Office of Inspector General
Committee for Purchase from People Who Are Blind or Severely Disabled (U.S. AbilityOne Commission)

355 E street SW
Washington, DC 20024-3243

November 15, 2021

MEMORANDUM

FOR: Jeffrey A. Koses
Chairperson
U.S. AbilityOne Commission

Kimberly M. Zeich
Executive Director (Acting)

FROM: Stefania Pozzi Porter
Inspector General (Acting)

SUBJECT: Audit of the U.S. AbilityOne Commission's Financial Statements for Fiscal Year 2021, Report No. 2021-01

I am pleased to provide the audit report on the U.S. AbilityOne Commission's (Commission) financial statements. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm, Allmond & Company, LLC (Allmond & Company), to audit the Commission's financial statements and related footnotes as of September 30, 2021, and for the year then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and the Office of Management and Budget bulletin, Audit Requirements for Federal Financial Statements.

Results of the Independent Audit

Allmond & Company found:

- The financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the fiscal year then ended in accordance with generally accepted accounting principles.
- One material weakness (Finding 2021-01) and four significant deficiencies (Findings 2021-02, 2021-03, 2021-04 and 2021-05) in internal control over financial reporting, and

- One reportable noncompliance with applicable provisions of laws, regulations, and contracts tested (Finding 2021-06).

While the report includes one material weakness and four significant deficiencies related to the Commission's internal control over financial reporting, and one finding related to noncompliance, the objective of Allmond & Company was not to provide an opinion on internal control over financial reporting or compliance with laws, regulations, contracts, and grant agreements applicable to the Commission.

Evaluation and Monitoring of Audit Performance

The Inspector General Act of 1978, as amended, requires that the Inspector General take appropriate steps to assure that any work performed by non-Federal auditors complies with the auditing standards established by the Comptroller General. We evaluated the independence, objectivity, and qualifications of the auditors and specialists; reviewed the plan and approach of the audit; monitored the performance of the audit; sought and obtained clarification of the auditor's methodology and findings; and reviewed Allmond & Company's reports and related audit documentation.

Allmond & Company is responsible for the attached independent auditor's report and the conclusions expressed therein. The OIG does not express opinions on the Commission's financial statements or internal control over financial reporting, or conclusions on compliance or other matters. The audit report provides an opinion on the Commission's financial statements and communicates reporting requirements on internal control over financial reporting and compliance with laws and regulations.

The OIG would like to thank the Commission staff for the assistance and cooperation. If you have any questions or need additional information, please contact Rosario A. Torres, CIA, CGAP, Assistant Inspector General for Auditing at (703) 772-9054 or rtorres@oig.abilityone.gov.

Enclosure: *Independent Auditor's Report September 30, 2021*

U.S. AbilityOne Commission
Fiscal Year 2021 Financial Statement Audit

Independent Auditors' Report

Submitted for review and acceptance to:
Rosario Torres
Contracting Officer Representative (COR)
Committee for Purchase From People
Who Are Blind or Severely Disabled
U.S. AbilityOne Commission
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U.S. ABILITYONE COMMISSION
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2021

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Independent Auditors' Report

Chairperson, Committee Members, and Executive Director
Committee for Purchase from People Who Are Blind or Severely Disabled – U.S. AbilityOne Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Committee for Purchase From People Who Are Blind or Severely Disabled - U.S. AbilityOne Commission (the Commission), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2021 and 2020 financial statements of the Commission based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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 auditors' judgment, including the assessment of the risk 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 entity'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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Message from the Chairperson, Management Discussion and Analysis, Performance Section*, and *Other Information* section of this report be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board. We are responsible for applying certain limited procedures, which consist principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the Commission’s financial statements. However, we did not audit this information and, accordingly, we express no opinion or other assurance on the information contained therein.

Other Reporting Required by Government Auditing Standards

Report on Internal Control over Financial Reporting

In planning and performing our audit as of and for the year ended September 30, 2021, in accordance with generally accepted government auditing standards, we considered the Commission’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the Commission’s internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 21-04. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982.

Our consideration of internal control over financial reporting was for the limited purpose as described in the paragraph above and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Exhibits I and II, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies, respectively.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying *Exhibit I Findings and Recommendations* to be a material weakness (2021-01).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention by those charged with governance. We consider the deficiencies described in the accompanying *Exhibit II Findings and Recommendations* to be significant deficiencies (2021-02, 2021-03, 2021-04 and 2021-05).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2021 financial statements are free of material misstatements, we performed tests of the Commission's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in the Commission's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 21-04. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph disclosed an instance of noncompliance or other matter that is required to be reported herein under Government Auditing Standards or OMB Bulletin No. 21-04. This matter is further discussed in *Exhibit III Finding Recommendation* (2021-06) of this report.

Commission's Response to Findings

The Commission's responses to the findings identified in our audit are described immediately following the auditors' recommendations in Exhibits I, II, and III. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and compliance with selected provision of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect on the Commission's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, Maryland
November 15, 2021

Corrections for Known Errors and Misstatements Were Not Identified or Recorded in the General Ledger (2021-01)

<u>CONDITION</u>

During our review of the Commission's fiscal year (FY) 2021 beginning balances and general ledger activity, we noted that entries needed to correct prior year transactions and balances were not recorded or were recorded incorrectly in the agency's general ledger, resulting in material and pervasive misstatements of the current year (FY 2021) balances reported in its financial statements, including:

- A $1,186,741 correction relating to the Accounts Payable accrual from FY 2020 that was needed to correct the beginning and ending balances of FY 2021 Operating Costs, Unexpended Appropriations, and Expended Appropriations was not recorded.
- A $152,311 correction from FY 2019 that was needed only for FY 2019 and FY 2020 reporting was recorded during FY 2021 in error.
- A $41,633 correction for the effects of unrecorded FY 2020 earned and accrued revenue was not recorded, resulting in double-counting of the revenue recognized during FY 2021 and impact to the related account balances.
- $55,234 in Equipment (55% of the total account balance) that was assigned to the FY 2015 Treasury Account Symbol (TAS) was not transferred to an active or cumulative TAS before the FY 2015 TAS was canceled, causing these assets and their related accumulated depreciation to be eliminated from the agency's general ledger.

<u>CRITERIA</u>

The Government Accountability Office (GAO), *Standards for Internal Controls in the Federal Government*, (issued September 2014), Principle 10 – Design Control Activities, 10.03, Accurate and timely recording of transactions, states, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

The Government Accountability Office (GAO's) *Standards for Internal Control in the Federal Government*, Principle 10.01: Design Control Activities, states, "Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties"

CAUSE

- The Commission does not appear to have policies and procedures in place to review on-top adjustments, worksheet adjustments, and other supporting documentation in order to determine when additional action is needed, such as the recording of current year corrections and the reclassification of account balances in its general ledger
- The Commission does not have a control procedure in place to develop expectations regarding the effects of prior year corrections so any that differences between the actual and expected results of corrections can be identified and addressed.
- The Commission's review of the prior and current year financial statements, trial balances, and variance analyses are not performed at any appropriate level of precision to identify errors and omissions.

EFFECT

- There is an increased risk of material and pervasive misstatements of the balances reported in the Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the related financial statement footnotes when prior year corrections are not recorded, are recorded when not needed, when the appropriate general ledger accounts required for error corrections are not used.
- We identified the following known misstatements (net) relating to the conditions listed above, as of August 31, 2021:

Balance Sheet:
  - $55,234 understatement of Equipment and ($55,234) understatement of Accumulated Depreciation on Equipment;
  - $14,925 overstatement of Contingent Liabilities, Total Liabilities with the Public, and Cumulative Results of Operations.

Statement of Net Cost:
  - $1,212,667 understatement of Total Gross Program Costs;
  - $41,633 overstatement of Earned Revenue;
  - $1,254,301 understatement of Net Program Costs, and Net Cost of Operations.

Statement of Changes in Net Position:
  - $1,380,685 understatement of Total Adjustments and Beginning Balances, as Adjusted, of Unexpended Appropriations;
  - ($1,380,685) understatement of Total Appropriations Used (Unexpended Appropriations) and Total Budgetary Financing Sources;
  - $137,386 overstatement of Total Adjustments and Beginning Balances, as Adjusted, of Cumulative Results of Operations;
  - $1,380,586 understatement of Total Appropriations Used (Expended Appropriations) and Total Financing Sources;
  - $1,254,301 understatement of Net Cost of Operations;

- $152,311 understatement of Net Change;
- $14,925 overstatement of the Cumulative Results of Operations

RECOMMENDATION

We recommend that Commission management should:

- Develop a procedure to identify and track all on-top adjustments, worksheet adjustments, and other corrections for prior year transactions that were processed during the prior fiscal year, evaluate their effects on current year balances and record them timely (during the first quarter of the fiscal year) in the general ledger.
- Review the posting logic that was applied within Pegasys for each correcting entry and record reclassification journal entries in the general ledger using the appropriate general ledger accounts for the correction of errors, in accordance with generally accepted accounting principles.
- Develop a procedure to validate the agency's beginning balances that are rolled forward from the prior year to ensure that valid balances are not eliminated either before or during the closing process.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and Federal Reporting Requirements (2021-02)

CONDITION

The Commission receives financial management support services from another federal government agency. Under the service level agreement between the parties, the other agency is required to prepare and submit the Commission's financial statements and notes in accordance with generally accepted accounting principles (GAAP) and Federal government financial reporting requirements; however, it is the Commission's responsibility to review and approve all work products produced by the service provider to ensure that the Commission's financial statements, footnotes, and other required submissions are compliant with GAAP and other financial reporting requirements.

During our review of the Commission's financial statements and footnotes for the interim reporting period ended June 30, 2021, we identified the following conditions:

- The Commission did not use the fiscal year (FY) 2021 U.S. Department of Treasury financial statement crosswalk for the Balance Sheet when preparing the June 30, 2021 financial statements and footnotes, resulting in material differences in the line item balances reported for Intragovernmental and With the Public Liabilities on the Commission's Balance Sheet.
- Fund Balance with Treasury (FBWT) balances were not separated into unobligated (available, unavailable), obligated balances not yet disbursed, and non-budgetary balances and reported in an additional Status of FBWT section in Note 2 – Fund Balance with Treasury.
- The legal matters recorded in the general ledger and/or reported for contingent liabilities in the interim financial statements and footnotes did not agree to the interim legal representation letter provided to the auditors in number, classification, or dollar amount. In addition, in Note 8 – Commitments and Contingencies, the possible range of loss was classified as reasonably possible or probable, rather than as a dollar amount, and the likelihood of loss (as probable, reasonably possible, or remote) was either not provided or was inconsistent with other supporting information provided to the auditors.
- The $99,860 and ($70,535) balances of downward and upward adjustments of prior year undelivered orders, respectively, were omitted in error from the total and classified amounts of Undelivered Orders reported in Note 10 – Undelivered Orders at the End of the Period.
- Balances and line items reported in Note 11 – Explanation of Differences Between the SBR and the Budget of the U.S. Government were not accurately reported, as follows:

    1) The $945,000 difference attributed to Unobligated Balance Brought Forward, Oct 1 includes $250,000 spending authority from offsetting collections. We believe the $250,000 difference included in the total should appear in a separate line.

    2) The $279,000 difference under New Obligations and Upward Adjustments is not due to changes in Unobligated Balances Brought Forward; it is due to rounding and should be reported separately.

    3) The $231,000 difference for Net Outlays is presented as a negative amount in error, creating a mathematical error with the total. In addition, the difference is also due to rounding rather than to changes in Unobligated Balances Brought Forward.

- For consistency and comparability, the balances used to prepare Note 12 – Reconciliation of Net Cost to Outlays should have been the June 30, 2021 interim and September 30, 2020 audited Balance Sheet and Statements of Net Cost balances that included all on-top and worksheet adjustments rather than the uncorrected trial balance. This resulted in material errors throughout the reconciliation.

CRITERIA

U.S. Government Accountability Office GAO-14-704G, *Standards for Internal Control in the Federal Government* (or "Green Book"), September 2014 revision, Section OV4.01 states, "Management may engage external parties to perform certain operational processes for the entity, such as accounting and payroll processing…….Management, however, retains responsibility for the performance of processes assigned to service organizations."

Treasury Financial Manual (TFM) Bulletin No, 2021-17, dated June 9, 2021, applies to all federal government departments, agencies, and others concerned. Item 5, Part 1, Section V: Crosswalks to the Standard External Reports for FY 2021 GTAS Reporting of this Bulletin provides the FY 2021 reporting requirements for USSGL accounts that crosswalk to the following reports: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Custodial Activity, Statement of Budgetary Resources, and SF 133: Report on Budget Execution and Budgetary Resources & Schedule P Budget Program and Financing Schedule."

Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, Section I.3, states, "Each Executive Branch entity that is required to prepare audited financial statements under the Chief Financial Officer's Act of 1990 (CFO Act), Government Management Reform Act of 1994 (GMRA), or the Accountability of Tax Dollars Act of 2002 (ATDA) must comply with Sections I, II, and III of this Circular."

OMB Circular A-136, Section I.1. Guide to the Circular states, "Throughout the Circular, the terms "must" and "will" denote a requirement that management must comply with in all cases; the term "should" denotes a presumptively mandatory requirement that applies except in circumstances where the requirement is not relevant for the agency; and "may" and "could" denote best practices that may be adopted at the discretion of management."

OMB Circular A-136, Section II.3.8.3. *Status of Fund Balance*, states, "Disclose the total of the entity's FBWT, as reflected in the entity's general ledger and represented by unobligated and obligated balances."
Statements of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government,* defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss." SFFAS No. 5 requires a liability to be recognized for loss contingencies when a past event or exchange transaction makes a future outflow of resources probable and measurable.

SFFAS No. 12, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5*, defines "probable "as "that which can reasonably be expected or believed to be more likely than not to occur with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur, on the basis of available evidence or logic but which is neither certain nor proven."

OMB Circular A-136, Section II.3.2.4. Liabilities. Commitments and Contingencies, states, "A contingent liability should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition, but for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred, should be disclosed."

OMB Circular A-136, Section II.3.8.28. Undelivered Orders at the End of the Period, states, "Disclose the amount of budgetary resources obligated for undelivered orders at the end of the period, separately disclosing Federal, non-Federal, paid, and unpaid amounts."

OMB Circular A-136, Section II.3.8.31. Explanation of Differences Between the SBR and the Budget the U.S. Government, states, "Agencies should explain material differences that exist between: 1. The budgetary resources, new obligation, upward adjustments (total), and net outlay amounts from the prior year and the actual amounts from "Detailed Budget Estimates by Agency" found in the *Appendix* of the Budget." (Note: For FY 2021, this would apply to the FY 2020 SBR and FY 2020 amounts in the FY 2022 Budget)."

CAUSE

- The Commission's corrective action plans for prior year findings have either not been fully implemented or internal controls are not properly designed and implemented to prevent or to detect and correct deficiencies in financial reporting, as follows:
  - Incorrect or outdated guidance, such as superseded Treasury crosswalks, was used to prepare the financial statements and footnotes;
  - Financial reporting requirements in OMB Circular A-136 that should be complied with were interpreted as optional rather than presumptively mandatory, as defined by the Circular;
  - Supporting schedules and worksheets were not agreed to the trial balance during the review of the financial statements and footnotes;
  - Information regarding contingent liabilities relating to legal matters is not provided to the preparer and reviewer of the financial statements and footnotes timely (i.e., prior to the end of the reporting period) so that entries can be recorded when needed and the footnote can be accurately prepared;
  - Information regarding contingent liabilities may not be clear, concise, and accurate and/or the completed footnote is not agreed to the legal representation letter when preparing the footnote;
  - Commission management's performance or review of variance analyses are not designed or applied at an appropriate level of precision to identify errors and omissions;
  - Procedures to agree the financial statements and footnotes to the trial balance did not identify errors and omissions of account balances;
  - All variances in the Explanation of Differences Between the SBR and the Budget of the U.S. Government were attributed either to rounding or a single difference, rather than determining and reporting the true nature of the difference for each relationship; and
  - Uncorrected/unadjusted trial balances were used to prepare financial statements and footnotes.

EFFECT

- The Commission did not fulfill the interim financial reporting requirements, as required by OMB Circular A-136 for the third quarter of FY 2021.
- Benefit Program Contributions Payable was understated and Other Intragovernmental Liabilities was overstated by $27,995 on the Balance Sheet;
- Federal Employee and Veteran Benefits Payable was understated and Other Liabilities With the Public was overstated by $595,316 on the Balance Sheet;
- The Fund Balance with Treasury (FBWT) note disclosure was not compliant with OMB Circular A-136 federal reporting requirements;
- Contingent Liabilities were overstated by $14,925, resulting in the following impact to the financial statements as of 06/30/21:
  - Other Liabilities, Total Liabilities, Cumulative Results of Operations and Total Net Position were overstated by +/- $14,925 on the Balance Sheet;
  - Cumulative Results of Operations and Net Position were overstated by $14,925 on the Statement of Changes in Net Position.
- The amounts reported in Note 10 – Undelivered Orders at the End of the Period were understated by $29,324;
- Explanations provided in Note 11 – Explanation of Differences Between the SBR and the Budget of the U.S. Government were not complete or accurate and the reconciliation was not mathematically accurate;
- If the correct balances had been used for Note 12 – Reconciliation of Net Cost to Outlays, differences that required corrections would have been identified and allowed the Commission the opportunity to detect and correct them. Use of the unadjusted 09/30/2020 balances (prior to on-top and worksheet entries) resulted in the following errors:
  - $1,254,301 understatement of Total Net Cost
  - ($1,254,301) total differences in the Increase/Decrease of Assets and Liabilities reported in the reconciliation.

RECOMMENDATION

We recommend that Commission management:

- Verify that current Treasury and OMB financial reporting requirements and other authoritative guidance is obtained and followed during the preparation and review of the financial statements and footnotes, including all mandatory and presumptively mandatory provisions, as defined in those sources;
- Reconcile the trial balance to subsidiary or supplementary sources, such as the capitalized expenditure and accrued expense worksheets to the general ledger to validate the balances reported in the trial balance;
- Increase the precision of existing checklists and variance analysis tools so that changes from known and expected results can be detected and corrected;

- Request and obtain the legal representation letter from the Office of the General Counsel (OGC) or consult with the OGC prior to the close of the reporting period so that any required entries can be recorded and the Commitment and Contingencies footnote can be prepared and reviewed timely.
- Verify that the information included in the Commitment and Contingencies footnote is clear, concise, accurate, complete, and properly classified according to generally accepted accounting principles and federal reporting requirements and that all contingencies reported in the footnote exist as of the reporting date.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Improvements Needed in Internal Control Relating to Property Additions, Disposals, and the Recognition of Construction in Progress (2021-03)

CONDITION

Internal controls relating to Property, Plant, and Equipment (PPE) are not implemented to prevent the misstatement of assets, operating expenses, and other balances relating to capitalized assets.

Specifically, we noted that the Commission did not:

- Record the required entries to remove the balances of its leasehold improvements and related accumulated amortization for the leases that terminated in December 2020 for its Arlington, VA office and in March 2021 for the Alexandria, VA location from the capitalized property balances in accordance with generally accepted accounting principles;
- Record the construction in progress, accrued liability, and use of appropriations for leasehold improvements under construction; and
- Identify that depreciation for a capitalized asset acquired during FY 2021 was not being recorded.

CRITERIA

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Section 38, states, "In the period of disposal, retirement, or removal from service, general PP&E shall be removed from the asset accounts along with associated accumulated depreciation depreciation/amortization. Any difference between the book value of the PP&E and amounts realized shall be recognized as a gain or a loss in the period that the general PP&E is disposed of, retired, or removed from service."

Statement of Federal Financial Accounting Standards (SFFAS) No. 6, *Accounting for Property, Plant, and Equipment*, Section 34 states, "PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E." Footnote 40 of this section states, "For PP&E acquired by a contractor on behalf of the entity (e.g., the entity will ultimately hold title to the PP&E), PP&E shall also be recognized upon delivery or constructive delivery whether to the contractor for use in performing contract services or to the entity.

U.S. AbilityOne Commission Capitalization Policy, dated 04/20/2017, states, "The costs of any leasehold improvements financed with U.S. AbilityOne Commission appropriated funds will be capitalized if the total cost exceeds $25,000. Construction costs will be accumulated as construction in progress" until completion and then transferred and capitalized as "leasehold improvements" over 7 years or the remainder of the lease, whichever is less."

SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, Section 35, Expense Recognition, states, "Depreciation expense is calculated through the systematic and rational allocation of the cost of general PP&E, less its estimated salvage/residual value, over the estimated useful life of the general PP&E. Depreciation expense shall be recognized on all general PP&E, except land and land rights of unlimited duration."

U.S. AbilityOne Commission Capitalization Policy, dated 04/20/2017, states, "The capitalization threshold will be established at $10,000 for assets with a useful life of 2 or more years…..Depreciation on these assets will be calculated using the straight-line method with no salvage value. Depreciation begins the month in which the asset is placed in service."

CAUSE

We noted the following causes for the conditions identified above:

- The Commission was either not aware of the generally accepted accounting principles or does not have control procedures in place to remove leasehold improvements upon the termination of a lease.
- The Commission does not have control procedures in place to monitor the status and related costs for construction in progress in order to recognize assets and accrued liabilities in accordance with generally accepted accounting principles.
- Property was not depreciated because the date placed into service was not entered in the capitalized property module.

EFFECT

- The failure to initiate asset disposal procedures and remove leasehold improvements for expired leases from the capitalized asset listing resulted in a $258,074 overstatement of the capitalized cost and related accumulated depreciation/amortization reported for these items in the general ledger and the footnotes to the financial statements.
- The failure to accrue a liability and report expenditures relating to new leasehold improvements resulted in the understatement of Construction in Progress, Accounts Payable, Delivered Orders-Unpaid, Unexpended Appropriations-Used, and Expended Appropriations-Used balances and the overstatement of Undelivered Orders-Unpaid, impacting the Balance Sheet, Statement of Changes in Net Position, and footnotes in the amount of $161,441.
- The failure to identify that capitalized assets subject to depreciation were not being depreciated results in an understatement of operating expense in the Statement of Net Cost and an overstatement of General Property, Plant and Equipment (net) on the Balance Sheet. Depreciation for this asset during FY 2021 was $7,945.

RECOMMENDATION

We recommend that:

- The Commission should correct and then regularly update a detailed listing of the assets that are reported in the agency's trial balance and financial statements to enable the agency to verify the capitalized property balances reported in the agency's financial statements are correct and are reported in accordance with generally accepted accounting principles.
- The Commission should regularly assess all capitalized property for assets that are no longer in service or to which the agency no longer has legal rights and ensure that these items are removed timely and proactively by Commission management.
- The Commission should accumulate all expenditures for the leasehold improvements for its new lease, report them as construction in progress, and adjust the balance at the end of each reporting period to reflect the work completed until the project is completed.

- The Commission should ensure that the date of service is entered into the Pegasys property module so that depreciation is properly calculated and recorded for all capitalized assets.
- The Commission should update its financial reporting policies and procedures to include the recording of new capitalized purchases, disposals of capitalized property, and depreciation/ amortization in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Year-End Accrued Liabilities Not Properly Estimated or Accurately Recorded (2021-04)

CONDITION

The Commission's internal controls over the estimation and recording of accrued liabilities are not sufficiently designed to prevent, detect, or correct errors in its financial statements. During our performance of substantive procedures over the balance of Accounts Payable as of September 30, 2021, we identified that the Commission did not record an Accounts Payable accrual at interim or year-end.

To determine the amount that the accrued liability should have been, we examined supporting documentation for 33 non-payroll disbursement transactions which were recorded between 10/01/2021 and 10/31/2021, totaling $385,375.16. We identified 11 transactions, totaling $207,446.31, for which goods and/or services were received prior to September 30, 2021. As such, the transactions should have been included in a year-end Accounts Payable balance.

CRITERIA

Statement of Federal Financial Accounting Standards (SFFAS) Number (No.) 5, *Accounting for Liabilities of the Federal Government*, provides the definition and general principles for the recognition of a liability: A liability for federal accounting purposes is a probable future outflow or other sacrifice of resources as a result of past transactions or events. General purpose federal financial reports should recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date."

The Government Accountability Office (GAO's) *Standards for Internal Control in the Federal Government*, Principle 10.01: Design Control Activities, states the following:

"Management should design control activities to achieve objectives and respond to risks. The following attributes contribute to the design, implementation, and operating effectiveness of this principle:

- Response to Objectives and Risks
- Design of Appropriate Types of Control Activities
- Design of Control Activities at Various Levels
- Segregation of Duties"

CAUSE

- The Commission's control procedures to estimate accounts payable to be accrued at year-end in accordance with generally accepted accounting principles were not operating effectively during the period ended 09/30/2021.
- The Commission did not have written policies and procedures in place during FY 2021 for the performance or review of functions pertaining to financial reporting, including necessary year-end adjustments and accruals in accordance with generally accepted accounting principles.

- The responsibilities of Commission management relating to year-end accruals and other financial reporting functions versus those performed by the service organization were not clearly understood.
- The process by which accrual entries were to be recorded (i.e., through manual or automated entries) was not discussed between Commission management and the service organization because Commission management believed that the service organization would be performing this activity at year-end.
- Information regarding the status of open obligations and goods and services received through September 30, 2021 was not obtained from all organizational units within the reporting entity.

EFFECT

There is an increased risk of material and pervasive misstatements of the balances reported on the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and the financial statement footnotes for each year in which accrued liabilities are not recorded in the general ledger or are recorded for incorrect amounts, as follows:

- Accounts Payable, Operating Expenses/Program Costs, Delivered Orders-Unpaid, Expended Appropriations, and Unexpended Appropriations-Used were understated by $207,446.31 for the fiscal year ended 09/30/2021.
- Undelivered Orders – Obligated, Unpaid was overstated by $207,446.31.
- Material misstatement of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources and the related footnotes.
- Errors in the Governmentwide Treasury Account Symbol (GTAS) SF 133: Report on Budget Execution and Budgetary Resources.

RECOMMENDATION

We recommend that:

- Commission management should develop a procedure to review disbursements made early in the subsequent reporting period to identify items which should be included in its year-end accounts payable or develop an alternative procedure which appropriately estimates the amount of these liabilities at year-end.
- Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts.
- Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger that are required by generally accepted accounting principles.

- Commission management should develop written policies and procedures that define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions.
- The Chief Financial Officer or other personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities and examine the entries that the service provider has recorded in its general ledger to ensure it agrees with the information the Commission has provided.
- Commission management should enhance its existing policies and procedures to require a more thorough review of its year-end accounting entries to ensure that all required information pertaining to accrued liabilities has been received from all sources and has been recorded in the general ledger in accordance with generally accepted accounting principles.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

Employee Benefits Election Forms Were Not Maintained in eOPF per OPM Requirements (2021-05)

CONDITION

The Commission's internal controls over the maintenance of employees' personnel records are not sufficiently designed to prevent, detect, or correct errors in employees' payroll records. During our interim review of 68 payroll transactions (32 employees) selected from the population of all employees paid during the period of October 1, 2020 through June 30, 2021, we identified the following testwork exceptions:

- Eighteen (18) instances (8 employees) in which the Commission was not able to provide the Thrift Savings Plan (TSP) election forms for the pay periods selected.
- Three (3) instances (2 employees) in which the Commission was not able to provide the Federal Employees Health Benefits (FEHB) election forms for the pay periods selected.
- Three (3) instances (1 employee) in which the Commission was not able to provide the Federal Employees' Group Life Insurance (FEGLI) Program election form for the pay period selected.

During the period of July 1, 2021 through September 30, 2021, we identified the following additional exceptions:

- Two (2) additional instances (2 additional employees) in which the Commission was not able to provide the Federal Employees Health Benefits (FEHB) election forms for the pay periods selected.

CRITERIA

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, states, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination… All documentation and records should be properly managed and maintained."

Electronic Code of Federal Regulations, Title 5-Administrative Personnel, Chapter 1- Office of Personnel Management, Subchapter B-Civil Service regulations, part 293-Personell records, subpart A-Basic Policies on Maintaining Personnel records, section 293.103. Recordkeeping Standards states that:

> "(a) The head of each agency shall ensure that persons having access to or involved in the creation, development, processing, use, or maintenance of personnel records are informed of pertinent recordkeeping regulations and requirements of the Office of Personnel Management and the agency.
>
> (b) The Office is responsible for establishing minimum standards of accuracy, relevancy, necessity, timeliness, and completeness for personnel records it requires agencies to maintain."

U.S. Office of Personnel Management Operating Manual – The Guide to Personnel Recordkeeping, Update 13 June 1, 2011, Chapter 1: General Personnel Recordkeeping Policies, Electronic Records, states, "The purpose of the electronic Official Personnel Folder (e-OPF) and the paper Official Personnel

Folder (OPF) is to document the employment history of individuals employed by the Federal Government. The electronic Official Personnel Folder must be complete; that is, when combined with any other documents the agency chooses to retain in paper, or is required by law or regulation to be maintained in paper, it must contain all the information.

OPM requires that each agency ensures that electronic Official Personnel Folder systems:

- Be thoroughly documented.
- Be able to produce legible paper copies of all records.
- Have access controls to ensure a high level of security and confidentiality.
- Allow correction and removal of erroneous records under strict authorization controls.
- Include backup and disaster recovery procedures."

CAUSE

- The Commission and its payroll and its personnel shared service provider do not have adequate control procedures in place to ensure that employees' benefit election forms are thoroughly and accurately documented in the electronic Official Personnel Folder (e-OPF) in accordance with OPM requirements.
- The Commission and its payroll and personnel shared service provider do not have control adequate procedures in place to ensure that employees' benefit election forms are updated in the electronic Official Personnel Folder (e-OPF) when employees change their benefit elections, whether using the designated forms or through an electronic employee portal.
- The corrective action plan that addresses the prior year recommendations for this finding and changes to the Commission's internal control activities were not properly designed and implemented to address the control objectives.

EFFECT

- The Commission's document availability and retention policies and procedures do not comply with OPM requirements.
- The failure to properly record and maintain employees' official personnel records increases the risk for misstatement in payroll expense and related liabilities; in addition, incorrect amounts could be withheld from employees pay.
- The full effects of the conditions listed above will be assessed when the year-end testing procedures have been completed. At interim, the potential effects of this issue include:
    - Potential non-compliance with 5 U.S. Code Chapter 84, Subchapter III – Thrift Savings Plan, 5 U.S. Code Chapter 89 – Health Insurance, and Title 5 of the Code of Federal Regulations, part 870 – Federal Employees' Group Life Insurance Program.
    - Potential misstatements of the financial statements and footnotes relating to payroll expenses and liabilities

- Incorrect health, life, and retirement benefits information in the eOPF can negatively affect employees in the event of a loss or claim and cause incorrect amounts to be withheld from their pay.

RECOMMENDATION

We recommend that:

- The Commission should perform routine reviews of employee benefit elections and Official Personnel Files (OPFs) to ensure they are complete and accurate and address this issue with its shared service provider to ensure that OPM guidance is appropriately followed with respect to the Commission's personnel records.
- The Commission should obtain replacement copies of missing records that have been identified and either provide these documents to the service provider so that the information can be maintained in the e-OPF or consider developing and implementing its own repository of documentation to ease the retrieval and response process.
- At the end of each pay period or at least monthly, the Commission should review reports of employee benefits election changes made through the employee self-service portal and retain the documentation for all changes in the employees' e-OPF.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The Commission held discussions with Auditor during initial audit sampling related to obtaining election benefit changes through the source system of record (HRLINKS) for which the elections would occur by an employee subsequent to initial Newcomer Employee Orientation (NEO). It is industry practice that systems maintain audit logs for processing of transactions. Therefore, the Commission expectation was HRLINKS would have prospective changes. The initial audit log included relevant data for samples requested. However, during the Auditor's follow-up sampling, the challenge for the Commission was ensuring quality examination of the source data extracted was not modified or updated by the IT management or business owner of HRLINKS (i.e., data fields should be unmodified in multiple reports pulled and interfacing system data should be provided as a separate source of record and not manually updated into HRLINKS audit log report requested).

New employee initial benefit election forms submitted through the NEO process can be provided. Incumbent employee benefit forms can be provided as well, but the manual process to obtain an employee benefit change document would be inherently inefficient and duplicative when employees use HRLINKS to change benefits. The Commission will evaluate during corrective action planning effort a quality examination process that involves manual documents for all employees coupled with the option to use a standard, reliable audit log with benefit election changes.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

ADA Violations Relating to the Obligation of Expired Funds (2021-06)

CONDITION:

The Commission verified that violations of the Antideficiency Act (ADA) occurred during fiscal years (FYs) 2019 and 2020, as follows:

FY 2019**:**

- Total obligations of $1,158, 704.35 were impermissibly charged to the Commission's FY 2018 and FY 2017 Treasury Account Symbols (TAS) that should have been recorded to the Commission's FY 2019 TAS.
- An over-obligation of $1,083,532.21 of the FY 2019 TAS would have resulted if the erroneous obligations had been charged against the correct TAS.

FY 2020:

- Three new obligations totaling $40,885.52 were created in the agency's FY 2017, FY 2018, and FY 2019 Treasury Account Symbols (TAS) during FY 2020 during the payment process.
- Invalid upward adjustments to prior year obligations totaling $120,407.25 were recorded to the agency's FY 2018 TAS.
- Two manual journal vouchers totaling $43,965.00 were recorded to reclassify transactions from the FY 2020 TAS to the FY 2018 TAS for FY 2018 employee bonuses that were not obligated prior to 09/30/2018 and were to be paid during FY 2020.

To date, these violations have not been formally reported to the President and Congress.

CRITERIA:

31 United States Code (USC) §1502. *Balances Available*, section (a) states, "The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

31 USC §1501. *Documentary Evidence Requirement for Government Obligations*, section (a) states,

"An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of—

(1) a binding agreement between an agency and another person (including an agency) that is—

(A) in writing, in a way and form, and for a purpose authorized by law; and

(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.

31 U.S. Code §1517. *Prohibited obligations and expenditures*, states:

"(a) An officer or employee of the United States Government or of the District of Columbia government may not make or authorize an expenditure or obligation exceeding—

(1) an apportionment; or
(2) the amount permitted by regulations prescribed under section 1514(a) of this title.

(b) If an officer or employee of an executive agency or of the District of Columbia government violates subsection (a) of this section, the head of the executive agency or the Mayor of the District of Columbia, as the case may be, shall report immediately to the President and Congress all relevant facts and a statement of actions taken. A copy of each report shall also be transmitted to the Comptroller General on the same date the report is transmitted to the President and Congress."

CAUSE:

- Existing controls were not sufficient to prevent or detect and correct new obligations that were directly recorded to prior year expired Treasury Account Symbols (TAS) during fiscal years (FY) 2019-2020 through the use of purchase orders, funding documents, transfer of payments during the posting process, and reclassifying journal vouchers.
- Management override of controls and circumvention of system controls and posting models which provided alerts that current year funding should have been used.
- The financial system is not configured on the purchase order level to prevent payments which exceed the amounts that have already been obligated in the general ledger from being recorded. That is, when payments or reclassifications are processed, the obligated amount is automatically increased if the amount of the payment exceeds the total obligations recorded in the general ledger for the purchase order, resulting in the effective increase of the prior year obligated amounts.
- Existing controls are not sufficient to prevent or detect entries to the general ledger that do not agree with source documentation (i.e., purchase orders, contract modifications, vendor invoices, and payment transfers).

EFFECT:

- The Commission has not yet fulfilled its reporting obligations under 31 USC §1517(b) for the ADA violations that were verified for FY 2019 and 2020.

RECOMMENDATION:

We recommend that management:

- Fulfill the requirements of 31 USC §1517(b) by reporting the FY 2019 and FY 2020 violations to the President, Congress, and the Comptroller General of the United States.

MANAGEMENT RESPONSE

Management concurs with the condition and will consider the recommendation provided when determining if a corrective action plan should be developed once the audit concludes.

General Comments

The initial ADA report filing to OMB, in accordance with OMB Circular A-11 Sec 145, was submitted in March 2021 to complete OMB's Clearance process. OMB's initial review conducted by the OMB Examiner was submitted to the Commission with edits and the Commission resubmitted the report in August 2021. Next, the Commission's report is expected to work through OMB's Budget Review Division and General Counsel offices before OMB Clearance is provided for the Commission to finalize the report. The Commission has taken all steps within its ability to advance the required reports. The Commission will continue to monitor the status and take all proactive and timely steps to conclude the reporting.

AUDITORS' RESPONSE

We will perform follow up procedures during FY 2022 to determine if corrective actions have been fully implemented.

The following table provides the fiscal year (FY) 2021 status of all recommendations included in the Independent Auditors' Report on the Commission's FY 2020 Financial Statements (November 13, 2020).

Prior Year Finding	Prior Year Recommendation	FY 2021 Status
Financial Statements and Footnotes Were Not Prepared in Accordance with Generally Accepted Accounting Principles and OMB Circular A-136 (2019-01, 2020-01)	**Recommendations:** Improve the accuracy and completeness of the agency's financial statements and footnotes in accordance with U.S. GAAP and OMB Circular A-136 reporting requirements for the federal government. Specifically, we recommended that management:	
	1. Continue to gain knowledge of OMB Circular A-136 and other authoritative guidance relating to financial reporting requirements to better oversee the performance of the Commission's shared service provider and to ensure that the Commission's reporting requirements are being fulfilled, including those relating to the submission of interim financial statements and footnotes and the proper recording and reporting of loss contingencies.	Open
	2. Advise the service provider that outdated/superseded guidance was used in the preparation of its financial statements and footnotes so that this issue can be addressed by the service provider in the future.	Open
	3. Request that the service provider begin preparing and submitting third quarter notes to the financial statements, in compliance with the financial reporting requirements which apply to agencies subject to the Accountability of Tax Dollars Act (ATDA) and take adequate steps to ensure that all of the year-end notes are included.	Closed
	4. Request that the service provider enhance its current review procedures to identify errors and omissions in the required financial statements and footnotes and to ensure that all required presentation and disclosure requirements have been met.	Open
	5. In accordance with generally accepted accounting principles (GAAP), ask the Commission's General Counsel to identify loss contingencies relating to legal matters that should be recorded in the agency's general ledger and/or disclosed in the notes to the financial statements and instruct the service provider to record these entries and/or disclose these	Open

	amounts, as appropriate. 6. If a waiver or exemption of the OMB Circular A-136 reporting requirements is deemed to be necessary, then the Commission should submit a request to OMB for consideration and obtain OMB's response in writing which formally waives this requirement.	 Closed
	7. Advise the service provider of, and request compliance with, the preparation and submission deadlines for the preparation of its financial statements and required variance analyses so that this issue can be addressed by the service provider in the future.	Closed
	8. If the required statements, variance analyses, and footnotes are not submitted by the service provider on its behalf, then the Commission should consider submitting them to OMB directly.	Closed
	9. Continue to implement management's corrective action plan, including the filling of vacant positions.	Open
	10. Consider preparing its own financial statements and footnotes, both at interim and year-end if the service provider cannot provide complete and accurate financial statements and footnotes timely.	Closed
Year-End Accrued Liabilities Not Estimated or Accurately Recorded (2019-02, 2020-02)	Improve controls relating to the estimation and recording of accrued liabilities. Specifically, we recommended that: 1. Commission management should develop a procedure to review disbursements made early in the subsequent reporting period to identify items which should be included in its year-end accounts payable or develop an alternative procedure which appropriately estimates the amount of these liabilities at year-end;	 Open
	2. Commission management should independently verify the amounts recorded for accrued liabilities by its shared service provider or participate in the calculation of the recorded amounts;	Open
	3. Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger	Open

	that are required by generally accepted accounting principles; 4. Commission management should develop written policies and procedures that define the roles and responsibilities of the service provider and Commission staff in performing financial reporting functions. 5. The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for accrued liabilities by its shared service provider and examine the entries that the service provider has recorded in its general ledger.	Open Open
Employee Benefits Election Forms Not Maintained in eOPF per OPM Requirements (2019-04, 2020-03)	Improve internal controls over the retention and maintenance of employees' personnel records. Specifically, we recommended that management: 1. Consider performing routine reviews of employee benefit elections and Official Personnel Files (OPFs) to ensure they are complete and accurate and address this issue with its shared service provider to ensure that OPM guidance is appropriately followed with respect to the Commission's personnel records. 2. The Commission should consider obtaining replacement copies of missing records that have been identified and either provide these documents to the service provider so that the information can be maintained in the e-OPF or consider developing and implementing its own repository of documentation to ease the retrieval and response process. 3. The Commission should continue to implement the actions identified in its corrective action plan relating to employee payroll and benefits, dated September 30, 2020.	Open Open Open
Management Assurance Statement was Not Prepared (2019-05)	Develop and document a process to evaluate internal controls over financial reporting in order to comply with FMFIA and OMB Circular A-136 reporting requirements for federal government agencies. Specifically, we recommended that management: 1. Develop and document a process to evaluate its internal controls	Closed

	over financial reporting which provides (1) an assessment of the effectiveness of the organization's internal controls to support reliable financial reporting, effective and efficient programmatic operations, and compliance with applicable laws and regulations, and (2) an assessment of whether financial management systems comply with Federal financial management systems requirements.	
Potential ADA Violation Relating to the Obligation of Expired Funds (2019-06, 2020-06)	Determine whether the Commission violated the Antideficiency Act during FY 2019 and develop appropriate budgetary controls to prevent the obligation and liquidation of prior year expired funding. Specifically, we recommended that management:	
	1. Ensure that new obligations are recorded only within the current fiscal year, as required by law.	Closed
	2. Ensure that no payment reclassifications are performed between TAS unless the payment documentation is sufficient to show that the payment was applied to another TAS in error and there are sufficient existing obligated balances in excess of the amount(s) of the payment(s).	Closed
	3. Ensure that all obligations recorded to the general ledger are properly supported (i.e., the obligated amount recorded agrees to the obligating document).	Closed
	4. Open and complete a review into the potential ADA violation noted and report to the appropriate parties, as necessary, so that the Commission can determine if an actual violation occurred.	Closed
	5. Fulfill the requirements of 31 USC §1517(b) by reporting the FY 2019 violations to the President, Congress, and the Comptroller General of the United States.	Open
	6. Continue to implement the measures established in the Commission's corrective action plan relating to budgetary controls, dated September 30, 2020.	Closed
Lack of Sufficient Controls Over Financial Reporting of	Develop and document sufficient control procedures to ensure the reliability of Undelivered Orders and related budgetary account balances. Specifically, we recommended that:	

Balances Relating to Upward and Downward Adjustments of Prior Year Obligations (2020-04)	1. The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should work with the service provider to identify, at least quarterly, upward adjustments that have been offset by downward adjustments in the general ledger so that manual adjustments can be recorded to properly state the ending balances of both accounts. 2. Commission management should work with its service provider to design and implement policies and procedures that enhance the internal review process for upward and downward adjustment transactions and includes a reconciliation of the UDO balances with the supporting documentation to ensure that transactions have been recorded correctly.	Open Open
Improvements Needed in the Recording of Activity Relating to Reimbursable Activity and the Collection or Reimbursable Payments (2020-05)	Improve internal controls over recording and collection activities relating to reimbursable agreements. Specifically, we recommended that: 1. To ensure that billing and collection activities are complete and timely, the Commission should initiate (or instruct its service provider to initiate) IPACs to receive reimbursement payments from the Requesting Agency at the same time that the transmittal form approving the vendor payment is submitted to the service provider for processing. 2. The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should independently verify the amounts recorded for reimbursable activity by its shared service provider or participate in the calculation of the recorded amounts. 3. The incoming Chief Financial Officer or other Commission personnel knowledgeable in accounting and finance should develop a procedure to identify accrued liabilities for reimbursable expenses that should be also be recorded as accrued accounts. 4. Commission management should develop written policies and procedures for the financial reporting process, including procedures to identify and perform (or assist its service provider in preparing) year-end entries to the general ledger	 Closed Open Open Open

	that are required by generally accepted accounting principles. 5. Commission management should record the proposed adjusting entries in order to correct the errors identified.	Closed

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2021 and 2020

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO
ARE BLIND OR SEVERELY DISABLED

BALANCE SHEET

As of September 30, 2021 and 2020

		2021	2020
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	$ 3,887,216.45	$ 2,584,294.51
Accounts Receivable [, net]	(Note 3)		124,900.02
Advances and Prepayments		151,214.79	25,926.64
Total Intragovernmental		$ 4,038,431.24	$ 2,735,121.17
Other than Intragovernmental:			
Accounts Receivable [, net]	(Note 3)	1,007.69	1,553.96
General Property[,Plant,] and Equipment, Net	(Note 4)	211,759.09	
Total Other than Intragovernmental		$ 212,766.78	$ 1,553.96
Total Assets		$ 4,251,198.02	$ 2,736,675.13
Liabilities:	(Note 5)		
Intragovernmental:			
Accounts Payable	(Note 5)	187,445.52	6,829.09
Other Liabilities	(Note 6)	75,229.00	56,454.09
Total Intragovernmental		$ 262,674.52	$ 63,283.18
Other than Intragovernmental:			
Accounts Payable		336,310.40	298,330.59
Federal Employee and Veterans Benefits Payable	(Note 5)	585,654.38	
Other Liabilities	(Note 6)	342,461.52	841,019.04
Total Other than Intragovernmental		$ 1,264,426.30	$ 1,139,349.63
Total Liabilities		$ 1,527,100.82	$ 1,202,632.81
Net Position:			
Unexpended Appropriations - Funds from Other than Dedicated Collections		3,084,793.36	2,063,639.52
Total Unexpended Appropriations (Combined or Consolidated)		$ 3,084,793.36	$ 2,063,639.52
Cumulative Results of Operations - Funds from Other than Dedicated Collections		(360,696.16)	(529,597.20)
Total Cumulative Results of Operations (Combined or Consolidated)		$ (360,696.16)	$ (529,597.20)
Total Net Position		$ 2,724,097.20	$ 1,534,042.32
Total Liabilities and Net Position		$ 4,251,198.02	$ 2,736,675.13

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF NET COST

For The Years Ended September 30, 2021 and 2020

	2021	2020
Gross Program Costs:		
AB1:		
Gross Costs	$ 9,559,663.76	$ 9,466,205.70
Less: Earned Revenue	124,900.02	124,900.02
Net Program Costs	$ 9,434,763.74	$ 9,341,305.68
Net Cost of Operations	$ 9,434,763.74	$ 9,341,305.68

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2021

	FY 2021 (CY)	
	Funds from Other than Dedicated Collections (Consolidated Totals)	**Consolidated Total**
Unexpended Appropriations:		
Beginning Balance	$ 2,063,639.52	$ 2,063,639.52
Adjustments:		
Corrections of errors	50,816.56	50,816.56
Beginning balance, as adjusted	$ 2,114,456.08	$ 2,114,456.08
Appropriations received	10,500,000.00	10,500,000.00
Other Adjustments	(194,102.21)	(194,102.21)
Appropriations Used	(9,335,560.51)	(9,335,560.51)
Net Change in Unexpended Appropriations	$ 970,337.28	$ 970,337.28
Total Unexpended Appropriations: Ending	$ 3,084,793.36	$ 3,084,793.36
Cumulative Results from Operations:		
Beginning Balances	(529,597.20)	(529,597.20)
Corrections of errors	(11,066.67)	(11,066.67)
Beginning balance, as adjusted	$ (540,663.87)	$ (540,663.87)
Appropriations Used	9,335,560.51	9,335,560.51
Nonexchange Revenue	200.00	200.00
Imputed Financing	278,970.94	278,970.94
Net Cost of Operations	$ 9,434,763.74	$ 9,434,763.74
Net Change in Cumulative Results of Operations	$ 179,967.71	$ 179,967.71
Cumulative Results of Operations: Ending	$ (360,696.16)	$ (360,696.16)
Net Position	$ 2,724,097.20	$ 2,724,097.20

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2020

FY2020 (PY)

	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 1,231,698.15	$ 1,231,698.15
Adjustments:		
Corrections of errors	(152,310.88)	(152,310.88)
Beginning Balance, as adjusted	$ 1,079,387.27	$ 1,079,387.27
Appropriations received	10,000,000.00	10,000,000.00
Other adjustments	(137,892.51)	(137,892.51)
Appropriations used	(8,877,855.24)	(8,877,855.24)
Net Change in Unexpended Appropriations	$ 984,252.25	$ 984,252.25
Total Unexpended Appropriations: Ending	$ 2,063,639.52	$ 2,063,639.52
Cumulative Results from Operations:		
Beginning Balances	($455,613.98)	(455,613.98)
Corrections of errors	137,385.88	137,385.88
Beginning balance, as adjusted	$ (318,228.10)	$ (318,228.10)
Appropriations Used	8,877,855.24	8,877,855.24
Imputed Financing	252,081.34	252,081.34
Net Cost of Operations	$ 9,341,305.68	$ 9,341,305.68
Net Change in Cumulative Results of Operations	$ (211,369.10)	$ (211,369.10)
Cumulative Results of Operations: Ending	$ (529,597.20)	$ (529,597.20)
Net Position	$ 1,534,042.32	$ 1,534,042.32

The accompanying notes are an integral part of these statements.

THE COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

STATEMENT OF BUDGETARY RESOURCES

For The Years Ended September 30, 2021 and 2020

		2021 Budgetary	2020 Budgetary
Budgetary resources			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)		$ 562,695.13	$ 694,651.73
Appropriations (discrectionary and mandatory)		10,500,000.00	10,000,000.00
Spending authority from offsetting collections (discretionary and mandatory)			250,000.00
Total budgetary resources		$ 11,062,695.13	$ 10,944,651.73
Status of budgetary resources			
New obligations and upward adjustments (total)	(Note 8)	$ 9,963,451.67	$ 10,278,977.26
Unobligated balance, end of year:			
Apportioned, unexpired account		592,337.80	178,332.66
Unexpired unobligated balance, end of year		$ 592,337.80	$ 178,332.66
Expired unobligated balance, end of year		506,905.66	487,341.81
Unobligated balance, end of year (total)		$ 1,099,243.46	$ 665,674.47
Total budgetary resources		$ 11,062,695.13	$ 10,944,651.73
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)		9,002,975.85	8,768,759.38
Agency outlays, net (discretionary and mandatory)		$ 9,002,975.85	$ 8,768,759.38

The accompanying notes are an integral part of these statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Committee for Purchase from People who are Blind or Severely Disabled is the independent Federal agency that administers the Javits-Wagner-O'Day (JWOD) Program. The committee's mission is to create employment opportunities for people who are blind or have other severe disabilities by educating Federal customers about their requirement to purchase products and services made available by nonprofit agencies across the country employing such individuals.

The Office of Inspector General (OIG) was established in 2016 as a result of the amendment to the Consolidated Appropriations Act of 2016 (P.L. 114-113). The OIG is a designated federal entity responsible for conducting audits and investigations; recommending policies and procedures that promote economy, efficiency, and effectiveness of agency resources and program; and preventing fraud, waste, abuse, and mismanagement.

The Committee received $10,500,000 in appropriated funding for FY 2021, with the stipulation that "No less than $2,500,000 shall be available for the Inspector General".

Basis of Presentation

These financial statements have been prepared from the accounting records of the Committee in accordance with generally accepted accounting principles (GAAP), and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants.

OMB Circular No. A-136 requires agencies to prepare principal statements which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2021, amounts of future economic benefits owned or managed by the Committee (assets), amounts owed by the Committee (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within the Committee and other reporting entities. The Statement of Budgetary Resources reports how budgetary resources were made available during the period and their status at the end of the period.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the *Financial Report of the United States Government*. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the fiscal year 2021 presentation.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

Revenues and Other Financing Sources

The Committee and OIG receive annual appropriations. Other financing sources for the Committee recognize the costs in the general ledger, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government.

Use of estimates

The preparation of financial statements in conformity with GAAP in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund balance with Treasury

The Committee and OIG maintain its available funds with the Department of the Treasury (Treasury). The fund balance with Treasury is available to pay current liabilities and finance authorized purchases. Cash receipts and disbursements are processed by Treasury and are reconciled with those of Treasury on a regular basis. Note 2, Fund Balance with Treasury, provide additional information.

Accounts Receivable, Net and Advances and Prepayments

Accounts Receivable, Net from the Public represents the Accounts Receivable from current employees. The direct write-off method is used for uncollectible receivables. The Committee has historically collected receivables due and thus has not established an allowance for uncollectible accounts. Advances and Prepayments are when an agency pays in advance for goods/services which have not yet been received.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General property and equipment

General property and equipment (PP&E) consist of equipment used for general operations and internal use software. The basis for recording purchased PP&E is full cost, which includes all costs incurred to bring the PP&E to a form and location suitable for its intended use. The cost of PP&E acquired through donation is the estimated fair market value when acquired. All PP&E with an initial acquisition cost of $10,000 or more and an estimated useful life of two years or more are capitalized.

The PP&E is depreciated using the straight-line method over the estimated useful life of the asset. Normal maintenance and repair costs are expensed as incurred.

The depreciation calculation method used was Straight Line with a useful life applicable to the type of asset (Equipment, Furniture, Motor Vehicles, and Internal Use Software at 5 years; and Leasehold Improvements at 7 years or the remainder of the lease). The Committee capitalizes PPE individually costing more than $10,000 ($25,000 for leasehold improvements and software in development). Bulk purchases of lesser value items are capitalized when the cost is $100,000 or greater.

Liabilities

Liabilities are recognized for amounts of probable and measurable future outflows or other sacrifices of resources as a result of past transactions or events. Since the Committee is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the sovereign entity. In accordance with public law and existing federal accounting standards, no liability is recognized for future payments to be made on behalf of current workers contributing to the Medicare Health Insurance Trust Fund, since liabilities are only those items that are present obligations of the government. The Committees' liabilities are classified as covered by budgetary resources or not covered by budgetary resources.

Liabilities Covered by Budgetary Resources are Liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations.

Liabilities Not Covered by Budgetary Resources are liabilities which are not considered to be covered by budgetary resources. Liabilities Not Covered by Budgetary Resources are combined with liabilities covered by budgetary resources on the face of the Balance Sheet.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued payroll and benefits

Accrued payroll and benefits consist of salaries, wages, leave and benefits earned by employees, but not disbursed as of September 30. Liability for annual and other vested compensatory leave is accrued when earned and reduced when taken. At the end of each fiscal year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. Annual leave earned but not taken is considered an unfunded liability since this leave will be funded from future appropriations when it is actually taken by employees. Sick leave and other types of leave are not accrued and are expensed when taken.

Accounts payable

Accounts payable primarily consists of amounts due for goods and services received progress in contract performance, interest due on accounts payable, and other miscellaneous payables.

Revenue and financing sources

The Committee receives the funding needed to support its programs through an annual Congressional appropriation. The United States Constitution prescribes that no money may be expended by a federal agency unless and until funds have been made available by Congressional appropriation. Appropriations are recognized as financing sources when related expenses are incurred or assets are purchased.

The Committee receives an annual appropriation that may be used within statutory limits. For example, funds for general operations are generally made available for one fiscal year. The Statement of Budgetary Resources presents information about the resources appropriated to the Committee.

Federal employee benefits

Most Committee employees participate in either the Civil Service Retirement System (CSRS) – a defined benefit plan, or the Federal Employees Retirement System (FERS) – a defined benefit and contribution plan. For employees covered under CSRS the Committee contributes a fixed percentage of pay. Most employees hired after December 31, 1983, are automatically covered by FERS. For employees covered under FERS the Committee contributes the employer's matching share for Social Security and Medicare Insurance. A primary feature of FERS is that it offers a Thrift Savings Plan (TSP) into which the Committee automatically contributes one percent of employee pay and matches employee contributions up to an additional four percent of pay.

Federal employee benefits (Continued)

The U.S. Office of Personnel Management is the administering agency for both of these benefit plans and, thus, reports CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities applicable to federal employees. Therefore, the Committee does not recognize any liability on its balance sheet for pensions, other retirement benefits, and other post-employment benefits.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation.

Intragovernmental Costs and Exchange Revenue

Intragovernmental costs arise from purchases of goods or services from other components of the Federal Government. In contrast, public costs are those that arise from the purchase of goods or services from nonfederal entities. The Committee does not provide services to another federal entity.

Classified Activities

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2 – FUND BALANCE WITH TREASURY

The fund balance with treasury is a consolidated balance of five annual funds (FY 2017, FY2018, FY2019, FY2020 and FY 2021). The FY 2016 annual fund was cancelled, and the remaining $194,102.21 fund balance given back to Treasury during FY 2021.

	2021	2020
Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	$ 592,337.80	$ 178,332.66
(b) Unavailable	$ 506,905.66	$ 487,341.81
(2) Obligated Balance not yet Disbursed	$ 2,787,972.99	$ 1,918,620.04
Total	$ 3,887,216.45	$ 2,584,294.51

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at September 30:

	2021	2020
Accounts Receivable - Other than Intragovernmental	$ 1,007.69	$ 1,553.96
Accounts Receivable - Intragovernmental		$ 124,900.02

NOTE 4 – GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2021, the Committee showed Property, Plant and Equipment with a total cost of $333,005.80 and a net book value of $211,759.09. The Accumulated Depreciation to date was $121,246.71.

2021	Equipment	Construction in Progress	Total
Cost	$171,565.04	$161,440.76	$333,005.80
Accumulated Depreciation	($121,246.71)		($121,246.71)
Net Book Value	$50,318.33	$161,440.76	$211,759.09

2020	Equipment	Leasehold	Total
Cost	$113,301.71	$258,074.37	$371,376.08
Accumulated Depreciation	($113,301.71)	($258,074.37)	($371,376.08)
Net Book Value	$0.00	$0.00	$0.00

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Committee are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2021, the Committee showed liabilities covered by budgetary resources of $953,437.88 and liabilities not covered by budgetary resources of $573,662.94. The only liability not covered by budgetary resources is the unfunded leave liability. The unfunded leave liability as of September 30, 2020 was included in the Other Liabilities line item.

	2021	2020
Intragovernmental		
(1) Accounts Payable	$187,445.52	$6,829.09
(2) Other	$75,229.00	$56,454.09
Total Intragovernmental	$262,674.52	$63,283.18
Other than Intragovernmental		
(1) Accounts Payable	$336,310.40	$298,330.59
(2) Federal Employee and Veterans Benefits Payable	$585,654.38	
(a) Employer Contributions and Payroll Taxes Payable	$11,991.44	
(b) Unfunded Leave	$573,662.94	
(3) Other Liabilities	$342,461.52	$841,019.04
Total Other than Intragovernmental	$1,264,426.30	$1,139,349.63
Total Liabilities	$1,527,100.82	$1,202,632.81
Total Liabilities not covered by budgetary resources	$573,662.94	$551,967.83
Total Liabilities covered by budgetary resources	$953,437.88	$650,664.98
Total Liabilities	$1,527,100.82	$1,202,632.81

NOTE 6 – OTHER LIABILITIES

Other than Intragovernmental liabilities for the year ended September 30, 2021 consist of Accrued Funded Payroll and Leave in the amount shown below. Other Intragovernmental liabilities for the year ended September 30, 2021 consist of Employer Contributions and Payroll Taxes Payable and Custodial Liabilities.

	2021	
	Non-Current	Current
Intragovernmental		
Employer Contributions and Payroll Taxes Payable		$75,429.00
Custodial Liability		-$200.00
Total Intragovernmental	$0.00	$75,229.00
Other than Intragovernmental		
Accrued Funded Payroll & Leave		$342,461.52
Total Other than Intragovernmental	$0.00	$342,461.52
Total Other Liabilities	$0.00	$417,690.52

Other than Intragovernmental liabilities for the year ended September 30, 2020 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, Unfunded Leave and Contingent Liabilities in the amounts shown below. Other Intragovernmental liabilities for the year ended September 30, 2020 consist of Employer Contributions and Payroll Taxes Payable.

	2020	
	Non-Current	Current
Intragovernmental		
Employer Contributions and Payroll Taxes Payable		$56,454.09
Total Intragovernmental	$56,454.09	$0.00
Other than Intragovernmental		
Accrued Funded Payroll & Leave		$280,518.84
Employer Contributions and Payroll Taxes Payable		$8,532.37
Unfunded Leave	$542,217.83	
Contingent Liabilities	$9,750.00	
Total Other than Intragovernmental	$551,967.83	$289,051.21
Total Other Liabilities	$608,421.92	$289,051.21

NOTE 7 – LEASES

Effective June 10, 2021, the Committee and OIG entered into a lease as collocated occupants at a new headquarter building located Washington DC. The construction for the new location is ongoing and the estimated move-in is scheduled for February 2022. The new facility square footage will be 7,433 at an initial total annual cost of $315,497. The Committee is expected to cover lease costs in the new collocated headquarters.

The Committee's total operating lease expenses as of September 30, 2021 and 2020 were $95,651 and $353,715, respectively. The IG's total operating lease expenses as of September 30, 2021 and 2020 were $35,241 and $95,370.

Below is a schedule of estimated future payments for the term of the collocated lease.

Fiscal Year	Office Space Cost Estimates
2022	$314,948*
2023	$322,290
2024	$326,248
2025	$330,326
2026	$142,444**
Total future payments	$1,436,256

*Costs include $102,400 for preparation of the move to a new location.
**Represent partial lease from October 2025 to March 2026.

NOTE 8 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

All obligations for the Commission in fiscal year 2021 and fiscal year 2020 are category B on the SF 132, *Apportionment and Reapportionment Schedule*. Apportioned amounts appear on different groups of lines in the application of budgetary resources of an apportionment. Amounts are identified as Category B in an apportionment by a specific program, project, or activity. The amount of direct and reimbursable new obligations and upward adjustments incurred against amounts apportioned under category B are as follows:

	2021	2020
Direct - Category B	$ 9,838,551.65	$ 10,153,877.28
Reimbursable - Category B	$ 124,900.02	$ 125,099.98
Total	$ 9,963,451.67	$ 10,278,977.26

NOTE 9 – COMMITMENTS AND CONTINGENCIES

As of September 30, 2021, the Commission did not have any contingent liabilities. As of September 30, 2020, the Commission was a party to two legal actions for which the likelihood of loss was probable. Accordingly, a provision for these losses was included in the financial statements. In addition, as of September 30, 2020, there were three pending matters for which there was at least a reasonable possibility of an adverse outcome. The range of loss for all these matters was considered to be $5,000 to $150,000. These actions were disclosed in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 2, *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government*.

NOTE 10 – INTER-ENTITY COSTS

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Commission are recognized as imputed cost and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources were $278,970.94 for FY 2021 and $252,081.34 for FY 2020. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

NOTE 11 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1

During the years ended September 30, 2021 and 2020, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2020 and 2019. These adjustments include, among other things, upward adjustments to undelivered and delivered orders that were obligated in a prior year fiscal year. The adjustments during the years ended September 30, 2021 and 2020 are presented below.

	2021	2020
Unobligated balance, brought forward from prior year	$622,324.80	$613,053.00
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	$85,012.24	$188,092.30
Recoveries of prior year paid obligations	$49,460.30	
Balance withdrawn to Treasury (expiring 2016 fund)	-$194,102.21	-$106,493.57
Unobligated balance brought from prior year budget authority	$562,695.13	$694,651.73

NOTE 12 - 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. $1,985,749.86 was the amount of the Committee's budgetary resources obligated for undelivered orders as of September 30, 2021.

	2021	2020
Federal Undelivered Orders	$1,007,197.54	$96,246.58
Non-Federal Undelivered Orders	$978,552.32	$1,447,635.12
Total Federal/Non-Federal Undelivered Orders	$1,985,749.86	$1,543,881.70
Paid Undelivered Orders - Federal	$151,214.79	$25,926.64
Paid Undelivered Orders - Non-Federal	$0.00	
Unpaid Undelivered Orders - Federal	$855,982.75	$70,319.94
Unpaid Undelivered Orders - Non-Federal	$978,552.32	$1,447,635.12
Total Paid/Unpaid Undelivered Orders	$1,985,749.86	$1,543,881.70
Total Undelivered Orders	$1,985,749.86	$1,543,881.70

NOTE 13 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget).

The Budget that will include FY 2021 actual budgetary execution information is scheduled for publication in February 2022, which will be available through OMB's website at http://www.whitehouse.gov/omb. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2020 SBR and the related President's Budget reflected the following:

FY 2020	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$10,944,651.73	$10,278,977.26		$8,768,759.38
Difference 1 - Unobligated balance brought forward, Oct 1 (-)	$694,651.73			
Difference 2 - Spending Authority from Offsetting Collections (-)	$250,000.00			
Difference 3 - Rounding (+/-)		$278,977.26		$231,240.62
Budget of the US Government	$10,000,000.00	$10,000,000.00		$9,000,000.00

NOTE 14 – RECONCILIATION OF NET COST TO OUTLAYS

The Committee has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	**$ 2,147,187.33**	**$ 7,287,576.41**	**$ 9,434,763.74**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		(7,945.00)	(7,945.00)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	(124,900.02)	(546.27)	(125,446.29)
Other assets	125,288.15	-	125,288.15
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(180,616.43)	(37,979.70)	(218,596.13)
Other liabilities (accrued funded payroll and leave and employer contributions and payroll taxes payable)	(18,974.91)	(95,401.75)	(114,376.66)
Federal employee and veteran benefits payable (unfunded leave)	-	(31,445.11)	(31,445.11)
Other financing sources			
Imputed Cost	(278,970.94)		(278,970.94)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (478,174.15)**	**$ (173,317.83)**	**$ (651,491.98)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	58,263.33	58,263.33
Acquisition of other assets	161,440.76		161,440.76
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ 161,440.76**	**$ 58,263.33**	**$ 219,704.09**
Net Outlays (Calculated Total)	**$ 1,830,453.94**	**$ 7,172,521.91**	**$ 9,002,975.85**
Budgetary Agency Outlays, net (SBR Line 4210)			**$ 9,002,975.85**

NOTE 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, which is the date the financial statements were available to be issued.