



441 G St. N.W.
Washington, DC 20548

Accessible Version

June 17, 2015

The Honorable Orrin G. Hatch
Co-Chairman
The Honorable John A. Boehner
Co-Chairman
Capitol Preservation Commission

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

The Honorable Candice Miller
Chairman
The Honorable Robert Brady
Ranking Member
Committee on House Administration
House of Representatives

Capitol Preservation Fund: Audit of Fiscal Years 2013 and 2014 Transactions

In November 1988, the Capitol Preservation Commission (Commission) was established for the purpose of providing for improvements in, preservation of, and acquisitions for the United States Capitol.¹ At the same time, the Capitol Preservation Fund (Fund) was established within the Department of the Treasury (Treasury), to be used by the Commission to provide financing for its mission operations. The Library of Congress (Library) is to provide financial management services and support to the Commission. GAO is required to audit the transactions of the Commission and report the results to the Congress.²

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

¹Pub. L. No. 100-696, 102 Stat. 4610 (Nov. 18, 1988) (classified, as amended, at 2 U.S.C. §§ 2081-2086).

²2 U.S.C. § 2084.

compared them to applicable federal internal control standards to assess the adequacy of controls these policies and procedures contained related to transaction authorization, prompt and accurate accounting, and documentation.³ 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 96 investment transactions. There were no operating-related receipt or disbursement transactions during this period. We found that 94 of the 96 investment 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

The Commission was established on November 18, 1988, to provide for improvements in, preservation of, and acquisitions (including works of fine art and other property for display) for the United States Capitol. The Fund was established within the Treasury and is available to the Commission for (1) improvement and preservation projects for the U.S. Capitol, (2) disbursement with respect to works of fine art and other property, and (3) such other payments as may be required to carry out the Commission's purpose.⁴ The Fund's assets consist of amounts derived from contributions, surcharge proceeds from the Secretary of the Treasury (U.S. Mint) arising from the sale of commemorative coins,⁵ and interest earned on the

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

⁴2 U.S.C. § 2083.

⁵The Fund was authorized to receive proceeds from coin surcharges from three commemorative coin programs authorized by the Congress: (1) the Bicentennial of the United States Congress Commemorative Coin Act, (2) the Bicentennial of the United States Capitol Commemorative Coin Act, and (3) the United States Capitol Visitor Center Commemorative Coin Act of 1999. The Fund currently does not receive any coin proceeds as these coins are no longer being sold.

invested portions of the Fund's assets. Fund assets not needed to finance current improvement, preservation, or acquisition projects are invested in interest-bearing obligations of the United States.

The Commission is also authorized to accept gifts of (1) works of fine arts, (2) money, and (3) other property, and can also purchase and dispose of property.⁶ The Commission may not maintain any collection of fine art and other property that it receives or acquires. Instead, it may assist in the transfer of such items to a congressional entity (such as the Senate Commission on Art, the House of Representatives Fine Arts Board, or the Joint Committee on the Library) or dispose of such property by sale or other transaction in the event that a transfer is not deemed appropriate. The Architect of the Capitol, the Senate Commission on Art, and the House of Representatives Fine Arts Board are required to provide staff support and assistance to the Commission.⁷

On behalf of the Commission, the Secretary of the Senate and the Clerk of the House of Representatives, pursuant to Commission Rules,⁸ provide general 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. They are responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable laws and (2) related policies, procedures, and internal controls are established and followed.⁹ In a 1989 memorandum, the Commission delegated the investment responsibilities of the Fund to the Library, specifying that all funds not needed to meet current withdrawals are to be invested in Treasury securities that have 3- or 6-month maturities.

Pursuant to Public Law 101-45, the Library is to provide financial management services and support to the Commission.¹⁰ As such, the Library's Chief Financial Officer (CFO) staff provide principal services and support for the Fund, including the purchase and redemption of Treasury investments with funds not needed to finance current operations, the processing of receipt and disbursement transactions, and the development and maintenance of the Fund's accounting records and related support. Further, as the Fund's financial management provider, the Library, through its CFO, is also responsible for ensuring that appropriate policies, procedures, and internal controls related to its service and support to the Commission are properly documented and followed. During the period covered by our audit, the Fund activity processed by the Library consisted solely of investment-related transactions.

⁶2 U.S.C. § 2082.

⁷2 U.S.C. § 2081(e).

⁸United States Capitol Preservation Commission, *Rules of the Commission* (Washington, D.C.: Feb. 6, 1991).

⁹Federal 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.

¹⁰Pub. L. No. 101-45, Title I, 103 Stat. 97, 107 (June 30, 1989) (classified at 2 U.S.C. § 142i).

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 and procedures are contained in legislation, the *Rules of the Commission*, and memorandums 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

As summarized in table 1, the Fund's recorded transactions consisted of 96 investment transactions. There were no operating-related receipt or disbursement transactions during this period. The Fund's investment-related transactions consisted of 48 purchases of investments and 48 redemptions of investments. 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	\$10,477,045	\$0	\$0	\$12,173	\$10,489,218
2014	\$10,489,218	\$0	\$0	\$7,233	\$10,496,451

Legend: Fund = Capitol Preservation Fund.

Source: GAO analysis of Library of Congress records for the Capitol Preservation Fund. | GAO-15-586R

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 over receipts provide that the Commission is to accept money only in the form of a check or similar instrument made payable to the Fund or to the Treasury for the account of the Fund and any such instruments are to be deposited in the Fund at the Treasury.
- **Disbursements:** The Commission's documented policies and procedures for disbursements provide that all transactions are to be directly related to the purposes of the Commission. The Commission's disbursement policies and procedures also direct the Library to take the necessary steps to ensure that funds are available in advance of disbursement. The policies

and procedures also provide that disbursements from the Fund are to be made using vouchers approved by the Commission and signed by the Co-Chairmen.

- **Investments:** The Commission's documented policies and procedures over 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.
- **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 94 of the 96 investment 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.¹¹ 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

While the documented policies and procedures at both the Commission and the Library were adequately designed to help ensure that Fund transactions would be properly executed, we identified 2 out of 48 investment purchase transactions where the Library did not execute transactions in accordance with its investment purchase procedures. We found that all 48 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 one instance 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 this case, the Operating Accountant was not in the office on the day the investment was 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 this instance.

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, which consisted solely of investment transactions, 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 relevant 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.¹² Our review of the recorded transactions of the Fund found that each of the Fund's 48 investment purchases complied with this provision regarding the investment of Fund assets.

¹¹There were no operating-related receipt or disbursement 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 and disbursements.

¹²U.S.C. § 2083(e).

- **Use of Fund assets.** Under the Fund’s enabling legislation, Fund assets are available to the Commission for payment of transaction costs and similar expenses incurred under 2 U.S.C. § 2082, improvement and preservation projects for the United States Capitol (subject to the approval of the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate), disbursement with respect to works of fine art and other property, and such other payments as may be required to carry out the purpose of the Commission.¹³ During the period covered by our audit, there were no funds used for these purposes.
- **Required approvals for use of Fund assets.** Disbursements from the Fund are to be made on vouchers approved by the Commission and signed by the Co-Chairmen.¹⁴ Commission Rules authorize the Co-Chairmen to approve incidental expenses on behalf of the Commission. During the period covered by our audit, there were no funds used for the purposes stated in the previous paragraph and therefore no approvals for the use of the Fund assets were needed.

Agency Comments

We provided a draft of this report to the Chief Financial Officer of the Library of Congress, the Clerk of the House of Representatives, 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 Clerk of the House of Representatives and the Secretary of the Senate provided oral comments on June 2, 2015, and June 5, 2015, respectively, in which they concurred with the draft report’s findings and conclusions.

We are sending copies of this report to the Secretary of the Senate, the Clerk of the House of Representatives, 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>.

¹³2 U.S.C. § 2083(b).

¹⁴2 U.S.C. § 2083(d).

If you or your staffs have any questions about this report, please contact me at (202) 512-9399 or 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, Opeoluwa Aniyikaiye, and Jared Minsk.

A handwritten signature in black ink that reads "J. Lawrence Malenich". The signature is written in a cursive style with a large, stylized initial "J".

J. Lawrence Malenich
Director
Financial Management and Assurance

Enclosure

Scope and Methodology

To determine to what extent the policies and procedures were adequately designed, we reviewed the Capitol Preservation Commission's (Commission) and the Capitol Preservation Fund's (Fund) enabling legislation, federal internal control standards,¹⁵ the Commission's and the Library of Congress's (Library) relevant documented policies and procedures, and met with staff from the Commission and 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,¹⁶ 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.¹⁷ 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 relevant 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

¹⁵GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

¹⁶The 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.

¹⁷Treasury 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.