

August 1993

FINANCIAL AUDIT

Capitol Preservation
Fund—March 31, 1992
and 1991





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-251505

August 10, 1993

To the President of the Senate and the
Speaker of the House of Representatives

In accordance with 40 U.S.C. 188a-3, we audited the accompanying statements of financial position of the Capitol Preservation Fund as of March 31, 1992 and 1991, and the related statements of revenues and expenditures and cash flows for the years then ended. We found

- the financial statements were reliable in all material respects;
- internal controls were effective in protecting assets, assuring material compliance with laws and regulations, and assuring that there were no material misstatements in the financial statements at March 31, 1992; and
- no material noncompliance with laws and regulations we tested for fiscal year 1992.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Fund's

- assets and government equity;
- revenues and expenditures; and
- cash flows.

As discussed in note 1, the financial statements represent the Commission's activities directly financed by the Capitol Preservation Fund, but do not include administrative costs financed by funds appropriated to the Architect of the Capitol, the Library of Congress, and the United States Senate or House of Representatives.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and

- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Those controls in effect on March 31, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected. Our report on the internal control structure for fiscal year 1991 is presented in GAO/AFMD-93-32, dated April 14, 1993.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for fiscal year 1992. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Our report on compliance with laws and regulations for fiscal year 1991 is also presented in GAO/AFMD-93-32, dated April 14, 1993.

Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining internal controls to provide reasonable assurance that the control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

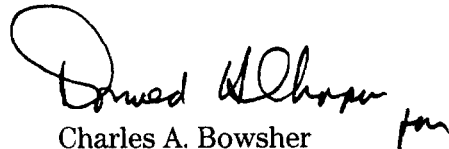
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;

- evaluated and tested relevant internal controls which encompassed the following areas: treasury, revenues, expenditures, and financial reporting; and
- tested compliance with selected provisions of 40 U.S.C. 188a-2, which governs expenditures of the Fund and requires that surcharges on the sale of bicentennial coins, donations, and interest be properly accounted for and invested by the Library of Congress.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did our work in accordance with generally accepted government auditing standards. We completed our audit work on March 30, 1993.

We are sending copies of this report to the Secretary of the Senate and to the Co-Chairmen, Capitol Preservation Commission. Copies will be sent to others upon request.



Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Financial Position

	March 31,	
	<u>1992</u>	<u>1991</u>
Assets		
Fund balance with Treasury	\$ 5,040	\$ 3,574
Investments net of discounts (note 3)	17,907,295	16,987,975
Accrued interest	<u>109,348</u>	<u>149,266</u>
Total Assets	<u>\$18,021,683</u>	<u>\$17,140,815</u>
Government Equity		
Fund balance	<u>18,021,683</u>	<u>17,140,815</u>
Total Government Equity	<u>\$18,021,683</u>	<u>\$17,140,815</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Revenues and Expenditures

	Year ended March 31,	
	<u>1992</u>	<u>1991</u>
Revenues		
Donations (note 1)	\$ 45,100	\$ 24,000
Surcharge Proceeds (note 1)	0	429,692
Interest	<u>978,268</u>	<u>1,254,585</u>
Total revenues	<u>1,023,368</u>	<u>1,708,277</u>
Expenditures (note 4)	<u>142,500</u>	<u>0</u>
Total expenditures	<u>142,500</u>	<u>0</u>
Excess of Revenues over Expenditures	<u>\$ 880,868</u>	<u>\$1,708,277</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Cash Flows

	<u>Year ended March 31,</u>	
	<u>1992</u>	<u>1991</u>
Cash Flows From Operating Activities		
Donations received	\$ 45,100	\$ 24,000
Surcharges from coin sales received (note 1)	0	429,692
Interest received	1,018,186	1,266,055
Cash paid for expenditures	<u>(142,500)</u>	<u>0</u>
Net cash provided by operating activities	<u>920,786</u>	<u>1,719,747</u>
Cash Flows From Investing Activities		
Payments made to acquire Treasury Bills	(37,969,834)	(34,499,279)
Return of investment in Treasury Bills	<u>37,050,514</u>	<u>32,773,945</u>
Net cash used by investing activities	<u>(919,320)</u>	<u>(1,725,334)</u>
Net Increase (Decrease) in Cash	1,466	(5,587)
Cash at beginning of year	<u>3,574</u>	<u>9,161</u>
Cash at End of Year	\$ <u>5,040</u>	\$ <u>3,574</u>
Reconciliations of Excess of Revenues Over Expenditures to Net Cash Provided by Operating Activities		
Excess of revenues over expenditures	\$ 880,868	\$ 1,708,277
Adjustments to reconcile excess of revenues over expenditures to net cash provided by operating activities		
Decrease in accrued interest	<u>39,918</u>	<u>11,470</u>
Net Cash Provided by Operating Activities	\$ <u>920,786</u>	\$ <u>1,719,747</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1. Description of Entity

The Capitol Preservation Commission was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of providing improvements in, preservation of, and acquisitions for the United States Capitol. The operations of the Commission are financed through the "Capitol Preservation Fund," which was established in the Treasury under this law. The Fund consists of deposits from charitable contributions (donations), interest on invested portions of the Fund, and surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act. Coin sales, which generated the majority of the Fund's proceeds from July 1989 through March 31, 1990, ceased in June 1990. The U.S. Mint transferred the final proceeds during fiscal year 1991.

The Commission may fund or assist in the funding of improvements in the Capitol Building and grounds surrounding the Capitol Building if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. Also, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenditures are approved by a majority of the members of the Commission from the house of Congress for which such purchases are made.

These statements do not include administrative costs financed with funds appropriated to the Architect of the Capitol, the Library of Congress, and the United States Senate or House of Representatives. Such administrative costs include salaries and benefits paid to personnel who work for the Preservation Commission on a part-time basis and for Library of Congress personnel who provide accounting services for the Commission. These costs cannot be readily determined.

Note 2. Significant Accounting Policies

Assets, liabilities, revenues, and expenditures are recognized on the accrual basis of accounting following generally accepted accounting principles.

Under Commission Rule 14, the Capitol Preservation Commission established its fiscal year as the 12-month period from April 1 to March 31.

Note 3. Investments

Cash deposits from donations and surcharges are invested in interest-bearing obligations of the United States and are purchased at a discount. The Commission has directed the Library of Congress to invest donations for 3 months, while surcharge proceeds are to be invested for 6 months. Face value of investments outstanding as of March 31, 1992, amounted to \$18,295,000 with annual investment rates ranging from 3.74 percent to

5.65 percent. Face value of investments outstanding as of March 31, 1991, amounted to \$17,515,000, with annual investment rates ranging from 5.79 percent to 7.19 percent.

Schedule of Outstanding Investments

	<u>March 31,</u>	
	<u>1992</u>	<u>1991</u>
Investments outstanding - face value	\$18,295,000	\$17,515,000
Discounts	<u>387,705</u>	<u>527,025</u>
Investments outstanding - net of discounts	<u>\$17,907,295</u>	<u>\$16,987,975</u>

Note 4. Expenditures

The Fund incurred the following expenditures during fiscal year 1992:

-- A schematic landscape design for the East Plaza of the U.S. Capitol for the Architect of the Capitol.	\$ 20,000
-- Conservation assessments of the Statue of Freedom on the dome of the U.S. Capitol.	50,000
-- Purchase of an antique oriental rug for the Rayburn Room in the U.S. Capitol.	<u>72,500</u>
Total	<u>\$142,500</u>

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