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Christopher Columbus Quincentenary
Jubilee Commission

Statement of
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Government Business Operations Issues
General Government Division

Before the
Subcommittee on Census and Population
Committee on Post Office and Civil Service
House of Representatives





CHRISTOPHER COLUMBUS QUINCENTENARY JUBILEE COMMISSION

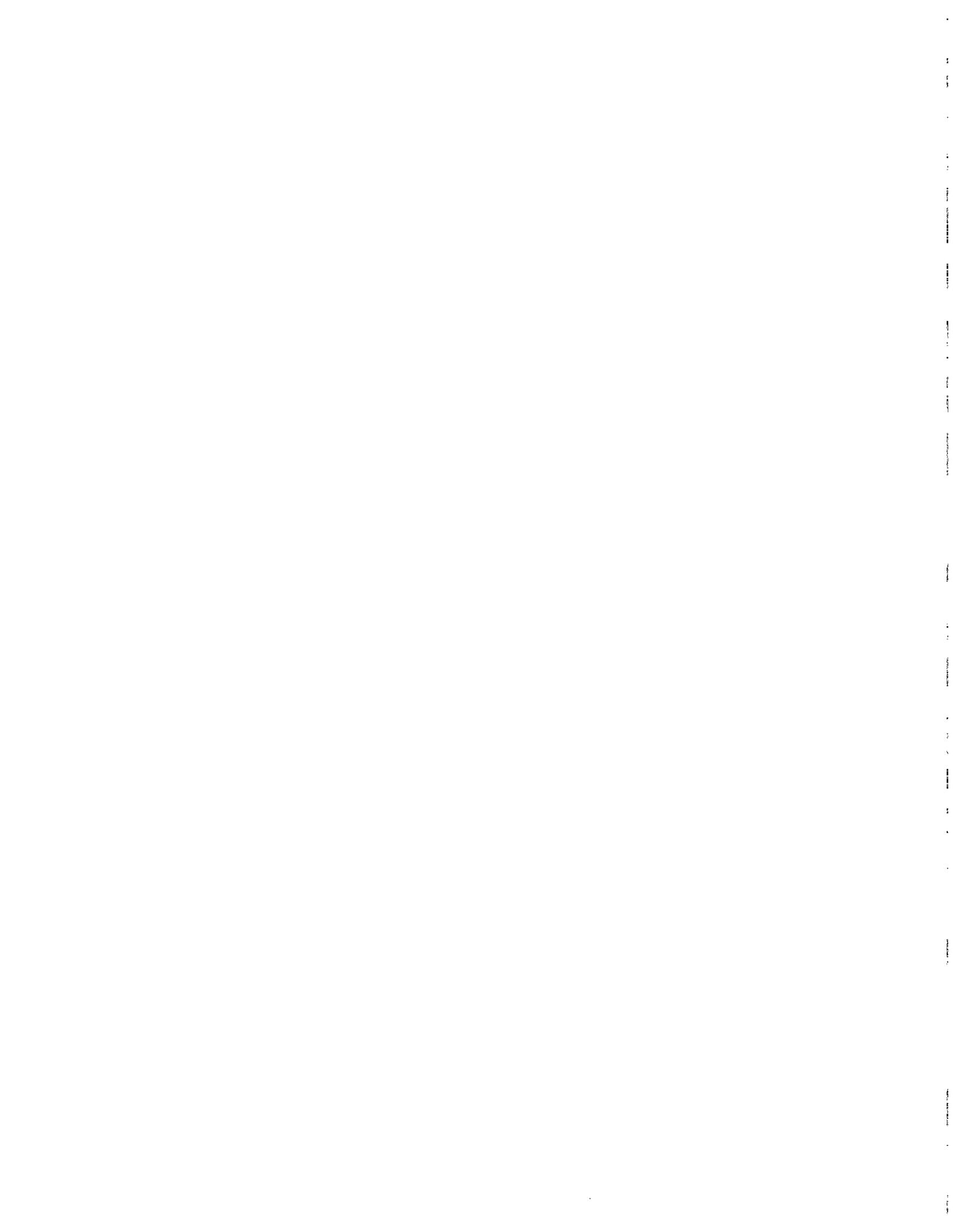
SUMMARY OF STATEMENT BY
L. NYE STEVENS
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GENERAL GOVERNMENT DIVISION

The 500th anniversary of Christopher Columbus' first voyage to the "new world" is now less than 18 months away. To date the Christopher Columbus Quincentenary Jubilee Commission has accomplished very little of what Congress envisioned as its mission and its financial condition is precarious. It has experienced several setbacks including a spate of negative publicity, the withdrawal of the primary corporate sponsor, and the resignations of the Director in October 1990 and the Chairman in December 1990. What should be the "home stretch" for the Commission has become a rescue operation to salvage whatever benefits are possible in the limited time remaining.

Although Congress clearly intended that the Commission be funded primarily from private sources, the Commission's fundraising has fallen far short of expectations. There was no fundraising plan, and requests for support were general rather than specific. The former Chairman, who centralized most fundraising in his own hands, did not have a high public profile or ready access to corporate chief executive officers. Most of the unrestricted cash donations came from members of the Commission themselves. Financial management was deficient and the Commission became insolvent; by the end of 1990, cash was drawn down to a balance of \$43,000, while liabilities amounted to \$764,000.

In February 1991, a new Chairman was appointed by the President and elected by the Commission. The new Chairman immediately hired a new Director. Since that time, the new management has gone through a process of regrouping and taking a fresh look at where they are and what is needed to make the 1992 celebration a success. Steps have been taken to improve financial management. While the new management's approach appears reasonable, it will clearly require funding far in excess of appropriated funds.

While the Commission's success is still uncertain, it is important to remember that a celebration will still occur through projects conducted by other organizations. Given both the problems the Commission ran into last year and the daunting scale of the challenges its new leadership faces now, GAO believes that the Subcommittee can most effectively contribute to achieving the purposes of the Christopher Columbus Quincentenary Jubilee Act by exercising close and constructive oversight of the Commission's activities.



Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Christopher Columbus Quincentenary Jubilee Commission which was tasked by Congress in 1984 to plan, encourage, coordinate and conduct the commemoration of Christopher Columbus' voyages of discovery. As agreed with the Subcommittee, we focused our work on the status of the Commission at the end of 1990 and its ability to carry out the celebration in 1992. This has become an issue of some urgency because during the past year the Commission experienced several setbacks and the date of the 500th anniversary (October 12, 1992) of Christopher Columbus' first voyage to the "new world" is fast approaching. The setbacks include a spate of negative publicity, the withdrawal of the primary corporate sponsor, and the resignations of the Director in October 1990 and the Chairman in December 1990.

In the course of our work we interviewed the current Commission Chairman and Director, all former Directors, three members of the Commission, and several Commission staff members. We also reviewed Commission files and financial records; the Christopher Columbus Quincentenary Jubilee Act, as amended, and its legislative history; and the National Archives and Records Administration Office of Inspector General's (OIG) workpapers from its audit of the Commission.

Mr. Chairman, our review shows that, in the five and a half years since its first meeting in September 1985, the Commission has accomplished very little of what Congress envisioned as its mission and its financial condition is precarious. What should be the "home stretch" for the Commission has become "operation boot strap" to salvage whatever benefits are possible in the limited time remaining.

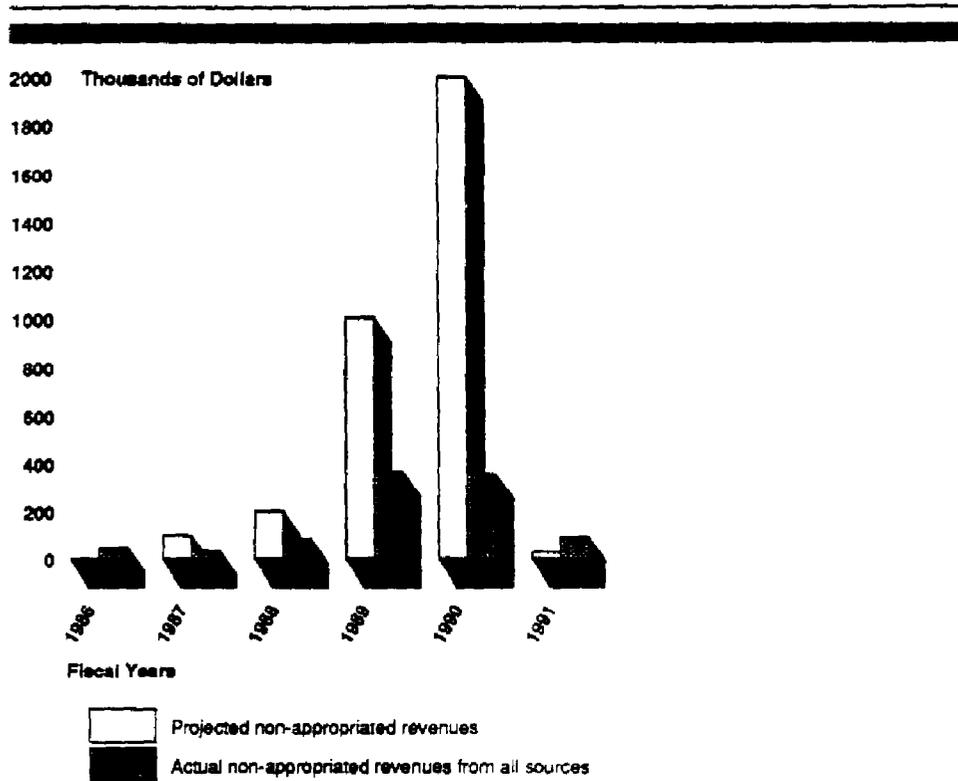
Fundraising--A Key Expectation

The Commission was set up to carry out its statutory purposes largely through the use of donated funds. The 1984 authorizing legislation provided a broad mandate and what is essentially "seed money" in appropriated funds--a maximum of \$2,000,000 over the 9-year life of the Commission. In comparison, the Commission on the Bicentennial of the United States Constitution received an appropriation of \$15,000,000 just for fiscal year 1990. In light of Congress' clear intent that the Commission's activities be financed primarily from sources other than federal funds, the key measure of the Commission's success is its ability to raise sufficient funds to fulfill its duties and obligations.

However, the Commission's fundraising has fallen far short of its expectations. From 1986 through 1990 the Commission expected to raise a total of \$3,300,000, but actually took in a total of \$888,700 from all non-federal sources, \$2,411,300 less than

anticipated. Figure 1 shows the Commission's projected and actual non-appropriated revenues for each of these years.

Figure 1:
Projected and Actual Non-Appropriated Revenues



Actual non-appropriated revenues include fees from donations, licensing fees, and interest income.

Actual revenues for FY 1991 are through March 31, 1991.

Source: Christopher Columbus Quincentenary Jubilee Commission budgets submitted to Congress and Commission financial data

Despite the fact that many Commission members were noted more for intellectual or humanitarian than financial stature, support from members of the Commission itself has been essential to the Commission's survival. Of the \$325,717 in total cash donations which the Commission received through March 31, 1991, \$193,402 was donated by members of the Commission. In addition, Commission

members, who serve without paid compensation, often paid their own expenses for traveling to and attending Commission meetings.

In retrospect, according to the past Directors and several Commission members, several reasons are apparent for the limited success of the Commission in raising money from the public. Plans to hire a professional fundraiser fell through and the Commission staff had no fundraising plan. As a result, its requests for money were not specific, and failed to recognize that general appeals for funding are less attractive to corporations and philanthropies than support identified with definite projects. The Chairman, who centralized most fund-raising in his own hands, did not have a high public profile or ready access to corporate chief executive officers. The Commission's requests for money lacked a sense of urgency because initially the year of commemoration was so far in the future, and later coincided with an economic downturn.

Commemorative Projects

The Commission's 1987 report to Congress recognized that many of the events and activities for the Quincentenary would not need the Commission's leadership or even participation, but rather its coordination and encouragement. Projects involving the Commission financially have not fared well to date.

In July and August of 1990, the Commission's New World Summer 1990 program brought together 64 American, Japanese, and Dominican high school students in the Dominican Republic to study international issues. The Commission set up the program without a signed sponsorship agreement. According to Commission staff, on the day the program started, the expected corporate sponsor declined to participate and the Commission was left with bills of \$259,000 for the 1990 program, of which approximately \$106,000 remained outstanding as of March 31, 1991. Because of the shortage of funds and the lack of a sponsor there will not be a New World Summers program for 1991 and the program for 1992 will depend on the success of fundraising efforts in the next few months.

In September 1989, the Commission entered into agreements with Texaco and Spain's Sociedad Estatal or "State Society". The agreements were intended to arrange a tour by "the caravels" -- replicas of the Nina, the Pinta, and the Santa Maria. Under these agreements the Commission was to be responsible for managing the tour, Spain was to be responsible for building and insuring the replicas, and Texaco pledged to pay \$5 million payable in six installments scheduled over four years and was named the exclusive national sponsor of the tour. Under the terms of the agreements, the Commission was to receive \$850,000 of the \$5 million to defray its normal operating expenses. After the Commission received \$255,000 from the first two installment payments, Texaco suspended its payments beginning in September 1990 because of a contract

dispute. The dispute concerned sufficiency of insurance, adequacy of tour planning and certification for the ships. The Commission therefore did not receive the \$85,000 it expected in September 1990 and it is unlikely to receive the remaining \$510,000 it was scheduled to receive from the agreements.

In July 1989, the Commission entered into an agreement in return for a \$300,000 advance on royalties, which granted the Christopher Columbus Licensing Group the exclusive right to license the marketing of products with the Commission's official logo. The Commission will not receive any additional money from this contract until the advance on royalties is recouped by the Licensing Group. Any additional money will probably not be received early enough to be used in planning events or projects for 1992.

Condition as of December 1990

In December 1990, the fact that the Commission was in bad shape became a matter of broad public knowledge due to exposure in the New York Times, the Washington Post, and other media. Our review of the Commission's status as of December 31, 1990, confirms that it was in disarray. It was in a deficit position and its activities were at a standstill. Its major sponsor--Texaco--had suspended payments. As a result, the Commission did not have the funds to make its September 1990 \$600,000 progress payment to Spain for the caravel tour. The Director of the Commission had resigned

in October 1990. In the wake of the publicity, the Commission's first Chairman resigned in December 1990.

Not only had its fundraising efforts faltered, its management of the funds it did collect was also deficient. The Commission had no accountant or financial manager on its staff and suffered from a lack of accounting and managerial knowledge, weak internal controls, and incomplete or incorrect financial statements and recordkeeping. As a result, the Commission kept four sets of books that contained conflicting financial information.

The Archives Inspector General audited the Commission's financial transactions for the period April 1, 1988, through June 30, 1990, and identified problems with receipts and revenue recognition, procurement, property inventory, management of agreements, payroll, and travel. Our review of the Archives' audit and our review of transactions from June 30, 1990, to December 31, 1990, indicated that the Commission has begun to take steps to correct these weaknesses. But it also shows that the Commission is insolvent and does not have the funds needed to successfully carry out its planned work.

Statements of the Commission's financial condition as of December 31, 1990, are attached to my testimony. They show that the Commission's financial position has steadily deteriorated as total expenses exceeded total revenues by \$126,000 for the 9 months ended

June 30, 1990, \$1,070,000 for the year ended September 30, 1990, and another \$77,000 for the 3 months ended December 31, 1990. As of December 31, 1990, the Commission's cash was drawn down to a balance of \$43,000, of which only \$12,000 was unrestricted. The remainder, \$31,000, was designated by the Commission for specific projects as indicated on the balance sheet. Total liabilities, however, amounted to \$764,000, including \$600,000 for the overdue September 1990 caravels progress payment, and \$128,000 of July and August 1990 bills relating to the New World Summer program.

Also, as of December 31, 1990, the Commission had not paid its office rent for the months of November and December 1990 although it was subsequently paid on February 8 and March 1, 1991, respectively. On January 4, 1991, Spain said it was terminating the caravel tour agreement with the Commission because of the nonpayment of the September 1990 \$600,000 progress payment.

Challenges/obstacles facing the Commission

In February 1991, a new Chairman, Frank J. Donatelli, was appointed by the President and elected by the Commission. The new Chairman immediately hired a new Director. Since that time, the new management has gone through a process of regrouping and taking a fresh look at where they are and what they believe is needed to make the 1992 celebration a success. The new approach focuses on three areas: staffing, fundraising, and developing a core program.

The new Chairman and Director plan to strengthen the current staff by adding at least four additional staff members. These are to include an accountant, a fundraiser, someone to handle public relations, and a liaison officer to work with state and local organizations. They also recognize the need for additional legal assistance.

The new Commission managers' fundraising plan calls for seeking corporate sponsors, using direct mail solicitation, and establishing a Columbus 500 Council made up of volunteer fundraisers to seek contributions of between \$2,000 and \$5,000 from individual donors.

The Commission is focusing on a few specific projects which it plans to conduct. They believe that focusing on fewer, more specific projects will make it easier to interest corporations in becoming sponsors and contributing money if they can choose a specific event to sponsor. However, we believe the unresolved contract dispute with Texaco may have a negative effect on other potential corporate sponsors.

One of the Commission's planned projects--the Columbus Scholars Program--depends on whether legislation is passed which would authorize the U.S. Mint to issue a Christopher Columbus commemorative coin. This program, viewed as a lasting memorial to

Christopher Columbus, would be permanently endowed from the profits of commemorative coin sales. Time is running short because it will be difficult to market coins after the quincentenary celebration.

The Commission faces many challenges and obstacles; its appropriation request of \$220,000 for fiscal year 1992 is necessary but is not in itself sufficient to ensure its survival. Perhaps it is important to remember that if the Commission succeeds in raising only enough money to pay its operating expenses, a celebration will still occur through projects conducted by other organizations. There are over 470 projects and events listed in the Quincentenary Calendar. The Commission has endorsed over 200 of these as Official Projects. Most of these projects and events will be conducted on a state or local level. In addition, the caravels still will make a tour of several cities in the United States. The Spanish Commission, however, now intends to manage the tour.

Conclusions

While the new management's approach appears reasonable, it is clear it will require funding far in excess of appropriated funds. The adverse publicity surrounding the Commission may have undermined its ability to obtain the number of new sponsors and donors essential to the success of the planned efforts. Straightening out the accounting and financial management system, while a necessary step, will not resolve the biggest problem the Commission faces--

the lack of money to successfully carry out the programs supporting its mission. The success or failure of the Commission's new management is directly contingent upon the ability to raise these funds--quickly--from private sources.

Given both the problems the Commission ran into last year and the daunting scale of the challenges its new leadership faces now, we believe that this Subcommittee can most effectively contribute to achieving the purposes of the Christopher Columbus Quincentenary Jubilee Act by exercising close and frequent oversight of the Commission's activities and progress. A clear demonstration that Congress retains a watchful and constructive interest in the Commission and its success should be motivational for the staff and the members of the Commission, and reassuring to those private entities whose support the Commission needs.

This concludes my prepared statement, Mr. Chairman. My colleagues and I would be pleased to respond to questions.

CHRISTOPHER COLUMBUS QUINCENTENARY
JUBILEE COMMISSION
Balance Sheets

	<u>June 30,</u> 1990	<u>September 30,</u> 1990	<u>December 31,</u> 1990
ASSETS			
Cash:			
Unrestricted:			
Income Fund	\$ 65,195	\$ 20,698	\$ 2
Gift Fund	5,551	5,551	1,819
Appropriations	1,161	66	9,846
Money Market	312,405	145,437	177
Total Unrestricted Cash	<u>384,312</u>	<u>171,752</u>	<u>11,844</u>
Restricted:			
Medallion	-	25,000	15,975
Caravel	15,000	15,000	15,000
Total Restricted Cash	<u>15,000</u>	<u>40,000</u>	<u>30,975</u>
Total Cash	<u>399,312</u>	<u>211,752</u>	<u>42,819</u>
Prepaid Expenses	5,087	-	-
Total Assets	<u>\$404,399</u>	<u>\$211,752</u>	<u>\$ 42,819</u>
LIABILITIES			
Accounts Payable:			
Undesignated	\$ 78,942	\$ 1,983	\$ 15,689
Caravel (Note 4)	-	600,000	600,000
Scholars	-	239,848	128,076
Medallion	-	-	4,000
Total Accounts Payable	<u>78,942</u>	<u>841,831</u>	<u>747,765</u>
Accruals:			
Annual Leave	19,724	11,237	13,334
Comp Time	5,906	2,944	2,780
Total Accruals	<u>25,630</u>	<u>14,181</u>	<u>16,114</u>
Total Liabilities	<u>104,572</u>	<u>856,012</u>	<u>763,879</u>
Commitments and Contingencies (Note 4)	-	-	-
FUND BALANCES (Deficit)			
Unrestricted	287,327	174,488	113,997
Restricted - Caravel	15,000	(585,000)	(588,284)
Restricted - Scholars	(2,500)	(258,748)	(258,748)
Restricted - Medallion	-	25,000	11,975
Total Fund Balances (Deficit)	<u>299,827</u>	<u>(644,260)</u>	<u>(721,060)</u>
Total Liabilities and Fund Balances	<u>\$404,399</u>	<u>\$211,752</u>	<u>\$ 42,819</u>

See Accompanying Notes

CHRISTOPHER COLUMBUS QUINCENTENARY
JUBILEE COMMISSION
Statement of Operations

	9 months ended June 30, <u>1990</u>	Year ended September 30, <u>1990</u>	3 months ended December 31, <u>1990</u>
REVENUES:			
Appropriated Funds:			
Appropriations	\$217,000	\$217,000	\$ 74,900
Prior Year Recoveries	<u>5,281</u>	<u>5,281</u>	<u>4,990</u>
Total Appropriated Funds	222,281	222,281	79,890
Nonappropriated Funds -			
Unrestricted:			
Interest Income	33,498	37,692	1,041
Corporation Donations	86,630	86,630	-
Individual Donations	5,000	5,000	2,561
Licensing Fees	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total Nonappropriated Funds - Unrestricted	325,128	329,322	3,602
Nonappropriated Funds -			
Restricted:			
Medallion Donations	-	25,000	-
Caravel Donations	<u>415,000</u>	<u>415,000</u>	<u>-</u>
Total Nonappropriated Funds - Restricted	415,000	440,000	-
Total Revenues	<u>962,409</u>	<u>991,603</u>	<u>83,492</u>
EXPENSES:			
Salaries (Note 2):			
Appropriated	172,926	173,812	54,092
Nonappropriated	<u>25,277</u>	<u>91,830</u>	<u>-</u>
Total Salaries	198,203	265,642	54,092
Benefits (Note 3):			
Appropriated	60,315	44,222	12,962
Nonappropriated	<u>6,049</u>	<u>10,069</u>	<u>-</u>
Total Benefits	66,364	54,291	12,962
Rent (Note 4)	50,149	66,460	16,495
Printing	9,038	10,668	3,597
Office Supplies	9,626	14,116	2,995
Telephone & Mailing (Note 2)	31,577	41,652	9,546

Travel:			
Commissioners	47,463	60,780	2,475
Staff	38,893	43,758	1,508
Guests	<u>13,738</u>	<u>15,569</u>	<u>-</u>
Total Travel	<u>100,094</u>	<u>120,107</u>	<u>3,983</u>
Services:			
Caravel	600,000	1,200,000	3,284
Scholars	2,500	258,748	-
Medallion	-	-	13,025
General	9,157	14,530	35,313
GSA Accounting (Note 2)	<u>11,325</u>	<u>15,100</u>	<u>5,000</u>
Total Services	<u>622,982</u>	<u>1,488,378</u>	<u>56,622</u>
Total Expenses	<u>1,088,033</u>	<u>2,061,314</u>	<u>160,292</u>
Excess of (Expenses) Over Revenues	<u>(125,624)</u>	<u>(1,069,711)</u>	<u>(76,800)</u>
Fund Balances (Deficit) - Beginning	425,451	425,451	(644,260)
Fund Balances (Deficit) - Ending	<u>\$299,827</u>	<u>\$(644,260)</u>	<u>\$(721,060)</u>

See Accompanying Notes

CHRISTOPHER COLUMBUS QUINCENTENARY
JUBILEE COMMISSION
Statement of Cash Flows

	9 months ended June 30, <u>1990</u>	Year ended September 30, <u>1990</u>	3 months ended December 31, <u>1990</u>
<u>Cash Flows From Operating Activities:</u>			
Cash Received From:			
Appropriations	\$222,281	\$222,281	\$ 79,890
Licensing Fees	200,000	200,000	-
Unrestricted Donations	91,630	91,630	2,561
Restricted Donations	415,000	440,000	-
Cash Paid For:			
General Operations	(432,958)	(633,312)	(128,344)
Caravels	(1,230,000)	1,230,000)	(3,284)
Scholars	(2,500)	(18,900)	(111,772)
Medallion	-	-	(9,025)
Net Cash Used in Operating Activities	<u>(736,547)</u>	<u>(928,301)</u>	<u>(169,974)</u>
<u>Cash Flows From Investing Activities:</u>			
Cash Received From:			
Interest Income	33,498	37,692	1,041
Net Cash (Used)	<u>(703,049)</u>	<u>(890,609)</u>	<u>(168,933)</u>
Cash - Beginning of Period	1,102,361	1,102,361	211,752
Cash - End of Period	<u><u>\$399,312</u></u>	<u><u>\$211,752</u></u>	<u><u>\$ 42,819</u></u>

CHRISTOPHER COLUMBUS QUINCENTENARY
 JUBILEE COMMISSION
 Statement of Cash Flows (continued)

Reconciliation of the Excess
 of Expenses over Revenues
 to Net Cash Used in
 Operating Activities

Excess in Expenses Over Revenues	\$(125,624)	\$(1,069,711)	\$(76,800)
Increase (Decrease) in:			
Prepaid Expenses	(5,087)	-	-
Accounts Payable:			
Undesignated	41,361	(35,598)	13,706
Caravel	(630,000)	(30,000)	-
Scholars	-	239,848	(111,772)
Medallion	-	-	4,000
Accruals	16,301	4,852	1,933
Interest Income	<u>(33,498)</u>	<u>(37,692)</u>	<u>(1,041)</u>
Net Cash Used in Operating Activities	<u>\$(736,547)</u>	<u>\$(928,301)</u>	<u>\$(169,974)</u>

See Accompanying Notes

CHRISTOPHER COLUMBUS QUINCENTENARY
JUBILEE COMMISSION
Notes to Financial Statements

1. Organization and Significant Accounting Policies

The Christopher Columbus Quincentenary Jubilee Commission was created by Section 3 of the Christopher Columbus Quincentenary Jubilee Act, Public Law 98-375, on August 7, 1984. The Commission was created to plan, encourage, coordinate, and conduct the commemoration of the Five Hundredth Anniversary of the voyages of discovery of Christopher Columbus on October 12, 1992.

The law, as amended, provides that the Commission shall issue a final report of its activities to the Congress no later than December 31, 1993, upon which date the Commission shall terminate its existence.

Basis of Accounting

The General Services Administration's (GSA) Office of Finance and Administration in Kansas City, Missouri, performs part of the Commission's financial accounting using the federal budgetary basis of accounting for budgets, obligations and outlays. The Commission also maintains a general ledger on an accrual basis of accounting in accordance with generally accepted accounting principles, from which these financial statements are prepared.

Gifts and Donations

Section 7 of Public Law 98-375 permits the Commission to accept donations of money, property, or personal services within certain dollar limitations from a single contributor to finance its operations. These donations are recorded in the financial statements when received. Donations restricted for a specific purpose are designated as such in the financial statements along with any related expenses.

Appropriations

Section 11 of Public Law 98-375 authorizes the Commission to receive appropriations not to exceed a total of \$2 million for the period of its existence. Amounts are appropriated annually and beginning October 1, 1990, are recognized on a quarterly basis based upon an Office of Management and Budget apportionment formula.

Leave and Compensatory Time

Annual leave and compensatory time are accrued as earned, and reduced as taken. Sick and other types of leave are expensed as taken.

2. Intergovernmental Activities

GSA provides accounting services to the Commission, including payroll, personnel, and bill paying at a fee of \$11,325 for the 9 months ended June 30, 1990, \$15,100 for the year ended September 30, 1990, and \$5,000 for the 3 months ended December 31, 1990. GSA also provided office furniture to the Commission at no cost. Federal telephone service is also provided by GSA based upon usage at a fee of \$10,397 for the 9 months ended June 30, 1990, \$13,825 for the year ended September 30, 1990, and \$1,748 for the 3 months ended December 31, 1990.

The Commission has one employee on detail whose salary and benefits are paid by the Library of Congress until the Commission's termination.

3. Employee Benefit Plan

Commission employees participate in the Social Security Benefits Plan of the Federal Employees' Retirement System. The Benefits Plan is a defined contribution plan, and contributions to it are based upon a percentage of employees' gross pay. The Commission's contribution to the plan was \$25,876 for the 9 months ended June 30, 1990, \$32,808 for the year ended September 30, 1990, and \$4,995 for the 3 months ended December 31, 1990.

The Commission does not report Civil Service Retirement System assets, actuarial present value of accumulated plan benefits, or unfunded liabilities applicable to its employees, since this data is maintained by the Office of Personnel Management and are not allocated to individual departments and agencies.

4. Contingencies and Commitments

The Commission has an agreement with the State Society of the Government of Spain for a program of activities centered around the construction of 3 replicas of Christopher Columbus ships (caravels). The agreement provides for the Commission to donate \$3 million according to the following schedule:

September, 1989	\$600,000
March, 1990	600,000
September, 1990	600,000
March, 1991	600,000
September, 1991	600,000

As of December 31, 1990, the September 1990 payment of \$600,000 was overdue and payable. In a January 4, 1991, letter to the Commission, the State Society said that the agreement was terminated due to the nonpayment of the September 1990 installment.

Office rent of \$5,087 monthly is paid using a blanket purchase agreement. The Commission has also entered into a 48 month copier lease in April 1989, at a monthly cost of \$197.