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June 28, 2018

The Honorable Orrin G. Hatch
Co-Chairman
The Honorable Paul Ryan
Co-Chairman
Capitol Preservation Commission

The Honorable Roy Blunt
Chairman
The Honorable Amy Klobuchar
Ranking Member
Committee on Rules and Administration
United States Senate

The Honorable Gregg Harper
Chairman
The Honorable Robert Brady
Ranking Member
Committee on House Administration
House of Representatives

Capitol Preservation Fund: Audit of Fiscal Years 2015, 2016, and 2017 Transactions

In November 1988, the United States Capitol Preservation Commission (Commission) was established for the purpose of providing for improvements in, preservation of, and acquisitions for the United States Capitol and conducting related activities.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.² GAO is required to audit the transactions of the Commission and report the results to the Congress.³

This report presents the results of our audit of the Commission's transactions as recorded in the Fund during fiscal years 2015, 2016, and 2017. Our audit objectives were to determine to what extent (1) the Commission's and the Library's policies and procedures were documented and

¹The Commission was established as part of the Arizona-Idaho Conservation Act of 1988. Pub. L. No. 100-696, § 801,102 Stat. 4571, 4608 (Nov. 18, 1988), *classified as amended at* 2 U.S.C. §§ 2081-2086. The Commission is made up of Senate and House members of Congress including the President pro tempore of the Senate and the Speaker of the House of Representatives, who are co-chairmen.

²2 U.S.C. § 142i.

³2 U.S.C. § 2084. In 2012, the prior requirement for GAO to audit the Fund on an annual basis was amended to a periodic basis of at least once every 3 years, unless the Chairman or the Ranking Member of the Committee on Rules and Administration of the Senate or the Committee on House Administration of the House of Representatives, the Secretary of the Senate, or the Clerk of the House of Representatives requests that an audit be conducted at an earlier date. Pub. L. No. 112-234, § 2(a), 126 Stat. 1624 (Dec. 28, 2012), *classified at* 2 U.S.C. § 2084.

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 2015, 2016, and 2017 in accordance with these policies and procedures, as well as with applicable laws.

To address these objectives, we reviewed the Fund's enabling statute 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 related to transaction authorization, prompt and accurate accounting, and documentation.⁴ We tested 100 percent of the Fund's transactions that were recorded during fiscal years 2015 through 2017 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. See the enclosure for a more detailed discussion of our scope and methodology.

We conducted this performance audit from February 2018 to June 2018 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.

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, 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 2015 through 2017, the Fund's recorded transactions consisted of 144 investment transactions. There were no operating-related receipt or disbursement transactions during this period. We found that 141 of the 144 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. As discussed later, we identified 3 out of the 144 transactions for which the Library did not execute transactions in accordance with its operating procedures. In addition, the Commission and the Library generally 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 and to conduct related activities. The Fund was established within Treasury and is available to the Commission for (1) payment of transaction costs and similar expenses relating to accepting gifts and acquiring and disposing of works of fine art and other property, (2) improvement and preservation projects for the U.S. Capitol (subject to the approval

⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

of the Committee on Appropriations of the House of Representatives and the Committee on Appropriations of the Senate), (3) disbursement with respect to works of fine art and other property, and (4) such other payments as may be required to carry out the Commission's purpose.⁵ 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,⁶ and interest earned on the 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.⁷

The Commission is also authorized to accept gifts of (1) works of fine art, (2) money, and (3) other property, and can also purchase and dispose of property.⁸ The Commission may not maintain any collection of fine art and other property that it receives or acquires. Instead, it may transfer such items to a congressional entity (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.⁹ 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.¹⁰

Table 1 provides a historical perspective of the Fund's financial transactions from fiscal years 2008 through 2014. During this period, the Fund's transactions related to investments and a disbursement for the purchase of artwork in 2011.¹¹

⁵2 U.S.C. § 2083.

⁶The 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.

⁷All fund assets not needed for current withdrawal are required to be invested in Treasury securities. The Commission determines the amount of funds that are not needed for current withdrawal. In this instance, the Commission has determined, and its procedures require, that \$200 of the fund assets not be invested in Treasury securities and be available for current withdrawal. 2 U.S.C. § 2083(e).

⁸2 U.S.C. § 2082(a).

⁹2 U.S.C. § 2082(b).

¹⁰2 U.S.C. § 2081(e).

¹¹See GAO, *Capitol Preservation Fund: Audit of Fiscal Years 2011 and 2012 Transactions*, [GAO-13-489R](#) (Washington, D.C.: May 1, 2013).

Table 1: Summary of Total Recorded Capitol Preservation Fund (Fund) Transactions and Balances from Fiscal Years 2008 through 2014

Fiscal year	Beginning Fund balance (dollars)	Operating-related (dollars)		Investment-related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2008	10,096,868	0	0	386,404	10,483,272
2009	10,483,272	0	0	104,233	10,587,505
2010	10,587,505	0	0	20,467	10,607,972
2011	10,607,972	155,175	0	17,761	10,470,558
2012	10,470,558	0	0	6,487	10,477,045
2013	10,477,045	0	0	12,173	10,489,218
2014	10,489,218	0	0	7,233	10,496,451

Source: GAO analysis of Capitol Preservation Fund data. | GAO-18-524R

On behalf of the Commission, the Secretary of the Senate and the Clerk of the House of Representatives, pursuant to Commission rules,¹² provide general operational support and assistance for activities that the Fund finances, including managing and overseeing the authorization, approval, and processing of operating disbursements and amounts that the Commission receives 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.¹³ 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 with 3- or 6-month maturities.

The Library is required to provide financial management services and support to the Commission.¹⁴ As such, the Library's Chief Financial Officer's (CFO) staff provide principal services and support for the Fund, including purchasing and redeeming Treasury investments with funds not needed to finance current operations, processing receipt and disbursement transactions, and developing and maintaining 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.

¹²United States Capitol Preservation Commission, *Rules of the Commission* (Washington, D.C.: Feb. 6, 1991).

¹³Federal 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, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. An entity's management is also responsible for monitoring and evaluating the effectiveness of internal control. See [GAO-14-704G](#).

¹⁴2 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 2015 through 2017, the policies and procedures for the Commission's operations and oversight and the Library's operations and reporting were sufficiently documented, 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 statutes, 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) an accounting directive for the Fund providing documented procedures for processing receipts, (2) a payment directive providing procedures for disbursements, and (3) standard operating procedures documenting the Library's investment procedures supporting the Fund.

Fund Activity for Fiscal Years 2015 through 2017

The Fund's recorded transactions for fiscal years 2015 through 2017 consisted of 144 investment transactions. There were no operating-related receipt or disbursement transactions. The Fund's investment-related transactions consisted of 72 purchases of investments and 72 redemptions of investments. Table 2 summarizes the Fund's financial transactions covering fiscal years 2015 through 2017, as recorded by the Library.

Table 2: Summary of Total Recorded Capitol Preservation Fund (Fund) Transactions and Balances for Fiscal Years 2015 through 2017

Fiscal year	Beginning Fund balance (dollars)	Operating-related (dollars)		Investment-related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2015	10,496,451	0	0	5,169	10,501,620
2016	10,501,620	0	0	24,147	10,525,767
2017	10,525,767	0	0	56,830	10,582,597

Source: GAO analysis of Library of Congress records for the Capitol Preservation Fund. | GAO-18-524R

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 Treasury for the account of the Fund and any such instruments are to be deposited in the Fund at 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 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 establish how the Commission and the Library are to process and account for acquisitions, gifts, disbursements, communication, and investments.

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 accounting directive contains procedures for processing operating-related receipt transactions, such as depositing checks or similar instruments in the Fund at Treasury.
- **Disbursements:** The Library has a payment directive that documents its procedures for paying vendors on behalf of the Commission. The directive establishes steps that the Library should follow to help ensure that Fund payments are properly authorized, accurate, approved, recorded, and made on a timely basis. The directive also requires the Library to have the appropriate segregation of duties between authorizing, approving, and recording payments.
- **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 when preparing and reviewing investment transactions.
- **Reporting:** The Library's accounting directive and standard operating procedures for the Fund contain policies and procedures for reporting to the Commission on a quarterly basis. The directive and standard operating procedures 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 141 of the 144 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.¹⁵ In addition, the Commission and the Library generally 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 3 out of 144 investment transactions for which the Library did not execute transactions in accordance with its operating procedures. Specifically, in one investment purchase transaction, 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 as required.¹⁶ In this instance, according to the Library, the documentation might have inadvertently been included with other investment transactions and overlooked during the Operating Accountant's review. In addition, two other investment transactions—a purchase and a redemption—were not recorded in the accounting system in a timely manner. The Library's standard operating procedures state that an investment transaction should be entered into the accounting system as soon as possible after the investment is made, with a goal of entry within 2 to 3 days. Both of these transactions were recorded about 2 weeks after the investment transactions occurred. In these instances, the transactions were not recorded promptly because, according to Library officials, the Library's accounting system was being updated and was unavailable to users for approximately 1 week after the transactions occurred. According to the Library, once the system became available, the Library staff had a large volume of work to complete, which resulted in the late entry of these transactions.

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 generally followed. The Library's financial management services on behalf of the Fund include reporting to the Commission on the Fund's activity. 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. However, for the quarter ending September 30, 2017, the Library inadvertently did not send a report to the Commission, which the Commission uses for its oversight. The Library subsequently sent the report on April 30, 2018.

Compliance with Significant Laws for Recorded Transactions

Management is responsible for complying with applicable laws. In reviewing the Fund's transactions, we determined that there were three statutory provisions within the enabling statute relevant to our audit objectives. The three statutory provisions we identified involved (1) investment of Fund assets, (2) use of Fund assets, and (3) required approvals for Fund

¹⁵There 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.

¹⁶The Request for Investment/Redemption form is a standard Treasury FedInvest form.

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 statute, Fund assets not needed to meet current withdrawals are to be invested in interest-bearing obligations of the United States or obligations guaranteed as to principal and interest by the United States.¹⁷ Our review of the recorded transactions of the Fund found that each of the Fund's 72 investment purchases complied with this provision.
- **Use of Fund assets.** Fund assets are available to the Commission for payment of transaction costs and similar expenses incurred pursuant to 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.¹⁸ During the period covered by our audit, there were no funds used other than for purchases of investments.
- **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.¹⁹ 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.

¹⁷2 U.S.C. § 2083(e).

¹⁸2 U.S.C. § 2083(b).

¹⁹2 U.S.C. § 2083(d).

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 concurred with the draft report's findings and conclusion in an email. Also in an email, the Clerk of the House of Representatives expressed appreciation for the audit and agreed with the need for timely transmission of periodic reports to the Commission. In addition, the Secretary of the Senate concurred with the draft report's findings and conclusions in an email.

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>.

If you or your staffs have any questions about this report, please contact me at (202) 512-2623 or davisbh@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 Joseph O'Neill (Assistant Director), Mai Nguyen (Auditor-in-Charge), Youssef Amrani, Emily Matic, and Jared Minsk.



Beryl H. Davis
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Enclosure

Enclosure: Scope and Methodology

To determine to what extent policies and procedures were adequately designed, we reviewed the United States Capitol Preservation Commission's (Commission) and the Capitol Preservation Fund's (Fund) enabling statute, federal internal control standards,²⁰ and the Commission's and the Library of Congress's (Library) relevant policies and procedures. We also 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 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 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, traced and agreed subsidiary records to the Library's trial balance, traced and agreed the Library's trial balance to the Department of the Treasury's (Treasury) Governmentwide Accounting (GWA) Account Statements,²¹ tested 100 percent of the Fund's transactions that were recorded during fiscal years 2015 through 2017, and reviewed related accounting records and supporting documentation. Furthermore, we verified the Library's recorded transactions with the Treasury FedInvest Transaction History Reports.²² 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 statute 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, 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.

²⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

²¹The 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.

²²Treasury maintains the Fund's transaction records, which provided third-party verification of the Library's records of Fund transactions.

We conducted this performance audit from February 2018 to June 2018 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.

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