



ACUS FINANCIAL REPORT
FY 2010

Message from the Chairman
FY 2010 Agency Financial Report
Audited Financial Statements



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

Message from the Chairman

I am pleased to present the Annual Financial Report for FY 2010 of the Administrative Conference of the United States, and to report that the Administrative Conference is back in business. The Administrative Conference is a public-private partnership designed to make government work better. Its membership is composed of senior federal officials and public citizens with diverse views and backgrounds, who provide nonpartisan expert advice and recommendations for improvements in federal agency procedures and processes.

After a 15 year hiatus, Congress reauthorized and appropriated funds for the Administrative Conference to resume operations in FY 2010. Since I took office in April 2010 as the agency's first employee, I have worked to reestablish agency operations, in conjunction with OMB, GSA, and OPM. In the last six months of FY 2010, after the President appointed the Council, the Conference commenced operations by hiring staff, appointing members and developing an initial research agenda.

In restarting the agency, we paid special attention to ensuring that good management practices were established from the outset. Based on the Independent Auditor's unqualified opinion on the Administrative Conference's consolidated financial statements, and the lack of any material internal control weaknesses, the agency can provide reasonable assurance that the objectives of the Federal Manager's Financial Integrity Act (FMFIA) have been achieved. The agency can also provide reasonable assurance that its financial systems conform to government-wide standards. The data contained in this report are reliable and complete.

As the Administrative Conference begins operation, one of our first priorities is to consult with a broad range of stakeholders to develop a strategic plan and performance goals for the agency. Since this work was still in progress at the end of FY 2010, OMB authorized the Administrative Conference to file this Annual Financial Report in lieu of a Performance and Accountability Report.

The Administrative Conference stands ready to help make the processes of government more efficient, fair, timely and data-driven.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul R. Verkuil".

Paul R. Verkuil
Chairman



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

FY 2010 AGENCY FINANCIAL REPORT

PART I: Management Discussion & Analysis

The Administrative Conference of the United States (ACUS) resumed operations in FY 2010, after a fifteen-year hiatus after the agency lost funding in 1995. Accordingly, the primary activities of the Administrative Conference in FY 2010 were restarting agency operations, including appointment of members and staff and implementation of an initial research agenda.

The Administrative Conference of the United States is an independent federal agency dedicated to improving the administrative process through consensus-driven applied research, providing nonpartisan expert advice and recommendations for improvement of federal agency procedures. Its membership is composed of senior federal officials and experts with diverse views and backgrounds from both the private sector and academia.

The Conference's mission is to improve how federal agencies interact with the public and business communities in regulatory, rulemaking and adjudicatory functions. When President Obama appointed the members of the Conference's governing council on July 8, 2010, he called it "a public-private partnership designed to make government work better."

A. A Brief History of ACUS

Following bipartisan endorsement of the work of two temporary Administrative Conferences during the Eisenhower and Kennedy Administrations, Congress enacted the Administrative Conference Act of 1964 in efforts to place the work of ACUS on a more permanent footing. The Act codifies the prior structure for these conferences, which emphasized collaboration among a wide array of federal agencies as well as experts in administrative law and government from the private sector and academia, reflecting a wide diversity of views – all of whom serve without any additional compensation. This collaborative effort is designed to identify consensus recommendations for improvement in the administrative process that affects every sector of our National economy and the lives of American citizens. Judge Barrett Prettyman, who had served as chairman of both temporary conferences, explained at ACUS' opening plenary session in 1968 that the members of the Conference "have the opportunity to make the administrative part of a democratic system of government work."

From its beginning in 1968 until its defunding in 1995, ACUS adopted approximately 200 such recommendations, based on careful study and the informed deliberations of its members in an open process that encouraged public input. A complete list of these recommendations was



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published at 60 Fed. Reg. 56312 (1995). Congress enacted a number of them into law, and agencies and courts have adopted or relied upon many others. ACUS also played a leading role in developing, securing legislation to promote, and providing training in alternative dispute resolution (ADR) techniques for eliminating excessive litigation costs and long delays in Federal agency programs, as well as “negotiated rulemaking” processes for consensual resolution of disputes in rulemaking.

The work of ACUS has received consistent support from a wide range of outside sources. As the Congressional Research Service noted in 2007, ACUS provided “nonpartisan, nonbiased, comprehensive, and practical assessments and guidance with respect to a wide range of agency processes, procedures, and practices,” based on “a meticulous vetting process, which gave its recommendations credence.” Justice Scalia (a former Chairman of ACUS) has viewed the agency as “a unique combination of talents from the academic world, from within the executive branch . . . and . . . from the private bar, especially lawyers particularly familiar with administrative law.” Similarly, Justice Breyer (a former liaison representative to ACUS from the Judicial Conference) has described the agency as “a unique organization, carrying out work that is important and beneficial to the average American, at low cost,” and that “can make it easier for citizens to understand what government agencies are doing to prevent arbitrary government actions that could cause harm.” In announcing his appointment of the members of the ACUS Council, President Obama emphasized the value of the “public-private partnership” reflected in the agency’s enabling statute.

Although ACUS lost its funding in 1995, Congress never repealed the Administrative Conference Act of 1964. In 2004, in response to continued widespread support for the prior work of the agency, Congress reauthorized ACUS, and it extended that reauthorization in 2008. ACUS received a startup appropriation of \$1.5 million in both FY 2009 and FY 2010. Congress is currently considering a \$3.2 million appropriation for ACUS in FY 2011, as proposed in the President’s budget.

B. The 2010 Restart of ACUS

Although Congress initially appropriated FY 2009 funds for the restart of ACUS, the Chairman was not confirmed by the Senate until March 2010. The Chairman was sworn in by Vice President Biden on April 6, 2010, and for the next several months worked with a small group of other government agency officials and consultants to develop an initial policy agenda for the agency and attend to the logistics of restarting the agency, including hiring staff, securing office space, implementing management and support systems, and acquiring physical equipment and information technology infrastructure.

The Chairman and staff devoted substantial effort to meeting with a wide variety of government agencies, bar association members, and private sector and non-profit groups to identify areas of



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needed reform of federal rulemaking, adjudication, and other administrative processes, both in particular areas and in those that apply throughout the Executive Branch. Based on these research and outreach efforts, including suggestions from congressional committees, good government groups, and expert advisors, the Chairman and his staff (led by the Director of Research and Policy) first identified subjects for potential inquiry by the Conference. These were prioritized based on a number of factors, including the scope of a problem, its susceptibility to potential solutions, the costs and benefits associated with such solutions, and the quality of expertise available to provide advice and guidance.

In July 2010, the President appointed the ten-member Council of ACUS, which serves essentially as a board of directors for the agency. The Council held its first meeting on August 30, 2010, at which it recommended for approval updated agency bylaws and approved several initial research projects presented by the Chairman. These projects include:

- e-Rulemaking
- Federal Advisory Committee Act in the 21st Century
- Government Contractor Ethics
- Government in the Sunshine Act
- Immigration Adjudication
- Methods of Collaborative Governance
- Regulatory Preemption
- Rulemaking Comments
- Science in the Regulatory Process

By the end of FY 2010, key employees had joined the Conference, office space and technology were secured, and consultants had been hired to conduct the first two studies. In the first quarter of FY 2011, the Conference is completing its initial hiring, commissioning studies on all approved research projects, completing the process of recruiting the 90 other government agency and private sector members of the Conference, and convening committee meetings and the first plenary session, scheduled for December 9-10, 2010.

At the end of FY 2010, the Administrative Conference members and staff had commenced development of strategic and performance plans for the agency, and expect to complete this



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process in FY 2011 to present a full analysis of agency performance and results in the FY 2011 report.

C. Financial Performance Overview

As of September 30, 2010, the financial condition of the Administrative Conference was sound. The Conference has sufficient funds to meet program needs and adequate financial controls in place. As the agency transitions from a startup to an operational phase, internal controls will be expanded and updated to effectively monitor increased activity. The accompanying financial statements have been prepared in conformity with the hierarchy of accounting principles approved by the Federal Accounting Standards Advisory Board and the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

Sources of Funds

The Conference receives a Congressional appropriation to support its programs. The Conference received a two-year appropriation in both FY 2009 and FY 2010 that may be used, within statutory limits, for operating expenditures. The appropriated budget authority for FY 2010 was \$1,500,000.

Audit Results

The Conference received an unqualified audit opinion on FY 2010 financial operations. There were no material internal control weaknesses or instances of substantial noncompliance with relevant laws and regulations that could have a material impact on the financial statements.

Financial Statements

The Conference's financial statements summarize the financial activity and financial position of the agency in FY 2010. The financial statements and notes appear in the next section.

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

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

D. Management Controls, Systems, and Compliance



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

The Accountability of Tax Dollars Act (ATDA) requires federal agencies to provide an annual statement of assurance regarding management controls and financial systems. The statement of assurance is provided in the message from the Chairman at the beginning of this report. This statement was based on the review and consideration of internal analyses, reconciliations and the independent auditor's opinion on the Conference's financial statements.

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2010, the Conference did not pay any interest penalties on invoices processed.

Accountability of Tax Dollars Act (ATDA)

The ATDA requires Federal agencies to report on agency substantial compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Government Standard General Ledger. Under this law, the agency head is required to assess and report on whether these systems comply with ATDA on an annual basis. In assessing compliance with ATDA, the Conference adheres to ATDA implementation guidance provided by OMB and considers the results of annual financial statement audits and any other information available. Based on all of the information considered, the Chairman has determined that the Conference is compliant with ATDA requirements.

Improper Payments Information Act

The Improper Payments Information Act (Public Law 107-300) defined requirements to reduce improper/erroneous payments made by the Federal government. OMB also has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on the results of recovery auditing activities. A significant erroneous payment as defined by OMB guidance is an annual payment in a program that exceeds both 2.5 percent of the program payments and \$10 million.

The Conference has not identified any programs where significant erroneous payments have occurred within the agency. The agency will continue to review programs on an annual basis to determine if any significant erroneous payments exist.

PART II: Financial Statements

The audited financial statements follow:



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

GENERAL FUND

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2010

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Independent Auditors' Report

Chairman and Executive Director
Administrative Conference of the United States
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the Administrative Conference of the United States. In our audit of the Administrative Conference of the United States for fiscal year ended September 30, 2010, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations,
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions, (2) our audit objectives, scope and methodology, and (3) agency comments and our evaluation.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Administrative Conference of the United States' assets, liabilities, and net position as of September 30, 2010; and net costs; changes in net position; and budgetary resources; for the year then ended.



Consideration of Internal Control

In planning and performing our audit, we considered the Administrative Conference of the United States' internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on internal control. However, for the controls we tested, we found no material weakness in internal control over financial reporting (including safeguarding assets) and compliance.

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

Our consideration of internal control over financial reporting and compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

Compliance with Laws and Regulations

Our tests of the Administrative Conference of the United States' compliance with selected provisions of laws and regulations for fiscal year 2010 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.

Objectives, Scope, and Methodology

Administrative Conference of the United States' management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.



We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act; and
- tested compliance with selected provisions of the following laws and regulations: the Anti-Deficiency Act; Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E), including the Debt Collection Improvement Act of 1996 (DCIA), the Prompt Payment Act; the Pay and Allowance System for Civilian Employees as provided primarily in Chapters 51-59 of title 5, United States Code; the Civil Service Retirement Act, 5 U.S.C. Chapter 83; Federal Employee Health Benefits Act, 5 U.S.C. Chapter 89; Federal Employees Compensation Act (FECA), 5 U.S.C. Chapter 81; and the Federal Employee's Retirement System (FERS) Act of 1986, 5 U.S.C. Chapter 84.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree



of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Administrative Conference of the United States. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Administrative Conference of the United States' financial statements for the fiscal year ended September 30, 2010. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see Appendix A), the Administrative Conference of the United States concurred with the facts and conclusions in our report.

Martin & Wall, P.C.

Washington, DC
December 3, 2010

**ADMINISTRATIVE CONFERENCE OF
THE UNITED STATES**

BALANCE SHEET

As Of September 30, 2010

		2010
Assets:		
Intragovernmental:		
Fund Balance With Treasury	(Note 2)	\$ 2,183,378
Total Intragovernmental		2,183,378
Assets With the Public:		
Accounts Receivable, net	(Note 3)	13,325
General Property, Plant and Equipment	(Note 4)	318,284
Total Assets		\$ 2,514,987
Liabilities:		
Intragovernmental:		
Other	(Note 6)	\$ 7,001
Total Intragovernmental		7,001
Liabilities With the Public:		
Accounts Payable		56,830
Other	(Note 6)	72,696
Total Liabilities With the Public		129,526
Total Liabilities		\$ 136,527
Net Position:		
Unexpended Appropriations - Other Funds		2,092,176
Cumulative Results of Operations		286,283
Total Net Position		2,378,459
Total Liabilities and Net Position		\$ 2,514,987

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

The accompanying notes are an integral part of these financial statements

**ADMINISTRATIVE CONFERENCE OF
THE UNITED STATES
STATEMENT OF NET COST
For The Year Ended September 30, 2010**

	2010
Program Costs:	
Program A:	
Gross Costs	(Note 8) \$ 625,082
Net Program Costs	<u>625,082</u>
Net Cost of Operations	<u><u>\$ 625,082</u></u>

The accompanying notes are an integral part of these financial statements

**ADMINISTRATIVE CONFERENCE OF
THE UNITED STATES**
STATEMENT OF CHANGES IN NET POSITION
For The Year Ended September 30, 2010

2010

	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Budgetary Financing Sources:				
Appropriations Used	\$	\$ 907,824	\$	\$ 907,824
Other Financing Resources (Non-Exchange):				
Imputed Financing		3,541		3,541
Total Financing Sources		911,365		911,365
Net Cost of Operations (+/-)		625,082		625,082
Net Change		286,283		286,283
Cumulative Results of Operations	<u>\$</u>	<u>\$ 286,283</u>	<u>\$</u>	<u>\$ 286,283</u>
Unexpended Appropriations:				
Beginning Balances	\$	\$ 1,500,000	\$	\$ 1,500,000
Budgetary Financing Sources:				
Appropriations Received		1,500,000		1,500,000
Appropriations Used		(907,824)		(907,824)
Total Budgetary Financing Sources		592,176		592,176
Total Unexpended Appropriations		2,092,176		2,092,176
Net Position	<u>\$</u>	<u>\$ 2,378,459</u>	<u>\$</u>	<u>\$ 2,378,459</u>

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

The accompanying notes are an integral part of these financial statements

**ADMINISTRATIVE CONFERENCE OF
THE UNITED STATES
STATEMENT OF BUDGETARY RESOURCES
For The Year Ended September 30, 2010**

	2010 Budgetary	2010 Non-Budgetary Credit Program Financing Accounts
Budgetary Resources:		
Unobligated Balance:		
Beginning of Period	\$ 1,500,000	\$
Budget Authority:		
Appropriations Received	1,500,000	
Subtotal	\$ 1,500,000	
Nonexpenditure Transfers, Net Temporarily Not Available Pursuant to Public Law (-)		
Total Budgetary Resources	\$ 3,000,000	\$
Status of Budgetary Resources:		
Obligations Incurred		
Direct (Note 9)	\$ 1,279,562	\$
Subtotal	\$ 1,279,562	
Unobligated Balances		
Apportioned	970,438	
Subtotal	\$ 970,438	
Unobligated Balances - Not Available	750,000	
Total Status of Budgetary Resources	\$ 3,000,000	\$
Change in Obligated Balances:		
Obligations Incurred	\$ 1,279,562	
Gross Outlays (-)	(816,622)	
Obligated Balance, Net, End of Period:		
Unpaid Obligations (+) (Note 10)	462,940	
Total, Unpaid Obligated Balance, Net, End of Period	\$ 462,940	\$
Net Outlays:		
Gross Outlays (+)	816,622	
Net Outlays	\$ 816,622	\$

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

The accompanying notes are an integral part of these financial statements

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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 establishing ACUS were not repealed. Subsequently, Congress reauthorized the Conference in 2004 and again in 2008. The 2004 legislation expanded the responsibilities of ACUS 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 March 2010, when the Senate confirmed President Obama's nominee as Chairman, Paul Verkuil.

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 (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, 2010, 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, both direct and indirect costs of the output, and the 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)

Basis of Accounting

Transactions are recorded on the accrual accounting 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.

Use of Estimates

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

Budgets and Budgetary Accounting

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 2010. 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.

Revenues and Other Financing Sources

The Conference received the funding necessary to support its programs from appropriations in FY2009 and FY2010. None of the appropriations are “earmarked” funds. Other financing sources for the Conference consist of imputed financing sources which are costs financed by other Federal entities on behalf of the Conference, as required by SFFAS No. 5, “Accounting for Liabilities of the Federal Government”.

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)

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 11.2% of the employees' basic pay to the plan. For FERS employees, the Conference 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 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)

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.

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.

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)

Property, Plant, and Equipment (PPE)

Property, plant and equipment (PP&E) have been defined in the Federal Government as tangible items owned by the Federal Government and having expected useful life of greater than two years. PP&E consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment. The following policies will be effective for PP&E:

PP&E will be reported at acquisition cost.

The capitalization threshold will be established at \$5,000 for assets with a useful life of at least two (2) years; \$10,000 for software and \$15,000 for leasehold improvements.

For bulk purchases of lesser value, items will be capitalized when the individual useful lives are at least two years and have an aggregate cost of \$10,000 or greater.

Acquisitions of PP&E that do not meet the capitalization criteria will be recorded as operating expenses. General PP&E consists of items that are used to support the Conference's mission.

Depreciation is calculated over the estimated useful life of the asset using the straight-line method, and begins the month after the asset is placed in service. Useful lives are as follows:

Equipment - five (5) years

Information Technology (IT) equipment and software - five (5) years.

Leasehold improvements - seven (7) years or the remaining life of the lease.

Prepaid and Deferred Charges

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

Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from the offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees' Compensation Act payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingencies

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

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. The Conference received an annual appropriation of \$1,500,000 in FY 2009. In FY 2010 the Conference received a multi-year appropriation of \$1,500,000. Using Public Law 111-8 (123 Statute 676), Section 609, the Conference submitted a request to the Committees on Appropriations of the House of Representatives and the Senate for approval to allow 50% of the unobligated balances at the end of fiscal year 2009, to remain available through September 30, 2010. This request was approved on May 4, 2010, allowing 50% of the FY 2009 unobligated balance to remain available through FY 2010. This request resulted in \$750,000 of the FY 2009 appropriation to remain available through FY 2010. The status of these funds as of September 30, 2010 is as follows:

	<u>FY 2010</u>
A. Fund Balances	
General Fund	<u>\$ 2,183,378</u>
Total	<u>\$ 2,183,378</u>
B. Status of Fund Balance with Treasury	
1) Unobligated Balance	
(a) Available	970,438
(b) Unavailable	750,000
2) Obligated Balance not yet Disbursed	<u>462,940</u>
Total	<u>\$ 2,183,378</u>

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

NOTE 3 – ACCOUNTS RECEIVABLE

The Conference's accounts receivable balance consists of an amount for an invoice being paid twice to an individual. The accounts receivable is to reflect the money owed back to the agency from the individual.

	<u>2010</u>
Accounts Receivable	\$ <u>13,325</u>
Total Accounts Receivable With the Public	\$ <u>13,325</u>

NOTE 4 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

As of September 30, 2010, the Conference shows Equipment total cost of \$324,908 and net book value of \$318,284. The Accumulated Depreciation to date is \$6,624. The depreciation calculation method used for equipment is Straight Line with a useful life of 5 years. A \$5,000 threshold is used to determine whether items are capitalized.

<u>2010</u>	<u>Equipment</u>	<u>Total</u>
Cost	\$ 324,908	\$ 324,908
Accum. Depr.	<u>(6,654)</u>	<u>(6,624)</u>
Net Book Value	<u>\$ 318,284</u>	<u>\$ 318,284</u>

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, 2010, the Conference had liabilities covered by budgetary resources of \$91,201 and liabilities not covered by budgetary resources of \$45,326.

As of September 30, 2010, liabilities covered by budgetary resources are composed of Accounts Payable of \$56,830, Employer Contributions and Payroll Taxes Payable of \$7,001 and Accrued Funded Payroll and Leave of \$27,370.

	<u>2010</u>
With the Public	
Other (Unfunded Leave)	\$ <u>45,326</u>
Total liabilities not covered by budgetary resources	\$ 45,326
Total liabilities covered by budgetary resources	\$ <u>91,201</u>
Total Liabilities	<u>\$ 136,527</u>

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

NOTE 6 – OTHER LIABILITIES

As of September 30, 2010, other liabilities with the public consist of Accrued Funded Payroll and Leave of \$27,371 and Unfunded Leave in the amount of \$45,326. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable \$7,001.

	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 7,001	\$ 7,001
Total Intragovernmental	-	7,001	7,001
Unfunded Leave	45,326	-	45,326
Accrued Funded Payroll & Leave	<u>0</u>	<u>27,371</u>	<u>27,371</u>
Total Other Liabilities	<u>\$ 45,326</u>	<u>\$ 34,372</u>	<u>\$ 79,698</u>

NOTE 7 – LEASES

Entity as Lessee:

Operating Leases:

Description of Leasing Arrangement:

The Conference leases office space located at 1120 20th Street, NW Suite 706 South, in Washington, DC. The lease was entered into on August 9, 2010, became effective August 9, 2010, and has a term of 60 months, terminating August 8, 2015.

Future Payments Due:

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

Fiscal Year Ending September 30, 2010	\$	47,155
2011		259,743
2012		287,456
2013		290,538
2014		293,714
August 8, 2015		<u>241,700</u>
Total Future Lease Payments	<u>\$</u>	<u>1,420,306</u>

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

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 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 2010
Program A	
Intragovernmental costs	\$ 146,325
Cost with the Public	478,757
Total Program A costs	\$ 625,082

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

Apportionment is a plan, approved by the U.S. Office of Management and Budget (OMB), to spend resources provided by one of the annual appropriations act, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). Resources are apportioned by *Treasury Appropriation Fund Symbol (TAFS)*. The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportioned amount may be further subdivided by an agency into allotments, sub-allotments, and allocations.

OMB Circular A-11 defines apportionment categories as follows:

- *Category A* apportionments distribute budgetary resources by fiscal quarters.
- *Category B* apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.
- *Category C* apportionments may be used in multi-year and no-year TAFS to apportion funds into future fiscal years.
- *Exempt* – Exempt from apportionment (see OMB Circular A-11, paragraph 120.8 for details).

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

	2010
Direct Category B	\$ 1,279,562

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders and Delivered Orders, Obligations Unpaid (amounts owed at the end of the year by the Conference for goods and services received plus unfunded leave presented in Note 6). The amount of each is as follows:

	<u>Undelivered Orders</u>		<u>Delivered Orders, Obligations Unpaid</u>		<u>Unpaid Obligated Balance, Net</u>
FY 2010	\$ 371,738		\$ 91,202		\$ 462,940

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

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 by not yet provided represents the difference between the beginning and ending balances of undelivered orders (i.e., goods and services received during the year based on obligations incurred 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).

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

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

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

	2010
<i>Resources Used to Finance Activities:</i>	
Budgetary Resources Obligated	
Obligations Incurred	\$ 1,279,562
Less: Spending Authority from Offsetting Collections and Recoveries	-
Net Obligations	1,279,562
Other Resources	
Imputed Financing from Costs Absorbed by Others	3,541
<i>Net Other Resources Used to Finance Activities</i>	3,541
<i>Total Resources Used to Finance Activities</i>	1,283,103
<i>Resources Used to Finance Items not Part of the Net Cost of Operations</i>	
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	(371,738)
Resources that Finance the Acquisition of Assets	(338,233)
Financing Sources Yet to be Provided	45,326
<i>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</i>	(664,645)
<i>Total Resources Used to Finance the Net Cost fo Operations</i>	618,458
<i>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</i>	
<i>Components Requiring or Generating Resources in Future Periods:</i>	
Increase in Annual Leave Liability	6,624
<i>Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods</i>	6,624
<i>Net Cost of Operations</i>	\$ 625,082

Administrative Conference of the United States
Notes to Financial Statements
September 30, 2010

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

Liabilities not covered by budgetary resources total \$45,326 and the change in components requiring or generating resources in future period shows \$6,624. The \$6,624 is the net increase of future funded expenses – leave between FY09 and FY10. 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>2010</u>
Liabilities not covered by budgetary resources	\$ 45,326
Change in components requiring/generating resources	\$ 10,331

NOTE 12 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 3, 2010, which is the date the financial statements were available to be issued.

APPENDIX A –

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES COMMENTS ON
DRAFT AUDIT REPORT



ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

December 3, 2010

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

Dear Mr. Martin:

We have reviewed the draft audit report provided to us relating to your audit of the Administrative Conference of the United States for the fiscal year ended September 30, 2010. We concur with the facts and conclusions in the draft report.

Sincerely,

Michael T. McCarthy
Executive Director

Harry Seidman
Administrative Director