

# **The Administrative Conference of the United States**



## **Performance and Accountability Report Fiscal Year 2016**



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## A Message from the Executive Director

I am pleased to transmit the Fiscal Year 2016 Performance and Accountability Report of the Administrative Conference of the United States. The report includes an overview of Conference's performance, as required by the Government Performance and Results Act and the GPRA Modernization Act, and audited financial statements and related documentation, as required by the Accountability of Tax Dollars Act of 2002. As in previous years, the independent auditor whose report appears below as Appendix A found no instances of non-compliance with laws and regulations and concluded that the agency has strong internal controls in place to prevent fraud, waste, and abuse.

Fiscal Year 2016 was a year of continuing success. Since resumption of operations in 2010, the Conference has adopted over three dozen recommendations, issued a still larger number of reports (a number of them prepared at the request of particular agencies), published the much-cited *Sourcebook of United States Executive Agencies* and other reference works of enormous value to policymakers, provided a unique forum for the exchange of best practices among agencies, and instituted several programs to assist executive agencies and Congress in addressing important matters of administrative procedure. Much of the Conference's work is already discernable in executive orders, agency regulations and guidance documents, and legislation that will improve the fairness and efficiency of administrative procedure—and, in many cases, save taxpayer money—for many years to come. Especially noteworthy during Fiscal Year 2016 was Congress's implementation of Recommendation 2012-8, *Inflation Adjustment Act*, by statutorily adjusting civil penalties government-wide to account for inflation. The Congressional Budget Office estimates that the adjustments will lead to an increase in government revenue of more than \$1.3 billion over the next ten years.

The outstanding performance noted in the pages that follow is a testament to the dedicated work of the Conference's Council, members, research consultants, and staff. We thank all of them, and especially the many members of the Conference who provide their services without any compensation. Our work would not be possible without them.

Matthew L. Wiener  
Executive Director  
Administrative Conference of the United States





## Agency Overview

ACUS is a unique executive branch agency whose principal mission is to recommend improvements to administrative procedure and process to the President, federal agencies, Congress, and the federal judiciary. Recommendations are designed, in the words of the Administrative Conference Act, to (1) ensure that federal agencies' "regulatory activities . . . are carried out expeditiously in the public interest," (2) "promote more effective participation and efficiency in the rulemaking process," (3) "reduce unnecessary litigation in the regulatory process," (4) "improve the use of science" in that process, and (5) "improve the effectiveness of laws applicable" to that process (5 USC § 591). Through its Office of the Chairman, ACUS also assists individual agencies to improve programs, publishes sourcebooks of enormous value to both the government and public, and provides nonpartisan advice to executive branch officials and members of Congress and their staffs. ACUS's work improves the efficiency and fairness of government processes.

ACUS's oversight committees in Congress have expressed strong bipartisan support for the agency's work. For instance, the Chairmen and Ranking Members of the House Judiciary Committee and its Subcommittee on Regulatory Reform noted in the *Congressional Record* (December 12, 2014) that "there is no other independent, non-partisan agency" on which "Congress can call . . . to evaluate ways to improve the regulatory process"; that "[a]s a result of" ACUS's "excellent work, our Nation's federal administrative procedures are not only looked to as a standard around the world, but constantly in the course of additional improvement"; and that "in recognition of its many accomplishments" ACUS "has enjoyed broad bipartisan and bicameral support over the years." They also noted that ACUS "helps save taxpayer dollars."

Members of the federal judiciary from diverse perspectives have likewise expressed strong support for ACUS. Supreme Court Justice Stephen Breyer and former Supreme Court Justice Antonin Scalia (who was also a former Chairman of ACUS) have even testified before Congress in support of ACUS's reauthorization. In testimony quoted in the above congressional statement on the occasion of ACUS's fiftieth anniversary, Justice Breyer cited the Conference's "unique" role in identifying ways to improve the federal regulatory process, and Justice Scalia said that ACUS is "obviously . . . a worthwhile organization" and that it is "an enormous bargain."





## Mission and Organizational Structure

**The Administrative Conference of the United States brings together experts from the public and private sector to advise the President, Congress, federal agencies and the federal judiciary to collaborate in maximizing fairness and efficiency in the administration of government programs.**

### Vision & Values

The Administrative Conference is given the power to “study the efficiency, adequacy, and fairness of administrative procedure....” 5 USC § 594.

The work of the Conference is guided by these procedural values, which reflect legal and social science measures of performance.

The fairness value derives from law and employs principles in the Administrative Procedure Act and the Due Process Clause of the Constitution.

The efficiency value derives from economics and looks at how procedures employed by the agency achieve the public purposes the regulations are intended to serve. The question is whether the agency procedures and management techniques reflect optimum resource allocations.

The adequacy value borrows from the disciplines of psychology and political science and looks at the effectiveness of regulatory techniques from the public’s perspective, including such factors as trust, transparency, and participation.

In many situations, these values must be balanced by the Conference in crafting recommendations, but in no case will they be ignored.

### Conference Membership

The Assembly is the name given to the 101 statutory voting members of the Conference meeting in plenary session. The 101 members include the Chairman, the Council, Government Members and Public Members. The Conference’s bylaws permit other types of members who are not part of the Assembly. These individuals are afforded all the privileges of membership, except that they may not vote or make motions during plenary sessions.





## Voting Members

### **The Chairman**

The Chairman of the Administrative Conference provides overall management and direction for the Conference. The Chairman is appointed for a five-year term by the President by and with the advice and consent of the Senate. The Chairman is the only full-time member of the Conference. With the exception of the Chairman, Conference Members are unpaid.

### **The Council**

The Council of the Administrative Conference functions as the Conference's Board of Directors. In addition to the Chairman, the Council consists of ten members appointed by the President for three-year terms. Up to five of the Council members are current, senior officials at other government agencies, and the others are drawn from outside the federal government. One of the Council members is designated by the President as the Vice Chairman.

### Current ACUS Council

Government Members	Public Members
Vacant (Chairman)	Ronald Cass
Steven Croley, Vice Chairman	Danielle Gray
Edith Ramirez	Ronald Klain
Jonathan Sallet	Theodore Olson
Ilona Cohen	Jane Sherburne
	Geovette Washington

### **Government Members**

Government members come from federal executive departments, agencies, independent regulatory boards, and commissions.

### **Public Members**

Public members come from the private sector, including academia, the practicing bar, industry and public interest organizations.





## **Non-Voting Members**

### **Liaison Representatives**

The Chairman, with the approval of the Council, may enter into liaison arrangements with federal agencies or other organizations that do not have voting members of the Conference. Agencies or organizations so designated appoint their liaison representative. Liaison representatives serve no fixed term.

### **Senior Fellows**

Senior fellows include those who have previously served as Chairman, are former members who have served in the federal judiciary, or have served for six or more years as government or public members, or liaison representatives. Senior fellows are appointed by the Chairman with the approval of the Council. Senior fellows serve for two-year terms and may be reappointed.

### **Special Counsels**

Special Counsels are appointed by the Chairman, with the approval of the Council. They advise and assist the membership in the areas of their special expertise. They serve for 2-year terms and may be reappointed.

A full roster of the Conference's current membership is available at <https://www.acus.gov/about-members>

## **Staff**

The Administrative Conference has a small, full-time, career staff that serves under the Chairman. The staff conducts research, supports the work of Conference committees, organizes Conference events, works to implement Conference recommendations, provides information to Conference members and to the public, and otherwise carries forward the work of the Conference.

A full roster of the Conference's current staff is available at <https://www.acus.gov/about-staff>





## Performance Goals and Results

In accordance with OMB guidance, Conference management identified results-oriented performance goals for FY 2012 through FY 2016 that are based on the agency's strategic goals. As detailed in the following section, the Conference was highly successful in meeting its performance goals during FY 2016.

A full listing and description of past, current, and pending Conference projects and initiatives is accessible at <https://www.acus.gov/research-projects>, while additional information and materials from Conference workshops, symposia, and other collaborative events is accessible at <https://www.acus.gov/meetings-and-events>.

### Strategic Goals

#### PARTICIPATION

The Conference will expand citizen participation in the regulatory process through increased use of interactive communications technology and creative means of outreach, in order to provide essential information to government officials and to inform the public.

#### COLLABORATION

The Conference will study and promote the most responsive and efficient means of sharing authority and responsibility among the federal government, state and local governments, contractors, grantees, and citizens. This will include exploration of new models of collaborative governance as well as a more effective division of responsibility between government and the private sector.

#### INNOVATION

The Conference will seek new ideas that advance the core values of fairness and efficiency, and will study existing government programs to identify what works, what doesn't, and what's promising. Research will address the use of science, ensuring data quality, and performance evaluation.

#### EDUCATION

The Conference will bring together senior federal officials and outside experts to identify best practices and will advise agencies on revising their rulemaking and hearing processes, technology and management systems to deliver better results. The Conference will be a central resource for agencies by compiling and publishing guidance on solving mutual problems.





## Strategic Goal: PARTICIPATION

Expand public participation and increase transparency.

The Administrative Conference will expand citizen participation in the regulatory process through increased use of interactive communications technology, as well as by alternative means of outreach, in order to provide essential information to government officials and inform the public. The Administrative Conference will improve openness and transparency in government by promoting common standards and formats for information sharing and proposing updates to laws and rules written before the Internet era.

Performance Goal	Results Measure	FY 2016 Results
<p>1) <b><i>Fairness</i></b>            ACUS will encourage more widespread participation by stakeholders in its activities to ensure a fair representation of relevant viewpoints and will generally promote principles of fairness through its work.</p>	<p>Outreach to, and inclusion of, various stakeholders during the course of ACUS activities; and adoption of recommendations that promote fairness.</p>	<p>ACUS held multiple workshops to solicit stakeholder perspectives on ACUS recommendations and other activities. Numerous jointly sponsored events were held in order to hear and consider the views of persons who might not otherwise participate in committee meetings.</p>
<p>2) <b><i>Transparency</i></b>            ACUS will ensure compliance with applicable FACA procedures regarding transparency and will ensure that the process leading to recommendations is transparent to participants and the public.</p>	<p>Publication of required <i>Federal Register</i> notices prior to semi-annual meetings of the full ACUS Assembly; publication of relevant committee documents in a manner accessible to participants and the public; webcasts of committee and Assembly meetings to enhance access and transparency to all.</p>	<p>All required <i>Federal Register</i> notices were published in a timely fashion.</p> <p>All committee documents were made available to the public for comment within one day of circulation to the committee members thereby exceeding FACA requirements.</p> <p>All committee and Assembly meetings were webcast to permit remote member participation and public viewing.</p>
<p>3) <b><i>Access to Information</i></b>            ACUS will make available to all of its stakeholders a searchable library/database of ACUS documents and video recordings—both historical and current—to educate individuals about ACUS activities and information; and will ensure compliance with applicable Open Government and FOIA procedures.</p>	<p>Increased visits to ACUS website by stakeholders and other interested persons/groups; and full, prompt disclosure of information to FOIA requesters to the extent permitted by law.</p>	<p>ACUS’s social media analytics demonstrated a significant increase in engagement from 2015.</p> <p>ACUS continued to adhere to a policy of full (allowable) disclosure under FOIA.</p> <p>ACUS received the top score from the Office of Information Policy (OIP) in every area of FOIA compliance for the last reporting year, FY 2015.</p>





		<p>ACUS was highlighted by OIP as having the fastest average response time (1.6 days) for simple requests among all federal agencies.</p> <p>To ensure a safe environment for online access and communication, ACUS continues to provide a secure (https) connection to its website.</p>
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## Strategic Goal: COLLABORATION

Promote collaborative governance.

The Administrative Conference will study and promote the most responsive and efficient means of sharing authority and responsibility among the federal government, state and local governments, contractors, grantees, and citizens. This will include exploration of new models of collaborative governance as well as the most efficient division of responsibility between government and the private sector.

Performance Goal	Results Measure	FY 2016 Results
<p>1) <b>Public-Private Partnerships</b> ACUS will leverage its public-private partnerships to enhance collaboration and cooperation.</p>	<p>Partnerships with private institutions, universities, and other federal agencies to aid in the development and implementation of ACUS recommendations and projects.</p>	<p>ACUS and Stanford Law School maintained a database cataloging federal administrative adjudication across government agencies.</p> <p>ACUS drafted a report on Public-Private Partnerships and held a federal agency roundtable workshop on the topic.</p>
<p>2) <b>International Cooperation</b> ACUS will engage in activities that promote better collaboration between U.S. and foreign regulatory agencies, and educate foreign counterparts about how to improve their administrative procedures.</p>	<p>Outreach and education to foreign counterparts; recommendations, collaborations and events that establish best practices for enhancing cooperation between the U.S. Government and its foreign counterparts, particularly in the area of regulation.</p>	<p>ACUS staff held multiple meetings with officials from the EU to exchange information and perspectives on enhancing regulatory cooperation, achieving enhanced stakeholder input in the regulatory process in the EU and US, and promoting more effective coordination among EU and US scientists working on regulatory problems.</p>
<p>3) <b>Alternative Dispute Resolution (ADR)</b> ACUS will review current ADR programs, identify potential improvements, and</p>	<p>Programs and activities that promote the use of ADR in government.</p>	<p>ACUS completed a major report on the use of ombudsmen by federal agencies. A recommendation based on this report will</p>





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<p>educate stakeholders about the benefits of ADR techniques.</p>		<p>be taken up at the December 2016 Plenary Session.</p> <p>ACUS consistently participated in the Interagency ADR Working Group.</p>
<p>4) <b>Best Practices</b> ACUS will identify and/or develop best practices in government and share that information with agencies, or train agencies how to adopt the best practices.</p>	<p>Recommendations and/or reports that promote adoption of best practices that produce cost savings, increased efficiency, or increased fairness; recognition of agencies that develop innovative best practices.</p>	<p>Five ACUS recommendations recommended best practices for agencies.</p> <p>SSA proposed an amendment to its “Treating Physician Rule” based on a study and report completed by ACUS.</p> <p>The United States Sentencing Commission adopted a final rule implementing best practices identified in ACUS Recommendations 2014-2, “Ex Parte” Communication in Informal Rulemaking, and 2014-2, Government in the Sunshine Act.</p> <p>The Postal Regulatory Commission cited ACUS Recommendation 2014-4, “<i>Ex Parte</i>” Communications in Informal Rulemaking, in its final rule amending existing Commission rules related to ex parte contacts.</p> <p>The American Bar Association, Section of Administrative Law and Regulatory Practice, passed a resolution based largely on ACUS Recommendation 2011-5, <i>Incorporation by Reference</i>.</p> <p>The Office of Government Ethics cited its implementation of ACUS Recommendation 2014-1, <i>Resolving FOIA Disputes Through Targeted ADR Strategies</i>, in its annual Chief FOIA Officer’s Report to OIP.</p>





## Strategic Goal: INNOVATION

Identify innovations to make government procedures more efficient, fair, timely, and data-driven.

The Administrative Conference will seek new ideas that advance the core values of fairness and efficiency, and will study existing government programs to identify what works, what doesn't, and what's promising. Because government action should be based on sound data, the Administrative Conference will improve the use of science, empirical data, and performance evaluation in regulations and administrative law, and the Conference's own activities will be measured to demonstrate the value that they provide.

Performance Goal	Results Measure	FY 2016 Results
<p>1) <b>Efficiency</b> ACUS will work to streamline the administrative process through research and innovations that maximize the government's capacity in a cost-effective manner.</p>	<p>Reports and/or recommendations on innovative administrative procedure reforms that help agencies put their limited resources to the best use. Outcomes measured by agencies adopting these reforms and concomitant increases in efficiency.</p>	<p>In the Bipartisan Budget Act of 2015, Congress implemented much of ACUS Recommendation 2012-8, <i>Inflation Adjustment Act</i>. The Congressional Budget Office estimates these changes will lead to an increase in government revenue of more than \$1.3 billion over the next ten years.</p> <p>ACUS adopted Recommendation 2016-2, <i>Aggregate Agency Adjudication</i>, that encourages agencies engaged in administrative adjudication to explore the use of "aggregation tools that could resolve large groups of claims more efficiently."</p> <p>ACUS adopted Recommendation 2015-4, <i>Federal Licensing and Permitting</i>, that encourages agencies administering regulatory permit authority to explore the "advantages in efficiency or resource use" that may be offered by general (as opposed to specific) permitting systems.</p>
<p>2) <b>Timeliness</b> ACUS will work across federal agencies to reduce backlogs and unnecessary delays in case and rule processing through better use of innovative technologies and collaborative governance techniques.</p>	<p>Reports and/or recommendations that aim to reduce delays in the administrative process. Outcomes measured by the affected agencies' adoption of the recommended reforms and a reduction in backlogs and delays.</p>	<p>ACUS adopted Recommendation 2016-2, <i>Aggregate Agency Adjudication</i>, that encourages agencies engaged in administrative adjudication to consider using aggregation tools as a means of reducing backlogs and administrative delay.</p>





		ACUS co-chaired a presidentially-established working group that recommended ways to expedite the hiring of Administrative Law Judges (ALJs) at SSA. The working group’s principal recommendation was implemented in § 846 of the Bipartisan Budget Act of 2015.
<p>3) <b>Technology</b> ACUS will identify and minimize procedural, legal and logistical obstacles that prevent access to the government’s regulatory and adjudicatory activities through better use of innovative technologies.</p>	Reports and/or recommendations on best practices to eliminate barriers to access.	<p>ACUS issued a handbook providing agencies with practical guidance regarding how to implement video hearings including best practices for physical and logistical characteristics of the hearing room, training for agency staff, and procedural practices.</p> <p>ACUS and Stanford Law School maintained a database cataloging federal administrative adjudication across government agencies.</p> <p>ACUS conducted its first-ever virtual and asynchronous Plenary Session, thus implementing the innovative approach outlined in ACUS Recommendation 2011-7, <i>The Federal Advisory Committee Act – Issues and Proposed Reforms</i>.</p>





## Strategic Goal: EDUCATION

Convene leaders to share information, solve common problems, and encourage adoption of promising innovations government-wide.

The Administrative Conference will bring together senior federal officials and outside experts to identify best practices and will advise agencies on revising their rulemaking and hearing processes, technology, and management systems to deliver better results. The Conference will be a central resource for agencies by compiling and publishing data and guidance on solving mutual problems.

Performance Goal	Results Measure	FY 2016 Results
<p>1) <b>Reconvene Regular Meetings of the Council of Independent Regulatory Agencies (CIRA)</b> ACUS will provide an opportunity for these agencies to share information and solve common administrative problems.</p>	<p>Convene four meetings per year of the Council of Independent Regulatory Agencies (CIRA).</p>	<p>ACUS convened three CIRA meetings.</p>
<p>2) <b>Workshops</b> ACUS will convene and participate in a series of workshops, meetings and symposia to share knowledge and best government practices.</p>	<p>Convene two to four workshops per year and participate in events that educate the public about ACUS programs.</p>	<p>ACUS convened numerous workshops and symposia. Most notably, ACUS organized a forum on Regulatory Capture at which Senators Lee, Warren, and Whitehouse gave remarks.</p> <p>ACUS conducted two training programs on administrative law and administrative agencies for Senate staffers.</p> <p>ACUS staff participated in numerous panels sponsored by the American Bar Association and other organizations at which ACUS recommendations and programs were highlighted.</p>
<p>3) <b>Publications</b> ACUS will publish electronic and print media to educate and engage government and private sector stakeholders about ACUS activities; and ACUS will publish useful documents/guides/reports on government procedure and structure.</p>	<p>A website that is compliant with federal requirements, incorporates innovative tools such as social media, and is useful, as measured by increasing number and duration of Web visits and user surveys. Published documents/guides/reports.</p>	<p>ACUS's website remains FISMA compliant.</p> <p>ACUS and Stanford Law School maintained a database cataloging federal administrative adjudication across government agencies.</p> <p>ACUS staff published a quarterly column in the Administrative and Regulatory Law News magazine.</p>





		<p>ACUS staff published a series of articles on Regulatory Capture on RegBlog.com.</p> <p>ACUS published a handbook providing agencies with practical guidance regarding how to implement video hearings.</p>
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## Agency Management and Compliance

The Conference's management provides strategic planning and operational controls for the agency, including financial and administrative services, technology management, and computer and information security. Management also ensures compliance with both the internal and external policies, procedures, and legal requirements of these vital program areas.

### Financial Audit

The Conference undergoes annual audits of its financial statements, including reviews of the adequacy of the agency's internal control systems. The Conference's financial statements have been prepared from the books and records of ACUS in accordance with generally accepted accounting principles (GAAP) for Federal entities and formats prescribed by the Office of Management and Budget (OMB). The statements are in addition to the internal financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The Conference received an unqualified audit for FY 2016, as it has for each fiscal year following the agency's reestablishment in FY 2010. The independent audit concluded that the Conference's statements are presented fairly in all material aspects and in accordance with generally accepted accounting principles. In addition, independent auditor sampling found no instances of noncompliance with laws and regulations and no instances of improper payment.

During FY 2016, the General Services Administration Office of the Chief Financial Officer (GSA OCFO) provided payroll services, and the United States Department of Agriculture (USDA) provided accounting, disbursement, and financial statement preparation services for the agency. Accordingly, certain aspects of the Conference's financial management system are largely influenced by the practices and procedures of the GSA and USDA.

In summary, the independent audit concluded that the Conference's system of internal controls is functioning well and provides reasonable assurance as to the efficiency and effectiveness of programs and operations, reliability of financial and performance information, and compliance with laws and regulations.

The full independent auditor's report for FY 2016 is included as an appendix to this document.





## **Computer and Information Security Program**

Since FY 2010, the Conference has undergone independent evaluations of its computer and information security programs, consistent with the Federal Information Security Management Act (FISMA), which was signed into law as part of the E-Government Act (Public Law 107-347). These evaluations are conducted under the requirements of the Government Information Security Reform Act, as well as the Office of Management and Budget's (OMB) implementing guidelines.

The Conference's FISMA audits have revealed no material weakness in policies and procedures as reported in the agency's required FISMA filings to the Department of Homeland Security (DHS), Congress, and OMB.





ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

## Appendix A

# Fiscal Year 2016 Independent Audit Report





**Financial Statements  
and Independent  
Auditor's Report**

**Administrative Conference of the  
United States**

**For the Years Ended  
September 30, 2016  
and 2015**

Administrative Conference of the United States  
General Fund  
September 30, 2016  
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## **Independent Auditor's Report**

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## **Independent Auditor's Report**

**To the Conference Members and Executive Director  
Administrative Conference of the United States**

### **Report on the Financial Statements**

We have audited the accompanying Consolidated Balance Sheet of the Administrative Conference of the United States as of September 30, 2016, and the related Statement of Net Cost, Changes in Net Position and Combined Statement of Budgetary Resources for the year then ended (hereinafter referred to as financial statements). The financial statements of the Administrative Conference of the United States as of September 30, 2015, were audited by other auditors whose report dated November 13, 2015, expressed an unmodified opinion on those statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of the Administrative Conference of the United States as of September 30, 2016, and the

related statements of net costs, changes in net position and budgetary resources for the year then ended, in conformity with U.S. generally accepted accounting principles.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued our report dated November 16, 2016 on our consideration of the Administrative Conference of the United States' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and other matters that are required to be reported under *Government Auditing Standards*. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administrative Conference of the United States' internal control over financial reporting and compliance, and should be read in conjunction with this report in considering the results of our audit.

***Davis & Associates***

Columbia, Maryland  
November 16, 2016

## **Financial Statements**

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# ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

## BALANCE SHEET

As Of September 30, 2016 and 2015

	2016	2015
<b>Assets:</b>		
<b>Intragovernmental:</b>		
Fund Balance With Treasury (Note 2)	\$ 889,383.95	\$ 702,833.44
<b>Total Intragovernmental</b>	889,383.95	702,833.44
<b>Assets With The Public:</b>		
Accounts Receivable, net (Note 3)		516.46
General Property, Plant and Equipment (Note 4)	15,307.68	35.10
<b>Total Assets</b>	\$ 904,691.63	\$ 703,385.00
<b>Liabilities:</b>		
<b>Intragovernmental:</b>		
Other: (Note 5)		
Employer Contributions and Payroll Taxes Payable	\$ 15,025.65	\$ 12,262.04
Liability for Advances and Prepayments	312,983.78	233,540.03
<b>Total Intragovernmental</b>	328,009.43	245,802.07
<b>Liabilities With the Public:</b>		
Accounts Payable	18,780.07	30,955.95
Other: (Note 6)		
Accrued Funded Payroll and Leave	58,332.05	52,194.30
Employer Contributions and Payroll Taxes Payable	2,652.35	2,241.17
Unfunded Leave	141,554.49	135,212.22
<b>Total Liabilities</b>	\$ 549,328.39	\$ 466,405.71
<b>Net Position:</b>		
Unexpended Appropriations - All Other Funds (Consolidated Totals)	470,210.05	365,639.95
Cumulative Results of Operations - All Other Funds (Consolidated Totals)	(114,846.81)	(128,660.66)
<b>Total Net Position - All Other Funds (Consolidated Totals)</b>	355,363.24	236,979.29
<b>Total Net Position</b>	355,363.24	236,979.29
<b>Total Liabilities and Net Position</b>	\$ 904,691.63	\$ 703,385.00

*The accompanying notes are an integral part of these statements.*

**ADMINISTRATIVE CONFERENCE OF THE UNITED STATES  
STATEMENT OF NET COST**

For The Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Program Costs:</b>		
<b>Gross Costs</b>	3,160,467.63	3,454,579.02
<b>Less: Earned Revenue</b>	95,556.25	398,483.20
<b>Net Program Costs</b>	<u>3,064,911.38</u>	<u>3,056,095.82</u>
<b>Net Cost of Operations</b>	<u>\$ 3,064,911.38</u>	<u>\$ 3,056,095.82</u>

(Note 8)

*The accompanying notes are an integral part of these statements.*

**ADMINISTRATIVE CONFERENCE OF THE UNITED STATES**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For The Years Ended September 30, 2016 and 2015**

FY 2016 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances		\$ (128,660.66)		\$ (128,660.66)
Beginning balance, as adjusted		(128,660.66)		(128,660.66)
<b>Budgetary Financing Sources:</b>				
Appropriations used		2,989,593.90		2,989,593.90
<b>Other Financing Sources (Non-Exchange):</b>				
Transfers-in/out without reimbursement		(0.03)		(0.03)
Imputed financing		89,131.36		89,131.36
Total Financing Sources		3,078,725.23		3,078,725.23
Net Cost of Operations		3,064,911.38		3,064,911.38
Net Change		13,813.85		13,813.85
<b>Cumulative Results of Operations</b>		(114,846.81)		(114,846.81)
<b>Unexpended Appropriations:</b>				
Beginning Balance		365,639.95		365,639.95
Beginning Balance, as adjusted		365,639.95		365,639.95
<b>Budgetary Financing Sources:</b>				
Appropriations received		3,100,000.00		3,100,000.00
Other adjustments		(5,836.00)		(5,836.00)
Appropriations used		(2,989,593.90)		(2,989,593.90)
Total Budgetary Financing Sources		104,570.10		104,570.10
Total Unexpended Appropriations		470,210.05		470,210.05
Net Position		355,363.24		355,363.24

*The accompanying notes are an integral part of these statements.*

**ADMINISTRATIVE CONFERENCE OF THE UNITED STATES**  
**STATEMENT OF CHANGES IN NET POSITION**  
**For The Years Ended September 30, 2016 and 2015**

FY 2015 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
<b>Cumulative Results of Operations:</b>				
Beginning Balances		\$ 392,914.50		\$ 392,914.50
Adjustments:				
Corrections of errors		(488,476.77)		(488,476.77)
Beginning balance, as adjusted		(95,562.27)		(95,562.27)
<b>Budgetary Financing Sources:</b>				
Appropriations used		2,938,899.86		2,938,899.86
<b>Other Financing Sources (Non-Exchange):</b>				
Imputed financing		84,097.57		84,097.57
Total Financing Sources		3,022,997.43		3,022,997.43
Net Cost of Operations		3,056,095.82		3,056,095.82
Net Change		(33,098.39)		(33,098.39)
<b>Cumulative Results of Operations</b>		<b>(128,660.66)</b>		<b>(128,660.66)</b>
<b>Unexpended Appropriations:</b>				
Beginning Balance		204,539.81		204,539.81
Beginning Balance, as adjusted		204,539.81		204,539.81
<b>Budgetary Financing Sources:</b>				
Appropriations received		3,100,000.00		3,100,000.00
Appropriations used		(2,938,899.86)		(2,938,899.86)
Total Budgetary Financing Sources		161,100.14		161,100.14
Total Unexpended Appropriations		365,639.95		365,639.95
Net Position		236,979.29		236,979.29

*The accompanying notes are an integral part of these statements.*

**ADMINISTRATIVE CONFERENCE OF THE UNITED STATES**  
**STATEMENT OF BUDGETARY RESOURCES**

For The Years Ended September 30, 2016 and 2015

	2016 Budgetary	2015 Budgetary
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, October 1	\$ 450,884.71	\$ 560,366.31
Recoveries of prior year unpaid obligations (unobligated balances)	49,681.76	11,346.01
Other changes in unobligated balance	(5,836.00)	
Unobligated balance from prior year budget authority, net	494,730.47	571,712.32
Appropriations (discretionary and mandatory)	3,100,000.00	3,100,000.00
Spending authority from offsetting collections	332,000.00	265,321.15
<b>Total budgetary resources</b>	<b>\$ 3,926,730.47</b>	<b>\$ 3,937,033.47</b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred	\$ 3,107,171.56	\$ 3,486,148.76
Apportioned	699,861.44	365,617.71
Unapportioned	119,697.47	85,267.00
Unobligated balance brought forward, end of year	819,558.91	450,884.71
<b>Total budgetary resources</b>	<b>\$ 3,926,730.47</b>	<b>\$ 3,937,033.47</b>
 <b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 251,948.73	\$ 201,466.38
Obligations incurred (Note9)	3,107,171.56	3,486,148.76
Outlays (gross) (-)	(3,082,613.49)	(3,424,320.40)
Recoveries of prior year unpaid obligations (-)	(49,681.76)	(11,346.01)
Unpaid obligations, end of year (Note 10)	226,825.04	251,948.73
Change in uncollected pymts, Fed sources	(157,000.00)	
Uncollected pymts, Fed sources, end of year (-)	(157,000.00)	
Obligated balance, start of year (net)	251,948.73	201,466.38
Obligated balance, end of year (net)	<b>\$ 69,825.04</b>	<b>\$ 251,948.73</b>
 <b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 3,432,000.00	\$ 3,365,321.15
Actual offsetting collections (discretionary and mandatory) (-)	(175,000.00)	(265,321.15)
Change in uncollected payments from Federal Sources (discretionary and mande	(157,000.00)	
Budget authority, net (discretionary and mandatory)	3,100,000.00	3,100,000.00
Outlays, gross (discretionary and mandatory)	3,082,613.49	3,424,320.40
Actual offsetting collections (discretionary and mandatory) (-)	(175,000.00)	(265,321.15)
Outlays, net (discretionary and mandatory)	\$ 2,907,613.49	\$ 3,158,999.25
Agency outlays, net (discretionary and mandatory)	<b>\$ 2,907,613.49</b>	<b>\$ 3,158,999.25</b>

*The accompanying notes are an integral part of these statements.*

## **Notes to the Financial Statements**

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## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Reporting Entity**

The Administrative Conference of the United States (Conference) is an independent agency of the Executive Branch of the United States Government. The Conference has been re-established after an absence of over 14 years. ACUS was created in 1968 as an independent agency of the federal government, for the purpose of developing recommendations to improve the fairness and effectiveness of the rulemaking, adjudication, licensing, and investigative functions of federal agency programs.

The Conference ceased operations on October 31, 1995, due to termination of funding by Congress, but the statutory provisions that established the Conference were not repealed. Subsequently, Congress reauthorized the Conference in 2004 and again in 2008. The 2004 legislation expanded the responsibilities of the Conference to include specific attention to achieving more effective public participation and efficiency, reducing unnecessary litigation, and improving the use of science in the rulemaking process. Funding was approved in 2009, and the Conference was officially re-established in April 2010, when the Senate confirmed President Obama's nominee, Paul Verkuil as Chairman.

### **(b) Basis of Presentation**

These financial statements have been prepared from the accounting records of the Conference 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 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*."

OMB Circular A-136, 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, 2016 and 2015, amounts of future economic benefits owned or managed by the Conference (assets); amounts owed by the Conference (liabilities); and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Conference's operations, which includes costs of identifiable supporting services provided by other federal agencies. The Statement of Budgetary Resources reports the Conference's budgetary activity.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Basis of Accounting**

Transactions are recorded on the accrual basis of accounting in accordance with OMB Circular 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 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 Conference follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, “*Preparation, Submission, and Execution of the Budget*,” dated July 2016. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The Conference recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and when spending authority from the offsetting collection is incurred.

**(f) Revenues and Other Financing Sources**

The Conference received the funding necessary to support its programs, from appropriations in FY2011, FY2012, FY2013, FY2014, FY2015 and FY2016. None of the appropriations are “earmarked” funds.

**(g) Imputed Financing Sources**

In certain instances, operating costs of the Conference 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 Conference, 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 Conference 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).

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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 Conference'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 Conference and its employees both contribute to these systems. Although the Conference 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 Conference contributes an amount equal to 7% of the employees' basic pay, to the plan. For FERS employees, the Conference contributes an amount equal to 13.7% 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 Conference 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 Conference.

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 Conference's employees. The Conference has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Conference and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(h) Personnel Compensation and Benefits (continued)**

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

**(i) Assets and Liabilities**

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

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

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

**(j) Fund Balance with Treasury**

The U.S. Department of the Treasury (Treasury) processes the Conference’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 Treasury warrants for appropriations. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for recissions, disbursements, and other expenditure cash outflows of funds.

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Property, Plant, and Equipment (PPE)**

PPE consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment.

The Conference capitalizes PPE with a useful life of at least two (2) years and individually costing more than \$5,000 (\$15,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the aggregate cost is \$10,000 or greater.

Assets are depreciated on a straight-line basis over the estimated used life of the property. Information Technology (IT) equipment and software is depreciated over a useful life of five (5) years. All other equipment is depreciated over a five (5) year useful life, and leasehold improvements are depreciated over the seven (7) years, or the remaining life of the lease.

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

**(n) 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). The Conference 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.

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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).

**NOTE 2 – FUND BALANCE WITH TREASURY**

The Conference's funds with the U.S. Treasury consist only of appropriated funds. In FY 2016, the Conference received a multi-year appropriation of \$3,100,000. The status of these funds as of September 30, 2016 is as follows:

	2016	2015
A. Fund Balance with Treasury		
General Fund	\$ 889,383.95	\$ 702,833.44
Total	\$ 889,383.95	\$ 702,833.44
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	699,861.44	365,617.71
b) Unavailable	119,697.47	85,267.00
2) Obligated Balance not yet Disbursed	69,825.04	251,948.73
Total	\$ 889,383.95	\$ 702,833.44

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 3 – ACCOUNTS RECEIVABLE**

The line item represents the combined balance of Accounts Receivable Claims from Associates and the Accounts Receivable Debt Referred for FY 2016.

	2016	2015
Accounts Receivable	\$ -	\$ 516.46
Total Accounts Receivable With the Public	\$ -	\$ 516.46

**NOTE 4 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET**

The Conference's total cost, accumulated depreciation, and net book value for PPE for the year ended September 30, 2016 is as follows.

		Furniture & Fixtures	Software	Total
2016	Equipment			
Cost	\$ 351,985.23			\$ 351,985.23
Accum. Depr.	\$ (336,677.55)			\$ (336,677.55)
Net Book Value	\$ 15,307.68	\$ -	\$ -	\$ 15,307.68
2015	Equipment	Furniture & Fixtures	Software	Total
Cost	\$ 335,581.61			\$ 335,581.61
Accum. Depr.	\$ (335,546.51)			\$ (335,546.51)
Net Book Value	\$ 35.10	\$ -	\$ -	\$ 35.10

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities of the Conference are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2016, the Conference had liabilities covered by budgetary resources of \$407,773.90 and liabilities not covered by budgetary resources of \$141,554.49. As of September 30, 2015, the Conference had liabilities covered by budgetary resources of \$331,193.49 and liabilities not covered by budgetary resources of \$135,212.22.

As of September 30, 2016, liabilities covered by budgetary resources are composed of Accounts Payable of \$18,780.07; Liability for Advances of \$312,983.78; Employer Contributions and Payroll Taxes Payable of \$17,678.00; and Accrued Funded Payroll and Leave of \$58,332.05. As of September 30, 2015, liabilities covered by budgetary resources are composed of Accounts Payable of \$30,955.95; Liability for Advances of \$233,540.03; Employer Contributions and Payroll Taxes Payable of \$14,503.21; and Accrued Funded Payroll and Leave of \$52,194.30.

	<u>2016</u>	<u>2015</u>
With the Public		
Other	<u>141,554.49</u>	<u>135,212.22</u>
Total liabilities not covered by budgetary resources	141,554.49	135,212.22
Total liabilities covered by budgetary resources	<u>407,773.90</u>	<u>331,193.49</u>
Total Liabilities	<u><u>\$ 549,328.39</u></u>	<u><u>\$ 466,405.71</u></u>

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 6 – OTHER LIABILITIES**

Other liabilities with the public for fiscal year 2016 consist of Accrued Funded Payroll and Leave of \$58,332.05; Unfunded leave of \$141,554.49; and Employer Contributions and Payroll Taxes Payable – TSP of \$2,652.35, Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable of \$15,025.65; and Liability for Advances and Prepayments of \$312,983.78.

Other liabilities with the public for fiscal year 2015 consist of Accrued Funded Payroll and Leave of \$52,194.30; Unfunded leave of \$135,212.22; and Employer Contributions and Payroll Taxes Payable – TSP of \$2,241.17, Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable of \$12,262.04; and Liability for Advances and Prepayments of \$233,540.03.

	<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2016	Other Liabilities	\$ 141,554.49	\$ 60,984.40	\$ 202,538.89
2015	Other Liabilities	\$ 135,212.22	\$ 54,435.47	\$ 189,647.69

	<u>Intragovernmental</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2016	Other Liabilities	\$ 312,983.78	\$ 15,025.65	\$ 328,009.43
2015	Other Liabilities	\$ 233,540.03	\$ 12,262.04	\$ 245,802.07

**NOTE 7 – LEASES**

**Entity as Lessee:**

The Conference leases office space, located at 1120 20<sup>th</sup> Street, NW; Suite 706 South, in Washington, DC. The lease was entered into, and became effective, on August 9, 2015; and has a term of 60 months. The lease terminates on August 8, 2020.

The following is a schedule of future minimum lease payments required by the lease:

	2016	\$ 414,253.96
	2017	\$ 418,139.24
	2018	\$ 422,141.09
	2019	\$ 426,262.99
	2020	\$ 352,732.41
Total Future Lease Payments		<u>\$2,033,529.69</u>

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 8 – INTRAGOVERNMENTAL COSTS**

The portion of the Conference’s program costs related to Intragovernmental Costs and Costs with the Public, are shown as follows (note that as the Conference earns no revenue from its operations, gross and net costs are identical). 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 2016	Total 2015
Program A		
Intragovernmental costs	1,109,873.63	1,205,977.00
Intragovernment earned revenue	95,556.25	398,483.20
Total Intragovernment	1,014,317.38	807,493.80
Public costs	2,050,594.00	2,248,602.02
Net Costs	3,064,911.38	3,056,095.82

**NOTE 9 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED:  
DIRECT VS. REIMBURSABLE OBLIGATIONS**

The Conference is subject to apportionment. All direct obligations are category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All reimbursable obligations are category B, which is the amount of reimbursable obligations incurred against amounts apportioned under category B on the latest SF132.

	Total 2016	Total 2015
Direct		
Category B	3,032,015.31	3,077,165.56
Reimbursable		
Category B	75,156.25	408,983.20
Total Obligations	3,107,171.56	3,486,148.76

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 10 – 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 Conference for goods and services received). The amount of each is as follows:

	Undelivered Orders	Accounts Payable		Unpaid Obligated Balance Net
2016	132,034.92	94,790.12	\$	226,825.04
2015	154,295.27	97,653.46	\$	251,948.73

**NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET**

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Conference in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Conference 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 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 benefits costs incurred for Conference employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered, but not yet provided, represents 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 receivables 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).

Administrative Conference of the United States  
Notes to Financial Statements  
September 30, 2016

**NOTE 11 – RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (CONTINUED)**

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: (Please note that in prior years, this information was presented as a separate financial statement (the Statement of Financing)):

	<b>FY 2016</b>	<b>FY 2015</b>
Budgetary Resources Obligated	3,107,171.56	3,486,148.76
Spending Authority from Recoveries and Offsetting Collections	(381,681.76)	(276,667.16)
Transfers In-Out Without REimbursement	(0.03)	
Imputed Financing from Costs Absorbed by Others	89,131.36	84,097.57
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	258,704.10	(276,581.74)
Resources that Finance the Acquisition of Assets	(15,887.16)	(289.84)
Financing Sources Yet to be Provided	6,342.27	(20,806.69)
Components Not Requiring or Generating Resources	1,131.04	60,194.92
Net Cost of Operations	\$3,064,911.38	\$3,056,095.82

Liabilities not covered by budgetary resources total \$141,554.49 and the change in components requiring or generating resources in future period shows \$6,342.27. The \$6,342.27 is the net increase of future funded expenses – leave between appropriations of annual fund 2015 and annual fund 2016. 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>2016</u>	<u>2015</u>
Liabilities not covered by budgetary resources	141,554.49	135,212.22
Change in components requiring/generating resources	6,342.27	(20,806.69)

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through **November 16, 2015**, which is the date the financial statements were available to be issued.

## **Independent Auditor's Report on Internal Control**

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## Independent Auditor's Report on Internal Control

**To the Conference Members and Executive Director  
Administrative Conference of the United States**

We have audited the accompanying Consolidated Balance Sheet of the Administrative Conference of the United States as of September 30, 2016, and have issued our report thereon dated November 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the Administrative Conference of the United States' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not test all internal controls relevant to operating objectives as broadly defined in the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur undetected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In our fiscal year 2016 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Administrative Conference of the United States' management, OMB, the Governmental 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.

*Davis & Associates*

Columbia, Maryland  
November 16, 2016

## **Independent Auditor's Report on Compliance**

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## Independent Auditor's Report on Compliance with Laws and Regulations

To the Conference Members and Executive Director  
Administrative Conference of the United States

We have audited the accompanying Consolidated Balance Sheet of the Administrative Conference of the United States as of September 30, 2016, and have issued our report thereon dated November 16, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

The Administrative Conference of the United States' management is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance about whether the Administrative Conference of the United States' financial statements are free of material misstatements, we performed tests of management's compliance with certain laws and regulations, noncompliance with which could have a direct and material effect in the determination of financial statement amounts, and other particular laws and regulations specified in OMB Bulletin 15-02, including those requirements referred to in the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Administrative Conference of the United States.

Our tests of compliance with selected provisions of laws and regulations for fiscal year 2016 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Administrative Conference of the United States' management, OMB, the Governmental 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.

*Davis & Associates*

Columbia, Maryland  
November 16, 2016