1999 Financial Report

1999

Issued May 2000



U S C E N S U S B U R E A U

Helping You Make Informed Decisions

U.S. Department of Commerce
Economics and Statistics Administration
U.S. CENSUS BUREAU



Economics and Statistics Administration

Robert J. Shapiro,
Under Secretary
for Economic Affairs



U.S. CENSUS BUREAU
Kenneth Prewitt,
Director

William G. Barron,
Deputy Director

Nancy A. Potok
Principal Associate Director
and Chief Financial Officer

U.S. Census Bureau
1999 Financial Report

THE MISSION

The mission of the U.S. Census Bureau is to be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States.

OUR GOAL

To provide the best mix of timeliness, relevancy, quality, and cost for the data we collect and services we provide.

Our Strategies:

1. *Greater Customer Satisfaction*— What our customers want must dictate what we do.

2. *Greater Productivity*— Improved productivity results in lower costs, greater timeliness, and higher quality.

3. *Better Public Perception and Cooperation* — By giving attention to public needs and concerns, we improve the public's perception of the Census Bureau and increase public cooperation with our censuses and surveys.

4. *Develop a More Diverse, Effective, and Skilled Work Force*— We want to benefit from diversity, strengthen relationships with employees, and use highly productive teams.

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U.S. Census Bureau



U.S. Department of Commerce
William M. Daley,
Secretary

Robert L. Mallett,
Deputy Secretary

Economics and Statistics Administration
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Under Secretary for
Economic Affairs

U.S. CENSUS BUREAU
Kenneth Prewitt,
Director

Message From the CHIEF FINANCIAL OFFICER

The business of the U.S. Census Bureau (BOC) is performing large surveys and censuses which provide high quality statistics about the American people and economy. Primary among these is the Decennial Census of Population and Housing (Census 2000). FY1999 was the critical year of preparation for Census 2000. Preparatory activity included setting up the field infrastructure, printing questionnaires, developing and implementing computer and telecommunications systems, completing address listing work, and testing census methodologies. The massive preparation and use of resources are reflected in our financial statements. The Census Bureau continues to be committed to making Census 2000 the most accurate in recent history.

Lesser known but no less important census activities took place in FY1999—the first reports using the new North American Industry Classification System (NAICS) from the 1997 Economic Census and Census of Governments were released. These are the cornerstones of U.S. economic statistics, providing 5-year benchmarks on this Nation's businesses, industries, and non-Federal Governments.

Major surveys on Current Population, American Housing, Crime Victimization, Health, and more were carried out by the BOC on a reimbursable basis for client agencies to supply current information on this country's people and how we live. The American Community Survey (ACS) will provide nationally comparable and consistent community-based data on an annual basis. It will allow the Decennial Census long form to be discontinued in 2010 and assure that critical information is updated more than every 10 years.

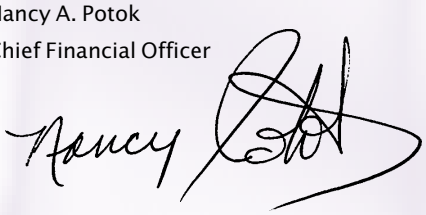
Viewed in their totality, the information products we create with the data we collect support the Department of Commerce's mission to promote job creation, economic growth, sustainable development, and improved living standards for all Americans. We work in partnership with businesses, universities, communities, and other government agencies—Federal, State, Local, and Tribal—to build for the future, to promote U.S. competitiveness with cutting-edge science and technology and an unrivaled information base, and to provide effective management and stewardship of the Nation's resources and assets.

The BOC continued in FY1999 to improve its financial control structure by using the new Commerce Administrative Management System (CAMS) to provide management reports to improve our financial processes and audit reports to improve the timeliness and effectiveness of audit activities. CAMS provides a framework to improve financial reporting for program managers, preparation of financial statements, and conformance with recommended accounting standards and principles for the Federal Government.

The BOC prepares its financial statements in conformity with generally accepted accounting principles for the Federal Government.

We look forward to further success in FY2000.

Nancy A. Potok
Chief Financial Officer



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Overview: General Information

General Information

The U.S. Census Bureau (BOC) is the largest statistical agency of the Federal Government. It conducts:

- the constitutionally mandated (Article 1, Section 2) Census of Population and Housing every 10 years for apportioning seats in the House of Representatives
- eight censuses related to economic entities and state and local governments every 5 years
- more than 100 demographic and economic surveys on a monthly, quarterly, and annual basis



The vast array of data the BOC collects describes the Nation's population, housing, businesses, governmental finances, foreign trade, and other vital characteristics. Its analysis forms the basis for fiscal and policy decisions by the Administration; the Congress; business leaders; state, local, and tribal planners; trade associations; and academicians.

The BOC is composed of three major program areas—Decennial, Economic, and Demographic. Statistical research, financial, administrative, and information technology divisions support the work of these program areas. In addition, a corps of field representatives carries out the direct collection of survey data through 12 regional offices across the United States. We operate three computer-assisted telephone centers. Our National Processing Center in Jeffersonville, Indiana handles data processing, warehousing, publication distribution, and geographic services. The BOC's headquarters is outside Washington, DC, in Suitland, Maryland, which is located in Prince George's County.

Our mission is to be the preeminent collector and provider of timely, relevant, and quality data about the people and economy of the United States. Our goal is to provide our customers with the best mix of timeliness, relevancy, quality, and cost for the data we collect and services we provide. Our mission and goal support the Department of Commerce's (DOC) mission to promote job creation, economic growth, sustainable development, and improved living standards by working in partnership with businesses, universities, communities, and workers. We do this through the



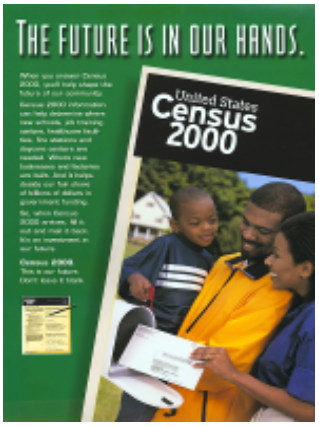


decennial census, quinquennial economic censuses, and numerous economic and demographic surveys that measure changing individual and household demographics and the economic condition of the Nation.

Major Programs

Census 2000

The decennial census, funded by our Periodic Programs appropriation, is the Nation's oldest and most comprehensive source of population and housing information. Census 2000 will be the 22nd decennial enumeration in our Nation's history. The U.S. Government uses our count of the population in each state to apportion the seats in the House of Representatives. The decennial census data are also used in drawing congressional and state legislative districts and the annual distribution of billions of dollars of Federal funds. The data will be used by state and local governments to make a wide variety of decisions to improve their communities. It will also be used as the basis for research, business planning, and investment. It is the only data collection operation that produces a wide range of information at the smallest geographic levels. Census 2000 will make an unprecedented effort to count every household and person. It aims to build partnerships at every stage of the process; make participation for respondents simple; use cutting-edge technology; employ special techniques to improve coverage ranging from automating operations to re-engineering the address list development and incorporating it with the geographic database; and greatly expand the marketing and promotion programs.







Economics

The diverse activities of this program produce information critical to the economic functioning of the United States and its citizens. Data—such as housing starts, retail sales, wholesale trade, merchandise imports and exports, mining, and manufacturing—are collected each month. These data support several leading indicators of national economic performance that shape the decisions of Wall Street investors and the Federal Reserve Board.

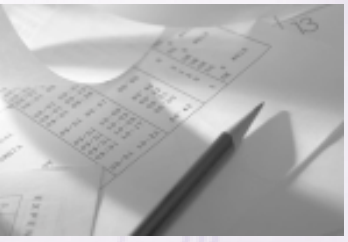
Demographics

Important demographic program efforts include: the preparation of official



population estimates and projections, plus the collection of survey data for official statistics on income and poverty, families, race and ethnic groups, and the Nation's housing characteristics. Our Survey of Income and Program Participation (SIPP) provides other government agencies with the data to evaluate the effects of their programs upon the population. SIPP also provides insights into the causes of changes in an individual's economic situation. This type of information is invaluable to policy makers who work to make government entitlement programs, such as welfare, as effective as possible.





The collection and analysis of housing and socioeconomic data also support the decennial census program. Federal Government agencies use our program data to allocate billions of dollars in Federal funds every year. This program data also set the definitions and standards used throughout the Federal Government for policy decisions (e.g., definitions of race and ethnicity, metropolitan statistical areas, poverty, and more).

The demographic programs continued to develop several major initiatives in the fiscal year. We are working on the Continuous Measurement Program, which will provide annual population and housing profiles. These are data we now obtain only every 10 years from the decennial census long form. The main components of Continuous Measurement Program are the American Community Survey and the Small Area Income and Poverty Estimates program, which produce current estimates of population and housing characteristics derived from statistical models.

Reimbursable Work

Work performed under reimbursable agreements with other Federal agencies (including the Departments of Labor, Health and Human Services, Housing and Urban Development and Justice) comprises a large part of our activities. For example, data from our Consumer Expenditures Survey are an important element of the Consumer Price Index, which the U.S. Bureau of Labor Statistics calculates and publishes. The Current Population Survey gathers data to calculate employment and unemployment statistics. Other major subject areas include health care, education, and criminal justice data.

Overview: Accomplishments

Accomplishments, Performance Measures, and Costs

Strategic Themes, Goals, Objectives, and Performance Measures:

The BOC's business is large-scale surveys and censuses. We support two of DOC's strategic themes: Economic Infrastructure and Science, Technology, and Information. These themes link to the Bureau's goal statement: *To provide our customers with the best mix of timeliness, relevancy, quality, and cost for the data we collect and services we provide.*



The Department of Commerce's FY1999 Annual Performance Plan (APP) contained performance measures for each of BOC's three major programs. When preparing the FY2000 Annual Performance Plan, the DOC asked all Commerce agencies to provide a reduced number of strengthened and revised performance measures for FY2000. The FY1999 measures were revised or deleted to best match the new FY2000 goals and measures. Our measures apply to two departmental goals for the BOC: (1) to provide quality data and (2) to provide timely and relevant data. In the following sections we report results against performance measures from FY1999 and FY2000. The process is still ongoing as measures are reconsidered as part of the preparation of the FY2001 APP, now underway.







Census 2000

The FY2000 DOC annual performance plan, developed in the fall of 1998, contained a key decennial performance measure of reducing the net population undercount to less than 0.1%. It assumed sampling for nonresponse and an integrated coverage measurement survey. However, this measure was deleted because of a subsequent ruling by the Supreme Court limiting the use of sampling. A revised performance measure will be proposed in the FY2001 Performance Plan.

The FY1999 program cost was $997,218,000. We opened 520 Local Census Offices in FY1999 to oversee Census 2000 operations and develop local relationships in the communities, four data capture centers to process census forms, printed census forms, established partnerships with national organizations, released dress rehearsal results, and canvassed addresses throughout the country to ensure the most complete coverage.

Census 2000 Program and Performance Measures

	Actual FY1998	Target FY1999	Actual FY1999
FY1999 APP Measures			
1. Open 4 Data Capture Centers (#)*	N/A	4	4
2. Open Regional Census Centers**	12	12	12
3. Canvass 94 million City Style Addresses (% completed)	N/A	100%	100%
4. Canvass 24 million Non-City Style Addresses (% completed)	25%	100%	100%
5. Establish Field Partnerships (% yearly plan)	100%	100%	100%
6. Award Contracts - Census Forms (% of total plan)	N/A	100%	100%
7. Release Final Dress Rehearsal Results (# of sites)	N/A	3	3
8. Release 1998 Dress Rehearsal Redistricting Products (% completed)	N/A	100%	100%

DCC - A decentralized data processing facility that receives questionnaires by direct mail and/or from a field office and processes the data in preparation for tabulation and publication.

**RCC - A temporary decennial census office that manages field office activities and conducts geographic programs and support operations, such as automated map production.

1. Performance target met. All four DCCs (Baltimore, The National Processing Center in Jeffersonville, Indiana - a permanent Census Bureau facility, Pomona and Phoenix) are open and the installation of the data capture equipment is complete.

2. Performance target met. This goal was actually attained in FY1998 when the last RCC opened in March 1998. All 12 RCCs were operational throughout FY1999 providing support for address list development and other field activities.

3. Performance target met. In areas of predominantly city-style (house number/street name) addresses, Census Bureau field staff canvassed every road and street where someone may live to add addresses for dwellings that were not included in the Census 2000 address file or to update information that was not correct. This operation was completed on May 15, 1999. The new address and map information was incorporated into the Master Address File (MAF) by July 14, 1999.

4. Performance target met. In areas of predominately non-city style addresses (for example, rural route and box number), the Census Bureau creates its address list through a field canvassing operation in which temporary field workers record the mailing address or physical location of each dwelling and also spot the location of that dwelling on a census map. This operation was completed on May 27, 1999, and efforts to incorporate the information into the MAF were finished on June 29, 1999.

5. Performance target met. 280 partnerships have been established with national government and non-government organizations including Federal agencies, Chambers of Commerce, Labor Unions, Trade and Professional Associations, Community Action/Advocacy Groups, Religious Organizations, Special Population Groups, and Educational Organizations. The Census Bureau is continuing to establish partnerships beyond the planned finish date as it works toward a goal of 400. In addition, approximately 150-200 partnership agreements will be established with Fortune 500 companies and other major corporations.

6. Performance target met. Production of the Census 2000 questionnaires is on schedule. All contracts to print the different types of Census questionnaires were awarded by March 30, 1999. Operations to print, address, if appropriate, assemble and ship the census form's packages to the U.S. Postal Service or other Census Bureau locations began as planned on July 15, 1999. This operation will continue until March 21, 2000.

7. Performance target met. The results of the Census 2000 Dress Rehearsal (for the 3 sites) were released initially as site level totals which mirror the release of the state population totals for apportionment in Census 2000. The release of the site level results was rescheduled under the direction of Dr. Kenneth Prewitt. The Dress Rehearsal was placed on the same schedule as Census 2000. Therefore, a January 15, 1999, release date (the last working day prior to January 17, 1999) is consistent with the April 18, 1998, Dress Rehearsal Census Day.

8. Performance target met. The first data product from the Census 2000 Dress Rehearsal was the tabulations as mandated for redistricting in Public Law 94-171. This was released on April 19, 1999, and it mirrors the initial data product for Census 2000, which includes tabulations and maps at the block and voting district geographic level for each state. The data are tabulated for the total population and for persons 18 years old and over for race and Hispanic origin groups.

Economic Programs

The BOC economic area collaborates extensively and shares goals with the Bureau of Economic Analysis, Economics Statistics Administration (BEA/ESA), another DOC agency. BEA/ESA uses census information to produce and disseminate economic statistics and incorporates its vast amount of data into estimates of the U.S. Gross Domestic Product. The results of the measures will be reported by BEA/ESA.

The FY1999 Economic programs net costs were $150,741,000. The majority of the cost supported regular ongoing economic statistic programs. Additional costs were incurred to process the 1997 Economic Census and begin releasing census reports.



Demographic Programs

The Census Bureau reports the results below against its performance goals in the DOC's FY1999 & 2000 Annual Performance Plans. The FY1999 demographic program cost was $94,446,000. The majority of the costs were for regular ongoing monthly surveys on income, the labor force, and welfare reform and for population analyses. Other costs were incurred to continue to collect and process data from 31 test sites for the American Community Survey.



Reimbursable Work

The FY1999 cost of reimbursable work performed was $170,995,000, which was offset by $171,920,000 of revenues received from customers for this work. BOC performs more than 100 surveys for other organizations and 94% of this is for other Federal agencies. These agencies use the survey data in their programs and incorporate the results in their own performance measures.



Other Programs

The FY1999 net cost for other programs was $15,392,000. The majority of the net costs was for supporting Census Bureau programs, such as geographic support, information technology, survey methodology, and research.

Demographic Programs and Performance Measures

	Actual FY1998	Target FY1999	Actual FY1999
FY1999 APP Measures			
1. Describe Economic Status of all U.S. Households (# of Data Releases)	16	Deleted	N/A
2. Maintain cross-sectional household survey response rate	89-95%	Revised	N/A
3. Household Surveys with initial response rates >90%*	100%	100%	100%
4. Maintain American Community Survey final response rate in acceptable range while opening additional survey sites (# of Sites)	9	31	31
5. Response Rate Range	95-98%	95-98%	95-98%
6. Publish 1998 American Community Survey results	--	9	N/A
FY2000 APP Measures			
7. Percent of Household surveys attaining 100% of reliability specifications	100%	100%	100%
8. Reduce time between data collection and data release for selected household surveys	5%	5%	9%

* This performance measure is also included in the FY2000 DOC Annual Performance Plan.

1. Deleted for FY1999 in FY2000 DOC Annual Performance Plan (APP)

2. Revised for FY1999 in FY2000 Plan, see 3 below.

3. Performance target met. New performance measure for FY1999 and FY2000.

4. Performance target met. New performance measure for FY1999 and FY2000 APP. The original target in the FY1999 APP was 37 sites but was revised downward to 31 sites following appropriations reductions subsequent to submission of the FY1999 APP.

5. Performance target met. Performance measure deleted for FY1999 and FY2000 in the FY2000 APP.

6. Deleted for FY1999 in FY2000 DOC APP.

7. Performance target met. New performance measure for FY1999 and FY2000.

8. Performance target met. The percentage of time reduced was achieved for this measure. Although the percentage targets and performance shown above and in the FY2000 APP are correct, the target number of months-reduced shown in the FY2000 APP was incorrectly stated and inconsistent with the percentages. This error will be corrected in the FY2000 APP submission.

Financial Management Information

Financial Management Organization

Changes in the U.S. Census Bureau Financial Management Structure

The BOC made several organizational changes to improve its overall financial management in FY1999. To that end, we retitled the Associate Director for Administration/Comptroller the Associate Director for Finance and Administration. Concomitant with that change, a Comptroller position was established reporting to the Associate Director for Finance and Administration. The Acquisition Division along with the Budget and Finance Divisions, reports to the Comptroller.

A Finance Division reorganization was approved in FY1999. As part of the reorganization, the Systems and Financial Reporting Branch will be renamed Financial Information Requirements Branch, and a new Financial Management and Reporting Branch (FMRB) will be created. This will separate financial systems and reporting functionality: 1) increasing internal control by segregating responsibility at the branch level and 2) more closely aligning skill sets at the management level to work performed.

The new FMRB will include the Cost Analysis and Reconciliation (CARS), Financial Reporting (new) and Reimbursables (new) Sections. Creation of a Reimbursables Section is supported by the material impact of reimbursable work on the (non-decennial year) financial statements.



The Reimbursables Section will assume responsibility from the existing General Ledger and Reports Section (GLRS) for processing all transactions for reimbursable agreements including customer invoicing, maintenance, and reporting. The section will assume responsibility for collections from reimbursable projects, as well as all other cash receipts. The remaining GLRS function will remain in the section renamed Financial Reporting.

A new section, Information Requirements Analysis, will replace the CAMS Support Section, retaining much of the existing functionality while recognizing the change in mission from supporting implementation of CAMS to developing Financial management capabilities. The section will serve as the Finance liaison to the Commerce Support Center; develop reports and execute queries; develop and document, or

update, CAMS CFS policies and user procedures; and provide CFS support and training for Finance users. This section will represent Finance on interdivisional taskforces and teams established for new system development/enhancement and implementation, and integration testing. CFS table maintenance and maintenance of the Electronic Certification System (ECS) and the Finance Web page will also be responsibilities of this section.





Currently, the majority of the workload in the System and Policy Section is to provide accounting systems support for interfaces to CFS that are not provided by CAMS, to ensure the accuracy and integrity of the data, and to provide customer service related to payroll matters. The scope of the section will be further expanded to include control of month-end and year-end close processes. Hence the change in the name of the section to Information Processing and Control, in recognition of the changing role played by the section.



Converting Payments to Electronic Funds Transfer (EFT)

Effective January 1999, employees who received salary paper checks were required to designate a financial institution for the receipt of future salary payments by EFT. An exception to the EFT requirement was made for employees who do not have an account at a financial institution and determine the EFT would pose a financial hardship. Effective December 1999, the majority of imprest payments (Cash-in-a-Flash, local travel, travel advance payment, emergency salary payments) were converted to payment via the Core Financial System using EFT. The remaining payments will transition by March 31, 2000.

Ensuring Financial Systems Can Handle Year 2000 Transactions

All financial source data originating from legacy systems are Year 2000 compliant. This is the result of the design and implementation of the interface system developed to support the CAMS core financial system. The interface system selects, reformats, and validates the

accounting codes of all obligation, accrual, and disbursement transactions recorded in the subsidiary systems before posting to the CFS. The interface sends the fiscal year in a four-digit format. The Budget Management Information System interface, similarly selects, reformats, and validates the accounting codes of all budget operating plan data. It does this before posting them in the Core Financial System's budget execution module. The budget system sends the fiscal year in a four-digit format. We have replaced all but a few financial subsidiary systems by direct entry of source financial documents into the CFS data entry screens. These screens are Year 2000 compliant. New off-the-shelf software replaced the few remaining mixed subsidiary systems. In some cases, the BOC redesigned and redeveloped these systems to make them Year 2000 compliant.



The FY1999 funding for Year 2000 compliance was $20,900,000; the actual obligations for 1999 were $20,556,000.

Limitations of the Financial Statements





The financial statements have been prepared to report the financial position and results of operations of the BOC, pursuant to the requirements of 31 U.S.C. 3515(b).

While the statements have been prepared from the books and records of the BOC in accordance with the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that 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. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Financial Statements and Footnotes

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Consolidated Balance Sheet for the Period Ended September 30, 1999

(In thousands)

Assets	
Intragovernmental:	
Fund balances with treasury (Note 2)	$577,778
Accounts receivable (Note 3)	1,477
Total intragovernmental assets	$579,255
Accounts receivable, net (Note 3)	1,568
Inventories and related property, net (Note 4)	2,156
Property and equipment, net (Note 5)	42,844
Other assets	1,995
Total assets	$627,818
Liabilities	
Intragovernmental:	
Accounts payable	$21,439
Deferred revenue (Note 8)	77,708
Other liabilities (Note 6)	17,140
Accrued payroll and benefits (Note 7)	5,812
Total intragovernmental liabilities	$122,099
Accounts payable	$80,823
Accrued payroll and benefits (Note 7)	40,896
Deferred revenue (Note 8)	5,144
Federal employees and veterans benefits (Note 13)	32,804
Unfunded accrued leave (Note 13)	30,267
Other liabilities (Note 6)	1,721
Total liabilities	$313,754
Net Position	
Unexpended appropriations (Note 12)	$323,165
Cumulative results of operations (Note 14)	(9,101)
Total net position	$314,064
Total Liabilities and Net Position	$627,818

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Consolidating Statement of Net Cost (Note 9) for the Period Ended September 30, 1999

(In thousands)

	Census 2000	Economic Programs	Demo-graphic Programs	Reim-bursable	All Others	Total Combined	Elimi-nating Entries	Total
Goal 1: Provide Quality Data								
Intragovernmental	$109,967	$43,312	$26,542	$55,589	$138,059	$373,469	($217,625)	$155,844
Public	388,642	32,059	20,680	29,909	87,262	$558,552	0	558,552
Total program costs	$498,609	$75,371	$47,222	$85,498	$225,321	$932,021	($217,625)	$714,396
Less earned revenues	0	0	0	(85,960)	(217,625)	($303,585)	217,625	(85,960)
Net program costs	$498,609	$75,371	$47,222	($462)	$7,696	$628,436	$0	$628,436
Goal 2: Provide Timely and Relevant Data								
Intragovernmental	$109,967	$43,312	$26,543	$55,588	$138,059	$373,469	($217,625)	$155,844
Public	388,642	32,059	20,680	29,909	87,262	$558,552	0	558,552
Total program costs	$498,609	$75,371	$47,223	$85,497	$225,321	$932,021	($217,625)	$714,396
Less earned revenues	0	0	0	(85,960)	(217,625)	($303,585)	217,625	(85,960)
Net program costs	$498,609	$75,371	$47,223	($463)	$7,696	$628,436	$0	$628,436
Net Cost of Operations	$997,218	$150,741	$94,446	($925)	$15,392	$1,256,872	$0	$1,256,872

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Consolidating Statement of Changes in Net Position for the Period Ended September 30, 1999

(In thousands)

	Census 2000	Economic Programs	Demo-graphic Programs	Reim-bursable	All Others	Total
Net Cost of Operations	($997,218)	($150,741)	($94,446)	$925	($15,392)	($1,256,872)
Financing sources						
Appropriations used	926,739	144,558	90,954	0	53,872	1,216,123
Imputed financing	27,503	4,290	2,699	0	0	34,492
Net results of operations	($42,976)	($1,893)	($793)	$925	$38,480	($6,257)
Increase in unexpended appropriations						172,231
Change in net position						$165,974
Net position - beginning of period						148,090
Net Position - End of Period						$314,064

Note: The Census Bureau did not have any Intra-Agency Elimination entries for the Consolidating Statement of Changes in Net Position. Expenses and revenue were eliminated on the Statement of Net Cost.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Consolidating Statement of Budgetary Resources (Note 11) for the Year Ended September 30, 1999

(In thousands)

	Salaries and Expenses	Periodic Censuses & Programs	Y2K Compliance	Working Capital Fund	Total Combined	Eliminating Entries	Total Consolidating
Budgetary Resources							
Budget authority	$146,059	$1,223,678	$20,900	$0	$1,390,637	$0	$1,390,637
Unobligated balances - beginning of period	13,067	10,204	0	8,889	32,160	0	32,160
Spending authority from offsetting collections	0	0	0	608,891	608,891	(435,250)	173,641
Recoveries of prior year obligations	357	4,159	0	1,748	6,264	0	6,264
Cancellation of expired Accounts	(2,264)	0	0	0	(2,264)	0	(2,264)
Total budgetary resources	$157,219	$1,238,041	$20,900	$619,528	$2,035,688	($435,250)	$1,600,438
Status of Budgetary Resources							
Obligations incurred	$146,316	$1,233,305	$20,556	$610,572	$2,010,749	($435,250)	$1,575,499
Unobligated balances - available	0	4,736	344	8,956	14,036	0	14,036
Unobligated balances - not available	10,903	0	0	0	10,903	0	10,903
Total, status of budgetary resources	$157,219	$1,238,041	$20,900	$619,528	$2,035,688	($435,250)	$1,600,438
Outlays							
Obligations incurred	$146,316	$1,233,305	$20,556	$610,572	$2,010,749	($435,250)	$1,575,499
Less: spending authority from offsetting collections and recoveries	(357)	(4,159)	0	(610,639)	(615,155)	435,250	(179,905)
Obligated balance, net - beginning of period	10,762	164,862	0	47,997	223,621	0	223,621
Less: obligated balance, net - end of period	(13,745)	(409,915)	(8,710)	(60,276)	(492,646)	0	(492,646)
Total outlays	$142,976	$984,093	$11,846	($12,346)	$1,126,569	$0	$1,126,569

The accompanying notes are an integral part of these statements.

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS

Consolidating Statement of Financing for the Period Ended September 30, 1999

(In thousands)

	Salaries and Expenses	Periodic Censuses & Programs	Y2K Compliance	Working Capital Fund	Total Combined	Eliminating Entries	Total Consolidating
Resources Used to Finance Activities							
Budgetary							
Obligations incurred	$146,316	$1,233,305	$20,556	$610,572	$2,010,749	($435,250)	$1,575,499
Less: spending authority from offsetting collections and adjustments	(357)	(4,159)	0	(610,639)	(615,155)	435,250	(179,905)
Imputed financing	6,989	27,503	0	0	34,492	0	34,492
Total resources used to finance activities	152,948	$1,256,649	$20,556	($67)	$1,430,086	$0	$1,430,086
Resources Used That Do Not Fund Net Cost of Operations							
Change in obligations incurred for goods, services, and benefits ordered but not yet received or provided	($1,778)	($177,393)	($275)	$1,733	($177,713)	$0	($177,713)
Change in unfilled customer orders	0	0	0	1,433	1,433	0	1,433
Resources that finance the acquisition of assets	(192)	(15,489)	0	(4,410)	(20,091)	0	(20,091)
Resources that finance costs recognized in prior periods	0	0	0	(2,091)	(2,091)	0	(2,091)
Total resources used that do not fund net cost of operations	($1,970)	($192,882)	($275)	($3,335)	($198,462)	$0	($198,462)
Costs That Do Not Require Budgetary Resources							
Depreciation and amortization	$0	$0	$0	$13,081	$13,081	$0	$13,081
Other	0	0	0	(3,363)	(3,363)	0	(3,363)
Total costs that do not require budgetary resources	$0	$0	$0	$9,718	$9,718	$0	$9,718
Costs That Will Be Financed With Budgetary							
Resources received in future periods	$0	$11,124	$0	$4,406	$15,530	$0	$15,530
Net cost of operations	$150,978	$1,074,891	$20,281	$10,722	$1,256,872	$0	$1,256,872

The accompanying notes are an integral part of these statements.

Financial Footnotes

Note 1. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying financial statements have been prepared to report the financial position, net costs, and changes in net position of BOC, together with budgetary resources and a reconciliation of net costs to budgetary obligations, as required by the Government Management Reform Act of 1994 and in accordance with generally accepted accounting principles (GAAP). GAAP for federal financial reporting entities recognizes the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body designated to establish these principles for these entities. The financial statements have also been prepared from the books and records of BOC in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) Bulletin 97-01, Form and Content of Agency Financial Statements, as amended, and Department of Commerce accounting policies, when applicable, which are summarized in this note.



Elimination of Intra-Commerce Transactions and Balances

All identified transactions and balances among BOC accounts have been eliminated from BOC Consolidated Balance Sheet and the Consolidating Statements of Net Cost and Changes in Net Position. As provided for by OMB Bulletin No. 97-01, the Statements of Budgetary Resources and Financing are prepared on a consolidating basis; therefore, Intra-Census transactions and balances have been eliminated.

Reporting Entity

The BOC's mission is to collect and provide high quality statistics about the American people and economy. To deliver high value, the BOC must target measurement on those trends and segments of our population and economy most critical to continued American success and prosperity. The Congressional Act of March 6, 1902, established a Census Bureau and provides for various surveys and censuses. Title 13 of the United States Code regulates laws pertaining to the BOC's statistical programs and ensures confidentiality of data. Section 401 of Executive Order 12656, directs the Secretary of Commerce to provide for the







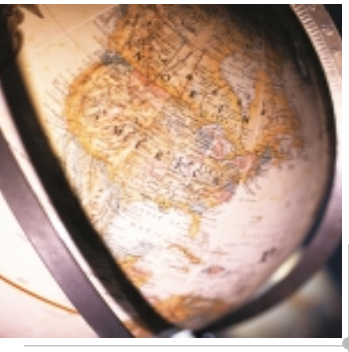


collection and reporting of census information on human and economic resources, and maintain a capability to conduct emergency surveys to provide information on the status of these resources as required for national security emergencies.

To support its mission, the BOC receives financial resources from the following:



Salaries and Expense Appropriation (S&E): Annual 1-year appropriations are provided by Congress and are available for obligation in the fiscal year for which it was provided to fund the overall operation of the BOC. For FY1999, the Congress reduced base S&E funding provided through the regular appropriations process by $10 million and, pursuant to P.L. 105-277, transferred a like amount to the Census Bureau from Funds Appropriated to the President, Information Technology Systems and Related Expenses, to ensure Y2K readiness of related systems.





Survey of Program Dynamics Appropriation (SPD): $10 million was established and funded through mandatory appropriations within S&E for fiscal years 1996 through 2002 by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193). The SPD provides policy makers with socioeconomic data on the impact of the welfare provisions of the Act.

Periodic Censuses and Programs Appropriation: No-year appropriations are provided by Congress to fund the Decennial Census conducted every 10 years, the economic censuses and the census of governments which are conducted every 5 years, as well as other programs which are conducted on a cyclical basis. For FY1999, the Congress reduced the amount for the Decennial Census provided through the regular appropriations process by $10.9 million and, pursuant to P.L. 105-277, transferred a like amount to the Census Bureau from Funds Appropriated to the President, Information Technology Systems and Related Expenses, to ensure Y2K readiness of related systems.

Working Capital Fund: This is a non-appropriated account used to finance

services within the BOC. These services are more efficiently performed on a centralized basis and include reimbursable statistical work the BOC performs for other Federal agencies, state and local governments, foreign governments, and the private sector.

Census Programs

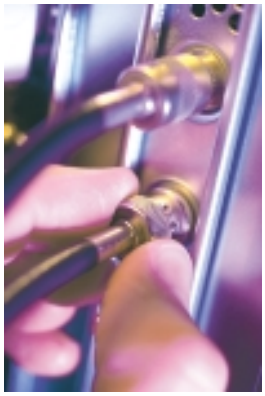


The BOC is the largest statistical agency of the Federal Government. While best known for the Decennial Census, the BOC conducts other surveys and censuses that measure changing individual and household demographics and economic conditions of the United States. Major program functions and activities include the following:

Decennial Census of Population and Housing: The Decennial Census is one of the few Federal activities for which authority rests in the Constitution (Article 1, Section 2). The Decennial Census is the Nation's oldest and most comprehensive source of population and housing information. Decennial Census data provide the basis for apportioning among the states the seats in the U.S. House of Representatives and for developing the districts that members of Congress, state legislators, and other elected individuals represent. The Census 2000 will be the largest in America's history.







Economics Programs: Economic programs produce information critical to the economic functioning of the United States and its citizens. Data, such as housing starts, retail sales, wholesale trade, merchandise imports and exports, mining, and manufacturing, are collected each month.

Demographic Programs: Important demographic efforts include the preparation of official population estimates and projections, plus the collection of survey data for official statistics on income and poverty, families, race and ethnic groups, and the Nation's housing characteristics.

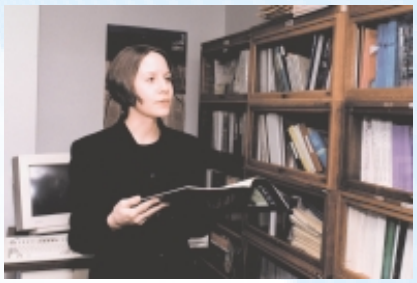
Reimbursable Programs: Reimbursable programs receive funds from other Federal agencies, such as the Departments of Labor, Health and Human Services, Housing and Urban Development, and Justice, in exchange for our survey and data collection activities.

Other Programs: Other programs include Methodology and Standards,

Geographical Support, Data Processing Systems, Electronic Information Collection, Continuous Measurement, Demographic Surveys Sample Redesign, Cost Collection, and the Working Capital Fund.

Basis of Accounting

Transactions are recorded on an accrual accounting basis and on a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to the date of receipt of payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds.







Revenues and Other Financing Sources

The BOC receives funding needed to support its programs through appropriations. Both annual and multi-year appropriations are received and used, within statutory limits, for operating and capital expenditures. Additional resources are obtained through the collection of amounts from Reimbursable programs performed for other governmental and non-governmental entities.

Appropriations are recognized as revenues at the time the related program or administrative expenses are incurred. Appropriations expended for equipment are recognized as revenue when the liability is incurred.

Funds With the U.S. Treasury and Cash

The BOC does not, for the most part, maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. Funds with the U.S. Treasury consist of appropriated and deposit funds that are available to pay current liabilities and finance authorized purchase commitments.

Inventories

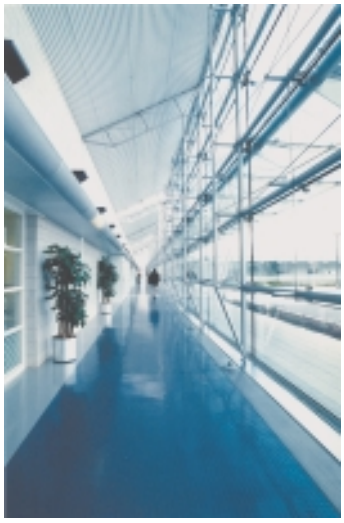
The BOC inventories are comprised of CD-ROMs held for sale. The inventories on hand are stated at the lower of cost or net realizable value.

Property and Equipment

The land and buildings in which the BOC operates are provided by the General Services Administration (GSA) which charges the BOC a Standard Level Users Charge (SLUC) that approximates the

commercial rental rates for similar properties. The BOC allocates its rent expense to its various funding sources.

Equipment acquisitions of $25,000 and over are capitalized and depreciated based on cost using the straight-line method over the estimated useful lives of the assets. Equipment with an acquisition cost of less than $25,000 is expensed when purchased.



Liabilities

Liabilities represent the amount of money or other resources that are scheduled to be paid by the BOC as the result of a transaction or event that has already occurred. Liabilities for which an appropriation has not been enacted are classified as unfunded liabilities. No liability can be paid by the BOC absent an appropriation.

Deferred Revenue

BOC receives advances from others for goods to be delivered or services to be performed. Deferred Revenue represents monies received from others for goods and services yet to be provided or rendered by BOC. Revenue is recognized as reimbursable costs are incurred, and the Unearned Revenue balance is reduced accordingly.





Accrued Payroll and Benefits

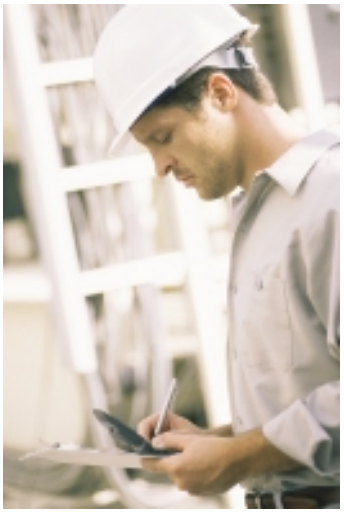
Accrued Payroll and Benefits represents salaries, wages, and benefits earned by the employees, but not disbursed as of September 30, 1999. The employees' benefits accrued are payable to other Federal agencies and are, therefore, reported under Intra-Governmental.

Annual, Sick, and Other Leave

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual and compensatory leave account is adjusted to reflect current leave balances and pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for BOC employees under FECA are administered by the Department of Labor and are ultimately paid by the BOC.





Workers' Compensation includes two components: (1) the accrued liability which represents money owed for claims paid through the current fiscal year and (2) the actuarial liability which represents the expected liability for approved compensation cases beyond the current fiscal year.

Future workers' compensation estimates were generated from an application of actuarial procedures developed to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined utilizing historical benefit payment patterns related to a specific period to estimate the ultimate payments related to that period.

Employee Retirement Plans

Employees hired after December 31, 1983, are automatically covered by the Federal Employees' Retirement System (FERS), implemented on January 1, 1987, while employees hired prior to that date may elect to join either FERS or to remain in the Civil Service Retirement System (CSRS). For employees in FERS, the BOC withholds 1.05% of gross earnings in addition to Social Security (FICA), and matches the withholding with a 10.7% contribution. The sum is transferred to the Federal Employees' Retirement Fund. For employees covered by the CSRS, the BOC withholds 7.25% of gross earnings. This withholding is matched by the BOC, and the sum of the withholding and the matching funds is transferred to the Civil Service Retirement System.



On April 1, 1987, the Federal Government initiated the Thrift Saving Plan (TSP), which is a retirement savings and investment plan for employees covered by either FERS or CSRS. The BOC makes a mandatory contribution of 1% of basic pay for FERS-covered employees. Employees are eligible to contribute up to 10% of basic pay to their TSP account, in addition, Census makes matching contributions, of up to 4% of basic pay for employees who contribute to the Thrift Savings Plan. CSRS participants may contribute up to 5% of their gross pay, but there is no governmental matching contribution. The maximum amount that either FERS or CSRS employees may contribute to the plan in calendar year 1999 was $10,000. The sum of employee and BOC contributions is transferred to the Federal Retirement Thrift Investment Board to administer.



The BOC financial statements do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to BOC employees and funded by BOC. Such reporting is the responsibility of the U.S. Office of Personnel Management.

Pension and Other Retirement Benefits

Statement of Federal Financial Accounting Standards (SFFAS) 5, Accounting for Liabilities of the Federal Government, and OMB Bulletin 97-01, Form and Content of Agency Financial Statements, require Federal entities to recognize an expense for pension and other retirement benefits at the time the employee's services are rendered.

To calculate the liability for pensions and other retirement benefit costs, the "service cost" or normal cost is calculated. Service cost is defined as the actuarial present value of benefits attributed by the pension plan's benefit formula to services rendered by employees during the accounting period. The amount of the service cost, less any employee contributions attributable to post-retirement benefits, is defined as the "pension expense" for the entity. To calculate the amount of additional expense to be recorded, the employer's contribution is subtracted from the pension expense

since the employer's contribution is expended with each pay period. Since the benefit for pensions is received after retirement, employee and employer contributions are attributed to the period after retirement and are subtracted from the service costs. The employee and employer contributions for health care and life insurance are attributed to the current period, and therefore, there is no offset to these service costs to calculate the other retirement benefit expense for the entity. These additional expenses represent the "subsidy" being made by the Office of Personnel Management (OPM) for employees' retirement benefits.







BOC recognizes these Imputed Costs on the Consolidating Statement of Net Cost. In addition BOC recognizes an Imputed Financing Source on the Consolidating Statement of Changes in Net Position and the Statement of Financing. For FY1999, the amount of Imputed Financing is $34,492,000.

Contingencies

The BOC is a party in various administrative proceedings, legal actions, and claims brought by, or against, the BOC. BOC management has determined that it is probable that some of these proceedings and actions will result in the incurrence of liabilities; however, BOC is not able to reasonably estimate the range of loss liability and/or the number of adverse outcomes. As a result, no liability for these items has been recorded in the financial statements as of September 30, 1999. Any resulting settlement costs will be paid for by the Department of the Treasury's Judgement Fund.

Use of Estimates

The preparation of financial statements in accordance with the accounting principles described above requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2. Fund Balances With Treasury:

The BOC cash receipts and disbursements are processed by the U.S. Treasury. Non-Federal receipts are deposited daily in commercial banks, which transfer the receipts to the U.S. Treasury. Federal



checks are mailed directly to the Federal Reserve Bank. Funds with the U.S. Treasury represent appropriated and reimbursable funds available to finance expenditures. Included in the Fund Balance with Treasury are entity deposit funds for unfinished reimbursable work with other Federal Agencies and the public. Non-entity deposit funds are suspense funds that are not available to finance BOC activities. Fund Balance with Treasury is the only Non-Entity Asset for the BOC.

Note 3. Accounts Receivable:

The BOC receivables are comprised primarily of funds due from Federal Government customers for funds advanced. The BOC obtains funds in advance for reimbursable work. When the cost of work performed is in excess of the advances received, a receivable is established until the funds are collected.

The amounts due from the public are stated net of any allowance for uncollectible accounts. The estimate of the allowance is based on an analysis of the outstanding balances.

Accounts receivable from the public are comprised of:

- Employees indebtedness for salary overpayments, health benefits, and other indebtedness of all current and noncurrent employees
- Amounts owed by non-profit organizations, and state and local governments that are not allowed to pay for services in advances

The BOC maintains an accounts receivable subsidiary ledger for amounts

(In thousands)

Fund Balances	Entity	Non-Entity	Total
Revolving Funds	$50,726		$50,726
Appropriated Funds	442,598		442,598
Deposit Funds	83,199	162	83,361
Deposit Funds - Suspense		1,093	1,093
Total Fund Balances	$576,523	$1,255	$577,778

due for goods and services provided to other Federal agencies, the public, and foreign entities. In addition, the Department of Agriculture, National Finance Center (NFC), maintains an accounts receivable subsidiary ledger on behalf of BOC for salary overpayments, health benefits, and other indebtedness of all current and noncurrent employees. The NFC receivables include both current receivables billed to the employee and in the process of repayment and unbilled receivables that will not be billed until the employee returns to active status and salary offset is initiated.

The BOC estimates the allowance for uncollectible account receivable based on the following agency schedule:

61-90 Days	0%
91-180 Days	15%
181-360 Days	35%
Over 360 Days	100%

(In thousands)

Accounts Receivable	Public	Entity Intra-governmental	Total 1999
Receivables	$1,683	$1,477	$3,160
Allowances End of Period	(115)		(115)
Accounts Receivable, Net	$1,568	$1,477	$3,045

Note 4. Inventories and Related Property:

The BOC inventory is comprised of data and information products held for future sale to other Federal Government agencies and to the public. The inventories on hand are stated at the lower of cost or net realizable value. Expenses are recorded when the inventories are sold and revenues are received from the customer. A reserve for obsolete items is based on items held in inventory that may not be sold and would be removed from inventory at a later date. Inventories also include operating materials and supplies, such as unused postage meters. The BOC intends to maintain inventory levels sufficient to meet only current demand.

(In thousands)

	Inventory Amount	Excess and Obsolete Inventory Allowance	1999 Inventory, Net
Total Inventories	$2,386	$230	$2,156

Note 5. Property and Equipment:

Effective October 1, 1996, the Office of Financial Management amended the DOC's accounting policy, raising the capitalization threshold from $5,000 to $25,000. The policy requires all equipment and software purchased after FY1996 for amounts $25,000 and over, with a useful life of at least 2 years, to be recorded as a capital asset and depreciated/amortized over its estimated economic useful life. Assets purchased prior to FY1996, which were capitalized at the former $5,000 threshold, are not affected by this change and will continue to be depreciated over the estimated number of years of their useful life. Assets purchased for less than the new capitalization threshold will be recorded as accountable property and inventoried along with capitalized items.

Depreciation rates are established on the basis of a reasonable estimate of the useful life of the assets to be depreciated. In establishing useful lives for assets, due consideration is given to:

- Factors cited in feasibility studies and documents authorizing the acquisition of the ADP or other specialized equipment

(In thousands)

Classes of Fixed Assets	Service Life (Years)	Acquisition Value	Accumulated Depreciation	Net Book Value 1999
Leasehold Improvements	5-20	$3,187	$1,563	$1,624
ADP Software	3-5	2,788	2,621	167
Equipment	5-6	100,168	59,331	40,837
Capital Leases	5	250	34	216
Total		$106,393	$63,549	$42,844

- The BOC actual prior experiences on the replacement of like assets

Assets purchased in 1999 included the planned replacement of obsolete equipment necessary to support the 2000 decennial activities and automation of field data collection activities. The work of the field enumerators requires they collect and compile a significant amount of data; to the extent their work can be automated, the more quickly and efficiently they can complete their assignments and ensure information provided by the BOC is accurate and timely. The ADP software service life was adjusted downward from 5 to 3 years effective October 1, 1997. The service life for ADP software purchased before October 1, 1997, remains at 5 years.

(In thousands)

Other Liabilities	Non-Current	Current	Total 1998
Intra-governmental:			
Workers' Compensation	$4,143	$1,372	$5,515
Unemployment Compensation	0	501	501
GSA Rental Space	0	11,124	11,124
Total Intra-governmental	$4,143	$12,997	$17,140
Governmental:			
Limited Payability	$0	$546	$546
Lease Liability	0	73	73
Deposit Funds	0	1,102	1,102
Total Governmental	$0	$1,721	$1,721

Note 6. Other Liabilities:

The BOC accrues monthly liabilities based on estimates of funds owed to other Federal government entities for services provided, but not yet billed.

The accruals for Workers' Compensation and Unemployment Compensation represent the estimated liability for the current fiscal year; for money owed, but not billed; and for claims which were paid by the Department of Labor.

GSA Rental Space represents deferral of payment for space leased for the 2000 Decennial Census.

Non-Current liabilities represents claims paid by the Department of Labor from the Employees' Compensation Fund

(In thousands)

Accrued Payroll and Benefits	Intra-governmental	Governmental	Total
NFC	$5,391	$33,995	$39,386
ADAMS	421	6,901	7,322
Total Accrued Payroll and Benefits	$5,812	$40,896	$46,708

for the period of July 1, 1997, through September 30, 1999.

The Limited Payability balance represents checks issued and not cashed after 1 year. Deposit Funds represent money withheld or collected from BOC employees for bonds, state taxes, health benefits payments, and other payments.

Note 7. Accrued Payroll and Benefits:

Accrued liabilities represents payroll and benefit costs earned and owed to employees, but unpaid as of year end. Census employees that are paid by the National Finance Center (NFC) are paid on a biweekly basis with a 2-week lag. The BOC accrued payroll costs for the period of September 11th to the 25th and for the last 4 days of September 1999. BOC temporary employees that work for the field decennial are paid by the Automated Decennial Administrative Management System (ADAMS) payroll system. ADAMS payroll is accrued on a weekly basis. NFC payroll accrued at the year's-end, includes benefits that the BOC has to pay to the Office of Personnel Management (OPM) and Social Security Administration (SSA), in addition to the amount paid to the employee.

Note 8. Deferred Revenues:

BOC receives advances from others for goods to be delivered or services to be performed. Deferred Revenue represents monies received from others for goods and services yet to be provided or rendered by BOC. Revenue is recognized as reimbursable costs are incurred, and the Deferred Revenue balance is reduced accordingly.

Governmental revenue is comprised mostly of unfinished work for state and

(In thousands) Deferred Revenues Intra-governmental	1999
Department of Labor	$18,932
Housing & Urban Development	12,801
Department of Education	11,894
Department of Health & Human Services	11,196
Department of Justice	8,359
Department of Transportation	5,743
National Science Foundation	1,496
Department of Commerce	1,182
Department of Energy	1,029
Agency for International Development	1,003
Small Business Administration	832
Environmental Protection Agency	613
U.S. Department of Army	564
Department of Agriculture	477
Department of Interior	327
Department of Air Force	274
Social Security Administration	263
Others	723
Total Intra-governmental	$77,708
Governmental	5,144
Total Deferred Revenue	$82,852

local governments, non-profit organizations and universities.

Deferred revenue is summarized in the following table.

Note 9. Statement of Net Cost:

Sub-Organization Program Costs

The BOC Consolidating Statements of Net Cost and Changes in Net Position are presented by Responsibility Segment. These Responsibility Segments are based on the BOC's mission and funding sources. The major programs that comprise the Responsibility Segments are fully described in Note 1 of this report and include:

- Census 2000
- Economics
- Demographics
- Reimbursable Work
- All Others

The BOC views its performance goals as equally important to the success of the Census Bureau in accomplishing our mission and therefore have allocated costs on that basis. The BOC performance goals are to Provide Quality Data and to Provide Timely and Relevant Data. These goals are consistent with the outputs described in the DOC Annual Performance Plan as required by GPRA.

Exchange Revenues

Exchange revenues collected by BOC represent amounts collected, primarily from other Federal agencies for work completed on a reimbursable basis. The majority of the reimbursable agreements are based on preliminary cost estimates.

Note 10. Leases:

The BOC has commitments under cancelable leases for office space. The majority of buildings in which the BOC operates are leased by the General Services Administration (GSA). The BOC is charged rent intended to approximate commercial rental rates. The BOC has unique operating space needs for which commercial space is rented directly by the BOC. The rental expense for the fiscal year ended September 30, 1999, is as follows:

Operating Leases

(In thousands)

Operating Leases	1999
Space Rentals:	
Federal Space	$52,027
Commercial Rentals	4,584
	$56,611

Future Payments Due:

(In thousands)

Cancelable Leases:

Fiscal Year	Space Rental, GSA	Space Rental, Commercial	Totals
2000	$169,645	$4,701	$174,346
2001	22,698	4,821	27,519
2002	23,279	4,945	28,224
2003	23,875	5,071	28,946
2004	24,486	5,201	29,687
2005 and thereafter	25,113	5,334	30,447
Total	$289,096	$30,073	$319,169

Future lease payments are calculated based on the GSA annual rent rate adjustment formula. The annual rent rate adjustment considers two factors: (1) the percentage change in operating costs experienced by GSA in comparable buildings in the area and (2) 100% of the change in the local Consumer Price Index.

Commercial rental represents space rented by the Census Bureau from commercial buildings. This space is used by the Census Regional Offices that are located across the country.



Capital Leases (Actual Dollars)

The BOC has commitments under capital leases for reproduction equipment (copiers). The lease contract period is 36 months with an amortization period of 60 months. The total amount reported for capital leases is $250 with an accumulated amortization of $34. The total future capital lease liability is $73.





Note 11. Footnote Disclosures Related to the Statement of Budgetary Resources

(In thousands)

The BOC has four funding sources: 1) Salaries and Expenses, 2) Periodic Censuses and Programs, 3) Y2K Compliance, and 4) Reimbursable programs. Reimbursable programs are reflected as spending authority from offsetting collections on the Statement of Budgetary Resources.

Salaries and Expenses (S&E) is an annual Congressional appropriation to fund current programs and ongoing surveys. Annual appropriations expire at the end of the first year of the appropriation and are canceled at the end of the sixth year. Upon expiration of an annual appropriation, the obligated and unobligated balances retain their fiscal-year identity and are maintained separately within an expired account. Obligated balances may be used to liquidate obligations properly chargeable to that fiscal year. The unobligated balance remains available to make legitimate obligation adjustments, such as previously unrecorded obligations, and to make upward adjustments in previously underrecorded obligations. The BOC received $146,147 for fiscal year 1999 Salaries and Expenses, of which $88 was transferred to the Commerce Office of Inspector General

(OIG) to pay for costs related to the extension of the FY1998 audit, resulting in a net budget authority of $146,059. An adjustment of $357 was made to S&E for recoveries of prior year obligations.

Periodic Censuses and Programs (PCA) is a Congressional no-year appropriation, which funds programs that occur on a cyclical basis. A no-year appropriation is available for obligation without fiscal year limitation. The BOC received $1,223,678 in new funding for FY1999. In addition to the new funding, the BOC had a total of $10,204 from prior year funding and $4,159 of recoveries from prior year obligations.

Reimbursable Programs funding is from other organizations, such as the Departments of Labor, Health and Human Services, Justice, and Housing and Urban Development, in exchange for BOC surveys and data collection activities. In FY1999, the BOC obtained a total of $173,641 from reimbursable agreements.

The BOC provides centralized services to support the program areas. A Working Capital Fund (WCF) is maintained to facilitate the processing and allocation of costs for maintaining these centralized administrative, computer, and field support activities. Funding to support the centralized services is obtained via charges to BOC projects. The net amount of budgetary resources obligated in the WCF at the end of FY1999 is $60,276.





Note 12. Unexpended Appropriation:

The BOC receives appropriations on both a 1-year and no-year basis. One-year appropriations expire at the end of the first year of the appropriation and are canceled at the end of the sixth year.

(In thousands)

Unexpended Appropriation	Salaries and Expenses	Periodic Censuses and Programs	Y2K Compliance	Total
Unobligated:				
Available	$0	$4,736	$344	$5,080
Not Available	10,903	0	0	10,903
Obligated:				
Undelivered Orders	9,773	297,134	275	307,182
Total Unexpended Appropriations	$20,676	$301,870	$619	$323,165

Upon expiration of a 1-year appropriation, the obligated and unobligated balances retain their fiscal-year identity and are maintained separately within an expired account. The unobligated balance can be used to make legitimate obligation adjustments, such as previously unrecorded obligation, and to make upward adjustments in previously under-recorded obligations, but is otherwise not available for expenditures.

No-year appropriations may be retained beyond the current fiscal year and are available for obligations until expended.

Note 13. Liabilities Not Covered by Budgetary Resources:

Liabilities Not Covered by Budgetary Resources results from the receipt of goods and services or the occurrence of events for which budgetary resources are not available.

GSA Rental Space represents deferral of payment for space leased for the 2000 Decennial Census.

Workers' Compensation represents claims paid by the Department of Labor from the Employees Compensation Fund for the period of July 1, 1997, through September 30, 1999.

Federal Employees and Veterans Benefits represents the liability for future workers' compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

Accrued Annual Leave is accrued as it is earned and the Accrued Annual Leave balance is reduced as leave is taken.

(In thousands)

Liabilities Not Covered by Budgetary Resources	Intra-governmental	Governmental	Total
GSA Rental Space	$11,124	$0	$11,124
Workers' Compensation	4,143	0	4,143
Federal Employees and Veterans Benefits	0	32,804	32,804
Unfunded Accrued Annual Leave	0	30,267	30,267
Total Liabilities Not Covered by Budgetary Resources	$15,267	$63,071	$78,338

(In thousands)

Cumulative Results of Operations		
Invested Capital		$46,159
Future Funding Requirements:		
GSA Rental Space	($11,124)	
Workers' Compensation	(4,143)	
Federal Employees and Veterans Benefits	(32,804)	
Unfunded Accrued Annual Leave	(30,267)	
Total Future Funding Requirements		(78,338)
Results of Operations		23,078
Total Cumulative Results of Operations		($9,101)

Note 14. Cumulative Results of Operations:

The Cumulative Results of Operations is the sum of Invested Capital and Results of Operations less Future Funding Requirements.

Invested Capital represents U.S. Government resources invested in the Census Bureau's assets, principally for equipment and inventory.

Future Funding Requirements represents the liabilities not covered by budgetary resources.

The BOC implemented a Working Capital Fund (WCF) in 1997, as a cost allocation vehicle. The funding projects are charged a portion of the anticipated common costs for the year based on predetermined rates. The rates established fund all budgetary obligations incurred. To the extent the Bureau does not receive the goods/services ordered, funds are collected from the funding projects and held in the WCF until an accrual is processed. The Results of Operations reflect collections set aside to fund obligations recorded in the WCF as of fiscal year end.

Independent Auditor's Report on the Financial Statements

To the Office of Inspector General
United States Department of Commerce and
the Director of the U.S. Census Bureau

We have audited the accompanying Consolidated Balance Sheet of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce (DOC), as of September 30, 1999, and the related Consolidating Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Financing for the year then ended. These financial statements are the responsibility of the management of the BOC. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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 98-08, *Audit Requirements for Federal Financial Statements,* as amended. Those standards 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BOC as of September 30, 1999, and its net costs, changes in net position, and budgetary resources and related reconciliation of net costs to budgetary obligations for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the BOC's financial statements taken as a whole. The information contained in the Overview is not a required part of the financial statements referred to in the first paragraph above, but is supplementary information required by OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*. This information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it. The Required Supplemental Information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated January 14, 2000 on our consideration of the BOC's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws and regulations.

Urbach Kahn & Werlin PC

Washington, DC
January 14, 2000

Independent Auditor's Report on Internal Control

To the Office of Inspector General of the
United States Department of Commerce
and the Director of the U.S. Census Bureau

We have audited the financial statements of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce (DOC), as of and for the year ended September 30, 1999, and have issued our report thereon, dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards; 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 98-08, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the BOC's internal control over financial reporting by obtaining an understanding of the agency's internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the BOC's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted certain matters involving internal controls and its operations that we consider reportable conditions and material weaknesses. The material weaknesses detailed on the following pages, are summarized in the following categories:

1. Financial Management and Reporting
2. Account Reconciliations
3. Information System Reporting and Controls

In addition, with respect to internal controls related to performance measures reported in the Overview, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 98-08. Our procedures were not designed to provide assurance on internal control over reported performance measures, and accordingly, we do not provide an opinion on such controls.

We also noted other matters involving the internal control over financial reporting which have been reported to the management of the BOC in a separate letter dated January 14, 2000.

This report is intended solely for the information and use of the Office of Inspector General of the United States Department of Commerce, the management of the BOC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin PC

Washington, DC
January 14, 2000

Material Weakness One

Financial Management and Reporting

The BOC continued to experience significant difficulties and delays in producing complete and accurate financial statements in accordance with Departmental guidelines. Throughout the financial statement drafting process, we found technical and clerical errors, as well as inconsistencies in the form and content of the financial statements and related footnotes. The reporting deficiencies were closely associated with inadequate account reconciliation procedures, as discussed in detail in Material Weakness Two. Additionally, items included in the footnotes to the financial statements and the Overview contained fiscal year 1998 amounts instead of the proper fiscal year 1999 amounts. Furthermore, certain amounts in the footnotes did not agree to the related financial statement line items and the Overview. Although the necessary corrections were eventually made and significant improvements were noted in subsequent draft versions of the Annual Financial Report, the numerous resubmissions prevented the BOC management from submitting the financial statements to the Department until two weeks past the Departmental deadline.

The BOC did not provide sufficient financial management oversight and supervisory review of the financial statements throughout the year-end reporting process. In this regard, it appears that the Division of Finance did not provide effective financial management and establish a formal management plan which ensured that the Annual Financial Report was reviewed and approved prior to submission. Additionally, the BOC did not prepare timely interim financial statements during fiscal year 1999. As a result, the BOC encountered significant difficulty and delays in preparing its year-end financial statements.

The Government Management Reform Act (GMRA) required federal agencies to submit Department-wide financial statements to the Office of Management and Budget (OMB) by March 1, 2000. To meet this deadline, the Department of Commerce developed consolidated reporting deadlines to ensure the timely completion of individual component audits.

The objective of financial reporting is to ensure that the users of the entity's financial reports are provided with all the accurate information that is relevant to the reporting entity, subject to cost and time constraints and on which financial management decisions can be made.

Recommendations:

We recommend the Director of the BOC:

1. Establish a detailed management plan, including specific timelines, to ensure the timely preparation and submission of financial reports as mandated by DOC guidelines.

2. Ensure adequate supervisory and management level reviews of financial reports are performed to detect potential errors and omissions. In addition, procedures should be developed requiring the preparation of interim financial reports to ensure adjustments are recorded on a timely basis and accounting controls are operating effectively throughout the fiscal year.

Material Weakness Two

Account Reconciliations

Many key financial statement account balances were not reconciled in a timely manner throughout the fiscal year and at year-end. Specifically, account reconciliations and accompanying journal vouchers for Fund Balance with Treasury, Fixed Assets, Deferred Revenue, Accounts Payable, Other Liabilities and Budgetary accounts were not adequately supported or properly reviewed, and required extensive follow-up and revisions by the BOC finance staff. With respect to the preparation of these reconciliations, accountants performing these functions were unfamiliar with the

nature and details of the accounts they were reconciling. We considered the account reconciliation deficiencies with Fund Balance with Treasury, Accounts Payable and accrued liabilities to be of most significance as discussed below.

Fund Balance With Treasury

The September 30, 1999 Fund Balance with Treasury account reconciliation initially provided by the BOC contained numerous errors and unreconciled differences which were not investigated and properly adjusted. The issues, which precluded the BOC from accurately reporting transactions in its Fund Balance with Treasury account, were as follows:

- Throughout the fiscal year, the BOC did not identify, investigate and resolve differences between the amounts reported by the Department of the Treasury and the general ledger. This resulted in numerous posting errors, and incorrect balances in certain funds and amounts reported to Treasury. Additionally, timing differences between amounts recorded by Treasury and the BOC's general ledger were not researched and resolved on a timely basis.

- Posting errors in amounts processed by the Accounts Payable section were not researched and resolved in a timely manner. In addition, National Finance Center (NFC) payroll disbursements and Federal payroll tax payments for Decennial Census personnel were incorrectly recorded.

- The BOC finance personnel did not understand the procedures to perform a proper reconciliation of the Fund Balance with Treasury account nor comprehend the intricacies of the Fund Balance with Treasury account balance. In addition, the format used by the BOC to report reconciling items did not provide management with sufficient information to adequately identify the nature, age or disposition of reconciling items.

Upon notification of these issues during our audit, the BOC revised its year-end Fund Balance with Treasury reconciliation, and properly recorded approximately $20 million in adjustments to correct the balances reported in the financial statements. In addition, approximately $23 million of adjustments to Treasury's balance were subsequently reported by the BOC to Treasury on the December 1999 SF-224.

Accounts Payable and Accrued Liabilities

The BOC did not establish adequate policies and procedures for the estimation and reconciliation of Accounts Payable at September 30, 1999. As a result, the BOC had to perform an extensive review of subsequent disbursements to determine the year-end balance in Accounts Payable. This required recording approximately $34 million of adjustments to properly state the balances in Accounts Payable at year-end. The BOC was able to produce detailed listings of outstanding Accounts Payable balances from CAMS in a more timely and efficient manner than the previous year.

Additionally, difficulties existed in determining the BOC's Intragovernmental Accounts Payable balance. The BOC maintains agreements with other Federal agencies, including the General Services Administration (GSA). Many of these entities do not have regular billing practices and do not notify the BOC regularly of charges incurred but not yet billed that would facilitate the estimation of the proper accrued liability for these undisbursed obligations. Although the Intragovernmental Accounts Payable balance was properly adjusted at year-end, accrued liabilities related to these types of obligations may be significantly understated without significant reconciliation efforts by the BOC. Additionally, the billing statements supplied by the other agencies rarely indicate the period covered, making estimates of unbilled costs even more difficult to determine.

Office of Management and Budget (OMB) Circular A-123, *Management Accountability and Control* states,

Transactions should be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

The Department's *Accounting Principles and Standards Handbook,* Chapter 5, Section 9, states,

One of the most important functions of a finance office is to ensure the accuracy of the financial statements. Steps that need to be taken to increase the likelihood of accurate numbers on financial statements include: (1) Require that adequate work papers and documentation exists to support the flow of numbers from the system to the financial statements; (2) Document all adjustments to amounts derived from the accounting system; (3) Reconcile internal records timely with data from outside sources, such as reports from the Department of the Treasury; and (4) Review the numbers for reasonableness, including a comparison against prior year amounts and an explanation of unusual variances.

Statement of Federal Financial Accounting Standards Number 1, Accounting for Selected Assets and Liabilities, states:

Accounts payable are amounts owed by a Federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities.

When an entity accepts title to goods, whether the goods are delivered or are in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices are not available when financial statements are prepared, the amounts owed should be estimated.

Recommendations:

We recommend the Director of the BOC:

3. Ensure accurate and timely account reconciliations are performed. Consideration should be given to designating a Chief Accountant within the Division of Finance responsible for ensuring all accounting transactions and account balances are properly recorded in the general ledger, reconciled, supported and reviewed on a regular basis.

4. Provide additional training to finance personnel related to the account reconciliation process to ensure reconciliations and accompanying journal vouchers are more clearly documented and supported to allow an independent reviewer to understand the reconciliation.

5. Revise policies and procedures relating to the accounting for specific Fund Balance with Treasury transactions to ensure controls are in place to reduce or eliminate future reconciling items, and review the format of the monthly reconciliation to ensure reconciling items are adequately identified, reported and subsequently resolved.

6. Develop policies and procedures regarding the recording of Accounts Payable and accrued liabilities in the general ledger. Such policies and procedures should require finance personnel to review open obligations for unpaid invoices and receiving reports, with emphasis on the largest balances, and generate the necessary entries in the general ledger to properly record Accounts Payable and accrued liabilities on a regular basis.

7. Provide additional training for finance and program officials regarding the proper procedures for determining and estimating Accounts Payable and accrued liabilities. Such training should emphasize the necessity for finance personnel to work with appropriate program officials to identify key contacts within other agencies to determine interagency accruals and reconcile interagency transactions. In addition, the BOC should reconcile intragovernmental balances with their partner agencies at least quarterly beginning with the quarter ending March 31, 2000 in order to comply with the provisions of OMB Bulletin 97-01 *Form and Content of Agency Financial Statements*.

Material Weakness Three

Information System Reporting and Controls

Routine Reporting Functions

During fiscal year 1999, the BOC worked diligently to improve its routine reporting functions and information system requirements. However, difficulties still existed in the ability to routinely and timely produce the necessary reports from the Commerce Administrative Management System (CAMS) which meet the BOC's internal and audit requirements. Specifically, the FM109 *Undelivered Orders Subsidiary Report* and the PM150 *Accounts Payable Subsidiary Report* required up to twenty four hours to produce, and had to be rerun several times after the reports failed.

System Controls

In connection with the fiscal year 1999 audit of the BOC, we conducted a general and environmental controls review of the BOC's information systems in accordance with applicable sections of GAO's Federal Information System Controls Audit Manual (FISCAM). Our review identified weaknesses in certain control areas which were reported to the BOC in a detailed separate report on systems issues. The issues identified during this review included the following:

The BOC was not in compliance with OMB Circular A-130, *Management of Federal Information Resources* with respect to risk assessment and security planning, specific deficiencies included:

- The most recent risk assessment performed by the BOC was dated 1996, and was not subsequently updated. Additionally, a formal risk assessment for the National Processing Center (NPC) was not performed.
- The most current BOC Security Plan was dated 1997 and has not been subsequently updated. Also, the Security Plan for CAMS was never fully completed.

Administration of the BOC's Local Area Network (LAN) access needed improvement. Specifically, access to the BOC's Intranet at Headquarters and the NPC needed to be strengthened, and accordingly, sensitive information may not have been sufficiently protected from potential unauthorized usage. Furthermore, access to sensitive information contained on the Intranet was not restricted to appropriate personnel only.

Controls within the UNIX operating system supporting CAMS needed improvement. Specifically, security around CAMS was not sufficiently protected from unauthorized access through other systems interfaced with CAMS. Also, existing controls over access to the operating system did not limit the number of users to a minimum level.

Multiple system administrators had access to the UNIX "root" account. Management procedures for the operating system's root account needed to be improved as access to this function may have enabled the user to modify and conceal changes to any portion of the UNIX environment.

The BOC has been developing a Critical Infrastructure Protection Program (CIP) in accordance with Presidential Decision Directive-63. CAMS was identified as a critical element of that Plan and the BOC had identified many of the major items identified above. Preliminary efforts to correct many of these findings were initiated and the BOC has responded quickly with corrective action plans. The BOC believes the major items identified in its action plans will be completed during the second quarter of fiscal year 2000.

Recommendations*:*

We have presented specific recommendations regarding the above information systems deficiencies in a separate report entitled, *Improvements Needed in the General Controls*, associated with BOC' Financial Management Systems, dated November 1999.

Status of Prior Year's Recommendations

The Independent Auditor's Report on Internal Control of other auditors for the fiscal year 1998 audit of the BOC's financial statements identified a number of conditions relating to the internal controls of the BOC. We have summarized the current status of those conditions below.

Status of Prior Years Recommendations

Reported Condition	Recommendation	Status
Financial Management (Material Weakness)	Define the information system requirements to efficiently manage its operations and thendevelop or modify reports to meet its reporting and reconciliation requirements; Ensure that appropriate and adequate quality assurance procedures are performed during the financial statement preparation process; Identify and resolve differences between subsidiary records, general ledger, and control accounts in a timely manner; Prepare, review, and document reconciliations in accordance with the Department of Commerce (DOC) Accounting Principles and Standards Handbook; and Evaluate its reconciliation formats for clarity and conciseness to allow an independent reviewer to follow and comprehend the reconciliation.	The prior year's recommendations were not sufficiently addressed during fiscal year 1999. See Material Weakness One and Two in the 1999 Independent Auditor's Report on Internal Control.
Accounts Payable and Undelivered Orders (Material Weakness)	Clearly identify the CAMS report package requirements to ensure that outstanding accounts payables and undelivered orders are valid and properly valued; Improve its training for processing accounts payable and internal controls to effectively detect errors and irregularities with respect to accounts payable and undelivered orders in a timely manner; and Develop appropriate policies and procedures to ensure proper cut-off and review of accounts payable and undelivered order balances reported at year-end.	The prior year's recommendations related to Accounts Payable were not sufficiently adressed during fiscal year 1999. See Material Weakness Two in the fiscal year 1999 Independent Auditor's Report on Internal Control.

Status of Prior Year's Recommendations, cont.

Status of Prior Years Recommendations

Reported Condition	Recommendation	Status
Fixed Assets (Reportable Condition)	Ensure strict adherence to the DOC Accounting Handbook to identify and resolve in a timely manner the difference between the fixed asset perpetual records and subsidiary records; and Evaluate its reconciliation format with respect to fixed assets for clarity and conciseness to expedite the review process.	The reconciliation aspects of the prior year reportable condition still exist and have been incorporated into Material Weakness Two related to reconciliation functions in the fiscal year 1999 Independent Auditor's Report on Internal Control.
Lack of Policies and Procedures for Determining Cost of Inventory (Reportable Condition)	Ensure that CAMS allows for the accounting for, and tracking of, historical cost data for Inventory; and Develop Inventory pricing based on the historical cost captured by CAMS.	There were no errors detected during our testing of Inventory during the fiscal year 1999 audit. Therefore, this condition has been resolved.
Working Capital Fund Surcharge (Reportable Condition)	Eliminate the use of a surcharge to recover any deficit in its Working Capital Fund; and Periodically review its rates through the year and adjust accordingly to recover/refund any deficit or surplus.	We determined that the BOC had adequately resolved the deficiencies related to the use of a Working Capital Fund surcharge identified in the previous year's audit. Therefore, this condition has been resolved.

Status of Prior Year's Recommendations, cont.

Status of Prior Years Recommendations

Reported Condition	Recommendation	Status
Computer Controls (Reportable Condition)	Ensure the certification and accreditation of the CAMS system is completed and that the security plan is updated to reflect the current environment and procedures; Modify its policies and procedures to mandate complete documentation of program change controls in order to maintain accountability and an audit trail; Review the system usage of significant information technology personnel and grant Help Desk personnel "read-only" access to Oracle user data in order to properly report and review user access; Schedule a test of the Disaster Recovery Plan for effectiveness and completeness and incorporate the results and follow-up activity into the plan; Ensure that procedures for off-site storage of data back-ups to mitigate the risk that data may be destroyed as a result of a disaster or disruption at the Bowie Computer Center to limit any loss of data to the period of time since the last backup procedures were completed; and Enhance physical security at the Bowie Computer Center, including the moving of parking areas away from the facility or installing a sentry post in the outer perimeter area to prevent unauthorized vehicles from close proximity to the data center.	The prior year's recommendations were not sufficiently addressed during fiscal year 1999. See Material Weakness Three in the fiscal year 1999 Independent Auditor's Report on Internal Control.

Independent Auditor's Report on Compliance With Laws and Regulations

To the Office of Inspector General of the
United States Department of Commerce
and the Director of the U.S. Census Bureau

We have audited the financial statements of the Bureau of the Census (BOC), a bureau of the United States Department of Commerce (DOC), as of and for the year ended September 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards; 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 98-08, *Audit Requirements for Federal Financial Statements,* as amended.

The management of the BOC is responsible for complying with laws and regulations applicable to the agency. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the BOC's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 98-08, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996.

The results of our tests of compliance disclosed no instances of noncompliance with other laws and regulations discussed in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* or OMB Bulletin 98-08.

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with the Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA included in Appendix D of OMB Bulletin 98-08.

The results of our tests disclosed no instances where the BOC's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

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

This report is intended solely for the information and use of the Office of Inspector General of the United States Department of Commerce, the management of the BOC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin PC

Washington, DC
January 14, 2000

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