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## Accessible Version

June 17, 2015

The Honorable Orrin G. Hatch  
President Pro Tempore of the United States Senate

The Honorable Mitch McConnell  
Majority Leader  
The Honorable Harry Reid  
Minority Leader  
United States Senate

The Honorable Roy Blunt  
Chairman  
The Honorable Charles E. Schumer  
Ranking Member  
Committee on Rules and Administration  
United States Senate

### **Senate Preservation Fund: Audit of Fiscal Years 2013 and 2014 Transactions**

In September 2003, the Senate Preservation Fund (Fund) was established within the Department of the Treasury (Treasury).<sup>1</sup> The Fund is available to the Senate Commission on Art (Commission) to fund activities related to acquiring works of art, historical objects, documents, and materials relating to historical matters, or exhibits in the Capitol and Senate office buildings. The Library of Congress (Library) provides financial management and disbursing services and support to the Commission. GAO is required to audit the Fund and report the results to the Commission.<sup>2</sup>

This report presents the results of our audit of the Commission's transactions as recorded in the Fund during fiscal years 2013 and 2014. Our audit objectives were to determine to what extent (1) the Commission's and the Library's policies and procedures were documented and designed to help ensure that the Fund's recorded transactions would be authorized in advance, promptly and accurately accounted for, and supported, and (2) the Commission and the Library executed Fund transactions for fiscal years 2013 and 2014 in accordance with these policies, procedures, and applicable laws.

To address these objectives, we reviewed the Fund's enabling legislation and the Commission's and the Library's documented operating, reporting, and oversight policies and procedures and compared them to applicable federal internal control standards to assess the adequacy of controls these policies and procedures contained related to transaction authorization, prompt

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<sup>1</sup>Pub. L. No. 108-83, 117 Stat. 1007, 1012 (Sept. 30, 2003) (classified, as amended, at 2 U.S.C. § 2108 (c)).

<sup>2</sup>2 U.S.C. § 2108(c)(6).

and accurate accounting, and documentation.<sup>3</sup> We tested 100 percent of the Fund's transactions that were recorded during fiscal years 2013 and 2014 and reviewed related accounting records and supporting documentation to determine to what extent the documented policies and procedures were followed. To assess whether transactions were executed in compliance with laws considered significant to our audit objectives, we reviewed the relevant statutory requirements, supporting documentation, and accounting for all Fund transactions.

We conducted this performance audit from March 2015 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See enclosure I for a more detailed discussion of our scope and methodology.

## Results in Brief

We found that the policies and procedures for the Commission's operations and oversight and the Library's operations and reporting were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. For fiscal years 2013 and 2014, the Fund's recorded transactions consisted of a total of 110 investment and operating-related disbursement transactions. There were no operating-related receipt transactions during this period. We found that 101 of the 110 investment and operating-related disbursement transactions were executed in accordance with the Commission's and the Library's policies and procedures, and that all transactions were in compliance with applicable laws that we deemed significant to the objectives of our audit. In addition, the Commission and the Library followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

## Background

In 1988, the Commission was authorized to supervise, hold, place, protect, and make known all works of art, historical objects, and exhibits in the Senate wing of the Capitol and Senate office buildings and in all rooms, spaces, and corridors thereof.<sup>4</sup> The Commission is made up of five U.S. senators—the President Pro Tempore of the Senate, the Majority and Minority Leaders of the Senate, and the Chairman and Ranking Member of the Senate Committee on Rules and Administration.

In September 2003, the Fund was established within the Treasury and appropriated—by transfer from the contingent fund of the Senate—\$500,000 in initial funding. The Fund is available to the Commission to pay for expenses associated with

- acquisition of any work of art, historical object, document, or material related to historical matters, or exhibit for placement or exhibition within the Senate wing of the Capitol and Senate office buildings;

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<sup>3</sup>GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

<sup>4</sup>Section 901 of Pub. L. No. 100-696, 102 Stat. 4571, 4610 (Nov. 18, 1988) created the Commission by amending and enacting into law Senate Resolution, S. Res. 382, 90th Cong. (1968). With subsequent amendments, the law governing the Commission is now classified at 2 U.S.C. §§ 2101-2108.

- official activities of any advisory board established by the Commission pursuant to Public Law 108-83, including actual and necessary expenses incurred in the performance of its official duties;
- meals and refreshments, subject to limitation, in connection with official activities of the Commission; and
- any purposes for which funds from the contingent fund of the Senate may be used pursuant to Public Law 101-302, as amended (2 U.S.C. § 2108).

On behalf of the Commission, the Commission's Executive Secretary and staff provide operational support and assistance for activities financed by the Fund, including managing and overseeing the authorization, approval, and processing of operating disbursements and amounts received by the Commission for deposit to the Fund. The Executive Secretary is responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable laws and (2) related policies and procedures and internal controls are established and followed.<sup>5</sup>

Pursuant to Public Law 108-83, the Library is to provide financial management and disbursing services and support to the Commission as may be required and mutually agreed to by the Librarian of Congress and the Commission's Executive Secretary.<sup>6</sup> The Library's principal services and support include the investment of funds not needed for immediate withdrawal, the processing of receipt and disbursement transactions, and the development and maintenance of the Fund's accounting records and related support. The Library, through its Chief Financial Officer, is also responsible for ensuring that appropriate policies, procedures, and internal controls related to its service and support to the Commission are established, documented, and followed. During the period covered by our audit, the Fund activity processed by the Library consisted of investment and operating-related disbursement transactions.

### **The Commission's and Library's Operating, Reporting, and Oversight Policies and Procedures Were Sufficiently Documented and Adequately Designed**

For fiscal years 2013 and 2014, the policies and procedures for the Commission's operations and oversight and the Library's operations and reporting were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. The Commission's operating and oversight policies are contained in legislation, a Commission Delegation Letter, the *United States Senate Acquisition Policy*, and a memorandum from the Commission to the Library. The Library's operating and reporting policies and procedures are contained in (1) accounting guidelines for the Fund providing documented procedures for processing receipts, (2) a payment procedures directive providing procedures for disbursements, and (3) standard operating procedures documenting the Library's investment procedures supporting the Fund.

### **Fund Activity for Fiscal Years 2013 and 2014**

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<sup>5</sup>Federal internal control standards recognize that an entity's management is responsible for designing and implementing appropriate internal controls to achieve objectives related to the effectiveness and efficiency of operations, including the use of resources and the reliability of internal and external financial reporting. An entity's management is also responsible for monitoring and evaluating the effectiveness of internal control. See GAO/AIMD-00-21.3.1.

<sup>6</sup>2 U.S.C. § 2108(c)(5).

As summarized in table 1, the Fund’s recorded transactions consisted of 110 investment and operating-related disbursement transactions. There were no operating-related receipt transactions during this period. The Fund’s investment-related transactions consisted of 52 purchases of investments and 45 redemptions of investments. In addition, there were 13 operating-related disbursements from the Fund in fiscal year 2014 for activities related to the Commission’s Advisory Board.<sup>7</sup> Table 1 presents a summary of the Fund’s financial transactions covering fiscal years 2013 and 2014, as recorded by the Library.

**Table 1: Summary of Total Recorded Fund Transactions and Balances for Fiscal Years 2013 and 2014**

Fiscal year	Beginning Fund balance	Operating-related		Investment-related	Ending Fund balance
		Disbursements	Receipts	Net cash provided by investments	
2013	\$468,702	\$0	\$0	\$456	\$469,158
2014	\$469,158	\$5,563	\$0	\$228	\$463,823

Legend: Fund = Senate Preservation Fund.

Source: GAO analysis of Library of Congress records for the Senate Preservation Fund. | GAO-15-587R

### Commission Policies and Procedures for Fund Operations and Oversight

We found that the Commission’s operating and oversight policies and procedures were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund’s receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. Following are examples of these policies and procedures.

- **Receipts:** The Commission’s documented policies and procedures for receipts provide that the Commission may accept gifts of money and that any such gifts must be deposited in the Fund’s account at the Treasury.
- **Disbursements:** The Commission’s documented policies and procedures for disbursements provide that disbursements may only be made for (1) costs incurred in carrying out the purposes of the Commission, (2) official activities of advisory boards established by the Commission, and (3) the acquisition of works of art and historical objects or any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a). The policies and procedures also provide that disbursements over \$10,000 from the Fund are to be made using vouchers approved by the Commission and signed by the Executive Secretary of the Commission. Furthermore, the policies and procedures provide that disbursements under \$10,000 are to be made using vouchers approved by the Commission’s Executive Secretary.
- **Investments:** The Commission’s documented policies and procedures for investments provide that any portion of the Fund that is not needed to meet current withdrawals is to be invested in an interest-bearing obligation of the United States or an obligation guaranteed as to principal and interest by the United States.

<sup>7</sup>The Commission’s Advisory Board provides advice and assistance to the Commission on the acquisition, care, and disposition of items for or within the United States Senate Collection, and on such other matters as the Commission determines appropriate.

- **Oversight:** The Commission's documented policies and procedures for oversight set out required steps for how acquisitions, gifts, disbursements, communication, and investments are to be processed and accounted for at the Commission and the Library.

### **Library Policies and Procedures Supporting Fund Operations and Reporting**

We found that the Library's operating and reporting policies and procedures were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. Following are examples of these policies and procedures.

- **Receipts:** The Library's documented and approved accounting guidelines contain procedures for processing operating-related receipt transactions, such as depositing checks or similar instruments in the Fund at the Treasury.
- **Disbursements:** The Library has a payment directive that documents its operating procedures for paying vendors on behalf of the Commission. The directive sets out required steps the Library should follow to help ensure that Fund payments are properly authorized, accurate, approved, and recorded and are made on a timely basis. The directive also requires the Library to have the appropriate segregation of duties between authorizing, approving, and recording the payment.
- **Investments:** The Library's standard operating procedures establish the required steps staff should follow to help ensure that investment transactions would be authorized in advance, promptly and accurately accounted for, and supported. Specifically, the procedures outline the detailed responsibilities of staff members and reviewers during the preparation and review of investment transactions.
- **Reporting:** The Library's documented and approved accounting guidelines for the Fund contain policies and procedures for reporting to the Commission on a quarterly basis. The guidelines provide that pertinent information, such as Fund transaction activities, be reported in a form and time frame that enables those who need the information to carry out their responsibilities efficiently and effectively.

### **Most Fund Transactions Were Executed in Accordance with Applicable Policies and Procedures, and All Transactions Were in Compliance with Significant Laws**

We found that 101 of the 110 investment and operating-related disbursement transactions were executed in accordance with the Commission's and the Library's policies and procedures, and that all transactions were in compliance with applicable laws that we deemed significant to the objectives of our audit.<sup>8</sup> In addition, the Commission and the Library followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

### **Compliance with Investment Policies and Procedures**

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<sup>8</sup>There were no operating-related receipt transactions during the period covered by our audit. Thus, we could not test the implementation of the Commission's and the Library's policies and procedures for operating-related receipts.

While the documented policies and procedures at both the Commission and the Library were adequately designed to help ensure that Fund investment transactions would be properly executed, we identified 4 out of 52 investment purchase transactions where the Library did not execute transactions in accordance with its investment purchase procedures. We found that all 45 of the investment redemption transactions were executed in accordance with the Library's investment redemption procedures. The Library executed the purchase of one investment without an authorized signature on the "Request for Investment/Redemption" form, documenting evidence of written advance approval for the transaction. In addition, in three instances the Operating Accountant's review of the Fund subsidiary activity schedule, which reflects the cash available to invest, was not documented on the "Request for Investment/Redemption" form. In these cases, the Operating Accountant was not in the office on the days the investments were made. The Library's standard operating procedures indicate that in cases where staff are not available to perform their review on the day of the investment, the review should be performed upon the staff's return. However, this was not done in these instances.

### **Compliance with Operating-Related Disbursement Policies and Procedures**

While the documented policies and procedures at both the Commission and the Library were adequately designed to help ensure that Fund operating-related disbursement transactions would be properly executed, we identified 5 out of 13 operating-related disbursement transactions where the Commission and the Library did not execute transactions in accordance with their procedures. These transactions involved Advisory Board member travel.

- One recorded travel transaction included an amount paid to the traveler that did not agree to the supporting documentation. On the letter requesting payment that was provided to the Library, the Commission staff included the estimated travel cost as the amount to be paid rather than the actual travel costs reflected on the travel voucher, resulting in a \$246 overpayment. The Fund subsequently received reimbursement from the traveler.
- One recorded travel transaction included a duplicate restaurant receipt after the traveler included both the receipt reflecting the restaurant charges of \$16 and the duplicate copy of the receipt that included the tip totaling \$21 in the supporting documents and reflected both amounts on the travel voucher. This duplicate receipt was not identified in the Commission staff's review of the supporting documentation, resulting in a \$16 overpayment. The Fund subsequently received reimbursement from the traveler.
- Three travel disbursement payments of \$30 each were paid and recorded over 1 month after the charges were submitted to the Library. Per the Library's policies and procedures, disbursements are to be made within 30 days of receiving the payment request. These payments were made to travelers who incurred nonrefundable travel service fee charges for travel to an Advisory Board meeting that was canceled. According to a Library official, the Commission submitted a request for reimbursement for the three travelers along with another larger request, and this request was overlooked by the Library's accounting staff. It was not processed until the Commission staff inquired about the status of the payments.

## Compliance with Oversight and Reporting Policies and Procedures

We found that the Commission's oversight policies and procedures and the Library's reporting policies and procedures over the activity that occurred during the period were being followed. The Library's financial management services on behalf of the Fund include reporting to the Commission on the activity of the Fund. During the period covered by our audit, the Library provided the Commission quarterly financial reports, which enabled the Commission to monitor the Fund's financial activity.

## Compliance with Significant Laws for Recorded Transactions

Management is responsible for complying with relevant laws. In reviewing the Fund's transactions, we determined that there were three statutory provisions within the enabling legislation related to our audit objectives. The three statutory provisions we identified involved (1) investment of Fund assets, (2) use of Fund assets for investment and other purposes, and (3) required approvals for Fund disbursements. We found that all of the Fund's transactions complied with the applicable provisions, as described below.

- **Investment of Fund assets.** Pursuant to the Fund's enabling legislation, Fund assets not needed to meet current withdrawals are to be invested in an interest-bearing obligation of the United States or an obligation guaranteed as to principal and interest by the United States that, as determined by the Commission, has a maturity suitable for the Fund.<sup>9</sup> Our review of the recorded transactions of the Fund found that each of the Fund's 52 investment purchases complied with this provision regarding the investment of Fund assets.
- **Use of Fund assets.** Under the Fund's enabling legislation, Fund assets are available to the Commission for various purposes, including the acquisition of works of art and historical objects, official activities of the Commission's advisory boards, and any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a).<sup>10</sup> Our review of the recorded transactions of the Fund during the period covered by our audit found that the Fund's 13 operating disbursements related to Commission Advisory Board activities were consistent with the purposes for which assets in the Fund were made available to the Commission.
- **Required approvals for use of Fund assets.** Under the Fund's enabling legislation, disbursements from the Fund are to be made on vouchers approved by the Commission and signed by the Executive Secretary of the Commission.<sup>11</sup> In December 2008, the Commission delegated the authority to approve disbursements under \$10,000 for expenses and vouchers consistent with purposes of the Fund to the Commission's Executive Secretary. During the period covered by our audit, the Fund's 13 operating-related disbursements related to Commission Advisory Board activities were under \$10,000 and were made on vouchers approved by the Commission's Executive Secretary.

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<sup>9</sup>2 U.S.C. § 2108(c)(4).

<sup>10</sup>2 U.S.C. § 2108(c)(2).

<sup>11</sup>2 U.S.C. § 2108(c)(3).

## Agency Comments

We provided a draft of this report to the Chief Financial Officer of the Library of Congress and the Secretary of the Senate. The Library's Chief Financial Officer provided comments in an e-mail on May 27, 2015, in which she concurred with the draft report's findings and conclusions. In addition, the Secretary of the Senate provided oral comments on June 5, 2015, in which she concurred with the draft report's findings and conclusions.

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We are sending copies of this report to the Secretary of the Senate and the Chief Financial Officer of the Library of Congress. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-9399 or [malenichj@gao.gov](mailto:malenichj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report include Paul Foderaro (Assistant Director), Brian Harechmak, Joseph Crays, and Jared Minsk.



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Enclosure

### Scope and Methodology

To determine to what extent the policies and procedures were adequately designed, we reviewed the Senate Commission on Art's (Commission) and the Senate Preservation Fund's (Fund) enabling legislation, federal internal control standards,<sup>12</sup> the Commission's and the Library of Congress's (Library) relevant documented policies and procedures, and met with staff from the Library's Office of the Chief Financial Officer to discuss the nature and extent of the Fund's financial transaction operating, reporting, and oversight procedures; available supporting documentation; and accounting records. We used our discussions with Commission and Library staff, and our review of documented policies and procedures and available supporting documentation, to determine to what extent the policies and procedures were designed to help ensure that the Fund's transactions would be authorized in advance, promptly and accurately accounted for, and supported. We also considered whether the documented policies and procedures were consistent with federal internal control standards.

To determine to what extent the operating, reporting, and oversight policies and procedures were being followed at the Commission and the Library, we conducted meetings with staff from the Commission and the Library, reconciled subsidiary records to the Library's trial balance, reconciled the Library's trial balance to the Department of the Treasury's (Treasury) Governmentwide Accounting (GWA) Account Statements,<sup>13</sup> and tested 100 percent of the Fund's transactions that were recorded during fiscal years 2013 and 2014 and reviewed related accounting records and supporting documentation. Furthermore, we verified the Library's recorded transactions with the Treasury FedInvest Transaction History Reports.<sup>14</sup> In addition, we reviewed documentation supporting communications between and among Library and Commission staff regarding recorded transactions and activities of the Fund. We also considered applicable federal internal control standards when reviewing supporting documentation related to these activities.

We reviewed applicable laws and regulations to determine if any were significant to our audit objectives. We concluded that there were three statutory provisions within the enabling legislation related to the objectives of our performance audit. The three statutory provisions we identified involved (1) investment of Fund assets, (2) use of Fund assets for investment and other purposes, and (3) required approvals for Fund disbursements. To assess whether transactions were executed in compliance with laws considered significant to our audit objectives, we reviewed the relevant statutory requirements, supporting documentation, and accounting for all Fund transactions. We did not identify any regulations we considered significant to our audit objectives.

We conducted this performance audit from March 2015 to June 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

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<sup>12</sup>GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

<sup>13</sup>The GWA Account Statements provide the Fund's balance and transaction information at Treasury and were used to verify the Library's records of Fund transactions.

<sup>14</sup>Treasury maintains the Fund's transaction records, which provided third-party verification of the Library's records of Fund transactions.

findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.