

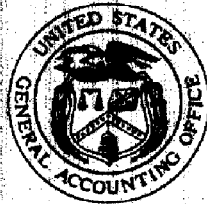
GAO

Report to the Congress

August 1994

FINANCIAL AUDIT

Capitol Preservation Fund for 6 Months Ended 9/30/93 and Year Ended 3/31/93





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-251505

August 4, 1994

To the President of the Senate and the
Speaker of the House of Representatives

In accordance with 40 U.S.C. 188a-3, we audited the accompanying statements of financial position of the Capitol Preservation Fund for the 6 months ended September 30, 1993, and for the year ended March 31, 1993, and the related statements of revenues and expenses and cash flows for the periods then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on September 30, 1993, and March 31, 1993, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The financial statements and accompanying notes of the Capitol Preservation Fund as of September 30, 1993 and March 30, 1993, present fairly, in conformity with generally accepted accounting principles, the Fund's

- assets, liabilities, and government equity;
- revenues and expenses; and
- cash flows.

As discussed in note 1, the financial statements present the results of activities financed through the Capitol Preservation Fund and are not intended to present the financial position and results of operations of the Capitol Preservation Commission as a whole. For example, the financial statements do not include administrative costs, such as salaries and benefits, which are paid from appropriated funds and are not readily identifiable.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Those controls in effect on September 30, 1993, and March 31, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

Compliance With Laws and Regulations

Our current year audit tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining internal controls to provide reasonable assurance that the internal control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

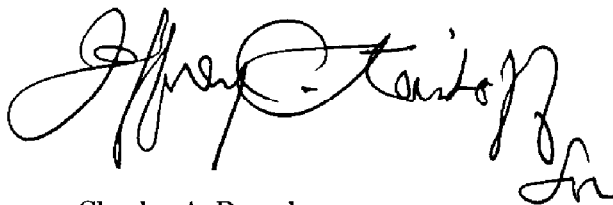
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls which encompassed the following areas: treasury, revenues, expenses, and financial reporting; and
- tested compliance with selected provisions of 40 U.S.C. 188a-2, which governs expenses of the Fund and requires that surcharges on the sale of bicentennial coins, donations, and interest be properly accounted for and invested by the Library of Congress.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on May 5, 1994.

We are sending copies of this report to the Secretary of the Senate and to the Co-Chairmen, Capitol Preservation Commission. Copies will be sent to others upon request.



Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Financial Position

	September 30, <u>1993</u>	March 31, <u>1993</u>
Assets		
Fund balance with Treasury	\$ 4,172	\$ 7,961
Investments net of discounts (note 3)	18,174,250	18,499,153
Accrued interest receivable	<u>51,438</u>	<u>77,796</u>
Total Assets	<u>\$18,229,860</u>	<u>\$18,584,910</u>
Liabilities and Government Equity		
Liabilities		
Accounts payable	<u>73,887</u>	<u>53,204</u>
Total liabilities	<u>73,887</u>	<u>53,204</u>
Government Equity		
Fund balance	<u>18,155,973</u>	<u>18,531,706</u>
Total government equity	<u>18,155,973</u>	<u>18,531,706</u>
Total Liabilities and Government Equity	<u>\$18,229,860</u>	<u>\$18,584,910</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Revenues and Expenses

	6 months ended <u>September 30, 1993</u>	Year ended <u>March 31, 1993</u>
Revenues		
Donations (note 1)	\$ 35,000	\$ 35,000
Interest (note 1)	<u>287,478</u>	<u>653,146</u>
Total revenues	<u>322,478</u>	<u>688,146</u>
Expenses (note 4)	<u>698,211</u>	<u>178,123</u>
Total expenses	<u>698,211</u>	<u>178,123</u>
Excess of Revenues over Expenses (Expenses over Revenues)	<u>\$(375,733)</u>	<u>\$510,023</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	6 months ended <u>September 30, 1993</u>	Year ended <u>March 31, 1993</u>
Cash Flows From Operating Activities		
Donations received	\$ 35,000	\$ 35,000
Interest received	313,836	684,696
Cash paid for expenses	<u>(677,528)</u>	<u>(124,919)</u>
Net cash provided (used) by operating activities	<u>(328,692)</u>	<u>594,779</u>
Cash Flows From Investing Activities		
Payments made to acquire Treasury Bills	(21,501,090)	(38,097,114)
Return of investment in Treasury Bills	<u>21,825,993</u>	<u>37,505,256</u>
Net cash provided (used) by investing activities	<u>324,903</u>	<u>(591,858)</u>
Net Increase (Decrease) in Cash	<u>(3,789)</u>	<u>2,921</u>
Cash at beginning of year	<u>7,961</u>	<u>5,040</u>
Cash at End of Year	<u>\$ 4,172</u>	<u>\$ 7,961</u>
<hr/>		
Reconciliations of Excess of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities		
Excess of revenues over expenses	\$ <u>(375,733)</u>	\$ <u>510,023</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Decrease in accrued interest	26,358	31,552
Increase in accounts payable	<u>20,683</u>	<u>53,204</u>
Total adjustments	<u>47,041</u>	<u>84,756</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (328,692)</u>	<u>\$ 594,779</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of Entity

The Capitol Preservation Commission was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of providing improvements in, preservation of, and acquisitions for the United States Capitol. The operations of the Commission are financed through the "Capitol Preservation Fund," which was established in the Treasury under this law. The Fund consists of deposits from charitable contributions (donations), interest on invested portions of the Fund, and surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act.

The Commission may fund or assist in the funding of improvements in the Capitol Building and grounds surrounding the Capitol Building if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. Also, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the house of Congress for which such purchases are made.

These statements do not include administrative costs financed with funds appropriated to the Architect of the Capitol, the Library of Congress, and the United States Senate or House of Representatives. Such administrative costs include salaries and benefits paid to personnel who work for the Preservation Commission part-time and to Library of Congress personnel who provide accounting services for the Commission. These costs cannot be readily determined.

Note 2. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

On October 26, 1993, the Capitol Preservation Commission amended Commission Rule 14(b) to change its fiscal year-end from March 31 to September 30.

Note 3. Investments

Cash deposits from donations and surcharges are invested in interest-bearing obligations of the United States and are purchased at a discount. The Commission has directed the Library of Congress to invest donations for 3 months, while surcharge proceeds are to be invested for 6 months. Face value of investments outstanding as of September 30, 1993, amounted to \$18,174,250, with annual investment rates ranging from 2.53 percent to 3.27 percent. Face value of investments outstanding as of March 31, 1993, amounted to \$18,499,153, with annual investment rates ranging from 2.81 percent to 4.06 percent.

Schedule of Outstanding Investments

	<u>6 months ended September 30, 1993</u>	<u>Year ended March 31, 1993</u>
Investments outstanding - face value	\$18,435,000	\$18,785,000
Discounts	<u>260,750</u>	<u>285,847</u>
Investments outstanding - net of discounts	<u>\$18,174,250</u>	<u>\$18,499,153</u>

Financial Statements

Note 4. Expenses

The Fund incurred the following expenses during the 6 months ended September 30, 1993, and the year ended March 31, 1993:

	<u>6 months ended September 30, 1993</u>
Frank Milikan - New Capitol History	\$ 2,400
Cagley and Associates - Restoration Statue of Freedom	39,043
Fine Objects Conservation - Restoration of Statue of Freedom	168,744
W.M. Schlosser Co., Inc. - Restoration of Statue of Freedom	153,065
Erickson Air-Crane Co. - Airlifting Statue of Freedom	30,000
A. J. Julicher - Restoration of Statue of Freedom	7,050
Ronald D. Mayhew - Hoisting, Testing and Miscellaneous Supplies - Restoration Statue of Freedom	70,107
Architect of the Capitol - Cast Iron Pedestal Work - Restoration of Statue of Freedom	108,376
Stewart, Tabori and Chang, Inc., Publishers - Publication	95,000
Miscellaneous vendors - Restoration of Statue of Freedom	<u>24,426</u>
Total	<u>\$698,211</u>

Financial Statements

	<u>Year ended</u> <u>March 31, 1993</u>
William Bushong - Editor for New Brown History of the Capitol	\$ 17,500
Mary Kinnecome - Research Assistant for New Brown History of the Capitol	3,072
The Scale People and Read Plastics - Plaster Model of Statue of Freedom	1,740
Architect of the Capitol - Plaster Model of Statue of Freedom	24,475
Cagley and Associates - Preservation of the Statue of Freedom	58,500
Frank Millikan - Editor for New Capitol History	1,000
Thompsons of Natchez - Chandelier for the House Members' Dining Room	55,000
Miscellaneous vendors - Plaster Model of Statue of Freedom	<u>16,836</u>
Total	<u>\$178,123</u>

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