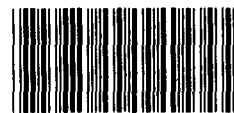


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Testimony



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The Civic Achievement Award Program

Statement of
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Before the
Subcommittee on Libraries and Memorials
Committee on House Administration
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

We are pleased to appear before you today to present the results of our review of the 1988 financial statement audit of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives. The audit of the Program's financial statements was conducted by the independent certified public accounting firm of KPMG Peat Marwick. To fulfill our audit responsibilities, avoid duplication and unnecessary expense, and make the most efficient use of our available resources, we reviewed Peat Marwick's work and report. Since the Program was in its initial year of operation, we did not attempt to evaluate program activities, which were in a trial phase and undergoing development.

Based on the financial audit made by Peat Marwick and on our review of its work, we believe that the financial statements of the Civic Achievement Award Program provide an adequate basis for evaluating the Program's financial position and the results of its operations. These statements show that the Program's only asset was a \$580,734 receivable due from the Library of Congress to reimburse the Program for expenses incurred from July 1, 1987, through September 30, 1988. The primary liability of \$568,224 represents the amount due to the Close-Up Foundation for financing the Program's operating expenses from its own general operating funds. The support from the Close-Up Foundation was the Program's only revenue through September 30, 1988. Principal

expenses included salaries (\$141,553), capital expenditures (\$140,903), and professional services (\$78,123).

BACKGROUND

The Congress established the Civic Achievement Award Program in 1987 to be administered by the Close-Up Foundation and funded through the Library of Congress. The purpose of the Program is to inspire the learning of American history, government, geography, economics, and current events in the fifth through the eighth grades and to recognize achievement in civic literacy by students, classes, and schools throughout the nation.

Public Law 100-158, which created the Program, authorizes the Librarian of Congress to make disbursements to the Close-Up Foundation when the Foundation applies for funds in a manner prescribed by the Librarian. This legislation also authorized not more than \$680,000 to be appropriated for expenses incurred during the 15-month period from July 1, 1987, through September 30, 1988, and Public Law 100-202 appropriated that amount for the Program.

The Library of Congress and Close-Up Foundation officials worked out an agreement that specifies the terms under which the Foundation should apply for the funds appropriated for the Program. Since that agreement was not finalized until

September 28, 1988, the Foundation used its own funds to operate the Program during the 15-month period ended September 30, 1988. The agreement now in place allows the Foundation to apply for reimbursement throughout the year and even to seek advances of funds before expenses are incurred.

On behalf of the Program, in October 1988 the Foundation applied for and received \$658,000 from the Library of Congress. In December 1988, however, \$77,266 was returned to the U.S. Treasury since the Program had only incurred expenses of \$580,734 from July 1, 1987, through September 30, 1988 (the period for which the Foundation applied for reimbursement).

AUDIT RESULTS

Public Law 100-158 contains a provision that requires the General Accounting Office to make annual and other necessary audits of the Program and to submit reports on these audits to the Librarian of Congress and the House of Representatives. When we contacted Foundation officials about doing a financial audit, they suggested having it done by Peat Marwick, who had been previously engaged to audit the Foundation. Subsequently, the Foundation contracted with Peat Marwick to conduct a financial audit of the Program covering the 15-month period from July 1, 1987, through September 30, 1988.

After completing its audit work on April 7, 1989, Peat Marwick prepared a report in which it stated its opinion that the Program's financial statements present fairly, in all material respects, its financial position as of September 30, 1988 and 1987, and the results of its operations for the year ended September 30, 1988, and the period from July 1, 1987, through September 30, 1987, in conformity with generally accepted accounting principles.

The report showed that the Program made salary payments totaling \$141,553 to its nine staff members. It also made capital expenditures of \$140,903 for office furniture and equipment. These items were expensed rather than capitalized because they are considered to be government property returnable at the end of the government's support of the Program. Indirect costs of \$73,305 were estimated to be 20 percent of all Program expenses except capital expenditures. These costs represent support provided by the Close-Up Foundation to the Program for activities such as accounting and personnel administration services. Peat Marwick has computed an 18 percent rate which will be used for the year ended September 30, 1989.

Peat Marwick's contract with the Close-Up Foundation stipulated that the audits be done in accordance with generally accepted auditing standards, rather than generally accepted government auditing standards. While both standards require a

study and evaluation of internal accounting controls, the government standards also require a report on the review of internal accounting controls and a report on compliance with laws and regulations which can materially affect the financial statements. Peat Marwick did not prepare these reports since its contract with the Foundation did not require them. In our review of Peat Marwick's work, however, we found nothing to indicate that its opinion on the Program's financial statements for fiscal year 1988 and the period from July 1, 1987, through September 30, 1987, is inappropriate or cannot be relied on.

At our request, the Foundation has agreed that future audits of the Civic Achievement Award Program's financial statements will be made in accordance with generally accepted government auditing standards, beginning with the audit of the fiscal year ended September 30, 1989.

This concludes my statement, Mr. Chairman. We will be pleased to respond to any questions you or members of the Subcommittee may have.