



United States Government Accountability Office
Washington, DC 20548

February 16, 2012

The Honorable Daniel K. Inouye
President Pro Tempore of the United States Senate

The Honorable Harry Reid
Majority Leader
The Honorable Mitch McConnell
Minority Leader
United States Senate

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

Subject: *Senate Preservation Fund: Audit of Fiscal Years 2009 and 2010 Transactions*

In September 2003, the Senate Preservation Fund (Fund) was established within the U.S. Treasury (Treasury).¹ The Fund is available to the Senate Commission on Art (Commission) to fund various activities related to works of art, historical objects, documents, and materials relating to historical matters, or exhibits in the Capitol and Senate office buildings. The Library of Congress (Library) provides financial management and disbursing services and support to the Commission. GAO is required to audit the Fund and report the results to the Commission.²

This report presents the results of our audit of the Fund's transactions during fiscal years 2009 and 2010. Our objectives were to determine (1) whether the Fund's recorded transactions for fiscal years 2009 and 2010 were authorized in advance, supported by documentation, accurately accounted for, and in compliance with applicable laws; (2) whether operating, reporting and oversight practices were documented and in place at the Commission and the Library to help ensure that Fund transactions were properly executed and Fund assets were adequately safeguarded; and (3) what actions the Commission's Executive Secretary, in coordination with Library

¹Legislative Branch Appropriations Act, 2004, Pub. L. No. 108-83, title I, § 3(c), 117 Stat. 1007, 1012 (Sept. 30, 2003), *classified, as amended, at* 2 U.S.C. § 2108 (c).

²2 U.S.C. § 2108(c)(6).

and Commission staff, had taken to address recommendations from our prior audit of the Fund.³

To address these objectives, we reviewed the Fund's enabling legislation and the operating practices⁴ established by Commission and Library staff to determine whether the Fund's recorded transactions were authorized in advance, supported by documentation, and accurately accounted for. We reviewed the Fund's transactions and related supporting documentation to determine whether established operating practices were followed and whether the Fund's transactions were in compliance with laws considered significant to our audit objectives. We also determined whether operating, reporting, and oversight practices were documented and in place at the Commission and the Library to help ensure that Fund transactions were properly executed and Fund assets were adequately safeguarded. To review actions taken to address prior GAO recommendations, we reviewed our prior report on the Fund. We also held discussions with Commission and Library staff and examined all support provided in response to the recommendations.

We conducted this performance audit from January 2011 to February 2012 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

For fiscal years 2009 and 2010, the Fund's recorded transactions consisted of 136 investment and operating transactions recorded and accounted for by the Library. The Fund's recorded transactions were authorized in advance, supported by documentation, and accurately accounted for. However, while the Fund's transactions were generally recorded promptly, we did identify five instances where transactions were not promptly recorded by the Library. We found that all recorded transactions were in compliance with the applicable laws that we deemed significant to the objectives of our audit.

For fiscal years 2009 and 2010, the Commission's operating and oversight practices for the Fund were documented and in place. For the same period, the Library's operating and reporting practices for the Fund were documented and in place with the exception of investment practices. The documented practices at both the Commission and the Library helped to ensure that Fund transactions were properly executed and Fund assets were adequately safeguarded. The Commission had documented operating

³See GAO, *Senate Preservation Fund: Key Transaction-Related Operating Practices Have Been Established but Additional Practices Are Needed*, GAO-09-89R (Washington, D.C.: July 28, 2009).

⁴Operating practices are activities carried out related to authorization; documentation; accounting of receipts, disbursements and investments; and compliance with laws to ensure that Fund transactions are properly executed.

practices used to account for the receipts, disbursements, investments, and oversight of the Fund. These practices are described in legislation, a Commission Delegation Letter, the United States Senate Acquisition Policy, a memorandum from the Commission to the Library, and accounting guidelines for the Fund. The Library had documented operating practices that it used to account for Fund disbursements in its payment directive. In addition, the Library's accounting guidelines provided documented procedures for the Library to process receipts and report to the Commission on a quarterly basis. However, during the period covered by our audit, fiscal years 2009 and 2010, the Library's investment practices used in providing services to the Commission were not documented and approved. In September 2011, the Library formally documented and approved investment procedures that will help provide assurance that the Fund's assets will be consistently invested in accordance with applicable operating practices.

The Commission's Executive Secretary worked with the Library's Chief Financial Officer and Commission staff to address our recommendations from our prior audit of the Fund⁵ to document and formally approve operating practices related to the Library's and the Commission's processing of Fund transactions, reporting, monitoring, and follow-up by the Commission and Library on Fund-related matters. During the period covered by our audit, the Library's Chief Financial Officer worked with Commission staff to issue accounting guidelines for the Fund that formally documented procedures for reporting and processing of Fund transactions. In addition, the Commission issued a letter to the Executive Secretary delegating the authority to approve certain disbursements and documenting and formally approving the Commission's operating practices for disbursements. In September 2011, the Commission and the Library amended the guidelines to include procedures for follow-up between the two entities and to document the Commission's responsibilities for monitoring Fund transactions and safeguarding Fund assets. In commenting on a draft of this report the Library's Chief Financial Officer and the Commission's Executive Secretary concurred with the findings and conclusions.

Background

In 1988, the Senate Commission on Art was authorized to supervise, hold, place, protect, and make known all works of art, historical objects, and exhibits in the Senate wing of the Capitol and Senate office buildings and in all rooms, spaces, and corridors thereof.⁶ The Commission is made up of five U.S. Senators—the President (pro tempore) of the Senate, the majority and minority leaders of the Senate, and the Chairman and Ranking Member of the Senate Committee on Rules and Administration.

In September 2003, the Fund was established within the Treasury and appropriated—by transfer from the contingent fund of the Senate—\$500,000 in initial funding. Specifically, the Fund is available to the Commission to pay for expenses associated with

⁵GAO-09-89R.

⁶See 2 U.S.C. § 2101-2108.

- acquisition of any work of art, historical object, document, or material related to historical matters, or exhibit for placement or exhibition within the Senate wing of the Capitol and Senate office buildings;
- official activities of any advisory board established by the Commission pursuant to Public Law 108-83, including actual and necessary expenses incurred in the performance of its official duties;
- meals and refreshments, subject to limitation, in connection with official activities of the Commission; and
- any purposes for which funds from the contingent fund of the Senate may be used pursuant to Public Law 101-302, as amended (2 U.S.C. § 2107).

On behalf of the Commission, the Commission's Executive Secretary and staff provide 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. The Executive Secretary is responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable law and (2) related operating practices and internal controls⁷ are established and followed.

Pursuant to Public Law 108-83, the Library is to provide financial management and disbursing services and support to the Commission as may be required and mutually agreed to by the Librarian of Congress and the Commission's Executive Secretary.⁸ The Library's principal services and support include the purchase and redemption of Treasury securities with funds not needed for immediate withdrawal, the processing of receipt and disbursement transactions, and the development and maintenance of the Fund's accounting records and related support. The Library, through its Chief Financial Officer, is also responsible for ensuring that appropriate operating practices and internal controls related to its service and support to the Commission are established, documented, and followed.

Fund Transactions Were Authorized in Advance, Supported, Accurately Accounted for, and in Compliance with Applicable Laws

For fiscal years 2009 and 2010, the Fund's recorded transactions consisted of 136 investment and operating transactions recorded and accounted for by the Library. The Fund's recorded transactions were authorized in advance, supported by documentation, and accurately accounted for. However, while the Fund's transactions were generally

⁷Federal internal control standards recognize that an entity's management is responsible for designing and implementing appropriate internal controls to achieve objectives related to (1) the effectiveness and efficiency of operations, including the use of resources; (2) the reliability of internal and external financial reporting; and (3) compliance with applicable laws and regulations. Further, an entity's management is to safeguard assets, and design related internal controls to provide reasonable assurance regarding the prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. An entity's management is also responsible for monitoring and evaluating the effectiveness of the internal control. See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

⁸2 U.S.C. § 2108(c)(5).

recorded promptly, we did identify five instances where transactions were not promptly recorded by the Library. We found that all recorded transactions were in compliance with the applicable laws that we deemed significant to the objectives of our audit.

Fund Activity for Fiscal Years 2009 and 2010

As summarized in table 1, the Fund's recorded transactions consisted of 136 investment and operating transactions. There were 121 investment-related transactions that represented (1) the use of available Fund resources to purchase Treasury securities and (2) amounts received and deposited to the Fund resulting from the redemption of Treasury securities. The Fund's investment-related transactions consisted of 60 purchases of investments and 61 redemptions of investments. There were 15 operating-related transactions which included 1 deposit to the Fund and 14 disbursements of Fund assets for activities related to the Commission's Advisory Board.⁹ Table 1 presents a summary of Fund-related financial information covering fiscal years 2009 and 2010, as recorded by the Library.

Table 1: Summary of Total Recorded Fund Transactions and Balances for Fiscal Years 2009 and 2010

		Operating-related		Investment-related	
Fiscal year	Beginning Fund balance	Disbursements	Receipts	Net cash provided by investments	Ending Fund balance
2009	\$548,326	\$1,966	\$10	\$3,437	\$549,807
2010	\$549,807	\$3,308	0	\$1,104	\$547,603 ^a

Source: GAO analysis of Library of Congress records for the Senate Preservation Fund.

^aDuring fiscal year 2010, an obligation was created for the purchase of an artist's sketches; however, the disbursement for this purchase occurred in fiscal year 2011.

There was one operational disbursement from the Fund subsequent to fiscal year 2010 that we included in our audit because it occurred shortly after the end of fiscal year 2010. Specifically, on September 30, 2010, the Commission entered into an obligation to purchase four sketches painted by artist Constantino Brumidi. During fiscal year 2010, the U.S. Senate Curator Office's staff provided operational support and assistance to the Commission for this purchase by gathering background, appraisal, and authenticity information on the sketches. The disbursement for the sketches was made on October 5, 2010 using \$80,125 in funds from the Fund. On October 6, 2010, the Curator's Office, on behalf of the Commission, took physical possession of the sketches.¹⁰

⁹The Commission's Advisory Board provides advice and assistance to the Commission on the acquisition, care, and disposition of items for or within the United States Senate Collection, and on such other matters as the Commission determines appropriate.

¹⁰The total cost of the Brumidi sketches was \$235,300. The Capitol Preservation Fund paid \$155,175 toward the purchase of the sketches and the remaining cost of \$80,125 was paid from the Senate Preservation Fund.

Advance Authorization of Recorded Transactions

To help ensure that only valid transactions and events are initiated or entered into, federal internal control standards provide that such transactions should be authorized by appropriate officials.¹¹ During our audit, we found that all Fund transactions were authorized in advance by written authorization in accordance with the Library's and the Commission's established practices.

Supporting Documentation of Recorded Transactions

Federal internal control standards also provide that transactions and related events should be clearly documented and that the documentation should be readily available for examination. Our review of supporting documentation found that all Fund transactions were fully supported by documentation in accordance with the Library's and the Commission's established practices.

Accounting for Recorded Transactions

Federal internal control standards provide that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. In addition, generally accepted accounting principles provide that transactions and other accounting events should be promptly and accurately recorded. During our audit, we found that 131 of 136 Fund transactions were recorded promptly and accurately. However, 5 investment transactions were recorded in the Fund's accounting system between 2 and 5 weeks after the transaction occurred, resulting in instances where financial information used by the Library for making investment decisions did not accurately reflect the Fund's cash balance. These five instances occurred because the Library staff member responsible for approving the transactions in the accounting system was on an extended leave of absence. At that time, the Library did not have procedures in place to provide for other Library staff to approve the transactions during the responsible party's absence. In one of the instances noted above, Library staff purchased a Treasury security for an amount that exceeded the funds available after relying on information that did not accurately reflect the Fund's cash balance. This caused a negative balance in the Fund's cash account at the Treasury, which is not in accordance with the Treasury operating guidance.¹² This investment purchase also did not contain a primary supervisory review by the Library prior to the purchase as required by established operating practices. The Library's staff detected the error the following week, and the negative balance was subsequently eliminated through the early redemption of a Treasury security.¹³

¹¹GAO/AIMD-00-21.3.1.

¹² See Department of the Treasury Operating Circular, *Responsibilities Relating to Government Investment Accounts and Investment in Government Account Series (GAS) Treasury Securities*, at www.publicdebt.treas.gov, effective October 1, 2008. Chapter 4000, *Responsibilities, Procedures, and Policies Relating to Investment of Moneys in Government Investment Accounts, Section 4035 and 4060*, requires that funds to be invested in Treasury securities be available to the Department of the Treasury general fund to pay for the purchase of Treasury investments.

¹³ No significant financial loss occurred because of the early redemption of the Treasury security.

In response to the exceptions found during our audit, in September 2011, the Library formally documented and approved operating procedures for investment transactions. The procedures address prompt entry of investment transactions by setting a goal for all entries to be made in the Fund's accounting system within 2 to 3 days of an investment date. The procedures also provide steps to ensure that the Fund's accounting system reflects the actual cash balance of the Fund by requiring reconciliations to be performed between the accounting system's trial balance and schedules maintained by Library staff before all investment purchases. In addition, the procedures identify actions the Library will take to execute an investment when key staff are not available.

Compliance with Significant Laws for Recorded Transactions

Management is responsible for developing operating practices to help ensure compliance with relevant laws. In reviewing the Fund's transactions, we determined that there were three statutory provisions within the enabling legislation related to our audit objectives. The three significant 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.

- 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 that, as determined by the Commission, has a maturity suitable for the Fund.¹⁴ Our review of the recorded transactions of the Fund found that all of the Fund's 60 investment purchases complied with this provision regarding the investment of Fund assets in Treasury securities.
- Use of Fund assets—Fund assets are available to the Commission for various purposes, including the acquisition of works of art and historical objects, official activities of the Commission's advisory boards, and any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a).¹⁵ Our review of the recorded transactions of the Fund during the period covered by our audit found that all of the Fund's 14 operating disbursements were related to official activities of the Commission's Advisory Board, which is consistent with the purposes for which assets in the Fund were made available to the Commission.
- Required approvals for use of Fund assets—Under the Fund's enabling legislation, disbursements from the Fund are to be made on vouchers approved by the Commission and signed by the Executive Secretary of the Commission.¹⁶ In December 2008 the Commission delegated the authority to approve disbursements under \$10,000 for expenses and vouchers consistent with purposes of the Fund to the Commission's Executive Secretary. During the

¹⁴2 U.S.C. § 2108(c)(4).

¹⁵2 U.S.C. § 2108(c)(2).

¹⁶2 U.S.C. § 2108(c)(3)(C).

period covered by our audit, all 14 operating disbursements were under \$10,000 and were made on vouchers approved by the Commission's Executive Secretary.

Documented Commission Practices Were in Place but the Library's Investment Practices Were Not Documented

For fiscal years 2009 and 2010, the Commission's operating and oversight practices for the Fund were documented and in place. For the same period, the Library's operating and reporting practices for the Fund were documented and in place with the exception of investment practices. The documented practices at both the Commission and the Library helped to ensure that Fund transactions were properly executed and Fund assets were adequately safeguarded. The Commission had documented operating practices used to account for the receipts, disbursements, investments, and oversight of the Fund. These practices are described in legislation, a Commission Delegation Letter, the United States Senate Acquisition Policy, a memorandum from the Commission to the Library, and accounting guidelines for the Fund. The Library had documented operating practices used to account for Fund disbursements in its payment directive. The Library's accounting guidelines provided documented procedures for the Library to process receipts and report to the Commission on a quarterly basis. However, during the period covered by our audit, the Library's investment practices used in providing services to the Commission were not documented and approved. Subsequent to the audit period, in September 2011, the Library formally documented and approved investment procedures that will help provide assurance that the Fund's assets will be consistently invested in accordance with applicable operating practices.

Commission Practices for Fund Operations and Oversight

Receipts: The Commission's documented practices for receipts provide that the Commission may accept gifts of money and that any such gifts must be deposited in the Fund's account at the Treasury. During the period covered by our audit, the Commission's receipt practices were in place, as evidenced by one donation made to the Commission for \$10, which was deposited in the Fund's account at the Treasury.

Disbursements: The Commission's documented practices for disbursements provide that disbursements may only be made for (1) costs incurred in carrying out the purposes of the Commission, (2) official activities of advisory boards established by the Commission, and (3) the acquisition of works of art and historical objects or any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a). The practices also provide that disbursements over \$10,000 from the Fund are to be made using vouchers approved by the Commission and signed by the Executive Secretary of the Commission. Furthermore, the practices provide that disbursements under \$10,000 are to be made using vouchers approved by the Commission's Executive Secretary. During the period covered by our audit, the Commission's disbursement practices were in place. There were 14 operating disbursements related to the use of Fund assets for activities associated with the Commission's Advisory

Board and one disbursement subsequent to this period (discussed previously) related to the purchase of the Brumidi sketches. We found that all 15 disbursements were executed in accordance with the Commission's disbursement practices. Specifically we found that

- all operating disbursements related to the Commission's Advisory Board were less than \$10,000 and were approved by the Commission's Executive Secretary;
- all obligating documents for operating disbursements related to the Commission's Advisory Board were transmitted to the Library to notify it of the scheduled disbursement;
- the Commission communicated to the Library its intent to purchase the Brumidi sketches;
- the purchase of the Brumidi sketches was approved by the Commission;
- the Commission appropriately transmitted the bill of sale for the purchase of the Brumidi sketches to the Library to notify it of the scheduled disbursement; and
- the sketches were properly safeguarded and transferred to the fine arts inventory of the Senate Commission on Art.

Investments: The Commission's documented practices for 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. During the period covered by our audit, we found that the Commission's documented investment practices were in place. All funds not needed to meet current withdrawals were invested in Treasury securities.

Oversight: The Commission's documented practices 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. Federal internal control standards provide that monitoring and oversight activities are to be incorporated into an entity's normal operations. The Commission's oversight practices, which were consistent with federal internal control standards, were in place during the audit period and were designed to ensure that transactions were properly executed and assets of the Fund were adequately safeguarded. 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.

Library Practices Supporting Fund Operations and Reporting

Disbursements: In 2009, the Library issued a payment directive that documented its operating practices for paying vendors on behalf of the Commission. The directive is consistent with federal internal control standards and sets out required steps for the Library to 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 payments. During the period covered by our audit, we found that the Library's

payment practices were in place. There were 14 operating disbursements of Fund assets for activities related to the Commission's Advisory Board and 1 disbursement subsequent to this period (discussed previously) related to the purchase of the Brumidi sketches. We found that all 15 disbursements were executed in accordance with the Library's disbursement practices. Specifically we found that

- the Library followed its payment directive appropriately to ensure that the payments were properly authorized, accurate, approved, and recorded, and were made on a timely basis; and
- all transactions were fully supported by documentation, and the Library had the proper segregation of duties in the processing of the payments.

Receipts: In 2009, the Library, in coordination with the Commission, issued accounting guidelines for the Fund which formally documented and approved the processing of Fund-related receipt transactions. During the period covered by our audit, the Library's receipt practices were in place, as evidenced by one donation made to the Commission for \$10 which was deposited in the Fund's account at the Treasury.

Investments: During the period covered by our audit, we found that while the Library had established investment practices, it had not documented such practices. Federal internal control standards provide that procedures should be clearly documented to effectively support management in controlling operations and making decisions. While the Library's undocumented investment practices generally resulted in transactions that were authorized in advance, supported by documentation, accurately accounted for, and in compliance with law, we also identified instances where they were not followed. Specifically, we found the following

- 58 of 60 investment purchases contained primary supervisory review prior to the investment purchase as required by the Library's established investment practices. Two investment purchases did not contain primary supervisory review prior to the purchase.
- 59 of 60 investment purchases contained secondary supervisory review prior to the investment purchase as required by the Library's established investment practices. One investment purchase did not contain secondary supervisory review prior to the purchase.

In response to the exceptions found during our audit, the Library's Office of the Chief Financial Officer formally documented and approved standard operating procedures for investments in September of 2011. The procedures outline the detailed responsibilities of staff and reviewers during the preparation and review of investment transactions. The procedures address prompt entry of investment transactions by setting a goal for all entries to be made in the Fund's accounting system within 2 to 3 days of the investment date. The procedures also provide steps to ensure that the Fund's accounting system reflects the Fund's actual cash balance by requiring reconciliations to be performed between the accounting system's trial balance and schedules maintained by Library

staff before all investment purchases. In addition, the procedures include actions the Library will take to execute an investment purchase when key staff are not available.

Reporting: In 2009, the Library formally issued guidelines on accounting for the Fund which documented the Library's operating practices for reporting on a quarterly basis to the Commission. The guidelines are consistent with federal internal control standards which provide that pertinent information, such as Fund transaction activities, be reported in a form and timeframe that enables those who need the information to carry out their responsibilities efficiently and effectively. During the period covered by our audit, we found that the Library's reporting practices were in place. Specifically, we found that the Library transmitted quarterly financial reports to the Commission, which provided adequate information for the Commission to monitor the Fund's activities.

The Library and the Commission Took Action to Address Prior GAO Recommendations

In our previous report on the results of our audit of the Senate Preservation Fund's transactions for fiscal years 2004 through 2008,¹⁷ we made recommendations to the Commission's Executive Secretary to work with the Library's Chief Financial Officer and Commission staff to document and formally approve operating practices related to the Library's and the Commission's processing of Fund transactions, reporting, monitoring, and follow-up by the Commission and Library on Fund-related matters. During our audit, we found that the Library and the Commission took action to address these recommendations.

Actions Taken to Address Recommendations

In August 2009, the Library, in coordination with the Commission, issued accounting guidelines for the Fund that formally documented and approved the processing of Fund-related receipt and disbursement transactions. The guidelines also require that the Library prepare a report highlighting Fund financial transaction activities and send it to the Commission on a quarterly basis. In December 2008, the Commission issued a letter to the Commission's Executive Secretary that documented and formally approved operating practices of the Commission related to the processing of Fund-related disbursement transactions. In addition, the letter delegates to the Executive Secretary the authority to approve disbursements of less than \$10,000 for expenses consistent with the purposes of the Fund. In September 2011, the Commission and the Library amended the guidelines to include procedures for the entities to follow-up on Fund-related matters and to highlight the responsibilities of the Commission to monitor Fund transactions and safeguard assets. Specifically, the amended guidelines state that the Commission will review the financial information of the Fund and follow-up in a timely manner with the Library on any inquiries on Fund-related matters. Furthermore, in September 2011, the Library formally documented and approved its operating practices for executing investment transactions.

¹⁷GAO-09-89R.

Agency Comments

We provided a draft of our report to the Chief Financial Officer of the Library of Congress and the Executive Secretary of the Senate Commission on Art to obtain official comments on the draft report's findings and conclusions. In commenting on the draft report (see enclosure II), the Library's Chief Financial Officer concurred with the draft report's findings and conclusions. In oral comments received on the draft report, the Executive Secretary of the Senate Commission on Art also concurred with the draft report's findings and conclusions.

We are sending copies of this report to the Senate Commission on Art's Executive Secretary 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 staff have any questions about this report, please contact me at (202)512-9521 or by e-mail at sebastians@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 Julie Phillips, Assistant Director; Alan MacMullin; and Jacquelyn N. Hamilton.



Steven J. Sebastian
Director
Financial Management and Assurance

Enclosures – 2

Scope and Methodology

To achieve our audit objectives, we reviewed the Senate Preservation Fund's (Fund) enabling legislation and federal internal control standards and met with staff from the Senate Commission on Art (Commission) and the Library of Congress's (Library's) Office of the Chief Financial Officer to discuss the nature and extent of the Fund's financial transactions and related transaction execution, processing, and accounting practices; available supporting documentation; and accounting records. We used our discussions with Commission and Library staff, and our reviews of available supporting documentation, to develop an understanding of the operating practices established by the Commission and the Library related to the execution and processing of the Fund's investments and operating receipt and disbursement transactions. We also considered whether the established operating practices were consistent with federal internal control standards.

We used the Commission's and the Library's established operating practices as our criteria for determining whether the Fund's transactions and related events for fiscal years 2009 and 2010 were authorized in advance, supported by documentation, and accurately accounted for. To do so, we reviewed and reconciled all transactions for fiscal years 2009 and 2010 with supporting documentation maintained by the Library and the Commission. Furthermore, we verified the Library's recorded transactions with the Bureau of the Public Debt's (BPD) FedInvest Transaction History Reports¹⁸ and the U.S. Treasury's Governmentwide Accounting and Reporting (GWA) Account Statements.¹⁹

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 related to the objectives of our performance audit. The three significant 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.

With regard to whether operating, reporting, and oversight practices were documented and in place at the Commission and the Library to help ensure that Fund transactions were properly executed and Fund assets were adequately safeguarded, we obtained an understanding of the Commission's and Library's operating, reporting, and oversight

¹⁸BPD maintains the Fund's transaction records, which provided third-party verification of the Library's records of Fund transactions.

¹⁹The GWA account statements provide the Fund's balance and transaction information at the Treasury and were used to verify the Library's records of Fund transactions.

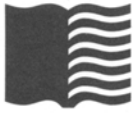
practices by reviewing the available documented practices and conducting walk-throughs. We reviewed documentation supporting communications between and among the Library and the Commission staff regarding recorded transactions and Fund activities. We also considered federal internal control standards when reviewing supporting documentation related to these activities.

To review actions taken to address prior GAO recommendations, we reviewed GAO's prior report on Fund, titled, *Senate Preservation Fund: Key Transaction-Related Operating Practices Have Been Established but Additional Practices Are Needed*.²⁰ We held discussions with Commission and Library staff and examined all support provided in response to the recommendations.

We conducted this performance audit from January 2011 to February 2012 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.

²⁰GAO-09-89R.

Comments from the Library of Congress



THE LIBRARY OF CONGRESS
101 INDEPENDENCE AVENUE, S.E.
WASHINGTON, D.C. 20540-9100


OFFICE OF THE CHIEF FINANCIAL OFFICER

January 11, 2012

Dear Mr. Sebastian,

I have reviewed your report entitled Senate Preservation Fund: Audit of Fiscal Years 2009 and 2010 Transactions. I concur with the findings and conclusions contained in your report, and note that there are no recommendations which require additional action on the part of the Library.

Sincerely,


Jeffrey Page
Chief Financial Officer
Library of Congress
202-707-7350

Mr. Steven J. Sebastian
Director
Financial Management and Assurance
U.S. Government Accountability Office
Washington, DC 20548

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E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

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