Message from the Board on Completion of its First Financial Audit

On September 30, 2018, when the period covered by this audit ended, the Privacy and Civil Liberties Oversight Board had ten full-time employees working at the agency. Two were responsible for finance and accounting. The Board had no Chairman—that role had been vacant since July 2016—and only one part-time Board Member, who lived in Chicago. The Board had been without a quorum of Senate-confirmed Members for more than 18 months. Beginning in July 2016, when the previous Chairman departed, the Board was unable to hire new staff members. On top of these challenges, the Board was forced to move offices twice during this period, after its original headquarters location was sold and demolished.

Despite these headwinds, the Board’s tiny staff kept the agency operating, continuing to work on existing oversight projects while maintaining the Board’s ability to survive and function as a freestanding federal agency. The Board’s two-person finance team, supported by two experienced attorneys, managed the Board’s finances diligently and professionally.

The result: Despite facing a staffing situation perhaps unprecedented for an independent agency in the modern federal government, the Board maintained careful stewardship of all appropriated funds. Most importantly, this audit found no evidence of waste, fraud, or abuse of taxpayer dollars. We are grateful to the staff members whose hard work made this possible.

Three new Board Members, including the Board’s first full-time Chairman in more than two years, were sworn in on October 16, 2018, after the period covered by this audit had ended. The new Board appreciates the opportunity to use the information provided by this audit to further professionalize the agency’s financial management.

The attached audit report describes various issues related to accounting and internal controls, as compared with the standards in GAO’s Green Book:

- Many were the direct result of the Board’s dire staffing situation, vacant Chairman position, and lack of a quorum of Senate-confirmed Members during the period covered by the audit. (For example, see pages 9, 12.) Since recovering its quorum and receiving its first full-time Chairman in more than two years, the Board is moving quickly to rebuild its staff and provide more support to its financial team.

- Some reflect the auditors’ disagreement with accounting practices used by the Board’s shared-service providers—large federal agencies such as the U.S. Department of Agriculture, which provides bookkeeping services to the Board. (For example, see pages 16, 26-27, 30-31.) As a tiny agency, the only way for the Board to procure these services efficiently is to rely on shared services provided by larger federal agencies. Duplicating these capabilities internally would be a poor use of taxpayer funds and would devour the Board’s small staff and budget, leaving it unable to execute the mission assigned to it by Congress.
• Others reflect issues that have been addressed since the period covered by this audit ended. (For example, see pages 21, 24, 26.) For example, since recovering its quorum in October 2018, the Board has finalized its internal financial controls, hired its first full-time Internal Controls Officer, and initiated the process of engaging a full-time contractor to provide accounting support.

The Board views this audit as the first step in a process of self-evaluation and continual improvement, with the goal of achieving the highest attainable standard of federal financial management. At the same time, given the Board’s small size, it is inevitable that the Board’s path to excellence will be different than that taken by vastly larger federal agencies, with which the auditors may be more familiar. For example, as the GAO’s Green Book notes, a smaller entity “faces greater challenges in segregating duties because of its concentration of responsibilities.” The Board will work diligently to develop resourceful solutions to the tasks identified by its auditors, within the constraints imposed by its small size and unavoidable reliance on other agencies to provide vital services.

With its quorum restored and its first full-time Chairman in more than two years, the Board is working energetically to staff up and execute the mission assigned to it by Congress: ensuring that efforts to protect the nation against terrorism are balanced with the need to preserve privacy and civil liberties. At the same time, the Board will continue to pursue excellence in financial management, despite its small size. As a new agency, the Board is grateful for the support of Congress, the Office of Management and Budget, and other repositories of experience and expertise as it develops its institutional capacity and continues its responsible stewardship of taxpayer funds.