



THE PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
AGENCY FINANCIAL REPORT
FISCAL YEAR 2024



The Privacy and Civil Liberties Oversight Board

Agency Financial Report

FISCAL YEAR 2024

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
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WASHINGTON, DC 20002

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This report is available at <https://www.pcllob.gov/FinancialReports>.

MESSAGE FROM
THE CHAIR





It is an honor to present the Privacy and Civil Liberties Oversight Board's (PCLOB's) Fiscal Year (FY) 2024 Agency Financial Report (AFR). This AFR highlights our FY 2024 accomplishments as well as the challenges in pursuing our agency's mission: to ensure that the executive branch's efforts to prevent terrorism are balanced with the need to protect privacy and civil liberties.

PCLOB continued its work on a variety of oversight projects, including Domestic Terrorism, Biometrics in Aviation Security, and the Terrorist Watchlist. The agency also continued work to inform Congress and other government agencies and organizations as the sunset date for Section 702 of the Foreign Intelligence Surveillance Act approached and legislative proposals were developed. In addition, PCLOB increased its focus on the use of artificial intelligence and machine learning as part of government efforts to combat terrorism.

PCLOB's commitment to strengthening the agency's institutional capacity is stronger than ever. We continue to strive for a stronger and more diverse workforce through various recruiting and retention efforts. Additionally, PCLOB's efforts to enhance the agency's organizational health and performance led to the development of the agency's first performance framework. This framework, which includes metrics that align with the strategic goals and objectives outlined in the agency's 2022-2026 Strategic Plan, will help ensure that the agency's efforts are effectively measured and continuously improved. As a result, we are able to report performance results for the first time in the agency's history.

PCLOB's accomplishments in the area of financial management and reporting are also noteworthy. As a result of the agency's continuous efforts to improve financial management, maintain data integrity, and ensure the reliability of financial reports, the external auditors issued an unmodified (clean) audit opinion on PCLOB's FY 2024 financial statements. Further, our assessment of PCLOB's 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 extend our heartfelt thanks and deep appreciation to all the dedicated staff at PCLOB for their tireless efforts in fulfilling the agency's mission. I eagerly anticipate the remarkable achievements that I expect the agency will accomplish in the future.

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

Sharon Bradford Franklin
Board Chair
November 13, 2024



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INTRODUCTION





About This Report

PCLOB's FY 2024 AFR provides fiscal results and performance highlights for the reporting period beginning October 1, 2023, and ending September 30, 2024. This report enables the President, Congress, and the 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 AFR 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](#).

PCLOB's Pathway to an Agency Financial Report

PCLOB's first-ever financial statement audit in FY 2018 resulted in the auditor's inability to render an audit opinion, prompting the development of a solid foundation of control activities, policies, and procedures to address the audit weaknesses identified. This diligence paid off, enabling the agency to obtain an unmodified (clean) audit opinion over PCLOB's FY 2019 financial statements with no new audit findings and no required audit adjustments – a significant achievement for a small, maturing agency.

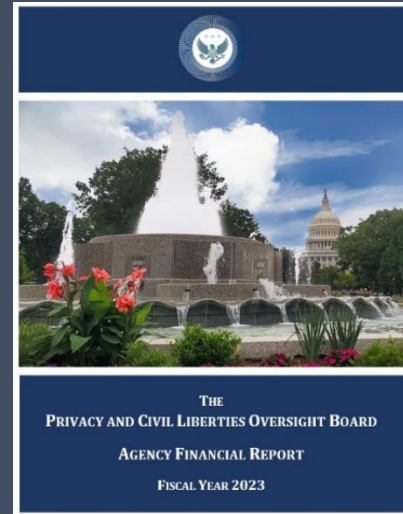
In FY 2020, as PCLOB continued to seek areas for operational improvement and growth by further refining and strengthening its accounting practices and appointing a Chief Financial Officer, the agency issued its first-ever AFR. PCLOB's issuance of an AFR represented a significant achievement for the agency, indicating significant growth in its capacity to not only achieve sound financial management but to faithfully report to the public in full compliance with guidelines and requirements established by OMB and other governing entities.

This report is the fifth AFR issued by PCLOB.



CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

In May 2024, PCLOB received the Certificate of Excellence in Accountability Reporting (CEAR) award from the AGA for its FY 2023 AFR. 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 second consecutive year PCLOB has received the prestigious CEAR award.



PCLOB also won a Best In Class award for demonstrating commitment to improving accountability reporting. The AGA noted that PCLOB’s commitment to excellence in accountability reporting as “noteworthy and a tribute to its leadership and staff,” despite the agency’s small size and modest budget. PCLOB

was praised for effectively meeting the objectives of transparent accountability in the AFR, within the context of the agency’s unique mission.





How This Report Is Organized

This AFR presents the agency’s performance highlights and accomplishments, fiscal accountability, operational achievements, and challenges for FY 2024. After the Chair’s message and introduction, 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, 2024. The agency’s FY 2024 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 stated in accordance with federal generally accepted accounting principles (GAAP). The auditors found PCLOB’s FY 2024 financial statements to be materially correct in accordance with GAAP.
- Financial statements provide actual financial results for the year and the previous year and include comparative Balance Sheets, the Statements of Net Cost, the Statements of Changes in Net Position, and the Statements 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 amounts 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, 2024 and 2023. 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 (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. In the absence of revenues, total program costs represent recognized net cost.

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 agency's financial position.

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 United States Code \(U.S.C.\) § 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 possible 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 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 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 Congress, and appearing and testifying before Congress upon request.

PCLOB also has designated roles under Executive Order (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.

Photo credit: PCLOB/Pam Brooke



Our Organization

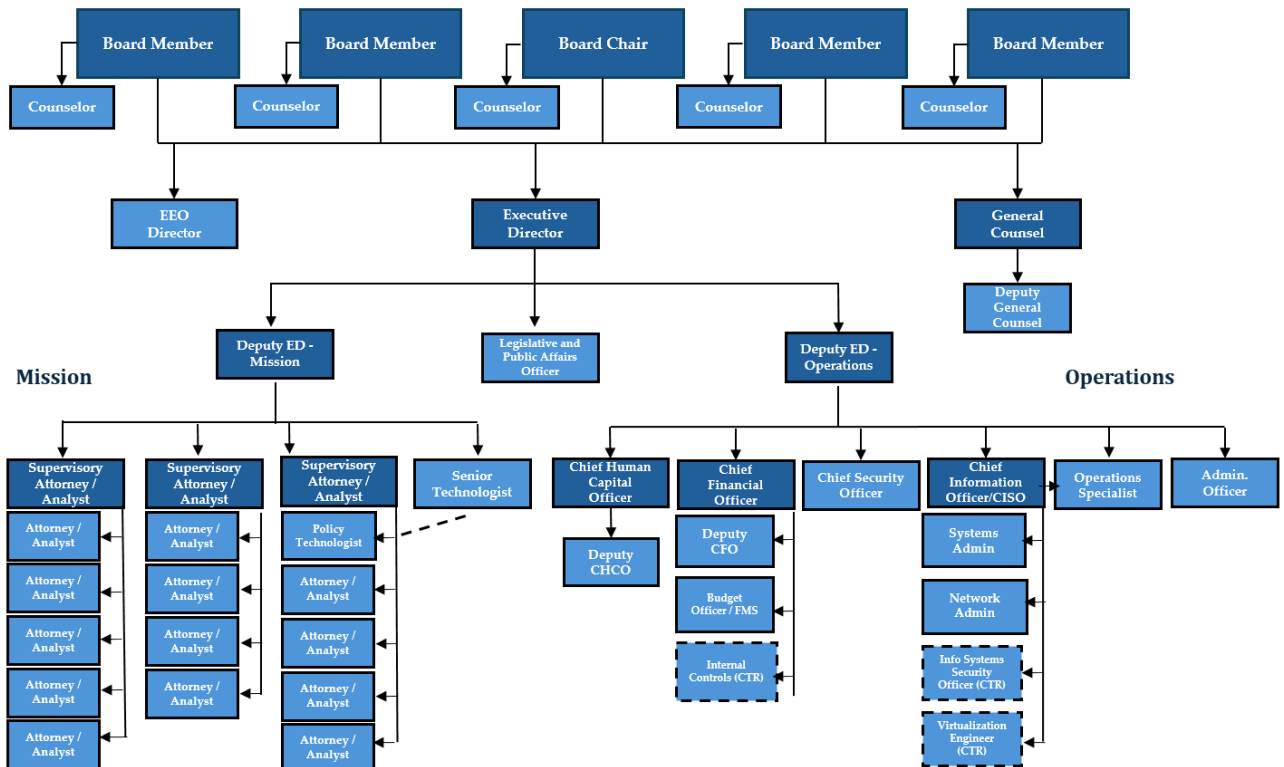
PCLOB is headquartered in Washington, DC. A bipartisan group of five Board Members comprise the Board: a full-time Chair and four part-time Members, each appointed by the President, with the advice and consent of the Senate, to staggered six-year terms. PCLOB's statute requires that no more than three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

At the end of FY 2024, the Board consisted of four Members with one vacant Member seat. The President has announced his nomination of a fifth Member, which awaits Senate confirmation. 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, totaling in 43 authorized full-time employees. In September 2024, the Board approved an updated organization chart for the agency to create organizational efficiencies, improve coordination, and reflect new positions that have been added since the last organization chart update.



Privacy and Civil Liberties Oversight Board Organizational Chart





Performance Framework Overview

INITIATION OF PCLOB'S NEW PERFORMANCE FRAMEWORK

Due to PCLOB's small size, limited resources, and unique mission which often requires classified information, the development of a structured performance framework with measurable performance targets and measurement procedures had not been attempted until FY 2024. Although PCLOB holds an exemption from annual performance planning and reporting requirements 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) through FY 2026, PCLOB has endeavored to incorporate these elements into management's current processes. Last year, PCLOB appointed the agency's first Performance Improvement Officer (PIO), whose primary responsibilities include leading efforts in agency goalsetting, reviewing progress, making course corrections, and making results transparent. The PIO worked diligently with agency leadership in early FY 2024 to build a performance framework with metrics that aligned to the strategic goals and objectives of the agency's 2022-2026 Strategic Plan. Further work to develop procedures for collecting data and tracking and reporting progress paved the way for the rollout of PCLOB's first measurable, goal-based performance plan, starting in the second quarter of FY 2024.

PCLOB hopes that these 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.



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STRATEGIC PLANNING: PATHWAY TO MISSION ACCOMPLISHMENT

PCLOB has developed a plan that outlines 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.



MAJOR PROGRAMS

In FY 2024, for the first time in the agency's history, PCLOB has differentiated significant costs on the agency's Statements of Net Cost by reporting costs by internally determined programs. By doing so, PCLOB demonstrates its commitment to transparent reporting by improving the usefulness of its financial statements.

PCLOB's newly defined programs align with the agency's strategic goals as well as its organizational structure. PCLOB's Strategic Goals 1 through 4 align to one major program defined as "Mission Activities" in the agency's Statements of Net Cost, while costs associated with Strategic Goal 5 align to another major program defined as "Operational Activities." Funding for these two programs comes exclusively from annual appropriations.

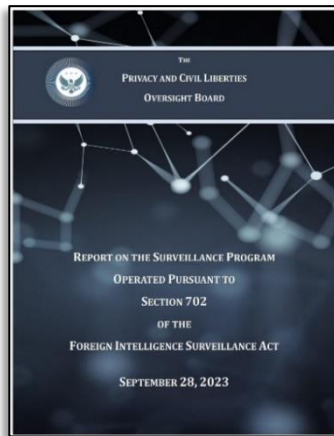




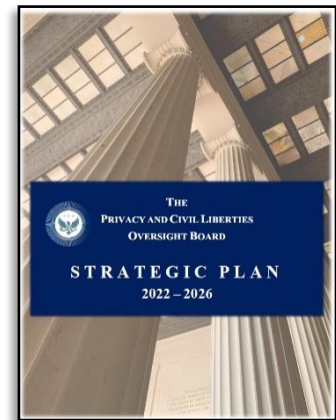
AGENCY REPORTING: MAINTAINING ACCOUNTABILITY

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 other executive reports, issued regularly and periodically, as required. The following categories of reports are available on PCLOB's website:

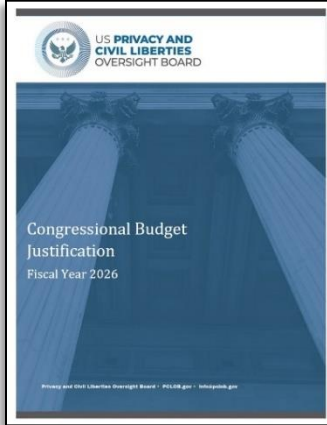
Agency Oversight Reports. In line with the agency's mission, PCLOB is authorized to continually review the implementation of executive branch policies, procedures, regulations, and information sharing practices relating to efforts to protect the nation from terrorism, PCLOB is also charged with determining whether such actions appropriately protect privacy and civil liberties and whether they are consistent with governing laws, regulations, and policies regarding privacy and civil liberties. Accordingly, the agency regularly reports on these activities and publishes the resulting oversight reports on the agency's website.



Agency Strategic Plans. In 2016, PCLOB issued its first strategic plan to guide its work in support of the agency's mission, and in 2019, began issuing updated plans every four years. These plans outline 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. Through this process, PCLOB helps ensure the deliberate, sound planning and resourcing necessary to drive the effectiveness of multi-year execution efforts.



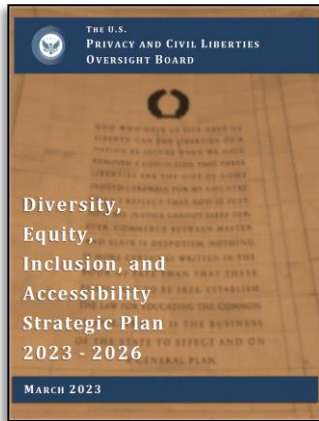
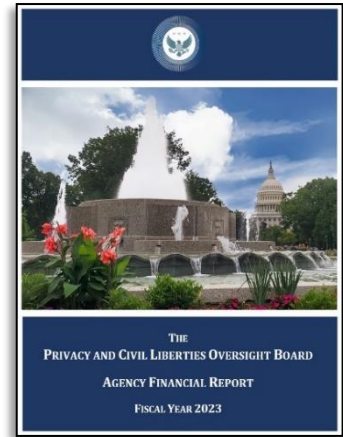
Agency Semi-Annual Reports. In accordance with the agency's enabling statute, enacted as Section 801 of the Implementing Recommendations of the 9/11 Commission Act of 2007, PCLOB issues semi-annual reports to the President and appropriate committees of Congress each year, making the reports available 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 annual budget 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, at the end of December or early January in a typical year, or during the spring for a new administration.

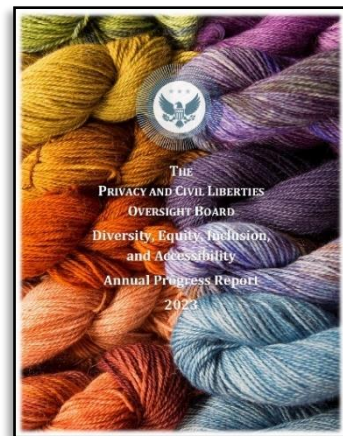
financial and performance data to help Congress, the President, and the public assess its stewardship over the resources entrusted to it, providing a comprehensive report on the agency’s mission and operational accomplishments, challenges and risks, and financial results for reported period.

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

PCLOB issued its 2023 DEIA progress report in March 2024, as required by EO 14035, to provide the status of the agency's efforts to advance diversity, equity, inclusion, and accessibility within the agency as well as the agency's success in implementing the PCLOB DEIA Strategic Plan during 2023. This report details the agency’s progress by goal and initiative and defines the agency’s goals in the coming years.





FY 2024 Performance Results by Strategic Goal

The results presented in this section are derived from performance data collected under PCLOB's first-ever measurable performance framework, rolled out in FY 2024. For each measure in the agency's performance framework, PCLOB set targets to help drive continuous improvement. "On-track" measures are those where the target has been met or exceeded, while "off-track" measures represent areas that could benefit from further attention.

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 2024 Accomplishments

In line with the agency's first strategic goal, PCLOB 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, as listed in Figure 1, *2024 PCLOB Oversight Projects*. Highlights of PCLOB's 2024 oversight work performed are as follows:





- **Section 702 of the Foreign Intelligence Surveillance Act (FISA).** At the end of FY 2023, PCLOB issued its 2023 report, entitled [*Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act*](#), to update the agency's comprehensive 2014 report on Section 702, in anticipation of the program's December 2023 sunset date. The report included 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 intelligence agencies. In FY 2024, PCLOB continued efforts to inform Congress and other government agencies and organizations within the Intelligence Community as legislative proposals were developed and introduced. President Biden signed a two-year extension of FISA Section 702 on April 20, 2024, and the Board anticipates continued engagement with Congress, the intelligence agencies, and the public in advance of Section 702's April 2026 sunset date.
- **Government Efforts to Address Foreign Racially Motivated Violent Extremist Organizations.** Section 824 of the Consolidated Appropriations Act of 2022 directed PCLOB to assess adverse impacts on the privacy and civil liberties of Americans concerning the use or recommended use of any federal laws, regulations, and policies used to address significant threats to the United States and Americans associated with foreign racially motivated violent extremist organizations. PCLOB has been coordinating with intelligence agencies to gather information needed to produce the report, which will include recommendations on options to develop protections to mitigate such adverse impacts.
- **Countering Domestic Terrorism.** The Board authorized this oversight project at the end of FY 2022. PCLOB staff have continued meeting with relevant agency staff and gathering information in support of this oversight review, which examines 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.
- **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. During this reporting period, PCLOB staff has continued to gather further information from the Terrorist Screening Center (TSC), which manages the Watchlist. PCLOB is working to finalize and issue a report in FY 2025.



Photo credit: dlitch via iStock.com

- **Other Active Oversight Projects.** PCLOB has also continued its work on a number of additional projects, including a review of the Federal Bureau of Investigation's (FBI's) acquisition and use of publicly available data from open-source or commercial sources. PCLOB staff is reviewing the National Counterterrorism Center's (NCTC's) access to and handling of datasets containing non-terrorism information and assessing, among other things, whether NCTC's policies and practices concerning such materials are consistent with governing laws, regulations, and policies and appropriately balance privacy and civil liberties interests with national security interests relating to counterterrorism. In addition, PCLOB is reviewing the use of facial recognition in aviation security and continues to track developments in advanced and emerging technologies through an artificial intelligence and machine learning working group (further described below). Finally, PCLOB initiated work related to the oversight roles envisioned for it in EO 14086 on enhancing safeguards for United States signals intelligence activities, which will include reviewing the implementation of the updated policies and procedures adopted by the intelligence agencies pursuant to the executive order, and to the extent feasible, conducting an annual review of the redress process established by the order.



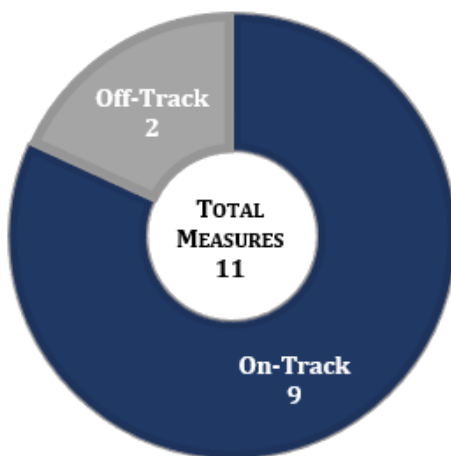
2024 Performance Results: Strategic Goal 1

The performance measures related to this goal were developed to achieve the following objectives:

- 1.1: Develop and pursue a diverse portfolio of oversight projects while maximizing the impact of each individual project.
- 1.2: Conduct oversight with rigor and integrity, and issue recommendations designed to enhance privacy and civil liberties protections in federal counterterrorism regulations, policies, procedures, and activities.
- 1.3: Promote and monitor implementation of Board recommendations.

By the end of the baseline year of implementation of PCLOB's performance framework, the agency was tracking to meet nine of eleven established performance indicators under this

STRATEGIC GOAL #1



strategic goal. Some of the new metrics for which PCLOB was on-track to meet by fiscal year end included:

- Number of agencies with programs overseen;
- Number of oversight projects completed each year; and
- Number of public forums held.

One of PCLOB's off-track measures related to training for mission staff & counselors on investigative processes and policy analysis. PCLOB staff did receive a two-part training on investigative processes in FY 2024, but training on policy analysis is scheduled for late fall of 2024.

The second off-track measure related to PCLOB's initiation of only one oversight project in FY 2024, instead of the targeted two. Consequently, new projects have been added for discussion to the Board's early FY 2025 agenda.



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 are no ongoing efforts to develop or amend such legislation, regulation, or policy, PCLOB would only address the matter through its statutory oversight function.

FY 2024 Accomplishments

- **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, and both Sections 2 and 3 of the order require other agencies to consult with PCLOB under its advice function:
 - Section 2 of the order requires the intelligence agencies to consult with as they update their policies and procedures to provide enhanced safeguards pursuant to the EO. PCLOB provided this advice in FY 2023.
 - Section 3 of the order requires the Attorney General to consult with PCLOB in selecting individuals to serve as judges on the new Data Protection Review Court created by the order.

In FY 2024, PCLOB continued to provide advice to the Department of Justice regarding candidates to serve as judges and special advocates for the new Data Protection Review Court.

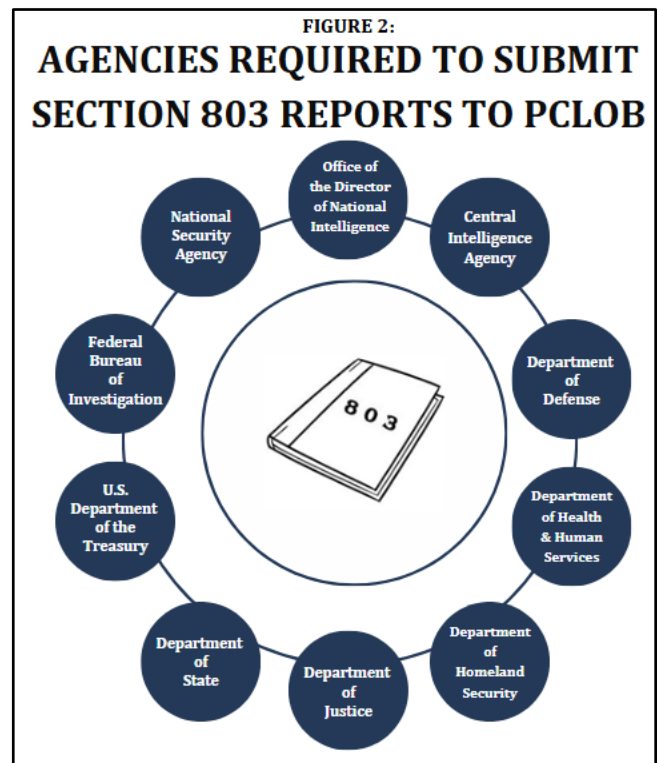
- **Coordination of Executive Branch Privacy and Civil Liberties Activities Under Section 803.** Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 requires agencies' civil liberties and privacy officers (CLPOs) to issue reports, not less than annually, about their activities 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 officers.

In an effort to increase public access to and visibility of Section 803 reports, in FY 2023, PCLOB created a new page on the agency's web site entitled [Section 803](#). This webpage provides convenient access to any reports PCLOB receives (see Figure 2, *Agencies Required to Submit Section 803 Reports to PCLOB*). In FY 2024, PCLOB received a total of five Section 803 reports (from Treasury, the Central Intelligence Agency, the Department of Homeland Security, the National Security Agency, and the Office of the Director of National Intelligence); these reports are included on the PCLOB web site.

While PCLOB is charged with assessing any Section 803 reports and other information received from agency CLPOs, PCLOB otherwise has no authority to enforce reporting requirements listed under Section 803. PCLOB recognizes that some agencies may need more than six weeks following the end of the FY 2024 reporting period to complete their reports; however, PCLOB is also currently assessing approaches to improve coordination with other agencies to obtain Section 803 reports on a more timely basis. Efforts already undertaken include reminding agency CLPOs of their statutory obligation and requesting agency CLPOs to meet with PCLOB quarterly to address the Section 803 reporting process. PCLOB hopes that, through improved coordination, it can help remedy any confusion regarding the Section 803 reporting process and encourage agency CLPOs to re-prioritize these reports.





FY 2024 Performance Results: Strategic Goal 2

The performance measures related to this goal were developed to achieve the following objectives:

- 2.1: Serve as a source of trusted, independent, and expert advice to the President and executive branch departments, agencies, and elements on how to include privacy and civil liberties safeguards in the design and planning stages of counterterrorism efforts.
- 2.2: Promote the protection of privacy and civil liberties in the design of counterterrorism programs.
- 2.3: Maintain and enhance meaningful engagement with governmental privacy and civil liberties officers.

By the end of the baseline year of implementation of PCLOB's performance framework, the agency was tracking to meet three of the four established performance indicators under this strategic goal. The on-track measures included:

- Number of advice projects initiated or offered each year;
- Meetings between PCLOB staff CLPOs from agencies required to issue Section 803 reports; and
- Meetings between the Board and CLPOs from agencies required to issue Section 803 reports.

The off-track measure related to providing advice "designed to make privacy and civil liberties safeguards more robust" stems from the need for further collaboration with other agencies: advice can only be provided if accepted. Although PCLOB can offer to provide input under its advice function, the corresponding agency must agree to receive that advice and must provide relevant information. In one instance, PCLOB requested information necessary to determine whether to weigh in under its advice function, but PCLOB was not provided the necessary information. Going forward, PCLOB will continue to seek out and respond to opportunities to initiate advice projects and provide advice in early FY 2025.





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 2024 Accomplishments

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

- **Facial Recognition in Aviation Security.** PCLOB continued its ongoing review of the use of facial recognition in aviation security. The Transportation Security Administration (TSA) has piloted Credential Authentication Technology (CAT) machines to employ facial recognition at particular domestic airports. 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. PCLOB is also working to develop recommendations regarding operation of this program.
- **Artificial Intelligence (AI) and Machine Learning.** With the increased use of AI by national security agencies comes increased risks to privacy, civil rights, and civil liberties. PCLOB continued to track developments regarding advanced and emerging technologies through an AI and machine learning working group and is considering various areas for possible oversight and advice. As part of its information gathering efforts, PCLOB held a public forum on the use of AI in counterterrorism and related national security programs, sought public comments on the privacy and civil liberties issues associated with such uses of AI, and requested AI use case inventories from the agencies it oversees.



FY 2024 Performance Results: Strategic Goal 3

The performance measures related to this goal were developed to achieve the following objectives:

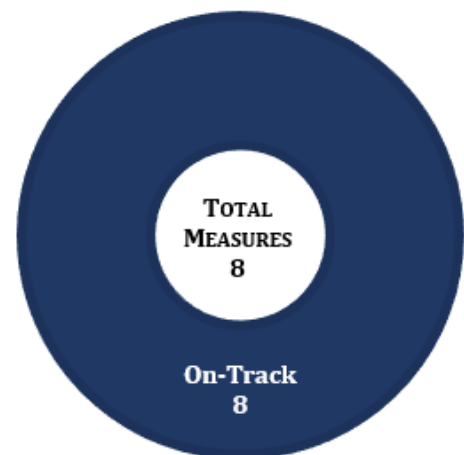
- 3.1: Rigorously analyze the use of new and emerging technologies in efforts to protect the nation against terrorism and the implications of such uses for privacy and civil liberties.
- 3.2: Assess the potential for new and emerging technologies to enhance privacy and civil liberties safeguards in the operation of counterterrorism programs and activities and recommend implementation of such technological approaches where appropriate.
- 3.3: Ensure that the Board receives the technical input needed to conduct effective oversight and provide informed advice on issues related to advanced and emerging technologies and assess whether and how advanced technological tools and approaches may contribute to the Board's own work.

By the end of the baseline year of implementation of PCLOB's performance framework, the agency was tracking to meet all eight established performance indicators under this strategic goal.

Some of the established new metrics for which PCLOB was on-track to meet by fiscal year end included:

- Number of new mission initiatives conducted each year with a significant focus on technologies or technology issues;
- Number of open projects in which PCLOB is examining the use of technologies to enhance privacy and civil liberties; and
- Number of technology-focused briefings to the Board.

STRATEGIC GOAL #3





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.

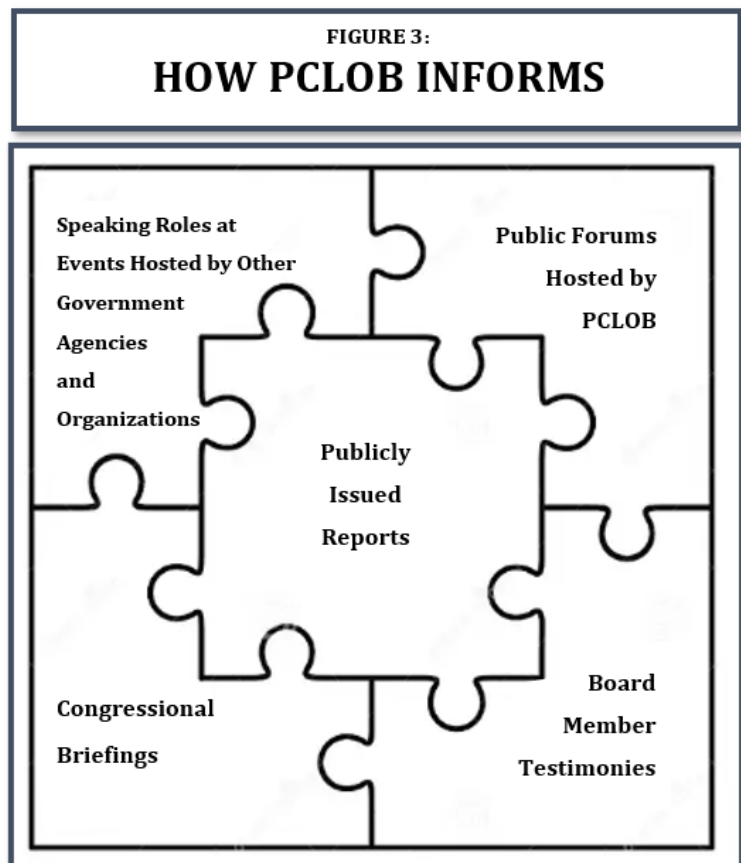
Background

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 (as depicted in Figure 3, *How PCLOB Informs*) consistent with the protection of classified information and applicable law.

FY 2024 Accomplishments

➤ **Participation in Outside Events.** Board Member involvement in events hosted by other government agencies and organizations included the following:

- In October 2023, Board Members participated in podcasts produced by Cyberlaw and Lawfare to discuss the Board's 2023 report on Section 702.
- Chair Franklin spoke about Section 702 at the ABA Conference on National Security Law in November 2023 and at the Center for Strategic & International Studies (CSIS) [event](#) on Section 702 in March 2024.
- Member Beth A. Williams spoke at Harvard Law School about FISA Section 702 in October 2023 and participated in a panel discussion on FISA Section 702 at the Federalist Society's annual National Lawyers Convention in November 2023.





Above: PCLOB Members of the Board discuss AI in the context of national security with the first of two panels of experts during the PCLOB AI Public Forum, hosted virtually on the agency's website on July 11, 2024.

Photo credit: captured from https://www.youtube.com/live/zTGb_M1jMtg

- All four Members of the Board participated in the EU-U.S. Data Privacy Framework Review in July 2024, where representatives of the European Commission posed several questions to the Board to inform the Commission's review of the adequacy of the Data Privacy Framework.
- In September 2024, Member LeBlanc moderated a keynote discussion at the International Association of Privacy Professionals Privacy Security Risk conference.
- **PCLOB Public Forums.** PCLOB hosted a [public forum event](#) in July 2024 on the role of AI in counterterrorism and related national security programs, and privacy and civil liberties issues associated with these uses of AI. The forum, held to help the Board scope and define its oversight of AI-related issues, included a keynote address from the co-chair of the Senate AI Caucus and a member of the Bipartisan Senate AI Working Group and featured two panel discussions from a range of experts with different backgrounds and perspectives.



➤ **Board Member Testimonies/Briefings.**

- Following the publication of PCLOB's 2023 FISA Section 702 report, Board Members briefed various Members of Congress and met with civil society groups.
- In November 2023, Board members met with European oversight officials to discuss PCLOB's projects.

➤ **Staff Briefings/Engagements.**

- In October 2023, PCLOB's Executive Director discussed PCLOB's findings and recommendations for FISA Section 702 at a roundtable hosted by the University of Pennsylvania Carey School of Law.
- In September 2024, PCLOB staff members briefed House Permanent Select Committee on Intelligence staff members on PCLOB's projects.
- In September 2024, PCLOB staff members briefed the President's Intelligence Advisory Board staff members on PCLOB's projects.



Above: Board Chair Sharon Bradford Franklin converses with a CSIS moderator about PCLOB's September 2023 Section 702 report and proposed reforms to Section 702 at the March 2024 CSIS event, "Section 702 of FISA: Privacy and Civil Liberties Reforms".

Photo credit: captured from <https://www.csis.org/events/section-702-fisa-privacy-and-civil-liberties-reforms>



FY 2024 Performance Results: Strategic Goal 4

The performance measures related to this goal were developed to achieve the following objectives:

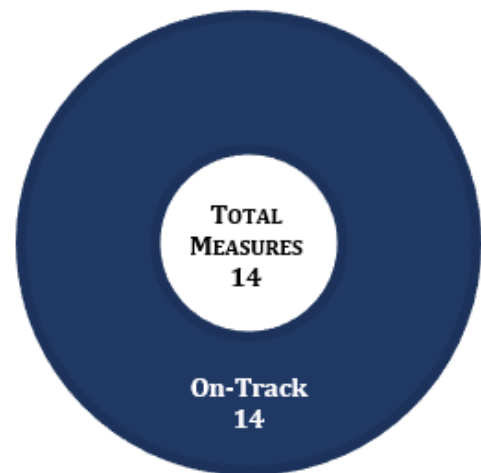
- 4.1: Make the Board's work available to the public and other stakeholders to the maximum extent possible, consistent with the protection of classified information and other applicable law.
- 4.2: Continue regular formal and informal interactions with Congress.
- 4.3: Engage directly with the public about the Board's work and issues within the Board's jurisdiction.
- 4.4: Identify appropriate opportunities to engage with international counterparts and stakeholders.

By the end of the baseline year of implementation of PCLOB's performance framework, the agency was tracking to meet all fourteen established performance indicators relating to this strategic goal.

Some of the established new metrics for which PCLOB was on-track to meet by fiscal year end included:

- Board and staff engagement with the legislative branch;
- Board and staff meetings with civil society groups (outside of public forums); and
- Number of meetings annually with international counterparts.

STRATEGIC GOAL #4





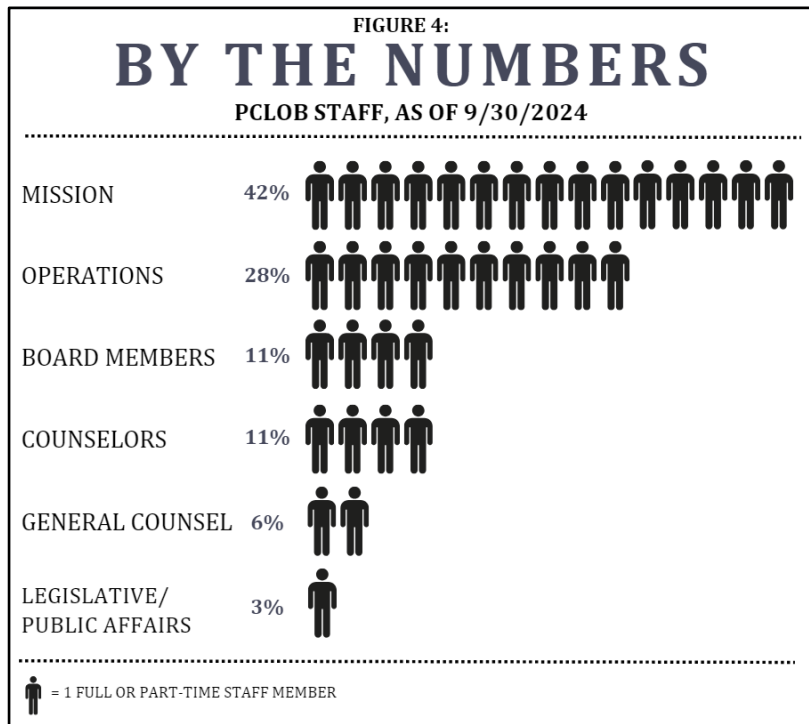
STRATEGIC GOAL 5: STRENGTH

Continue to enhance PCLOB's institutional strength and capacity.

Background

The agency is staffed by Board Members and their respective counselors, mission staff (i.e., those professionals who work on agency oversight and advice projects), general counsel staff, a legislative and public affairs officer, and operations staff (i.e., those professionals who provide operational support in specialized areas). Figure 4, *By the Numbers, PCLOB Staff, as of 9/30/2024* depicts the allocation of staff members across these agency functions.

In a manner consistent with its small size and limited workforce, PCLOB must continuously work to achieve a standard of excellence in both mission and operational activities and meet the agency's fifth strategic goal. The small operations staff (ten full-time equivalents (FTEs) as of the end of FY 2024) 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 2024 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 able to obtain 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 2024, the agency had ten full-time



vacancies to fill, compared to twelve at the beginning of FY 2023. Despite some additional staff losses throughout the year, PCLOB successfully filled ten FTE positions in FY 2024, compared to eleven new hires in FY 2023, bringing the agency staffing levels to 85% at year-end.

➤ **Efforts to Recruit and Retain Qualified Staff.**

- *Continued Implementation of Recruitment and Retention Incentive Policy.* A Board-approved recruitment and retention incentive policy continued to be utilized to attract candidates and/or retain employees deemed critical to the agency's mission.
- *Appointment of a New Part-Time Equal Employment Opportunity (EEO) Director.* PCLOB hired a new part-time EEO Director, a role previously performed as a collateral duty by a PCLOB staff member, whose responsibilities include directing and managing a comprehensive EEO program for PCLOB staff as well as leading the agency's DEIA Team.
- *PCLOB Enrichment Day 2024.* In August 2024, staff came together for an off-site team building and recognition event, in a continued effort to boost employee morale.

➤ **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 2024, led by the agency's DEIA Committee, PCLOB issued its second DEIA Annual Report for progress made in FY 2023. In this report, PCLOB detailed its accomplishments, which included:
 - Evaluation of needed resources to implement DEIA initiatives;
 - Implementation of DEIA training plans for staff;
 - Implementation of formal DEIA-focused exit interview questions;
 - Participation in the Office of the Personnel Management's (OPM) Federal Employee Viewpoint Survey (FEVS) to assess the current climate amongst staff; and
 - Continued review and update of various agency policies and procedures.

Also included in the FY 2023 DEIA Annual Progress Report was the FY 2024 PCLOB DEIA "Roadmap", which outlined the agency's updated DEIA goals for the next year.



In accordance with EO 14035, PCLOB plans to issue its 2024 Annual DEIA Progress Report in early 2025. Based on quarterly DEIA status briefings provided to the Board, some of PCLOB's accomplishments include:

- Successful update and approval of four internal policies by the Board, including Employee Conduct, Equal Employment, Anti-Harassment and an Equal Employment Opportunity Board Policy Statement;
- Implementation of a new project proposal template that includes addressing equity issues as part of its framework; and
- Seven new contracts awarded to small businesses.

Financial Management

- **Continued Implementation of G-Invoicing.** In FY 2023, 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 2024 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 2024 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 2024, PCLOB received its second 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 also presented PCLOB with a Best-In-Class Award for demonstrating commitment to improving accountability reporting. PCLOB, the smallest federal agency to receive an award for its FY 2023 PAR or AFR, was hailed by the



Above: Members of PCLOB's Office of the Chief Financial Officer accepted the 2023 CEAR Award at the May 2024 AGA CEAR Awards Ceremony.

Photo credit: AGA



AGA as the “Little Engine That Could” for its commitment to excellence in accountability reporting.

- **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 and more quickly stay up to date on regulations more quickly.

Information Technology (IT) Systems and Cybersecurity

- **Favorable FY 2024 Federal Information Security Modernization Act Results.** Information security also continues to be a top priority for the agency PCLOB’s FY 2024 Federal Information Security Modernization 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 2024.



➤ **IT Compliance with Federal Standards.**

- PCLOB's IT staff successfully responded to Cybersecurity and Infrastructure Security Agency (CISA) Emergency Directive 24-02, *Mitigate the Significant Risk from Nation-State Compromise of Microsoft Corporate Email System*, to identify and remediate compromised agency correspondence.
- 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 align with OMB M-24-14, *Administration Cybersecurity Priorities for the FY 2026 Budget*. These priorities include the key pillar of Defending Critical Infrastructure. PCLOB is continuing efforts to implement and leverage tools and strategies to achieve synergy with the National Institute of Standards and Technology (NIST) Special Publication 800-207 Zero Trust Architecture tenets.
- PCLOB onboarded additional capabilities to maintain compliance with Department of Homeland Security (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 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 remains committed to protecting sensitive and classified materials. Ongoing efforts and achievements included:

- **Maintenance of Sensitive Compartmented Information Facility (SCIF) Accreditation.** The highly sensitive information that the agency handles requires a secure area where classified information can be stored, discussed, and processed. The majority of PCLOB's headquarters office space is in a SCIF, built to meet the strict security standards set by the Director of National Intelligence and subject to accreditation which includes continuous monitoring, periodic re-evaluations, and document reviews. In FY 2024, PCLOB's SCIF was re-evaluated and successfully re-accredited for another five years.
- **Implementation of EO 13587, *Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information*.** PCLOB maintains its Insider Threat program in accordance with EO 13587 to deter, detect, and mitigate actions by insiders who represent a threat to national security.
- **Vetting of PCLOB Workforce for Required Security Access.** PCLOB continues to engage in government-wide efforts to modernize the security clearance process. This includes continued implementation of Trusted Workforce (TW) 2.0 and National Security Presidential Memorandum (NSPM)-28, which directs agencies to implement an Operations Security (OPSEC) program. PCLOB also continues its efforts to ensure Controlled Unclassified Information (CUI) received from partner agencies is protected.



FY 2024 Performance Results: Strategic Goal 5

The performance measures related to this goal were developed to achieve the following objectives:

- 5.1: Optimize the Board's use of shared-service providers.
- 5.2: Recruit and retain a diverse workforce equipped with an array of skills relevant to the Board's mission.
- 5.3: Continue to strengthen the Board's financial management capabilities and ensure responsible stewardship of taxpayer funds.
- 5.4: Maintain a high standard of personnel and information security.
- 5.5: Continue to refine the Board's internal policies and governance processes.

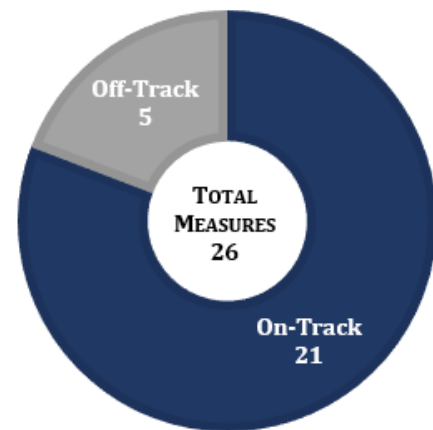
By the end of the baseline year of implementation of PCLOB's performance framework, the agency was tracking to meet 21 of 26 established performance indicators under this strategic goal.

Some of the established new metrics for which PCLOB was on-track to meet by fiscal year end included:

- Assessment of service-provider performance;
- Number of new hires;
- Compliance with statutory reporting requirements;
- IT Help Desk ticket closure rate; and
- Sensitive Compartmented Information Facility (SCIF) security compliance.

PCLOB's off-track measures under this goal primarily related to Objective 5.5. Targets relating to the development of a succession planning program and the compliance update of agency policies were not met in FY 2024, largely due to the amount of coordination necessary amongst multiple members of PCLOB leadership. PCLOB will need to establish and communicate quarterly goals to key personnel in order to improve the success rate in these areas.

STRATEGIC GOAL #5





Challenges to PCLOB's Mission Accomplishment

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 PCLOB has less than the statutory quorum of three Members, the agency enters a sub quorum period during which some of PCLOB's authorities are limited. However, PCLOB had a quorum throughout FY 2024, with four Board Members and one nominated Member awaiting confirmation by the Senate at year's end.

ACHIEVING COMPLIANCE DESPITE SIZE LIMITATIONS

As a small, independent executive branch agency, currently consisting of about 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 OMB a four year exemption from certain sections of 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. An underlying challenge for PCLOB has been its ability to attract and retain the talented professionals required to accomplish the agency's mission. While PCLOB continuously works to fill staff vacancies, they cannot always be avoided, especially during sub quorum periods. Ongoing staffing shortages often lead to a cycle of increased costs and operational inefficiencies that can strain the agency's resources in the following ways:

- *Increased Costs.* PCLOB may need to spend more on overtime, temporary staffing solutions (for example, personnel detailed in from other agencies as subject matter experts) to fill immediate gaps, and recruitment efforts to fill vacant positions.
- *Reduced Operational Efficiencies.* With fewer staff, productivity can decrease, leading to delays and inefficiencies that can drive up costs.
- *Impact on Employee Morale and Retention.* Staffing shortages can negatively affect employee morale, leading to higher turnover rates.

PCLOB is actively addressing these challenges through a strategic approach to workforce planning, including securing adequate funding, enhancing employee retention strategies, and streamlining recruitment processes. The agency continues to seek legislative approval to exceed the current statutory pay cap set for PCLOB to allow the agency to provide potential new hires and current staff alike competitive compensation better aligned with the agencies PCLOB oversees. PCLOB also continues to utilize recruitment and retention incentives to incoming and current staff 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. Additionally, the agency recently developed and issued an updated onboarding guide to both new and current staff to facilitate the integration of all employees into the PCLOB workforce.



Forward-Looking Information



Photo credit: lucky-photographer via iStock.com

PCLOB continues to diligently work to achieve the goals, objectives, and strategies outlined in the agency's FY 2022-2026 Strategic Plan. In FY 2025, PCLOB plans to initiate the following activities:

- **Review of Oversight and Advice Projects.** PCLOB has been actively working to devise a clear path forward on mission projects that have been on the agency's docket for many years, with a focus toward expedient completion. As a result of these efforts, multiple projects are expected to be completed in early FY 2025. The agency's 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 in FY 2025.
- **Continued Exercise of Roles Under EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities*.** PCLOB will review implementation of the new procedures adopted by intelligence agencies to enhance safeguards for U.S. government surveillance activities. These procedures, published in the spring of 2023, were developed following advice and consultations with PCLOB. Additionally, PCLOB will undertake its inaugural review of the new redress process being



implemented under EO 14086. This process allows citizens of certain other countries designated by the Attorney General to seek redress for alleged unlawful access to their data by the U.S. government concerning signals intelligence. This annual review represents a new and innovative role for PCLOB, and the U.S. government has highlighted PCLOB's independent review as crucial to the viability of the new redress process.

- **Countering Domestic Terrorism.** PCLOB will continue its investigation into the government's domestic counter-terrorism efforts. This involves ongoing information gathering from DHS and FBI regarding their domestic terrorism authorities, operations, and current investigations and trends. PCLOB staff will also assess whether additional privacy and civil liberties safeguards are necessary in these areas.
- **AI and Machine Learning.** PCLOB will maintain its focus on the government's use of AI and machine learning in counter-terrorism efforts. PCLOB staff will analyze information collected through its FY 2024 oversight activities, including data from the public forum and AI use case inventory requests. They will evaluate areas requiring further oversight and present their findings to the Board as potential new oversight investigations.
- **Increased Staff Development.** PCLOB will further engage in staff development. PCLOB will continue to 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. Finally, mission staff members have been encouraged to identify a focus area on which to develop subject matter expertise and contribute to institutional competencies.
- **Continued Outreach to the Public, Congress, and Other Federal Agencies.** PCLOB will maintain its practice of regularly hosting public forums to collect information for its ongoing oversight reviews and to communicate its findings to the public. Additionally, PCLOB will convene regular meetings with privacy officers from the agencies it oversees and will actively participate in the Federal Privacy Council and privacy groups established by the White House.
- **Continued Implementation of PCLOB's New Performance Framework.** After a successful first year of implementing its agency performance framework, PCLOB will enhance the framework by identifying and addressing any off-track measures, redefining baseline targets as needed, and providing quarterly status updates to both program managers and the Board.



Photo credit: SeanPavonePhoto via iStock.com

- **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 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, in FY 2025 the agency plans to issue its 2024 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 2024 financial statements. The independent auditor, Castro & Company, audited the agency's Balance Sheets for the fiscal years ending September 30, 2024 and 2023, along with the Statements of Net Cost, Changes in Net Position, and Budgetary Resources. PCLOB received an unmodified audit opinion on its 2024 and 2023 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.

PCLOB prepared its financial statements from its accounting records in conformity with GAAP 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

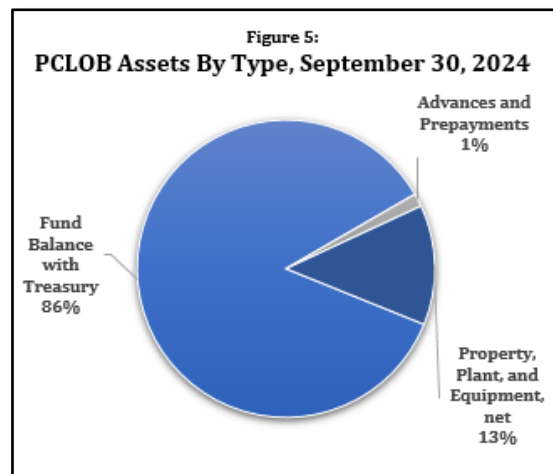
The Balance Sheets present resources owned and managed by PCLOB that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by PCLOB (net position) that is available for future programs. The Balance Sheets report the major components of PCLOB's assets, liabilities, and net position at the end of FY 2024 and FY 2023 and are summarized in Table 1.

**TABLE 1:
COMPARATIVE SUMMARY TABLE: BALANCE SHEETS
(\$ IN DOLLARS)**

	FY 2024	FY 2023	Variance (In Dollars)	Variance (In Percentage)
Fund Balance with Treasury	\$ 5,901,223	\$ 4,294,840	\$ 1,606,383	37%
General Property, Plant, and Equipment, Net	898,968	1,067,924	(168,956)	-16%
Advances and Prepayments	97,894	254,782	(156,888)	-62%
TOTAL ASSETS	\$ 6,898,085	\$ 5,617,546	\$ 1,280,539	23%
Accounts Payable	\$ 300,001	\$ 496,975	\$ (196,974)	-40%
Federal Employee Salary, Leave, and Benefits Payable	500,030	357,635	142,395	40%
Other Liabilities	35,584	21,241	14,343	68%
TOTAL LIABILITIES	\$ 835,615	\$ 875,851	\$ (40,236)	-5%
TOTAL NET POSITION	\$ 6,062,470	\$ 4,741,695	\$ 1,320,775	28%
TOTAL LIABILITIES AND NET POSITION	\$ 6,898,085	\$ 5,617,546	\$ 1,280,539	23%

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 \$6.9 million as of September 30, 2024 and are reported in three categories on the Balance Sheets, as depicted in Figure 5, *PCLOB Assets By Type, September 30, 2024*: Fund Balance with Treasury; Property, Plant, and Equipment, net; and Advances and Prepayments.

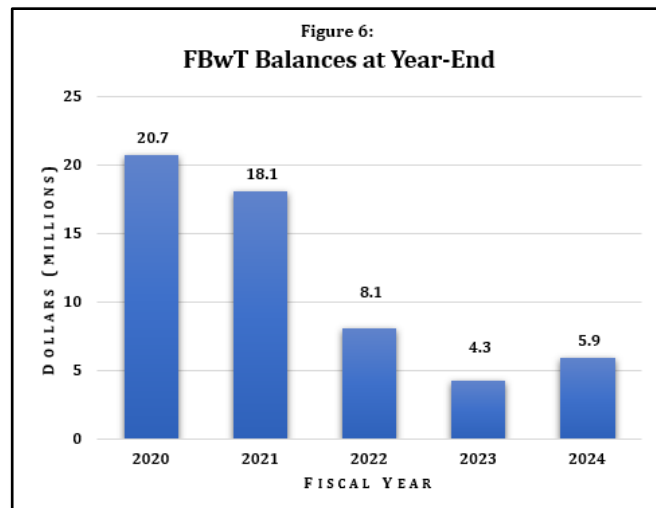




PCLOB's most significant asset is the Fund Balance with Treasury (FBwT), which totaled \$5.9 million and represented 86% of the agency's total assets as of September 30, 2024. FBwT consists of cash appropriated to PCLOB by Congress or transferred from other federal departments and agencies and held in Treasury accounts that are accessible by the agency to pay incurred obligations.

As depicted in Figure 6, *PCLOB FBwT Balances at Year-End*, the agency's FBwT balances had been trending downward over the last few 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 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. As PCLOB returned approximately \$13.2 million of unused, cancelled funds to Treasury (\$9.2 million and \$4 million in FY 2022 and FY 2023, respectively), the agency's FBwT balance consequently decreased significantly. By



FY 2024, PCLOB had returned all funds leftover from the FY 2016 appropriation; cancelled funds returned to Treasury at year's end only amounted to \$488 thousand.

For the first time in five years, PCLOB's FBwT balance increased, climbing approximately \$1.6 million (37%) from \$4.3 million to \$5.9 million as of September 30, 2023 and 2024, respectively. The increase in the FBwT balance primarily relates to the increase in carryover funds, available to use in FY 2025 and afforded to PCLOB with the approval of a two-year appropriation in FY 2024. Although carryover funds available each year had been trending downward, the carryover balance at the end of FY 2024 was higher than in years past as a result of the uncertainty of PCLOB's expected FY 2024 appropriation. In early FY 2024, the agency received guidance from OMB to make drastic cuts to its current budget in anticipation of a significantly smaller FY 2024 appropriation than requested (forecasted at the time to be as much as 19% less than the requested \$14.4 million). In response, PCLOB made some very difficult decisions to delay hiring much needed staff and procuring long over-due IT hardware upgrades; limit staff training and business travel requests; and cut contracts for

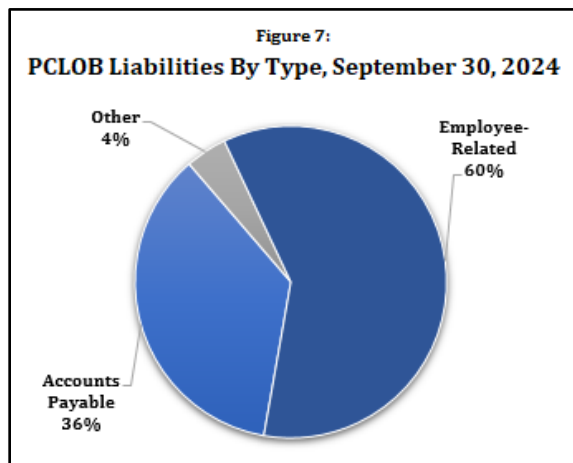


goods and services as much as possible. These cutbacks continued until the agency received its FY 2024 appropriation of \$13.7 million in early April 2024 – six months into the fiscal year. Many of the cutbacks were not able to be addressed during the remaining six months of the fiscal year, thus resulting in a larger FBwT balance at year end.

PCLOB's remaining assets at the end of FY 2024, which included net property, plant, and equipment and advances and prepayments, decreased between FY 2023 and 2024. 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 \$169 thousand (16%), from approximately \$1.1 million in FY 2023 to approximately \$900 thousand in FY 2024, as the associated assets continued to depreciate with use, offset by new equipment of approximately \$130 thousand. Advances and prepayments for various contracted services and subscriptions decreased as well, by approximately \$157 thousand (62%) with the agency's continued transition of procurement service providers, from the Department of the Interior, or DOI (which requires contract costs to be paid in advance), to the Administrative Resource Center (ARC), a federal shared service provider in the Treasury's Bureau of the Fiscal Service. As more new contracts were initiated with ARC, fewer advance payments were necessary.

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. Liabilities are reported in three categories on the Balance Sheets, as depicted in Figure 7, *PCLOB Liabilities by Type, September 30, 2024*. Although PCLOB's total liabilities balance stayed relatively consistent with the prior year's balance (\$836 thousand and \$876 thousand as of September 30, 2024



and 2023, respectively, a variance of approximately \$40 thousand, or 5%), the makeup of the liabilities balance shifted around quite a bit. Accounts payable decreased approximately \$200 thousand (40%), from approximately \$500 thousand in FY 2023 to approximately \$300 thousand in FY 2024, mostly related to the absence of agreements with other agencies for detailed employees as subject matter experts (which were heavily relied on in FY 2023 as the agency worked to issue its report on Section 702). Other

liabilities saw an increase between the years of approximately \$14 thousand (or 68%), from

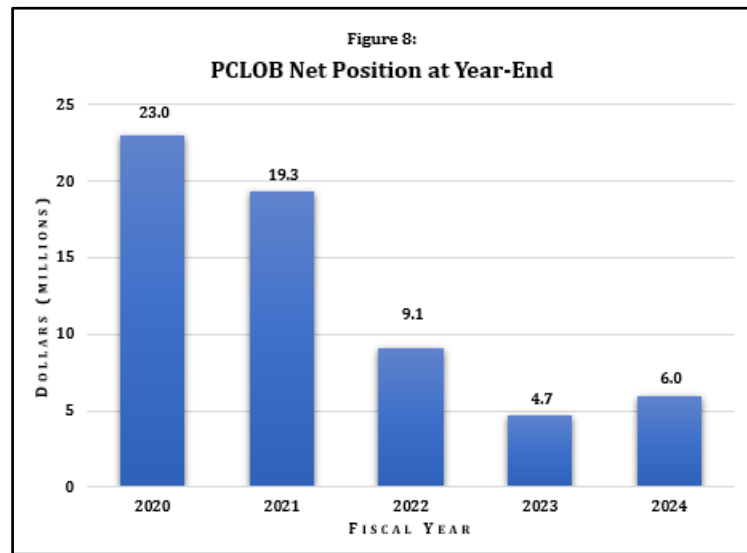


approximately \$21 thousand in FY 2023 to approximately \$35 thousand in FY 2024, while employee-related liabilities recognized an increase of \$142 thousand (40%), from approximately \$358 thousand in FY 2023 to \$500 thousand in FY 2024. The increase in employee-related liabilities was primarily related to increased accrued leave at the end of FY 2024, mostly associated with higher leave balances transferred in by certain employees hired in FY 2024.

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, 2024 was approximately \$6 million, which was an increase of approximately \$1.3 million (or 28%) from \$4.7 million reported for FY 2023.

The primary contributing factor to the increase in PCLOB's net position was the retention of carryover funding at the end of the year. Just as PCLOB's FBwT balances increased from FY 2023 to FY 2024 as a result of cutbacks executed during a time of FY 2024 budgetary uncertainty, PCLOB's net position balances also saw corresponding increases, as depicted in the Figure 8, *PCLOB Net Position at Year-End*. Further, although PCLOB received an



increased appropriation of \$13.7 million in FY 2024 (compared to the \$10.6 million appropriation received in FY 2023), 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 a program's gross costs and its related earned revenues. PCLOB's earned revenues historically have come from reimbursable agreements with other federal agencies for temporary detail assignments of PCLOB employees; however, in both FY 2024 and FY 2023, earned revenues were zero, since PCLOB did not detail any employees out to other federal agencies under reimbursable agreements in either year. Since PCLOB had no earned revenue, gross and new program costs are the same and may be referred to as "total" program costs, as reflected on PCLOB's Statements of Net Cost.

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). However, as previously mentioned, beginning in FY 2024, PCLOB determined two programs based on its strategic goals in an effort to improve the usefulness of the agency's financial statements: Mission Activities and Operational Activities. Net costs by program are depicted in Table 2, *Comparative Summary Table: Statements of Net Cost*.

TABLE 2:
COMPARATIVE SUMMARY TABLE: STATEMENTS OF NET COST
(\$ IN DOLLARS)

	FY 2024	FY 2023	Variance (In Dollars)	Variance (In Percentage)
TOTAL COSTS, BY PROGRAM:				
Mission Activities	\$ 4,589,755	\$ 4,379,982	\$ 209,773	5%
Operational Activities	7,733,017	6,911,058	821,959	12%
NET COST OF OPERATIONS	\$ 12,322,772	\$ 11,291,040	\$ 1,031,732	9%

Mission activities program costs of approximately \$4.6 million and \$4.4 million in FY 2024 and FY 2023, respectively, consisted of salaries and related benefits expenses for Board Members, counselors, and mission staff as well as other costs associated specifically with the mission such as training, travel, and professional certifications of those staff. Operational activities program costs of approximately \$7.7 million and \$6.9 million in FY 2024 and FY 2023, respectively, included salaries and related benefits expenses for all operational staff as well as other overhead costs such as office rent, shared service providers, IT systems and maintenance, advisory services and services from other agencies. Expenses associated with general counsel and legislative and public affairs (e.g., salaries and benefits, subscriptions, certain services) of approximately \$1.4 million and \$1.1 million in FY 2024 and FY 2023,



respectively, were allocated between mission and operational activities programs as these activities serve the agency as a whole.

Overall, the agency's net cost of operations in FY 2024 increased approximately \$1 million (9%) over the net costs reported in FY 2023. Approximately 20% of the total increase from FY 2023 to FY 2024 was attributed to mission activities while 80% of the increase was attributed to operational activities. While both programs recognized increased expenses related to salaries and benefits as a result of the FY 2024 pay raise of 5.2%, operational activities also increased due to increased costs for office rent, shared service provider fees, and IT system maintenance.

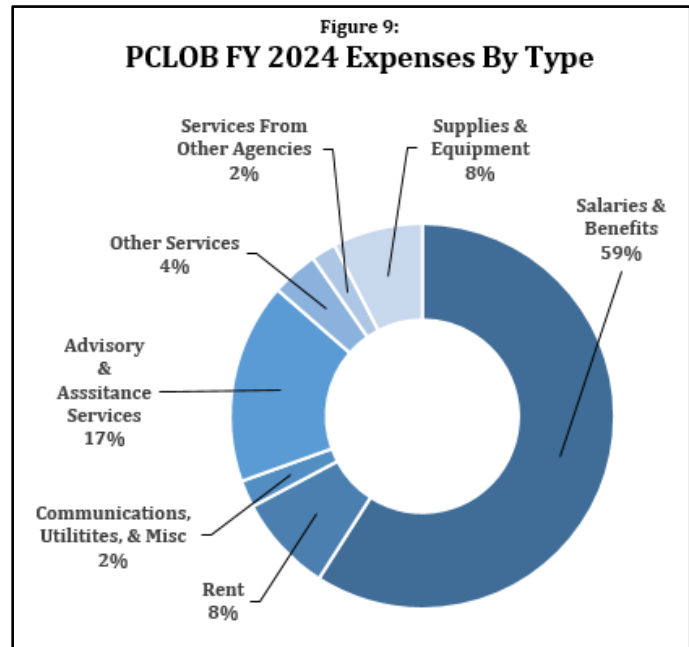


Figure 9, *PCLOB FY 2024 Expenses By Type*, depicts PCLOB's major expense categories, with salaries and benefits and rent (totaling 67%) and various services (totaling 25%) accounting for the majority of the agency's annual expenses.

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 are the sum of two components: unexpended appropriations and cumulative results of operations. Each component is displayed separately to facilitate a more detailed understanding of the changes in net position as a whole.



TABLE 3:
COMPARATIVE SUMMARY TABLE: STATEMENTS OF CHANGES IN NET POSITION
(\$ IN DOLLARS)

	FY 2024	FY 2023	Variance (In Dollars)	Variance (In Percentage)
Unexpended Appropriations, Beginning Balance	\$ 4,375,469	\$ 8,397,595	(4,022,126)	-48%
Net Change in Unexpended Appropriations	1,577,945	(4,022,126)	5,600,071	139%
TOTAL UNEXPENDED APPROPRIATIONS	\$ 5,953,414	\$ 4,375,469	\$ 1,577,945	36%
Cumulative Results of Operations, Beginning Balance	366,227	722,436	(356,209)	-49%
Net Change in Cumulative Results of Operations	(257,171)	(356,210)	99,039	28%
TOTAL CUMULATIVE RESULTS OF OPERATIONS	\$ 109,056	\$ 366,226	\$ (257,170)	-70%
NET POSITION	\$ 6,062,470	\$ 4,741,695	\$ 1,320,775	28%

PCLOB's net position as of September 30, 2024, shown on both the Balance Sheets and the Statements of Changes in Net Position, was approximately \$6 million, an increase of approximately \$1.3 million (28%) from FY 2023's net position of \$4.7 million. This change was due to an increase of approximately \$1.6 million (36%) in unexpended appropriations offset by a decrease of approximately \$257 thousand (70%) in the cumulative results of operations. As previously described in the Balance Sheets section, six months of strict budget cuts and minimal spending caused the agency to utilize far less of the FY 2024 appropriation than was received, one reason for the increase of \$5.6 million (139%) in the net change of unexpended appropriations seen in Table 3, *Comparative Summary Table: Statements of Changes in Net Position*. PCLOB's return to Treasury of only \$488 thousand in canceled funds at the end of FY 2024 (compared to \$4 million at the end of FY 2023) further contributed to the significant swing seen in the net change of unexpended appropriations. Lastly, the agency's increase in net costs and appropriations used compared to the prior year caused the decrease in the cumulative results of operations balance.

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, which for PCLOB's current year congressional appropriation are available for obligation for two fiscal 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.



TABLE 4:
COMPARATIVE SUMMARY TABLE: STATUS OF BUDGETARY RESOURCES
(\$ IN DOLLARS)

	FY 2024	FY 2023	Variance (In Dollars)	Variance (In Percentage)
Unobligated Balance from Prior Year Budget Authority	\$ 2,428,633	\$ 3,094,090	\$ (665,457)	-22%
Appropriations	13,700,000	10,600,000	3,100,000	29%
TOTAL BUDGETARY RESOURCES	\$ 16,128,633	\$ 13,694,090	\$ 2,434,543	18%
Obligations Incurred	11,648,086	10,999,231	648,855	6%
Unobligated Balance, End of Year	4,480,547	2,694,859	1,785,688	66%
STATUS OF BUDGETARY RESOURCES	\$ 16,128,633	\$ 13,694,090	\$ 2,434,543	18%
AGENCY OUTLAYS, NET	\$ 11,605,269	\$ 10,429,794	\$ 1,175,475	11%

Total budgetary resources were \$16.1 million for FY 2024, of which \$13.7 million came from new budget authority, and \$13.7 million for FY 2023, of which \$10.6 million came from new budget authority. Table 4, *Comparative Summary Table: Status of Budgetary Resources* illustrates the increase in obligations incurred of approximately \$649 thousand (6%), from approximately \$11 million to approximately \$11.6 million in FY 2023 and FY 2024, respectively. Net outlays increased approximately \$1.2 million (11%) in alignment with the increase of expenses as reflected on the Statements of Net Cost.

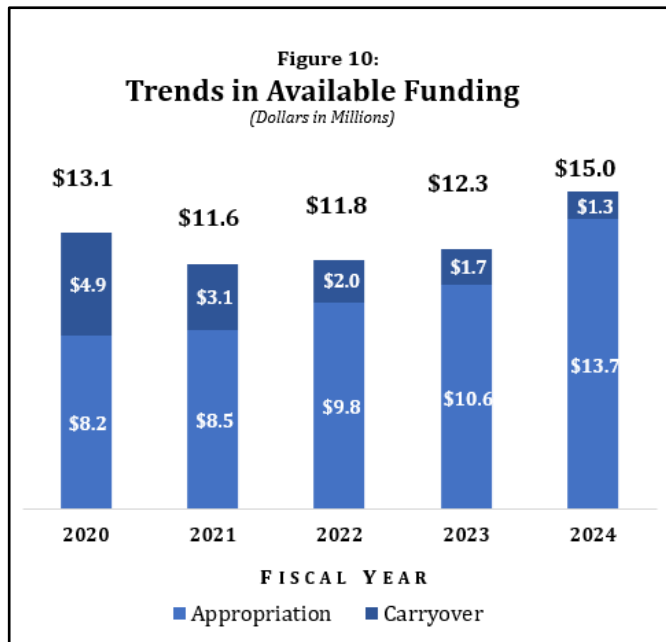


Figure 10, *Trends in Available Spending*, depicts the sources of PCLOB's total available funding each year. While fairly consistent in total, PCLOB's sources for funding has varied from year to year. Until the end of FY 2024, the carryover balance, available through the approval of two-year appropriations from year to year, had decreased as the agency's financial management matured and improved; consequently, the budget request for appropriations each year has seen a correlating increase to obtain the funding necessary to meet the agency's growing budgeted expense requirements.



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.



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MANAGEMENT'S DISCUSSION AND ANALYSIS
MANAGEMENT ASSURANCE STATEMENT



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FY 2024 Management Assurance Statement

The management of PCLOB is responsible for managing risks and maintaining effective internal control to meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

PCLOB utilizes Treasury's Bureau of the Fiscal Service federal shared services provider, ARC, as its financial service provider. As part of its services, ARC provides the 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 FASAB 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 ARC has in place. PCLOB obtained ARC's 2024 Statement on SSAE 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 2024.

In FY 2024, PCLOB continued to develop its comprehensive FISMA program for its information systems. This program included the implementation of a defined risk management framework that implements NIST-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 OMB 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, 2024.

Sharon Bradford Franklin
Board Chair
November 13, 2024

Raheel Baig
Deputy Executive Director of
Operations and Chief Financial Officer
November 13, 2024



Analysis of Systems, Controls, and Legal Compliance

This section presents the financial management system framework and strategy, addresses PCLOB's compliance FMFIA, other applicable laws, and provides the required management assurance statements, including addressing any key internal control issues.



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Federal Managers' Financial Integrity Act of 1982

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 2024 Unmodified Management Assurance Statement, included later in this section, is consistent with the FY 2024 financial statement audit report, included in the "Financial Information" section.

PCLOB depends on the integrity of ARC's systems to provide reliable data. ARC, in turn, places a high level of emphasis on maintaining adequate management controls and is responsible for meeting the objectives of Section 2 and Section 4 of FMFIA and the Reports Consolidation Act of 2000. ARC annually evaluates both its management controls and information systems. Periodic audits of the mainframe system and annual issuance of Statement on Standards for Attestation Engagements (SSAE 18) Service Organization Control (SOC) 1 Type II reports are regularly performed by ARC to ensure the management controls systems and financial management systems are in overall compliance with prescribed standards.

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 meet 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 2024, 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 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.



Other Compliance with Laws and Regulations

➤ **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-24-04, *Fiscal Year 2024 Guidance on Federal Information Security and Privacy Management Requirements*, PCLOB submitted its FY 2024 metrics into the DHS CyberScope application on October 31, 2024.

➤ **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.

➤ **Prompt Payment Act**

The Prompt Payment Act requires federal agencies to report on their efforts to make timely payments to vendors, as well as the amount of interest penalties paid for late payments. ARC prepares prompt pay, discounts lost, and improper payment metrics for PCLOB (on a monthly basis for PCLOB’s internal review and on a quarterly basis to Connect.gov) and performs monthly audits to provide assurance that IPP system controls are operating as intended. In FY 2024, the results of these measures demonstrated that PCLOB had zero improper payments.

➤ **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.



➤ **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](https://www.usaspending.gov) using the required standard data exchange called the Governmentwide Spending Data Model, formally known as the DATA Act In-formation Model Schema. Federal spending that is reported on [usaspending.gov](https://www.usaspending.gov) is derived from financial and contract award information. The agency's financial system is updated with the most recent version of Governmentwide Spending Data Model, formally known as the DATA Act In-formation 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 ARC's procurement system, PRISM, 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.

The services provided by ARC strengthen PCLOB's ability to reach full DATA Act compliance. Services which improve the quality and transparency of federal spending data include:

- *Financial Reporting.* ARC assists PCLOB in preparing and submitting financial and payment information as required by the DATA Act while ensuring data accuracy and completeness;
- *Data Transparency.* To enhance data transparency, ARC provides tools and resources for better data management and reporting;



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- *Compliance Support.* ARC offers guidance on compliance and best practices to help PCLOB meet DATA Act reporting requirements;
- *System Integration.* ARC integrates financial management systems to streamline data collection and reporting processes, making it easier for PCLOB to comply with DATA Act requirements; and
- *Training and Resources.* ARC provides DATA Act training and resources to help PCLOB understand and implement requirements effectively.

Other Systems and Control Considerations

➤ **Financial Management Systems Strategy**

PCLOB strives to maintain and enhance financial management systems, processes, and controls that ensure accountability and transparency, provide data and information to decision makers, and comply with federal laws, regulations, and policy. As a small agency with limited resources and a staff much smaller than most federal agencies, PCLOB must turn to shared-service providers to achieve these goals to assist the agency's full-time operational staff with critical functions such as human resources and payroll, financial management, and procurement.

The decision to use shared-service arrangements directly correlates with the agency's strategic goal and objectives relating to institutional strength and capacity and, thus far, has been a good one. Since transitioning to ARC (for financial management and procurement services) and DOI's Interior Business Center, or IBC (for human resources and payroll services), PCLOB has experienced improved customer service with real-time access to highly reliable financial data, managed by experts in their functional area. Further, the benefits achieved with access to the technological systems provided through ARC and IBC has been significant. Oracle, widely used in the federal government and the agency's system of record provided through ARC, is integrated with various end-user applications (to include IBC's system for processing PCLOB's payroll, Federal Personnel and Payroll System, or FPPS, assessable to authorized PCLOB users through Datamart/OBIEE) to capture the agency's financial transactions. ARC also provides ready access to a whole host of other systems, to include Concur (a web-based system for travel and expense reimbursement), and PRISM (an automated web-based acquisition system), as well as various means of assessable support for each system when necessary.



➤ **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 is 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). Further, OCFO regularly attends, and periodically provides to all staff, training sessions to ensure they understand the requirements of the Anti-Deficiency Act and other relevant financial regulations. These programs often include workshops, seminars, and online courses.



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FINANCIAL SECTION





I am honored to join Chair Franklin in presenting PCLOBs FY 2024 AFR. Through this report, we demonstrate our unwavering commitment to our mission and the American people through effective financial management and oversight of the resources entrusted to us.

This year's audit of our FY 2024 financial statements, performed by Castro & Company, LLC, returned favorable results for the sixth consecutive year with an unmodified opinion over the financial statements. Financial statement audits are an integral risk management tool used to improve our financials and oversight, and we are proud of this accomplishment, as it reflects our continued efforts to strengthen the agency's financial management capabilities.



Photo credit: David Nguyen

In May 2024, PCLOB received its second CEAR Award from AGA as well as its first Best-in-Class Award for 'demonstrated commitment to improving accountability reporting'. PCLOB was by far the smallest agency to participate in the program and receive a CEAR award for its FY 2023 report submission, an achievement only made possible by the exceptional teamwork and dedication of our staff, who consistently strive to uphold the highest standards of transparency and integrity. We worked hard to incorporate the recommendations for improvement that resulted from AGA's review of the FY 2023 AFR into this report, demonstrating our commitment to continued success by further refining our reporting processes and adopting best practices in financial management. As we aim to exceed the standards that have earned us these prestigious awards, we hope to set a benchmark for accountability and transparency to which other agencies can aspire to.

As PCLOB's first Performance Improvement Officer, I worked diligently with agency leadership in early FY 2024 to build a performance framework with metrics that aligned with the strategic goals and objectives of the agency's 2022-2026 Strategic Plan. By developing robust procedures for data collection, tracking, and reporting, we have successfully launched the agency's first measurable, goal-based performance plan. This milestone marks a significant step forward in our commitment to accountability and continuous improvement. By establishing clear benchmarks and regular review cycles, we are able to ensure that all initiatives are aligned with our strategic priorities, driving continuous improvement and fostering a culture of excellence within the organization.

I am very proud of PCLOB's achievements over the past year. It speaks to our dedication as public servants and our commitment to improving the integrity of our financial reporting. Moving forward, we will continue to focus on enhancing our financial systems, fostering a culture of continuous improvement, and maintaining the highest standards of accountability and transparency.

Raheel Baig
Deputy Executive Director of Operations and Chief Financial Officer
November 13, 2024



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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, 2024 and 2023, 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, 2024 and 2023, 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.



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 Board Chair, 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.



Independent Auditor's Report
Page 66

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. 24-02, we have also issued our reports dated November 13, 2024, 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. 24-02 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.

Castro & Company, LLC

Alexandria, VA
November 13, 2024



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**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, 2024 and 2023, 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, 2024. 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. 24-02, *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 2024 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, 2024, 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 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.

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Alexandria, VA
November 13, 2024



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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, 2024 and 2023, 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, 2024. 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. 24-02, *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 2024 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.



Independent Auditor's Report on Compliance with Laws and Regulations
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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.

Castro & Company, LLC

Alexandria, VA
November 13, 2024



FINANCIAL SECTION
AUDITED FINANCIAL STATEMENTS
BALANCE SHEETS

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 5,901,223	\$ 4,294,840
Advances and Prepayments	39,977	135,065
Total Intragovernmental Assets	5,941,200	4,429,905
Other than Intragovernmental Assets:		
Property, Plant, and Equipment, Net (Note 3)	898,968	1,067,924
Advances and Prepayments	57,917	119,717
Total Other than Intragovernmental Assets	956,885	1,187,641
Total Assets	\$ 6,898,085	\$ 5,617,546
Liabilities (Note 4):		
Intragovernmental Liabilities:		
Accounts Payable	\$ 28,350	\$ 351,101
Other Liabilities (Note 5)	35,584	21,241
Total Intragovernmental Liabilities	63,934	372,342
Other than Intragovernmental Liabilities:		
Accounts Payable	271,651	145,874
Federal Employee Salary, Leave, and Benefits Payable	500,030	357,635
Total Other than Intragovernmental Liabilities	771,681	503,509
Total Liabilities	\$ 835,615	\$ 875,851
Net Position:		
Unexpended Appropriations: Funds from Other than Dedicated Collections	\$ 5,953,414	\$ 4,375,469
Cumulative Results of Operations: Funds from Other than Dedicated Collections	109,056	366,226
Total Net Position	\$ 6,062,470	\$ 4,741,695
Total Liabilities and Net Position	\$ 6,898,085	\$ 5,617,546

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Total Program Costs:		
Mission Activities	\$ 4,589,755	\$ 4,379,982
Operational Activities	7,733,017	6,911,058
Total Program Costs	\$ 12,322,772	\$ 11,291,040
Net Cost of Operations	\$ 12,322,772	\$ 11,291,040

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



FINANCIAL SECTION
AUDITED FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN NET POSITION

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Unexpended Appropriations:		
Beginning Balance	\$ 4,375,469	\$ 8,397,595
Appropriations Received	\$ 13,700,000	\$ 10,600,000
Other Adjustments	(488,348)	(3,962,035)
Appropriations Used	(11,633,707)	(10,660,091)
Net Change in Unexpended Appropriations	1,577,945	(4,022,126)
Total Unexpended Appropriations	\$ 5,953,414	\$ 4,375,469
Cumulative Results of Operations:		
Beginning Balance	\$ 366,226	\$ 722,436
Appropriations Used	11,633,707	10,660,091
Imputed Financing (Note 7)	431,895	274,739
Net Cost of Operations	(12,322,772)	(11,291,040)
Net Change in Cumulative Results of Operations	(257,170)	(356,210)
Total Cumulative Results of Operations	\$ 109,056	\$ 366,226
Net Position	\$ 6,062,470	\$ 4,741,695

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



FINANCIAL SECTION
AUDITED FINANCIAL STATEMENTS
STATEMENTS OF BUDGETARY RESOURCES

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Budgetary Resources:		
Unobligated Balance From Prior Year Budget Authority, Net (Note 8)	\$ 2,428,633	\$ 3,094,090
Appropriations	13,700,000	10,600,000
Total Budgetary Resources	\$ 16,128,633	\$ 13,694,090
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 11,648,086	\$ 10,999,231
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	3,560,096	1,378,261
Unapportioned, Unexpired Accounts	16,641	-
Unexpired Unobligated Balance, End of Year	3,576,737	1,378,261
Expired Unobligated Balance, End of Year	903,810	1,316,598
Unobligated Balance, End of Year (Total)	4,480,547	2,694,859
Total Budgetary Resources	\$ 16,128,633	\$ 13,694,090
Outlays, Net:		
Agency Outlays, Net	\$ 11,605,269	\$ 10,429,794

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	Property, Plant, and Equipment, Net
NOTE 4	Liabilities Not Covered By Budgetary Resources
NOTE 5	Other Liabilities
NOTE 6	Leases
NOTE 7	Inter Entity Costs
NOTE 8	Net Adjustments to Unobligated Balance from the Prior Year Budget Authority, October 1
NOTE 9	Undelivered Orders at the End of the Period
NOTE 10	Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government
NOTE 11	Reconciliation of Net Costs to Net Outlays



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

PCLOB 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 Accountability of Tax Dollars Act 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 authoritative 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.



- **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** – 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 passes time-related appropriations that provide agencies with authority to obligate fund for necessary expenses to carry out operations. For annual appropriations, after the right to create new obligations has expired, this 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 2024 or FY 2023.

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 employees' 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 against PCLOB by 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

The agency's FBwT represents 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 may be increased through the receipt of non-expenditure Treasury warrants for appropriations, positive non-expenditure transfers, and other expenditure inflows of funds; similarly, FBwT may be reduced through non-expenditure Treasury warrants for rescissions, negative non-expenditure transfers, disbursements, and other expenditure cash outflows of funds.

The agency's FBwT is primarily increased by appropriations from which PCLOB is authorized to obligate, expend, and pay liabilities resulting from operational activity. These disbursements, in turn, reduce PCLOB's FBwT balance. However, FBwT balance is also reduced by the cancellation of expired appropriation authority. Due to PCLOB's receipt of two-year funding since the agency formed, appropriations have remained available for use for two years before expiration, cancelling after the passage of five additional years returned to Treasury. The amount returned to Treasury varies from year to year based on the size and subsequent use of appropriations granted prior to expiration and cancellation and, as a result of these factors, has at times been significant. In FY 2024 and 2023, PCLOB returned \$488,348 and \$3,962,035, respectively, of cancelled funds to Treasury (see Note 8).

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 are reported at acquisition cost and consist 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).



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 3).

PCLOB tracks costs of direct labor, direct material, and overhead incurred in the construction of real property for which the agency will be accountable during the design and construction/development of acquired property, plant and equipment as construction in progress. These costs remain in the construction in progress general ledger account until the asset is accepted by the agency and placed in service. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item.

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 3).

L. Accounts Payable and 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 (see Note 4).

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 5).

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.

O. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.



NOTE 2 – FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2024 and 2023 were as follows:

<i>(In Dollars)</i>	2024	2023
Status of Fund Balance with Treasury:		
Unobligated Balance:		
Available	\$ 3,560,096	\$ 1,378,261
Unavailable	920,451	1,316,598
Obligated Balance Not Yet Disbursed	1,420,676	1,599,981
Fund Balance with Treasury	\$ 5,901,223	\$ 4,294,840

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. Due to heightened uncertainty of FY 2024 available funding during the first half of the fiscal year, PCLOB’s available unobligated fund balance was significantly higher as of September 30, 2024 compared to that of the previous year. As PCLOB’s FY 2024 appropriation was approved for use over a period of two years, the available unobligated balance will carryover for use until September 30, 2025.

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.

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 – PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment, net, as of September 30, 2024 and 2023, was as follows:

<i>(In Dollars)</i>		2024	
Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,181,934	\$ 1,504,913	\$ 677,021
Furniture and Equipment	752,422	555,639	196,783
Construction in Progress	25,164	-	25,164
PP&E, Net	\$ 2,959,520	\$ 2,060,552	\$ 898,968

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

SCIF security equipment valued at \$25,164 was accounted for as construction in progress in FY 2024 since installation of the acquired equipment had not been completed prior to year-end. Upon installation of the equipment in early FY 2025, the asset will be re-categorized as equipment and depreciation will begin to accumulate.

NOTE 4 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Liabilities not covered by budgetary resources are always “Other than Intragovernmental” in nature.

All of PCLOB’s liabilities as of September 30, 2024 and 2023 were currently due. The majority of PCLOB’s liabilities were covered by budgetary resources as of September 30, 2024 and 2023, with unfunded leave representing all of PCLOB’s liabilities not covered by budgetary resources.



<i>(In Dollars)</i>	2024	2023
Liabilities Not Covered by Budgetary Resources:		
Unfunded Leave	\$ 370,158	\$ 281,944
Total Liabilities Not Covered by Budgetary Resources	\$ 370,158	\$ 281,944
Liabilities Covered by Budgetary Resources	465,457	593,907
Total Liabilities	\$ 835,615	\$ 875,851

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.

NOTE 5 – OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024 and 2023, entirely comprised of currently due balances, were as follows:

<i>(In Dollars)</i>	2024	2023
Other Liabilities:		
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 8,865	\$ 5,329
Employer Contributions and Payroll Taxes Payable	26,719	15,912
Total Intragovernmental Other Liabilities	\$ 35,584	\$ 21,241
Total Other Liabilities	\$ 35,584	\$ 21,241



NOTE 6 – LEASES

PCLOB occupies office space under a lease agreement with another federal agency that is accounted for as an operating lease. While this lease is cancellable, the PCLOB’s intention is to stay in the leased space and disclose the amount that will be paid in the future. The lease term began on April 30, 2018 and expires on April 29, 2028. Per the lease agreement, lease payment amounts are adjusted annually based on estimated operating cost and real estate tax escalations. The total operating lease expense relating to this agreement that was recognized in 2024 and 2023 was \$991,695 and \$998,571, respectively.

Below is a schedule of estimated future payments under a single asset category (building) for the remaining term of the agreement, which is four years. PCLOB is unable to anticipate what future lease costs will be beyond that time until a new occupancy agreement for SCIF office space is negotiated sometime prior to the end of FY 2028. The schedule below does not include estimated payments for leases with annual renewal options.

Fiscal Year	Estimated Future Lease Payments (In Dollars)
2025	\$ 1,046,770
2026	1,058,428
2027	1,070,435
2028	603,333
Total Estimated Future Lease Payments (Federal)	\$ 3,778,966



NOTE 7– 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, 2024 and 2023, respectively, inter-entity costs were as follows:

<i>(In Dollars)</i>	2024	2023
Inter-Entity Costs:		
Office of Personnel Management	\$ 431,895	\$ 274,739
Total Inter-Entity Costs	\$ 431,895	\$ 274,739

NOTE 8 – 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, 2024 and 2023, consisted of the following:

<i>(In Dollars)</i>	2024	2023
Unobligated Balance from Prior Year Budget Authority, October 1	\$ 2,694,859	\$ 6,800,572
Adjustments to Unobligated Balance Brought Forward:		
Recoveries of Prior Year Obligations	222,122	255,553
Cancelled Authority	(488,348)	(3,962,035)
Net Adjustments to Unobligated Balance Brought Forward	\$ (266,226)	\$ (3,706,482)
Unobligated Balance from Prior Year Budget Authority, Net	\$2,428,633	\$ 3,094,090



The most considerable adjustment to the agency’s unobligated balance from prior year authority is the cancellation of budget authority (which was \$488,348 and \$3,962,035 of September 30, 2024 and 2023, respectively). The cancelled authority of \$3,962,035 at the end of FY 2023 relates 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 after their period of availability expired, which is two years for PCLOB appropriations. During the five-year period following expiration, expired appropriations remained available only for upwards or downwards adjustments to the obligations already made and expenditures on the previous obligations; 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 9 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders 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.

Budgetary resources obligated for undelivered orders as of September 30, 2024 and 2023 were as follows:

<i>(In Dollars)</i>	2024		
	Intragovernmental	Other than Intragovernmental	Total
Undelivered Orders:			
Paid	\$ 39,977	\$ 57,917	\$ 97,894
Unpaid	47,725	907,494	955,219
Total Undelivered Orders	\$ 87,702	\$ 965,411	\$ 1,053,113

<i>(In Dollars)</i>	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



NOTE 10 - 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 2024 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 2023, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

	Budgetary Resources	New Obligations & Upward Adjustments (Total) <i>(In Millions)</i>	Net Outlays
Combined Statement of Budgetary Resources	\$ 14	\$ 11	\$ 11
Unobligated Balance Not Available	(1)	-	-
Budget of the U.S. Government	\$ 13	\$ 11	\$ 11



NOTE 11 – 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, 2024 and 2023, respectively, are as follows:

RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET TO ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2024
(In Dollars)

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	\$ 4,332,388	\$ 7,990,384	\$ 12,322,772
Components of Net Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(299,262)	(299,262)
Increase/(Decrease) in Asset Not Affecting Budgetary Outlays:			
Advances and Prepayments	(95,088)	(61,800)	(156,888)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	322,751	(125,777)	196,974
Federal Employee Salary, Leave, and Benefits Payable	-	(142,395)	(142,395)
Other Liabilities	(14,343)	-	(14,343)
Financing Sources:			
Imputed Cost	(431,895)	-	(431,895)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (218,575)	\$ (629,234)	\$ (847,809)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	\$ -	\$ 130,306	\$ 130,306
Total Components of the Budget Outlays That Are Not Part of Net Operating	\$ -	\$ 130,306	\$ 130,306
Total Net Outlays (Calculated Total)	\$ 4,113,813	\$ 7,491,456	\$ 11,605,269
Budgetary Agency Outlays, Net			\$ 11,605,269



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 Asset Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(6,679)	(6,679)
Other Assets	(86,929)	44,076	(42,853)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
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

OTHER INFORMATION





Summary of FY 2024 Financial Statement Audit and Management Assurances

Summary of FY 2024 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 FY 2024 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 2024, 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.* 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). ARC prepares prompt pay, discounts lost, and improper payment metrics for PCLOB (on a monthly basis for PCLOB's internal review and on a quarterly basis to Connect.gov) and performs monthly audits to provide assurance that IPP system controls are operating as intended. Based on the results of transaction testing applied to a sample of FY 2024 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, ARC determined that PCLOB is not susceptible to significant improper payments at or above the statutory threshold levels set by OMB.
- *Improper payment risk assessment.* 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. Although neither of PCLOB's program outlays exceeded \$10 million in FY 2024, the agency leverages the capabilities of their financial service provider, ARC, conduct an annual improper



payment risk assessment. Key components of the risk assessment performed by ARC include:

- **Data Analysis:** ARC analyzes payment data to identify patterns and anomalies that could indicate improper payments.
- **Risk Identification:** The assessment identifies areas with the highest risk of improper payments, such as high-volume transactions or complex payment processes. In FY 2024, no payment types were assessed as high risk.
- **Control Evaluation:** ARC evaluates existing controls and processes to determine their effectiveness in preventing improper payments.
- **Recommendations:** Based on the findings, ARC provides to PCLOB recommendations for improving controls and reducing the risk of improper payments.

Through these assessments, PCLOB is able to enhance their financial management practices and reduce the likelihood of financial losses due to improper payments.

- *Recovery Audits.* In FY 2024, 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 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 prompt additional training about areas where there is a heightened risk of fraud. For example, PCLOB contracting officer representatives are required to take annual training about 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





PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

AFR	Agency Financial Report
AI	Artificial Intelligence
AICPA	American Institute of Certified Public Accountants
ARC	Administrative Resource Center
CAT	Credential Authentication Technology
CBJ	Congressional Budget Justification
CDM	Continuous Diagnostic and Monitoring
CEAR	Certificate of Excellence in Accountability Reporting
CBJ	Congressional Budget Justification
CISA	Cybersecurity and Infrastructure Security Agency
CLPO	Civil Liberties and Privacy Officer
CSIS	Center for Strategic & International Studies
CUI	Controlled Unclassified Information
DATA Act	Digital Accountability and Transparency Act of 2014
DEIA	Diversity, Equity, Inclusion and Accessibility
DOI	Department of the Interior
DHS	Department of Homeland Security
DNP	Do Not Pay
EO	Executive Order
EEO	Equal Employment Opportunity
EU	European Union
FASAB	Federal Accounting Standards Advisory Board



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

FBI	Federal Bureau of Investigation
FBwT	Fund Balance with Treasury
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FEVS	Federal Employee Viewpoint Survey
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
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
IBC	Interior Business Center
ICF	Internal Controls Framework
IPAC	Intra-Governmental Payment and Collection
IT	Information Technology
NCTC	National Counterterrorism Center
NIST	National Institute of Standards and Technology



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

NSPM	National Security Presidential Memorandum
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPSEC	Operations Security
PAR	Performance and Accountability Report
PIO	Performance Improvement Officer
PCLOB	Privacy and Civil Liberties Oversight Board
PIIA	Payment Integrity Information Act of 2019
SCIF	Sensitive Compartmented Information Facility
SFFAS	Statement of Federal Financial Accounting Standards
SOC	Service Organization Control
SSAE 18	Statement of Standards for Attestation Engagements
TSA	Transportation Security Administration
TSC	Terrorist Screening Center
TSP	Thrift Savings Plan
Treasury	U.S. Department of Treasury
TW	Trusted Workforce
U.S.C.	United States Code
Watchlist	Terrorist Watchlist