

# THE PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

# AGENCY FINANCIAL REPORT

## FISCAL YEAR 2026

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# The Privacy and Civil Liberties Oversight Board

## Agency Financial Report

# FISCAL YEAR 2026

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

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# Agency Transmittal Letter

I am pleased to present the Privacy and Civil Liberties Oversight Board (PCLOB) Fiscal Year (FY) 2026 Agency Financial Report (AFR). This AFR highlights the agency's FY 2026 accomplishments and challenges.

September 11, 2026 marked the 25th anniversary of the worst terrorist attack in our nation's history. In 2002, the National Commission on Terrorist Attacks Upon the United States (9/11 Commission) was established to prepare a full and complete account of the circumstances surrounding the September 11, 2001 terrorist attacks and to provide recommendations designed to guard against future attacks. Among other recommendations, the 9/11 Commission recommended that PCLOB be established with the mission to ensure that the federal government's efforts to prevent terrorism are balanced with the need to protect privacy and civil liberties.

Despite operating sub-quorum for FY 2026, the agency remained highly productive and committed to its mission, producing several staff reports throughout the fiscal year: a comprehensive report—eight years in the making—on the use of open source information by the Federal Bureau of Investigation (FBI); a report evaluating recent changes to the surveillance program operated pursuant to Section 702 of the Foreign Intelligence Surveillance Act; and a report on the FBI's Domestic Terrorism Threat Review and Prioritization process. Additionally, PCLOB continued engaging in its roles outlined in Executive Order 14086 on Enhancing Safeguards for United States Signals Intelligence Activities, as well as its coordination role under Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007. PCLOB also continued its examination of government policies and activities designed to counter domestic terrorism, and other ongoing projects. In December, PCLOB held a public forum on Debanking and the Risks to Privacy and Civil Liberties, featuring Ambassador Sam Brownback and other distinguished experts.

For the second full year, PCLOB successfully prioritized operational efficiency and responsible financial management through the employment of an agency performance framework. This framework contains data-driven metrics with annual targets that directly align with the goals and objectives outlined in the agency's strategic plan, enabling the agency to more effectively measure, improve, and optimize its mission objectives.

PCLOB's continuous, disciplined efforts to enhance financial controls, maintain data integrity, and ensure the reliability of all financial reports resulted in an unmodified (clean) audit opinion from its external auditors on PCLOB's FY 2026 financial statements. In addition, our assessment of PCLOB's internal controls and financial management systems, as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, enables PCLOB to provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate.

I offer my sincere gratitude and deep appreciation to the dedicated PCLOB staff for their unwavering commitment to advancing the agency's mission.



Beth A. Williams
Board Member
November 10, 2026

## CONTENTS

Agency Transmittal Letter ..... 1
Introduction ..... 5
Management's Discussion and Analysis ..... 10
Mission and Organization Structure ..... 11
FY 2026 Performance Results ..... 13
Significant Opportunities and Risks ..... 32
Financial Position and Condition ..... 35
FY 2026 Management Assurance Statement ..... 43
Analysis of Systems, Controls, and Legal Compliance ..... 44
Financial Section ..... 49
Message from the Chief Financial Officer ..... 50
Independent Auditor's Report ..... 51
Audited Financial Statements ..... 57
Notes to the Financial Statements ..... 61
Other Information ..... 79
Summary of FY 2026 Financial Statement Audit and Management Assurances ..... 80
Payment Integrity Information Act of 2019 ..... 82
Fraud Reduction Act ..... 84
Appendix: Abbreviations ..... 86

**Tables Appearing in This Report**

Table 1: Strategic Goal 1 KPIs, Targets, and Results, by Objective ..... 18
Table 2: Strategic Goal 2 KPIs, Targets, and Results, by Objective ..... 20
Table 3: Strategic Goal 3 KPIs, Targets, and Results, by Objective ..... 22
Table 4: Strategic Goal 4 KPIs, Targets, and Results, by Objective ..... 25
Table 5: Strategic Goal 5 KPIs, Targets, and Results, by Objective ..... 30
Table 6: Summary Table: Balance Sheets ..... 36
Table 7: Summary Table: Statements of Net Cost ..... 38
Table 8: Summary Table: Statements of Changes in Net Position ..... 40
Table 9: Summary Table: Statements of Budgetary Resources ..... 41
Table 10: Summary of Financial Statement Audit ..... 80
Table 11: Summary of Management Assurances ..... 80

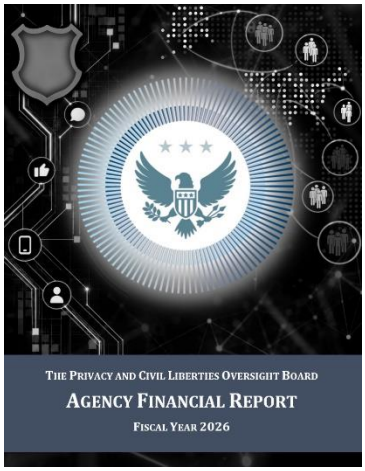
**Figures Appearing in This Report**

Figure 1: PCLOB Audit Results, 2018-2026 ..... 6
Figure 2: Mapping Agency Goals to Costs ..... 13
Figure 3: Summarized Performance Results by Strategic Goal ..... 14
Figure 4: Overall Performance Results, by Year ..... 14
Figure 5: 2026 Select PCLOB Oversight Projects ..... 15
Figure 6: Agencies Required to Submit Section 803 Reports to PCLOB ..... 19
Figure 7: How PCLOB Promotes Transparency ..... 23
Figure 8: PCLOB Assets by Type, September 30, 2026 ..... 36
Figure 9: PCLOB Liabilities by Type, September 30, 2026 ..... 37
Figure 10: PCLOB FY 2026 Expenses by Type ..... 39

# Introduction



## About This Report



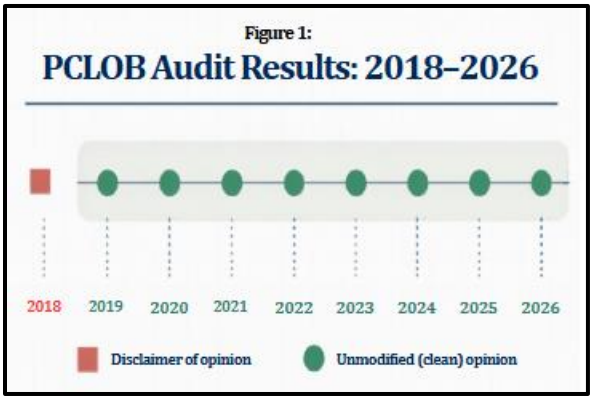

PCLOB's FY 2026 AFR provides fiscal results and performance highlights for the reporting period beginning October 1, 2025, and ending September 30, 2026. This report enables the President, Congress, and the public to assess the agency's fiscal accountability as PCLOB advances its mission of ensuring 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 Sound Financial Management

PCLOB's first financial statement audit in FY 2018 resulted in a disclaimer of opinion, primarily due to five material internal control deficiencies. The audit findings and accompanying recommendations led to a year-long effort to build a strong foundation of control activities, policies, and procedures to address the identified weaknesses. The agency also appointed its first Chief Financial Officer (CFO) to strengthen financial management.

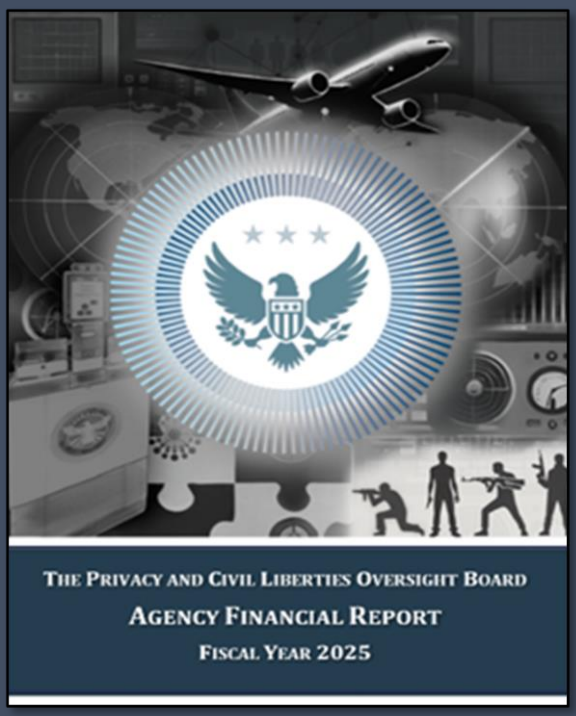
This investment in improving controls has since yielded consistent success. Beginning with the FY 2019 financial statements, PCLOB has received an unmodified (clean) audit opinion each year, with no new findings and no required audit adjustments (see Figure 1, *PCLOB Audit Results: 2018-2026* at right).




The significance of this achievement is substantial. It reflects the agency's successful efforts to build and maintain robust internal controls, professionalize its financial management, and ensure responsible stewardship of public resources. This consistent record of clean audits provides assurance to the President, Congress, and the public that PCLOB's financial operations are reliable, transparent, and well-governed.

## CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING

In July 2026, PCLOB received the Certificate of Excellence in Accountability Reporting (CEAR) award from the AGA for its FY 2025 AFR. The CEAR is the highest form of recognition in federal government management reporting. AGA, a professional association that advances governmental accountability, established the CEAR Program in conjunction with the Chief Financial Officers Council and OMB to further performance and accountability reporting. This is the fourth consecutive year PCLOB has received the prestigious CEAR award.





AGA

Certificate of Excellence in Accountability Reporting®

presented to the

U.S. Privacy and Civil Liberties Oversight Board

in recognition of outstanding effort in preparing the Agency Financial Report for fiscal year 2025

Andrew Lewis, CGFM, CPA
Chair, CEAR Board

Ann M. Ebberts, MS, PMP
Chief Executive Officer, AGA

## How This Report Is Organized

This AFR presents the agency's performance highlights and accomplishments, fiscal accountability, operational achievements, and challenges for FY 2026. After the Agency Transmittal Letter 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 auditor.

### Financial Section

This section details the agency's financial position as of the fiscal year ending September 30, 2026. The agency's FY 2026 audited financial statements and footnote disclosures are presented in this section, along with the independent auditor's report.

- The Independent Auditor's Report speaks to whether the financial statements are materially stated in accordance with federal generally accepted accounting principles. The auditor found PCLOB's FY 2026 financial statements to be materially correct in accordance with federal GAAP. In addition to the audit opinion, this report also includes a report on internal controls over financial reporting and a report on compliance and other matters.
- The Audited Financial Statements provide actual financial results for the year and include the comparative Balance Sheets, the Statements of Net Cost, the Statements of Changes in Net Position, and the Statements of Budgetary Resources. The next section of this Introduction, "Key Terms Used in This Report," describes these statements and other financial terms.
- The Notes to the Financial Statements provide additional details and context concerning the amounts reported.

### Other Information

This unaudited section contains a summary of the financial statement audit and management assurances as well as required reporting related to PCLOB's compliance with the Payment Integrity Information Act, including the agency's fraud reduction measures. Since the agency does not have an Inspector General, a section entitled "Management and Performance Challenges", required by OMB A-136 for agencies with inspector generals, is not included.

### Appendix: Abbreviations

The appendix provides a list of abbreviations used throughout this report.

## Key Terms Used in This Report

**Generally Accepted Accounting Principles (GAAP)** — 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 prepares 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 (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.

**Balance Sheet** — The Balance Sheet reports the agency's assets and liabilities at a fixed point in time; in this case, September 30, 2026 and 2025. Most of the terms on the Balance Sheet are familiar to users of financial statements. There is one unique term on a federal balance sheet: "Fund Balance with Treasury." Like bank accounts, the fund balance represents the amount of funding in the agency's accounts within the U.S. Department of the Treasury (Treasury) that is available to spend for the purposes for which the funds were appropriated 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 company.

**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. Commercial companies have no similar statement or set of requirements to establish and control budgets in this manner.

# Management's Discussion and Analysis

# Mission and Organization Structure

## OUR 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 —*** PCLOB reviews the development and implementation of proposed, new, and existing legislation, regulations, and policies related to efforts to protect the nation from terrorism and provides advice to the President and the departments, agencies, and elements of the executive branch to ensure privacy and civil liberties protections are appropriately considered in their development and implementation.

***Oversight —*** PCLOB continually reviews (1) regulations, policies, and procedures within the agency's jurisdiction to ensure that privacy and civil liberties are protected; (2) the information sharing practices of the departments, agencies, and elements of the executive branch relating to efforts to protect the nation from terrorism to determine whether they appropriately protect privacy and civil liberties and adhere to the information sharing guidelines issued or developed under subsections (d) and (f) of section 485 of title 6 and to other governing laws, regulations, and policies regarding privacy and civil liberties; and (3) other actions by the executive branch relating to efforts to protect the nation from terrorism to determine whether those actions appropriately protect privacy and civil liberties and are consistent with governing laws, regulations, and policies regarding privacy and civil liberties.

## PCLOB HISTORY AND AUTHORITIES

PCLOB was created on the recommendation of the 9/11 Commission in its 2004 final 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."

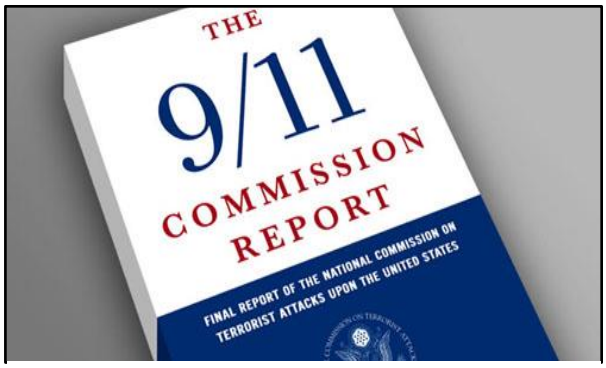



*Image credit :Stock illustration (creator unknown)*

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 agency within the executive branch.

Transparency is an integral 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 performs roles under Executive Order (EO) 13636, *Improving Critical Infrastructure Cybersecurity*, EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities*, and Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007.

## OUR ORGANIZATION

PCLOB is headquartered in Washington, DC. The Board consists of five Board Members: 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. No more than three Members of the Board may come from the same political party. At the end of FY 2026, with only one serving Member and four Member vacancies, the Board lacked a quorum (defined as three Members). The Significant Opportunities and Risks section of this report provides further information about PCLOB's authorities and limitations during a sub-quorum period.

In addition to the five Board Members, PCLOB comprises mission and operations staff, totaling fewer than 30 full-time employees at the end of FY 2026.

## FY 2026 Performance Results

PCLOB's internally determined programs align with the goals and objectives of the agency's FY 2022–2026 Strategic Plan as well as its organizational structure. PCLOB's Strategic Goals (SGs) 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." Figure 2, *Mapping Agency Goals to Costs*, describes how the agency's strategic goals drive PCLOB's program costs.

**Figure 2: Mapping Agency Goals to Costs**

| Program | Mission Activities | Operational Activities |
|---|---|---|
| Related Strategic Goals | 1 Strategic Goal 1 — Oversight<br>2 Strategic Goal 2 — Advice<br>3 Strategic Goal 3 — Technology<br>4 Strategic Goal 4 — Transparency | 5 Strategic Goal 5 — Strength |
| FY 2026 Cost | $4,276,076 | $7,450,714 |

OMB approved an exemption for PCLOB through FY 2030 from the annual performance planning and reporting requirements of the Government Performance and Results Act (GPRA) of 1993, as amended by the GPRA Modernization Act of 2010. Due to PCLOB's small size, limited resources, and unique mission requirements, the agency's small staff is unable to meet the full set of requirements imposed by GPRA without expending significant time, effort, and resources that would detract from PCLOB's ability to carry out its mission. However, recognizing the value of performance goals and measurement procedures, PCLOB endeavors to incorporate these elements into management's current processes, and rolled out its first structured performance framework in FY 2024.

The key performance indicators (KPIs) established under PCLOB's performance framework correlate with the agency's strategic goals and objectives. KPIs are reviewed at the beginning of the fiscal year and updated, combined, or removed, based on management's assessment of prior year results, policy updates and changes in the President's agenda, and system improvements. PCLOB sets annual targets for each KPI to help drive continuous

Figure 3:
**FY 2026 Performance Results by Strategic Goal**




improvement. Progress is assessed quarterly by senior leadership and reported to the Performance Improvement Officer to promote continual advancement.

The FY 2026 KPIs have each been assessed as met, not met, or not applicable (N/A). "Met" indicators are those where the target has been met or exceeded, while "not met" indicators represent areas that could benefit from further attention. KPIs were rated as "N/A" if progress could not be assessed due to an external factor (e.g., the Board's sub-quorum status prevented it from conducting certain official business, such as opening new and formally closing open Board projects).

Figure 4:
**Overall Performance Results, by Year**

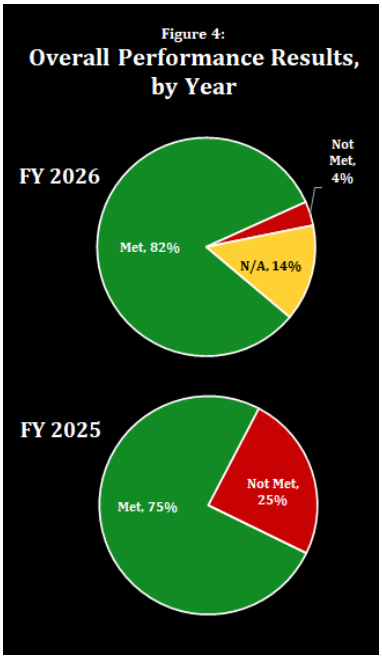



Figure 3, *FY 2026 Performance Results by Strategic Goal*, presents an analysis of PCLOB's FY 2026 performance in reaching its goals. These results highlight the agency's second full year operating under a structured performance framework, enabling PCLOB to clearly identify gaps, implement targeted corrective actions, and maintain accountability and transparency. Overall, the agency successfully met 82% of its FY 2026 targets (as depicted in Figure 4, *Overall Performance Results, by Year*), compared to 75% successfully met in FY 2025. A higher number of indicators were assigned "N/A" ratings in FY 2026 since the Board was not quorate for a full 12 months, compared to six months of sub-quorum status in FY 2025. The Significant Opportunities and Risks section of this report provides further information about PCLOB's authorities and limitations during a sub-quorum period.

## 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.*

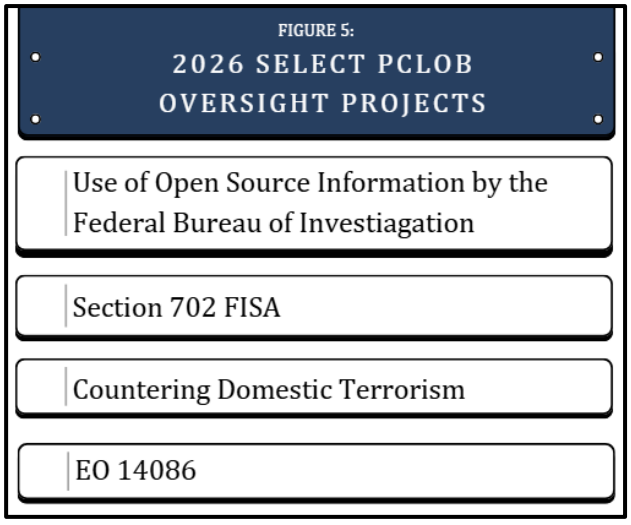
### Background

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.

Typically, PCLOB prepares oversight reports through a structured process that begins with the Board determining a project's scope to best evaluate developments in federal government counter-terrorism programs. Once a project has been approved by the Board, staff then gather information from policy documents, agency records, interviews, and external sources. This material is analyzed to map how relevant programs operate, assess privacy and civil liberties implications, evaluate safeguards, and identify risks and recommendations. The Board provides direction during this phase and reviews report drafts, providing approvals, and adding amendments or requesting clarification as needed. Once finalized, the report is published on the PCLOB website to the extent consistent with the protection of classified information and applicable law, and submitted to Congress and relevant agencies, with follow-up reports issued when developments or agency changes warrant additional review.

### FY 2026 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, examining both classified and unclassified activities and programs. The projects on which PCLOB primarily focused this past fiscal year are listed in Figure 5, *2026 Select PCLOB Oversight Projects*.

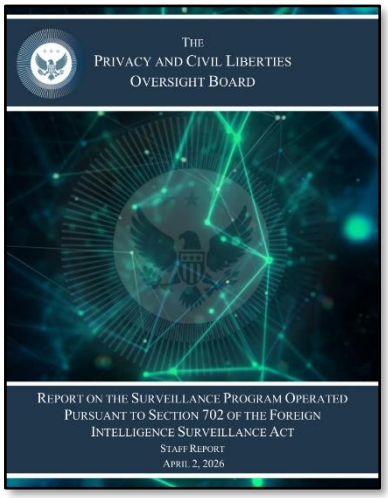


## Reports Published in FY 2026

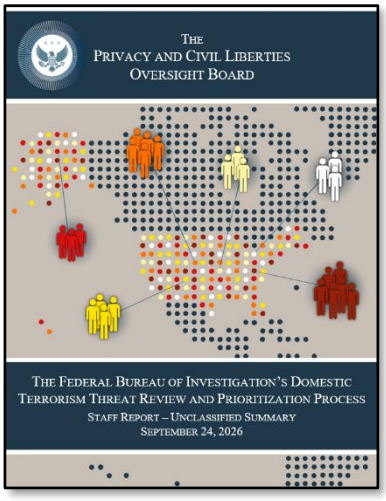
PCLOB issued the following reports in FY 2026:

- **Report on the Use of Open Source Information by the Federal Bureau of Investigation.** PCLOB released a staff report in November 2025 which focused on uses of open source information by the FBI for counterterrorism purposes. Among other things, the report described the specific open source tools employed by the FBI and the policies and privacy protections governing the use of those tools.

- **Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act (FISA).** In April 2026, PCLOB released its third report since 2014 reviewing the intelligence collection program operated pursuant to Section 702. The scope of the 2026 report was limited to evaluating how the program had changed since 2023, examining how the Intelligence Community had implemented technical, statutory, policy, and procedural changes to the Section 702 program and how those changes had affected both the program's privacy and civil liberties implications and its national security value. This staff report concluded that Section 702 remains one of the country's most valuable tools for foreign intelligence collection to counter an array of critical foreign threats. The report assessed that the reforms thus far have positively impacted U.S. person privacy and civil liberties interests and agency compliance with the Section 702 procedures. The report made several recommendations for further improvement.




- **Report on the Federal Bureau of Investigation's Domestic Terrorism Threat Review and Prioritization Process.** In September 2026, PCLOB submitted a classified staff report to Congress and relevant agencies (and posted an unclassified summary to the PCLOB website) as part of its oversight project on countering domestic terrorism and its impacts on privacy and civil liberties. The report examined how the FBI defines and identifies specific groups that may pose—or be exposed to—a significant domestic terrorism threat warranting government response, prevention, or protection activities. This report



discussed the FBI's processes (in place through FY 2025) for defining groupings of threat actors, assigning those threats to bands, and establishing annual domestic terrorism threat priorities using the bands. The report made several recommendations for process improvements that could inform the FBI's design and utilization of a new threat prioritization system to replace the outgoing Threat Review and Prioritization process.

**Additional Oversight Projects**

The following are highlights of additional oversight work in which PCLOB engaged in FY 2026.

- **Government Efforts to Counter Domestic Terrorism by Targeting Disinformation on Social Media.** PCLOB staff continue working on the first workstream of the agency's oversight project on Countering Domestic Terrorism and its Impacts on Privacy and Civil Liberties. Among other things, the staff is analyzing the government's basis for tying domestic terrorism to disinformation, actions taken by the government to counter disinformation, the policies and procedures governing these efforts, and the resulting civil liberties implications.

- **Oversight in Accordance with EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities***. In FY 2026, PCLOB continued operating under roles set out for the agency in EO 14086. PCLOB published a staff report in September 2025 that reviewed the implementation of the updated policies and procedures adopted by the intelligence agencies pursuant to the EO to assess whether they are consistent with the enhanced safeguards contained in the EO. As there has now been a qualifying complaint under the redress process established by the EO, PCLOB has been reviewing the processing of the qualifying complaint, as well as the structure of the implemented redress system, and plans to publish a report of that review in FY 2027.

- **Tactical Terrorism Response Teams**. PCLOB is reviewing the use of Tactical Terrorism Response Teams (TTRTs) by U.S. Customs and Border Protection. This review examines TTRT authorities, activities, and encounters at ports of entry and within the border zone, with particular focus on interactions between TTRTs and U.S. persons; information sharing between TTRTs and other government agencies; the effectiveness of TTRTs in countering terrorism; and whether the program appropriately safeguards privacy and civil liberties.

- **Other Oversight Work.** PCLOB continues to track technological developments through a super intelligence and machine learning working group.

## Performance Results: Strategic Goal 1




As depicted in Table 1, *Strategic Goal 1 KPIs, Targets, and Results, by Objective*, PCLOB met **seven** of **ten** (or 70%) KPIs under this strategic goal by the end of FY 2026. Three of the ten established performance indicators were assessed as "N/A" since Board approval is necessary to initiate new projects, and PCLOB's Board remained sub-quorate for FY 2026.

**TABLE 1: STRATEGIC GOAL 1 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE**

| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Peformance Status |
|---|---|---|---|
| **Objective 1.1: Diverse portfolio of oversight projects** | | | |
| # of oversight projects initiated each year | 2 | - | **N/A** |
| # of (a) open law enforcement-focused and (b) technology-focused oversight projects | (a) 2<br>(b) 2 | (a) 3<br>(b) 3 | **Met** |
| # of open projects overseeing each primary agency within PCLOB's jurisdiction | 1 | 2 | **Met** |
| # of agencies with programs being overseen | 5 | 6 | **Met** |
| # of oversight projects involving classified programs | 1 | 2 | **Met** |
| **Objective 1.2: Oversight project performance** | | | |
| # of oversight projects completed each year (with or without a product) | 2 | 2 | **Met** |
| # of times an oversight project moves to next phases | 5 | 6 | **Met** |
| # of trainings offered to mission staff & counselors on (a) investigative processes and (b) policy analysis | (a) 1<br>(b) 1 | (a) 2<br>(b) 1 | **Met** |
| **Objective 1.3: Implementation of Board recommendations** | | | |
| # of Recommendations Assessment Reports (RAR) issued | 1 | - | **N/A** |
| % of recommendations made that were at least partially implemented or performance of follow up on recommendations not implemented | 100% | - | **N/A** |

## 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 advises the President and executive branch agencies to ensure that privacy and civil liberties protections are appropriately considered in programs and policies related to counterterrorism efforts.

### FY 2026 Accomplishments

- **Coordination of Executive Branch Privacy and Civil Liberties Activities Under Section 803.** Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 requires agencies' privacy and civil liberties officers 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.

To increase public access to and the visibility of Section 803 reports, PCLOB's website includes a page entitled *Section 803* which provides convenient access to any reports the agency receives (see Figure 6, *Agencies Required to Submit Section 803 Reports to PCLOB).* In FY 2026, PCLOB received a total of seven Section 803 reports (from the Central Intelligence Agency, Department of War, Department of State, FBI, National Security Agency (NSA), Office of the Director of National Intelligence, and Treasury); these reports are accessible from the PCLOB website.

FIGURE 6:

**AGENCIES REQUIRED TO SUBMIT SECTION 803 REPORTS TO PCLOB**



PCLOB is charged with assessing Section 803 reports and other information received from agencies, and where appropriate, making recommendations, and coordinating the activities of Section 803 privacy and civil liberties officers . PCLOB continues to discuss with the Section 803 agencies ways in which the Section 803 reporting process can be improved. Recent efforts already undertaken include reminding agencies of their statutory obligation and requesting agencies meet with PCLOB regularly, including in early FY 2027, to address the Section 803 reporting process. PCLOB intends, through improved coordination, to remedy any confusion regarding the Section 803 reporting process and encourage agencies to re-prioritize these reports.

## Performance Results: Strategic Goal 2




As depicted in Table 2, *Strategic Goal 2 KPIs, Targets, and Results, by Objective*, PCLOB met **two** of **three** (or 66%) KPIs under this strategic goal by the end of FY 2026. One performance indicator was assessed as "N/A" since no advice projects or similar initiatives were finalized during FY 2026.

**TABLE 2: STRATEGIC GOAL 2 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE**

| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Peformance Status |
|---|---|---|---|
| **2.1: Source of trusted, independent, and expert advice** | | | |
| # of advice projects initiated or offered each year | 1 | 2 | **Met** |
| **2.2: Design of counterterrorism programs** | | | |
| # times advice designed to make privacy and civil liberties safeguards more robust is provided | 2 | - | **N/A** |
| **2.3: Meaningful engagement with governmental privacy and civil liberties officers** | | | |
| # of meetings with privacy and civil liberties officers from agencies required to issue Section 803 reports | 2 | 3 | **Met** |

## 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 impact of new and developing technologies on 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 2026 Accomplishments

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

- **Report on the Use of Open Source Information by the Federal Bureau of Investigation.** As previously mentioned, PCLOB released a staff report in November 2025 which focused on uses of open source information by the FBI for counterterrorism purposes. This report was the first comprehensive government examination of the FBI's use of open source information, which includes both commercially available information (information available for sale from a commercial entity) and publicly available information (information freely accessible by the public). Early stages of counterterrorism investigations often rely on such information, which is found in public records, news reporting, public social media, commercial databases, and other similarly accessible places.




- **Super Intelligence (SI) and Machine Learning.** With the increased use of SI by national security agencies comes increased risks to privacy and civil liberties. PCLOB continued to track developments regarding advanced and emerging technologies through an SI and machine learning working group and is considering various areas for possible oversight and advice.

## FY 2026 Performance Results: Strategic Goal 3




As depicted in Table 3, *Strategic Goal 3 KPIs, Targets, and Results, by Objective*, PCLOB met **six** of **seven** (or 85%) KPIs under this strategic goal by the end of FY 2026. PCLOB retained the targeted technical expertise despite shifts in the agency's staffing and met indicators related to technology-focused staff training, briefings to the Board, and SI-element projects. Additionally, PCLOB mission staff met with external technology experts often due to their focus on the production of the reports the agency published in FY 2026. One indicator related to new technology-focused mission intitiatives or technology-focused open projects could not be assessed in FY 2026 because the Board was not quorate for FY 2026 and no new projects could be initiated.

**TABLE 3: STRATEGIC GOAL 3 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE**

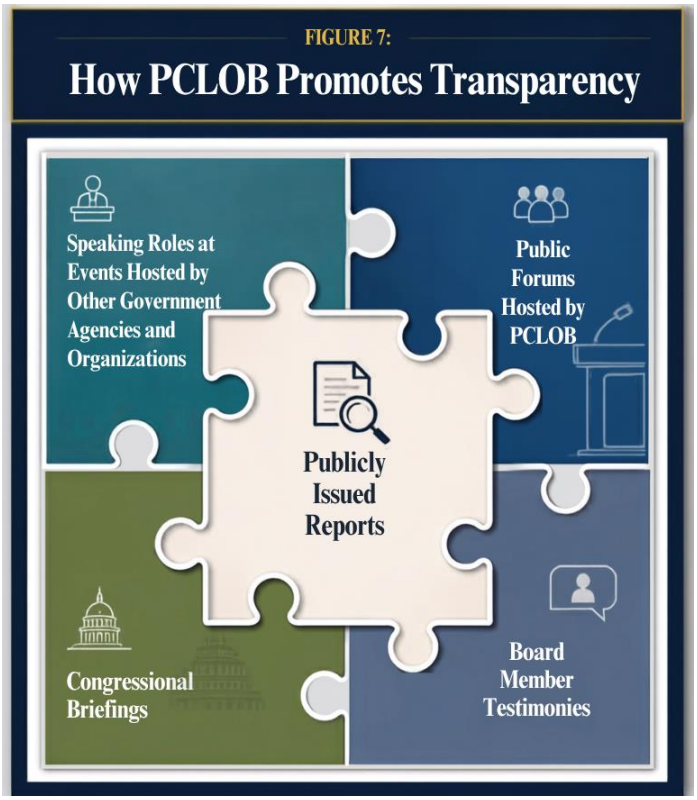
| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Peformance Status |
|---|---|---|---|
| **3.1: Analysis of new and emerging technologies** | | | |
| # of new technology-focused mission initiatives | 1 | - | N/A |
| # of meetings between mission staff or counselors and external technology experts | 4 | 10 | Met |
| **3.2: Recommendation of potential new and emerging technological approaches** | | | |
| # of technology-focused trainings provided to mission staff or counselors | 2 | 2 | Met |
| # of technology-focused open projects | 1 | 2 | Met |
| **3.3: Technical input to the Board** | | | |
| # of mission staff or counselors with technical degrees (e.g., computer science, STEM, engineering, tech large language model) | 2 | 2 | Met |
| # of technology-focused briefings to the Board | 2 | 2 | Met |
| # of open projects with an SI element | 1 | 1 | Met |

## 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 promoting 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 possible (as depicted in Figure 7, *How PCLOB Promotes Transparency*) consistent with the protection of classified information and applicable law.




### FY 2026 Accomplishments

- **PCLOB Public Forums.** In December 2025, Member Beth Williams hosted a virtual public forum examining debanking and how governmental efforts to fight terrorism financing may impact Americans' privacy and civil liberties.

- **Board Member Testimonies/Briefings.** In July 2026, Member Beth Williams met with Michael McGrath, the European Union (EU) Commissioner for Democracy, Justice, the Rule of Law and Consumer Protection, to discuss developments related to PCLOB's continuing role under EO 14086 in ensuring safeguards for cross-border data flows under the EU-US Data Privacy Framework.



*Left: Member Beth Williams met with EU Commissioner for Democracy, Justice, the Rule of Law and Consumer Protection, In July 2026. Photo credit: Laetitia Close, Communications Adviser/Policy Assistant to EU Commissioner Michael McGrath*

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

  - In January 2026, Member Beth Williams addressed NSA staff to mark NSA's Data Privacy & Protection Day and discussed how PCLOB's work relates to NSA's mission.
  - Member Beth Williams spoke on April 21, 2026, at the Privacy and Data Governance Symposium in Venice, Italy. Her remarks, which focused on international cooperation for data governance, were part of a broader discussion on cross-Atlantic cooperation, common values, and the importance of free speech.




*Above: Member Beth Williams spoke at the 2026 Privacy and Data Governance Symposium in Venice, Italy. Photo credit: Tatjana Cvijetic, Privacy Symposium Communications Officer*

  - In June 2026, Member Beth Williams and PCLOB staff presented at the 2026 Federal Privacy Summit, discussing the Board's history and jurisdiction, current operating status, best practices for engaging with the Board, and highlights from various completed oversight reports.

- **Staff Briefings/Engagements.**

  - PCLOB staff met with Senate Judiciary Committee staff to discuss aspects of Section 702 of the Foreign Intelligence Surveillance Act in December 2025.
  - PCLOB staff presented the agency's FY 2027 Budget Justification to members of the Senate Appropriations Committee in April and May 2026.
  - PCLOB staff provided an overview of the agency's work to House Oversight and Government Reform Committee staff in September 2026.

- **Op-Ed Articles.** Board Members periodically publish op-eds in media sources that are available on the PCLOB website.

- **Publicly Issued Reports.** PCLOB posts all its unclassified oversight and financial reports on the PCLOB website for ready access by the public.

## FY 2026 Performance Results: Strategic Goal 4




As depicted in Table 4, *Strategic Goal 4 KPIs, Targets, and Results, by Objective*, PCLOB met **12** of **14** (or 86%) KPIs under this strategic goal by the end of FY 2026, surpassing its transparency goals through extensive speaking engagements, meetings, and briefings. Two indicators could not be assessed: no semi-annual reports were issued because the Board was not quorate, and there were no public hiring efforts in FY 2026.

**TABLE 4: STRATEGIC GOAL 4 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE**

| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Peformance Status |
|---|---|---|---|
| **4.1: Availability of PCLOB's work to the public and other stakeholders** | | | |
| # of reviews of the PCLOB website for update | 24 | 52 | Met |
| % response to media requests for Board comments | 100% | 100% | Met |
| # of scheduled updates on PCLOB social media | 6 | 12 | Met |
| % of open agency job postings shared on LinkedIn and with relevant entities and universities | 100% | - | N/A |
| **4.2: Interactions with Congress** | | | |
| # of semi-annual reports submitted to Congress | 2 | - | N/A |
| # of times Board or staff engage with the legislative branch | 1 | 5 | Met |
| # of spending reports submitted to Appropriations Committee on time | 4 | 4 | Met |
| # of budget briefings to Appropriations Committee | 1 | 2 | Met |
| # of Board or staff congressional briefings or testimonies | 2 | 5 | Met |
| **4.3: Direct engagement with the public about the Board's work** | | | |
| # of Board Member public speaking engagements | 1 | 2 | Met |
| # of public forums hosted or report release events | 1 | 1 | Met |
| # of (a) Board and (b) staff meetings with civil society groups (excluding public forums) | (a) 1<br>(b) 3 | (a) 1<br>(b) 3 | Met |
| **4.4: Engagement with international counterparts and stakeholders** | | | |
| # of meetings with international counterparts | 1 | 3 | Met |
| # of open projects involving an international element (either data sharing or comparative) | 1 | 1 | Met |

## 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, an Executive Director, general counsel staff, a Director of Legislative and Public Affairs, mission staff (i.e., those professionals who work on agency oversight and advice projects), and operations staff (i.e., those professionals who provide operational support in specialized areas). The small operations staff (only seven full-time employees at the end of FY 2026) 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 2026 Accomplishments

**Human Resources and Workforce Management**

- **Efforts to Retain Staff**. A Board-approved recruitment and retention incentive policy continued to be used to retain employees considered essential to the agency's mission.
- **Efforts to Comply with Executive Orders and Enhance the Workforce.** The agency's small staff has diligently worked to track and comply with all executive orders, policies, and memoranda. During this process, PCLOB leadership and operations staff analyzed and reviewed current procedures, and, as necessary, developed plans to restructure existing practices and workflows in alignment with the President's agenda. Some significant areas of focus include, but are not limited to, operational role consolidation and realigning of job duties, hiring and probationary staff processing procedures, and performance management.

**Financial Management**

- **Continued Implementation of G-Invoicing.** Efforts to manage agreements with federal trading partners in G-invoicing, as mandated by Treasury, continued into FY 2026 as more federal trading partners became G-Invoicing ready. G-Invoicing is Treasury's government-wide platform for managing and reporting intra-governmental transactions, providing a common system for creating agreements, brokering orders, tracking performance, and settling funds between federal agencies. PCLOB entered into more agreements in G-invoicing than before, allowing the agency to negotiate and accept General Terms and Conditions agreements, broker orders, exchange performance information, and validate

settlement requests through Intra-Governmental Payment and Collection (IPAC). 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.



*Above: Members of PCLOB accepted the 2025 CEAR Award at the July 2026 AGA CEAR Awards Ceremony. Photo credit: AGA*

- **Excellence in Reporting.** In July 2026, PCLOB received its fourth CEAR award from the AGA. The AGA presents the CEAR award each year to federal agencies that produce high-quality Performance and Accountability Reports and AFRs.
- **Maximized Efficiencies Through Contracted Services.** PCLOB has compensated for its small operational staff by using shared service providers for several key functions: financial, payroll and human resources, travel, and procurement services. These shared service providers employ individuals who are experts in their field, entrusted to perform critical tasks reliably on a timely schedule. Contracting with shared service providers has enabled PCLOB to identify and resolve errors, leverage shared service provider's software, and more confidently and quickly stay up to date on regulations.

## Information Technology (IT) Systems and Cybersecurity

- **Favorable FY 2026 Federal Information Security Modernization Act Results.** Information security also continues to be a top priority for the agency. PCLOB's FY 2026 Federal Information Security Modernization Act of 2014 (FISMA) audit concluded that its internal controls were effective in protecting information resources. PCLOB contracted multiple independent penetration assessments to evaluate its network security posture, validate the effectiveness of existing controls, and ensure continued alignment with the National Institute of Standards and Technology (NIST) and the Cybersecurity and Infrastructure Security Agency (CISA) cybersecurity requirements. The assessments detected no critical or high vulnerabilities across PCLOB's network infrastructure.

- **IT Compliance with Federal Standards.**
  - PCLOB's IT staff successfully responded to CISA Emergency Directive (ED) 25-03, *Identify and Mitigate Potential Compromise of Cisco Devices*, to identify and remediate at-risk agency devices.
  - PCLOB continues to strengthen its cybersecurity posture by leveraging shared services and contractor support to enhance boundary protection. IT staff implemented, maintained, and documented technical controls to comply with the federal cybersecurity standards outlined in OMB M-24-14, *Administration Cybersecurity Priorities for the FY 2026 Budget*. These efforts advance the priority of defending critical infrastructure. PCLOB also continues to adopt and integrate tools and strategies that align with the principles of NIST Special Publication 800-207, Zero Trust Architecture to achieve a more resilient and adaptive security framework.
  - PCLOB maintained compliance with Department of Homeland Security Binding Operational Directive (BOD) 22-01, *Reducing the Significant Risk of Known Exploited Vulnerabilities* to remediate vulnerabilities according to the timelines outlined in the CISA managed catalog.
  - PCLOB ensured compliance with CISA ED 25-02, *Mitigate Microsoft Exchange Vulnerability*, to remediate configurations that may allow an attacker to move laterally across Microsoft Exchange Infrastructure.
  - PCLOB ensured compliance with CISA BOD 25-01, *Implementing Secure Practices for Cloud Services*, to align PCLOB's Microsoft 365 and other cloud tenants to CISA's Secure Cloud Business Applications (SCuBA) secure configuration baselines, enroll in continuous monitoring via SCuBA assessment tools, and report compliance.
  - PCLOB ensured compliance with CISA BOD 26-02, *Mitigating Risk From End-of-Support Edge Devices*, to mitigate cybersecurity risks associated with legacy software and unsupported operational hardware.
  - PCLOB ensured compliance with CISA BOD 26-04, *Prioritizing Security Updates Based on Risk*, to establish a risk-tiered patching framework prioritizing vulnerabilities based on public exposure, automatability, and active threat intelligence.

## 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.
- **Implementation of EO 13587, *Structural Reforms to Improve the Security of Classified Networks and the Responsible Sharing and Safeguarding of Classified Information*.** PCLOB maintained 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 2.0, a government-wide reform initiative to modernize federal personnel vetting, and National Security Presidential Memorandum 28, which directs agencies to implement an Operations Security program. PCLOB also continues its efforts to ensure Controlled Unclassified Information received from partner agencies is protected.

## FY 2026 Performance Results: Strategic Goal 5




As depicted in Table 5, *Strategic Goal 5 KPIs, Targets, and Results, by Objective*, PCLOB met **19** of **22** (or 86%) KPIs under this strategic goal by the end of FY 2026. The agency exceeded its target for professional development opportunites and met every indicator relating to financial management and reporting. However, some unmet metrics indicated areas for continued development and growth in FY 2027, and one metric could not be measured due to the Board not being quorate.

**TABLE 5: STRATEGIC GOAL 5 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE**

| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Performance Status |
|---|---|---|---|
| **5.1: Use of shared-service providers** | | | |
| # of shared service provider agreements assessed annually | 2 | 5 | Met |
| **5.2: Recruit and retain a skilled workforce** | | | |
| % staff occupancy rate while quorate | 80% | - | N/A |
| # days from interview to candidate acceptance (average) | 45 | 30 | Met |
| # of staff engagement events | 2 | 4 | Met |
| # professional development opportunities provided to staff | 6 | 11 | Met |
| # of employee surveys circulated | 2 | 2 | Met |
| **5.3: Strong financial management** | | | |
| % of documented processes reviewed for updates | 100% | 100% | Met |
| # unmodified audit opinion over the financial statements | 1 | 1 | Met |
| % compliance with financial reporting requirements | 100% | 100% | Met |
| % of total contracts awarded to small businesses, small business contractors in historically underutilized business zones, service-disabled veteran owned small businesses, small disadvantaged businesses, and women-owned small businesses | 39% | 77% | Met |
| # FISMA audit results as operating effectively | 1 | 1 | Met |
| % staff completed cyber awareness training | 100% | 100% | Met |
| % IP-enabled assets operating in IPv6 environments | 100% | 100% | Met |
| average # business days to resolve IT help desk tickets for (a) critical/high-priority items, (b) medium/low-priority items and (c) at least 80% of total tickets | (a) 1<br>(b) 3<br>(c) 3 | (a) 23<br>(b) 13<br>(c) 1 | Not Met |
| % programs with baseline succession plan | 100% | 100% | Met |
| % PCLOB policies up to date in compliance with federal guidelines | 100% | 100% | Met |
| % compliance with low-risk designation for PCLOB's annual National Archives and Records Administration Records Management Self-Assessment | 100% | 100% | Met |

**TABLE 5: STRATEGIC GOAL 5 KPIS, TARGETS, AND RESULTS, BY OBJECTIVE, CONTINUED**

| Key Performance Indicator | FY 2026 Target | FY 2026 Result | Performance Status |
|---|---|---|---|
| % staff completed equal employment opportunities training | 100% | 100% | Met |
| # of required equal employee opportunity reports submitted | 7 | 7 | Met |
| % staff completed security refresher training | 100% | 100% | Met |
| # data spills | 0 | 1 | Not Met |
| % staff completed security trainings: (a) Derivative Classification Training, (b) CUI Training, (c) SCI - Security Reporting Requirements training, (d) Trusted Access Program training, and (e) Controlled Unclassified Information Report | 100% for all | 100% for all | Met |

# Significant Opportunities and Risks

## OPPORTUNITIES

PCLOB continues its work to achieve the goals, objectives, and strategies outlined in the agency's FY 2022–2026 Strategic Plan[1]. In FY 2027, PCLOB plans to perform the following activities:

- **Review of Oversight and Advice Projects**. PCLOB has been actively working on mission projects that have been open for many years, with a focus on expedient completion. As a result of these efforts, several projects are expected to be completed in FY 2027. The agency's Executive Director continuously works with staff to develop proposals for areas of additional federal oversight to enable the Board (when quorate) to assess what new oversight and advice projects to initiate.
- **Continued Roles Under EO 14086, *Enhancing Safeguards for United States Signals Intelligence Activities*.** PCLOB will continue to conduct annual reviews of the redress process pursuant to EO 14086. This annual review represents a new and innovative role for PCLOB.
- **Countering Domestic Terrorism.** PCLOB will continue its review of the government's domestic counterterrorism efforts. PCLOB intends to assess whether additional privacy and civil liberties safeguards are necessary.
- **SI and Machine Learning.** PCLOB will continue tracking the government's use of SI and machine learning in counterterrorism efforts and look for opportunities to provide privacy and civil liberties advice as intelligence agencies adopt the technology.



*Image credit :Stock illustration (creator unknown)*

[1] To the extent that any portion of this historical document is inconsistent with EO 14151, *Ending Radical And Wasteful Government Diversity, Equity, and Inclusion Programs And Preferencing*, EO 14168, *Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government*, or any other EO or directive issued since January 20, 2026, such portions are inoperative and discontinued.

- **Increased Staff Development.** PCLOB will further engage in staff development, including holding monthly knowledge sessions for agency staff to learn new subject areas, skills, and investigative processes and tools. Additional opportunities the agency will offer to staff include federal privacy training programs, technical certifications, mentorship initiatives, and standardized practice guidelines.
- **Continued Outreach to the Public, Congress, and Other Federal Agencies.** PCLOB will maintain its practice of hosting public forums to collect information for its ongoing oversight projects, to consider future oversight projects, and to communicate its findings to the public. Additionally, PCLOB will convene regular meetings with privacy and civil liberties officers from the agencies it oversees and will actively participate in the Federal Privacy Council.
- **Continued Implementation of PCLOB's Performance Framework.** PCLOB will continue efforts to refine the framework by identifying and addressing any off-track measures, redefining baseline targets as needed, and providing regular status updates to both program managers and to the Board.

## RISKS

### RE-ESTABLISHING A BOARD QUORUM

The President appoints, with the advice and consent of the Senate, the Chair and Members of the Board. As a result of this process, vacant Member seats can take time to fill. No more than three Members of the Board may come from the same political party. 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 other relevant experience.

When PCLOB has less than the statutory quorum of three Members, the agency enters a sub-quorum period during which its activities are limited. For instance, when the Board is not quorate it cannot, among other actions, open new Board projects; issue Board advice on proposed legislation, regulations, and policies; or submit certain reports and plans to Congress.

In October 2024, the Board adopted a sub-quorum policy to ensure that various mission-related activities and administrative support functions could continue more fully than in previous sub-quorum periods. As a result, when the Board fell below quorum in early 2025, significant and substantive work continued under the direction of the remaining Member.

## ACHIEVING COMPLIANCE DESPITE SIZE LIMITATIONS

As a small, executive branch agency consisting of fewer than 30 full-time employees at the end of FY 2026, 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, *Preparation, Submission, and Execution of the Budget*, PCLOB sought and obtained from OMB a five-year exemption from certain sections of the 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 2030. 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, congressional budget justifications, and AFRs.

## Financial Position and Condition

The financial summary and highlights that follow provide an overview of PCLOB's 2026 financial statements. The independent auditor, Castro & Company, LLC, audited the agency's Balance Sheets as of September 30, 2026 and 2025, along with the Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the fiscal years ended September 30, 2026 and 2025. PCLOB received an unmodified audit opinion on its FY 2026 and FY 2025 financial statements. Summary tables of key financial measures from the Balance Sheets and Statements of Net Cost, Changes in Net Position, and Budgetary Resources are provided. The complete financial statements, the independent auditor's report, accompanying footnote disclosures, and required supplementary information are presented in the Financial 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 section provides an overview of the causes of significant changes and trends in financial position as explained by the composition or balances of assets, liabilities, net position, costs, budgetary resources, and financing sources that appear on PCLOB's financial statements, organized as follows:

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

## BALANCE SHEETS

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 2026 and FY 2025 and are summarized below in Table 6, *Summary Table: Balance Sheets*.

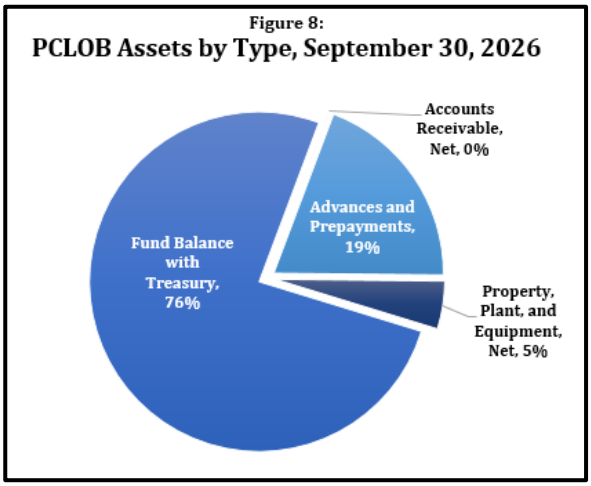
**TABLE 6:**
**SUMMARY TABLE: BALANCE SHEETS**
**($ IN DOLLARS)**

| | FY 2026 | FY 2025 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| Fund Balance with Treasury | $ 6,336,954 | $ 6,142,916 | $ 194,038 | 3% |
| Accounts Receiveable, Net | 1,374 | - | 1,374 | 100% |
| Property, Plant, and Equipment, Net | 378,963 | 624,105 | (245,142) | -39% |
| Advances and Prepayments | 1,619,707 | 17,073 | 1,602,634 | 9387% |
| **TOTAL ASSETS** | **$ 8,336,998** | **$ 6,784,094** | **$ 1,552,904** | **23%** |
| Accounts Payable | $ 52,045 | $ 327,665 | $ (275,620) | -84% |
| Federal Employee Salary, Leave, and Benefits Payable | 416,838 | 598,815 | (181,977) | -30% |
| Other Liabilities | 39,106 | 130,272 | (91,166) | -70% |
| **TOTAL LIABILITIES** | **$ 507,989** | **$ 1,056,752** | **$ (548,763)** | **-52%** |
| **TOTAL NET POSITION** | **$ 7,829,009** | **$ 5,727,342** | **$ 2,101,667** | **37%** |
| **TOTAL LIABILITIES AND NET POSITION** | **$ 8,336,998** | **$ 6,784,094** | **$ 1,552,904** | **23%** |

### Assets

Assets are the amount of current and future economic benefits owned or managed by PCLOB used to achieve its mission. Total assets were approximately $8.3 million as of September 30, 2026, and are reported in four categories on the Balance Sheets: Fund Balance with Treasury (FBwT); Accounts Receivable, Net; Property, Plant, and Equipment, Net; and Advances and Prepayments.

Figure 8:
**PCLOB Assets by Type, September 30, 2026**




As depicted in Figure 8, *PCLOB Assets By Type, September 30, 2026*, PCLOB's most significant asset was the FBwT which represented approximately 76% of the agency's total assets as of September 30, 2026. Advances and prepayments and property, plant, and equipment, net made up approximately 19% and 5%, respectively, of PCLOB's asset balance

at the end of FY 2026. Less than 1% of the remaining total asset balance related to accounts receivable, net, as of September 30, 2026.

PCLOB's total assets increased by approximately $1.5 million, or 23%, rising from $6.8 million to $8.3 million as of September 30, 2025, and 2026, respectively. This growth was driven largely by a significant increase in advances and prepayments for contracted goods and services, which grew from about $17 thousand in FY 2025 to approximately $1.6 million in FY 2026. The increase reflects the agency's transition to a new procurement service provider, the Department of the Interior's Interior Business Center (IBC), which requires contract costs to be paid in advance. Partially offsetting this growth in assets was the recognition of roughly $245 thousand in depreciation expense for PCLOB's property, plant, and equipment, primarily related to leasehold improvements for the agency's SCIF as well as other tangible assets such as equipment and furniture.

## 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 9, *PCLOB Liabilities by Type, September 30, 2026*: Accounts Payable; Employee-Related Liabilities (i.e., Federal Employee Salary, Leave, and Benefits Payable), and Other Liabilities. The balances for all PCLOB's liabilities categories decreased from FY 2025 to FY 2026. Accounts Payable, which related to amounts owed to vendors, trading partners, and other stakeholders for unbilled or unpaid goods and services delivered during normal operations, decreased approximately $276 thousand (84%), down from approximately $328 thousand as of September 30, 2025, to approximately $52 thousand as of September 30, 2026. The decrease in accounts payable is primarily due to the agency's transition to a new procurement service provider, which resulted in most contracts being paid in advance by the end of FY 2026 and therefore fewer contracts with accruable unbilled balances. Employee-Related Liabilities related to accrued, unfunded leave balances for employees decreased approximately $182 thousand (30%), down from approximately $599 thousand as of September 30, 2025, to approximately $417 thousand as of September 30, 2026. This decrease is attributed to the decrease in full-time employees from 31 to 22 as of September 30, 2025 to September 30,

Figure 9:
**PCLOB Liabilities by Type, September 30, 2026**



2026. Lastly, total Other Liabilities decreased by approximately $91 thousand (70%), falling from about $130 thousand as of September 30, 2025, to roughly $39 thousand as of September 30, 2026. This decline was driven primarily by the absence of contingent liabilities at the end of FY 2026, compared with $86 thousand in contingencies at the end of FY 2025.

**Net Position**

PCLOB's net position, comprising unexpended appropriations and cumulative results of operations, appears on the Balance Sheets and the Statements of Changes in Net Position. Funds made available by Congress in FY 2026 and in FY 2025, in the amount of $13.7 million each year, were recorded in Unexpended Appropriations. See the following section related to the Statements of Changes in Net Position for further analysis.

## STATEMENTS OF NET COST

The Statements of Net Cost highlight the agency's net cost of operations for a given fiscal year. Net cost of operations is the difference between a program's gross cost 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 FY both 2026 and 2025, earned revenues were zero, since PCLOB did not detail any employees out to other federal agencies under reimbursable agreements. Since PCLOB had no earned revenue, gross and net program costs are the same and are referred to as "total" program costs on PCLOB's Statements of Net Cost.

**TABLE 7:**

**SUMMARY TABLE:**
**STATEMENTS OF NET COST**
**($ IN DOLLARS)**

| | FY 2026 | FY 2025 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| **Total Program Costs:** | | | | |
| Mission Activities | $ 4,276,076 | $ 6,337,245 | $ (2,061,169) | -33% |
| Operational Activities | 7,450,714 | 8,035,352 | (584,638) | -7% |
| **NET COST OF OPERATIONS** | **$ 11,726,790** | **$ 14,372,597** | **$ (2,645,807)** | **-18%** |

PCLOB is an independent agency within the executive branch, operating as a single entity (meaning, it does not combine with any other entities and does not have any components which would be consolidated). PCLOB's two programs, Mission Activities and Operational Activities, are internally determined and based on the agency's strategic goals. Net costs by program are depicted in Table 7, *Summary Table: Statements of Net Cost.*

Mission activities program costs of approximately $4.3 million and $6.3 million by the end of FY 2026 and FY 2025, 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. Operational activities program costs of approximately $7.4 million and $8 million by the end of FY 2026 and FY 2025, respectively, included salaries and related benefits expenses for all operational staff as well as other overhead costs such as advisory and assistance services (e.g., shared services and systems maintenance), office rent, and supplies and equipment. Expenses associated with general counsel and legislative and public affairs (e.g., salaries and benefits, subscriptions, and certain services) of approximately $1.2 million and $1.7 million in FY 2026 and FY 2025, respectively, were allocated between mission and operational activities programs as these activities benefit the agency as a whole.

PCLOB's total net cost of operations decreased approximately $2.6 million (18%), down from approximately $14.3 million in FY 2025 to approximately $11.7 million in FY 2026. Salary and benefits expenses were lower in FY 2026 due to staff resignations under the deferred resignation program at the end of FY 2025. Slight increases in office rent, shared service provider fees, and system maintenance costs offset the overall decrease in FY 2026 costs.

Figure 10:
**PCLOB FY 2026 Expenses by Type**

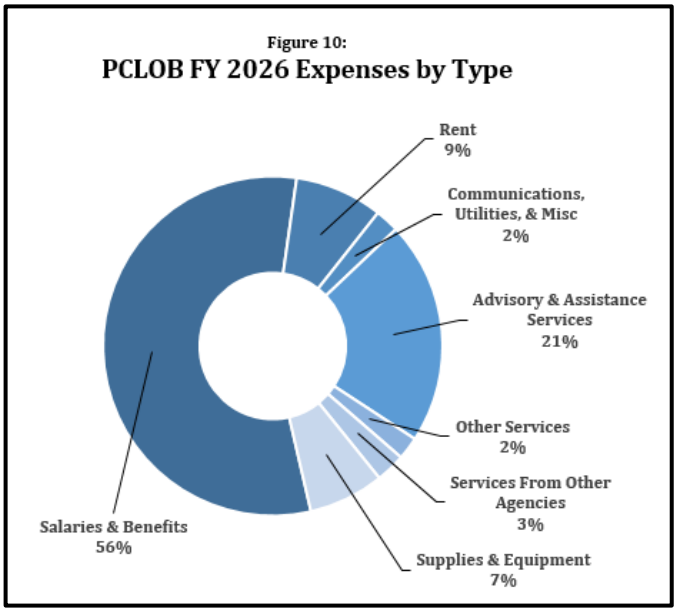



Figure 10, *PCLOB FY 2026 Expenses By Type*, depicts PCLOB's major expense categories, with salaries and benefits of approximately $6.6 million (56%); advisory and assistance services of approximately $2.5 million (21%); and rent of approximately $983 thousand (9%) accounting for the agency's most significant 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 seen in Table 8, *Summary Table: Statements of Changes in Net Position*, the reported net position balance as of September 30, 2026 was approximately $7.8 million, which was a slight increase of approximately $2.1 million (or 37%) from the $5.7 million net position balance as of September 30, 2025. The primary factor contributing to the increase in PCLOB's net position was a roughly $2 million rise in the net change in unexpended appropriations, driven by cost savings associated with lower staff counts in FY 2026.

**TABLE 8:**
**SUMMARY TABLE:**
**STATEMENTS OF CHANGES IN NET POSITION**
**($ IN DOLLARS)**

| | FY 2026 | FY 2025 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| Unexpended Appropriations, Beginning Balance | $ 6,050,489 | $ 5,953,414 | $ 97,075 | 2% |
| Net Change in Unexpended Appropriations | 2,102,468 | 97,075 | 2,005,393 | 2066% |
| **TOTAL UNEXPENDED APPROPRIATIONS** | **$ 8,152,957** | **$ 6,050,489** | **$ 2,102,468** | **35%** |
| Cumulative Results of Operations, Beginning Balance | (323,147) | 109,056 | (432,203) | -396% |
| Net Change in Cumulative Results of Operations | (801) | (432,203) | 431,402 | -100% |
| **TOTAL CUMULATIVE RESULTS OF OPERATIONS** | **$ (323,948)** | **$ (323,147)** | **$ (801)** | **0%** |
| **NET POSITION** | **$ 7,829,009** | **$ 5,727,342** | **$ 2,101,667** | **37%** |

## 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 consisted of new budget authority, which for PCLOB's FY 2026 and FY 2025 appropriations were available for obligation for two fiscal years, and unobligated balances of budget authority provided in previous years carried forward. New obligations and upward adjustments resulted 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's obligations net of offsetting collections.

TABLE 9:
**SUMMARY TABLE:**
**STATEMENTS OF BUDGETARY RESOURCES**
**($ IN DOLLARS)**

| | FY 2026 | FY 2025 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| Unobligated Balance from Prior Year Budget Authority | $ 4,118,386 | $ 4,206,711 | $ (88,325) | -2% |
| Appropriations | 13,700,000 | 13,700,000 | - | 0% |
| **TOTAL BUDGETARY RESOURCES** | **$ 17,818,386** | **$ 17,906,711** | **$ (88,325)** | **0%** |
| Obligations Incurred | 12,036,669 | 13,778,833 | (1,742,164) | -13% |
| Unobligated Balance, End of Year | 5,781,717 | 4,127,878 | 1,653,839 | 40% |
| **STATUS OF BUDGETARY RESOURCES** | **$ 17,818,386** | **$ 17,906,711** | **$ (88,325)** | **0%** |
| | | | | |
| **AGENCY OUTLAYS, NET** | **$ 13,208,240** | **$ 13,126,887** | **$ 81,353** | **1%** |

As shown in Table 9, *Summary Table: Statements of Budgetary Resources*, PCLOB's total budgetary resources were approximately $17.8 million and $17.9 million for FY 2026 and FY 2025, respectively, of which $13.7 million came from new budget authority (unchanged from FY 2025 due to the full year continuing resolution passed in FY 2026), and of which approximately $5.8 million and $4.1 million came from unobligated balances carried forward. Unobligated balance from prior-year budget authority was roughly the same as last year (approximately $4.1 million in FY 2026 compared to approximately $4.2 million in FY 2025), partially due to approximately $3.2 million of carryover funding from the FY 2025 appropriation. In FY 2026, net outlays were approximately $13.2 million, remaining relatively consistent with FY 2025 outlays of about $13.1 million. This stability aligns with the increase in advances reported on the Balance Sheets. Because advance payments are recorded as outlays when the cash is disbursed, regardless of when the related expenses are recognized, the agency continued to disburse similar amounts of cash even as overall net costs declined due to reduced staffing and associated expenses.

## LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements are prepared to report the overall financial position and results of operations, consistent with 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.

## FY 2026 Management Assurance Statement

The management of PCLOB is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the objectives of the Federal Managers' Financial Integrity Act of 1982.

We conducted our assessment of the effectiveness of PCLOB's internal control over financial reporting in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, PCLOB can provide reasonable assurance that internal control over financial reporting as of September 30, 2026, was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Beth A. Williams
Board Member
November 10, 2026



Raheel Baig
Deputy Executive Director for Operations
November 10, 2026

## Analysis of Systems, Controls, and Legal Compliance

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

### 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 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 2026 Management Assurance Statement, included earlier in this section, is consistent with the FY 2026 financial statement audit report, included in the Financial Section of this report.

PCLOB leverages shared service providers (SSPs), including Treasury's Bureau of the Fiscal Service, Center for Financial Management (CFM), for financial management, travel, and charge card services, and IBC for payroll and acquisition services, to improve operational efficiency, reduce costs, and access specialized expertise that supports the agency's mission. PCLOB depends on the integrity of its SSPs' systems to provide reliable data. CFM and IBC, in turn, place a high level of emphasis on maintaining adequate management controls and are responsible for meeting the objectives of Section 2 and Section 4 of FMFIA and the Reports Consolidation Act of 2000. Both CFM and IBC annually evaluate their management controls and information systems. Periodic audits of the mainframe system and annual issuance of Statement on Standards for Attestation Engagements Service Organization Control Type II reports are regularly performed by independent auditors to ensure management controls systems and financial management systems are in overall compliance with prescribed standards.

## Enterprise Risk Management, Internal Controls System, and Implementation of the Federal Managers' Financial Integrity Act

FMFIA provides that GAO establish internal control standards, which are contained in GAO's *Standards for Internal Control in the Federal Government*. FMFIA also provides that OMB establish the implementation requirements for the assessment and annual reporting on internal controls, which are included in Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The GAO standards and OMB's implementation requirements work in tandem to guide PCLOB's internal control program required by FMFIA.

The agency's Internal Controls Framework (ICF) Manual was 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.

PCLOB conducts an annual review and update of its agency risk assessment and key internal controls in accordance with OMB Circular A-123. Monthly, quarterly, and annual task checklists aligned to these controls are executed and monitored under the oversight of the CFO to ensure the operating effectiveness of the internal control program. No control deficiencies were identified, and PCLOB's internal controls were determined 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 performs a review of the agency's compliance with FISMA requirements each year. Accordingly, PCLOB submitted its FY 2026 metrics into the Department of Homeland Security CyberScope application on October 30, 2026.

- **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. CFM 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 the Invoice Processing Platform (IPP) system controls are operating as intended. In FY 2026, PCLOB had zero improper payments.

- **Anti-Deficiency Act**

  The Anti-Deficiency Act comprises several statutes (see 31 U.S.C. §§ 1341, 1342, 1350, and 1511–1519) that mandate administrative and criminal sanctions for the unlawful use of appropriated funds (e.g., expending or authorizing an obligation or expenditure of federal funds in excess of an appropriation; incurring an obligation in advance of an appropriation, unless authorized by law; accepting voluntary services). 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 training sessions to ensure they understand the requirements of the Anti-Deficiency Act and other relevant financial laws and regulations. These programs often include workshops, seminars, and online courses.

- **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*; and other relevant laws to ensure compliance.

- **Digital Accountability and Transparency Act**

The Digital Accountability and Transparency Act of 2014 (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, led by Treasury and OMB, requires federal agencies to report on procurement data to bring awareness to federal spending. Pursuant to the statutory reporting requirements, federal spending that is reported on usaspending.gov is derived from financial and contract award information. The agency's financial system is updated with the most recent version of Governmentwide Spending Data Model, formally known as the DATA Act Information Model Schema, to ensure that the submission of all required financial data elements is complete and accurate.

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

- *Financial Reporting*. CFM 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, CFM provides tools and resources for better data management and reporting;
- *Compliance Support*. CFM offers guidance on compliance and best practices to help PCLOB meet DATA Act reporting requirements;
- *System Integration*. CFM 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.* CFM 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 very 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 CFM (for financial management) and IBC (for human resources, payroll, and procurement 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 CFM and IBC have been significant. Oracle, widely used in the federal government and the agency's system of record provided through CFM, is integrated with various end-user applications to capture the agency's financial transactions.

# Financial Section



I am honored to join Board Member Beth Williams in presenting the Fiscal Year 2026 Agency Financial Report. The financial statements, accompanying analysis, and performance results reflect our continued commitment to optimizing financial resources in support of PCLOB's mission - to ensure that the executive branch's efforts to prevent terrorism are balanced with the need to protect privacy and civil liberties.

I am pleased to report that for the eighth consecutive year, PCLOB received an unmodified (clean) audit opinion over its annual financial statements. Our independent auditors confirmed that our FY 2026 financial statements were accurate, in line with federal GAAP, and free of material weaknesses, significant deficiencies, or noncompliance issues. Receiving consecutive clean audit opinions year after year builds congressional trust, correlating with budget allocations from the executive branch that meet the agency's funding needs. Operationally, consecutive clean audit opinions also demonstrate our agency's mature financial management capability, proving our accounting systems reliably produce accurate, error-free financial reporting.

In FY 2026, PCLOB submitted its FY 2025 AFR to the AGA Certificate of Excellence in Accountability Reporting Program for a fourth straight year's consideration. The CEAR Program evaluates federal agency annual reports for clarity, completeness, and transparency, and we use the expert feedback produced by their detailed peer reviews to improve how we communicate our performance results and financial accountability in the following year's AFR. PCLOB was recognized for its outstanding reporting during the July 2026 CEAR Awards Ceremony, an honor which reflects our agency's commitment to high standards in integrated performance and financial reporting.

To further strengthen PCLOB's financial management and operational efficiency in FY 2026, we concentrated on improving service provider performance and refining our G-Invoicing processes. First, PCLOB transitioned to a new shared service provider, the Department of Interior's IBC, for procurement and travel services. This move required close coordination with both our previous and new providers, but it was necessary to improve our agency's recordkeeping and data management capabilities. Agency staff completed extensive training to learn new systems, processes, and procedures used by the new service providers, helping ensure a smooth and timely migration. PCLOB also continued its efforts to partner with Treasury to refine and fully implement the G-Invoicing platform. These improvements have made our processes more accurate and less redundant. PCLOB is now fully compliant with Treasury's mandate, and most of our interagency agreements are now handled through the platform with compliant partners.

Effective stewardship of taxpayer dollars relies on sound financial management. I want to commend our staff for their dedication and expertise over the past year in driving excellence across our budgetary performance, internal controls and financial reporting.



Raheel Baig
Deputy Executive Director for Operations and Chief Financial Officer
November 10, 2026

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**Independent Auditor's Report**

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

In our audits of the fiscal years 2026 and 2025 financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), we found:

- PLCOB's financial statements as of and for the fiscal years ended September 30, 2026, and 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2026 with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[1] and a section on other information included with in the financial statements;[2] (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, and contracts.

**Report on the Audit of the Financial Statements**

Opinion

We have audited the financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), which comprise the balance sheets as of September 30, 2026 and 2025; 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 present fairly, in all material respects, PCLOB's financial position as of September 30, 2026, and 2025, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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*. Our responsibilities under those standards and OMB Bulletin No. 24-02 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 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.

[1] The RSI consists of the Management's Discussion and Analysis.
[2] Other information consists of information included with the financial statements, other than RSI.

Responsibilities of Management for the Financial Statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting of 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
- 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PCLOB's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities 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 GAAS, *Government Auditing Standards*, and OMB Bulletin 24-02 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 to be 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 GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, 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.
- Conclude whether, in our judgement, there are conditions, or events, considered in the aggregate, that raise substantial doubt about PCLOB's ability to continue as a going concern for a reasonable period of time.

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 under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with GAAS. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our 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 a required part of the financial statements or the RSI. Management is responsible for the other information included in the PCLOB's AFR. The other information comprises the following sections: Summary of FY 2026 Financial Statement Audit and Management Assurances, Payment Integrity Information Act of 2019, and Fraud Reduction Act. Other information 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.

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***

**Report on Internal Control over Financial Reporting**

In connection with our audits 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 2026 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 *Government Auditing Standards* and OMB Bulletin No. 24-02.

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 the Consideration of Internal Control over Financial Reporting
In planning and performing our audit of PCLOB's financial statements as of and for the fiscal year ended September 30, 2026, in accordance with *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 affected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- 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

- 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 *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.

**Report on Compliance and Other Matters**

In connection with our audits 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 2026 that would be reportable under *Government Auditing Standards* and OMB Bulletin No. 24-02. 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 *Government Auditing Standards* and OMB Bulletin No. 24-02.

Responsibilities of Management for Compliance with Laws, Regulations, and Contracts
PCLOB management is responsible for complying with laws, regulations, and contracts applicable to the PCLOB.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

Castro & Company, LLC

Alexandria, VA
November 10, 2026

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD**
**BALANCE SHEETS**
**AS OF SEPTEMBER 30, 2026 AND 2025**
**(In Dollars)**

| | 2026 | 2025 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental Assets: | | |
| Fund Balance with Treasury (Note 2) | $ 6,336,954 | $ 6,142,916 |
| Advances and Prepayments (Note 4) | 1,619,707 | 11,501 |
| Total Intragovernmental Assets | 7,956,661 | 6,154,417 |
| Other than Intragovernmental Assets: | | |
| Accounts Receivable, Net (Note 3) | 1,374 | - |
| Property, Plant, and Equipment, Net (Note 5) | 378,963 | 624,105 |
| Advances and Prepayments (Note 4) | - | 5,572 |
| Total Other than Intragovernmental Assets | 380,337 | 629,677 |
| **Total Assets** | **$ 8,336,998** | **$ 6,784,094** |
| **Liabilities (Note 6):** | | |
| Intragovernmental Liabilities: | | |
| Accounts Payable | $ 1,091 | $ 10,205 |
| Other Liabilities (Note 7) | 39,106 | 44,272 |
| Total Intragovernmental Liabilities | 40,197 | 54,477 |
| Other than Intragovernmental Liabilities: | | |
| Accounts Payable | 50,954 | 317,460 |
| Federal Employee Salary, Leave, and Benefits Payable | 416,838 | 598,815 |
| Other Liabilities (Note 7) | - | 86,000 |
| Total Other than Intragovernmental Liabilities | 467,792 | 1,002,275 |
| **Total Liabilities** | **$ 507,989** | **$ 1,056,752** |
| **Net Position:** | | |
| Unexpended Appropriations - Funds from Other than Dedicated Collections | $ 8,152,957 | $ 6,050,489 |
| Cumulative Results of Operations - Funds from Other than Dedicated Collections | (323,948) | (323,147) |
| **Total Net Position** | **$ 7,829,009** | **$ 5,727,342** |
| **Total Liabilities and Net Position** | **$ 8,336,998** | **$ 6,784,094** |

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, 2026 AND 2025**
**(In Dollars)**

| | 2026 | 2025 |
|---|---|---|
| **Total Program Costs:** | | |
| Mission Activities | $ 4,276,076 | $ 6,337,245 |
| Operational Activities | 7,450,714 | 8,035,352 |
| **Total Program Costs** | **$ 11,726,790** | **$ 14,372,597** |
| **Net Cost of Operations** | **$ 11,726,790** | **$ 14,372,597** |

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

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD**
**STATEMENTS OF CHANGES IN NET POSITION**
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025**
**(In Dollars)**

| | 2026 | 2025 |
|---|---|---|
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 6,050,489 | $ 5,953,414 |
| Appropriations Received | $ 13,700,000 | $ 13,700,000 |
| Other Adjustments | (297,721) | (331,422) |
| Appropriations Used | (11,299,811) | (13,271,503) |
| Net Change in Unexpended Appropriations | 2,102,468 | 97,075 |
| **Total Unexpended Appropriations** | **$ 8,152,957** | **$ 6,050,489** |
| **Cumulative Results of Operations:** | | |
| Beginning Balance | $ (323,147) | $ 109,056 |
| Appropriations Used | $ 11,299,811 | $ 13,271,503 |
| Imputed Financing (Note 9) | 426,178 | 668,891 |
| Net Cost of Operations | (11,726,790) | (14,372,597) |
| Net Change in Cumulative Results of Operations | (801) | (432,203) |
| **Total Cumulative Results of Operations** | **$ (323,948)** | **$ (323,147)** |
| **Net Position** | **$ 7,829,009** | **$ 5,727,342** |

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

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD**
**STATEMENTS OF BUDGETARY RESOURCES**
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025**
**(In Dollars)**

| | 2026 | 2025 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated Balance From Prior Year Budget Authority, Net (Note 10) | $ 4,118,386 | $ 4,206,711 |
| Appropriations | 13,700,000 | 13,700,000 |
| **Total Budgetary Resources** | **$ 17,818,386** | **$ 17,906,711** |
| **Status of Budgetary Resources:** | | |
| New Obligations and Upward Adjustments (Total) | $ 12,036,669 | $ 13,778,833 |
| Unobligated Balance, End of Year: | | |
| Apportioned, Unexpired Accounts | $ 4,926,313 | $ 3,413,678 |
| Unapportioned, Unexpired Accounts | 104,162 | - |
| Unexpired, Unobligated Balance, End of Year | 5,030,475 | 3,413,678 |
| Expired, Unobligated Balance, End of Year | 751,242 | 714,200 |
| Unobligated Balance, End of Year (Total) | 5,781,717 | 4,127,878 |
| **Total Budgetary Resources** | **$ 17,818,386** | **$ 17,906,711** |
| **Agency Outlays, Net** | **$ 13,208,240** | **$ 13,126,887** |

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

## Notes to the Financial Statements


| | |
|---|---|
| **NOTE 1** | Summary of Significant Accounting Policies |
| **NOTE 2** | Fund Balance with Treasury |
| **NOTE 3** | Accounts Receivable, Net |
| **NOTE 4** | Advances and Prepayments |
| **NOTE 5** | Property, Plant, and Equipment, Net |
| **NOTE 6** | Liabilities Not Covered By Budgetary Resources |
| **NOTE 7** | Other Liabilities |
| **NOTE 8** | Leases |
| **NOTE 9** | Inter-Entity Costs |
| **NOTE 10** | Unobligated Balance from Prior Year Budget Authority, Net |
| **NOTE 11** | Undelivered Orders at the End of the Period |
| **NOTE 12** | Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the U.S. Government |
| **NOTE 13** | Reconciliation of Net Cost to Budgetary 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 with two internally determined programs.

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.

### 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 OMB Circular A-136, *Financial Reporting Requirements*. 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. 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*, 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 funds 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 represent revenue from services provided to another governmental agency through reimbursable agreements and would be as reported on the Statements of Net Cost. No revenues were earned by PCLOB outside of federal sources in FY 2026 or FY 2025.

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 Office of Personnel Management (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 Revised Annuity Employees (FERS-RAE) or FERS Further Revised Annuity Employees (FERS-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 as follows:

| **INTRAGOVERNMENTAL** transactions occur with other federal entities. | | **OTHER THAN INTRAGOVERNMENTAL** transactions occur with public entities, i.e., domestic and foreign persons and organizations outside the U.S. Government. | |
|---|---|---|---|
| Intragovernmental **assets** are claims other federal entities owe to PCLOB. | Intragovernmental **liabilities** are claims against PCLOB by other federal entities. | Other than intragovernmental **assets** are claims by PCLOB against public entities. | Other than intragovernmental **liabilities** are amounts that PCLOB owes to public entities. |

## I. Fund Balance with Treasury

Treasury processes PCLOB's receipts and disbursements. 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 2026, PCLOB returned $297,721 of cancelled funds to Treasury (see Note 10).

## 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 (see Note 4).

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

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

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 Improvements | 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 5).

**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 date. 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 date but will require future funding to liquidate the obligation (see Note 6).

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 date, while noncurrent liabilities represent liabilities that PCLOB does not expect to be settled within the 12 months of the Balance Sheet date (refer to Note 7).

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. Lease Liabilities**

PCLOB performs an assessment of all arrangements which meet the definition of a lease to determine the proper recognition of lease activities, in accordance with SFFAS 54, *Leases*. PCLOB expenses all intragovernmental leases and leases with terms of 24 months or less. In FY 2026, the agency had no other types of lease arrangements. Refer to Note 8 for additional information.

**N. Contingent Liabilities**

Contingent liabilities are liabilities that may be incurred by PCLOB depending on the outcome of an uncertain future event, such as pending litigation. Contingencies are classified into three categories: probable, reasonably possible, and remote. A contingency is considered probable when the future confirming events are likely to occur. Probable

contingent liabilities are recognized by PCLOB in the financial statements provided the amount can be reasonably estimated (refer to Note 7). Contingencies are reasonably possible when the chance of the future confirming event occurring is more than remote but less than probable. Reasonably possible contingencies are disclosed by PCLOB in the notes to the financial statements, as well as probable contingencies that cannot reasonably be estimated. Remote contingencies are not recognized in the financial statements or disclosed in the notes to the financial statements.

### O. 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.

### P. Classified Activities

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

## NOTE 2 — FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balance as of September 30, 2026 and 2025 were as follows:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| **Status of Fund Balance with Treasury:** | | |
| Unobligated Balance | $ 5,781,717 | $ 4,127,878 |
| Obligated Balance Not Yet Disbursed | 555,237 | 2,015,038 |
| **Fund Balance with Treasury** | **$ 6,336,954** | **$ 6,142,916** |

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

Unobligated balances may include amounts that are not available for current use and are restricted to future use.

The Obligated Balance Not Yet Disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

## NOTE 3 — ACCOUNTS RECEIVABLE, NET

Accounts receivable, net balances as of September 30, 2026 and 2025 were as follows:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| **Accounts Receivable, Net:** | | |
| Intragovernmental | $ - | $ - |
| Other than Intragovernmental: | | |
| Accounts Receivable | 1,374 | - |
| Allowance | - | - |
| **Accounts Receivable, Net** | **$ 1,374** | **$ -** |

Accounts Receivable consists of amounts owed to PCLOB by other federal agencies and the public. Intragovernmental accounts receivable consists of amounts earned, but not yet reimbursed, through interagency reimbursable agreements with other federal agencies. Other than Intragovernmental Accounts Receivable represents the gross amount of monies owed to PCLOB by associate claims.

## NOTE 4 — ADVANCES AND PREPAYMENTS

Advances and Prepayments account balances as of September 30, 2026 and 2025 were as follows:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| **Advances and Prepayments:** | | |
| Intragovernmental | $ 1,619,707 | $ 11,501 |
| Other than Intragovernmental | - | 5,572 |
| **Advances and Prepayments** | **$ 1,619,707** | **$ 17,073** |

Advances and Prepayments represent cash outlays made to federal and non-federal entities for future goods and/or services. The agency's FY 2026 transition to a new procurement service provider (which requires contract costs to be paid upfront) resulted in a significantly higher advances and prepayments balance by year's end. 95% of the advances and prepayments balance as of September 30, 2026 of $1,619,707 related to eight service contracts (compared to two advance service contracts at the end of FY 2025).

## NOTE 5 — PROPERTY, PLANT, AND EQUIPMENT, NET

Property, Plant, and Equipment, Net, as of September 30, 2026 and 2025 were as follows:

| *(In Dollars)* | 2026 | | |
|---|---|---|---|
| **Major Class** | **Acquisition Cost** | **Accumulated Amortization/ Depreciation** | **Net Book Value** |
| Leasehold Improvements | $ 2,172,320 | $ 1,870,915 | $ 301,405 |
| Furniture and Equipment | 715,194 | 637,636 | 77,558 |
| | **$ 2,887,514** | **$ 2,508,551** | **$ 378,963** |

| *(In Dollars)* | 2025 | | |
|---|---|---|---|
| **Major Class** | **Acquisition Cost** | **Accumulated Amortization/ Depreciation** | **Net Book Value** |
| Leasehold Improvements | $ 2,172,320 | $ 1,683,590 | $ 488,730 |
| Furniture and Equipment | 715,194 | 579,819 | 135,375 |
| | **$ 2,887,514** | **$ 2,263,409** | **$ 624,105** |

## NOTE 6 — LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for PCLOB as of September 30, 2026 and 2025 include 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. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

Liabilities not covered by budgetary resources are always "other than intragovernmental" in nature.

All of PCLOB's liabilities as of September 30, 2026 and 2025 were currently due.

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| Liabilities Not Covered by Budgetary Resources: | | |
| Unemployment Insurance | $ 1,419 | $ - |
| Unfunded Leave | 283,113 | 441,500 |
| Contingent Liabilities | - | 86,000 |
| Total Liabilities Not Covered by Budgetary Resources | $ 284,532 | $ 527,500 |
| Total Liabilities Covered by Budgetary Resources | 223,457 | 529,252 |
| **Total Liabilities** | **$ 507,989** | **$ 1,056,752** |

Unemployment Insurance represents a liability for unemployment benefits paid on PCLOB's behalf and payable to the Department of Labor.

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 classified as liabilities not covered by budgetary resources. Sick and other leave is expensed as taken.

Contingent Liabilities represent future outflows of resources that are likely to occur and are measurable (see Note 7).

## NOTE 7 — OTHER LIABILITIES

The Other Liabilities account balances as of September 30, 2026 and 2025, entirely comprised of currently due balances, were as follows:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| **Other Liabilities:** | | |
| Intragovernmental: | | |
| Employer Contributions and Payroll Taxes Payable (without reciprocals) | $ 8,987 | $ 11,025 |
| Employer Contributions and Payroll Taxes Payable | 28,701 | 33,247 |
| Other Unfunded Emplyment Related Liability | 1,418 | - |
| Total Intragovernmental Other Liabitlities | $ 39,106 | $ 44,272 |
| Other than Intragovernmental: | | |
| Contingent Liabilities | $ - | $ 86,000 |
| Total Other than Intragovernmental Other Liabitlities | $ - | $ 86,000 |
| **Total Other Liabilities** | **$ 39,106** | **$ 130,272** |

Employer Contributions and Payroll Taxes Payable represents the employer portion of payroll taxes and benefit contributions, such as retirement, and health and life insurance. These intragovernmental liabilities also include the amount of PCLOB's funded liability for the Federal Employees' Compensation Act (FECA). Without reciprocals refers to transactions that are intragovernmental in nature, but no reciprocal balances will be reported by any other federal entity. For PCLOB, this balance relates to accrued liabilities for employees' withholding taxes under the Federal Insurance Contributions Act and hospital insurance tax.

## NOTE 8 — LEASES

PCLOB, as a lessee, has an intragovernmental lease arrangement for office space and associated parking, with payment made separately to the provider of on-premises security guard services. 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 for fiscal years 2026 and 2025 were $970,559 and $1,029,065, respectively.

Below is a schedule of estimated future payments under a single asset category (building) for the remaining term of the agreement, which is three 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)* |
|---|---|
| 2027 | $ 1,070,435 |
| 2028 | 603,333 |
| **Total Estimated Future Lease Payments (Federal)** | **$ 1,673,768** |

## NOTE 9 — 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 fiscal years ended September 30, 2026 and 2025, respectively, inter-entity costs were as follows:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| **Inter-Entity Costs:** | | |
| Office of Personnel Management | $ 426,178 | $ 668,891 |
| **Total Inter-Entity Costs** | **$ 426,178** | **$ 668,891** |

## NOTE 10 — UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The unobligated balance brought forward from the prior fiscal year, as reported on the Statement of Budgetary Resources, has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as cancelled authority. The Adjustments to Unobligated Balance Brought Forward as of September 30, 2026 and 2025, respectively, consisted of the following:

| *(In Dollars)* | 2026 | 2025 |
|---|---|---|
| Unobligated Balance from Prior Year Budget Authority, October 1 | $ 4,127,878 | $ 4,480,547 |
| Adjustments to Unobligated Balance Brought Forward: | | |
| Recoveries of Prior Year Obligations | 288,229 | 57,586 |
| Cancelled Authority | (297,721) | (331,422) |
| Net Adjustments to Unobligated Balance Brought Forward | $ (9,492) | $ (273,836) |
| **Unobligated Balance from Prior Year Budget Authority, Net** | **$ 4,118,386** | **$ 4,206,711** |

The most considerable adjustment to the agency's unobligated balance from prior year authority is the cancellation of budget authority (which was $297,721 and $331,422 as of September 30, 2026 and 2025, respectively). Deobligations or downward adjustments to prior year obligations that resulted in increased unobligated balances from prior year authority, represented as Recoveries of Prior Year Obligations, were $288,229 and $57,586 in FY 2026 and FY 2025, respectively. Obligated funds remain available for a five-year period after their period of availability expired, which is two years for PCLOB appropriations. After the passage of five years, however, the expired funds became unavailable for any purpose and are required to be returned to Treasury.

## NOTE 11 — 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, 2026 and 2025, respectively, were as follows:

| *(In Dollars)* | 2026 | | |
|---|---|---|---|
| | Intragovernmental | Other than Intragovernmental | Total |
| **Undelivered Orders:** | | | |
| Paid | $ 1,619,707 | $ - | $ 1,619,707 |
| Unpaid | 286,203 | 45,576 | 331,779 |
| **Total Undelivered Orders** | **$ 1,905,910** | **$ 45,576** | **$ 1,951,486** |

| *(In Dollars)* | 2025 | | |
|---|---|---|---|
| | Intragovernmental | Other than Intragovernmental | Total |
| **Undelivered Orders:** | | | |
| Paid | $ 11,501 | $ 5,572 | $ 17,073 |
| Unpaid | 36,162 | 1,449,622 | 1,485,784 |
| **Total Undelivered Orders** | **$ 47,663** | **$ 1,455,194** | **$ 1,502,857** |

## NOTE 12 — 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 2026 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2027 and can be found here. The Fiscal Year 2026 Budget of the U.S. Government, with the "Actual" column completed for 2025, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

| | Total Budgetary Resources | New Obligations & Upward Adjustments (Total) | Net Outlays |
|---|---|---|---|
| | | *(In Millions)* | |
| Combined Statement of Budgetary Resources | $ 18 | $ 14 | $ 13 |
| Unobligated Balance Not Available | (1) | - | - |
| **Budget of the U.S. Government** | **$ 17** | **$ 14** | **$ 13** |

## NOTE 13 — RECONCILIATION OF NET COST TO NET BUDGETARY OUTLAYS

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. 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 reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. The Reconciliation of Net Cost to Net Budgetary Outlays as of September 30, 2026, is as follows:

**RECONCILIATION OF NET COST TO NET BUDGETARY OUTLAYS**
**AS OF SEPTEMBER 30, 2026**
**(In Dollars)**

| | Intragovernmental | Other than Intragovernmental | Total |
|---|---|---|---|
| **Net Operating Cost (SNC)** | $ 4,886,457 | $ 6,840,333 | $ 11,726,790 |
| **Components of Net Cost Not Part of the Budgetary Outlays:** | | | |
| **Property, Plant, and Equipment Depreciation Expense** | - | (245,142) | (245,142) |
| **Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:** | | | |
| Accounts Receivable, Net | - | 1,374 | 1,374 |
| Advances and Prepayments | 1,608,206 | (5,572) | 1,602,634 |
| **(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:** | | | |
| Accounts Payable | 9,114 | 266,506 | 275,620 |
| Federal Employee Salary, Leave, and Benefits Payable | - | 181,977 | 181,977 |
| Other Liabilities | 5,166 | 86,000 | 91,166 |
| **Financing Sources:** | | | |
| Imputed Cost | (426,178) | - | (426,178) |
| **Total Components of Net Operating Cost Not Part of the Budgetary Outlays** | $ 1,196,308 | $ 285,143 | $ 1,481,451 |
| **Miscellaneous Items:** | | | |
| Differences Due to Rounding | $ (1) | $ - | $ (1) |
| **Total Components of the Budget Outlays That Are Not Part of Net Operating Cost** | $ (1) | $ - | $ (1) |
| **Total Net Outlays (Calculated Total)** | **$ 6,082,764** | **$ 7,125,476** | **$ 13,208,240** |
| **Budgetary Agency Outlays, Net** | | | **$ 13,208,240** |

Property, plant, and equipment depreciation expense ($245,142 in FY 2026) is a regularly occurring component of net cost not part of net outlays and a result of PCLOB's allocation of assets (i.e., furniture, IT equipment, etc.) to expenses over time. The total increase of $1,602,634 related to advances and prepayments is a result of PCLOB's transition to a new procurement service provider, IBC (which requires contract costs to be paid in advance),

from another procurement service provider, CFM (which did not require contract costs to be paid in advance). Federal employee salary, leave, and benefits payable was $181,977 lower than last year due to decreased staffing levels, which resulted in a lower-than-usual total accrued, unfunded leave balance for employees at year-end. Other liabilities decreased a total of $91,166, mostly related to a drop in contingent liabilities (from $86,000 associated with pending actions against the agency in FY 2025 to none in FY 2026), as discussed in Note 7. Finally, imputed cost of $426,178 was recorded as another regularly occurring component of net cost that is not part of net outlays, as it is financed by OPM, as discussed in further detail in Note 9.

The reconciliation of Net Cost to Net Budgetary Outlays as of September 30, 2025 is as follows:

**RECONCILIATION OF NET COST TO NET BUDGETARY OUTLAYS**
**AS OF SEPTEMBER 30, 2025**
**(In Dollars)**

| | Intragovernmental | Other than Intragovernmental | Total |
|---|---|---|---|
| **Net Operating Cost (SNC)** | $ 4,968,370 | $ 9,404,227 | $ 14,372,597 |
| **Components of Net Cost Not Part of the Budgetary Outlays:** | | | |
| Property, Plant, and Equipment Depreciation Expense | - | (255,879) | (255,879) |
| Property, Plant, and Equipment Disposals and Revaluations | - | (18,984) | (18,984) |
| **Increase/(Decrease) in Asset Not Affecting Budgetary Outlays:** | | | |
| Advances and Prepayments | (28,476) | (52,345) | (80,821) |
| **(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:** | | | |
| Accounts Payable | 18,145 | (45,809) | (27,664) |
| Federal Employee Salary, Leave, and Benefits Payable | - | (98,785) | (98,785) |
| Other Liabilities | (8,688) | (86,000) | (94,688) |
| **Financing Sources:** | | | |
| Imputed Cost | (668,891) | - | (668,891) |
| **Total Components of Net Operating Cost Not Part of the Budgetary Outlays** | $ (687,910) | $ (557,802) | $ (1,245,712) |
| **Miscellaneous Items:** | | | |
| Differences Due to Rounding | $ - | $ 2 | $ 2 |
| **Total Components of the Budget Outlays That Are Not Part of Net Operating Cost** | $ - | $ 2 | $ 2 |
| **Total Net Outlays (Calculated Total)** | **$ 4,280,460** | **$ 8,846,427** | **$ 13,126,887** |
| **Budgetary Agency Outlays, Net** | | | **$ 13,126,887** |

# Other Information

# Summary of FY 2026 Financial Statement Audit and Management Assurances

**TABLE 10:**
**Summary of 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 |

**TABLE 11:**
**Summary of Management Assurances**

**Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)**

Statement of Assurance: Unmodified

| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
|---|---|---|---|---|---|---|
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

**Effectiveness of Internal Control over Operations (FMFIA § 2)**

Statement of Assurance: Unmodified

| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
|---|---|---|---|---|---|---|
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

**Conformance with Federal Financial Management System Requirements (FMFIA § 4)**

Statement of Assurance: Federal systems conform

| Non-Conformances | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
|---|---|---|---|---|---|---|
| Total Non-Conformances | 0 | 0 | 0 | 0 | 0 | 0 |

**Compliance with Federal Financial Management Improvement Act (§ 803[a])**

We are not required to report under this act.

## Summary of FY 2026 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 material weakness not attributable to corrective actions (e.g., management re-evaluated and determined that a material weakness 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 OMB Circular A-136, *Financial Reporting Requirements*, and *Appendix C, Requirements for Payment Integrity Improvement,* of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires federal agencies, including PCLOB, to report detailed information related to their efforts to eliminate improper payments, which is summarized below.

### Payment Integrity Information Act Reporting

In FY 2026, PCLOB submitted payment integrity information to OMB through its annual data call to fulfill reporting requirements under PIIA and OMB makes comprehensive improper payment data and information available to the public at 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:

- *Executive Summary, as Reported in the Annual Data Call.* PCLOB's financial service provider, CFM, completes a number of activities throughout the year. CFM runs the Do Not Pay (DNP) process on a weekly basis. On a monthly basis, CFM prepares Prompt Pay, Discounts Lost, and Improper Payment metrics, and any identified improper payments are uploaded to connect.gov website. Also, CFM randomly samples 10% of PCLOB's previous month's IPP activity to test for improper payments. This ensures that IPP system controls are operating as intended and provides information on Contracting Officer's Representative (COR) performance. On a quarterly basis, CFM posts a quarterly report with PCLOB's Prompt Pay, Discounts Lost, and Improper Payment data to Connect. On an annual basis, in March/April, CFM completes a PIIA risk assessment over the prior year's data. In FY 2026, PCLOB had zero improper payments and was in 100% compliance with PIIA.

- *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). CFM prepares prompt pay, discounts lost, and improper payment metrics for PCLOB (on a monthly basis, for PCLOB's internal review) 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 2026 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, CFM 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 OMB 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 2026, the agency leverages the capabilities of their financial service provider, CFM, who conducts an annual improper payment risk assessment. Key components of the risk assessment performed by CFM include:

  - Data Analysis: CFM 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 2026, no payment types were assessed as high risk.
  - Control Evaluation: CFM evaluates existing controls and processes to determine their effectiveness in preventing improper payments.
  - Recommendations: Based on the findings, CFM provides PCLOB recommendations for improving controls and reducing the risk of improper payments.

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

- *Recovery Audits.* In FY 2026, 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.

- *Reporting.* The report listed below is available for the agency and can be accessed by navigating from the Resources page on PaymentAccuracy.gov to the Congressional Reports page and then selecting the relevant report from the dropdown list for the relevant agency and fiscal year.

  - *Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C)*

**Governmentwide Do Not Pay Initiative**

The Do Not Pay 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, CFM, runs the DNP process each week. CFM 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. According to CFM, these procedures have historically helped them reduce improper payments for their customers. Based on the results of the reviews to date, the DNP initiative identified zero PCLOB improper payments in FY 2026.

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 conductive 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 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 agency's general counsel or the GAO's FraudNet hotline should they suspect instances of fraud.

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:
# ABBREVIATIONS

| | |
|---|---|
| 9/11 Commission | National Commission on Terrorist Attacks Upon the United States |
| AFR | Agency Financial Report |
| AICPA | American Institute of Certified Public Accountants |
| BOD | Binding Operational Directive |
| CEAR | Certificate of Excellence in Accountability Reporting |
| CFM | Treasury Center for Financial Management |
| CFO | Chief Financial Officer |
| CISA | Cybersecurity and Infrastructure Security Agency |
| COR | Contracting Officer's Representative |
| DATA Act | Digital Accountability and Transparency Act of 2014 |
| DNP | Do Not Pay |
| ED | Emergency Directive |
| EO | Executive Order |
| EU | European Union |
| FASAB | Federal Accounting Standards Advisory Board |
| FBI | Federal Bureau of Investigation |
| FBwT | Fund Balance with Treasury |
| FECA | Federal Employees' Compensation Act |
| FEGLI | Federal Employees Group Life Insurance |
| FERS | Federal Employees Retirement System |
| FERS-FRAE | Federal Employees Retirement System-Further Revised Annuity Employees |
| FERS-RAE | Federal Employees Retirement System-Revised Annuity Employees |
| FISA | Foreign Intelligence Surveillance Act |

| | |
|---|---|
| FISMA | Federal Information Security Modernization Act |
| FMFIA | Federal Managers' Financial Integrity Act of 1982 |
| FY | Fiscal Year |
| GAAP | Generally Accepted Accounting Principles |
| GAO | United States Government Accountability Office |
| GPRA | Government Performance and Results Act |
| IBC | Interior Business Center |
| ICF | Internal Controls Framework |
| IPAC | Intra-Governmental Payment and Collection |
| IPP | Invoice Processing Platform |
| IT | Information Technology |
| KPI | Key Performance Indicator |
| N/A | Not Applicable |
| NSA | National Security Agency |
| NIST | National Institute of Standards and Technology |
| OCFO | Office of the Chief Financial Officer |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| PCLOB | Privacy and Civil Liberties Oversight Board |
| PIIA | Payment Integrity Information Act of 2019 |
| RAR | Recommendations and Assessments Report |
| SCIF | Sensitive Compartmented Information Facility |
| SCuBA | Secure Cloud Business Applications |

| | |
|---|---|
| SFFAS | Statement of Federal Financial Accounting Standards |
| SG | Strategic Goal |
| SSP | Shared Service Provider |
| SI | Super Intelligence |
| TSP | Thrift Savings Plan |
| Treasury | United States Department of the Treasury |
| TTRT | Tactical Terrorism Response Team |
| U.S.C. | United States Code |