



2012

Agency Financial Report



Recovery Accountability and Transparency Board

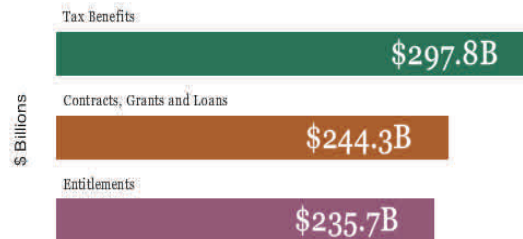


Breakdown Of Funding By Category

Total Funds Allocated:

\$840 BILLION

Estimated American Recovery and Reinvestment Act tax, entitlement, and contract, grant, and loan expenditures have been increased from \$787B to \$840B to be consistent with the President's 2012 budget and with [scoring changes made by the Congressional Budget Office](#) since the enactment of the Recovery Act in February 2009.



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Introduction

The Recovery Accountability and Transparency Board (the Board) is an independent Executive Branch agency not subject to the requirements of the Chief Financial Officers (CFO) Act of 1990; however, the Board does fall within the definition of a covered Executive agency under the Accountability of Tax Dollars Act (ATDA) of 2002. The Reports Consolidation Act of 2000 gives the executive branch the discretion to consolidate certain statutorily required reports and to use other approaches to consolidate performance and financial information. After consultation with the Office of Management and Budget (OMB), the Board's fiscal year 2012 Annual Report will serve as the agency's Annual Performance Report. Further, the Agency Financial Report (AFR) will present the highlights of the agency's financial position, audited financial statements, and other financial management activities. Collectively, these two reports satisfy the reporting requirements of OMB Circulars A-11 and A-136, the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, and the ADTA. Together, the reports provide fiscal information on how resources have been expended and high-level performance results that enable the Board's stakeholders to assess agency accomplishments for the fiscal year (October 1, 2011, through September 30, 2012). Ultimately, the reports provide an overview of the Board's accomplishments and challenges, and enable the President, the Congress, and the public to assess the performance of the agency and proper stewardship of U.S. taxpayer funds.

Message from the Chair

It is my pleasure to present the Recovery Accountability and Transparency Board's Agency Financial Report for Fiscal Year 2012. The American Recovery and Reinvestment Act of 2009 (Recovery Act) created the Board and appropriated \$84 million to provide funding through FY 2011 allowing the Board to fulfill its mission of providing transparency and accountability for \$840 billion in Recovery Act funds. In fiscal year 2012, Congress appropriated an additional \$28.35 million for the Board to continue its operations and to test and develop information technology resources to detect and remediate fraud, waste, and abuse in Federal spending.

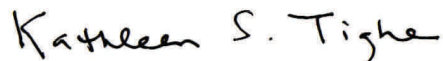
The financial data presented are complete and reliable. They provide an accurate and transparent accounting of the Board's financial operations to help Congress, the President, and the public assess how we are managing the resources entrusted to us. The Agency Financial Report (AFR) includes a succinct and easily understandable analysis of the Board's structure, mission, and resources invested to provide transparency and oversight of Recovery Act funds. More detailed information on the Board's performance in FY 2012 will be released in the Annual Report to the President and Congress, expected in February 2013. I am pleased to report that for the fourth consecutive year, the Board has earned a clean opinion from independent auditors on its financial statements with no material weaknesses identified.

Much has transpired in the 45 months since the creation of the Board. In 2009, we hit the ground hard, setting up a new federal agency in three months, creating two websites to collect, track, and display billions of dollars of Recovery spending in record time, and establishing an unprecedented accountability program that seeks to safeguard those funds from fraud, waste, and abuse. The key to our accomplishments is the dedication and hard work of the 11 Inspectors General who serve with me on the Board, their staff members, and the Board staff.

Message from the Chair

We have continued our momentum in 2012, refining strategies, policies, and practices when necessary. We continued to improve our award winning websites, Recovery.gov and FederalReporting.gov, based on public input and the advice of technical experts. For Recovery.gov, we enhanced mapping capabilities and created agency profile pages to display Recovery spending. For FederalReporting.gov, we developed a final reconciliation process for Recovery recipient awards. These websites continue to serve as models of how to bring greater transparency to other government websites. We have brought additional tools and databases to our data analytics center, the Recovery Operations Center, that have served to enhance our capabilities to detect and prevent fraud, waste, and abuse. We believe in the “power of partnership,” a practice that has yielded what we believe is an unprecedented collaborative accountability program for the law enforcement and the broader oversight communities.

This will be the last financial report issued by the Board as we are slated by the terms of the Recovery Act to sunset at the end of this fiscal year. I am proud of the Board’s efforts to track Recovery spending, increase government transparency, pursue fraud prevention and detection, and generally work to ensure that Recovery money was spent efficiently and effectively. We believe that our efforts have created a blueprint and foundation for a transparent and accountable government.



Kathleen S. Tighe
Chair

Management Discussion and Analysis

Recovery Board Overview

Mission: To promote accountability by coordinating and conducting oversight of Recovery funds to prevent fraud, waste, and abuse and to foster transparency on Recovery spending by providing the public with accurate, user- friendly information.

The Recovery Accountability and Transparency Board (the Board) was established on February 17, 2009, when the President signed the American Recovery and Reinvestment Act of 2009 (Recovery Act) into law. The Board is the watchdog for the American public on the use of Recovery Act funds. The Inspectors General (IGs) who serve on the Recovery Board were charged with developing a system of transparency and accountability for the \$840 billion Recovery initiative. The current Board Chair, Kathleen S. Tighe, replaced Earl E. Devaney, who retired in December 2011. Although only 11 agency IGs serve on the Board, a total of 28 federal agencies received Recovery monies and 29 Inspectors General are involved in oversight of those agency spending programs (see Exhibit 1).

The Board received \$84 million through FY 2011 in Recovery funds to carry out its dual mission of establishing and maintaining a user-friendly website to show the American people how and where their money is being spent and coordinating and conducting oversight of Recovery funds to help minimize fraud, waste, and abuse. In fiscal year 2012, the Recovery Board received \$28.35 million in appropriated funding to continue its dual mission and to develop and test information technology resources to detect and remediate fraud, waste, and abuse in Federal spending.

The Board has occupied office space at 1717 Pennsylvania Avenue, NW in Washington, DC since April 20, 2009. The Chair and Board members have assembled a support staff that provides the overall management of the agency's operations. The support organization is led by an Executive Director, Director of Accountability, Director of Communications, and the Chief of Mission Support. This team, along with approximately 45 other employees, handles the day-to-day management of Board operations including the following:

Management Discussion and Analysis

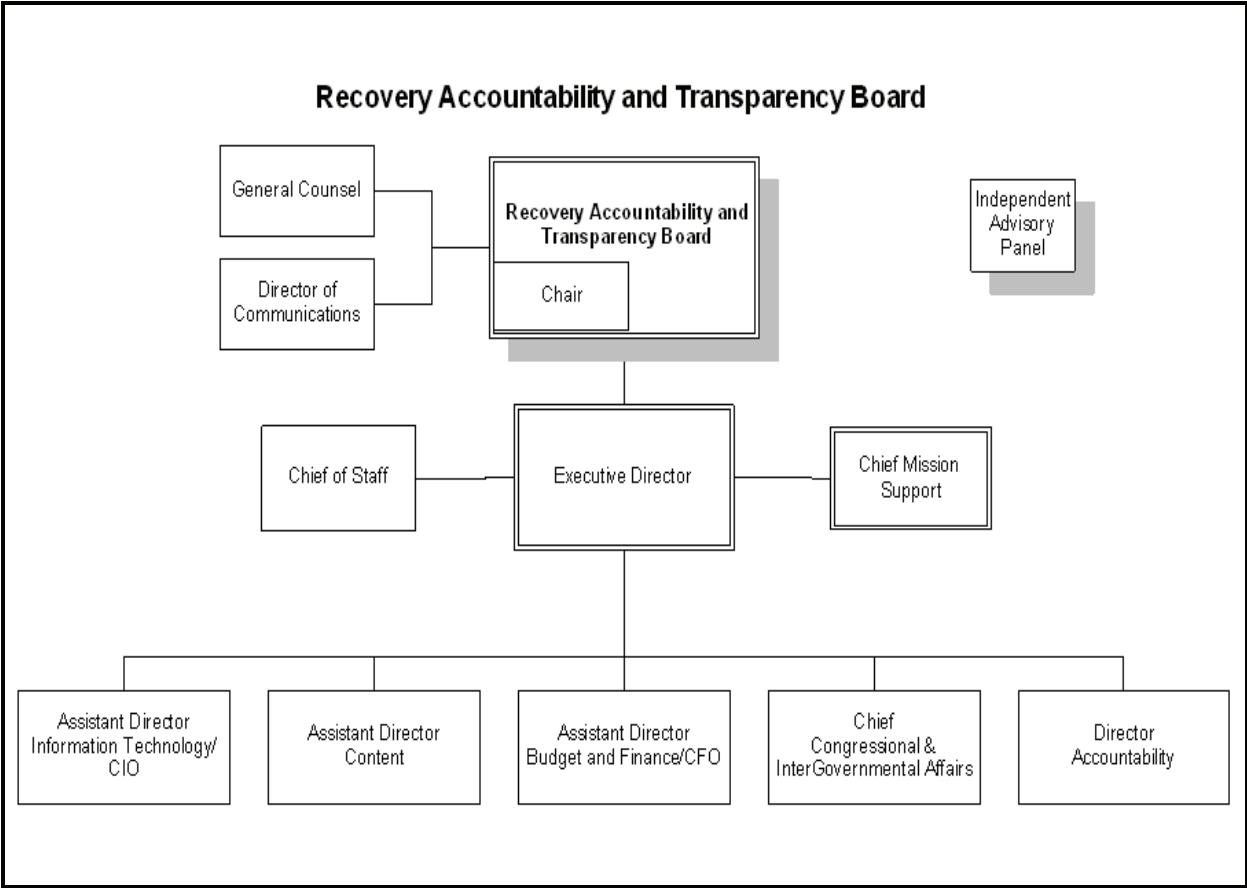
- Performing website design, development, and maintenance
- Providing technology and content management
- Conducting data development and analysis
- Coordinating investigations, audits, evaluations, reviews, and inspections
- Monitoring Recovery Act procurement and grant compliance
- Conducting training and outreach with federal, state, and local agencies
- Communicating with Congress, agencies, and members of the media
- Complying with finance, budget, legal, and other regulatory requirements



*Exhibit 1—Recovery Board IGs

Management Discussion and Analysis

Approximately one third of the staff members are on detail from various federal agencies. To maintain a streamlined workforce, the Board partners with the 29 IGs with Recovery oversight and obtains administrative support from the General Services Administration. Additionally, Section 1541 of the Recovery Act established an Independent Advisory Panel, which is currently composed of three presidentially appointed members. The Panel makes recommendations to the Board on preventing fraud, waste, and abuse of covered funds. Exhibit 2 shows the organizational structure of the Board.



*Exhibit 2—Organizational Structure

Management Discussion and Analysis

Financial Summary

This section presents a summary analysis of the key financial statements. This analysis summarizes the data contained in the statements in a format that allows the reader to understand the financial activities and net position of the Board. The principal statements include a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources. The complete financial statements are included in the financial section of this report.

Preparing the Board's financial statements is part of the goal to improve financial management and provide accurate, reliable information that is useful for assessing performance and allocating resources. The Board's management is responsible for the integrity and objectivity of the financial information presented in the statements. The Board's internal controls are in place to ensure that all assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

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

Management Discussion and Analysis

A summary of the Board's major financial activities in FY 2012 and FY 2011 are presented in the table below. This table represents the resources available to use (assets) against the amounts owed (liabilities) and the amounts that comprise the difference (net position). The net cost represents the gross cost of the Board's operations. Budgetary resources represent funds made available to the Board.

Changes in Financial Position in FY 2012			
Net Financial Condition	2012	2011	% Change in Financial Position
Fund Balance With Treasury	\$18,156,110	\$16,319,830	11%
General Property, Plant and Equipment	\$1,840,265	\$2,760,583	-33%
Accounts Receivable	\$2,343		100%
Other Assets	\$157,833	\$2,759,258	
Total Assets	\$20,156,551	\$21,839,671	-8%
Accounts Payable	\$3,392,118	\$3,382,495	0%
Other Liabilities	\$313,815	\$281,051	
	\$3,705,933	\$3,663,546	1%
Unexpended Appropriations - Other Funds	\$14,828,124	\$15,602,637	-5%
Cumulative Results of Operations	\$1,622,494	\$2,573,488	-37%
Net Position	\$16,450,618	\$18,176,124	-9%
Net Cost	\$30,290,803	\$25,789,742	17%
Budgetary Resources	\$31,405,170	\$36,308,229	-14%

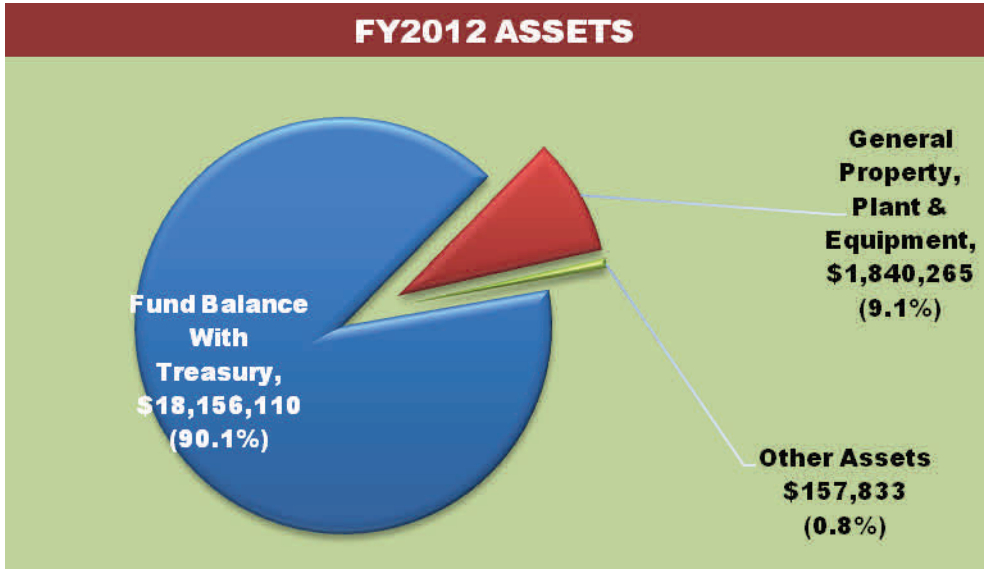
Management Discussion and Analysis

Balance Sheet Summary

To assist the reader, key financial terms are identified in the table below.

Accounting Basics	
Assets	– What the Board owns or manages
Liabilities	– Amounts the Board owes as a result of past transactions or events
Net Position	– The difference between assets and liabilities (similar to net worth)
Net Cost of Operations	– The difference between the costs incurred by the Board’s programs and the Board’s revenue

Assets. The total assets were \$20.1 million as of September 30, 2012. The pie charts below present a comparison of the major asset and liability categories as a percentage of total assets and liabilities. The most significant assets are the Fund Balance with Treasury, General Property, Plant and Equipment, and Other (prepayment covered in Note 3 of the Financial Section) which represents 90.1%, 9.1%, and 0.8% of the Board’s current period assets, respectively. The Fund Balance with Treasury consists of funding available through the Department of Treasury’s accounts that are accessible by the Board to pay for current and future obligations.



Management Discussion and Analysis

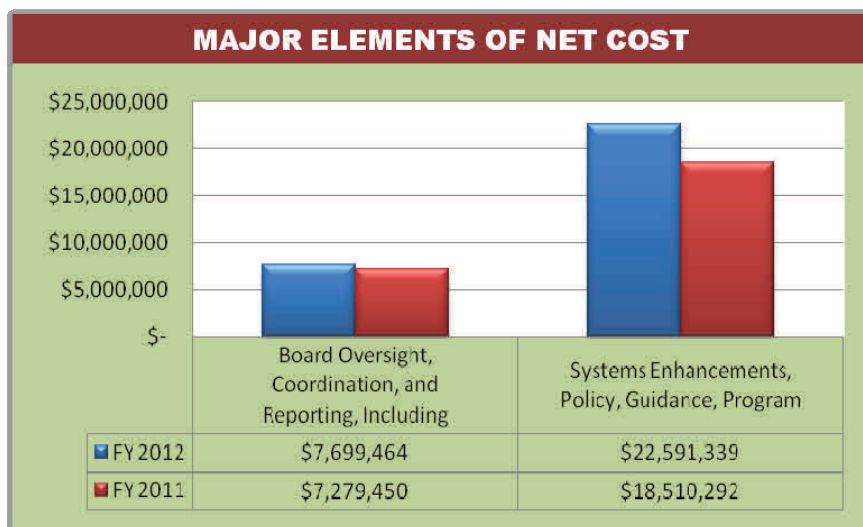
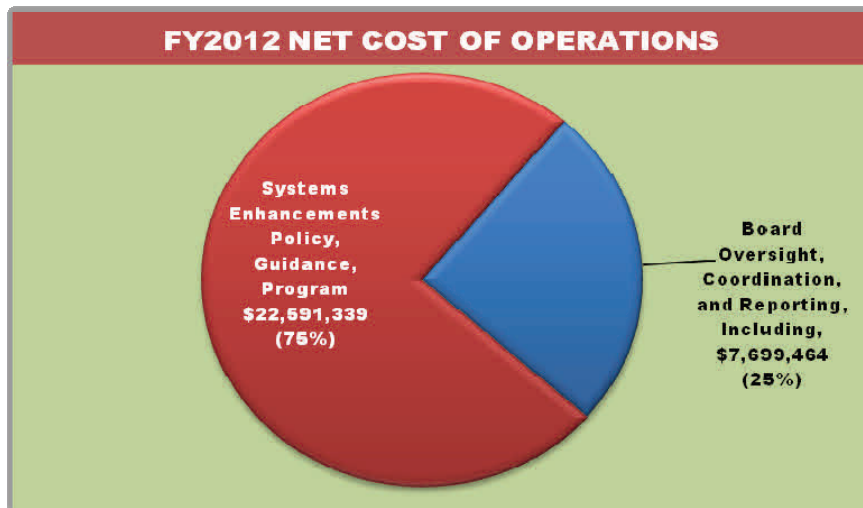
Liabilities. The Consolidated Balance Sheet reflects total liabilities of \$3.7 million. The Board's accounts payable makes up 92% or \$3.4 million, of the total liabilities. This balance is consistent with the prior fiscal year.



Ending Net Position. The Statement of Changes in Net Position represents the Board's equity which includes the cumulative net earnings and unexpended authority granted by Congress. The Board's Net Position as shown on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position decreased \$1.7 million or 9%.

Management Discussion and Analysis

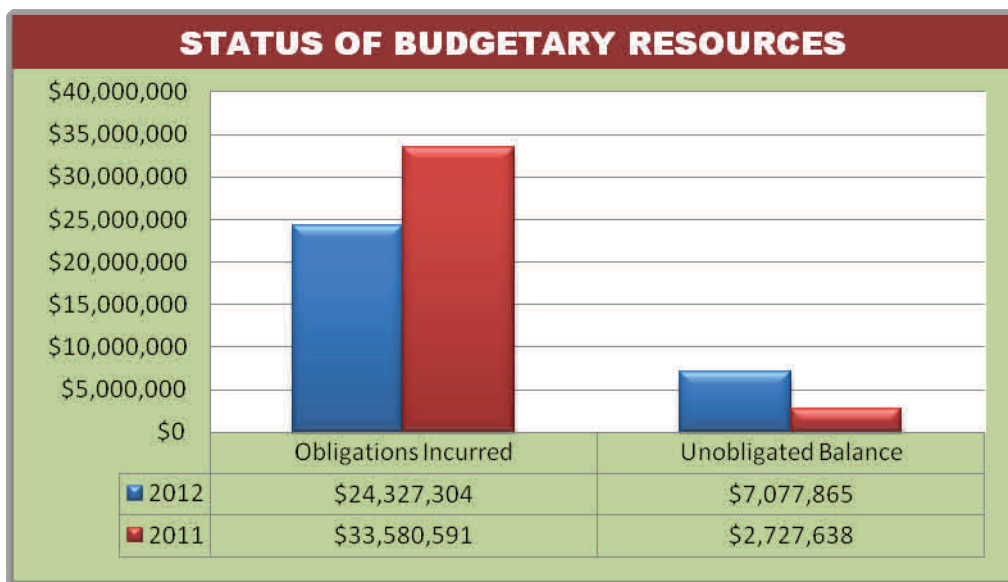
Results (Net Cost of Operations). The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position. The Consolidated Statement of Net Cost represents the cost (net of earned revenues) of operating the Board’s major objectives. These objectives are consistent with the Board’s statutory mandate to (1) coordinate and conduct oversight of covered funds in order to prevent fraud, waste, and abuse, and (2) establish and maintain a user-friendly, public-facing website to foster greater accountability and transparency in the use of Recovery funds. These two objectives: Board Oversight, Coordination and Reporting and Systems Enhancements, Policy, Guidance and Program Management represent the major investments at 25% and 75% of net cost of operations, respectively. For FY 2012 and FY 2011, the net cost of operations totaled \$30.3 million and \$25.8 million, respectively.



Management Discussion and Analysis

Budgetary Resources. The Combined Statement of Budgetary Resources provides information on the budgetary resources that were made available to the Board during the fiscal year and the status of those resources at the end of the fiscal year. The Board receives its funding from general government funds administered by the Department of Treasury (Treasury) and appropriated for the Board's use by Congress. Budgetary Resources consist of the resources available to the Board at the beginning of the year, plus the appropriation, spending authority from offsetting collections, and other budgetary resources received during the year. The agency had \$31.4 million in budgetary resources of which \$7.1 million remained unobligated and \$24.3 million are obligations incurred at year-end. The chart below presents the status of budgetary resources comparatively for FY 2012 and FY 2011.

Obligations and Outlays. The Recovery Board recorded total net outlays of \$26.5 million by the end of fiscal year 2012, and these outlays were disbursed according to contracted terms. Budgetary resources decreased 14% or \$4.9 million from FY 2011, while net outlays decreased by 6% or \$1.8 million.



Management Discussion and Analysis

Limitations of the Principle Financial Statements. The principle financial statements have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of 31 U.S.C 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Management Discussion and Analysis

Management Assurances. The Accountability of Tax Dollars Act of 2002 (ATDA) requires independent agencies not subject to the CFO Act to undergo annual financial statement audits in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* (“Yellow Book”), issued by the comptroller and OMB audit guidance for federal financial statements. These standards require financial statements to be prepared in accordance with generally accepted accounting principles for Federal entities; notes to financial statements; and an audit report that contains an opinion letter on the reliability of the financial statements, comments on the effectiveness of internal control, and comments on compliance with laws and regulations.

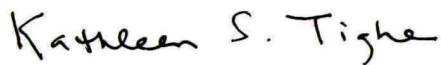
The Board’s management is responsible for establishing and maintaining effective internal control and financial management systems that meet applicable provisions of the Federal Managers’ Financial Integrity Act (FMFIA) and OMB Circular A-123, Management’s Responsibility for Internal Control, dated December 21, 2004. Management’s objectives are to ensure (1) effective and efficient operations, (2) compliance with applicable laws and regulations, and (3) reliable financial reporting. Our overall goals for financial management systems focus on ensuring effective internal controls, systems integration, and the ability to produce timely and reliable financial data for reporting.

The CPA firm of Martin & Wall, A Division of Chortek & Gottschalk, LLP has reviewed the financial records and internal controls of the Board and submitted an unqualified audit opinion. Also, the audit found no material internal control weaknesses in the Board’s financial reporting. The principal financial statements have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Recovery Board in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Management Discussion and Analysis

Given our comprehensive management controls, I am pleased to certify with reasonable assurance the following:

- **Financial reporting:** Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- **Compliance with laws and regulations:** Transactions are executed in accordance with laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements and any other laws, regulations, and government-wide policies identified in OMB audit guidance.



Kathleen S. Tighe

Chair

Financial Section

Message from the CFO

As the Chief Financial Officer for the Recovery Accountability and Transparency Board, I recognize that our Board is accountable to the American public. We are careful to use taxpayer resources wisely to carry out the Board's mission to provide transparency and accountability of the \$840 billion of Recovery funds.

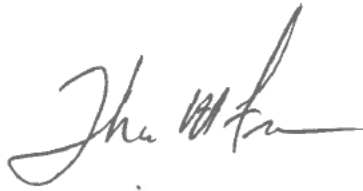
The AFR is prepared in accordance with the requirements of OMB Circular A-136, and documents the use of funds appropriated to the Board to conduct oversight of Recovery funds. The resources appropriated to the Recovery Board in fiscal year 2012 for operations in fiscal year 2012 permitted the Board to add features and functions to Recovery.gov and make the website more accessible and meaningful to visitors; strengthen the Board's oversight programs; and sustain some of the best and brightest in the field of information technology, law enforcement, public relations, and mission support. The Board also worked on developing and testing information technology resources to detect and remediate fraud, waste, and abuse in Federal spending.

As the principal financial officer for the Board, I am committed to the efficient use of our resources and maintaining effective internal controls over financial information, reporting, and systems. I would like to thank the Board's staff and financial partners whose efforts on a daily basis have helped to plan, execute, and account for resources provided to the Board to accomplish its monumental mission. This report complements our year long efforts to provide accountability and transparency of the Board's appropriated funds. Each month we post detailed spending reports on Recovery.gov, along with reports of our efforts to prevent and detect fraud in the Recovery program.

We have established and applied accounting and financial reporting policies and procedures that comply with all applicable laws and regulations and safeguard U.S. government assets related to the Recovery Board's operations. Our prepared financial statements and appropriate disclosures conform to generally accepted accounting principles. We have engaged the services of independent external auditors to review our financial records and related information to establish and relay the effectiveness of our internal controls and our compliance with OMB guidance and the laws and regulations that govern the Board.

Financial Section

I am pleased to announce that for the fourth consecutive year, the firm of Martin & Wall, A Division of Choritek & Gottschalk, LLP has given the Board an unqualified audit opinion and has found no material weaknesses in our internal controls or financial management. Our successful audit results reflect the Board's tireless pursuit of sound financial management practices and our commitment to protecting all of the funds allocated to the Recovery program.

A handwritten signature in black ink, appearing to read "Thomas H. Fraser". The signature is fluid and cursive, with a prominent initial "T" and "F".

Thomas H. Fraser

Chief Financial Officer

Financial Section



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Independent Auditor's Report

Chairman and Board Members
Recovery Accountability and Transparency Board
Washington, DC

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the Recovery Accountability and Transparency Board (RATB). We have audited the accompanying balance sheets of the Recovery Accountability and Transparency Board as of September 30, 2012 and 2011 and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the Recovery Accountability and Transparency Board's internal control over financial reporting and tested the Recovery Accountability and Transparency Board's compliance with selected provisions of applicable laws and regulations that could have a direct and material effect on these financial statements.

Summary

In our audits of the Recovery Accountability and Transparency Board for the fiscal years ended September 30, 2012 and 2011, we found:

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

The following sections discuss our opinion on the Board's financial statements; our consideration of the Board's internal controls over financial reporting; our tests of the Board's compliance with certain provisions of applicable laws, regulations, contracts and grant agreements; and management's and our responsibilities.

Opinion on Financial Statements

We have audited the accompanying balance sheets of the Recovery Accountability and Transparency Board as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

Financial Section



In our opinion, the financial statements referred to above, including the accompanying notes, present fairly, in all material respects, the financial position of the Recovery Accountability and Transparency Board, as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Circular A-136, *Financial Reporting Requirements, revised*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information and analysis of the consistency with the financial statements. However, we did not audit the information and express no opinion on it. The Performance and Accountability Report, except for Management's Discussion and Analysis, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, as defined above.

Compliance and Other Matters

The results of our tests of compliance as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Financial Section



Responsibilities

Management Responsibilities: Recovery Accountability and Transparency Board's management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing and maintaining effective internal control, (3) complying with laws, regulations, contracts and agreements applicable to the Board.

Auditor's Responsibilities: Our responsibility is to express an opinion on the fiscal years 2012 and 2011 financial statements of the Recovery Accountability and Transparency Board based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recovery Accountability and Transparency Board's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management;
- Evaluating the overall financial statement presentation;
- Obtaining an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- Considering the design of the process for evaluating and reporting on internal control;
- Testing compliance with selected provisions of laws, regulations, contracts and agreements applicable to the Board that could have a direct and material effect on the financial statements.

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

In planning and performing our fiscal years 2012 and 2011 audits, we considered the Recovery Accountability and Transparency Board's internal control over financial reporting by obtaining an understanding of the Board's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

As part of obtaining reasonable assurance about whether the Recovery Accountability and Transparency Board's fiscal years 2012 and 2011 financial statements are free of material misstatement, we performed tests of the Board's compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have

Financial Section



a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Board. However, providing an opinion on compliance with laws, regulations, contracts and agreements was not an objective of our audits, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Agency Comments and Our Evaluation

In commenting on a draft of this report (see Appendix A), the Recovery Accountability and Transparency Board concurred with the facts and conclusions in our report.

Use and Distribution of Report

This report is intended solely for the information and use of the Recovery Accountability and Transparency Board's management and Board members, the U.S. Office of Management and Budget, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Chantal + Saltzman, LLP

Washington, DC
November 14, 2012

Financial Section

Recovery Accountability and Transparency Board
Balance Sheet
 As of September 30, 2012 and 2011

		<u>2012</u>	<u>2011</u>
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$18,156,110	\$ 16,319,830
Other	(Note 3)	<u>157,833</u>	<u>2,759,258</u>
Total Intragovernmental Assets		18,313,943	19,079,088
Assets With the Public:			
Accounts Receivable, net	(Note 4)	2,343	
General Property, Plant and Equipment	(Note 5)	1,840,265	2,760,583
Total Assets With the Public		1,842,608	2,760,583
Total Assets		<u>\$ 20,156,551</u>	<u>\$ 21,839,671</u>
Liabilities:			
	(Note 6)		
Intragovernmental Liabilities:			
Accounts Payable		\$ 2,085,513	\$ 849,922
Other	(Note 7)	<u>17,665</u>	<u>16,643</u>
Total Intragovernmental Liabilities		2,103,178	866,564
Liabilities With the Public:			
Accounts Payable		1,306,605	2,532,573
Other		296,151	264,409
Total Liabilities With the Public		<u>1,602,756</u>	<u>2,796,982</u>
Total Liabilities		<u>\$ 3,705,933</u>	<u>\$ 3,663,546</u>
Net Position:			
Unexpended Appropriations - Other Funds		14,828,124	15,602,637
Cumulative Results of Operations		<u>1,622,494</u>	<u>2,573,488</u>
Total Net Position		<u>16,450,618</u>	<u>18,176,124</u>
Total Liabilities and Net Position		<u>\$ 20,156,551</u>	<u>\$ 21,839,671</u>

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

Financial Section

Recovery Accountability and Transparency Board
Statement of Net Cost
For The Years Ended September 30, 2012 and 2011

		<u>2012</u>	<u>2011</u>
Board Oversight, Coordination, and Reporting, Including			
Admin Expenses:			
Gross Costs	(Note 9)	\$ 7,699,464	\$ 7,279,450
Other Programs:			
Systems Enhancements, Policy, Guidance, Program Management, Oversight	(Note 9)	<u>\$ 22,591,339</u>	<u>\$ 18,510,292</u>
Net Cost of Operations		<u>\$ 30,290,803</u>	<u>\$ 25,789,742</u>

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

Financial Section

Recovery Accountability and Transparency Board
Statement of Changes in Net Position
 For the Years Ended September 30, 2012 and 2011

	Earmarked Funds	All Other Funds	<u>2012</u> Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ 2,573,488	\$	\$ 2,573,488
Budgetary Financing Sources:				
Appropriations Used		29,124,513		29,124,513
Other Financing Resources (Non-Exchange):				
Imputed Financing		215,296		215,296
Total Financing Sources		29,339,809		29,339,809
Net Cost of Operations (+/-)		30,290,803		30,290,803
Net Change		(950,993)		(950,993)
Cumulative Results of Operations	\$	\$ 1,622,494	\$	\$ 1,622,494
Unexpended Appropriations:				
Beginning Balances	\$	\$ 15,602,637	\$	\$ 15,602,637
Budgetary Financing Sources:				
Appropriations Received		28,350,000		28,350,000
Appropriations Used		(29,124,513)		(29,124,513)
Total Budgetary Financing Sources		(774,513)		(774,513)
Total Unexpended Appropriations		14,828,124		14,828,124
Net Position	\$	\$ 16,450,618	\$	\$ 16,450,618

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

Financial Section

Recovery Accountability and Transparency Board
Statement of Changes in Net Position
 For the Years Ended September 30, 2012 and 2011

	<u>2011</u>			
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	\$	\$ 1,943,251	\$	\$ 1,943,251
Budgetary Financing Sources:				
Appropriations Used		26,215,309		26,215,309
Other Financing Resources (Non- Imputed Financing)		204,671		204,671
Total Financing Sources		<u>26,419,980</u>		<u>26,419,980</u>
Net Cost of Operations (+/-)		<u>25,789,742</u>		<u>25,789,742</u>
Net Change		630,237		630,237
Cumulative Results of Operations	<u>\$</u>	<u>\$ 2,573,488</u>	<u>\$</u>	<u>\$ 2,573,488</u>
Unexpended Appropriations:				
Beginning Balances	\$	\$ 41,817,945	\$	\$ 41,817,945
Budgetary Financing Sources:				
Appropriations Used		(26,215,309)		(26,215,309)
Total Budgetary Financing Sources		<u>(26,215,309)</u>		<u>(26,215,309)</u>
Total Unexpended Appropriations		<u>15,602,637</u>		<u>15,602,637</u>
Net Position	<u>\$</u>	<u>\$ 18,176,124</u>	<u>\$</u>	<u>\$ 18,176,124</u>

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

Financial Section

Recovery Accountability and Transparency Board
Statement of Budgetary Resources
 For The Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	Budgetary	Non-Budgetary Credit Program Financing Accounts	Budgetary	Non-Budgetary Credit Program Financing Accounts
Budgetary Resources				
Unobligated balance brought forward, October 1	\$ 2,727,638	\$	\$ 35,938,069	\$
Recoveries of prior year unpaid obligations (unobligated balances)	327,532	_____	370,160	_____
Unobligated balance from prior year budget authority, net	3,055,170	_____	36,308,229	_____
Appropriations (discretionary and mandatory)	28,350,000	_____	_____	_____
Total budgetary resources	\$ 31,405,170	\$ _____	\$ 36,308,229	\$ _____
Status of Budgetary Resources				
Obligations incurred (Note 10)	\$ 24,327,304	\$	\$ 33,580,591	\$
Apportioned	4,083,640	_____	2,505,506	_____
Unapportioned	2,994,225	_____	222,132	_____
Unobligated balance brought forward, end of year	7,077,865	_____	2,727,638	_____
Total budgetary resources	\$ 31,405,170	\$ _____	\$ 36,308,229	\$ _____
Change in Obligated Balance				
Unpaid obligations, brought forward, October 1 (gross)	\$ 13,592,192	\$	\$ 8,700,894	\$
Obligation incurred	24,327,304	_____	33,580,591	_____
Outlays (gross) (-)	(26,513,719)	_____	(28,319,133)	_____
Recoveries of prior year unpaid obligations (-)	(327,532)	_____	(370,160)	_____
Unpaid obligations, end of year (gross) (Note 11)	11,078,245	_____	13,592,192	_____
Obligated balance, end of year (net)	\$ 11,078,245	\$ _____	\$ 13,592,192	\$ _____
Budget Authority and Outlays, Net				
Budget authority, gross (discretionary and mandatory)	\$ 28,350,000	\$	\$	\$
Budget authority, net (discretionary and mandatory)	28,350,000	_____	_____	_____
Outlays, gross (discretionary and mandatory)	26,513,719	_____	28,319,133	_____
Outlays, net (discretionary and mandatory)	\$ 26,513,719	\$ _____	\$ 28,319,133	\$ _____

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

Financial Section

Notes to the Financial Statements

Note 1: Significant Accounting Policies

Reporting Entity

The Recovery Accountability and Transparency Board (Board) is an independent agency of the Executive Branch of the United States Government. The Board was created by the American Recovery and Reinvestment Act of 2009 (Recovery Act) on February 17, 2009 to promote accountability by coordinating and conducting oversight of Recovery Act funds to prevent fraud, waste, and abuse and to foster transparency on Recovery Act spending by providing the public with accurate, user-friendly information.

The Board is the watchdog for the American public on the use of Recovery Act funds. Kathleen S. Tighe, appointed by the President, serves as Board chair. The Board consists of 11 federal Inspectors General from various government agencies. The Board has two principal goals: to prevent and detect waste, fraud and mismanagement; and to provide the American people with extraordinary transparency on how Recovery Act funds are being used by states, local governments and private recipients. The Board will issue quarterly and annual reports on its oversight findings and provide advice to government agencies. When a matter requires immediate attention, the Board will send "flash reports" to the President and Congress. The Board also maintains Recovery.gov, which provides information on agency plans and programs and disbursements around the country. Beginning in October 2009, reports from recipients of stimulus funds will be posted on Recovery.gov.

The Recovery Act appropriated \$84 million of multi-year funds to the Board available for use through September 30, 2011. In fiscal year 2012, the Board received \$28.35 million of multi-year funds available for use through September 30, 2013

Basis of Presentation

These financial statements have been prepared from the accounting records of the Board in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the form and content for entity financial statements specified in Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements." GAAP for Federal entities is the hierarchy of

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accounting principles prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 34, “The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards issued by the Financial Accounting Standards Board.”

OMB Circular A-136, requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2012 and 2011, amounts of future economic benefits owned or managed by the Board (assets), amounts owed by the Board (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Board’s operations, which includes costs of identifiable supporting services provided by other federal agencies. The Statement of Budgetary Resources reports Board’s the budgetary activity.

Basis of Accounting

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

Use of Estimates

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

Budgets and Budgetary Accounting

The Board follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, “Preparation, Submission, and Execution of the Budget,” dated August 2012. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. In fiscal year 2009, the Board received an appropriation of multi-year funds to incur obligations in support of agency programs. In fiscal year 2012, the Board received an additional appropriation of multi-year funds. The Board recognizes budgetary resources as assets when cash (funds

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held by Treasury) is made available through warrants and when spending authority from the offsetting collection is incurred.

Revenues and Other Financing Sources

The Board received the funding necessary to support its programs from the American Recovery and Reinvestment Act of 2009. On February 17, 2009, the President signed the legislation into law which appropriated \$84 million of multi-year funds. In fiscal year 2012, an additional multi-year appropriation was signed into law granting the Board \$28.35 million. None of the appropriations are “earmarked” funds.

Imputed Financing Sources

In certain instances, operating costs of the Board are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, “Accounting for Liabilities of the Federal Government,” all expenses of a federal entity should be reported by that agency regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of the Board, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. The Board records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities as earned. These expenses are recognized as a funded liability when accrued.

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used and no future liability is recognized for these amounts.

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The Board's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. The Board and its employees both contribute to these systems. Although the Board funds a portion of the benefits under CSRS and FERS and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans in accordance with SFFAS 5.

For CSRS employees, the Board contributes an amount equal to 11.2% of the employees' basic pay to the plan. For FERS employees, the Board contributes an amount equal to 7% of the employees' basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under CSRS and FERS. For FERS employees, the Board contributes an amount equal to 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%. The first 3% of pay that the employee contributes will be matched dollar-for-dollar; the next 2% will be matched at 50 cents on the dollar. Contributions above 5% of the employees pay will not be matched. CSRS employees receive no matching contribution from the Board.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including the Board's employees. The Board has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Board and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the Board paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because the Board's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Board has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

Financial Section

Assets and Liabilities

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

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

Liabilities represent amounts that are likely to be paid by the Board as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Board for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes the Board's receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the agency's accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. The fund balance is increased through the receipt of non-expenditure Treasury warrants for appropriations, positive non-expenditure transfers, and other expenditure inflows of funds. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for rescissions, negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

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

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Property, Plant, and Equipment (PPE)

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

The Board capitalizes PPE with a useful life of at least two (2) years and individually costing more than \$10,000 (\$25,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the aggregate cost is \$100,000 or greater.

Assets are depreciated on a straight-line basis over the estimated used life of the property. Information Technology (IT) equipment and software is depreciated over a useful life of two (2) years. All other equipment is depreciated over a four (4) year useful life and leasehold improvements are depreciated over the remaining life of the lease.

Prepaid and Deferred Charges

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

Liabilities

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

Financial Section

Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). The Board recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget authority to include unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations is comprised of the following: (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out without reimbursement, and (3) donations, all since inception of the fund(s).

Financial Section

Allocation Transfers

The Board is party to allocation transfers with other federal agencies as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created by the U.S. Treasury as a subset of the parent fund account for tracking purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activities related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. The Board allocates funds, as the parent, to the Office of Management and Budget to provide support for its mission and programs.

Financial Section

Note 2: Fund Balance with Treasury

The Board's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2012 and 2011 is as follows:

	<u>FY 2012</u>	<u>FY 2011</u>
A. Fund Balances		
General Fund	<u>\$ 18,156,110</u>	<u>\$ 16,319,830</u>
Total	<u>\$ 18,156,110</u>	<u>\$ 16,319,830</u>
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
(a) Available	\$ 4,083,640	\$ 2,505,506
(b) Unavailable	2,994,225	222,132
2) Obligated Balance not yet Disbursed	<u>11,078,245</u>	<u>13,592,192</u>
Total	<u>\$ 18,156,110</u>	<u>\$ 16,319,830</u>

Financial Section

Note 3: Other Assets

Other assets of the Board in FY2012 consist of an advance to GSA and Government Printing Office (GPO). The advance to GSA is for proprietary subscription databases from Dun and Bradstreet (D&B) for \$147,833 and \$2,759,528, as of September 30, 2012 and 2011, respectively. The data from D&B is used to support the transparency function of the Board by the association of reporting data to the DUNS number. The D&B databases are also utilized for investigative purposes and are needed to meet the Recovery Act requirements. The advance to GPO consists of the GPO deposit account for \$15,000. An estimated cost of printing is determined by the Board, in which the funds are then deposited into their GPO account. As the Board utilizes the GPO services, the funds are disbursed from the GPO account. Advanced payments to GPO for printing and binding are authorized by 44 USC Section 310.

	<u>2012</u>	<u>2011</u>
Advance	<u>\$ 157,833</u>	<u>\$ 2,759,528</u>
Total Other Assets	<u>\$ 157,833</u>	<u>\$ 2,759,528</u>

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Note 4: Accounts Receivable

The line item represents the gross amount of monies owed to the Board. The Board has historically collected receivables due and thus has not established an allowance for uncollectible accounts.

Accounts Receivable	<u>2012</u>	<u>2011</u>
Claims	<u>\$2,343</u>	<u>\$ -</u>

Financial Section

Note 5: General Property, Plant and Equipment, Net

The Board's total cost, accumulated depreciation, and net book value for PPE for the year ended September 30, 2012 and 2011 are as follows.

<u>2012</u>	Leasehold Improvements	Equipment	Internal-Use Software	Total
Cost	\$320,601	\$1,537,339	\$2,705,970	\$4,563,910
Accum. Depr.	<u>(144,699)</u>	<u>(1,023,793)</u>	<u>(1,555,153)</u>	<u>(2,723,645)</u>
Net Book Value	<u>\$175,902</u>	<u>\$513,547*</u>	<u>\$1,150,817</u>	<u>\$1,840,265*</u>
<u>2011</u>	Leasehold Improvements	Equipment	Internal-Use Software	Total
Cost	\$94,261	\$1,476,487	\$2,705,970	\$4,276,718
Accum. Depr.	<u>(17,461)</u>	<u>(652,175)</u>	<u>(846,499)</u>	<u>(1,516,135)</u>
Net Book Value	<u>\$76,800</u>	<u>\$824,312</u>	<u>\$1,859,471</u>	<u>\$2,760,583</u>

*Rounding

Financial Section

Note 6: Liabilities Not Covered by Budgetary Resources

Liabilities of the Board are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2012, the Board had liabilities covered by budgetary resources of \$3,485,820 and liabilities not covered by budgetary resources of \$220,114. As of September 30, 2011, the Board had liabilities covered by budgetary resources of \$3,476,451 and liabilities not covered by budgetary resources of \$187,095.

	<u>2012</u>	<u>2011</u>
Unfunded Leave	\$ 220,114	\$ 187,095
Total liabilities not covered by budgetary resources	\$ 220,114	\$ 187,095
Total liabilities covered by budgetary resources	\$ 3,485,820	\$ 3,476,451
Total Liabilities	<u>\$ 3,705,933*</u>	<u>\$ 3,663,546</u>

**Rounding*

Financial Section

Note 7: Other Liabilities

Other liabilities with the public for the year ended September 30, 2012 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable.

		<u>FY 2012</u>	
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 17,665	\$ 17,665
Total Intragovernmental	\$ -	\$ 17,665	\$ 17,665
Liabilities with the Public			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 3,012	\$ 3,012
Unfunded Leave	\$ 220,114	\$ -	\$ 220,114
Accrued Funded Payroll & Leave	\$ -	\$ 73,025	\$ 73,025
Total Other Liabilities with the Public	<u>\$ 220,114</u>	<u>\$ 76,037</u>	<u>\$ 296,151</u>

		<u>FY 2011</u>	
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 16,643	\$ 16,643
Total Intragovernmental	\$ -	\$ 16,643	\$ 16,643
Liabilities with the Public			
Employer Contributions and Payroll Taxes Payable	\$ -	\$ 2,815	\$ 2,815
Unfunded Leave	\$ 187,095	\$ -	\$ 187,095
Accrued Funded Payroll & Leave	\$ -	\$ 74,499	\$ 74,499
Total Other Liabilities with the Public	<u>\$ 187,095</u>	<u>\$ 77,314</u>	<u>\$ 264,409</u>

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Note 8: Leases

Entity as Lessee:

The Board leases office space located at 1717 Pennsylvania Avenue, NW, Suite 700 in Washington, DC. The lease was entered into on April 10, 2009, became effective April 13, 2009, and has a term of 54 months, terminating September 30, 2013. The tenant may relinquish space upon four (4) months notice. Thus, at any time, the Board's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through GSA's Public Building Services, plus any rent concession not yet earned. The Board has elected to expend a total of \$199,000 for their tenant improvements. This amount has been amortized in rent.

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

Year Ending September 30, 2013	<u>\$ 1,193,758</u>
Total Future Lease Payments	<u>\$ 1,198,758</u>

For the year ended September 30, 2012 and 2011, occupancy expenses were \$1,106,994.13 and \$921,842 respectively.

Financial Section

Note 9: Intragovernmental Costs

The portion of the Board's program costs related to Intragovernmental Costs and Costs with the Public are shown as follows (note as the Board earns no revenue from its operations, gross and net costs are identical). Intragovernmental costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to GSA). Costs with the Public are incurred from exchange transactions with non-Federal entities (i.e., all other program costs).

FY 2012	Intragovernmental Costs	Costs with the Public	Total Program Costs
Board Oversight, Coordination, and Reporting, Including Admin Expenses	\$ 3,264,951	\$ 4,434,512	\$ 7,699,464*
Systems Enhancements, Policy, Guidance, Program Management, Oversight	<u>\$ 9,124,491</u>	<u>\$13,466,848</u>	<u>\$22,591,339</u>
Total	<u>\$12,389,442</u>	<u>\$17,901,360</u>	<u>\$30,290,803*</u>

FY 2011	Intragovernmental Costs	Costs with the Public	Total Program Costs
Board Oversight, Coordination, and Reporting, Including Admin Expenses	\$ 3,140,237	\$ 4,139,213	\$ 7,279,450
Systems Enhancements, Policy, Guidance, Program Management, Oversight	<u>\$ 6,678,408</u>	<u>\$11,831,884</u>	<u>\$18,510,292</u>
Total	<u>\$ 9,818,645</u>	<u>\$15,971,098</u>	<u>\$25,789,742</u>

*Rounding

Financial Section

Note 10: Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

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

	<u>FY 2012</u>
Direct	
Category B	<u>\$24,327,304</u>
	<u>FY 2011</u>
Direct	
Category B	<u>\$33,580,591</u>

Financial Section

Note 11: Undelivered Orders at the End of the Period

The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders (goods and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year by the Board for good and services received). The amount of each is as follows:

	Undelivered Orders	Accounts Payable	Unpaid Obl. Balance, Net
FY 2012	<u>\$ 7,592,425</u>	<u>\$3,485,820</u>	<u>\$11,078,245</u>
FY 2011	<u>\$10,115,741</u>	<u>\$3,476,451</u>	<u>\$13,592,192</u>

Financial Section

Note 12: Reconciliation of Net Cost of Operations (Proprietary) to Budget

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

Financial Section

Note 12: Reconciliation of Net Cost of Operations (Proprietary) to Budget (continued)

A reconciliation between budgetary resources obligated and net cost of operations (i.e. providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2012	FY 2011
Budgetary Resources Obligated	\$24,327,304	\$33,580,591
Spending Authority from Offsetting Collections and Recoveries	(327,532)	(370,160)
Imputed Financing from Costs Absorbed by Others	215,296	204,671
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	5,124,740	(6,995,122)
Resources that Finance the Acquisition of Assets	(289,535)	(1,658,715)
Financing Sources Yet to be Provided	33,019	51,147
Components Not Requiring or Generating Resources	<u>1,207,510</u>	<u>977,330</u>
Net Cost of Operations	<u>\$30,290,803*</u>	<u>\$25,789,742*</u>

**Rounding*

Financial Section

Note 13: Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 14, 2012, which is the date the financial statements were available to be issued.

Other Accompanying Information

Acting under the American Recovery and Reinvestment Act of 2009, President Obama announced in March the four appointees to the Recovery Independent Advisory Panel. These panel members will recommend ways to assist the Board in its mission of finding and minimizing fraud, waste and abuse in the Recovery program. In fiscal year 2012 Steven Koch resigned from the panel. The current panel members are:

Chris Sale, a vice president for Development Finance at CHF International where she provides guidance and informs policy for the CHF International's micro-enterprise, housing finance and small-to-medium enterprise lending programs. Ms. Sale has more than 20 years experience in finance and development, having served as the deputy advisor for External Relations for the Inter-American Development Bank, deputy to the chairman and CFO of the FDIC, COO of the U.S. Small Business Administration, among other positions. Ms. Sale is currently a fellow of the National Academy of Public Administration, and the Finance and Investment Chair for the National Partnership for Women and Families.



Malcolm K. Sparrow, a professor of the Practice of Public Management at Harvard's Kennedy School of Government, where he has taught since 1988. Before joining the Harvard faculty, Dr. Sparrow served 10 years with the British Police Service, rising to the rank of Detective Chief Inspector. At Harvard, Dr. Sparrow has focused on the risk management challenges faced by regulatory and law enforcement agencies. He is the author of several books and has worked closely with U.S. and overseas regulators on issues including crime, terrorism, corruption, fraud, environmental protection, safety management and regulatory compliance.



Edward Tufte, a Professor Emeritus of political science, statistics, and computer science at Yale University. Dr. Tufte wrote, designed, and self-published *The Visual Display of Quantitative Information*, *Envisioning Information*, *Visual Explanations* and *Beautiful Evidence*, which together have received 40 awards for content and design. He is a fellow of the American Academy of Arts and Sciences, the Guggenheim Foundation, the Center for Advanced Study in the Behavioral Sciences, the Society for Technical Communication, and the American Statistical Association.



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