



**THE
PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
AGENCY FINANCIAL REPORT
FISCAL YEAR 2023**

Privacy and Civil Liberties Oversight Board

Agency Financial Report

FISCAL YEAR 2023

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
800 N. CAPITOL STREET, NW
WASHINGTON, DC 20002

This report is available at <https://www.pclob.gov/FinancialReports>.
Send comments or questions to info@pclob.gov or to the mailing address above.



MESSAGE FROM THE CHAIR

It is my pleasure to present the Privacy and Civil Liberties Oversight Board's (PCLOB) Fiscal Year (FY) 2023 Agency Financial Report (AFR). This AFR provides detailed performance and financial data to allow the President, Congress, and the American people the ability to assess our stewardship of the resources entrusted to us to support our mission: to review federal counterterrorism programs to ensure that they include appropriate safeguards for privacy and civil liberties, accomplished through the agency's two core functions: providing advice and conducting oversight.

When PCLOB conducts oversight, our role is not only to assess whether a program complies with existing law and rules, but it is also to make policy recommendations to ensure that there are adequate safeguards for privacy and civil liberties. In FY 2023, the agency continued its work on several oversight projects, including, but not limited to: Domestic Terrorism, Biometrics in Aviation Security, and the Terrorist Watchlist. Most notably, PCLOB completed its oversight review of Section 702, and published its *Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act* in September 2023. Section 702 is scheduled to expire at the end of December, unless Congress acts to reauthorize the program, and the report is designed to inform the public and congressional debate over reauthorization. The report provides an extensive review and explanation of the program's operations and oversight, policy analysis, and recommended actions for Congress and the Intelligence Community. The Board found that Section 702 is highly valuable, that significant reforms should be made to the program, and that the privacy and civil liberties risks posed by Section 702 can be reduced while preserving the program's value in protecting America's national security. PCLOB's dedicated professional staff worked for more than a year to support the agency's oversight of the Section 702 program, and thanks to their diligent and tireless efforts, our agency was able to provide what we hope will be a helpful resource to Congress as it debates reauthorization of this program.

Under the agency's advice function, PCLOB continued its role outlined in Executive Order (EO) 14086 on Enhancing Safeguards for United States Signals Intelligence Activities. Specifically, PCLOB reviewed intelligence agencies' updated policies and procedures designed to provide enhanced safeguards to protect privacy and civil liberties; following PCLOB's provision of advice and recommendations, agencies published final procedures in June 2023. In the coming year, PCLOB looks forward to conducting further oversight under additional roles defined for the agency by EO 14086, to help ensure safeguards for cross-border data flows under the new US/EU Data Privacy Framework. Specifically, in FY 2024, PCLOB will assess implementation of the



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intelligence agencies' new procedures and will begin conducting annual reviews of the new redress process established by the order.

PCLOB's commitment to enhancing its workforce is stronger than ever, as evidenced by a number of initiatives currently underway to recruit and retain a stronger and more diverse workforce: enhancing diversity, equity, inclusion, and accessibility efforts; increased recruiting and hiring endeavors; the development and implementation of new recruiting and retention incentive plans; and the pursuit of legislative approval to increase the agency's statutory salary cap to permit salaries in line with the agencies PCLOB oversees. Additionally, PCLOB has taken initial steps to improve the agency's organizational health and performance by designating a new Performance Improvement Officer to lead our agency efforts in the assessment and update of the agency's work environment plan as well as guiding leadership in the development of new performance targets and measurement procedures. We are certain these initiatives will pay dividends in response to our investment in the agency's greatest asset: PCLOB's extraordinary staff.

We are also proud of our accomplishments in the area of financial management and reporting. PCLOB remains dedicated to prudent financial management, maintaining data integrity, and ensuring reliability of financial reports. For the fifth consecutive year, the external auditors issued an unmodified (clean) audit opinion on our FY 2023 financial statements. Further, this year's assessment of our internal controls and financial management systems, as required by the Federal Managers' Financial Integrity Act and the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, enables me to provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate.

On behalf of the Board, I express our deepest gratitude and appreciation to all PCLOB's hard-working staff for their efforts to achieve the agency's mission. I look forward to the agency's accomplishments in years to come.

A handwritten signature in cursive script that reads "Sharon Bradford Franklin".

Sharon Bradford Franklin
Board Chair
November 13, 2023



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INTRODUCTION

About This Report

The Privacy and Civil Liberties Oversight Board Agency Financial Report for FY 2023 provides fiscal results and performance highlights for the reporting period beginning October 1, 2022 and ending September 30, 2023. This report enables the President, Congress, and the American public to assess the agency’s fiscal accountability as PCLOB advances its mission of ensuring that efforts by the executive branch to protect the nation from terrorism are balanced with privacy and civil liberties.

The Agency Financial Report is one of the performance and financial reports required from federal agencies, prepared in accordance with Office of Management and Budget (OMB) Circulars A-11, *Preparation, Submission, and Execution of the Budget*; A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*; and A-136, *Financial Reporting Requirements*. The annual agency financial reports are available on the [PCLOB website](#).

CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING AWARD

In May 2023, the Privacy and Civil Liberties Oversight Board received the *Certificate of Excellence in Accountability Reporting* (CEAR) award from the AGA for its Fiscal Year 2022 Agency Financial report. The CEAR is the highest form of recognition in Federal Government management reporting. AGA, a professional association with a vision for advancing governmental accountability, established the CEAR Program in conjunction with the Chief Financial Officers Council to further performance and accountability reporting. This is the first time PCLOB has received the prestigious CEAR award.





How This Report Is Organized

This AFR presents the agency’s performance highlights and accomplishments, fiscal accountability, operational achievements, and challenges for FY 2023. After the Chair’s message, the report features three sections and an appendix.

[Management’s Discussion and Analysis](#)

This section provides background about the agency, including PCLOB’s history, mission, organizational structure, and projects. It provides an overview of performance information, financial results, and management assurance regarding internal controls. This section is not audited by the independent auditors.

[Financial Information](#)

This section details the agency’s financial position as of the fiscal year that ended September 30, 2023. The agency’s FY 2023 audited financial statements and footnote disclosures are presented in this section, along with the independent auditor’s report.

- The auditor’s report speaks to whether the financial statements are materially correct in accordance with federal generally accepted accounting principles (GAAP). The auditors found PCLOB’s FY 2023 financial statements to be materially correct in accordance with GAAP.
- Financial statements provide actual financial results for the year and include the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Statement of Budgetary Resources. See the section that follows entitled “Key Terms Used in This Report” for a brief description of each statement and its purpose.
- Notes to the financial statements provide additional details and context concerning the numbers reported.

[Other Information](#)

This section contains a summary of the financial statement audit, management assurances, and required reporting related to PCLOB’s compliance with the Payment Integrity Information Act, including the agency’s fraud reduction measures. This section is also not audited.

[Appendix](#)

This section provides a glossary of abbreviations used throughout this report.



Key Terms Used in This Report

Generally Accepted Accounting Principles - GAAP refers to a common set of accounting principles, standards, and procedures used in the United States, as designated by the American Institute of Certified Public Accountants (AICPA). PCLOB follows the requirements for GAAP for federal financial reporting, issued for the U.S. Government by the Federal Accounting Standards Advisory Board (FASAB).

Government Financial Statements - According to the U. S. Government Accountability Office (GAO), the objectives of federal financial reports are for agencies to demonstrate their accountability, provide useful information, and help internal users of financial information to improve the government's management. PCLOB's goal, as a governmental agency, is to demonstrate good financial stewardship over the assets entrusted to it, whereas private industry financial statement users may have an interest in investing in a company and want assurances that the information provided is timely, accurate, and can be relied upon.

Balance Sheet - The Balance Sheet reports the agency's assets and liabilities at a fixed point in time – in this case, September 30, 2023 and 2022. Most of the terms on the Balance Sheet are familiar to users of financial statements; on a federal balance sheet, there is one unique term: “Fund Balance with Treasury.” Like bank accounts, the fund balances represent the amount of funding in the agency's accounts within the U.S. Department of Treasury that is available to spend for the purposes for which the funds were approved by Congress.

Statement of Net Cost - The Statement of Net Cost reports the results of operations. A commercial company would call this type of document an income statement. As a reflection that most federal programs generate little to no resources on their own, expenses are offset by revenues to determine the net cost for the agency.

Statement of Changes in Net Position - The Statement of Changes in Net Position is similar to a statement of changes in equity for a commercial firm. The statement reflects the impact that changes in assets and liabilities have on the financial position of each fund.

Cumulative Results of Operations - Cumulative Results of Operations are a component of net position on balance sheets representing the historical total for a fund, summing revenues, expenses, gains, losses, transfers of assets and liabilities from other agencies, and other financing sources provided to a fund since its inception. It is similar in concept to retained earnings for a commercial firm.

Statement of Budgetary Resources - The Statement of Budgetary Resources reports on the key components of the budgetary control process. The statement shows the various sources of budgetary authority and resources provided to fund agency activities. Private industry has no similar statement or set of requirements to establish and control budgets in this manner.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Vision, Mission, and Core Values

VISION

A nation that counters terrorism while safeguarding privacy and civil liberties.

MISSION

PCLOB's mission is to ensure that the executive branch's efforts to prevent terrorism are balanced with the need to protect privacy and civil liberties. Specifically, the agency's enabling statute, [42 U.S.C. § 2000ee](#), authorizes it to "analyze and review actions the executive branch takes to protect the Nation from terrorism, ensuring that the need for such actions is balanced with the need to protect privacy and civil liberties," and to "ensure that liberty concerns are appropriately considered in the development and implementation of laws, regulations, and policies related to efforts to protect the Nation against terrorism."

PCLOB's mission encompasses two core functions: providing advice and conducting oversight.

Advice - Executive branch agencies can consult with PCLOB in the development and implementation of legislation, regulations, policies, or guidelines to ensure privacy and civil liberties protections are appropriately considered in their design.

Oversight - PCLOB is charged with continually reviewing (1) regulations, policies, and procedures within the agency's jurisdiction to ensure that privacy and civil liberties are protected, and (2) other actions within the agency's jurisdiction to ensure that those actions appropriately protect privacy and civil liberties and are consistent with governing laws, regulations, and policies regarding privacy and civil liberties.

CORE VALUES

Four key values guide PCLOB's work:

Integrity - As an agency whose power lies in its persuasiveness, PCLOB strives to preserve its reputation for independence, integrity, and credibility, approaching its activities with objectivity and good faith. PCLOB strives to treat executive branch agencies and other outside parties with evenhandedness and respect, and to evaluate a wide range of data, viewpoints, and considerations.



Transparency – PCLOB aims to foster understanding of the impact of efforts to protect the nation from terrorism on privacy and civil liberties. In addition, PCLOB conducts its own activities responsibly and transparently to foster confidence in its management of authorities, resources, and information. PCLOB promotes transparency by holding public hearings and issuing public reports, to the greatest extent that is consistent with the protection of classified information and applicable law, and by soliciting input from the public and outside experts.

Rigor – PCLOB strives for the highest standard of quality in its analysis and recommendations. When examining government programs, the agency takes care to understand those efforts in all their complexity. In assessing whether such efforts are consistent with the law and appropriately protect privacy and civil liberties, PCLOB strives to be thorough and accurate, and to account for the impact of new and emerging technologies and institutional reforms. When recommending changes, PCLOB seeks to fully consider the foreseeable impact of its recommendations.

Equity – PCLOB is also committed to helping to ensure that all persons are treated equally under the law, both as a component of protecting privacy and civil liberties, and in its own internal operations. Safeguarding privacy and individual liberties also involves treating people equitably and with dignity and respect. In addition, PCLOB endeavors to develop and implement internal policies and practices for its workforce that promote diversity, equity, inclusion, and accessibility.

PCLOB History and Authorities

PCLOB was created on the recommendation of the National Commission on Terrorist Attacks Upon the United States (the 9/11 Commission) in its 2004 report. The 9/11 Commission acknowledged that many of its recommendations “call[ed] for the government to increase its presence in our lives—for example, by creating standards for the issuance of forms of identification, by better securing our borders, by sharing information gathered by many different agencies,” and by consolidating authority over intelligence agencies under a new Director of National Intelligence. Recognizing that “this shift of power and authority to the government” would require “an enhanced system of checks and balances to protect the precious liberties that are vital to our way of life,” the 9/11 Commission recommended that “there should be a board within the executive branch to oversee adherence to the guidelines we recommend and the commitment the government makes to defend our civil liberties.”

Through the Intelligence Reform and Terrorism Prevention Act of 2004, Congress created a Privacy and Civil Liberties Oversight Board within the Executive Office of the



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President. In 2007, Congress established the Privacy and Civil Liberties Oversight Board in its current form through the Implementing Recommendations of the 9/11 Commission Act as an independent executive branch agency.

By statute, transparency is an inherent part of PCLOB's mission. Specifically, PCLOB is required to inform the public about its work by holding public hearings, issuing public reports to the extent consistent with the protection of classified information and applicable law, providing semi-annual reports to the Congress, and appearing and testifying before Congress upon request.

PCLOB also has designated roles under EO 13636, *Improving Critical Infrastructure Cybersecurity*, Presidential Policy Directive 28 and EO 14086 (regarding the conduct of signals intelligence activities for foreign intelligence and counterintelligence purposes), and Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (reviewing federal agencies' privacy and civil liberties reports).



Above: The Pentagon, as seen from the grounds of the 9/11 Pentagon Memorial.



Our Organization

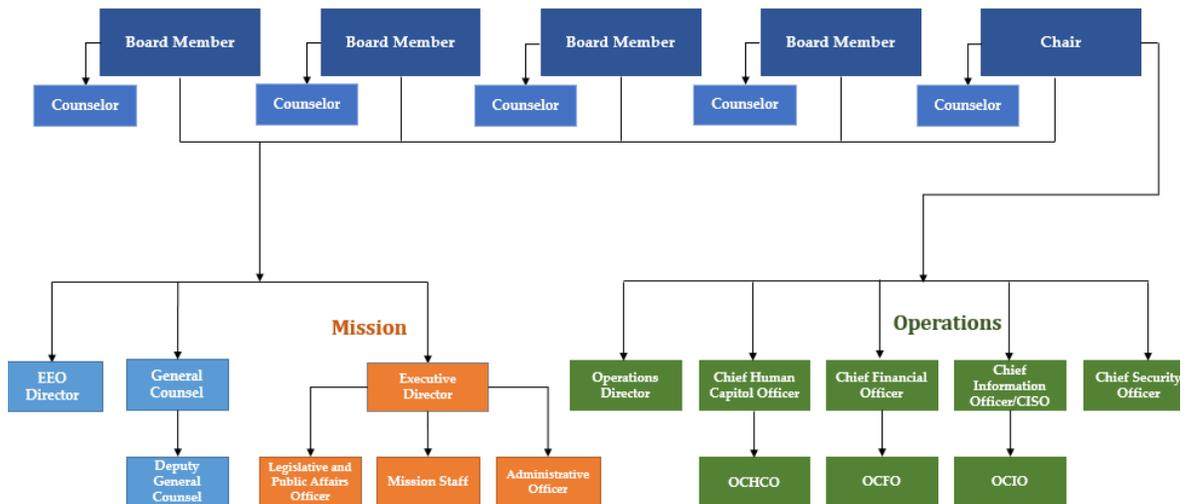
PCLOB’s headquarters is in Washington, D.C. A bipartisan group of five Board Members comprise the Board: a full-time Chair and four part-time Members, each appointed by the President, with the advice and consent of the Senate, to staggered six-year terms. PCLOB’s statute requires that no more than three Members of the Board come from the same political party.

At the end of FY 2023, the Board had a full complement of five Members. For more about the current Board Members, see [PCLOB’s website](#).

In addition to the five Board Member seats (and their respective counselors), the agency’s structure includes mission and operations staff.



Privacy and Civil Liberties Oversight Board Organizational Chart

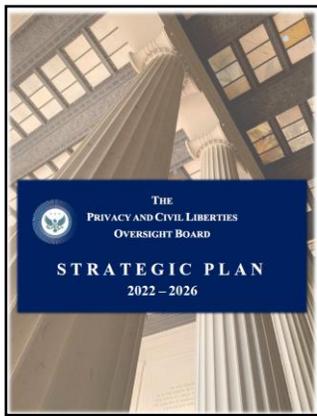




Performance Overview

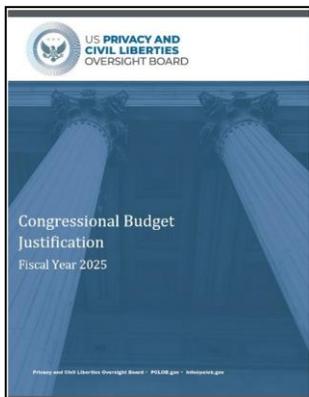
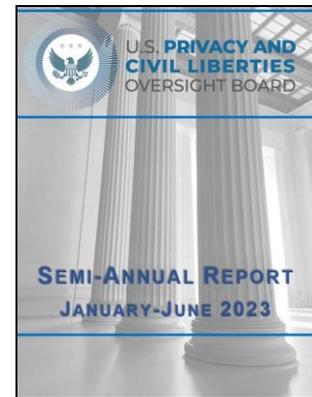
AGENCY REPORTING: MAINTAINING ACCOUNTABILITY

PCLOB strives for transparency regarding its various advice, oversight, and other mission activities. PCLOB publishes reports regarding specific oversight reviews, containing the agency’s findings and recommendations, as well as the following reports, issued regularly and periodically as required and available on PCLOB’s website:

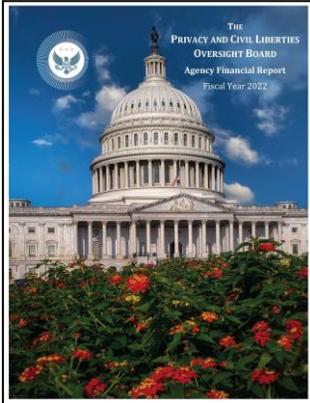


Agency Strategic Plans. PCLOB issues a new strategic plan every four years to guide its work. The [2022-2026 Strategic Plan](#), issued in March 2022, lays out the strategic priorities and objectives the agency aims to achieve, the actions the agency will take, and how the agency will deal with challenges and risks. By going through this process, PCLOB helps ensure the deliberate, sound planning and resourcing necessary to drive the effectiveness of multi-year execution efforts.

Agency Semi-Annual Reports. In accordance with the agency’s enabling statute, enacted as Section 801 of the Implementing Recommendations of the 9/11 Commission Act of 2007, PCLOB issues semi-annual reports to the President and appropriate committees of Congress each year, making the reports available to the public to the greatest extent possible. The semi-annual reports provide a description of PCLOB’s major mission activities (as they relate to the agency’s oversight and advice functions) as well as operational activities critical to mission success.

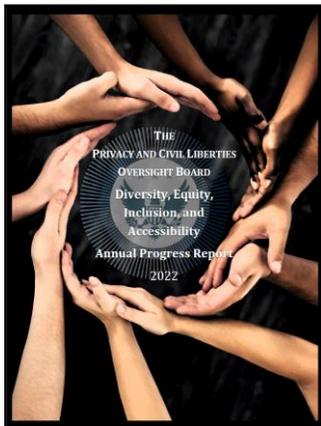
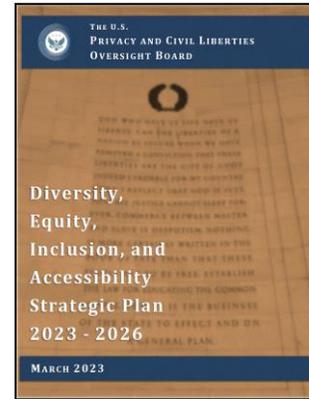


Agency Congressional Budget Justifications (CBJs). This report “justifies” the request by the President and explains the mission of the agency, outlines the goals and objectives of the coming fiscal year, and provides comparative data for the previous, current, and proposed budget. PCLOB posts all CBJs on the agency’s website once they have been finalized.



Agency Financial Reports. PCLOB issued its first AFR over the FY 2020 financial statements in November 2020 to further demonstrate its commitment towards strong financial management. The AFR provides an overview of the agency’s financial and performance data to help Congress, the President, and the public assess its stewardship over the resources entrusted to it, providing a comprehensive report on the agency’s mission and operational accomplishments, challenges and risks, and financial results for reported period.

Agency Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan. PCLOB issued its first DEIA Strategic Plan in March 2022, and updated it to a multi-year plan covering FY 2023 through 2026 in March 2023, in response to EO 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*. This report reflects a commitment by the agency to make DEIA considerations a core component of the agency’s workforce and decision-making framework.



Annual DEIA Progress Reports. PCLOB issued its first DEIA progress report in March 2023, as required by EO 14035, to provide the status of the agency's efforts to advance diversity, equity, inclusion, and accessibility within the agency and the agency's success in implementing the PCLOB DEIA Strategic Plan during 2022. This report details the agency’s progress by goal and initiative and defines the agency’s goals in the coming years.



STRATEGIC PLANNING: PATHWAY TO MISSION ACCOMPLISHMENT

The Government Performance and Results Act (GPRA) of 1993 requires federal agencies to develop strategic plans. PCLOB has developed a plan that outlines the strategic goals the agency aims to achieve, objectives associated with each goal; and which actions it will take to realize each objective. PCLOB’s 2022-2026 Strategic Plan, published in May 2022, outlines the following five strategic goals:

**STRATEGIC GOAL 1:
OVERSIGHT**



Conduct effective oversight of executive branch authorities, policies, and activities related to efforts to protect the nation against terrorism to ensure appropriate protection of privacy and civil liberties.

**STRATEGIC GOAL 2:
ADVICE**



Provide effective and timely advice to ensure that liberty concerns are appropriately considered in the development and implementation of laws, regulations, and policies related to efforts to protect the nation against terrorism.

**STRATEGIC GOAL 3:
TECHNOLOGY**



Strengthen PCLOB’s capabilities and knowledge regarding advanced and emerging technologies, their potential impacts on, and potential to safeguard, privacy and civil liberties, and their potential uses to perform oversight.

**STRATEGIC GOAL 4:
TRANSPARENCY**



Further promote transparency regarding PCLOB activities and executive branch counterterrorism efforts that impact privacy and civil liberties, to the greatest extent possible consistent with the protection of classified information and applicable law.

**STRATEGIC GOAL 5:
STRENGTH**



Continue to strengthen PCLOB’s institutional strength and capacity.



PERFORMANCE THROUGH PROGRESS

This section demonstrates how PCLOB’s achievements relate to defined goals and objectives of the agency.

STRATEGIC GOAL 1: OVERSIGHT

Conduct effective oversight of executive branch authorities, policies, and activities related to efforts to protect the nation against terrorism to ensure appropriate protection of privacy and civil liberties.

Background

Under its oversight function, the agency is required to “continually review” executive branch regulations, policies, procedures, information-sharing practices, and other actions related to efforts to protect the nation from terrorism to ensure that they appropriately protect privacy and civil liberties and comport with governing laws, regulations, and policies relating to privacy and civil liberties.

FY 2023 Accomplishments

In line with the agency’s first strategic goal, PCLOB has conducted vigorous oversight of efforts by the executive branch to protect the nation against terrorism through its work examining both classified activities and unclassified programs, including the following oversight projects:

- **Review of Section 702 of the Foreign Intelligence Surveillance Act.** Throughout FY 2023, PCLOB continued examining the surveillance program that the executive branch operates pursuant to Section 702 of the Foreign Intelligence Surveillance Act (FISA) in anticipation of Section 702’s December 2023 sunset date. The goals of this oversight project were:
 - To ensure that privacy and civil liberties are protected in the course of the executive branch’s use of its Section 702 authorities; and
 - To ensure that Congress and the public are able to appropriately assess and consider the program’s value and efficacy of protecting the nation’s security while producing useful intelligence.

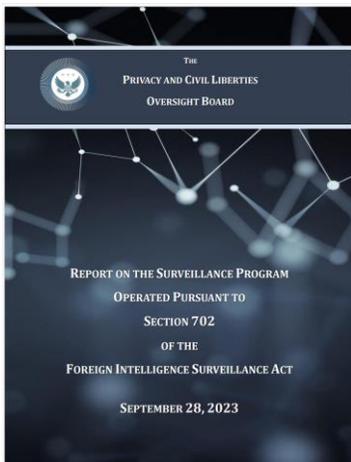
PCLOB OVERSIGHT PROJECTS IN FY 2023
FISA Section 702
Government Efforts to Address Foreign Racially Motivated Violent Extremist Organizations
Countering Domestic Terrorism
Terrorist Watchlist
Recommendations Assessment Report
NCTC Assessment
FBI Collection of Open-Source Data
Facial Recognition and Other Biometric Technologies in Aviation Security
Airline Passenger Data
Critical Infrastructure Cybersecurity



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To achieve the project's stated goals, PCLOB reviewed the program's past and projected value and efficacy, as well as the adequacy of existing privacy and civil liberties safeguards. Further, in order to provide an accurate description of the current program, PCLOB examined changes to surveillance authorized by Section 702 since the agency's 2014, *Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act*. As part of this review, PCLOB conducted multiple oversight engagements with the agencies that conduct the Section 702 program, including receiving briefings and obtaining relevant policy and procedure documents. PCLOB's review included (but was not limited to) U.S. person queries of information collected under Section 702 and 'Upstream' collection conducted pursuant to Section 702.

PCLOB's 2023 FISA Section 702 report, entitled [Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act](#), was released publicly on September 28, 2023. The



report, which updates PCLOB's comprehensive 2014 report on Section 702, includes a history of the program, an extensive review and explanation of the program's operations and oversight, policy analysis, and 19 recommendations – seven for action by Congress and 12 for the Intelligence Community. The Board found that Section 702 is highly valuable, that significant reforms should be made to the program, and that the privacy and civil liberties risks posed by Section 702 can be reduced while preserving the program's value in protecting America's national security.

Chair Sharon Bradford Franklin, Member Ed Felten, and Member Travis LeBlanc approved the full report. Chair Franklin issued a separate statement pertaining to one of the recommendations. Board Members Beth A. Williams and Richard E. DiZinno issued a separate statement detailing their opposition and making seven alternative recommendations.



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- **Domestic Terrorism.** PCLOB launched its oversight project examining government policies and activities designed to counter domestic terrorism. PCLOB is focusing this project on two simultaneous and distinct workstreams: the impact on First Amendment rights and the impact on privacy and civil liberties of particular groups, such as those with shared racial, religious, political, or ideological affiliations. The Board authorized this oversight project at the end of FY 2022, and PCLOB staff have begun meeting with relevant agency staff and gathering information in support of this oversight review.
- **Terrorist Watchlist.** PCLOB has been reviewing the operation of the Terrorist Screening Database, commonly known as the Terrorist Watchlist (Watchlist), which contains information on known and suspected terrorists. PCLOB staff has maintained regular engagement with the Terrorist Screening Center (TSC), which manages the Watchlist, during this reporting period. The TSC continues to provide PCLOB staff with updates on forthcoming Watchlist Guidance issuance; renewal of major watchlist privacy impact assessments; and other relevant privacy and civil liberties-related watchlist records. PCLOB is working to finalize recommendations regarding the Watchlist program operation and expects to issue a report in FY 2024.
- **Recommendations Assessment Report.** In May 2023, PCLOB released a [“Recommendations Assessment Report”](#) (RAR) discussing the status of the government’s implementation of recommendations made by the Board in three prior reports: the Report on Section 215 and the Operation of the FISA Court (2014); the Report on Section 702 (2014); and the Report on Presidential Policy Directive 28 (PPD-28) (2017). This is the first time that PCLOB has provided an overview of the status of recommendations made in PCLOB’s [PPD-28 Report](#), which was publicly released in 2018.
- **Other Active Oversight Projects.** PCLOB has also continued its work on a number of additional projects. For example, PCLOB is examining the National Counterterrorism Center’s (NCTC) access to and aggregation of datasets containing non-terrorism information according to implementation procedures drafted by the Office of the Director of National Intelligence (ODNI) pursuant to EO 12333. In addition, PCLOB is reviewing the use of facial recognition in aviation security (further described below), as well as FBI’s acquisition and use of publicly available data from open-source or commercial sources.



STRATEGIC GOAL 2: ADVICE

Provide effective and timely advice to ensure that liberty concerns are appropriately considered in the development and implementation of laws, regulations, and policies related to efforts to protect the nation against terrorism.

Background

PCLOB exercises its advice function when it requests or receives information about a matter that is the subject of ongoing deliberation within the executive branch - that is, where the program, policy, or other matter is under discussion and there is not yet an executive branch decision. Once the matter has been settled within the executive branch, and there is no ongoing engagement to amend such legislation, regulation, or policy, the agency would only address the matter through its statutory oversight function.

FY 2023 Accomplishments

- **Advice Rendered in Accordance with EO 12333, *United States Intelligence Activities*.** Since 2016, PCLOB has provided advice on every significant issuance, revision, or re-issuance by an Intelligence Community element of its Attorney General-approved guidelines governing the handling of U.S.-person information collected under EO 12333. In FY 2023, PCLOB issued advice to one agency regarding development of its guidelines pursuant to EO 12333.
- **Advice Rendered in Accordance with [EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities*](#).** The administration issued this EO in October 2022 to provide enhanced protection for privacy and civil liberties in signals intelligence as part of the new Data Privacy Framework to promote data transfers between the European Union (EU) and the United States. EO 14086 encourages PCLOB to take on several roles. First, the order encourages PCLOB to provide advice to intelligence agencies as they update their policies and procedures to provide enhanced safeguards pursuant to the EO. In the spring of 2023, the ODNI sought PCLOB's advice on these new procedures, and PCLOB provided its advice and recommendations. The Intelligence Community responded to PCLOB regarding its advice and published the final procedures at the end of June 2023. The order also outlined roles for PCLOB in assessing implementation of these procedures as well as in conducting annual reviews of the new redress process established by the order; PCLOB will begin work on these roles in FY 2024.



➤ **Coordination of Executive Branch Privacy and Civil Liberties Activities Under Section 803.** Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 requires agencies’ Privacy and Civil Liberties (P/CL) officers to issue semi-annual reports about their activities to their respective agency heads, Congress, and PCLOB. At a minimum, the reports must detail the following:

- Information on the number and types of reviews undertaken;
- The type of advice provided, and the response given to such advice;
- The number and nature of the complaints received by the department, agency, or element concerned for alleged violations; and
- A summary of the disposition of such complaints, the reviews and inquiries conducted, and the impact of the activities of such officer.

In FY 2023, PCLOB received Section 803 reports from two agencies, the Federal Bureau of Intelligence (FBI) and the Department of Treasury (Treasury).

PCLOB has been working to increase public access to and visibility of the Section 803 reports that the agency regularly receives and reviews. In furtherance of this goal, PCLOB created a new page on the agency’s web site entitled [Section 803](#) that provides access to the reports from all agencies. For the first time, the public can find all Section 803 reports in one place, due to PCLOB’s extensive coordination with numerous other federal departments and agencies.

➤ **Authorities Under PCLOB’s Enabling Statute.** PCLOB’s authorizing statute instructs the agency to advise executive branch agencies on their efforts to protect privacy and civil liberties and to coordinate those activities on relevant interagency matters. As such, PCLOB has regular interactions with agency P/CL officers which promote information sharing and privacy best practices.

AGENCIES THAT SUBMIT SECTION 803 REPORTS TO PCLOB
Central Intelligence Agency
Department of Defense
Department of Health and Human Services
Department of Homeland Security
Department of Justice
Department of State
Department of the Treasury
Federal Bureau of Investigation
National Security Agency
Office of the Director of National Intelligence



STRATEGIC GOAL 3: TECHNOLOGY

Strengthen PCLOB's capabilities and knowledge regarding advanced and emerging technologies, their potential impacts on, and potential to safeguard, privacy and civil liberties, and their potential uses to perform oversight.

Background

Given the potential implications of new and developing technologies for privacy and civil liberties, their potential deployment should be accompanied by rigorous independent consideration of privacy and civil liberties concerns, considering the views of stakeholders inside and outside of government.

FY 2023 Accomplishments

Several of PCLOB's oversight projects included a particular focus on the government's use of surveillance technologies:

- **Review of Section 702 of FISA.** One project with a technological focus, previously mentioned in depth, was the agency's assessment of the government's use of its technological capabilities as part of PCLOB's oversight of surveillance conducted under Section 702 of FISA. Among other things, the Section 702 report described how the government collects data under the authority, namely through Upstream, Downstream, Telephony, and a new highly sensitive technique. Although most of the details regarding the highly sensitive technique were contained in the report's classified annex, which was not made public, PCLOB's report was able to provide important details to Congress as the Section 702 reauthorization debate proceeds into FY 2024.
- **Facial Recognition in Aviation Security.** PCLOB continued its ongoing review of the use of facial recognition in aviation security. The Transportation Security Agency (TSA) has piloted Credential Authentication Technology (CAT) machines to employ facial recognition at domestic airports. In 2023, TSA awarded a significant contract to acquire these devices to deploy the technology nationwide. PCLOB's review will provide transparency regarding how this CAT technology works and give the public a better understanding of this screening process as it is deployed at additional airports. Additionally, the agency has continued to track developments regarding advanced and emerging technologies through an artificial intelligence and machine learning working group and will consider various areas for needed federal oversight.



STRATEGIC GOAL 4: TRANSPARENCY

Further promote transparency regarding PCLOB activities and executive branch counterterrorism efforts that impact privacy and civil liberties to the greatest extent possible, consistent with the protection of classified information and applicable law.

Background

To achieve its goal of transparency, PCLOB has committed to ensuring that its work is available, relevant, and informative for the public, Congress, and other federal agencies. PCLOB’s statute requires it to hold public hearings and otherwise inform the public of its activities to the greatest extent consistent with the protection of classified information and applicable law.

METHODS PCLOB USES TO INFORM THE PUBLIC, CONGRESS, AND OTHER GOVERNMENT AGENCIES			
Board Members and staff speak at events hosted by other government agencies and organizations	PCLOB hosts public forums, both in person and virtually	Board Members testify about matters within the agency’s jurisdiction	Board Members and staff conduct briefings to Congress to provide updates on PCLOB’s work and provide technical assistance on legislative matters

FY 2023 Accomplishments

- **Participation in Outside Events.** Board Member involvement in events hosted by other government agencies and organizations increased significantly in FY 2023 and included the following:
 - Board Members participated in the Global Privacy Assembly Summit in Istanbul in October 2022 and spoke at the November 2022 conference in Brussels hosted by the International Association of Privacy Professionals (IAPP).
 - In January 2023, Board Member Williams participated in a virtual panel discussion sponsored by MITRE on the U.S.-EU Data Privacy Framework.
 - Chair Franklin spoke at Tufts University’s Student Symposium in Cybersecurity Policy in March 2023 and at the Georgetown Law Center’s conference examining Section 702 of FISA in April 2023.



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- Board Member LeBlanc participated in an “AI and Democratic Values” roundtable hosted by the Center for AI and Digital Policy in April 2023.
- **PCLOB Public Forums.** To further public engagement and promote greater understanding of the privacy and civil liberties issues regarding operation of the Section 702 program, PCLOB Board Members hosted a [virtual public forum in January 2023](#). The forum, which received over 1,500 views, featured a keynote address from General Paul Nakasone, head of the National Security Agency (NSA) and U.S. Cyber Command. It also included two discussion panels which enabled Board Members to hear from and question senior government officials and leading civil society and academic experts representing a broad range of viewpoints. The forum, which received extensive media coverage from the New York Times, the Washington Post, and the Associated Press, was widely seen as the public starting point for the 2023 public debate over reauthorization.
- **Board Member Testimonies.** Board Chair Franklin and Board Member Williams testified as witnesses for an April 2023 House Judiciary Subcommittee on Crime and Federal Government Surveillance [hearing](#) regarding the privacy implications of Section 702 of FISA. The hearing, which also included Justice Department Inspector General Michael Horowitz, covered a range of topics regarding Section 702 such as querying procedures and incidental collection of Americans’ communications.
- **Staff Briefings.** PCLOB staff briefed the President’s Intelligence Advisory Board staff on the agency’s project on Section 702 of the Foreign Intelligence Surveillance Act as well as the Senate Homeland Security and Governmental

Affairs staff on numerous agency projects, including the NCTC oversight, Domestic Terrorism, and Watchlist projects.



Above: Board Members converse with a panel during the January 2023 virtual FISA Section 702 public forum.

At right: Board Chair Franklin testifying at the House Judiciary Committee Subcommittee on Crime and Federal Government Surveillance hearing in April 2023.



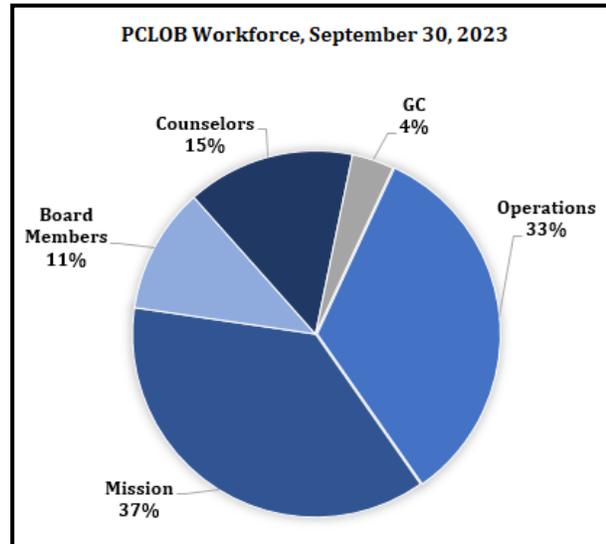


STRATEGIC GOAL 5: STRENGTH

Continue to enhance PCLOB's institutional strength and capacity.

Background

The agency is staffed by Board Members and their respective counselors, mission staff, general counsel, and operations staff. While PCLOB's mission is spearheaded by the mission staff, it could not be achieved without the support of general counsel and operations staff, which together accounted for 37% of the agency's workforce at the end of FY 2023, as depicted in the chart at right, *PCLOB Workforce, September 30, 2023*.



In a manner consistent with its small size and limited workforce, PCLOB must continuously develop its operational activities to achieve a standard of excellence in both mission and operational activities and meet the agency's fifth strategic goal. As the general counsel supports both mission and operations in his legal oversight and policy development, the small operations staff (nine as of the end of FY 2023) often work outside of their primary duties when necessary to accomplish operational responsibilities and support the mission. Operational responsibilities are divided into four key departments: human resources, financial management, information technology, and security.

FY 2023 Accomplishments

Human Resources and Workforce Management

- **Successful On-Boarding of New Staff.** Given the specific skillsets and qualifications needed for PCLOB's staff, filling vacant positions at PCLOB takes considerable time and effort. Because the work performed by PCLOB's staff is often conducted on a classified level, all Board Members and staff must be approved for a top-secret clearance that normally takes several months to obtain. In addition, the agency must seek staff possessing specific professional experience and critical skills that align with the agency's mission. At the beginning of FY 2023, the agency had twelve vacancies to fill. Despite additional staff losses throughout the year, PCLOB successfully filled eleven full-time equivalent (FTE) positions in FY 2023, compared to six new hires in FY 2022. Of the eleven positions filled in FY



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2023, four related to key leadership positions: a Chief Human Capital Officer, a Chief Security Officer, a General Counsel, and an Executive Director (a position that had been filled on only an acting basis since FY 2021).

- **Subject Matter Expertise From Employees of Other Federal Agencies.** With specific mission needs and a small staff to accomplish stated objectives, often in specific timeframes, PCLOB turned to the expertise of employees detailed in from other federal agencies to fulfill critical staffing requirements. In FY 2023, the agency utilized seven talented professionals from the Department of Justice (DOJ), the Central Intelligence Agency (CIA), the FBI, and the NSA. These staff members detailed in to PCLOB on joint duty assignments provided valuable subject matter expertise on mission projects, including the agency's review and report over Section 702 of FISA in FY 2023 as well as additional operational support.
- **Efforts to Recruit and Retain Qualified Staff.**
 - *Continued Efforts to Raise the Statutory Salary Cap.* PCLOB's success in filling all of its full-time staff vacancies, which included the key position of Executive Director, was often hindered by the agency's statutory salary cap. The cap restricts the amount of direct salary that may be paid to staff to no greater than the equivalent of Executive Level V (\$172,100 during the reporting period) of the Federal Executive Pay Scale. PCLOB has been working to obtain legislative approval to increase its statutory pay cap to the equivalent of Executive Level IV (\$183,500 during this reporting period). An increase in the agency's salary pay cap would enable PCLOB to pay salaries at levels equivalent to the full General Schedule (GS) pay scale, providing more competitive compensation better aligned with those agencies PCLOB oversees and significantly improving the agency's ability to recruit and retain skilled professionals.
 - *Implementation of Recruitment and Retention Incentive Plans.* A recruitment and retention incentive plan aimed at attracting candidates and/or retain employees deemed critical to the agency's mission was approved by the Board and implemented.
 - *Increasing Total Workforce.* The Board approved seeking an increase in the agency's total number of employees to fulfill critical mission and operational requirements, and the agency's budget request, approved by OMB and included in the President's budget request, would raise the FTE count for the agency (as funding through annual appropriations allows) from 37 to 43.



- *PCLOB Enrichment Day 2023*. In August 2023, staff came together for an off-site afternoon of team building and recognition, in a new effort to boost employee morale and brainstorm new agency success factors.

➤ **Efforts to Comply with Executive Orders and Enhance the Workforce.**

- *EO 14035, DEIA*. PCLOB continues to implement EO 14035 to advance civil rights, racial justice, and equal opportunity for all, both internally for PCLOB’s workforce and as part of its work to ensure that counterterrorism programs include adequate safeguards for privacy and civil liberties. In early 2023, led by the agency’s DEIA Committee, PCLOB issued its first DEIA Annual Progress Report for FY 2022 progress. In this report, PCLOB detailed its FY 2022 accomplishments, which included:
 - The formation of the PCLOB DEIA Team;
 - Evaluation of needed resources to implement DEIA initiatives;
 - Development of DEIA training plans for staff;
 - Enhanced recruitment efforts;
 - Completion of a survey to assess the current climate amongst staff; and
 - Review and update of various agency policies and procedures.

Also included in the FY 2022 DEIA Annual Progress Report was the FY 2023 PCLOB DEIA “Roadmap”, which outlined the agency’s updated DEIA goals for the next year.

The agency updated its 2022 DEIA Strategic Plan in March 2023 to a multi-year plan covering FY 2023-2026. The new DEIA Strategic Plan highlights the need for data and evidence-based decision-making as well as continuous assessment and improvement. Since the agency’s DEIA vision, mission, and principles remain constant and span the course of multiple years, PCLOB will include in each year’s annual progress report the DEIA Roadmap for agency action in the following year, as the program matures, and short-term goals reached. PCLOB will utilize both the DEIA Strategic Plan and the annual DEIA progress reports to inform and advise the Board.

PCLOB will be issuing its 2023 Annual DEIA Progress Report in March 2024. Based on quarterly DEIA status briefings provided to the Board, some of PCLOB’s accomplishments include:



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- Completion of DEIA training by staff and Board Members;
 - PCLOB attendance at a recruitment event and continued monitoring for additional event opportunities, to expand outreach to universities, law schools, and professional associations;
 - Implementation of formal exit interview questions and a climate survey to provide data to assess, analyze, and improve PCLOB's work environment; and
 - Continued review and update of various agency policies and procedures, with three internal policies updated and seven new policies approved by the Board in FY 2023.
- *OMB M-23-15, Organizational Health.* While not a Chief Financial Officer (CFO) Act agency, PCLOB has begun working on measuring, monitoring, and improving organizational health and organizational performance, in response to guidance issued by OMB in April 2023. PCLOB drafted a response for assessing agency performance, updating work environment plans and operational policies, and assessing agency health and performance overall, which was submitted for Board consideration. In September 2023, the Board appointed the agency's first Performance Improvement Officer, whose primary responsibilities will be to lead efforts in guiding leadership goalsetting, reviewing progress, making course corrections, and making results transparent.

Financial Management

- **Continued Implementation of G-invoicing.** In FY 2022, PCLOB began using the G-Invoicing system to manage some of its agreements with federal trading partners, as mandated by Fiscal Service under the authority of 31 U.S.C. 3512(b) and 3513. These efforts continued into FY 2023 as more federal trading partners became G-invoicing ready and PCLOB entered into more agreements, allowing the agency to negotiate and accept General Terms and Conditions (GT&C) agreements, broker orders, exchange performance information, and validate settlement requests through Intra-Governmental Payment and Collection (IPAC). Despite the steep short-term learning curve still present in FY 2023 for PCLOB (as well as its trading partners), the agency looks forward to reaping the long-term benefits of G-invoicing, which include better communication between trading partners; greater transparency to decrease differences between agencies; common data standards to reduce misunderstandings; agreed-upon processes to support timely and accurate accounting; and streamlined settlements of funds in IPAC for more timely and efficient settlements.



- **Excellence in Reporting.** In May 2023, PCLOB received its first Certificate of Excellence in Accountability Reporting (CEAR) award from the AGA. The AGA presents the esteemed CEAR award each year to federal agencies that produce high-quality Performance and Accountability Reports (PAR) and AFRs. The AGA praised the PCLOB AFR as being “informative, well organized, and professionally written.” PCLOB was the smallest federal agency to receive an award for its FY 2022 PAR or AFR.



Above: Members of PCLOB's Office of the Chief Financial Officer accepted the 2022 CEAR Award at the May 2023 AGA CEAR Awards Ceremony.

- **Maximized Efficiencies Through Contracted Services.** PCLOB has compensated for its small size by using shared-service providers for several key functions: financial, payroll and human resources (HR), and procurement services. These service providers employ individuals who are experts in their field, entrusted to perform critical tasks reliably on a timely schedule. Contracting with service providers has enabled PCLOB to identify and resolve errors, leverage service provider's software, and more confidently stay up to date on regulations more quickly.

Information Technology (IT) Systems and Cybersecurity

- **Favorable FY 2023 Federal Information Security Management Act Results.** Information security also continues to be a top priority for the agency PCLOB's FY 2023 Federal Information Security Management Act of 2014 (FISMA) audit concluded that its internal controls were effective in protecting information resources, and an independent penetration test detected no critical or high vulnerabilities across PCLOB's network infrastructure.
- **Continued Network Provision to Staff Without Incident.** PCLOB's IT staff remains focused on solidifying the agency's cybersecurity posture while maintaining infrastructure and strategies to support a hybrid work environment. As a result of these efforts, PCLOB did not experience any major cybersecurity incidents in FY 2023.



➤ **Compliance with Federal Standards.**

- PCLOB's IT staff has successfully transitioned from a legacy security information and event management (SIEM) platform to a new system with enhanced network infrastructure capabilities to meet compliance objectives listed in the OMB Memorandum 21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*.
- PCLOB continues to leverage shared-service providers and contractor support to augment its boundary protection. IT staff implemented, maintained, and documented technical controls to comply with federal standards and the Department of Homeland Security's (DHS) Cross-Agency Priority (CAP) Goals for cybersecurity. These goals include managing asset security, protecting networks and data, and limiting personnel access. In the coming months, PCLOB will continue focusing on the cybersecurity Cross-Agency Priorities and alignment to the National Institute of Standards and Technology (NIST) Special Publication 800-207 Zero Trust Architecture tenets.
- PCLOB implemented DHS Binding Operational Directive 23-02, *Mitigating the Risk from Internet-Exposed Management Interfaces*, to remove network access or deploy Zero Trust access control capabilities for internet management.





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- PCLOB implemented DHS Binding Operational Directive 23-01, “Improving Asset Visibility and Vulnerability Detection on Federal Networks,” to make measurable progress toward enhancing visibility into agency assets and associated vulnerabilities through maintaining an up-to-date inventory of network assets, identifying software vulnerabilities, and providing asset and vulnerability information to Cybersecurity and Infrastructure Security Agency (CISA)’s Continuous Diagnostic and Monitoring (CDM) Dashboard.
- PCLOB Maintained compliance with DHS Binding Operational Directive 22-01, “Reducing the Significant Risk of Known Exploited Vulnerabilities,” to remediate vulnerabilities according to timelines outlined in the CISA managed catalog.

Security

PCLOB maintains its focus on protecting sensitive and classified materials. The agency continues to engage in government-wide efforts to modernize the security clearance process. This includes continued implementation of Trusted Workforce (TW) 2.0. and NSPM–28, which directs agencies to implement an Operations Security (OPSEC) program and allows PCLOB’s insider threat program to maintain the standards required by EO 13587, *Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information*. PCLOB also continues its efforts to ensure Controlled Unclassified Information (CUI) received from partner agencies is protected.

General Counsel

PCLOB’s General Counsel worked diligently to further refine the agency’s policies and processes, in line with objectives outlined not only in the PCLOB’s 2022-2026 Strategic Plan, but in the agency’s 2023-2026 DEIA Strategic Plan as well. Accordingly, three updated internal policies and seven newly developed policies were approved by the Board in FY 2023.



OVERCOMING CHALLENGES TO ACHIEVE OUR STRATEGIC GOALS AND OBJECTIVES

MAINTAINING A BOARD QUORUM

As previously mentioned, each of the five Members of the Board are appointed by the President and confirmed by the Senate. PCLOB's statute requires that Members of the Board be selected based on their professional qualifications, achievements, public stature, expertise in civil liberties and privacy, and relevant experience; no more than three Members of the Board may come from the same political party. Since Board Members are chosen with such due diligence, vacant seats can be slow to fill. When the agency has less than the statutory quorum of three Members, the agency enters a sub-quorum period. This can prove challenging because during a sub-quorum period, some of PCLOB's authorities are limited. However, during FY 2023, PCLOB not only had a full quorum, but also had a full complement of five Board Members.

ACHIEVING COMPLIANCE DESPITE SIZE LIMITATIONS

As a small, independent executive branch agency, currently consisting of fewer than 40 full-time employees, PCLOB must still meet various statutory requirements applicable to all agencies. Compliance can pose challenges given PCLOB's limited staff and resources, as well as its unique mission which often requires handling classified information. To that end, as provided in OMB Circular A-11, PCLOB has sought and obtained from the OMB a four-year exemption from certain sections of the Government Performance and Results Act of 1993, Pub. L. No. 103-62 (1993), as amended by the GPRA Modernization Act of 2010, Pub. L. No. 111-352 (2010) (collectively, GPRA). As long as PCLOB's annual outlays remain under \$20 million, the agency remains exempt from annual performance plan and performance reporting requirements until FY 2026. However, the agency will continue to report on its performance through its mission projects and operational achievements in the reports issued throughout the year such as the semi-annual reports, CBJs, and AFRs.



RECRUITING AND RETAINING QUALIFIED STAFF

PCLOB's mission success hinges on an agile and diverse mix of staff with backgrounds in intelligence, counterterrorism, privacy and civil liberties, oversight and investigations, federal accounting, human resources, security, administration, and information technology equipped with critical skills that align with the evolving strategic workforce needs of the agency. In FY 2023, as PCLOB worked to meet its DEIA Strategic Plan and Equity Plan goals, the agency increased its recruiting efforts to fill vacancies and grow its staff of skilled professionals.

An underlying challenge for the agency has been its ability to attract and retain the talented professionals required to accomplish the agency's mission. Accordingly, the agency continues to seek legislative approval to exceed the current statutory pay cap set for PCLOB employees and offer salaries at levels equivalent to the full GS pay scale. With a legislatively approved increase, PCLOB could provide potential new hires and current staff alike competitive compensation better aligned with the agencies PCLOB oversees.

As previously mentioned, to offset the inability to offer salaries that are comparable to those available at agencies in the Intelligence Community that PCLOB oversees, PCLOB has begun offering recruitment and retention incentives to incoming and current staff. The agency finalized and approved its recruitment and retention incentive plan after obtaining approval from the Office of Personnel Management (OPM). The plan supports PCLOB's efforts to incentivize prospective and current employees considered most likely to decline an offer or depart the agency for similar, but more highly compensated, positions in the private sector.

RELIANCE ON REQUESTED FUNDING LEVELS

PCLOB relies exclusively on appropriated funds to finance the agency's staff salaries and operating expenses. Each year, the agency prepares a CBJ in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget* with its budget request for the following fiscal year, outlining PCLOB's anticipated funding required operate efficiently as it strives to achieve its mission.

A serious – and unavoidable - risk to the agency is the possibility of receiving an appropriation that is less than the funding amount that was requested and budgeted for. The consequences of having less total funding available than anticipated would have serious detrimental effects on the agency's ability to operate effectively and efficiently amidst rising contract costs, federal mandates, and competition for talented workforce. PCLOB's advice and oversight projects would likely experience adverse effects as the agency would not be able to fill critical positions by hiring new staff or detailing in subject matter experts and stay within budgetary constraints.



Forward-Looking Information



With a full complement of Board Members and a new Executive Director at the end of FY 2023, PCLOB stands well-positioned to initiate new oversight projects, finalize existing projects, and diligently work to achieve the goals, objectives, and strategies outlined in the agency's FY 2022-2026 Strategic Plan. In FY 2024, PCLOB plans to initiate the following activities:

- **Review of Oversight and Advice Projects.** PCLOB's new Executive Director has been working actively to devise a clear path forward on mission projects that have been on the agency's docket for years, with a focus toward expedient completion. The Executive Director is also working with staff to develop proposals for areas of needed federal oversight to enable the Board to assess what new oversight and advice projects to initiate.
- **Continued Exercise of Roles Under EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities*.** PCLOB will conduct its review of the new procedures that intelligence agencies adopted to increase safeguards for U.S. government surveillance activities. As described above, the agencies published these procedures in the spring of 2023, after receiving advice from, and consulting with, PCLOB. Also, PCLOB will conduct its first review of the new redress process being implemented by the government pursuant to EO 14086. The redress process permits citizens of other countries to seek redress for the alleged inappropriate access to their data by the U.S. government. Conducting this annual review will be a brand new and innovative role for PCLOB, and the U.S. government has cited PCLOB's anticipated independent review as an element critical to establishing the viability the new redress process.



- **Domestic Terrorism.** PCLOB will increase its focus on its investigation into the government’s efforts to counter domestic terrorism. This includes gathering information from the DHS and the FBI on their domestic terrorism authorities and operations and on ongoing investigations and trends. PCLOB staff will begin investigating whether any additional privacy and civil liberties safeguards are needed in these areas.
- **Artificial Intelligence and Machine Learning.** PCLOB will turn its attention to the government’s use of artificial intelligence and machine learning in its efforts to combat terrorism. PCLOB staff will evaluate areas for needed oversight and will present those findings to the Board as potential new oversight investigations.
- **Increased Staff Development.** PCLOB will further engage in staff development. PCLOB will hold monthly knowledge sessions for agency staff to learn new subject areas, skills, and investigative processes and tools. Staff will also participate in federal privacy trainings, have mentorship opportunities, and receive standardized practice guides.
- **Continued Outreach to the Public, Congress, and Other Federal Agencies.** PCLOB plans to continue its practice of regularly hosting public forums to gather information related to its ongoing oversight reviews and to explain its reports to the public. In addition, PCLOB will host the privacy officers from the agencies it oversees for regular meetings and will participate in the Federal Privacy Council and privacy groups established by the White House.
- **Development of New Performance Targets and Measurement Procedures.** Although PCLOB currently holds a GPRA exemption from annual performance planning and reporting requirements until FY 2026, PCLOB is assessing the agency’s capacity to incorporate these elements into management’s current processes. The agency will first need to establish and prioritize measurable performance targets which correlate with mission, service, stewardship, and other crosscutting strategic objectives in the agency’s 2022-2026 Strategic Plan, as well as procedures for tracking and reporting progress. While these efforts may take time to fully implement, the cumulative reviews will foster a culture of continuous learning and improvement, with data and evidence gathered from periodic performance reviews being used to continually improve planning, performance, evaluation, and budgeting processes.



➤ **OMB M-23-15 Agency Response to Improve Organizational Health and Performance.**

Following the appointment of an agency PIO in FY 2023, the agency intends to put into action its drafted agency plan to update work environment plans, establish new routines in the workplace, and identify a set of coordinated, integrated indicators to measure, monitor, and improve organizational health and performance.

➤ **Continued Efforts to Meet DEIA Initiatives as Outlined in the Agency DEIA Strategic Plan and Annual Progress Reports.**

PCLOB's DEIA Team will continue

to regularly meet to discuss work performed and what actions are still necessary to achieve stated goals, as outlined in the Roadmaps included in the annual DEIA Progress reports as well as the DEIA Strategic Plan. For increased accountability and continued success in achieving the goals, the team will continue providing regular updates to the Board with their recommendations and/or requests for Board action, when necessary. Lastly, as previously mentioned, the agency will issue its 2023 DEIA Progress Report in accordance with EO 14035.



Financial Summary and Highlights

The financial summary and highlights that follow provide an overview of PCLOB’s 2023 financial statements. The independent auditor, Castro & Company, audited the agency’s Balance Sheets for the fiscal years ending September 30, 2023 and 2022, along with the Statements of Net Cost, Changes in Net Position, and Budgetary Resources. PCLOB received an unmodified audit opinion on its 2023 and 2022 financial statements. A summary table of key financial measures from the Balance Sheets and Statements of Net Cost and Budgetary Resources is provided. The complete financial statements, including the independent auditor’s reports, along with accompanying footnote disclosures, and required supplementary information, are presented in the Financial Information section of this report.

SUMMARY TABLE OF KEY FINANCIAL MEASURES (IN DOLLARS)

Balance Sheets	FY 2023	FY 2022	Variance (In Dollars)	Variance (In Percentage)
Fund Balance with Treasury	\$ 4,294,840	\$ 8,086,669	\$ (3,791,829)	-47%
Accounts Receivable	-	6,679	(6,679)	-100%
General Property, Plant, and Equipment	1,067,924	1,414,930	(347,006)	-25%
Advances and Prepayments	254,782	297,635	(42,853)	-14%
TOTAL ASSETS	\$ 5,617,546	\$ 9,805,913	\$ (4,188,367)	-43%
Accounts Payable	\$ 496,975	\$ 319,367	\$ 177,608	56%
Federal Employee and Veteran Benefits Payable	285,185	282,534	2,651	1%
Other Liabilities	93,691	83,981	9,710	12%
TOTAL LIABILITIES	\$ 875,851	\$ 685,882	\$ 189,969	28%
TOTAL NET POSITION	\$ 4,741,695	\$ 9,120,031	\$ (4,378,336)	-48%
TOTAL LIABILITIES AND NET POSITION	\$ 5,617,546	\$ 9,805,913	\$ (4,188,367)	-43%
Net Cost of Operations				
Gross Costs	\$ 11,291,040	11,524,295	(233,255)	-2%
Less: Earned Revenues	-	(507,124)	507,124	-100%
NET COST OF OPERATIONS	\$ 11,291,040	\$ 11,017,171	\$ 273,869	2%
Status of Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority	\$ 3,094,090	\$ 7,809,723	\$ (4,715,633)	-60%
Appropriations	10,600,000	9,800,000	800,000	8%
Spending Authority from Offsetting Collections	-	507,124	(507,124)	-100%
TOTAL BUDGETARY RESOURCES	\$ 13,694,090	\$ 18,116,847	\$ (4,422,757)	-24%
Obligations Incurred	\$ 10,999,231	\$ 11,316,275	(317,044)	-3%
Unobligated Balance, Unexpired and Expired	2,694,859	6,800,572	(4,105,713)	-60%
STATUS OF BUDGETARY RESOURCES	\$ 13,694,090	\$ 18,116,847	\$ (4,422,757)	-24%



PCLOB prepared its financial statements from its accounting records in conformity with generally accepted accounting principles which, for federal entities, are the standards issued by the Federal Accounting Standards Advisory Board. The agency’s management is responsible for the integrity and objectivity of the financial information presented in the statements.

This summary section will provide an explanation of significant fluctuations that appear on PCLOB’s financial statements and is organized as follows:

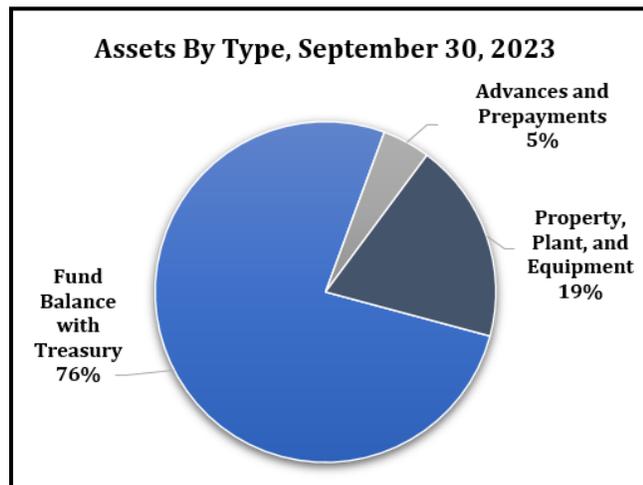
- Balance Sheets: Overview of Financial Position;
- Statements of Net Cost;
- Statements of Changes in Net Position;
- Statements of Budgetary Resources; and
- Limitations of the Principle Financial Statements.

BALANCE SHEETS: OVERVIEW OF FINANCIAL POSITION

The Balance Sheets present resources owned and managed by PCLOB that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by PCLOB (net position) that is available for future programs. The Balance Sheets report the major components of PCLOB’s assets, liabilities, and net position at the end of FY 2023 and FY 2022.

Assets

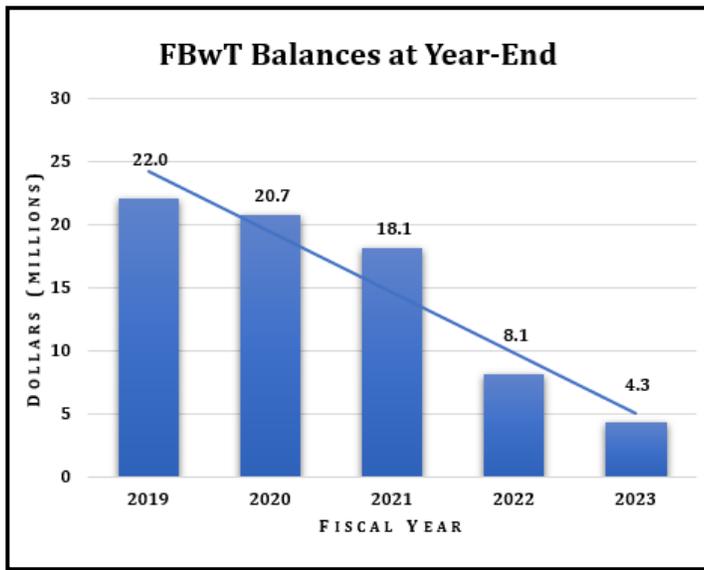
Assets are the amount of current and future economic benefits owned or managed by PCLOB, which are used to achieve its mission. Total assets were approximately \$5.6 million as of September 30, 2023 and are reported in three categories on the Balance Sheets, as depicted in the chart at right, *Assets By Type, September 30, 2023*: Fund Balance with Treasury, Property, Plant, and Equipment, and Advances and Prepayments.





PCLOB’s most significant asset is the Fund Balance with Treasury (FBwT), which totaled \$4.3 million and represented 76% of the agency’s total assets as of September 30, 2023. FBwT consists of cash appropriated to PCLOB by Congress or transferred from other federal departments and agencies and held in Treasury accounts that are accessible by the agency to pay incurred obligations. FBwT decreased by approximately \$3.8 million

(47%) from \$8.1 million to \$4.3 million as of September 30, 2022 and 2023, respectively, primarily due to the cancellation of funds.



As depicted in the chart at left, *FBwT Balances at Year-End*, the agency’s FBwT balances have dropped substantially in the past two years. In FY 2016, PCLOB received a significantly larger appropriation of \$21.3 million, which included funding for anticipated expenses to complete

the build out and accreditation of a new Sensitive Compartmented Information Facility (SCIF) as well as associated moving expenses to the agency’s new headquarters location in Washington, DC. The agency managed to complete the move and all improvements to the property considerably under budget; however, obligated funds associated with the project remained available for a five-year period to liquidate any associated project costs. After the passage of five years, however, the expired funds became unavailable for obligation or expenditure for any purpose and were required to be returned to Treasury. Accordingly, PCLOB returned approximately \$13.2 million in total cancelled funds to Treasury, with approximately \$9.2 million and \$4 million returned at the end of FY 2022 and 2023, respectively.

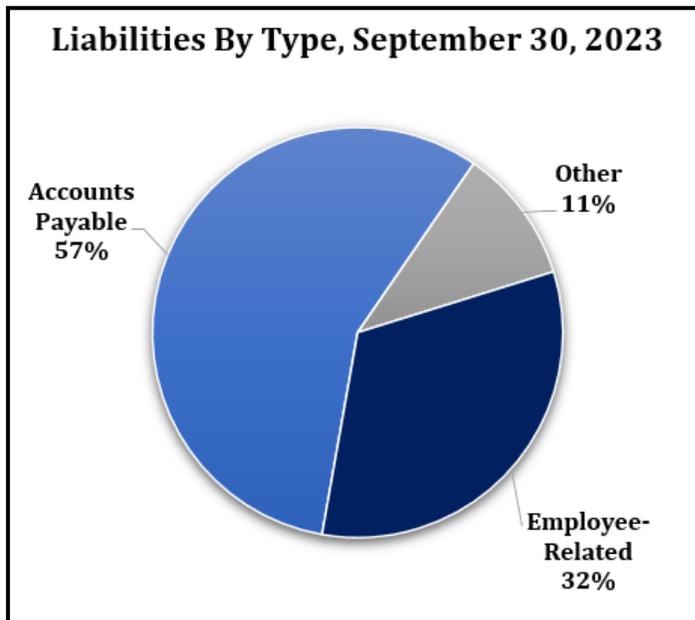
PCLOB’s remaining assets at the end of FY 2023, which included property, plant, and equipment and advances and prepayments, also decreased between FY 2022 and 2023. Net property, plant, and equipment, largely comprised of leasehold improvements necessary to build the agency’s SCIF as well as other tangible assets such as equipment and furniture owned by the agency, decreased by approximately \$347 thousand (25%), from \$1.4 million in FY 2022 to \$1.1 million in FY 2023, as the associated assets continued to depreciate with use. Advances and prepayments for various contracted services and subscriptions also decreased slightly by approximately \$43 thousand (14%) with the agency’s continued transition of procurement service providers, from the



Department of Interior, or DOI (which required contract costs to be paid in advance), to the Treasury’s shared service provider, Administrative Resource Center (ARC). As more new contracts are initiated with ARC, fewer advance payments are necessary.

With zero reimbursable agreements with other federal agencies for temporary detail assignments of PCLOB employees in FY 2023 and no outstanding receivables from employees at year-end, PCLOB’s accounts receivable balance as of September 30, 2023 was reduced from approximately \$7 thousand in FY 2022 to zero at the end of FY 2023 for the first time in at least five years.

Liabilities

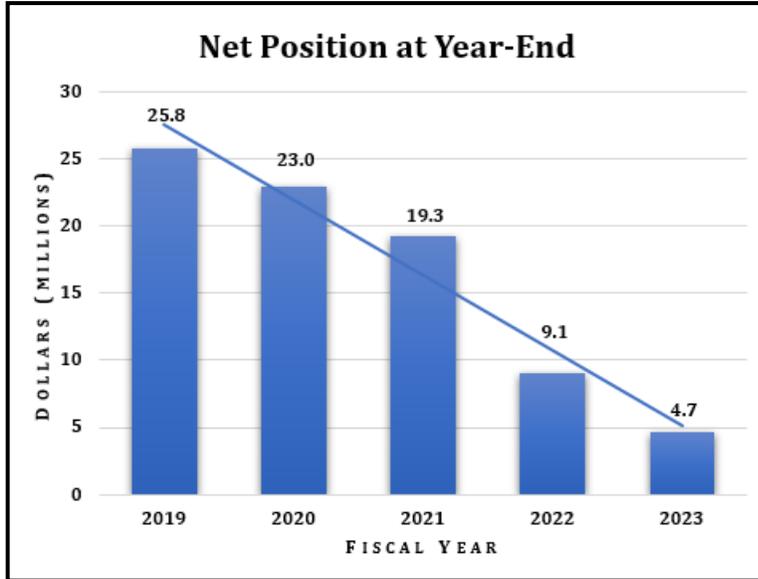


Liabilities are amounts owed by PCLOB for goods and services provided but not yet paid—specifically, monies owed to the public and other federal agencies. reported in three categories on the Balance Sheets, as depicted in the chart at left, *Liabilities by Type, September 30, 2023*: PCLOB’s total liabilities were \$876 thousand as of September 30, 2023, an increase of approximately \$190 thousand (or 28%) from \$686 thousand in FY 2022. Accounts payable increased approximately \$178 thousand (or

56%) from FY 2022, accounting for most of this increase. The increase in accounts payable from the prior year related, in part, to an increase in agreements with other agencies to obtain subject matter expertise through detailees. Additionally, as the agency’s transition of procurement service providers from DOI to ARC contributed to a decrease in advance prepayments since fewer new contracts were requiring payment in advance, the transition caused an increase in accounts payable since more contracts were, instead, requiring payment after the delivery of goods and services. The vast majority of remaining liability balances as of September 30, 2023 related to federal employee and veteran benefits due as well as payroll due to employees (included in “other liabilities” on the Balance Sheets) which rose only slightly due to pay period timing differences.



Net Position



PCLOB’s net position, comprised of unexpended appropriations and cumulative results of operations, appears on the Balance Sheets and the Statements of Changes in Net Position. The reported net position balance as of September 30, 2023 was \$4.7 million, which was a decrease of approximately \$4.4 million (or 48%) from the \$9.1 million reported for FY 2022. The primary contributing factor to

the decrease in PCLOB’s net position is the cancellation of FY 2018 funds of approximately \$4 million, previously discussed in the “Assets” section above. Just as PCLOB’s FBwT balances have seen a sharp decline in FY 2022 and FY 2023 as a result of returned funds to Treasury, PCLOB’s net position balances have seen corresponding decreases, as depicted in the chart above, *Net Position at Year-End*. Further, although PCLOB received an increased appropriation of \$10.6 million in FY 2023 (compared to \$9.8 million in FY 2022), the agency’s slight increase in net costs (as seen on the Statements of Net Costs and Changes in Net Position) as well as appropriations used caused the cumulative results of operations to decrease.

STATEMENTS OF NET COST

The Statements of Net Cost report the agency’s net cost of operations for a given fiscal year. Net cost of operations is the difference between the costs incurred minus earned revenue attributed to and permitted to be offset against these costs.

PCLOB is an independent executive branch agency, operating as a single entity (meaning, it does not combine with any other entities and does not have any components which would be consolidated). Further, due to the nature of the small agency’s work, PCLOB operates under one program, “Salaries and Expenses”. As such, gross and costs are reported on the agency’s Statements of Net Cost as a line item.

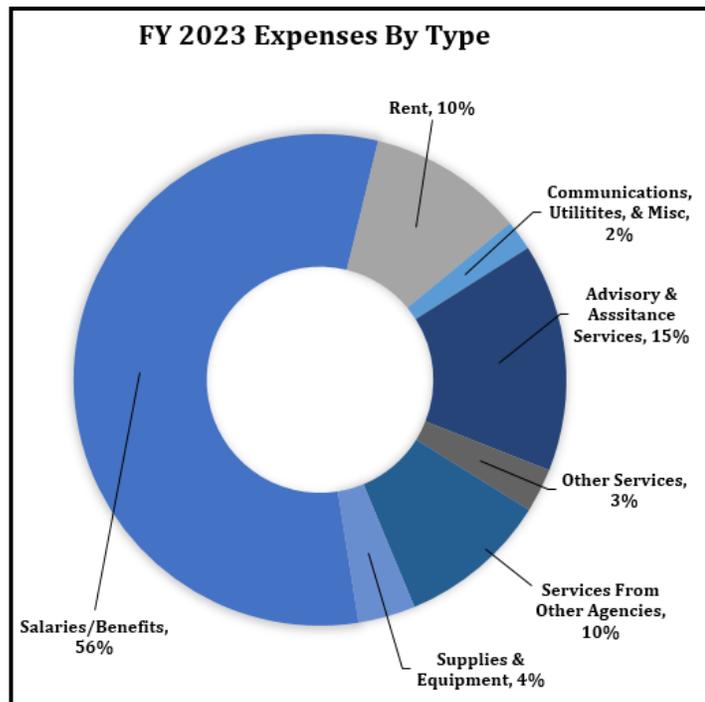
Overall, net costs in FY 2023 were relatively consistent with net costs reports in FY 2022. The agency’s net cost of operations increased approximately \$274 thousand (2%) from



\$11 million in FY 2022 to \$11.3 million in FY 2023. This slight increase was recognized through incremental increases in PCLOB’s major cost categories.

The graphic at right, *FY 2023 Expenses By Type*, illustrates PCLOB’s major expense categories, with salaries and benefits and rent (totaling 66%) and various services (totaling 25%) accounting for the majority of the agency’s annual expenses.

PCLOB’s earned revenues come from reimbursable agreements with other federal agencies for temporary detail assignments of PCLOB employees. Earned revenues for FY 2023 were zero, a decrease of approximately \$507 thousand from FY 2022 earned revenues, since PCLOB did not detail any employees out to other federal agencies under reimbursable agreements in FY 2023.



STATEMENTS OF CHANGES IN NET POSITION

The Statements of Changes in Net Position identify the differences between all financing sources available to and used by PCLOB to support its net cost of operations. Increases or decreases in an agency’s net financial position is the sum of two components: unexpended appropriations and cumulative results of operations. Each component is displayed separately to facilitate more detailed understanding of the changes in net position as a whole.

PCLOB’s net position as of September 30, 2023, shown on both the Balance Sheets and the Statements of Changes in Net Position, was \$4.7 million, a decrease of approximately \$4.4 million (or 48%) from FY 2022’s net position of \$9.1 million. This change was due to decreases of approximately \$4 million (48%) in unexpended appropriations and approximately \$356 thousand (49%) in the cumulative results of operations. As previously described in the Balance Sheets section, the cancellation of funds in FY 2023 of \$4 million was a result of the agency’s ability to come in under budget for the completion of its office move and build out of a new secure facility.

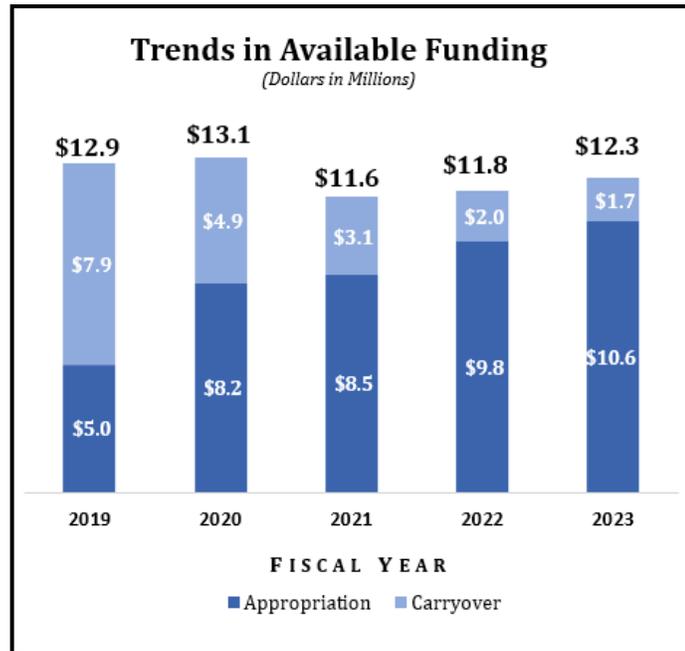


STATEMENTS OF BUDGETARY RESOURCES

PCLOB’s Statements of Budgetary Resources detail how the agency obtained its budgetary resources and the status of these resources at its fiscal year-end. PCLOB’s total budgetary resources consist of new budget authority (received through congressional appropriations, which are available for use for two-years) and unobligated balances of budget authority provided in previous years. New obligations and upward adjustments result from orders placed, contracts awarded, services received, or similar transactions which require payments during the same or future periods. Net outlays reflect the actual cash disbursed by Treasury for PCLOB obligations net of offsetting collections.

Total budgetary resources were \$13.7 million for FY 2023, of which \$10.6 million came from new budget authority, and \$18.1 million for FY 2022, of which \$9.8 million came from new budget authority. New obligations and upward adjustments decreased approximately \$300 thousand (or 3%), from \$11.3 million in FY 2022 to \$11 million in FY 2023, while net outlays remained fairly consistent from the prior year’s outlays (\$10.7 million in FY 2022 compared to \$10.4 million in FY 2023).

As depicted in the chart at right, Trends in Available Funding, PCLOB’s total available funding each year, while fairly consistent in total, has varied in its components. The carryover balance from year to year has steadily decreased as the agency’s financial management matured and improved and carryover balances expired; consequently, the budget request for appropriations each year has seen a correlating increase as the carryover has decreased in order to fund the agency’s growing budgeted expense requirements.



Despite PCLOB’s recoveries of paid and unpaid obligations of approximately \$255 thousand, the agency’s unobligated balance at end of year decreased approximately \$4 million from 2022 to 2023 primarily due to the cancellation of funds, as noted in the Balance Sheets and Statements of Changes in Net Position sections. With PCLOB’s expenditures relating to its 2018 move to a new SCIF in Washington, DC coming in



significantly less than anticipated, the excess funds appropriated but unused were carried forward and, after the second year, expired. Expired funds remained available for a five-year period to liquidate any associated costs until they were returned to the Treasury upon cancellation.

LIMITATIONS OF THE PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of the entity in accordance with federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.





Analysis of Systems, Controls, and Legal Compliance

This section presents the financial management system framework and strategy, addresses PCLOB's compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), other applicable laws, and provides the required management assurance statements, including addressing any key internal control issues.

Accountability of Tax Dollars Act of 2002

The Accountability of Tax Dollars Act (ATDA) expands auditing requirements for financial statements to agencies not covered by the CFO Act, including PCLOB. PCLOB submits its FY 2023 Agency Financial Report in accordance with this Act.

Federal Managers' Financial Integrity Act



FMFIA mandates that agencies establish effective internal control to provide reasonable assurance that (1) obligations and costs are in compliance with applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

FMFIA requires agencies to establish accounting and administrative controls over program, operational, and administrative functions, in addition to accounting and financial management. FMFIA also requires standards to ensure for the prompt resolution of all audit findings and mandates for agency heads to annually evaluate agency controls and

provide an assurance statement on the adequacy of internal and administrative controls (Section 2) and conformance of systems with government-wide standards (Section 4).



The FMFIA FY 2023 Unmodified Management Assurance Statement, included later in this section, is consistent with the FY 2023 financial statement audit report, included in the “Financial Information” section.

Enterprise Risk Management, Internal Controls System, and Implementation of Federal Managers’ Financial Integrity Act

Guidance for implementing FMFIA (31 U.S.C. § 3512) is provided through OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*. PCLOB took into consideration the best practices set out by the GAO as well as the guidance provided by the OMB when developing the agency’s Internal Controls Framework (ICF) Manual, issued in 2019 and updated in April 2023, with the goal of ensuring sound financial and non-financial risk management while accounting for PCLOB’s small size and limited resources. The ICF Manual sets out the agency’s oversight role and strategic decision-making over enterprise risk management and policies and procedures for establishing, assessing, correcting, and reporting on internal control.

To ensure the agency continues to maintain a robust internal control framework and continue meeting the guidelines established in the ICF Manual despite its small size, PCLOB outsources with an independent contractor to provide internal controls support services, such as risk assessment, testing, and remediation, with oversight from the Chief Financial Officer.

In FY 2023, the Internal Controls Team conducted a comprehensive risk assessment to identify agency risks and rate the likelihood and impact of each risk. The Internal Controls Team also updated documented key controls to address risks and assessed the design and operating effectiveness of these controls through detailed test procedures over all financial processes. No deficiencies were identified, and PCLOB’s internal controls were found to be operating effectively.

In summary, the agency’s internal control program is designed to ensure compliance with the requirements of the FMFIA and other federal regulations.



Payment Integrity Information Act of 2019

The Payment Integrity Information Act (PIIA) of 2019 requires agencies to assess and identify high-risk programs and activities and report findings in the AFR. See the [Payment Integrity Information Act of 2019](#) section included in the “Other Information” section of the AFR for further information on PCLOB’s compliance with PIIA.

Debt Collection Improvement Act

PCLOB does not currently manage debt but continues to monitor provisions of the Debt Collection Improvement Act of 1996; OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*; the Controller Alert, *Improving Collection of Delinquent Debt*, issued Jan. 4, 2013; and other relevant laws to ensure compliance.

Anti-Deficiency Act

The Anti-Deficiency Act (31 U.S.C. § 1341 and § 1517) prohibits federal agencies from obligating and expending federal funds in excess of its appropriation. The agency’s financial system was designed to prevent Anti-Deficiency Act violations through the implementation of a zero-tolerance funds control check at the fund and office level. This systematic control ensures that obligations are not recorded until monies are authorized and allotted by the Office of the Chief Financial Officer (OCFO). Funds control is a critical tool in ensuring funds are managed effectively across all levels of the agency.

Digital Accountability and Transparency Act

[The Digital Accountability and Transparency Act of 2014](#), or DATA Act, was signed into law in May 2014 to establish governmentwide, financial data standards and increase the availability, accuracy, and usefulness of federal spending information. DATA Act implementation, which is being led by Treasury and the OMB, mandates federal agencies to report on procurement data to bring awareness to federal spending. Pursuant to the statutory reporting requirements, PCLOB submits award-level information for posting on usaspending.gov using the required standard data exchange called the DATA Act Information Model Schema. Federal spending that is reported on usaspending.gov is derived from financial and contract award information. The agency’s financial system is updated with the most recent version of DATA Act Information Model Schema to ensure that the submission of all required financial data elements is complete and accurate. As for contract award data, the agency uses Treasury’s Procurement Management System for domestic contracts, which automatically updates to Federal Procurement Data System-Next Generation, the central repository of information for federal contracting.



Validation issues between financial and award information are reconciled each month to ensure that spending data is accurate.

PCLOB does not have an Inspector General and therefore is not required to conduct an annual audit to validate the accuracy of the agency's DATA Act submission. However, PCLOB's financial service provider, ARC, undergoes a Statement of Standards for Attestation Engagements (SSAE) Number 18 audit each year, which inherently provides assurance over internal controls related to the submission of DATA Act data.

Financial Management Systems Strategy

PCLOB strives to maintain and enhance financial management systems, processes, and controls that ensure financial accountability and transparency, provide financial management data and information to decision makers, and comply with federal laws, regulations, and policy. Oracle is the agency's system of record and is integrated with various end-user applications to capture the agency's financial transactions.

Federal Information Security Modernization Act

FISMA requires federal agencies to "develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source." In addition, FISMA requires federal agencies to conduct annual assessments of their information security and privacy programs, to develop and implement remediation efforts for identified weaknesses and vulnerabilities, and to report compliance to OMB. PCLOB's Office of the Chief Information Officer (OCIO) performs a review of the agency's compliance with FISMA requirements each year. In accordance with FISMA and OMB Memorandum M-22-05, *Fiscal Year 2022-2023 Guidance on Federal Information Security and Privacy Management Requirements*, PCLOB submitted its FY 2023 metrics into the DHS CyberScope application on October 31, 2023.





Federal Managers' Financial Integrity Act FY 2023 Unmodified Management Assurance Statement

The management of the Privacy and Civil Liberties Oversight Board is responsible for managing risks and maintaining effective internal control to meet the objectives of the FMFIA.

PCLOB utilizes the services of the U. S. Department of Treasury Fiscal Services' (Treasury) financial management system, Oracle Federal Financials. Annual examinations of their system indicate that the system complies with federal financial management systems requirements, standards promulgated by the Federal Accounting Standards Advisory Board and the U.S. Standard General Ledger at the transaction level.

PCLOB has established internal controls over its agreements, disbursements, and end-user controls, and relies on the controls over accounting, procurement, and general computer operations that Treasury has in place. PCLOB obtained Treasury's 2023 Statement on Standards for Attestation Engagements Number 18, *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* report and reviewed it to assist in assessing the internal controls over PCLOB's financial reporting. After a thorough review of the results, the agency did not discover any significant issues or deviations in its financial reporting during FY 2023.

In FY 2023, PCLOB continued to develop its comprehensive Federal Information Security Modernization Act program for its information systems. This program included the implementation of a defined risk management framework that implements National Institute of Standards and Technology defined security controls and requirement for periodic audits. This has resulted in the agency's ability to manage organizational risk and maintain an effective information security program.

We assessed risks and evaluated internal control to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Through this assessment, PCLOB can provide reasonable assurance that the objectives of Sections 2 and 4 of FMFIA have been achieved, and internal control over operations, reporting, and compliance with laws and regulations were operating effectively as of September 30, 2023.

Handwritten signature of Sharon Bradford Franklin in cursive.

Sharon Bradford Franklin
Board Chair
November 13, 2023

Handwritten signature of Raheel Baig in cursive.

Raheel Baig
Chief Financial Officer
November 13, 2023



FINANCIAL INFORMATION

Message from the Chief Financial Officer



I am honored to join Chair Franklin in presenting the Privacy and Civil Liberties Oversight Board's FY 2023 Agency Financial Report. This AFR demonstrates our commitment, as responsible stewards of taxpayer dollars, to financial excellence and provides an overview of the agency's accomplishments and financial position as of September 30, 2023.

This year's audit of our FY 2023 financial statements, performed by Castro & Company, LLC, returned favorable results for the fifth consecutive year with an unmodified opinion over the financial statements. We are proud of this accomplishment, as it reflects our continued efforts to strengthen the agency's financial management capabilities through agency-wide planning, optimal use of service providers, and regular internal and external audits.

In May 2023, PCLOB received its first AGA's Certificate of Excellence in Accountability Reporting (CEAR) Award. To participate in the CEAR program, which was established to improve accountability through streamlined and effective reporting, federal agencies must submit their fiscal year reports for a rigorous independent review against a comprehensive set of standards and best practices. PCLOB was by far the smallest agency to participate in the program and receive a CEAR award for its FY 2022 report submission, an achievement only made possible by the diligence and collaboration of the agency's OCFO Team and staff. We have also worked hard to incorporate the recommendations for improvement received from the CEAR reviewers into this FY 2023 report, a testimony to our continued efforts to further enhance our agency's reporting capabilities year after year.

In September 2023, I was appointed as PCLOB's first Performance Improvement Officer, a new role for the agency established for the purpose of leading efforts to improve organizational health and performance to fulfill our mission. I recognize the value of strategic and performance planning, measurement, assessment, and reporting, and I look forward to working with our leadership in this capacity.

The successes in this report reflect our agency's dedication to our mission and the American people. I have every confidence in our talented workforce and know we will continue to deliver superior financial stewardship, acquisition rigor, and management to enable these achievements, by the resources entrusted to us.

Raheel Baig, Chief Financial Officer
November 13, 2023



Report of Independent Auditors



1635 King Street
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
www.castroco.com

Independent Auditor's Report on the Financial Statements

To the Members of the Board of the Privacy and Civil Liberties Oversight Board

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Privacy and Civil Liberties Oversight Board (PCLOB) financial statements. PCLOB's financial statements comprise the balance sheets as of September 30, 2023 and 2022, the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements. In our opinion, PCLOB's financial statements referred to above present fairly, in all material respects, PCLOB's financial position as of September 30, 2023 and 2022, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the PCLOB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

PCLOB Management is responsible for the (1) preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in PCLOB's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report

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In performing an audit of financial statements in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of PCLOB's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the RSI for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

PCLOB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not required as part of the financial statements or RSI. Management is responsible for the other information included in the PCLOB's AFR. The other information comprises the Message from the Chairman, and Other Information, and Appendices but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report

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In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01, we have also issued our reports dated November 13, 2023, on our consideration of PCLOB's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and contracts that are required to be reported under U.S. generally accepted government auditing standards. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 24-01 in considering the PCLOB's internal control and compliance and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of PCLOB management, members of the PCLOB board, OMB, U.S. Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

Alexandria, VA
November 13, 2023



1635 King Street
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
www.castroco.com

**Independent Auditor’s Report on Internal Control over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Members of the Board of the Privacy and Civil Liberties Oversight Board

We have audited the financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

In connection with our audit of PCLOB’s financial statements, we considered PCLOB’s internal control over financial reporting, consistent with our auditor’s responsibilities discussed below.

Results of Our Consideration of Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of PCLOB’s internal control over financial reporting. Given these limitations, during our Fiscal Year 2023 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to PCLOB’s internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

PCLOB management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of PCLOB’s financial statements as of and for the year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered PCLOB’s internal control relevant to the financial statement audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PCLOB’s internal control over financial reporting. Accordingly, we do not express an opinion on PCLOB’s internal



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report on Internal Control

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control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of PCLOB's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of PCLOB's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

This report is intended solely for the information and use of PCLOB management, members of the PCLOB board, OMB, U.S. Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

Alexandria, VA
November 13, 2023



1635 King Street
Alexandria, VA 22314
Phone: 703.229.4440
Fax: 703.859.7603
www.castroco.com

Independent Auditor’s Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board of the Privacy and Civil Liberties Oversight Board

We have audited the financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2023. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

In connection with our audit of PCLOB’s financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts consistent with our auditor’s responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for Fiscal Year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to PCLOB. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, and Contracts

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, and Contracts

PCLOB management is responsible for complying with laws, regulations, and contracts applicable to the PCLOB.

Auditor’s Responsibilities for Tests of Compliance with Laws, Regulations, and Contracts

Our responsibility is to test compliance with selected provisions of laws, regulations, and contracts applicable to PCLOB that have a direct effect on the determination of material amounts and disclosures in PCLOB’s financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to PCLOB. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, and Contracts

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report on Compliance with Laws and Regulations
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This report is intended solely for the information and use of PCLOB management, members of the PCLOB board, OMB, U.S. Government Accountability Office, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Castro & Company, LLC

Alexandria, VA
November 13, 2023



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Audited FY 2023 Financial Statements

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 AND 2022
(In Dollars)**

	2023	2022
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 4,294,840	\$ 8,086,669
Advances and Prepayments	135,065	221,994
Total Intragovernmental Assets	4,429,905	8,308,663
Other than Intragovernmental Assets:		
Accounts Receivable, Net (Note 3)	-	6,679
Property, Plant, and Equipment, Net (Note 4)	1,067,924	1,414,930
Advances and Prepayments	119,717	75,641
Total Other than Intragovernmental Assets	1,187,641	1,497,250
Total Assets	\$ 5,617,546	\$ 9,805,913
Liabilities (Note 5):		
Intragovernmental Liabilities:		
Accounts Payable	\$ 351,101	\$ 293,054
Other Liabilities (Note 6)	21,241	19,424
Total Intragovernmental Liabilities	372,342	312,478
Other than Intragovernmental Liabilities:		
Accounts Payable	145,874	26,313
Federal Employee [and Veteran] Benefits Payable	285,185	282,534
Other Liabilities (Note 6)	72,450	64,557
Total Other than Intragovernmental Liabilities	503,509	373,404
Total Liabilities	\$ 875,851	\$ 685,882
Net Position:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 4,375,469	\$ 8,397,595
Cumulative Results of Operations - Funds from Other than Dedicated Collections	366,226	722,436
Total Net Position	\$ 4,741,695	\$ 9,120,031
Total Liabilities and Net Position	\$ 5,617,546	\$ 9,805,913

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
STATEMENTS OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(In Dollars)**

	2023	2022
Gross Program Costs:		
Gross Costs	\$ 11,291,040	\$ 11,524,295
Less: Earned Revenue	-	(507,124)
Net Program Costs	\$ 11,291,040	\$ 11,017,171
Net Cost of Operations	\$ 11,291,040	\$ 11,017,171

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
 STATEMENTS OF CHANGES IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
 (In Dollars)

	2023	2022
Unexpended Appropriations:		
Beginning Balance	\$ 8,397,595	\$ 18,482,485
Appropriations Received	10,600,000	9,800,000
Other Adjustments	(3,962,035)	(9,199,153)
Appropriations Used	(10,660,091)	(10,685,737)
Net Change in Unexpended Appropriations	(4,022,126)	(10,084,890)
Total Unexpended Appropriations	\$ 4,375,469	\$ 8,397,595
Cumulative Results of Operations:		
Beginning Balance	\$ 722,436	\$ 906,703
Appropriations Used	10,660,091	10,685,737
Imputed Financing (Note 8)	274,739	147,167
Net Cost of Operations	(11,291,040)	(11,017,171)
Net Change in Cumulative Results of Operations	(356,210)	(184,267)
Total Cumulative Results of Operations	\$ 366,226	\$ 722,436
Net Position	\$ 4,741,695	\$ 9,120,031

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
 STATEMENTS OF BUDGETARY RESOURCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
 (In Dollars)

	2023	2022
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (Note 9)	\$ 3,094,090	\$ 7,809,723
Appropriations	10,600,000	9,800,000
Spending Authority from Offsetting Collections	-	507,124
Total Budgetary Resources	\$ 13,694,090	\$ 18,116,847
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (total)	\$ 10,999,231	\$ 11,316,275
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,378,261	1,817,793
Unapportioned, Unexpired Accounts	-	7,796
Unexpired Unobligated Balance, End of Year	1,378,261	1,825,589
Expired Unobligated Balance, End of Year	1,316,598	4,974,983
Unobligated Balance, End of Year (total)	2,694,859	6,800,572
Total Budgetary Resources	\$ 13,694,090	\$ 18,116,847
Outlays, Net:		
Agency Outlays, Net	\$ 10,429,794	\$ 10,655,489

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



Notes to the Financial Statements

- NOTE 1 Summary of Significant Accounting Policies
- NOTE 2 Fund Balance with Treasury
- NOTE 3 Accounts Receivable, Net
- NOTE 4 Property, Plant, and Equipment, Net
- NOTE 5 Liabilities Not Covered By Budgetary Resources
- NOTE 6 Other Liabilities
- NOTE 7 Leases
- NOTE 8 Inter-Entity Costs
- NOTE 9 Net Adjustments to Unobligated Balance From the Prior Year Budget Authority, October 1
- NOTE 10 Undelivered Orders at the End of the Period
- NOTE 11 Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government
- NOTE 12 Reconciliation of Net Costs to Net Outlays



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Privacy and Civil Liberties Oversight Board was established as an independent agency within the executive branch under its enabling statute, 42 U.S.C. § 2000ee. The reporting entity is comprised of a general fund (funds not earmarked by law for a specific purpose), operating as a single entity under a single program.

PCLOB is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

B. Basis of Presentation

The financial statements have been prepared to report on the financial position and results of operations of PCLOB. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the budget of the U.S. Government.

These financial statements are a requirement of the ATDA and have been prepared from, and are fully supported by, the records of PCLOB in accordance with U.S. GAAP and accounting standards issued by FASAB in the format prescribed by the OMB A-136, *Financial Reporting Requirements*, as amended. FASAB is recognized by the AICPA as the official accounting standards-setting body for U.S. Government entities. These statements, apart from the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control PCLOB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

The financial statements represent intragovernmental and other than intragovernmental (or public) activities. The intragovernmental balances, revenues, and costs reflect financial transactions between PCLOB and other federal agencies, while other than intragovernmental activities are those with non-governmental customers, including employees, contractors, and vendors. PCLOB's financial statements reflect agency-only financial activities and do not require consolidation.



C. Accounting Policies

Accounting principles encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Under the budgetary basis, fund availability is recorded based upon legal considerations and constraints. The agency receives financing sources through direct appropriations from the general fund of the Treasury to support its operations. “Appropriations Used” recognizes that appropriation authority has been applied against received goods and services.

D. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities (including contingent liabilities), revenues, financing sources, expenses, and obligations incurred during the reporting period. These estimates are based on management’s best knowledge of current events, historical experience and other assumptions that are believed to be reasonable under the circumstances. Estimates are subject to a wide range of variables, including assumptions on future economic and financial events. Accordingly, actual results may differ from those estimates.

E. Budgetary Terms

PCLOB follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, as amended, which provides instructions on budget execution. The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

- **Appropriation** – A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Budgetary Resources** – Amounts available to incur obligations in a given year. The term comprises new budget authority and unobligated balances of budget authority provided in previous years.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

- **Obligation** – A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be legally incurred.
- **Unobligated Balance** – The cumulative amount of budget authority that remains available for obligation under law in unexpired accounts. The term "expired balances available for adjustment only" refers to unobligated amounts in expired accounts.
- **Net Outlays** – Outlays are payments to liquidate obligations (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases, are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are a primary measure of government spending. Net outlays represent gross outlays less actual offsetting collections.
- **Offsetting Collections** – Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Spending Authority from Offsetting Collections** – A type of budget authority that permits obligations and outlays to be financed by offsetting collections.

Congress annually passes multi-year appropriations that provide the agency with authority to obligate funds over a two-year period for necessary expenses to carry out operations. After the right to create new obligations has expired, this two-year budget authority is available for five additional years for adjusting obligations and for completing the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be canceled and funds will be returned to Treasury. Any valid claims associated with these funds after closure must be processed against current year appropriations. PCLOB currently operates with funds obligated over a two-year period.



F. Revenues and Other Financing Sources

PCLOB receives the funding needed to support its operating costs and program expenses through annual appropriations which are used exclusively for operational costs of the agency, such as personnel costs, office rent, telephones, and service agreements with other federal agencies for administrative support, publications, and supplies. For financial statement purposes, appropriations are recorded as a financing source and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures.

Earned revenues as reported on the Statement of Net Cost represent revenue from services provided to another governmental agency through reimbursable agreements. No revenues were earned by PCLOB outside of federal sources in FY 2023 or FY 2022.

In certain instances, operating costs of PCLOB are paid out of funds appropriated to other federal agencies. In accordance with Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*, all expenses of a federal entity should be reported by that agency regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of the agency, which will be paid by other federal agencies, are recorded in the Statement of Net Cost.

A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. PCLOB records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the OPM.

G. Personnel Compensation and Benefits

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

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

PCLOB's employees participate in the Federal Employees Retirement System (FERS) retirement program which became effective on January 1, 1987. The agency and its employees both contribute to this system. Although PCLOB funds a portion of the benefits under FERS and makes the necessary payroll withholdings, it does not report assets associated with this benefit plan, in accordance with SFFAS 5.



For FERS employees covered under FERS prior to January 1, 2013, PCLOB contributes an amount equal to 18.4% of the employees' basic pay to the plan. FERS employees covered under FERS-RAE or FRAE hired on or after January 1, 2013, pay a higher percentage of their pay for their retirement, and thus PCLOB contributes only 16.6% of each employee's basic pay to the plan.

Employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan intended to supplement the benefits provided under FERS. PCLOB contributes an amount equal to 1% of the employee's basic pay to the TSP and matches employee contributions up to an additional 4%.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to FERS employees government-wide, including the agency's employees. PCLOB has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the agency and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and PCLOB paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met.

OPM administers the FEGLI program and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of basic life coverage. Because PCLOB's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the agency has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

H. Intragovernmental and Other than Intragovernmental Transactions

SFFAS 1, *Accounting for Selected Assets and Liabilities*, distinguishes between Intragovernmental and Other than Intragovernmental assets and liabilities. Intragovernmental assets and liabilities arise from transactions among federal entities. Intragovernmental assets are claims other federal entities owe to PCLOB, while intragovernmental liabilities are claims the agency owes to other federal entities. Other than intragovernmental assets and liabilities arise from transactions with public entities, i.e., domestic and foreign persons and organizations outside the U.S. Government. Other than intragovernmental assets are claims of PCLOB against public entities, while other than intragovernmental liabilities are amounts that the agency owes to public entities.



I. Fund Balance with Treasury

Treasury processes PCLOB's receipts and disbursements. The FBwT is the aggregate amount of the agency's accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. FBwT is increased through the receipt of non-expenditure Treasury warrants for appropriations, positive non-expenditure transfers, and other expenditure inflows of funds. FBwT is reduced through non-expenditure Treasury warrants for rescissions, negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

The agency's FBwT are cash balances from appropriations as of the fiscal year-end from which PCLOB is authorized to make expenditures and pay liabilities resulting from operational activity.

J. Advances and Prepayments

Advances are cash outlays made as required by reimbursable agreements to cover the agency's anticipated expenses or as advance payments for the costs of goods and services acquired by a contracted agency. Prepayments are payments made by PCLOB to cover certain periodic expenses before those expenses are incurred.

As goods and services are received, advanced and prepaid amounts are expensed. Any fees charged for related contracting services are considered administrative overhead costs and are expensed when paid.

K. Property, Plant, and Equipment, Net

Property, Plant and Equipment is reported at acquisition cost and consists of items that are used by PCLOB to support its mission, such as furniture, fixtures, equipment, and information technology hardware and software. Acquisition cost includes all costs incurred to bring the item to a form and location suitable for its intended use (e.g., transportation, contract price, contract fee, installation/labor, etc.).

PCLOB's capitalization threshold is \$5,000 for individual purchases and bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. All property (real and personal) is in PCLOB's possession and there is nothing held by others (see Note 5).



Depreciation or amortization on PCLOB’s assets is calculated using the straight-line method with zero salvage value. Depreciation or amortization of an asset begins the day it is placed in service. The useful life classifications for capitalized assets are as follows:

Description	Useful Life
Leasehold	Lease Term
Office Furniture	15 years
General Equipment	5 years
IT System/Network	5 years
Internal Use Software	3 years

Maintenance, repairs, and minor renovations are expensed as incurred. Expenditures that materially increase the value, capacity, or useful life of existing assets are capitalized. See Note 4.

L. Liabilities

Liabilities represent probable and measurable future outflows of resources as a result of past transactions or events and are recognized when incurred, regardless of whether there are budgetary resources available to pay the liabilities. However, liabilities cannot be liquidated without legislation providing resources and legal authority.

Liabilities covered by budgetary resources include those liabilities for which Congress appropriated funds and are otherwise available to pay amounts due as of the Balance Sheet dates. Liabilities not covered by budgetary resources are amounts owed in excess of available, congressionally appropriated funds and, therefore, no budgetary resources are available to pay amounts due as of the Balance Sheet dates but will require future funding to liquidate the obligation. Refer to Note 5.

Liabilities that do not require the use of budgetary resources are referred to as liabilities not requiring budgetary resources.

PCLOB discloses its other liabilities between current and noncurrent liabilities in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*. The current liabilities represent liabilities that the agency expects to settle within the 12 months of the Balance Sheet dates, while noncurrent liabilities represent liabilities that PCLOB does not expect to be settled within the 12 months of the Balance Sheet dates (refer to Note 6).

Accounts payable includes amounts owed but not yet paid to Intragovernmental and Other than Intragovernmental entities for goods and services received by the agency. PCLOB estimates and records accruals when services and goods are performed or received.



M. Net Position

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

N. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2 – FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2023 and 2022 were as follows:

	2023	2022
Fund Balance with Treasury:		
Unobligated Balance:		
Available	\$ 1,378,261	\$ 1,817,793
Unavailable	1,316,598	4,982,779
Obligated Balance Not Yet Disbursed	1,599,981	1,286,097
Fund Balance with Treasury	\$ 4,294,840	\$ 8,086,669

No discrepancies exist between the FBwT reflected on PCLOB’s Balance Sheets and the balances in the Treasury accounts.

The available unobligated fund balances represent the amount currently available for obligation or commitment.

The unavailable unobligated fund balances represent the amounts of appropriations for which the period of availability for obligations has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations. PCLOB’s unavailable unobligated fund balances decreased significantly



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from 2022 to 2023 with the agency’s cancellation and return to Treasury of approximately \$4 million (see Note 9).

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net balances as of September 30, 2023 and 2022 were as follows:

	2023	2022
Accounts Receivable, Net:		
Intragovernmental Accounts Receivable, Net	\$ -	\$ -
Other than Intergovernmental:		
Accounts Receivable	\$ -	\$ 6,679
Allowance	-	-
Other than Intragovernmental Accounts Receivable, Net	\$ -	\$ 6,679
Accounts Receivable, Net	\$ -	\$ 6,679

Accounts receivable consists of amounts owed to PCLOB by other federal agencies and the public. Intragovernmental accounts receivable are amounts due from other federal agencies for services provided, but not yet reimbursed, through reimbursable agreements. Other than intragovernmental accounts receivable consists primarily of receivables from employees.

Historical experience has indicated that the majority of the agency’s receivables are collectible, and, as such, the agency determined an allowance for doubtful accounts was not necessary as of as of September 30, 2023 and 2022.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment, net, as of September 30, 2023 and 2022, was as follows:

2023			
Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,181,934	\$ 1,317,319	\$ 864,615
Furniture & Equipment	647,281	443,972	203,309
PP&E, Net	\$ 2,829,215	\$ 1,761,291	\$ 1,067,924

2022			
Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,181,934	\$ 1,088,417	\$ 1,093,517
Furniture & Equipment	647,281	325,868	321,413
PP&E, Net	\$ 2,829,215	\$ 1,414,285	\$ 1,414,930



NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for PCLOB as of September 30, 2023 and 2022 are all currently due and include liabilities not covered by budgetary resources, none of which are intragovernmental in nature. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2023	2022
Liabilities Not Covered by Budgetary Resources:		
Unfunded Leave	\$ 281,944	\$ 279,131
Actuarial FECA	-	288
Liabilities Not Covered by Budgetary Resources	\$ 281,944	\$ 279,419
Liabilities Covered by Budgetary Resources	593,907	406,463
Total Liabilities	\$ 875,851	\$ 685,882

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

Federal Employees Compensation Act (FECA) liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on PCLOB’s behalf and payable to the U. S. Department of Labor. PCLOB also records an actuarial liability for future workers compensation claims based on the liability to benefits paid ratio provided by DOL and multiplied by the average of benefits paid over three years.



NOTE 6 – OTHER LIABILITIES

Other liabilities account balances as of September 30, 2023 and 2022, entirely comprised of currently due balances, were as follows:

	2023	2022
Other Liabilities:		
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 5,329	\$ 4,788
Employer Contributions and Payroll Taxes Payable	15,912	14,636
Total Intragovernmental Other Liabilities	\$ 21,241	\$ 19,424
Other than Intragovernmental		
Accrued Funded Payroll and Leave	\$ 72,450	\$ 64,557
Total Other than Intragovernmental Other Liabilities	\$ 72,450	\$ 64,557
Total Other Liabilities	\$ 93,691	\$ 83,981

NOTE 7 – LEASES

PCLOB occupies office space under a lease agreement with another federal agency that is accounted for as an operating lease. The lease term began on April 30, 2018 and expires on April 29, 2028. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense relating to this agreement as of September 30, 2023 and 2022 was \$998,571 and \$957,593, respectively.

Below is a schedule of future payments under a single asset category (building) for the term of the agreement. The operating lease amount does not include estimated payments for leases with annual renewal options.

Fiscal Year	Lease Payments
2024	\$ 1,035,451
2025	1,046,770
2026	1,058,428
2027	1,070,435
2028	603,333
Thereafter	-
Total Future Lease Payments	\$ 4,814,417



NOTE 8 – INTER-ENTITY COSTS

PCLOB recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost (included in gross costs in the Statements of Net Cost) and are offset by imputed revenue (in the Statements of Changes in Net Position). Such imputed costs and revenues relate to employee benefits to be settled by the Treasury Judgement Fund. However, unreimbursed costs of goods and services other than those identified are not included in our financial statements.

PCLOB recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2023 and 2022, respectively, inter-entity costs were as follows:

	2023	2022
Inter-Entity Costs:		
Office of Personnel Management	\$ 274,739	\$ 147,167
Total Inter-Entity Costs	\$ 274,739	\$ 147,167



NOTE 9 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, OCTOBER 1

Net adjustments to the Unobligated Balance, Brought Forward, October 1 as reported on the Statements of Budgetary Resources has been adjusted for recoveries of prior year unpaid and paid obligations and cancelled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2023 and 2022, consisted of the following:

	2023	2022
Unobligated Balance from Prior Year Budget Authority, October 1	\$ 6,800,572	\$ 16,791,022
Adjustments to Unobligated Balance Brought Forward:		
Recoveries of Prior Year Unpaid Obligations	138,513	47,734
Recoveries of Prior Year Paid Obligations	117,040	170,120
Cancelled Authority	(3,962,035)	(9,199,153)
Net Adjustments to Unobligated Balance Brought Forward	\$ (3,706,482)	\$ (8,981,299)
Unobligated Balance from Prior Year Budget Authority, Net	\$ 3,094,090	\$ 7,809,723

The cancellation authority of \$3,962,035 in FY 2023 and \$9,199,153 in FY 2022 relate primarily to funds which remained after the agency’s completion of a new SCIF and related office move expenses in 2018. A significant balance of used funds remained as expenditures were considerably less than expected; further, obligated funds associated with the project remained available for a five-year period to liquidate any associated project costs. After the passage of five years, however, the expired funds became unavailable for obligation or expenditure for any purpose and were required to be returned to Treasury.



NOTE 10 - UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders (UDO) represent the amount of goods and/or services ordered, which have not been actually or constructively received. This amount includes any orders which may have been prepaid or advanced but for which delivery or performance has not yet occurred.

The amounts for both intragovernmental and other than intragovernmental undelivered orders were as follows:

2023				
	Intragovernmental	Other than Intragovernmental	Total	
Undelivered Orders:				
Paid	\$ 135,065	\$ 119,717	\$ 254,782	
Unpaid	38,472	967,601	1,006,073	
Total Undelivered Orders	\$ 173,537	\$ 1,087,318	\$ 1,260,855	

2022				
	Intragovernmental	Other than Intragovernmental	Total	
Undelivered Orders:				
Paid	\$ 221,994	\$ 75,641	\$ 297,635	
Unpaid	(4,631,106)	5,510,739	879,633	
Total Undelivered Orders	\$ (4,409,112)	\$ 5,586,380	\$ 1,177,268	

Unpaid intragovernmental UDO and unpaid other than intragovernmental UDO were reported as such in FY 2022 due to the agency’s conversion to a new financial service provider system in 2020; a portion of the balance related to expired funds could not be identified to a specific supplier. The majority of budgetary resources obligated for unpaid UDO in FY 2022 were cancelled in FY 2023 (see Note 9).



NOTE 11 - EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President’s Budget that will include fiscal year 2023 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2024 and can be found at [President's Budget | The White House](#). The 2024 Budget of the U.S. Government, with the "Actual" column completed for 2022, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	\$ 18	\$ 11	\$ 11
Unobligated Balance Not Available		(5)	
Budget of the U.S. Government	\$ 13	\$ 11	\$ 11



NOTE 12 – RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliations of net cost to net outlays, also referred to as the budget to accrual reconciliations, for PCLOB as of September 30, 2023 and 2022, respectively, are as follows:

**RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET TO ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2023
(In Dollars)**

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	\$ 4,598,353	\$ 6,692,687	\$ 11,291,040
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(347,006)	(347,006)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	(6,679)	(6,679)
Other Assets	(86,929)	44,076	(42,853)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(58,047)	(119,561)	(177,608)
Federal Employee [and Veteran] Benefits Payable	-	(2,651)	(2,651)
Other Liabilities	(1,817)	(7,893)	(9,710)
Financing Sources:			
Imputed Cost	(274,739)	-	(274,739)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (421,532)	\$ (439,714)	\$ (861,246)
Total Net Outlays (Calculated Total)	\$ 4,176,821	\$ 6,252,973	\$ 10,429,794
Budgetary Agency Outlays, Net			\$ 10,429,794



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**RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET TO ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2022**
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	\$ 4,768,391	\$ 6,248,780	\$ 11,017,171
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(373,093)	(373,093)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(122,424)	5,492	(116,932)
Other Assets	33,487	(28,366)	5,121
(Increase)/Decrease in Liabilities:			
Accounts Payable	(229,992)	120,168	(109,824)
Federal Employee [and Veteran] Benefits Payable	-	109,949	109,949
Other Liabilities	38,727	151,209	189,936
Financing Sources:			
Imputed Cost	(147,167)	-	(147,167)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (427,369)	\$ (14,641)	\$ (442,010)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	\$ -	\$ 80,328	\$ 80,328
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ -	\$ 80,328	\$ 80,328
Total Net Outlays (Calculated Total)	\$ 4,341,022	\$ 6,314,467	\$ 10,655,489
Budgetary Agency Outlays, Net			\$ 10,655,489



OTHER INFORMATION

Summary of FY 2023 Financial Statement Audit and Management Assurances

Summary of FY 2023 Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Summary of Management Assurances					
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0



Summary of Financial Statement Audit and Management Assurances, Continued

Definition of Terms

Beginning Balance:	The beginning balance must agree with the ending balance from the prior year.
New:	The total number of material weaknesses/non-conformances identified during the current year.
Resolved:	The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.
Consolidated:	The combination of two or more findings.
Reassessed:	The removal of any finding not attributable to corrective actions (e.g., management has re-evaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).
Ending Balance:	The year-end balance that will be the beginning balance next year.



Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. The PIIA-related OMB guidance provided in Circular A-136, *Financial Reporting Requirements*, and Appendix C, *Requirements for Payment Integrity Improvement*, of Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies report detailed information related to PCLOB's efforts to eliminate improper payments, which is summarized below.

Payment Integrity Reporting

In FY 2023, PCLOB submitted payment integrity information to OMB through their annual data call to fulfill reporting requirements under PIIA and provides the public with comprehensive improper payment data and information, made available at [Paymentaccuracy.gov](https://paymentaccuracy.gov). This website contains current and historical information about improper payments made under federal programs, as well as extensive information about how improper payments are defined and tracked. Highlights of PCLOB's reported information are as follows:

- Significant erroneous payments are defined as annual erroneous payments in the program exceeding the statutory threshold (defined as both \$10 million and 1.5 percent, or \$100 million of total annual program payments). Based on the results of transaction testing applied to a sample of FY 2023 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, PCLOB has determined that its program is not susceptible to significant improper payments at or above the statutory threshold levels set by OMB.
- In accordance with Appendix C of Circular A-123, programs with annual outlays over \$10 million must conduct an improper payment risk assessment at least once every three years to determine whether the program is likely to have improper payments above the statutory threshold. PCLOB has not performed an improper payment risk assessment, as outlays have only exceeded \$10 million in the past two years (2022 and 2023). Accordingly, PCLOB plans to perform an improper payment risk assessment in FY 2024, under the assumption that outlays will continue with the current trend and exceed \$10 million.



- PCLOB was not required to perform recovery audits, determine a statistically valid estimate of erroneous payments, or develop a corrective action plan, as the agency's program was deemed not susceptible to significant improper payments.

Governmentwide Do Not Pay Initiative

The Do Not Pay (DNP) solution is a governmentwide initiative to screen payment recipients before a contract award or payment is made in order to eliminate payment errors before they occur. PCLOB's financial service provider, ARC, has integrated the solution into its existing processes as part of efforts to identify and prevent improper payments, and utilizes the DNP Business Center, on PCLOB's behalf, to perform online searches and screen payments against the DNP databases to augment data analytics capabilities. Based on the results of the reviews to date, the DNP initiative has not identified any improper payments.

PCLOB upholds its responsibilities to continuously improve financial and administrative controls and procedures to identify, assess, and address fraud risks as required by PIIA, as described in the Fraud Reduction Report that follows.

Fraud Reduction Act

The Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186, 31 U.S.C. § 3321 note), now incorporated into the PIIA, requires agencies to implement the GAO's *A Framework to Managing Fraud Risks in Federal Programs*. The GAO framework identifies four steps that agencies should follow: 1) commit to creating an organization that is conducive to manage fraud risk, 2) assess the fraud risks within the organization, 3) design and implement controls that reduce risk of fraud, and 4) evaluate and adapt assessment outcomes. PCLOB's approach to managing fraud risk starts with a strong tone at the top. This includes messaging from senior officials regarding the importance of a culture committed to a high level of integrity and resources dedicated to ensuring that ethics training is provided annually to all employees. PCLOB leverages its Senior Assessment Team, which consists of senior executives from divisions/offices throughout PCLOB who oversee the Board's efforts to assess, address, and report on identified fraud risks.

PCLOB has established a system of internal controls to support effective and efficient operations that also helps to mitigate the risk of fraud. Such controls, which overlay formal policies and procedures, typically deal with factors such as approval and authorization processes, access restrictions and transaction controls, account reconciliations, and physical security. These procedures often include the division of responsibilities and checks and balances to reduce risk. To the extent that these controls affect financial



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reporting, they are reviewed and tested by management on an annual basis. While strong internal controls help to mitigate the risk of fraud, employees are always encouraged to contact the General Counsel or the GAO's FraudNet hotline should they suspect instances of fraud.

Analysis of results from testing performed and the overall business environment can lead to additional training opportunities for which there is a heightened risk of fraud. For example, PCLOB contracting officer representatives are required to take annual training around the potential for fraud in the area of procurement.

Management recognizes that the assessment of fraud is an ongoing process and that mitigation strategies need to change as business processes and the overall environment evolve.



APPENDIX: GLOSSARY OF ABBREVIATIONS

AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ARC	Bureau of Fiscal Service's Administrative Resource Center
ATDA	Accountability of Tax Dollars Act
CAP	Cross-Agency Priority
CAT	Credential Authentication Technology
CBJ	Congressional Budget Justification
CDM	Continuous Diagnostic and Monitoring
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CIA	Central Intelligence Agency
CISA	Cybersecurity and Infrastructure Security Agency
CUI	Controlled Unclassified Information
DATA Act	Digital Accountability and Transparency Act
DEIA	Diversity, Equity, Inclusion and Accessibility
DHS	Department of Homeland Security
DOJ	Department of Justice
DNP	Do Not Pay
EO	Executive Order
EU	European Union
FASAB	Federal Accounting Standards Advisory Board



APPENDIX: GLOSSARY OF ABBREVIATIONS, CONTINUED

FBI	Federal Bureau of Investigation
FBwT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U. S. Government Accountability Office
GPRA	Government Performance and Results Act
GS	General Schedule
GT&C	General Terms and Conditions
HR	Human Resources
IAPP	International Association of Privacy Professionals
ICF	Internal Controls Framework
IPAC	Intra-Governmental Payment and Collection
IT	Information Technology
NCTC	National Counterterrorism Center



APPENDIX: GLOSSARY OF ABBREVIATIONS, CONTINUED

NIST	National Institute of Standards and Technology
NSA	National Security Agency
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
ODNI	Office of the Director of National Intelligence
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPSEC	Operations Security
PAR	Performance and Accountability Report
P/CL	Privacy and Civil Liberties
PCLOB	Privacy and Civil Liberties Oversight Board
PIIA	Payment Integrity Information Act of 2019
PPD-28	Presidential Policy Directive 28
RAR	Recommendations Assessment Report
SIEM	Security Information and Event Management
SCIF	Sensitive Compartmented Information Facility
SFFAS	Statement of Federal Financial Accounting Standards
SSAE	Statement of Standards for Attestation Engagements
TSA	Transportation Security Agency
TSC	Terror Screening Center
TSP	Thrift Savings Plan



APPENDIX: GLOSSARY OF ABBREVIATIONS, CONTINUED

Treasury	Department of the Treasury
TW	Trusted Workforce
UDO	Undelivered Orders
U.S.C.	United States Code