of supplies delivered or services performed (NFR No. 13-02).

See Appendix B – Notice of Findings and Recommendations (NFR), and Management's Responses, for details of condition, criteria, cause, effect, recommendations, and management responses related to this finding. We noted certain additional matters that we reported to the Council's management addressing internal control matters, in a letter dated February 18, 2014.

Providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit, and accordingly, we do not express such an opinion.

Responsibilities

Management's Responsibilities: Management is responsible for the financial statements; establishing and maintaining effective internal control over financial reporting; preparing the Management Discussion and Analysis (MD&A) and Required Supplementary Information (RSI); and complying with laws, regulations, and contracts applicable to the Council.

Auditors' Responsibilities: Our responsibility is to express an opinion on the fiscal year 2013 and 2012 financial statements of the Council, 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. 14-02. Those standards and OMB Bulletin No. 14-02, require that we plan and perform the audits 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 Council'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; and
- Evaluating the overall financial statement presentation.

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

Other Accompanying Information

Accounting principles generally accepted in the United States of America; and Government Auditing Standards, issued by the Comptroller General of the United States require that the other accompanying information included in the Required Supplementary Information (RSI) section of the Performance and Accountability Report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, OMB Bulletin 14-02; and OMB Circular

A-136, revised, *Financial Reporting Requirements*, which consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management Discussion and Analysis (MD&A), and Required Supplementary Information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries on the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

This report is intended solely for the information and use of those charged with governance and management of the Council, others within the organization, the Office of Inspector General, OMB, 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.

Agency Comments and Our Evaluation

The National Council on Disability concurs with the facts and conclusions in our report. See Appendix A.

Regis + Associates, PC

Regis & Associates, PC
Washington, DC

February 18, 2014

NATIONAL COUNCIL ON DISABILITY

BALANCE SHEET
As of September 30, 2013 and 2012
(in dollars)

	2013	2012
ASSETS:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	$ 1,002,562	$ 942,523
Total Intragovernmental	1,002,562	942,523
Assets With the Public:		
Accounts Receivable, net (Note 3)	301	201
Loans Receivable, net (Note 4)	698	1,883
General Property, Plant, and Equipment (Note 5)	19,244	-
Total Assets	$ 1,022,805	$ 944,607
LIABILITIES:		
Intragovernmental: (Note 6)		
Accounts Payable	$ 8,772	$ 9,549
Other (Note 7)	5,976	5,692
Total Intragovernmental	14,748	15,241
Liabilities With the Public:		
Accounts Payable	340,454	556,710
Other (Note 7)	121,333	127,967
Total Liabilities With the Public	461,787	684,677
Total Liabilities :(Note 6)	476,535	699,918
Commitments and Contingencies: (Note 16)		
NET POSITION: (Note 9)		
Unexpended Appropriations – Earmarked Funds)	5,719	5,903
Unexpended Appropriations - Other Funds	612,771	337,163
Total Unexpended Appropriations:	618,490	343,066
Cumulative Results of Operations	(72,220)	(98,377)
Total Net Position	546,270	244,689
Total Liabilities and Net Position	$ 1,022,805	$ 944,607

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY

STATEMENT OF NET COST
For the Years Ended September 30, 2013 and 2012
(in dollars)

	2013	2012
Gross Program Costs:		
Program A:		
Gross Costs: (Notes 10 and 15)	$ 2,844,883	$ 3,768,519
Less: Earned Revenue	-	-
Net Program Costs	2,844,883	3,768,519
Net Cost of Operations	$ 2,844,883	$ 3,768,519

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, 2013 and 2012
(in dollars)

	2013			
	Earmarked Funds	**All Other Funds**	**Elimination Funds**	**Consolidated Total**
Cumulative Results of Operations:				
Beginning Balances	$ -	$ (98,377)	$ -	$ (98,377)
Adjustments:				
Corrections of errors	-	-	-	-
Beginning Balance, as adjusted	$ -	$ (98,377)	$ -	$ (98,377)
Budgetary Financing Sources:				
Appropriations Used	15,057	2,792,745	-	2,807,802
Other Financing Resources (Non-Exchange):				
Imputed Financing (Note 15)	-	63,238	-	63,238
Total Financing Sources	15,057	2,855,983	-	2,871,040
Net Cost of Operations (+/-)	15,057	$ 2,829,826	-	2,844,883
Net Change	-	26,157	-	26,157
Cumulative Results of Operations	$ -	$ (72, 220)	$ -	$ (72,220)
Unexpended Appropriations:				
Beginning Balances	$ 5,903	$ 337,163	$ -	$ 343,066
Adjustments:				
Corrections of errors	-	-	-	-
Beginning Balance, as adjusted	$ 5,903	$ 337,163	$ -	$ 343,066
Budgetary Financing Sources:				
Appropriations Received	15,000	3,242,831	-	3,257,831
Other adjustments	-	(174,605)	-	(174,605)
Appropriations Used	(15,184)	(2,792,618)	-	(2,807,802)
Total Budgetary Financing Sources	(184)	275,608	-	275,424
Total Unexpended Appropriations	$ 5,719	$ 612,771	-	$ 618,490
Net Position	$ 5,719	$ 540,551	$ -	$ 546,270

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, 2013 and 2012
(in dollars)

2012

	Earmarked Funds	All Other Funds	Elimination Funds	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$ -	$ (70,233)	$ -	$ (70,233)
Adjustments:				
Corrections of errors (Note 13)	-	(27,785)	-	(27,785)
Beginning Balances, as adjusted	$ -	$ (98,018)	$ -	$ (98,018)
Budgetary Financing Sources:				
Appropriations Used	69,308	3,625,076	-	3,694,384
Other Financing Resources (Non-Exchange):				
Imputed Financing (Note 15)	-	73,776	-	73,776
Total Financing Sources	69,308	3,698,852	-	3,768,160
Net Cost of Operations (+/-)	69,308	3,699,211	-	3,768,519
Net Change	-	(359)	-	(359)
Cumulative Results of Operations	$ -	$ (98, 377)	$ -	$ (98, 377)
Unexpended Appropriations:				
Beginning Balances	$ 70,267	$ 744,356	$ -	$ 814,623
Adjustments:				
Corrections of errors (Note 13)	-	27,785	-	27,785
Beginning Balance, as adjusted	$ 70,267	$ 772,141	$ -	$ 842,408
Budgetary Financing Sources:				
Appropriations Received	-	3,264,000	-	3,264,000
Other adjustments	4,944	(73,902)	-	(68,958)
Appropriations Used	(69,308)	(3,625,076)	-	(3,694,384)
Total Budgetary Financing Sources	(64,364)	(434,978)	-	(499,342)
Total Unexpended Appropriations	$ 5,903	$ 337,163	-	$ 343,066
Net Position	$ 5,903	$ 238,786	$ -	$ 244,689

The accompanying notes are an integral part of these financial statements

NATIONAL COUNCIL ON DISABILITY
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2013 and 2012
(in dollars)

	2013 Budgetary	2012 Budgetary
Budgetary Resources:		
Unobligated Balance:		
Unobligated balance brought forward, October 1	$ 247,202	$ 241,909
Adjustment to unobligated balance brought forward, October ,1(+ or -)	-	-
Unobligated balance brought forward, October 1, as adjusted	247,202	241,909
Recoveries of prior year unpaid obligations	36,173	148,560
Other changes in unobligated balance (+ or -)	(4,201)	(62,789)
Unobligated balance from prior year budget authority, net	279,174	327,680
Appropriations (discretionary and mandatory)	3,087,427	3,257,831
Spending Authority from offsetting collections (discretionary and mandatory)	2,173	8,291
Total Budgetary Resources	$ 3,368,774	$ 3,593,802
Status of Budgetary Resources:		
Obligations Incurred Direct (Note 11 and 15)	$ 2,831,229	$ 3,346,600
Apportioned	397,961	15,873
Unapportioned	139,584	231,329
Unobligated Balance brought forward, end of year	537,545	247,202
Total Budgetary Resources	$ 3,368,774	$ 3,593,802
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid Obligations, Brought Forward, October 1 (gross)	$ 695,321	$ 844,568
Obligations Incurred (Note 11 and 15)	2,831,229	3,346,600
Gross Outlays (-)	(3,025,360)	(3,347,287)
Recoveries of Prior-Year Unpaid Obligations, Actual (-)	(36,173)	(148,560)
Total, Unpaid Obligations, End of Year (Note 12)	$ 465,017	$ 695,321
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 3,089,600	$ 3,266,122
Actual offsetting collections (discretionary and mandatory)(-)	(2,173)	(8,291)
Budget authority, net (discretionary and mandatory)	$ 3,087,427	$ 3,257,831
Gross Outlays (discretionary and mandatory) (+)	$ 3,025,360	$ 3,347,287
Offsetting Collections (-)	(2,173)	(8,291)
Net Outlays (discretionary and mandatory)	$ 3,023,187	$ 3,338,996

The accompanying notes are an integral part of these financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

The Council 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 the Council into an independent agency and required the Council 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 the Council's statutory mandate.

The Council is composed of fifteen members appointed by the President and confirmed by the U.S. Senate. As of August 10, 2012, the Council members are no longer confirmed by the Senate per the Presidential Appointment Efficiency and Streamlining Act of 2011. In consultation with the Executive Director, the Council members set the Council's budget and establish the parameters for what it will support. The Council's Executive Director has full responsibility for carrying out the Council's operations as necessary to accomplish the goals and mission of the agency as established by the Council members.

The Council'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.

(b) Basis of Presentation

These financial statements have been prepared from the accounting records of the Council, 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 in the Office of Management and Budget's (OMB) Circular 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."*

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Presentation – (Continued)

OMB Circular A-136, revised, requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, 2013 and 2012, amounts of future economic benefits owned or managed by the Council (assets); amounts owed by the Council (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 the Council and other reporting entities. The Statement of Budgetary Resources reports the Council's budgetary activity.

(c) Basis of Accounting

Transactions are recorded on the accrual basis of accounting, in accordance with OMB Circular A-136, revised. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash.

(d) 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.

(e) Budgets and Budgetary Accounting

The Council follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *"Preparation, Submission, and Execution of the Budget,"* dated August 2011. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. For Fiscal Years (FY) 2013 and 2012, the Council is accountable for general fund appropriations and no-year fund carryover. The Council recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through a warrant, and when spending authority from the offsetting collection is incurred.

(f) Revenues and Other Financing Sources

The Council received the funding necessary to support its programs, from appropriations in FY 2009, FY 2010, FY 2011, FY 2012, and FY 2013. The Council receives annual and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Appropriations are recognized as revenues as the related programs or administrative expenses are incurred. No-year appropriations are considered "earmarked" funds.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Imputed Financing Sources

In certain instances, operating costs of the Council are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, *"Accounting for Liabilities of the Federal Government,"* 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 the Council, 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. The Council 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).

(h) 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.

The Council'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. The Council and its employees both contribute to these systems. Although the Council 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, the Council contributes an amount equal to 11.9% of the employees' basic pay, to the plan. For FERS employees, the Council contributes an amount equal to 7% of the employees' basic pay, to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan, intended to supplement the benefits provided under CSRS and FERS. For FERS employees, the Council 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 the Council.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) <u>Personnel Compensation and Benefits - (Continued)</u>

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees, government-wide, including the Council's employees. The Council has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost, and the contributions made by the Council 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 the Council 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 the Council's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Council has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

(i) <u>Assets and Liabilities</u>

Intra-governmental assets and liabilities arise from transactions between the Council and other Federal entities.

Funds with the U.S. Treasury comprise the majority of the assets on the Council's balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Council, 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 the Council for which Congress has appropriated funds, or where funding is otherwise available to pay amounts due.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes the Council's receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the Council'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 Treasury warrants for appropriations. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for rescissions, disbursements, and other expenditure cash outflows of funds.

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

(k) General Property, Plant, and Equipment, Net (PP&E)

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. The Council 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 the Council to support its mission.

Depreciation of 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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

The costs of any leasehold improvements financed with the Council's appropriated funds are 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 or more 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.

(l) 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.

(m) 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 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 payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Commitments and Contingencies

The criteria for recognizing contingencies for claims are when: (1) a past event or exchange transaction has occurred as of the date of the financial statements; (2) a future outflow or other sacrifice of resources is probable; or (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). The Council 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 or results of operations.

(o) Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget 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).

(p) Reclassification

Certain fiscal year 2012 balances have been reclassified, re-titled, or combined with other financial statement line items for consistency with current year presentation.

NOTE 2 – FUND BALANCE WITH TREASURY

Fund balance with Treasury consists of funds with Treasury that are primarily available to pay current expenditures and liabilities. All of the Council's fund balance with treasury results from appropriations. No trust, revolving or other fund type are used to fund the Council's activities. The Council operates as an annual fund, where there is a new appropriation each year. This fund balance with treasury is a consolidated balance of one no-year fund and five annual funds (FY 2009, FY 2010, FY 2011, FY 2012, and FY 2013). The no-year fund has been earmarked 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.

In FY 2013, the annual fund for FY 2008 was cancelled and the remaining fund balance of $4,201 was returned to U.S. Treasury.

In FY 2012, the annual fund for FY 2007 was cancelled, and the remaining fund balance of $62,789 was returned to US Treasury.

The status of these funds as of September 30, 2013 and 2012 is as follows:

Fund Balance with Treasury
(in dollars)

	2013	2012
A. Fund Balance with Treasury		
Post-Katrina Emergency Management Fund (Earmarked)	$ 20,776	$ 35,960
General Fund	981,786	906,563
Total Fund Balance	$ 1,002,562	$ 942,523
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	$ 397,961	$ 15,873
b) Unavailable	139,584	231,329
Unobligated balances allotments realized and expired	537,545	247,202
2) Obligated Balance not yet Disbursed	465,017	695,321
Total Fund Balance	$ 1,002,562	$ 942,523

NOTE 3 – ACCOUNTS RECEIVABLE

This line item represents the combined balance of Accounts Receivable Claims from Associates for FY 2013 and FY 2012.

	2013	2012
A. Accounts Receivable	$ 301	$ 201
Total Accounts Receivable With the Public	$ 301	$ 201

NOTE 4 – LOANS RECEIVABLE, NET

This line item represents the combined balance of Debt Referred Claims from Associates for FY 2013 and FY 2012.

		2013	2012
A.	Loans Receivable	$ 698	$ 1,883
	Total Loans Receivable With the Public	$ 698	$ 1,883

NOTE 5 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The Council's total cost, accumulated depreciation, and net book value of PP&E for September 30, 2013 are as follows:

2013	Equipment	Furniture & Fixtures	Software	Total
Cost	$ 8,078	$ 14,610	$ -	$ 22,688
Accumulated Depreciation	(1,010)	(2,434)	-	(3,444)
Net Book Value	$ 7,068	$ 12,176	$ -	$ 19,244

NOTE 6 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The FY 2013 liabilities of the Council are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2013, the Council showed liabilities covered by budgetary resources of $384,072, and liabilities not covered by budgetary resources of $92,463. As of September 30, 2013, liabilities covered by budgetary resources are composed of Accounts Payable of $349,226, Accrued Funded Payroll and Leave of $27,913, and Employer Contributions and Payroll Taxes Payable of $6,933.

	2013	2012
With the Public		
Other (Unfunded leave liability)	$ 92,463	$ 100,461
Liabilities covered by budgetary resources	384,072	599,457
Total Liabilities	$ 476,535	$ 699,918

The FY 2012 liabilities of the Council are classified as liabilities, covered or not covered by budgetary resources. As of September 30, 2012, the Council showed liabilities covered by budgetary resources of $599,457, and liabilities not covered by budgetary resources of $100,461. As of September 30, 2012, liabilities covered by budgetary resources are composed of Accounts Payable of $566,259, Accrued Funded Payroll and Leave of $26,571, and Employer Contributions and Payroll Taxes Payable of $6,627.

NOTE 7 – OTHER LIABILITIES

Other liabilities with the public for year 2013 consist of Accrued Funded Payroll and Leave of $27,913, unfunded leave in the amount of $92,463, and employer contributions and payroll taxes payable – TSP of $957. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of $5,976.

	With the Public	Non-Current	Current	Total
2013	Other Liabilities	$ 92,463	$28,870	$121,333
2012	Other Liabilities	100,461	27,506	$127,967

	Intragovernmental	Non-Current	Current	Total
2013	Other Liabilities	$0	$5,976	$5,976
2012	Other Liabilities	0	5,692	$5,692

Other liabilities with the public for year 2012 consist of Accrued Funded Payroll and Leave of $26,571, unfunded leave in the amount of $100,461, and employer contributions and payroll taxes payable – TSP of $935. Other Intragovernmental liabilities consist of employer contributions and payroll taxes payable of $5,692.

NOTE 8 – LEASES

Entity as Lessee:

The Council entered into an occupancy agreement (OA) with GSA to lease office space at 1331 F Street, NW, Washington, DC. This occupancy agreement sets forth terms and conditions for the space, which approximate commercial occupancy rates. Included within the OA are notification requirements for the Council to release space upon four (4) months' notice, at any point after the first twelve (12) months of occupancy. This occupancy agreement functions as a new-replacing lease for a term of ten (10) years; effective August 22, 2011, with a five (5) year renewal option.

Occupancy cost for operating leases for the years ended September 30, 2013 and 2012 were $251,860 and $252,132, respectively, for the agency's leased space. The following is a schedule of the future minimum lease payments required by the leases:

Year Ending September 30,	2014	$ 257,274
	2015	259,961
	2016	263,859
	2017	279,139
	2018	282,076
	Thereafter	831,120
Total Future Minimum Lease Payments		$ 2,173,429

NOTE 9 – FUNDS FROM DEDICATED COLLECTIONS

In 2007, $300,000 of funds from dedicated collections 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.

NOTE 9 – FUNDS FROM DEDICATED COLLECTIONS, CONTINUED

2013	NCD Funds from Dedicated Collections	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	$ 20,776	$ 981,786	$ 1,002,562
Assets with the Public:			
Accounts Receivable	-	301	301
Loans Receivable	-	698	698
General aproperty, plant and equipment	-	19,244	19,244
Total Assets	$ 20,776	$ 1,002,029	$ 1,022,805
Intragovernmental Liabilities:			
Accounts Payable	$ -	$ 8,772	$ 8,772
Other Liabilities	-	5,976	5,976
Total Intragovenmental Liabilities	$ -	$ 14,748	$ 14,748
Liabilities with the Public:			
Accounts Payable	$ 15,057	$ 325,397	$ 340,454
Other Liabilities	-	121,333	121,333
Total Liabilities with the Public	$ 15,057	$ 446,730	$ 461,787
Total Liabilites	$ 15,057	$ 461,478	$ 476,535
Unexpended Appropriations	$ 5,719	$ 612,771	$ 618,490
Cumulative Results of Operations	-	(72,220)	(72,220)
	5,719	540,551	546,270
Total Liabilities and Net Position	$ 20,776	$ 1,002,029	$ 1,022,805
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	$ 15,184	$ 2,829,699	$ 2,844,883
Less Earned Revenues	-	-	-
Net Program Costs	$ 15,184	$ 2,829,699	$ 2,844,883
Net Cost of Operations	$ 15,184	$ 2,829,699	$ 2,844,883
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances	$ -	$ (98,377)	$ (98,377)
Adjustments, Corrections of Errors	-	-	$ -
Beginning Balances, As Adjusted	$ -	$ (98,377)	$ (98,377)
Budgetary Financing Sources:			
Appropriations Used	$ 15,057	$ 2,792,745	$ 2,807,802
Non-Exchange Revenue			
Imputed Financing	$ -	63,238	63,238
Total Financing Sources	$ 15,057	$ 2,855,983	$ 2,871,040
Net Cost of Operations	$ 15,057	$ 2,829,826	$ 2,844,883
Change in Net Position	$ -	$ 26,157	$ 26,157
Cumulative Results of Operations	$ -	$ (72,220)	$ (72,220)
Unexpended Appropriations:			
Beginning Balances	$ 5,903	$ 337,163	$ 343,066
Adjustments, Corrections of Errors			-
Beginning Balances, As Adjusted	$ 5,903	$ 337,163	$ 343,066
Budgetary Financing Sources:			
Appropriations Received	15,000	3,242,831	3,257,831
Other Adjustments	-	(174,605)	(174,605)
Appropriations Used	(15,184)	(2,792,618)	(2,807,802)
Total Budgetary Financing Sources	$ (184)	$ 275,608	$ 275,424
Total Unexpended Appropriations	$ 5,719	$ 612,771	$ 618,490
Net Position End of Period	$ 5,719	$ 540,551	$ 546,270

NOTE 9 – FUNDS FROM DEDICATED COLLECTIONS, CONTINUED

2012	NCD Funds from Dedicated Collections	NCD Other Funds	Total Funds
Balance Sheet as of Sept. 30			
ASSETS			
Fund Balance with Treasury	$ 35,960	$ 906,563	$ 942,523
Assets with the Public:			
Accounts Receivable	-	201	201
Loans Receivable	-	1,883	1,883
General aproperty, plant and equipment	-	-	-
Total Assets	$ 35,960	$ 908,647	$ 944,607
Intragovernmental Liabilities:			
Accounts Payable	$ -	$ 9,549	$ 9,549
Other Liabilities	-	5,692	$ 5,692
Total Intragovenmental Liabilities	$ -	$ 15,241	$ 15,241
Liabilities with the Public:			
Accounts Payable	$ 30,057	$ 526,653	$ 556,710
Other Liabilities	-	127,967	127,967
Total Liabilities with the Public	$ 30,057	$ 654,620	$ 684,677
Total Liabilites	$ 30,057	$ 669,861	$ 699,918
Unexpended Appropriations	$ 5,903	$ 337,163	$ 343,066
Cumulative Results of Operations	-	(98,377)	$ (98,377)
	5,903	238,786	244,689
Total Liabilities and Net Position	$ 35,960	$ 908,647	$ 944,607
Statement of Net Cost For the Period Ended Sept. 30			
Gross Program Costs	$ 69,308	$ 3,699,211	$ 3,768,519
Less Earned Revenues	-	-	-
Net Program Costs	$ 69,308	$ 3,699,211	$ 3,768,519
Net Cost of Operations	$ 69,308	$ 3,699,211	$ 3,768,519
Statement of Changes in Net Position For the Period Ended Sept. 30			
Cumulative Results of Operations:			
Beginning Balances	$ -	$ (70,233)	$ (70,233)
Adjustments, Corrections of Errors	-	(27,785)	$ (27,785)
Beginning Balances, As Adjusted	$ -	$ (98,018)	$ (98,018)
Budgetary Financing Sources:			
Appropriations Used	$ 69,308	$ 3,625,076	$ 3,694,384
Imputed Financing		73,776	73,776
Total Financing Sources	69,308	3,698,852	3,768,160
Net Cost of Operations	$ 69,308	$ 3,699,211	$ 3,768,519
Change in Net Position	$ -	$ (359)	$ (359)
Cumulative Results of Operations	$ -	$ (98,377)	$ (98,377)
Unexpended Appropriations:			
Beginning Balances	$ 70,267	$ 744,356	$ 814,623
Adjustments, Corrections of Errors		27,785	$ 27,785
Beginning Balances, As Adjusted	$ 70,267	$ 772,141	$ 842,408
Budgetary Financing Sources:			
Appropriations Received		3,264,000	$ 3,264,000
Other Adjustments	4,944	(73,902)	$ (68,958)
Appropriations Used	(69,308)	(3,625,076)	$ (3,694,384)
Total Budgetary Financing Sources	$ (64,364)	$ (434,978)	$ (499,342)
Total Unexpended Appropriations	$ 5,903	$ 337,163	$ 343,066
Net Position End of Period	$ 5,903	$ 238,786	$ 244,689

NOTE 10 – INTRAGOVERNMENTAL COSTS

The portion of the Council's program costs related to Intragovernmental Costs, and Costs with the Public, are shown as follows. Intragovernmental costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to GSA). Costs with the Public are incurred from exchange transactions with non-Federal entities (i.e., all other program costs).

	Total 2013	Total 2012
Program A		
Intragovernmental costs	$ 699,883	$ 834,655
Public costs	2,145,000	2,933,864
Total Program A	$ 2,844,883	$ 3,768,519

NOTE 11 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

The Council is subject to apportionment. All obligations are classified as category B obligations, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132.

	Total 2013	Total 2012
Direct Obligations		
Category B	$ 2,831,229	$ 3,346,600
Total Obligations	$ 2,831,229	$ 3,346,600

NOTE 12 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of Unpaid Obligated Balance, Net, End of Period, shown on the Statement of Budgetary Resources, includes obligations relating to Undelivered Orders (goods 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 by the Council for goods and services received). The amount of each is as follows:

	Undelivered Orders	Accounts Payable	Unpaid Obligated Balance, Net
2013	$ 80,945	$ 384,072	$465,017
2012	95,864	599,457	$695,321

NOTE 13 – CORRECTION TO FISCAL YEAR 2012 BEGINNING BALANCES IN STATEMENT OF CHANGES IN NET POSITION

There was a misstatement within Cumulative Results of Operations and Unexpended Appropriations related to the recognition of advances made as a requested worksheet adjustment at the end of fiscal year 2011. The correction was made during fiscal year 2012. There is no impact on the Council's overall Net Position in fiscal years 2012.

NOTE 14 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 6), shown as follows:

FY 2013

	FY 2012	**FY 2013**	**Change**
Unfunded Annual Leave	$100,461	$92,463	($7,998)

FY 2012

	FY 2011	**FY 2012**	**Change**
Unfunded Annual Leave	$101,216	$100,461	($755)

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

NOTE 15– RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Council in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Council in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all of the funds were used, and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefit costs incurred for Council employees, which will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered, but not yet provided, represent the difference between the beginning and ending balances of undelivered orders. (Note that goods and services received during the year, based on obligations incurred in the prior year, represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets, are budgetary resources used to finance assets, and not cost of operations (e.g., increases in accounts receivable or capitalized assets).

Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources, are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).
A reconciliation between budgetary resources obligated, and net cost of operations (i.e. providing an explanation between budgetary and financial (proprietary) accounting) is as follows:

	FY 2013	**FY 2012**
Budgetary Resources Obligated	$2,831,229	$3,346,600
Spending Authority from Recoveries and Offsetting Collections	(38,346)	(156,851)
Imputed Financing from Costs Absorbed by Others	63,238	73,776
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	14,919	476,350
Resources that Finance the Acquisition of Assets	(18,159)	29,399
Financing Sources Yet to be Provided (Note 14)	(7,998)	(755)
Net Cost of Operations	$2,844,883	$3,768,519

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Contingencies where any of the conditions for liability recognition are not met, and there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed. SFFAS No.5, as amended by SFFAS No.l2, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following commitments will also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; and (2) amounts for contractual arrangements, which may require future financial obligations. The Council's outside counsel has given substantive attention to, and represented the Council in connection with loss contingencies over the $10,000 materiality level. See note 15 – Subsequent Events for two pending or threatened litigations.

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure, through February 18, 2013, which is the date the financial statements were available to be issued. Outside counsel and the lawyers have given substantive attention to, and represented the National Council on Disability in connection with (1) loss contingencies over the $10, 000 materiality level; or (2) loss contingencies that are less than, or equal to $10,000, but in the aggregate, exceed $10,000. Since these contingencies are outside of the period being audited, we are reporting these loss contingencies as subsequent events.

The General Services Administration (GSA) acts as counsel on behalf of the Council on a personnel matter submitted by an employee of the Council. An appeal for the removal of the employee is before the Merit Systems Protection Board (MSPB or Board). The Judge ruled in favor of the Council and dismissed the appeal as untimely; and sustained the employee's removal from the Council's employment. The employee has the right to appeal the administrative decision. However, it is GSA's opinion that the likelihood of an unfavorable outcome to the Council is slight.

GSA also acted as counsel, on behalf of the Council, on another personnel matter submitted by an employee of the Council. An Equal Employment Opportunity Commission (EEOC) complaint was filed by the employee against various members of staff and the Board of the Council. It is GSA's opinion that the likelihood of an unfavorable outcome on the EEOC case is slight. Subsequently, this employee also filed a whistleblower complaint with the Office of Special Counsel (OSC). A decision on this case is pending. It is GSA's opinion that the likelihood of an unfavorable outcome to the Council is possible.

APPENDIX A -

NATIONAL COUNCIL ON DISABILITIY'S 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.

February 18, 2014

Regis & Associates, P.C.
Peter R. Regis, CPA
Managing Partner
1400 Eye Street, NW
Suite 425
Washington, DC 20005

Dear Mr. Regis:
We have reviewed the draft audit report provided to us relating to your audits of National Council on Disability (the Council) for the fiscal years ended September 30, 2013 and 2012. We concur with the facts and conclusions in the draft report. We have provided responses to the notices of findings and recommendations in Appendix B.

Sincerely,

Rebecca Cokley

Rebecca Cokley
Executive Director

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Appendix B
Notice of Findings and Recommendations and Agency Responses
National Council on Disability Fiscal Year 2013 Audit

Appendix B
Notice of Findings and Recommendations (NFR) Summary Table

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

		Risk Level			Affected Activity	
NFR#	**Findings by Area**	**CD**	**SD**	**MW**	**Financial Reporting**	**Compliance**
General and Entity Level Controls						
13-01	Ineffective Control over information technology's (IT) general and entity level controls.			√	√	
Compliance with Laws, regulations, contracts, and agreements						
13-02	Ineffective Compliance with the Prompt Payment			√		√

Appendix B
Notice of Findings and Recommendations (NFR)

No. 13-01 – Ineffective Controls over Policies and Procedures in place for IT General and Entity Level Controls

Condition:
During our audit of the Council's entity-wide security management system, we noted that the Council did not have policies and procedures in place for information technology (IT) general and entity level controls, including controls over access restriction of IT systems, on-boarding and off-boarding, and background checks on personnel with access to IT systems. In addition, there was inadequate documentation of email updates including adding or removing users, password resets, and group changes.

The Council's IT Consultant did not document his monitoring activities over IT controls, including observation of the active directory; checks of the event log, server log, security log; firewall health check; and records of new threats and viruses. He also did not document whether any alerts of concern were identified, that may require further IT updates.

Criteria:
OMB Circular A-123, Section II D States: "*Information should be communicated to relevant personnel at all levels within an organization. The information should be relevant, reliable, and timely. It is also crucial that an agency communicate with outside organizations as well, whether providing information or receiving it. Examples include: receiving updated guidance from central oversight agencies; management communicating requirements to the operational staff; operational staff communicating with the information systems staff to modify application software to extract data requested in the guidance*".

In addition, the Federal Information Security Management Act of 2002 (FISMA) provides, *"...a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support Federal operations and assets."* It also states that*"... Agencies are required to provide information security controls proportionate with the risk and potential harm of not having those controls in place. Agency heads are required to annually report on the effectiveness of the agencies' security programs. "Significant deficiencies" found under FISMA must also be reported as material weaknesses under FMFIA."*

Cause:
The Council did not have any policies and procedures relating to IT general and entity level controls. According to the IT Consultant, the Council's management did not have adequate understanding and experience to formalize IT policies and procedures in the following areas:

1. Active Directory Change Log;
2. Documentation of routine monitoring procedures, for example Server logs;
3. Backup monitoring;
4. Monitoring of the firewall device for effectiveness, at least weekly; and

5. Documentation of updates for email changes that should be documented by a request from the Council's management, with an affirmative reply to the requestor within 24 hours.

Effect:
Adequate written policies and procedures are necessary to provide confidentiality, integrity, and availability of information and overall management of the Council's IT functions. We observed that there was inadequate security surrounding control access to the internal IT system mentioned above.

Recommendation:
We recommend that the Council's IT Consultant document his or her IT general and entity level control monitoring activities, and submit the results of the monitoring for management review and necessary corrective actions. The IT Consultant should meet with his or her Contracting Officer technical representative (COTR) to review IT updates, and have them approved prior to implementation.

The Council should also develop and document IT general and entity level controls that will cover the IT environment, computer operations, access to program and data, program development and program changes, as well as other application controls. The Council should also ensure that it performs background checks on consultants that have access to its IT systems. As a result of not documenting IT control monitoring activities and results, management may not be aware of deficiencies, and thus, not be able to implement corrective actions in a timely manner.

Management's Response:
The Council takes this weakness very seriously and it should be noted that this condition is not new, but did not rise to the level of a material weakness in the prior audit. As a result of this finding, the Council will contract with an outside entity for an IT security audit. Following the findings of this audit, Council staff will develop an IT policy and procedures manual. The Council will seek advice and guidance from outside agencies/experts to ensure its feasibility and applicability to the Council, staff, and members. The Council has been previously concerned regarding the integrity of its IT system and for FY 14 successfully requested additional funding in FY 14 from OMB to allow the Council to hire an IT specialist in FY14 to manage IT and compliance with Section 508 of the Rehabilitation Act. The Council will also develop a master operations calendar via Outlook which will include dates deliverables are due to the Council, due to the editors, and due for printing. It will also include key dates tied to our financial management (CJ, PAR, Audit, financial statements, etc.). The goal is to be able to utilize this calendar to help drive the bi-monthly staff and management meetings.

Appendix B
Notice of Findings and Recommendations (NFR)

No. 13-02 – Non-Compliance with the Prompt Payment Act

Condition:
The Council does not appear to comply with the Prompt Payment Act. During our audit, we selected and tested 19 contracts, and noted eight instances where payments to vendors were not made within the required 30 days.

Criteria:
Section 1315.4(g) of the Prompt Payment Act states that payment is due on either: (1) the date specified in the contract, (2) in accordance with discount terms when discounts are offered and taken, (3) in accordance with Accelerated Payment Methods, or (4) 30-days after the start of a payment period, when a proper invoice is received. In addition, FAR Part 32.904(c) (i), *Determining Payment Due Date,* states that the due date for making an invoice payment is the later of (1) 30th day after the designated billing office receives a proper invoice from the contractor, or the 30th day after government acceptance of supplies delivered or services performed.

Cause:
The lack of a Financial Analyst from July 1, 2013 through September 30, 2013 caused a significant deficiency in the operation of the entity's internal control, which adversely affected the Council's ability to fulfill its obligations with customers and/or the satisfaction of liabilities.

Effect:
Because of not paying vendors in a timely manner, the Council may have incurred late payment penalties. Any late interest penalty in an amount of $1.00 or more is required to be paid to the vendor; however, interest may not accrue for more than one year. A vendor is also entitled to additional interest if he or she does not receive a late payment interest penalty within 10 days of receiving the principal amount. Any additional penalty owed is equal to one hundred percent (100%) of the original late payment interest penalty, but cannot exceed $5,000. These penalties, although not material, are reportable conditions; and may ultimately affect the services required to meet the strategic goals of the agency. In addition, if an agency fails to pay interest required by the Prompt Payment Act, the vendor can consult with its legal counsel to determine its remedies under the Prompt Payment Act (31 U.S.C. § 3901 et seq.) and other applicable laws.

Recommendation:
We recommend that the Council implement procedures that will ensure that vendor invoices are paid in a timely manner.

Management's Response:

The Council did not have an issue until the Director of Administration ceased her responsibilities in this area despite clear direction. The Council has never had a financial analyst, as this role was proposed for FY2013 and the Council is actively pursuing qualified candidates in FY2014, thus the issue cannot be solely attributed to the lack of a financial analyst. There was the same level of administrative support to achieve full compliance with the Prompt Payment Act as in preceding terms but for the Director of Administration's non-cooperation. Additionally, the Director of Administration had sole access to the physical mailbox. As her work schedule changed to 1 day per week on-site, the mailbox was not being checked regularly. The Council has reassigned responsibility for the snail mailbox to a primary and backup staff member to access to ensure mail is properly being delivered and invoices are being processed. The Council will also assign multiple staff responsibility to the NCDInvoices@ncd.gov email box for the same reason. Upon receipt of hard copy invoices, the staff assistant is responsible for scanning them and emailing those invoices to the NCDinvoices@ncd.gov email box. The target is for all invoices to be processed the week of receipt. At the end of the calendar year, the Council brought in a financial analyst contractor and additional technical assistance to reconcile the backlog. We are still working through this but anticipate entering the third quarter of FY2014 in compliance with the Prompt Payment Act. Furthermore, in FY 2014, the Council anticipates bringing on two full time staff to the administration and operations team, a full-time financial analyst and a full time administrative assistant. The Council will increase accessibility to office staff by updating phone procedures within the office to ensure that all personnel have shared responsibilities in ensuring that communication from vendors, federal partners and the public are answered on a timely basis. This will include modifications to the phone system so that all staff are aware of incoming calls and requests. Staff will also be responsible for assigning a backstop when out of the office, to ensure timely responses to time urgent electronic correspondence.