

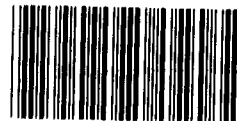
GAO

Report to the Speaker of the House of
Representatives and to the Librarian of
Congress

September 1990

FINANCIAL AUDIT

Civic Achievement Award Program Financial Statements for September 30, 1989 and 1988



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**Comptroller General
of the United States**

B-236316

September 27, 1990

**To the Speaker of the House of Representatives
and the Librarian of Congress**

This report presents our opinion on the financial statements of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives for fiscal years 1989 and 1988. Reports on the program's internal accounting control structure and on its compliance with laws and regulations are also provided. We completed our review on May 24, 1990.

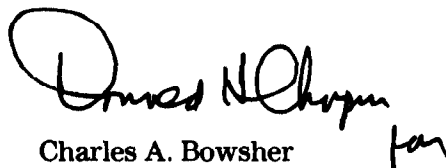
Public Law 100-158 established the program which is administered by the Close Up Foundation and funded through the Library of Congress. The program was designed to inspire the learning of American history, government, geography, economics, and current events in the fifth through eighth grades and to recognize achievement in civic literacy by students, classes, and schools throughout the nation.

We are required to conduct an audit of the program each year under provisions of Public Law 100-158. The Close Up Foundation contracted with an independent certified public accounting firm, KPMG Peat Marwick, to perform financial audits of the program's 1989 and 1988 financial statements, including reports on internal accounting control structure and compliance with laws and regulations. To fulfill our responsibility, we reviewed KPMG Peat Marwick's approach and planning of audits; reviewed and tested KPMG Peat Marwick's working papers; and performed other procedures as we deemed necessary. Our examinations were conducted in accordance with generally accepted government auditing standards.

In our opinion, and consistent with the opinion of KPMG Peat Marwick, the program's financial statements present fairly, in all material respects, its financial position as of September 30, 1989 and 1988, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

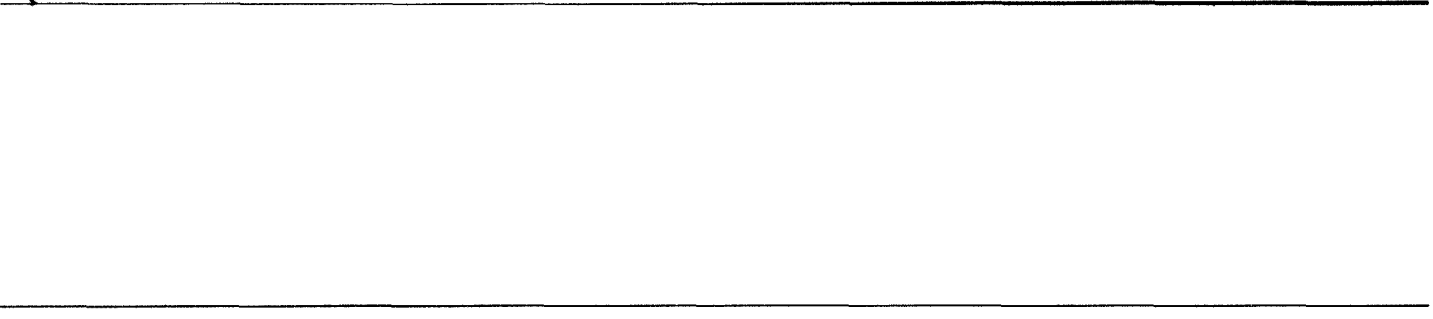
The KPMG Peat Marwick reports to the Board of Directors, Close Up Foundation, on internal accounting control structure and on compliance with laws and regulations did not disclose any material internal control weaknesses or noncompliance with laws and regulations.

We are sending copies of this report to the President and the Board of Directors of the Close Up Foundation; the Chairman of the Committee on House Administration; the Chairman of the Subcommittee on Libraries and Memorials, Committee on House Administration; and the Chairman of the Senate Committee on Rules and Administration.

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

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Auditors' Opinion



Certified Public Accountants

2001 M Street, N W
Washington, DC 20036

Independent Auditors' Report

The Board of Directors
Close Up Foundation:

We have audited the accompanying statements of assets and liabilities of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation as of September 30, 1989 and 1988, and the related statements of support and expenses for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether management has complied with laws and regulations. An audit in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and compliance with laws and regulations. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in note 1, the financial statements being presented are only for the Civic Achievement Award Program referred to above and do not include the other assets, liabilities, fund balances, revenues, expenses and changes in fund balances of Close Up Foundation recorded in its financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position of Close Up Foundation as of September 30, 1989 and 1988, or its results of operations for the years then ended in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation at September 30, 1989 and 1988, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

January 11, 1990

KPMG Peat Marwick



Member Firm of
Klynveld Peat Marwick Guerdier

Auditors' Report on Internal Accounting Control Structure



Certified Public Accountants

2001 M Street, N.W.
Washington, DC 20036

Independent Auditors' Report on Internal Accounting Control Structure

To the Board of Directors
Close Up Foundation:

We have audited the financial statements of the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation for the years ended September 30, 1989 and 1988, and have issued our report thereon dated January 11, 1990. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audits of the financial statements of the Foundation for the years ended September 30, 1989 and 1988, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



Member Firm of
Raymond, Peat, Marwick & Gooden

**Auditors' Report on Internal Accounting
Control Structure**

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For the purpose of this report, we have classified the significant internal accounting control structure policies and procedures in the following categories: revenues/receipts and expenses/disbursements. Our consideration of the internal control structure included all of the categories listed above at the boundary, however we did not consider the accounting controls over the processing information streams because a substantive audit approach is more cost beneficial.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and the operations of the Close Up Foundation during our June 30, 1989 audit that we reported to management of the Close Up Foundation in a letter dated September 15, 1989.

This report is intended solely for the use of the Board of Directors and management. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Foundation is a matter of public record.

KPMG Paul Marshall

January 11, 1990

Auditors' Report on Compliance With Laws and Regulations

 Peat Marwick

Certified Public Accountants

2001 M Street, N.W.

Independent Auditors' Report on Compliance at the Financial Statement Level

To the Board of Directors
Close Up Foundation:

We have audited the financial statements of the Civil Achievement Award Program in Honor of the Office of Speaker of the House of Representatives conducted by the Close Up Foundation as of and for the years ended September 30, 1989 and 1988, and have issued our report thereon dated January 11, 1990. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with Public Law 100-158 which provides support for the Civic Achievement Award Program and the agreement between the Library of Congress and the Close Up Foundation which authorizes the Library of Congress to make disbursements to the Foundation. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Foundation complied in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Foundation had not complied, in all material respects, with those provisions.

This report is intended for the information of the Board of Directors and management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

KPMG Peat Marwick

January 11, 1990



Member Firm of
Klynveld Peat Marwick Goerdeler

Financial Statements

Statements of Assets and Liabilities

September 30, 1989 and 1988

<u>Assets</u>	1989	1988
Due from Library of Congress	\$ 100,000	580,734
Prepaid expenses	<u>27,029</u>	<u>-</u>
	<u>\$ 127,029</u>	<u>580,734</u>
 <u>Liabilities</u> 		
Obligation for undelivered goods	-	12,510
Due to Close Up Foundation	127,029	568,224
Commitments (note 3)		
	<u>\$ 127,029</u>	<u>580,734</u>

See accompanying notes to financial statements.

Statements of Support and Expenses

Years ended September 30, 1989 and 1988

	1989	1988
Support - Library of Congress	\$ 680,000	572,919
Expenses:		
Salaries and fringe benefits	298,670	141,553
Telephone, postage, supplies and printing	91,055	71,358
Professional services	90,355	78,123
Travel	31,088	23,291
Office rent	46,182	26,061
Public information services	8,849	10,366
Capital expenditures	-	140,903
Other support services	<u>8,920</u>	<u>9,261</u>
	575,119	500,916
Indirect costs, net (note 2)	<u>104,881</u>	<u>72,003</u>
	680,000	572,919
Excess of support over expenses	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial statements.

Notes to Financial Statements

September 30, 1989 and 1988

(1) Organization

Close Up Foundation (Foundation) is a nonprofit, nonstock corporation organized in June 1971 to foster a better understanding and appreciation of government by conducting and sponsoring participation in government-related education programs.

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is not a private foundation and donations to the Foundation are deductible by a donor as charitable contributions for federal income tax purposes.

In 1987, Congress authorized the Foundation to establish and conduct the Civic Achievement Award Program in Honor of the Office of Speaker of the House of Representatives (CAAP). CAAP has been designed to improve the level of civic literacy of American students in the 5th through 8th grades.

CAAP is funded through an annual appropriation from the U.S. Congress with the funds being administered by the Librarian of Congress.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The financial statements being presented are only for the Foundation's CAAP and do not include the other assets, liabilities, fund balance, revenues, expenses and changes in fund balance of the Foundation.

(b) Recognition of Support

Support to be received from the Library of Congress is recognized at the lesser of the amount appropriated by Congress or allowable expenses incurred. For the years ended September 30, 1989 and 1988 the amount appropriated was \$680,000.

(Continued)

(c) Recognition of Expenses

Due to the cost reimbursement nature of the Congressional appropriation to support CAAP, expenses are recognized as follows:

- . Direct costs of CAAP are recognized as expenses when an obligation to incur the cost is established, in accordance with instructions received from the budget office of the Librarian of Congress. Obligations for undelivered goods amounted to none and \$12,510 at September 30, 1989 and 1988, respectively.
- . Capital expenditures are expensed rather than capitalized as the goods are not owned by CAAP or the Foundation. Rather, ownership and possession of the goods is assumed to revert to the U.S. government upon completion of CAAP.
- . Indirect costs allocated to CAAP by the Foundation are based upon the Foundation's ratio of allowable indirect costs to direct program costs reduced by the amount that total expenses exceeded support. At September 30, 1989 and 1988 this amount was \$3,011 and none, respectively.
- . Program expenses are subject to review by the U.S. government. Therefore, the recorded amounts of direct and indirect expenses, as well as the related recognized support, are potentially subject to adjustment. Management believes that no provisions for such adjustments are required in the financial statements.

(d) Advances from the Foundation's General Operating Funds

The Foundation is reimbursed by the Librarian of Congress upon request for costs incurred in developing and conducting the CAAP. The Foundation financially supports the activities of CAAP with its general operating funds during the program year until reimbursement is received.

(3) Lease Commitment

The Foundation has leased office space for the use of personnel working on CAAP. The approximate future minimum annual rental commitments for this office space at September 30, 1989 follows:

Years ending September 30.

1990	\$ 42,000
1991	<u>32,000</u>

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