



THE  
PRIVACY AND CIVIL LIBERTIES  
OVERSIGHT BOARD

Agency Financial Report

Fiscal Year 2022





# **Privacy and Civil Liberties Oversight Board**

## **Agency Financial Report**

### **FISCAL YEAR 2022**

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

This report is available at <https://www.pclob.gov/FinancialReports>.  
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## ABOUT THIS REPORT

The Privacy and Civil Liberties Oversight Board (PCLOB) Agency Financial Report for fiscal year (FY) 2022 provides fiscal results and performance highlights for the reporting period beginning October 1, 2021 and ending September 30, 2022. This report enables the President, Congress, and the American public to assess the agency's fiscal accountability as the PCLOB advances its mission of ensuring that efforts by the executive branch to protect the nation from terrorism are balanced with privacy and civil liberties.

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



## HOW THIS REPORT IS ORGANIZED

The Agency Financial Report (AFR) presents the agency’s performance highlights and accomplishments, fiscal accountability, operational achievements, and challenges for FY 2022. It begins with a message from the Chair of the Board, followed by three sections and one appendix:

### Management’s Discussion and Analysis

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

### Financial Information

This section details the agency’s financial position as of the fiscal year that ended September 30, 2022. The agency’s FY 2022 audited financial statements and footnote disclosures are presented in this section, along with the independent auditor’s report.

- The auditor’s report speaks to whether the financial statements are materially correct in accordance with generally accepted accounting principles (GAAP). The auditors found PCLOB’s FY 2022 financial statements to be materially correct in accordance with GAAP.
- Financial statements provide actual financial results for the year and include the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Statement of Budgetary Resources. See the section that follows entitled “Key Terms Used in This Report” for a brief description of each statement and its purpose.
- Notes to the financial statements provide additional details and context concerning the numbers reported.

### Other Information

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

### Appendix

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



## KEY TERMS USED IN THIS REPORT

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

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

**Balance Sheet** - The Balance Sheet reports the agency's assets and liabilities at a fixed point in time – in this case, September 30, 2022 and 2021. Most of the terms on the Balance Sheet are familiar to users of financial statements; on a federal balance sheet, there is one unique term: “Fund Balance with Treasury.” Like bank accounts, the fund balances represent the amount of funding in the agency's accounts within the U.S. Treasury that is available to spend for the purposes for which the funds were approved by Congress.

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

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

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

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



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## MESSAGE FROM THE CHAIR



On behalf of the Privacy and Civil Liberties Oversight Board, I am pleased to present our Agency Financial Report for Fiscal Year 2022. This report provides a detailed assessment of the agency's financial status and demonstrates how the resources entrusted to us were used to support our mission: to review federal counterterrorism programs to ensure that they include appropriate safeguards to protect privacy and civil liberties. The performance and financial data in this report will allow the President, Congress, and the American people to assess our stewardship of the resources entrusted to us.

It is an honor for me to return to the PCLOB as its Chair after having had the privilege of serving as the independent agency's first Executive Director. I have long believed in the importance of the PCLOB's mission, and it has been exciting to return to the agency, to resume working to further its critical mission, and to see how much the agency has matured in its operations. The PCLOB has produced key oversight reports examining federal counterterrorism programs and has provided advice on a variety of government policies and programs designed to protect the nation from terrorism. The agency has also established solid relationships with the Intelligence Community, executive branch agencies, and Congress, and has worked to inform the public including through numerous public forums. The agency's talented staff has also grown to provide essential support to the agency's mission and its operations. Without a doubt, this vital agency has accomplished a great deal over the ten years of its existence as an independent agency, despite its small size.

While we have made much progress over the years, we still have a lot of important work to do and are now well positioned to do so. The PCLOB regained a quorum of Board Members in February of this year, and by September had achieved a full complement of five Board Members. Since re-establishing a quorum, the PCLOB has been busy. The Board approved and issued a new FY 2022-2026 Strategic Plan with updated strategic goals, objectives, and strategies and resumed issuing semi-annual reports to Congress and the President. The PCLOB has initiated new high priority oversight projects while continuing to pursue matters already on the agency's docket. In particular, the agency



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

has expanded its work examining the surveillance program operated pursuant to Section 702 of the Foreign Intelligence Act, a statute set for Congressional reconsideration next year. We are also embarking on a new examination of how government efforts to combat domestic terrorism may impact Americans' privacy and civil liberties, which has included hosting a successful online public forum on these issues in May. Further, the President's recently issued Executive Order on Enhancing Safeguards for United States Signals Intelligence Activities envisions several advice and oversight roles for the PCLOB, and we look forward to taking on these roles to help ensure safeguards for cross-border data flows under a new Trans-Atlantic Data Privacy Framework. The PCLOB's work also includes examinations of a broad range of additional critical issues, such as the application of facial recognition technology in aviation security and the Federal Bureau of Investigation's use of open-source data. The agency has also continued its important work to strengthen its institutional capacity, including building its workforce, enhancing cybersecurity, and bolstering financial controls.

As evidence of PCLOB's efforts to achieve and maintain excellence in budgetary and financial practices, the agency obtained an unmodified (clean) opinion on the FY 2022 financial statements for the fourth consecutive year in a row. Further, this year's assessment of our internal controls and financial management systems, as required by the Federal Managers' Financial Integrity Act and the Office of Management and Budget's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, enables me to provide reasonable assurance that the financial and performance information contained in this report is complete, reliable, and accurate.

It is only possible for the agency to achieve its mission through the incredible dedication, professionalism, and hard work of the PCLOB's extraordinary staff. Their efforts to sustain the agency represent public service at its best. They enable the agency to make a real difference by serving as a critical voice for privacy and liberties concerns as they strive to maintain the highest standards of workforce management, information and physical security, and financial accountability. On behalf of all of our Board Members, I express our deepest gratitude and appreciation to all of them.

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

Sharon Bradford Franklin  
Board Chair  
November 15, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Vision, Mission, and Core Values

#### VISION

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

#### MISSION

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

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

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

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

#### CORE VALUES

Four key values guide the PCLOB's work:

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



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

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

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

## **PCLOB History and Authorities**

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



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Through the Intelligence Reform and Terrorism Prevention Act of 2004, Congress created a Privacy and Civil Liberties Oversight Board within the Executive Office of the President. In 2007, Congress established the Privacy and Civil Liberties Oversight Board in its current form through the Implementing Recommendations of the 9/11 Commission Act as an independent executive branch, operating as a single entity under a single program.

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

PCLOB also has designated roles under Executive Order 13636 (*Improving Critical Infrastructure Cybersecurity*), Presidential Policy Directive 28 (regarding the conduct of signals intelligence activities for foreign intelligence and counterintelligence purposes), and Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (Section 803).





### Our Organization

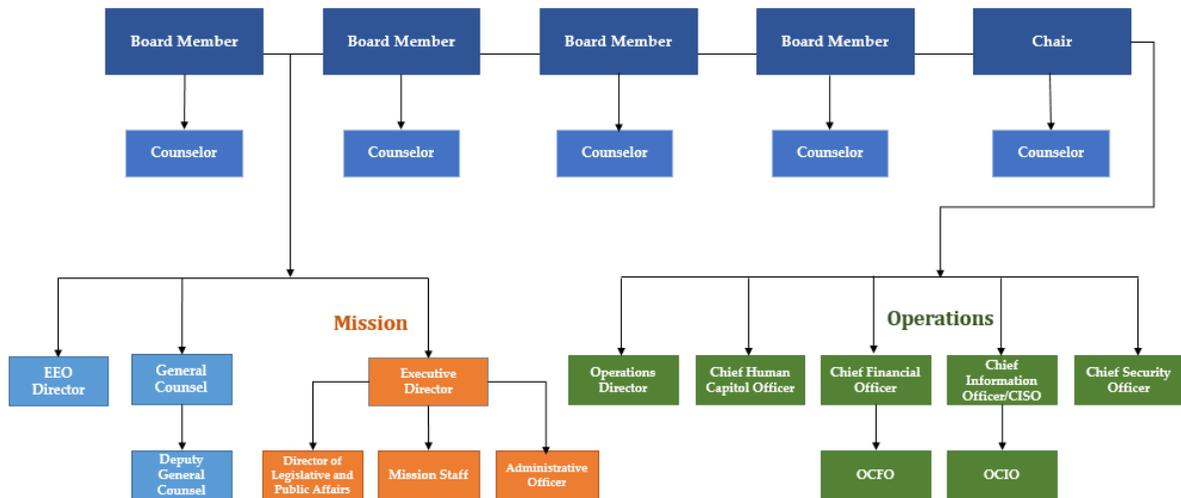
PCLOB’s headquarters is in Washington, D.C. A bipartisan group of five Board Members comprise the Board: a full-time Chair and four part-time Members, each appointed by the President, with the advice and consent of the Senate, to staggered six-year terms. The PCLOB’s statute requires that Members come from different political parties and be selected based on their professional qualifications, achievements, public stature, expertise in civil liberties and privacy, and relevant experience.

At the beginning of FY 2022, the Board was in a sub-quorum status, but the PCLOB regained a quorum of Board Members in February 2022. By fiscal year end, the Board had reached the full five Members upon the confirmation and swearing in of its fifth Member. For more about the existing Board Members, see PCLOB’s website at [www.pclob.gov/Board/Index](http://www.pclob.gov/Board/Index).

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



## Privacy and Civil Liberties Oversight Board Organizational Chart





## Performance Overview

### OVERCOMING CHALLENGES TO ACHIEVE OUR STRATEGIC GOALS AND OBJECTIVES

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#### **BOARD LEADERSHIP**

The agency is headed by a five-Member bipartisan Board, with each Member appointed by the President, with the advice and consent of the Senate. Terms are staggered, and Board Members are selected based on their professional qualifications, achievements, public stature, expertise in civil liberties and privacy, and relevant experience. Since Board Members are chosen with such due diligence, vacancies can be slow to fill. When the agency has less than the statutory quorum of three Members, the agency enters a sub-quorum period.

In FY 2021, the Board lost its quorum when one Member's term expired, and two Board Members resigned. Although some of the PCLOB's authorities were limited while in sub-quorum, the remaining Board Members worked to ensure continuity, with the staff working on existing projects, despite rising vacancies. In February 2022, PCLOB re-established a quorum, allowing the agency to initiate new oversight projects, finalize existing projects, and approve and issue the agency's first semi-annual report in a year, as well as its FY 2022-2026 Strategic Plan.

#### **RESPONDING TO THE ONGOING CORONAVIRUS PANDEMIC**

As the Coronavirus Disease-19 (COVID-19) pandemic continued into a third fiscal year, the PCLOB continued to fulfill its oversight and advice functions while ensuring the health and safety of all agency personnel, as well as the many stakeholders and government officials that interact with the agency. The PCLOB continued to monitor guidance issued by the Centers for Disease Control and Prevention (CDC) and any OMB directives relating to occupancy limits, facial masking, and social distancing requirements. As needed, PCLOB updated the agency's Workplace Safety Plan to incorporate new health and safety protocols. The PCLOB also continuously updated its Re-Entry Plan throughout the year to accommodate evolving workplace conditions and public health guidance. In line with the PCLOB Re-Entry Plan, the agency has adopted a hybrid model of telework and in-office work and implemented a phased approach to transition employees back into the office workspace by monitoring the COVID-19 community levels for Washington, DC each week. As a result of these measures, Board Members and staff have been able to continue their work on classified matters comfortably and safely in the agency's Sensitive Compartmented Information Facility (SCIF).



## AGENCY SIZE

PCLOB is a small agency, currently consisting of fewer than 40 full-time employees. Due to its small size, the agency must achieve its mission and conduct operations with limited resources. One way the PCLOB has compensated for its small size is by using shared-service providers for several key functions. The continued use of shared services, however, depends on the receipt of two-year appropriations and requires additional coordination with and oversight by PCLOB staff to achieve the highest standards of excellence.

As an independent executive branch agency, PCLOB must still meet various statutory requirements applicable to all agencies. Compliance can pose challenges given the 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, the PCLOB has sought and obtained from the OMB a four-year exemption from certain sections of the Government Performance and Results Act of 1993, Pub. L. No. 103-62 (1993), as amended by the GPRA Modernization Act of 2010, Pub. L. No. 111-352 (2010) (collectively, GPRA). As long as PCLOB's annual outlays remain under \$20 million, the agency remains exempt from annual performance plan and performance reporting requirements until FY 2026. However, the agency will continue to briefly 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.





## WORKFORCE REQUIREMENTS

The work performed by PCLOB’s employees requires an agile and diverse mix of talent equipped with critical skills that align with the evolving strategic workforce needs of the agency. As funds have allowed each year, the agency has sought to fill vacancies and grow its staff by recruiting skilled professionals with backgrounds in intelligence, counterterrorism, privacy and civil liberties, oversight and investigations, federal accounting, human resources, and information technology. As of the end of FY 2022, the PCLOB was in the process of hiring for vacant positions and expects to make several hiring decisions in early FY 2023.



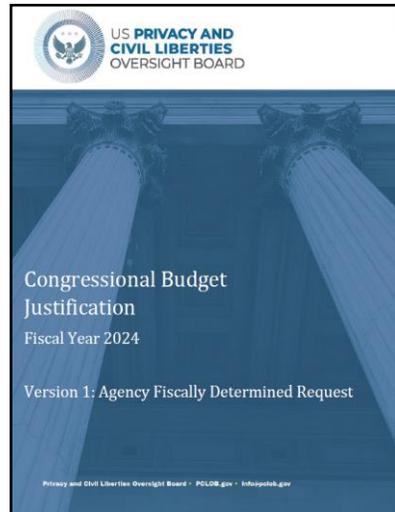
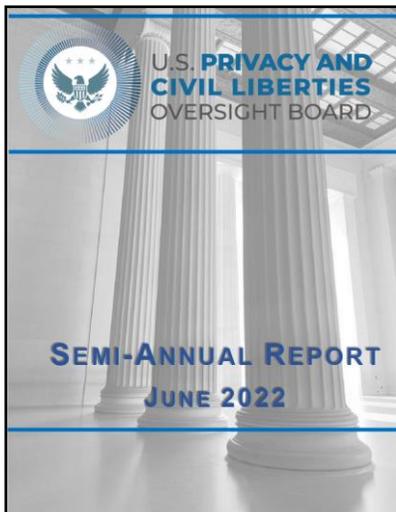
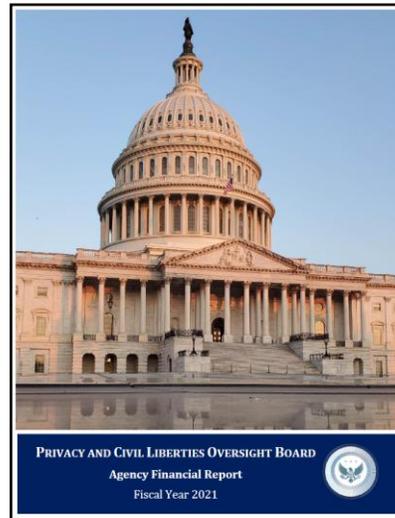
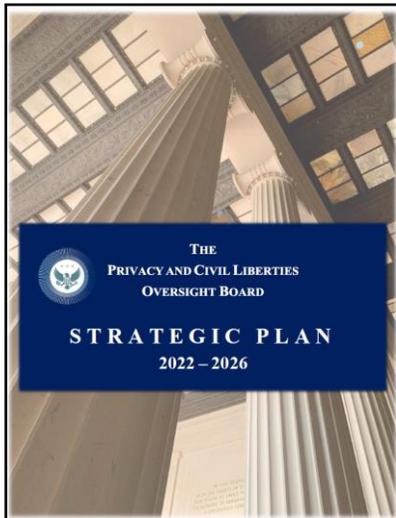
An underlying challenge for the agency has been the ability to provide to new hires and current staff alike competitive compensation with agencies the PCLOB oversees, due to a statutory salary pay cap set for PCLOB employees. Consistent with the President’s goal of strengthening and empowering the Federal workforce, as well as PCLOB’s strategic objective of recruiting and retaining a stronger and more diverse workforce, the agency is currently seeking legislative approval to increase its salary pay cap to enable the agency to pay salaries at levels equivalent to the full General Schedule (GS) pay scale, with the hopes of retaining and attracting the talented professionals required to accomplish the agency’s mission.

The PCLOB is also exploring the feasibility of offering recruitment and retention incentives to incoming and current staff. The agency has been drafting a recruitment and retention incentive plan and seeking approval from the Office of Personnel Management. The plan would support PCLOB’s efforts to incentivize prospective and current employees considered most likely to decline an offer or departing the agency for similar, but more highly compensated, positions elsewhere.



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

The PCLOB utilizes the objectives and strategies defined in the 2022-2026 Strategic Plan to guide mission work and operational support and to achieve the agency’s five strategic goals. The Board measures agency performance through accomplishments recognized in its various advice, oversight, and other mission activities, as reported in PCLOB’s semi-annual reports, annual Congressional Budget Justifications, and Agency Financial Reports, available on the [PCLOB website](#).





## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

The PCLOB's strategic plan for fiscal years 2022-2026, published in May 2022, outlines five strategic goals:

**STRATEGIC GOAL 1:** 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.

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

**STRATEGIC GOAL 2:** 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.

*Under its advice function, the agency is required to advise the President and executive branch departments and agencies to ensure that laws, regulations, policies, and programs related to efforts to protect the nation from terrorism are appropriately balanced against the need to protect privacy and civil liberties and are subject to appropriate guidelines and oversight.*

**STRATEGIC GOAL 3:** Strengthen the 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.

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

**STRATEGIC GOAL 4:** 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.

*The PCLOB is committed to ensuring that its work is available and useful to the public, in accordance with the agency's enabling statute.*

**STRATEGIC GOAL 5:** Continue to strengthen the PCLOB's institutional strength and capacity.

*In a manner consistent with its small size and limited workforce, the PCLOB must continuously develop its operational activities to achieve a standard of excellence in both mission and operational activities.*



## PERFORMANCE THROUGH PROGRESS

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

### STRATEGIC GOAL 1: OVERSIGHT

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

#### OBJECTIVE 1.1:

Develop and pursue a diverse portfolio of oversight projects while maximizing impact of each individual project.

#### OBJECTIVE 1.2:

Conduct oversight with rigor and integrity, and issue recommendations designed to enhance privacy and civil liberties protections in federal counterterrorism regulations, policies, procedures, and activities.

#### OBJECTIVE 1.3:

Promote and monitor implementation of PCLOB recommendations.

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

- The PCLOB has continued to track legislative proposals that would update existing authorities and laws related to defining, investigating, and prosecuting domestic terrorism. The PCLOB has also engaged with federal agencies to better understand the privacy and civil liberties implications of these agencies' efforts to combat domestic terrorism and has been working to determine the scope and nature of its oversight on domestic terrorism.



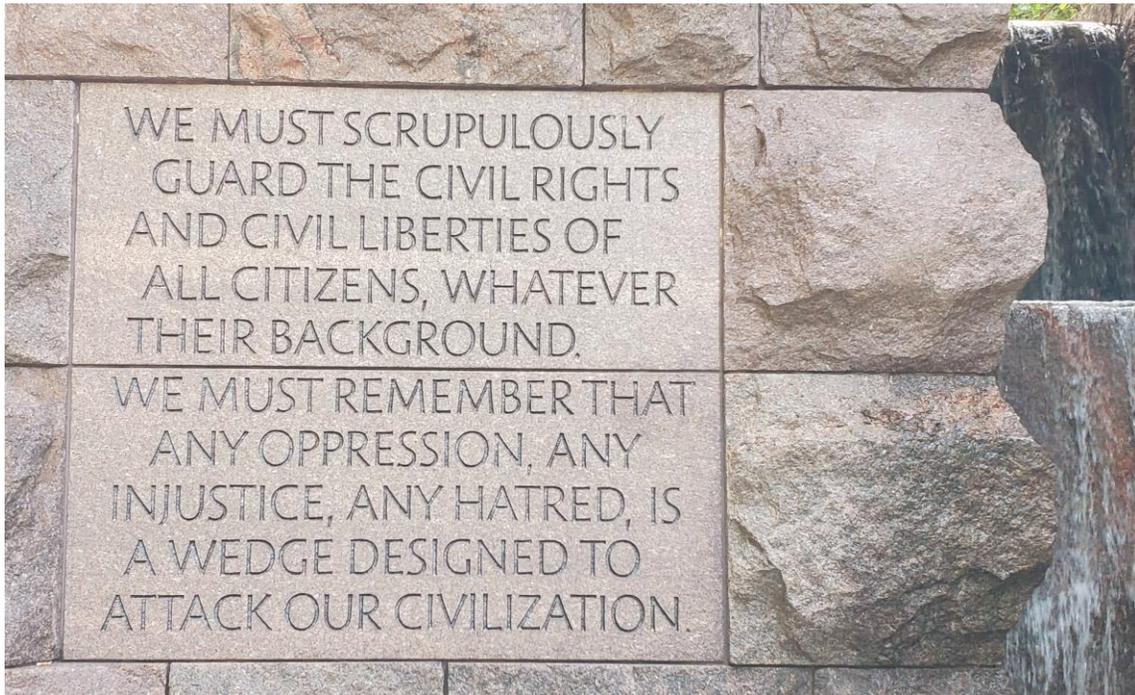
➤ PCLOB opened a new oversight project to examine the surveillance program operated pursuant to Section 702 of the Foreign Intelligence Surveillance Act (FISA), in anticipation of the measure’s December 2023 sunset date and the upcoming Congressional consideration of its reauthorization. This oversight project is examining significant changes to the operation of the 702 program since the Board’s *Report on the Surveillance Program Operated Pursuant to Section 702 of the Foreign Intelligence Surveillance Act* (July 2, 2014), as well as investigating U.S. Person queries of information collected under Section 702 and “upstream” collection conducted pursuant to Section 702. The oversight project will review the program’s past and projected value and efficacy, as well as the adequacy of existing privacy and civil liberties safeguards. This new project expands and broadens the agency’s existing project focused on the Federal Bureau of Investigation’s (FBI) querying of information obtained pursuant to Section 702. The Board has conducted multiple oversight engagements with intelligence agencies operating the program, including receiving briefings and obtaining relevant policy and procedure documents. To support this project and ensure the public has an opportunity to provide feedback, PCLOB has additionally sought public comments regarding this oversight project.





## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

- The PCLOB has been reviewing the operation of the Terrorist Screening Database, commonly known as the Terrorist Watchlist, which contains information on known and suspected terrorists. PCLOB staff has maintained regular engagement with the Terrorist Screening Center (TSC), which manages the Watchlist. PCLOB is working to finalize recommendations regarding the Watchlist.
- The PCLOB is working to produce a report, per Section 824 of the Consolidated Appropriations Act of 2022, assessing the impacts on the privacy and civil liberties of Americans concerning the use or recommended use of any federal laws, regulations, and policies used to address significant threats to the United States and Americans associated with foreign racially motivated violent extremist organizations. The report will include recommendations on options to develop protections to mitigate such impacts.



- The PCLOB is working on several other projects as well, including examining the application of facial recognition technology in aviation security, and the FBI's use of open-source data. These efforts comprise meetings and briefings and obtaining and reviewing relevant documents.



## **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.*

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### **OBJECTIVE 2.1:**

Serve as a source of trusted, independent, and expert advice to the President and executive branch departments, agencies, and elements on how to include privacy and civil liberties safeguards in the design and planning stages of counterterrorism efforts.

### **OBJECTIVE 2.2:**

Promote the protection of privacy and civil liberties in the design of counterterrorism programs.

### **OBJECTIVE 2.3:**

Maintain and enhance meaningful engagement with governmental privacy and civil liberties officers.

The PCLOB continues to perform its advice function, which entails providing guidance and recommendations to executive branch agencies on privacy and civil liberties issues related to matters within the agency's jurisdiction. Feedback from executive branch agencies suggests that the PCLOB's advice continues to be trusted and valued by the Intelligence Community and other agencies. For example, PCLOB has provided advice on past significant revisions to Attorney General guidelines under Executive Order 12333 by intelligence community elements since 2016, following the PCLOB's outreach to the Attorney General in 2013.



Other notable functions that PCLOB has performed in FY 2022 include:

- **Coordination of Executive Branch Privacy and Civil Liberties Activities.** Section 803 of the Implementing Recommendations of the 9/11 Commission Act of 2007 requires agencies' Privacy and Civil Liberties (P/CL) officers to issue semi-annual reports about their activities to their respective agency heads, Congress, and the PCLOB. The agency regularly receives and reviews Section 803 reports from federal departments and agencies.
- The PCLOB's authorizing statute instructs the agency to advise executive branch agencies on their efforts to protect privacy and civil liberties and to coordinate those activities on relevant interagency matters. As such, the PCLOB has regular interactions with agency P/CL officers which promote information sharing and privacy best practices.





### **STRATEGIC GOAL 3: TECHNOLOGY**

*Strengthen the 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.*

---

#### **OBJECTIVE 3.1:**

Rigorously analyze the use of new and emerging technologies in efforts to protect the nation against terrorism and the implications of such uses for privacy and civil liberties.

#### **OBJECTIVE 3.2:**

Assess the potential for new and emerging technologies to enhance privacy and civil liberties safeguards in the operation of counterterrorism programs and activities and recommend implementation of such technological approaches where appropriate.

#### **OBJECTIVE 3.3:**

Ensure that the PCLOB receives the technical input needed to conduct effective oversight and provide informed advice on issues related to advanced and emerging technologies and assess whether and how advanced technological tools and approaches may contribute to the PCLOB's own work.

Two of the PCLOB's current oversight projects include a particular focus on the government's use of surveillance technologies. Specifically, the PCLOB is assessing the government's use of its technological capabilities as part of the PCLOB's oversight of surveillance conducted under Section 702 of FISA. Further, the PCLOB is reviewing the use of facial recognition in aviation security. In addition, the PCLOB has continued to track developments regarding advanced and emerging technologies through an artificial intelligence and machine learning working group and an emerging technologies working group.



**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.*

**OBJECTIVE 4.1:**

Make the PCLOB's work available to the public and other stakeholders to the maximum extent possible, consistent with the protection of classified information and other applicable law.

**OBJECTIVE 4.2:**

Continue regular formal and informal interactions with Congress.

**OBJECTIVE 4.3:**

Engage directly with the public about the PCLOB's work and issues within the PCLOB's jurisdiction.

**OBJECTIVE 4.4:**

Identify appropriate opportunities to engage with international counterparts and stakeholders.

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

To foster a better understanding of its mission and work, Board Members and staff speak at events hosted by other government agencies, as well as by a variety of groups and organizations, including bar associations, business organizations, educational institutions, and non-governmental organizations. Staff conducted briefings to Capitol Hill staff to provide updates on the PCLOB's work and, upon request, to provide technical assistance on legislative matters. Board Members continue to remain available to testify about matters within the agency's jurisdiction. In late May 2022, the PCLOB held a virtual domestic terrorism public forum with both senior government officials and non-government experts on privacy and civil liberties issues related to the government's efforts to combat domestic terrorism.



## **STRATEGIC GOAL 5: COMPETENCE**

*Continue to enhance the PCLOB's institutional strength and capacity.*

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### **OBJECTIVE 5.1:**

Optimize the PCLOB's use of shared-service providers.

### **OBJECTIVE 5.2:**

Recruit and retain a diverse workforce equipped with an array of skills to achieve the PCLOB's mission.

### **OBJECTIVE 5.3:**

Continue to strengthen the PCLOB's financial management capabilities and ensure responsible stewardship of taxpayer funds.

### **OBJECTIVE 5.4:**

Maintain a high standard of personnel and information security.

### **OBJECTIVE 5.5:**

Continue to refine the PCLOB's internal policies and governance processes.

In August 2022, the PCLOB marked its tenth anniversary as an independent executive branch agency after being built from scratch without the support and infrastructure of another larger agency. Throughout its tenure as a small agency with limited workforce, the PCLOB has been continuously working to build a stronger foundation of administrative, managerial, and organizational capabilities. PCLOB's fifth strategic goal of strengthening the institutional capacity of the agency drives the agency to achieve the highest operational standards for its financial management, human resources, information technology, cybersecurity, and protection of classified information.

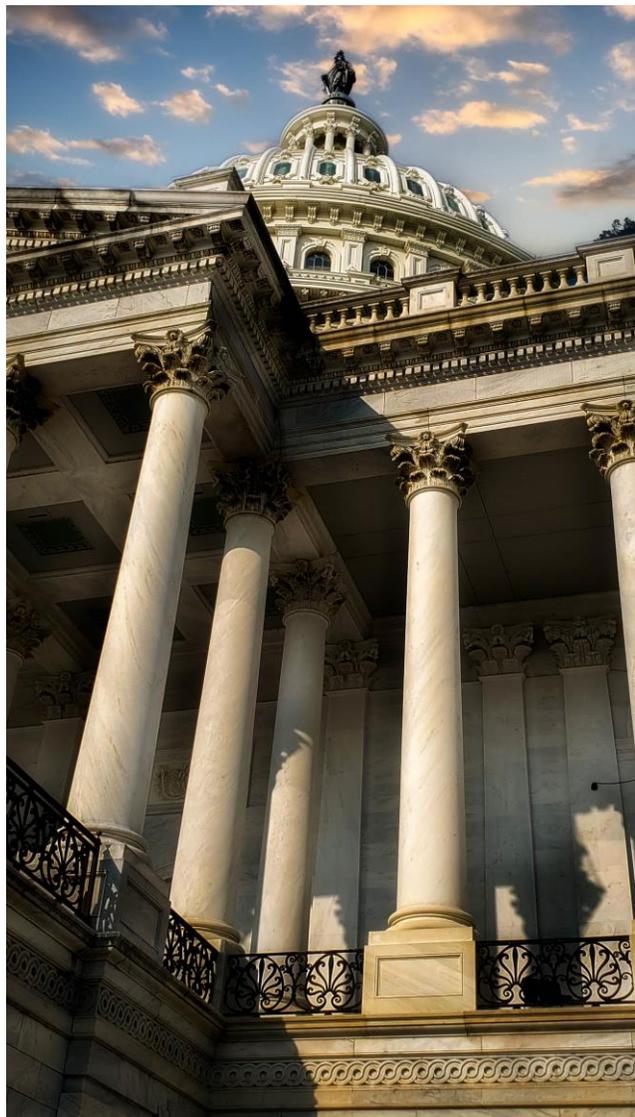


## Financial Management and Human Resources

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

PCLOB transitioned to different providers for its financial, payroll and HR, and procurement services in FY 2020. Annually, leadership assesses the operating performance of the providers to ensure the agency is still positioned to continue maximizing benefits from those transitions.

***G-invoicing Implementation*** - In FY 2022, PCLOB implemented the G-Invoicing system to manage intra-governmental buy/sell transactions, as mandated by Fiscal Service under the authority of 31 U.S.C. 3512(b) and 3513. These efforts will transform the Intra-Governmental Payment and Collection (IPAC) process through full implementation of G-invoicing, to include performance, invoicing, funds settlement and overcoming manual input of transactions. G-Invoicing will also provide more transparency, efficiency, and accuracy when reconciling trading partner transactions.





***Measures to Enhance the Agency’s Workforce*** – The PCLOB’s workforce is evolving as a result of new Presidential initiatives issued in 2021. To advance equity so that it is not just an ideal but a principle that is reflected in how the agency serves the American people and fulfills its mission, the Board developed and began implementing the PCLOB Equity Action Plan. This plan was developed specifically in response to Executive Order (EO) 13895, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*. In addition, the Board developed and began implementing a Diversity, Equity, Inclusion, and Accessibility (DEIA) Strategic Plan in line with EO 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*. The goal of these plans is to advance equity, civil rights, racial justice, and equal opportunity for all, both internally for PCLOB’s workforce and as part of its work to ensure that counterterrorism programs include adequate safeguards for privacy and civil liberties.

The PCLOB formed a DEIA Committee in FY 2022 and has been working to use data driven analytics to seek increased access and improve opportunities for historically underserved communities. The committee is working to complete its first Disabled Veterans Affirmative Action Plan as well as its first barrier analysis. As part of this effort, PCLOB has been working with the Equal Employment Opportunity Commission and Small Agency Council to leverage expert support in meeting equal employment opportunity (EEO) and DEIA initiatives.

PCLOB has also been working with the agency’s HR service provider, the Department of Interior’s Business Center (IBC), to implement FedTalent, a talent management system that integrates learning management and performance management. With a single system, FedTalent users create integrated electronic learning and performance records, including individual development plans and employee performance appraisals. Planned integration with the Office of Personnel Management (OPM)’s Electronic Official Personnel Folder (eOPF) system will provide additional efficiencies for the agency.



### Information Technology and Security of Agency Data

- Transitioned from a legacy security information and event management (SIEM) platform to an enhanced SIEM infrastructure with increased monitoring and logging capabilities to meet compliance objectives listed in the OMB Memorandum 21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*;
- Refined technical controls to strengthen and ensure compliance with Federal Information Security and Modernization Act (FISMA) requirements for cybersecurity;
- Maintained compliance with Department of Homeland Security (DHS) Binding Operational Directive 22-01, *Reducing the Significant Risk of Known Exploited Vulnerabilities*, to remediate vulnerabilities according to timelines set forth in the Cybersecurity and Infrastructure Security Agency (CISA) managed catalog;
- Completed two independent penetration tests that detected no critical or high vulnerabilities across the network infrastructure;
- Implemented DHS Emergency Directive 22-02, *Mitigate Apache LOG4J Vulnerability*, to identify, patch or remove impacted devices from agency network(s); and
- Improved network visibility with the onboarding of additional CISA Continuous Diagnostic and Monitoring (CDM) tools across network assets.





## **Financial Summary and Highlights**

Sound financial management is integral to the execution of PCLOB's mission. The following pages provide a summary and overview of the financial position of the PCLOB and highlights some of the most significant financial achievements carried out, as well as some financial management challenges, during FY 2022.

### **Audited Agency Financial Statements, FY 2018 to Present**

Following the agency's first financial statement audit in FY 2018 which resulted in the auditor's inability to render an audit opinion, the PCLOB's Office of the Chief Financial Officer (OCFO) worked diligently to establish, document, and implement new procedures and internal controls in various financial processes. With a solid foundation of control activities, policies, and procedures in place, PCLOB was able to remediate most of the previously identified audit weaknesses, obtaining an unmodified (clean) audit opinion over the PCLOB's FY 2019 financial statements with no new audit findings and no required audit adjustments.

The PCLOB continued to seek areas for operational improvement and growth in FY 2020, further refining and strengthening its accounting practices and internal controls by completing its first full internal controls assessment; successfully procuring and transitioning to new shared service providers for financial, HR and payroll, and procurement services; and fortifying the OCFO by appointing a Chief Financial Officer and hiring a full-time accountant.

As evidence of PCLOB's commitment towards strong financial management, the agency has now received unmodified audit opinions over the agency's financial statements for the past four fiscal years, with no new findings or required audit adjustments. These audit reports were included in PCLOB's AFRs, first issued in 2020 in accordance with guidelines and requirements established by the Office of Management and Budget and other governing entities. The issuance of an AFR by the agency represents a significant achievement for the agency, indicating significant growth in its capacity to not only achieve sound financial management but to faithfully report to the public in full compliance as well.



### **Financial Impact of COVID-19**

The financial impact of the continued COVID-19 pandemic on the PCLOB in FY 2022 was not significant, and no additional budgetary resources were necessary for the PCLOB to continue its mission.

### **Strengthened Financial Management through Enhanced Internal Controls and Improved Processes**

PCLOB continued to reinforce its overall financial management in FY 2022 in a number of ways:

- In early FY 2022, the OCFO reviewed all documented process control manuals and desk guides and made updates to maximize efficiencies and incorporate lessons learned throughout the previous fiscal year.
- Having established an effective internal control environment, the PCLOB performed a comprehensive internal controls risk assessment to identify and analyze relevant risks associated with achieving agency objectives. PCLOB is using the results of this risk assessment to develop and implement responses to identified operational and financial risks, as well as plan ways to evaluate and monitor the performance of those responses.
- Demonstrating its commitment to obtaining excellent service, responsiveness, and value for taxpayer dollars, the OCFO continued to streamline the procurement process, successfully identifying potential cost savings in both new and existing contracts.





## OVERVIEW OF FINANCIAL POSITION

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PCLOB’s financial statements are submitted to the OMB in compliance with the Accountability of Tax Dollars Act of 2002. As presented in the “Financial Information” section of this report, these statements support the agency’s objective to improve financial management and provide accurate, reliable information for assessing performance and allocating resources. Agency resources primarily consist of funds appropriated by Congress and administered by the Treasury. The agency has the authority to obligate these funds over a two-year period. In FY 2022, the agency received \$9.8 million in appropriations, operating under one general fund.

Overall, PCLOB’s financial position improved as a result of the FY 2022’s activities, as presented in the agency principal statements:

- Balance Sheet,
- Statement of Net Cost,
- Statement of Changes in Net Position, and
- Statement of Budgetary Resources.

PCLOB prepares its Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on an accrual basis, in accordance with generally accepted accounting principles; meaning that economic events are recorded as they occur, regardless of when cash is received or disbursed. Agency management is accountable for the integrity of the financial statements, which were prepared using PCLOB’s books and records in conformity with GAAP, which are the standards prescribed by FASAB for federal entities. The FY 2022 financial statements have been audited by an independent certified public accounting firm, Castro & Company. These financial statements earned an unmodified opinion and are included, along with accompanying footnote disclosures, in the “Financial Information” section of this report.

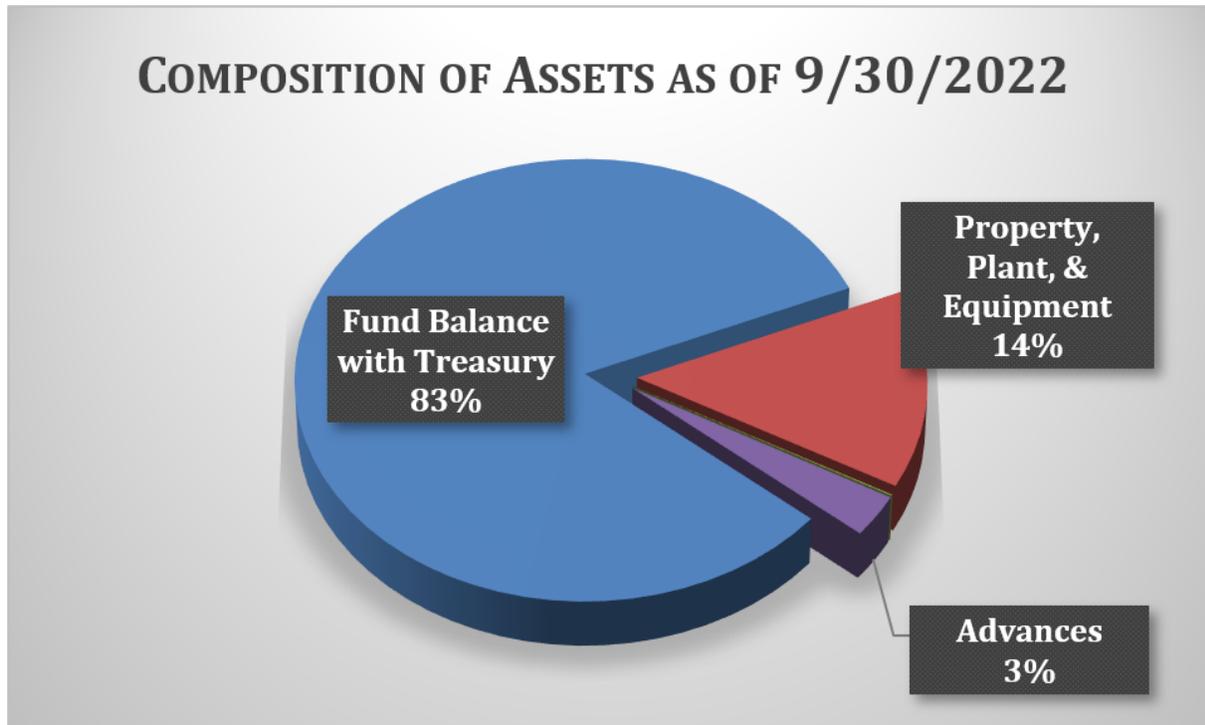
## BALANCE SHEET

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The Balance Sheet presents 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 Sheet reports the major components of PCLOB’s assets, liabilities, and net position at the end of FY 2022 and FY 2021.



**Assets**



Assets are the amount of current and future economic benefits owned or managed by PCLOB, which are used to achieve its mission. Total assets were approximately \$9.8 million at the end of September 30, 2022, compared to \$20.3 million from September 30, 2021. The Fund Balance with Treasury and property, plant, and equipment accounted for 83% and 14%, respectively, of overall agency assets in FY 2022. The Fund Balance with Treasury are monies held within Treasury and represents the balance in agency resources that are available for appropriated purposes to make future expenditures and pay liabilities. Property, plant, and equipment is comprised of tangible assets, such as equipment and leasehold improvements owned by the agency.

Overall, asset balances decreased between FY 2022 and FY 2021. Fund Balance with Treasury decreased \$10 million (or 55%) from \$18.1 million in FY 2021 to \$8.1 million in FY 2022, while net property, plant, and equipment balance decreased by about \$290 thousand (or 17%) from \$1.7 million in FY 2021 to \$1.4 million in FY 2022, primarily due to depreciation expense offset by additional information technology (IT) equipment. The decrease in FBwT is mostly attributed to the cancellation of funds which had been appropriated in FY 2017 in anticipation of the agency’s need to move offices and build out a new SCIF. The agency completed the build out and SCIF accreditation and moved to its current office location on North Capitol Street in Washington, DC in FY 2018. Obligated funds associated with the project remained available for a five-year period to liquidate



any associated project costs; however, the agency managed to complete the move and all improvements to the property under budget and thus returned \$9.2 million in cancelled funds to Treasury at year-end.

PCLOB's remaining assets include accounts receivable and prepayments for various contracted services and subscriptions. Due to concerted efforts to collect outstanding receivables from other federal agencies in FY 2022, the PCLOB's total receivables balance was nearly reduced to zero as of September 30, 2022. Total receivables decreased approximately \$117 thousand (or 94%) from \$124 thousand in FY 2021 to approximately \$7 thousand in FY 2022. PCLOB's prepayments balances remained steady from FY 2021 to FY 2022 at about \$300 thousand.

### **Liabilities and Net Position**

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. Total liabilities decreased approximately \$190 thousand (or 22%) from \$876 thousand in FY 2021 to \$686 thousand in FY 2022, primarily attributed to reduced accrued payroll and benefits expenses resulting from the drop in full-time employees between periods.

Net position is comprised of unexpended appropriations and cumulative results of operations. PCLOB's net position decreased approximately \$10.3 million (or 53%) from \$19.4 million in FY 2021 to \$9.1 million in FY 2022.

### **STATEMENT OF NET COST**

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The Statement of Net Cost reports the agency's net cost of operations for a given fiscal year. Net cost of operations is the difference between the costs incurred minus earned revenue attributed to and permitted to be offset against these costs. The agency's net cost of operations increased \$600 thousand (or 6%) from \$10.4 million in FY 2021 to \$11 million in FY 2022. The slight increase is mostly due to an increase in gross costs. Expenses were attributable to strategic programs enhancement and employee payroll and benefits.

PCLOB's earned revenues come from reimbursable agreements with other federal agencies for temporary detail assignments of PCLOB employees. Earned revenues increased approximately \$330 thousand (or 183%), from approximately \$180 thousand in FY 2021 to nearly \$510 thousand in FY 2022, largely due to an increase in the number of reimbursable detail assignments in FY 2022 compared to FY 2021.



## **STATEMENT OF CHANGES IN NET POSITION**

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

PCLOB’s net position as of September 30, 2022, shown on both the Balance Sheet and the Statement of Changes in Net Position, was \$9.1 million, a decrease of approximately \$10.3 million (or 53%) from FY 2021’s net position of \$19.4 million. This change was due to decreases of \$10.1 million (or 55%) in unexpended appropriations and about \$200 thousand (or 22%) in the Cumulative Results of Operations. As noted above, the cancellations of funds was due to the agency’s ability to come in under budget for the completion of its office move and build out of a new secure facility.

## **STATEMENT OF BUDGETARY RESOURCES**

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PCLOB’s total budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years. New obligations and upward adjustments result from an order placed, contract awarded, service received, or similar transaction, which will require payments during the same or a future period. Net outlays reflect the actual cash disbursed by Treasury for PCLOB obligations net of offsetting collections. Total budgetary resources were \$18.1 million for FY 2022, of which \$9.8 million came from new budget authority, and \$27 million for FY 2021, of which \$8.5 million came from new budget authority. New obligations and upward adjustments increased \$1.1 million (or 11%), from \$10.2 million in FY 2021 to \$11.3 million in FY 2022, while net outlays increased \$1.6 million (or 18%) from \$9.1 million in FY 2021 to \$10.7 million in FY 2022.



## LIMITATIONS OF THE PRINCIPAL FINANCIAL STATEMENTS

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





## **Analysis of Systems, Controls, and Legal Compliance**

### **Management Assurance**

This section addresses PCLOB's compliance with the Federal Managers' Financial Integrity Act of 1982, other applicable laws, and the agency's financial management system strategy.

### **Federal Managers' Financial Integrity Act**

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

FMFIA requires agencies to establish accounting and administrative controls over program, operational, and administrative functions, in addition to accounting and financial management. FMFIA also requires standards to ensure for the prompt resolution of all audit findings and mandates for agency heads to annually evaluate agency controls and provide an assurance statement on the adequacy of internal and administrative controls (Section 2) and conformance of systems with government-wide standards (Section 4).

The FMFIA FY 2022 Unmodified Management Assurance Statement, included later in this section, is consistent with the FY 2022 financial statement audit report, included in the "Financial Information" section.



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

Guidance for implementing FMFIA (31 U.S.C. § 3512) is provided through OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. PCLOB took into consideration the best practices set out by the GAO as well as the guidance provided by the OMB when developing the agency's Internal Controls Framework (ICF) Manual, issued in 2019 and updated in April 2021, with the goal of ensuring sound financial and non-financial risk management while accounting for the PCLOB's small size and limited resources. The ICF Manual sets out the agency's oversight role and strategic decision-making over enterprise risk management and policies and procedures for establishing, assessing, correcting, and reporting on internal control.

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

In FY 2022, the Internal Controls Team conducted a comprehensive risk assessment to identify agency risks and rate the likelihood and impact of each risk. The results of the risk assessment were then used to develop remediation plans for the PCLOB's consideration. The Internal Controls Team also updated documented key controls to address risks and assessed the design and operating effectiveness of these controls through detailed test procedures over all financial processes. No deficiencies were identified, and the PCLOB's internal controls were found to be operating effectively.

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



### **Payment Integrity Information Act of 2019**

The Payment Integrity Information Act of 2019 (PIIA) was enacted into law in spring 2020. The PIIA replaced the prior statutory regime concerning federal agency obligations to prevent, identify, and annually report on, improper payments (e.g., payment of incorrect amount, duplicate payment). Departing from its statutory predecessors, the PIIA establishes a monetary threshold for “significance” determinations, requires agencies to post improper payment reports on their respective websites, tasks OMB with developing PIIA guidance for agencies, and also requires OMB to create a centralized website for agencies’ improper payment reports concerning OMB-designated “high-priority” programs. By definition, significant improper payments are defined as gross annual improper payments exceeding both 1.5% of program outlays and \$10 million of all program or activity disbursements made during the fiscal year reported or \$100 million (regardless of the improper payment percentage of total program outlays).

Detailed information on improper payments for the U.S. Government is available online at <https://www.paymentaccuracy.gov/>. PCLOB is a small agency operating under one program, with no activities that are susceptible to the threshold amounts stated in the PIIA. Accordingly, PCLOB data is not included on this website.

Although the PCLOB is not susceptible to significant improper payments, the agency has a responsibility to implement certain financial and administrative controls relating to fraud and improper payments. In addition, PCLOB is required to report to Congress annually on the implementation of controls to mitigate and detect fraud, and to identify risks and vulnerabilities to fraud with respect to applicable processes, and the strategies, procedures, and other steps used by the agency to curb fraud. The Fraud Reduction and Data Analytics Act of 2015, now incorporated into PIIA, was first signed into law in June 2016 to improve financial and administrative controls and procedures to identify, assess, and address fraud risks. Application of the agency’s internal controls framework strengthens the agency effectiveness in meeting agency goals and objectives, while improving fraud prevention and detection of federal resources. PCLOB is a full participant in the Treasury’s “Do Not Pay” program operating through the Do Not Pay Business Center. Payees under consideration for payment are reviewed for eligibility through the pre-award component of the business center, payments are then re-verified in the pre-payment component, followed by post-payment data matching reviews. See the PCLOB’s FY 2022 Fraud Reduction Report in the “Other Information” section of this Agency Financial Report.



### **Debt Collection Improvement Act**

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

### **Anti-Deficiency Act**

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

### **Digital Accountability and Transparency Act**

The Digital Accountability and Transparency Act of 2014 (Public Law. 113-101), or DATA Act, was signed into law in May 2014 to establish governmentwide, financial data standards and increase the availability, accuracy, and usefulness of federal spending information. DATA Act implementation, which is being led by Treasury and the OMB, mandates federal agencies to report on procurement data to bring awareness to federal spending. Pursuant to the statutory reporting requirements, PCLOB submits award-level information for posting on [usaspending.gov](https://usaspending.gov) using the required standard data exchange called the DATA Act Information Model Schema. Federal spending that is reported on [usaspending.gov](https://usaspending.gov) is derived from financial and contract award information. The agency's financial system is updated with the most recent version of DATA Act Information Model Schema to ensure that the submission of all required financial data elements is complete and accurate. As for contract award data, the agency uses Treasury's Procurement Management System for domestic contracts, which automatically updates to Federal Procurement Data System-Next Generation, the central repository of information for federal contracting. Validation issues between financial and award information are reconciled each month to ensure that spending data is accurate.



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

**Financial Management Systems Strategy**

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

**Federal Information Security Modernization Act**

FISMA requires federal agencies to “develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.” In addition, FISMA requires federal agencies to conduct annual assessments of their information security and privacy programs, to develop and implement remediation efforts for identified weaknesses and vulnerabilities, and to report compliance to OMB. The PCLOB’s Office of Chief Information Officer (OCIO) performs a review of the PCLOB’s compliance with FISMA requirements each year. In accordance with FISMA and OMB Memorandum M-22-05, *Fiscal Year 2021-2022 Guidance on Federal Information Security and Privacy Management Requirements*, PCLOB submitted its FY 2022 metrics into the Department of Homeland Security’s CyberScope application on October 31, 2022.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD





## **Federal Managers' Financial Integrity Act FY 2022 Unmodified Management Assurance Statement**

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

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

PCLOB has established internal controls over its agreements, disbursements, and end-user controls, and relies on the controls over accounting, procurement, and general computer operations that Treasury has in place. PCLOB obtained Treasury's 2022 Statement on Standards for Attestation Engagements Number 18, *Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting* report and reviewed it to assist in assessing the internal controls over the PCLOB's financial reporting. After a thorough review of the results, the agency did not discover any significant issues or deviations in its financial reporting during FY 2022.

In FY 2022, PCLOB continued to develop its comprehensive Federal Information Security Modernization Act program for its information systems. This program included the implementation of a defined risk management framework that implements National Institute of Standards and Technology defined security controls and requirement for periodic audits. This has resulted in the agency's ability to manage organizational risk and maintain an effective information security program.

We assessed risks and evaluated internal control to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Through this assessment, the PCLOB can provide reasonable assurance that the objectives of Sections 2 and 4 of FMFIA have been achieved, and internal control over operations, reporting, and compliance with laws and regulations were operating effectively as of September 30, 2022.

Handwritten signature of Sharon Bradford Franklin in cursive.

Sharon Bradford Franklin  
Board Chair  
November 15, 2022

Handwritten signature of Raheel Baig in cursive.

Raheel Baig  
Chief Financial Officer  
November 15, 2022



## Forward-Looking Information

With a quorum re-established in early 2022, the PCLOB is well-positioned to initiate new oversight projects, finalize existing projects, and diligently work to achieve the goals, objectives, and strategies outlined in its recently approved FY 2022-2026 Strategic Plan. Accordingly, in FY 2023, the PCLOB will focus on key capabilities and anticipated performance in the following areas:

- Conducting 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;
- Providing effective, timely, and relevant advice regarding the protection of privacy and civil liberties in the development and implementation of legislation, regulations, and policies related to efforts to protect the nation against terrorism;
- Offering insight on the effects of new and emerging technologies on the balance between government power and privacy and civil liberties;
- Promoting transparency regarding the PCLOB's activities and issues within its jurisdiction, to the extent consistent with the protection of classified information and applicable law;
- Strengthening the PCLOB's institutional capacity. This includes a continued focus on recruiting and retaining highly qualified staff; maintaining robust cybersecurity; and exercising effective financial management to ensure that taxpayers dollars are spent wisely; and
- Implementing the PCLOB's FY 2022-2026 Strategic Plan.



The agency anticipates the following accomplishments in Fiscal Year 2023:

***New Advice and Oversight Roles*** – Shortly after FY 2022 ended, President Biden signed an EO on Enhancing Safeguards for United States Signals Intelligence Activities, directing the steps that the United States will take to implement the U.S. commitments under the European Union-U.S. Data Privacy Framework announced by President Biden and European Commission President von der Leyen in March of 2022. The EO calls on the Privacy and Civil Liberties Oversight Board to review Intelligence Community policies and procedures to ensure that they are consistent with the EO and to conduct an annual review of the redress process, including to review whether the Intelligence Community has fully complied with determinations made by the Director of National Intelligence’s Civil Liberties Protection Officer (CLPO) and the Data Protection Review Court (DPRC). The PCLOB plans to assume the advice and oversight roles envisioned for the agency in the EO and to begin this work in FY 2023.

***Completion of Oversight Projects*** – The PCLOB anticipates completing several oversight projects in FY 2023. In particular, the agency plans to publish a report examining the surveillance program operated pursuant to Section 702 of FISA in spring of FY 2023, in anticipation of the upcoming public and Congressional consideration of its reauthorization. The PCLOB is also working to finalize additional oversight projects and plans to release reviews and recommendations regarding additional projects in FY 2023.

***Enhanced Workforce*** – The PCLOB’s FY 2023 workforce anticipated performance objectives include:

- Continuing to implement the PCLOB’s DEIA and Equity Action Plans to advance equity, civil rights, racial justice, and equal opportunity for staff;
- Continuing to monitor the COVID-19 transmission levels, as well as OMB and CDC guidance, regularly updating and relaying to staff the agency’s Workforce Safety Plan and/or Re-Entry Plan, as necessary;
- Recruiting and hiring an EEO Director to monitor and evaluate compliance with applicable laws, guidelines, and policies to ensure that employment practices and contracting arrangements give equal opportunity without regard to race, religion, color, national origin, sex, age, or disability;
- Obtaining legislative approval to increase the agency’s salary pay cap to permit PCLOB to pay salaries equivalent to the top of the GS pay scale and at levels comparable to those offered by agencies the PCLOB oversees, with the goal of retaining and attracting the talented professionals required to accomplish the agency’s mission;



- Obtaining OPM’s approval of a new PCLOB recruitment, retention, and relocation incentive plan to incentivize incoming and current staff; and
- Increasing efficiency in operations and recruitment, as well as promoting employee growth and development.

***Sound Financial Management*** – The PCLOB will continue to further strengthen the agency’s financial management capabilities in the upcoming fiscal year, with specific focus on the following activities:

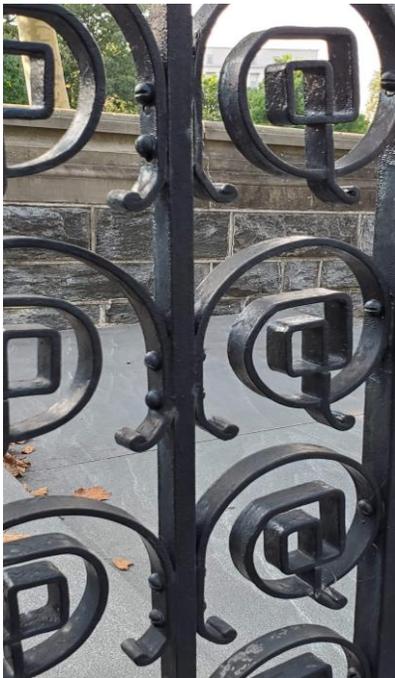
- Continuing to undergo regular external and internal audits, using any findings or recommendations to further refine internal controls and improve accounting practices;
- Continuing to use shared service providers to execute non-mission activities and periodically reviewing those arrangements to ensure optimal performance, responsiveness, and value for taxpayer dollars over the long term; and
- Continuing to conduct agency-wide planning that is linked and responsive to the budget process.

***Information Technology Systems and Cybersecurity*** – In FY 2023, PCLOB’s IT staff will remain focused on strengthening the agency’s cybersecurity posture while implementing zero trust strategies and tools deemed necessary to respond to the COVID-19 pandemic hybrid work environment. In addition, the agency will continue to leverage shared-service providers and contractor support to enhance its boundary protection.

For FY 2023, PCLOB will continue to focus its efforts on complying with federal standards and OMB’s Memorandum 21-31 to enhance investigative and remediation capabilities related to cybersecurity incidents. The agency’s IT staff will leverage CISA provided tools to strengthen, maintain, and document technical controls to comply with FISMA requirements.



***Protecting Classified and Sensitive Information*** – The PCLOB will remain focused on the protection of classified and sensitive information to achieve the highest standards of security for the agency’s cleared personnel, physical space, and classified and unclassified systems. This includes continuing the implementation of Trusted Workforce 2.0 Program, Operations Security Program, and Controlled Unclassified Information policy to maintain the agency’s robust self-inspection program, which ensures appropriate derivative classification. PCLOB will also continue to maintain a robust Trusted Access Program.



PCLOB plans to further strengthen its security and cybersecurity by:

- Leveraging the agency’s recently concluded FISMA audit to further refine cybersecurity practices, policies, and documentation, and conduct annual FISMA audits in FY 2023 and beyond;
- Continuing to implement the cybersecurity Cross-Agency Priority (CAP) Goals, which include continuous monitoring, anti-phishing defenses, and malware defenses;
- Training staff on cybersecurity, counterintelligence, and physical security threats; and
- Ensuring compliance with supply chain risk management to sustain the protection of systems.



## FINANCIAL INFORMATION

### Message from the Chief Financial Officer

It is my privilege to join Chair Franklin in presenting the FY 2022 PCLOB Agency Financial Report. This report demonstrates our commitment to financial accountability and transparency, as well as the agency's efforts to responsibly manage resources Congress provides through annual appropriations.

In most circumstances, the phrase “pretty routine” might be interpreted as unremarkable, or dull; however, that phrase, often used by our independent auditors when describing the status of the audit, has been received by our team as anything but ordinary. Although the PCLOB's financial management has endured a substantial overhaul since the agency experienced its first audit four years ago, the disclaimer of opinion and list of material weaknesses our agency received after the 2018 audit remains fresh in our memories. We recall all too well the uphill climb of building a sound financial program from scratch as we steadily worked to address each audit recommendation and the pride in accomplishment as each was crossed off the list. Within one year, the agency had built a strong fiscal foundation with documented procedures for each financial process, centered around a robust set of internal controls. These efforts led to the first of four consecutive unmodified (clean) audit opinions over the PCLOB financial statements, to include the FY 2022 financial statements that follow in this report. The struggle to achieve a sound financial posture has been great, so a “pretty routine” audit is considered a significant accomplishment for our small team.

Since successful implementation of an extensive list of changes in improvements in staffing, processes, and internal controls, we continue to work tirelessly with our financial service providers to strive for excellence by identifying further efficiencies. For example, PCLOB worked towards full implementation of a comprehensive Government-wide purchasing solution, known as G-Invoicing, in FY 2022. This long-term model will improve the quality of Intragovernmental buy/sell transactions by decreasing differences between federal agencies and better support timely and accurate accounting. Additionally, PCLOB rolled out to its staff a new learning management system, FedTalent, that automates staff training requirements and provides a primary source to track individual and cumulative training completion data.



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Our drive to achieve excellence in financial management has motivated a burning desire to achieve excellence in accountability reporting as well. This year, the PCLOB will take a bold step towards that accomplishment by participating in the Certificate of Excellence in Accountability Reporting, or CEAR program, administered by the Association of Government Accountants. By submitting this FY 2022 Agency Financial Report for peer review, we hope to improve future agency financial reports by utilizing the constructive feedback we anticipate receiving from our reviewers as we demonstrate our commitment to reporting excellence.

As Chief Financial Officer of the Privacy and Civil Liberties Oversight Board, I am proud of the agency's financial accomplishments and the staff's achievements of this year. I look forward to further success in the years to come.

A handwritten signature in blue ink, appearing to read 'Raheel Baig'.

Raheel Baig, Chief Financial Officer  
November 15, 2022





## Report of Independent Auditors



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

### Independent Auditor's Report on the Financial Statements

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

#### Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Privacy and Civil Liberties Oversight Board (PCLOB) financial statements. PCLOB's financial statements comprise the balance sheets as of September 30, 2022 and 2021, the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended, and the related notes to the financial statements. In our opinion, PCLOB's financial statements referred to above present fairly, in all material respects, PCLOB's financial position as of September 30, 2022 and 2021, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinion

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

#### Responsibilities of Management for the Financial Statements

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

#### Auditor's Responsibility for the Audit of the Financial Statements

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



Independent Auditor's Report  
Page 2

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the 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 basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

**Other Information**

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

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



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report

Page 3

the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 22-01, we have also issued our reports dated November 15, 2022, on our consideration of PCLOB's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, and contracts that are required to be reported under U.S. generally accepted government auditing standards. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards and OMB Bulletin No. 22-01 in considering the PCLOB's internal control and compliance and should be read in conjunction with this report in considering the results of our audit.

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

*Castro & Company, LLC*

Alexandria, VA

November 15, 2022



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

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

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

We have audited the financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

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

**Results of Our Consideration of Internal Control Over Financial Reporting**

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

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

We performed our procedures related to PCLOB’s internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

**Responsibilities of Management for Internal Control over Financial Reporting**

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



**Auditor's Responsibilities for Internal Control over Financial Reporting**

In planning and performing our audit of PCLOB's financial statements as of and for the year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered PCLOB's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PCLOB's internal control over financial reporting. Accordingly, we do not express an opinion on PCLOB's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

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

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

**Intended Purpose of Report on Internal Control over Financial Reporting**

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

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

*Castro & Company, LLC*

Alexandria, VA  
November 15, 2022



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

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

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

We have audited the financial statements of the Privacy and Civil Liberties Oversight Board (PCLOB), which comprise the balance sheets as of September 30, 2022 and 2021, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for Fiscal Year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to PCLOB. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for Tests of Compliance section below.

**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.



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

Independent Auditor's Report on Compliance with Laws and Regulations  
Page 2

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

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

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

*Castro & Company, LLC*

Alexandria, VA  
November 15, 2022



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

**Audited FY 2022 Financial Statements**

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD  
BALANCE SHEETS  
AS OF SEPTEMBER 30, 2022 AND 2021  
(In Dollars)**

	2022	2021
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 8,086,669	\$ 18,141,311
Accounts Receivable, Net (Note 3)	-	122,424
Advances and Prepayments	221,994	188,507
<b>Total Intragovernmental</b>	<b>8,308,663</b>	<b>18,452,242</b>
Other than Intragovernmental:		
Accounts Receivable, Net (Notes 3)	6,679	1,187
General Property, Plant, and Equipment, Net (Note 4)	1,414,930	1,707,695
Advances and Prepayments	75,641	104,007
<b>Total Other than Intragovernmental</b>	<b>1,497,250</b>	<b>1,812,889</b>
<b>Total Assets</b>	<b>\$ 9,805,913</b>	<b>\$ 20,265,131</b>
<b>Liabilities (Note 5):</b>		
Intragovernmental:		
Accounts Payable	\$ 293,054	\$ 63,062
Other Liabilities (Note 6)	19,424	58,151
<b>Total Intragovernmental</b>	<b>312,478</b>	<b>121,213</b>
Other than Intragovernmental:		
Accounts Payable	26,313	146,481
Federal Employee and Veteran Benefits Payable	282,534	392,483
Other Liabilities (Note 6)	64,557	215,766
<b>Total Other than Intragovernmental</b>	<b>373,404</b>	<b>754,730</b>
<b>Total Liabilities</b>	<b>\$ 685,882</b>	<b>\$ 875,943</b>
<b>Net Position:</b>		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 8,397,595	\$ 18,482,485
Cumulative Results of Operations - Funds from Other than Dedicated Collections	722,436	906,703
<b>Total Net Position</b>	<b>\$ 9,120,031</b>	<b>\$ 19,389,188</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 9,805,913</b>	<b>\$ 20,265,131</b>

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

**PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD  
STATEMENTS OF NET COST  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021  
(In Dollars)**

	2022	2021
<b>Gross Program Costs:</b>		
Gross Costs	\$ 11,524,295	\$ 10,547,084
Less: Earned Revenue	(507,124)	(179,061)
<b>Net Program Costs</b>	<b>\$ 11,017,171</b>	<b>\$ 10,368,023</b>
<b>Net Cost of Operations</b>	<b>\$ 11,017,171</b>	<b>\$ 10,368,023</b>

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD  
STATEMENTS OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021  
(In Dollars)

	2022	2021
<b>Unexpended Appropriations:</b>		
Beginning Balance	\$ 18,482,485	\$ 21,728,137
Appropriations Received	9,800,000	8,500,000
Other Adjustments	(9,199,153)	(1,983,807)
Appropriations Used	(10,685,737)	(9,761,845)
Net Change in Unexpended Appropriations	(10,084,890)	(3,245,652)
<b>Total Unexpended Appropriations</b>	<b>\$ 8,397,595</b>	<b>\$ 18,482,485</b>
<b>Cumulative Results of Operations:</b>		
Beginning Balance	\$ 906,703	\$ 1,334,705
Appropriations Used	10,685,737	9,761,845
Imputed Financing (Note 8)	147,167	178,176
Net Cost of Operations	(11,017,171)	(10,368,023)
Net Change in Cumulative Results of Operations	(184,267)	(428,002)
<b>Total Cumulative Results of Operations</b>	<b>\$ 722,436</b>	<b>\$ 906,703</b>
<b>Net Position</b>	<b>\$ 9,120,031</b>	<b>\$ 19,389,188</b>

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



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD  
STATEMENTS OF BUDGETARY RESOURCES  
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021  
(In Dollars)

	2022	2021
<b>Budgetary Resources:</b>		
Unobligated Balance from Prior Year Budget		
Authority, Net	\$ 7,809,723	\$ 18,517,133
Appropriations	9,800,000	8,500,000
Spending Authority from Offsetting Collections	507,124	6,089
<b>Total Budgetary Resources</b>	<b>\$ 18,116,847</b>	<b>\$ 27,023,222</b>
<b>Status of Budgetary Resources:</b>		
New Obligations and Upward Adjustments (total)	\$ 11,316,275	\$ 10,232,200
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,817,793	1,813,934
Unapportioned, Unexpired Accounts	7,796	96,369
Unexpired Unobligated Balance, End of Year	1,825,589	1,910,303
Expired Unobligated Balance, End of Year	4,974,983	14,880,719
Unobligated Balance, End of Year (total)	6,800,572	16,791,022
<b>Total Budgetary Resources</b>	<b>\$ 18,116,847</b>	<b>\$ 27,023,222</b>
<b>Outlays, Net:</b>		
Outlays, Net (total)	\$ 10,655,489	\$ 9,108,121
<b>Agency Outlays, Net</b>	<b>\$ 10,655,489</b>	<b>\$ 9,108,121</b>

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



## Notes to the Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

#### B. Basis of Presentation

The financial statements have been prepared to report 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 of 2002 and have been prepared in accordance with U.S. GAAP and accounting standards issued by FASAB in the format prescribed by the OMB A-136, *Financial Reporting Requirements*, as amended. FASAB is recognized by the AICPA as the official accounting standards-setting body for U.S. Government entities. These statements, apart from the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control PCLOB's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.



The financial statements represent intragovernmental and public activities. The intragovernmental balances, revenues, and costs reflect financial transactions between PCLOB and other federal agencies, while public 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 incurred, without regard to receipt or payment of cash. Under the budgetary basis, fund availability is recorded based upon legal considerations and constraints. PCLOB 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 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. Fund Balance with Treasury**

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

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



## F. Revenues and Other Financing Sources

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

Earned revenues as reported on the Statement of Net Cost represent revenue from services provided to another governmental agency through reimbursable agreements. No revenues were earned by PCLOB outside of federal sources in FY 2022 or FY 2021.

In certain instances, operating costs of the 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 OPM.

## G. Budgetary Accounting and Terminology

PCLOB follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

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.
- **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, where no actions have been taken to spend or obligate funding to pay for goods or services, nor bind the government to pay liabilities. Limitations in laws also create further categorization of unobligated balances into amounts being “available” to spend on new obligations, “unavailable” due to various limitations, or “expired” and no longer available for new obligations.
- **Outlays** – 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.
- **Offsetting Receipts** – Collections credited to the general fund receipt accounts that offset gross outlays of the agency. Offsetting receipts are composed of receipts from intragovernmental transactions authorized by law to be credited to expenditure accounts and are generally available for expenditure without further legislation. This line item on the Statement of Budgetary Resources includes all distributed offsetting receipts for the agency and is deducted from gross outlays to yield net agency outlays.

Congress often provides agencies with appropriations to obligate or spend in one fiscal year (starting October 1 and ending September 30). These funds are referred to as one-year appropriations, and the budget authority expires and can no longer be used to incur new obligations after September 30 of the fiscal year the appropriation was made.

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

## H. 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.



## **I. Personnel Compensation and Benefits**

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

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

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

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

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

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

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the Board 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 the 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.

**J. Intragovernmental Assets and Liabilities**

Intragovernmental assets and liabilities arise from transactions between the PCLOB and other federal entities. Fund Balance with Treasury comprises the majority of the assets on the agency’s Balance Sheet. Liabilities represent amounts that are likely to be paid by the agency as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid. Liabilities covered by budgetary or other resources are those liabilities of the PCLOB for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

**NOTE 2 – FUND BALANCE WITH TREASURY**

Fund Balance with Treasury account balances as of September 30, 2022 and 2021 were as follows:

	2022	2021
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 1,817,793	\$ 1,813,934
Unavailable	4,982,779	14,977,087
Obligated Balance Not Yet Disbursed	1,286,097	1,350,290
Non-Budgetary FBwT	-	-
<b>Total Fund Balance with Treasury</b>	<b>\$ 8,086,669</b>	<b>\$ 18,141,311</b>

No discrepancies exist between the FBwT reflected on the Balance sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the amount currently available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

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

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

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable balances as of September 30, 2022 and 2021 were as follows:

	2022	2021
<b>Accounts Receivable, Net:</b>		
Intragovernmental	\$ -	\$ 122,424
Other than Intragovernmental	6,679	1,187
Allowance for Doubtful Accounts	-	-
<b>Total Accounts Receivable, Net</b>	<b>\$ 6,679</b>	<b>\$ 123,611</b>

Intragovernmental accounts receivable are amounts due from other federal agencies for services provided, but not yet reimbursed, through reimbursable agreements. Other than intragovernmental accounts receivable consists primarily of receivables from employees.

Historical experience has indicated that the majority of the agency’s receivables are collectible, and, as such, the agency determined an allowance for doubtful accounts was not necessary as of as of September 30, 2022 and 2021.

**NOTE 4 – GENERAL PROPERTY, PLANT AND EQUIPMENT, NET**

General Property, Plant, and Equipment (PP&E) represents furniture, fixtures, equipment, and information technology hardware and software, and are recorded at original acquisition cost, which 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.). Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred.



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PCLOB’s capitalization threshold is \$5,000 for individual purchases and bulk purchases. 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.

PCLOB’s PP&E is depreciated or amortized using the straight-line method over the assets’ estimated useful lives. The useful life classifications for capitalized assets are as follows:

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

The agency’s PP&E is presented net of accumulated depreciation on the Balance Sheet. General PP&E, Net, as of September 30, 2022 and 2021, respectively, was as follows:

**FY 2022**

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

**FY 2021**

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 2,181,935	\$ 830,011	\$ 1,351,924
Furniture & Equipment	566,952	211,181	355,771
<b>Total PP&amp;E, Net</b>	<b>\$ 2,748,887</b>	<b>\$ 1,041,192</b>	<b>\$ 1,707,695</b>



**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred and covered by realized budgetary resources as of the Balance Sheet date. Available budgetary resources include new budget authority, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year.

The liabilities for PCLOB as of September 30, 2022 and 2021 are all currently due and include liabilities not covered by budgetary resources, none of which are intragovernmental in nature. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees’ Compensation Act (FECA) payments and annual leave. The government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

	2022	2021
Liabilities Not Covered by Budgetary Resources:		
Unfunded Leave	\$ 279,131	\$ 382,137
Actuarial FECA	288	288
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 279,419</b>	<b>\$ 382,425</b>
Total Liabilities Covered by Budgetary Resources	406,463	493,518
Total Liabilities Not Requiring Budgetary Resources	-	-
<b>Total Liabilities</b>	<b>\$ 685,882</b>	<b>\$ 875,943</b>

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

FECA liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on PCLOB’s behalf and payable to the U. S. Department of Labor.

**NOTE 6 – OTHER LIABILITIES**

Other liabilities account balances as of September 30, 2022 and 2021, entirely comprised of currently due balances, were as follows:

	2022	2021
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 4,788	\$ 16,050
Employer Contributions and Payroll Taxes Payable	14,636	42,101
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 19,424</b>	<b>\$ 58,151</b>
Other than Intragovernmental:		
Accrued Funded Payroll and Leave	\$ 64,557	\$ 215,766
<b>Total Other than Intragovernmental Other Liabilities</b>	<b>\$ 64,557</b>	<b>\$ 215,766</b>
<b>Total Other Liabilities</b>	<b>\$ 83,981</b>	<b>\$ 273,917</b>

**NOTE 7 – LEASES****Operating Leases**

PCLOB occupies office space under a lease agreement with another federal agency that is accounted for as an operating lease. The lease term began on April 30, 2018 and expires on April 29, 2028. The total operating lease expense relating to this agreement as of September 30, 2022 and 2021 was \$957,593 and \$954,349, respectively.



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

Fiscal Year	Total Lease Payments
2023	\$ 998,571
2024	1,035,451
2025	1,046,770
2026	1,058,428
2027	1,070,435
Thereafter	603,333
<b>Total Future Lease Payments</b>	<b>\$ 5,812,988</b>

**NOTE 8 – INTER-ENTITY COSTS**

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

PCLOB recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2022 and 2021, respectively, inter-entity costs were as follows:

	2022	2021
<b>Inter-Entity Costs:</b>		
Office of Personnel Management	\$ 147,167	\$ 178,176
<b>Total Inter-Entity Costs</b>	<b>\$ 147,167</b>	<b>\$ 178,176</b>



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

Net adjustments to the Unobligated Balance, Brought Forward, October 1 as reported on the Statement of Budgetary Resources (SBR) includes activity related to recoveries of prior year unpaid and paid obligations and cancelled authority.

	2022	2021
Unobligated Balance from Prior Year Budget Authority, October 1	\$ 16,791,022	\$ 20,374,305
Adjustments to Unobligated Balance Brought Forward:		
Recoveries of Prior Year Unpaid Obligations	47,734	119,885
Recoveries of Prior Year Paid Obligations	170,120	6,751
Cancelled Authority	(9,199,153)	(1,983,808)
Net Adjustments to Unobligated Balance Brought forward, October 1	(8,981,299)	(1,857,172)
<b>Total Unobligated Balance from Prior Year Budget Authority, Net</b>	<b>\$ 7,809,723</b>	<b>\$ 18,517,133</b>

**NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD**

Budgetary resources obligated for undelivered orders for the periods ended September 30, 2022 and 2021, respectively, were as follows:

**FY 2022**

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

**FY 2021**

	Intragovernmental	Other than Intragovernmental	Total
<b>Undelivered Orders:</b>			
Paid	\$ 188,507	\$ 104,007	\$ 292,514
Unpaid	(5,238,403)	6,217,599	979,196
<b>Total Undelivered Orders</b>	<b>\$ (5,049,896)</b>	<b>\$ 6,321,606</b>	<b>\$ 1,271,710</b>



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

The President’s Budget that will include fiscal year 2022 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2023 and can be found at [President's Budget | The White House](#). The 2023 Budget of the U.S. Government, with the "Actual" column completed for 2021, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	\$ 27	\$ 10	\$ 9
Unobligated Balance Not Available	(15)	-	-
Budget of the U.S. Government	\$ 12	\$ 10	\$ 9

The differences between the PCLOB’s SBR and the Budget of the U.S. Government for budgetary resources, obligations incurred, and net outlays are primarily due to rounding. A portion of the difference in the budgetary resources is due to expired unobligated balances being reported in the SBR but not in the Budget of the U.S. Government.

**NOTE 12 - RECONCILIATION OF NET COST TO NET OUTLAYS**

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliations of net cost to net outlays, also referred to as the budget and accrual reconciliations, for the PCLOB as of September 30, 2022 and 2021, respectively, are as follows:



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

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

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Cost of Operations (SNC)</b>	\$ 4,768,391	\$ 6,248,780	\$ 11,017,171
<b>Components of Net Cost Not Part of the Budgetary Outlays:</b>			
Property, Plant, and Equipment Depreciation Expense	-	(373,093)	(373,093)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(122,424)	5,492	(116,932)
Other Assets	33,487	(28,366)	5,121
(Increase)/Decrease in Liabilities:			
Accounts Payable	(229,992)	120,168	(109,824)
Federal Employee and Veteran Benefits Payable	-	109,949	109,949
Other Liabilities	38,727	151,209	189,936
Financing Sources:			
Imputed Cost	(147,167)	-	(147,167)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	\$ (427,369)	\$ (14,641)	\$ (442,010)
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of Capital Assets	-	80,328	80,328
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	\$ -	\$ 80,328	\$ 80,328
<b>Total Net Outlays (Calculated Total)</b>	\$ 4,341,022	\$ 6,314,467	\$ 10,655,489
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			\$ 10,655,489



PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

RECONCILIATION OF NET COST TO NET OUTLAYS  
 BUDGET AND ACCRUAL RECONCILIATION  
 FOR THE YEARS ENDED SEPTEMBER 30, 2021  
 (In Dollars)  
 FY 2021

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Cost of Operations (SNC)</b>	\$ 4,147,378	\$ 6,220,645	\$ 10,368,023
<b>Components of Net Cost Not Part of the Budgetary Outlays:</b>			
Property, Plant, and Equipment Depreciation Expense	-	(355,291)	(355,291)
Property, Plant, and Equipment Disposals & Revaluations	-	(82,653)	(82,653)
Inventory Disposals and Revaluations	-	(82,653)	(82,653)
Gains/Loses on All Other Investments	-	82,653	82,653
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	(231,930)	933	(230,997)
Other Assets	(432,146)	(28,365)	(460,511)
(Increase)/Decrease in Liabilities:			
Accounts Payable	139,490	(69,264)	70,226
Federal Employee and Veteran Benefits Payable	-	(37,238)	(37,238)
Other Liabilities	(6,973)	(23,062)	(30,035)
Financing Sources:			
Imputed Cost	(178,176)	-	(178,176)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	\$ (709,735)	\$ (594,940)	\$ (1,304,675)
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost:</b>			
Acquisition of Capital Assets	-	44,774	44,774
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	\$ -	\$ 44,774	\$ 44,774
<b>Misc Items:</b>			
Differences Due to Rounding	-	(1)	(1)
<b>Total Other Reconciling Items</b>	\$ -	\$ (1)	\$ (1)
<b>Total Net Outlays (Calculated Total)</b>	\$ 3,437,643	\$ 5,670,478	\$ 9,108,121
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			\$ 9,108,121



## OTHER INFORMATION

### Summary of FY 2022 Financial Statement Audit and Management Assurances

Summary of FY 2022 Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Summary of Management Assurances					
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0



## Summary of Financial Statement Audit and Management Assurances, Continued

### **Definition of Terms**

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



## **Payment Integrity Information Act of 2019**

As stated in the Analysis of Systems, Controls, and Legal Compliance section of the “Management’s Discussion and Analysis” of this AFR, the Board operates under one program with no activities that are susceptible to the threshold amounts stated in the Payment Integrity Information Act of 2019. The Board upholds its responsibilities to improve financial and administrative controls and procedures to identify, assess, and address fraud risks as required by PIIA, as described in the Fraud Reduction Report that follows.

## **Fraud Reduction Act**

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

PCLOB has established a system of internal controls to support effective and efficient operations that also helps to mitigate the risk of fraud. Such controls, which overlay formal policies and procedures, typically deal with factors such as approval and authorization processes, access restrictions and transaction controls, account reconciliations, and physical security. These procedures often include the division of responsibilities and checks and balances to reduce risk. To the extent that these controls affect financial reporting, they are reviewed and tested by management on an annual basis. While strong internal controls help to mitigate the risk of fraud, employees are strongly encouraged to contact the General Counsel or the GAO’s FraudNet hotline should they suspect instances of fraud.



## PRIVACY AND CIVIL LIBERTIES OVERSIGHT BOARD

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

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





## APPENDIX: GLOSSARY OF ACRONYMS

AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
ARC	Bureau of Fiscal Service's Administrative Resource Center
CAP	Cross-Agency Priority
CEAR	Certificate of Excellence in Accountability Reporting
CDC	Centers for Disease Control and Prevention
CDM	Continuous Diagnostic and Monitoring
CISA	Cybersecurity and Infrastructure Security Agency
CLPO	Civil Liberties Protection Officer
COVID-19	Coronavirus Disease-19
DATA Act	Digital Accountability and Transparency Act
DEIA	Diversity, Equity, Inclusion and Accessibility
DHS	Department of Homeland Security
DPRC	Data Protection Review Court
EEO	Equal Employment Opportunity
eOPF	Electronic Official Personnel Folder
EO	Executive Order
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FBwT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act



## APPENDIX: GLOSSARY OF ACRONYMS, CONTINUED

FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FISA	Foreign Intelligence Surveillance Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	U. S. Government Accountability Office
GPRA	Government Performance and Results Act
GS	General Schedule
HR	Human Resources
IBC	Interior's Business Center
ICF	Internal Controls Framework
IPAC	Intra-Governmental Payment and Collection
IT	Information Technology
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P/CL	Privacy and Civil Liberties
PP&E	Property, Plant, and Equipment



## APPENDIX: GLOSSARY OF ACRONYMS, CONTINUED

PCLOB	Privacy and Civil Liberties Oversight Board
PIIA	Payment Integrity Information Act of 2019
SIEM	Security Information and Event Management
SBR	Statement of Budgetary Resources
SCIF	Sensitive Compartmented Information Facility
SFFAS	Statement of Federal Financial Accounting Standards
SSAE	Statement of Standards for Attestation Engagements
TSC	Terror Screening Center
TSP	Thrift Savings Plan
Treasury	Department of the Treasury
U.S.C.	United States Code