



---

United States Government Accountability Office  
Washington, DC 20548

October 14, 2011

The Honorable Daniel K. Inouye  
Co-Chairman  
The Honorable John A. Boehner  
Co-Chairman  
Capitol Preservation Commission

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

The Honorable Daniel E. Lungren  
Chairman  
The Honorable Robert A. Brady  
Ranking Member  
Committee on House Administration  
House of Representatives

**Subject: *Capitol Preservation Fund: Audit of Fiscal Years 2008 through 2010 Transactions***

In November 1988, the Capitol Preservation Commission (Commission) was established for the purpose of providing for improvements in, preservation of, and acquisitions for the United States Capitol. At the same time, the Capitol Preservation Fund (Fund) was established within the U.S. Treasury (Treasury) and was made available to the Commission to provide financing for the Commission to carry out its purpose. The Library of Congress (Library) provides financial management services and support to the Commission. GAO is required to audit the transactions of the Commission and report the results to the Congress.<sup>1</sup>

This report presents the results of our audit of the Commission's transactions as recorded in the Fund during fiscal years 2008 through 2010. Our audit objectives were

---

<sup>1</sup>Pub. L. No. 100-696, 102 Stat. 4610 (Nov. 18, 1988); 2 U.S.C. § 2084.

to determine whether (1) the Fund's recorded transactions for fiscal years 2008 through 2010 were authorized in advance, supported by documentation, accurately accounted for, and in compliance with applicable laws: and (2) operating, reporting, and oversight practices<sup>2</sup> 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 address these objectives, we reviewed the Fund's enabling legislation and the operating practices<sup>3</sup> established by the Commission and Library staff to determine whether the Fund's recorded transactions and related events 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.

We conducted this performance audit between January 2011 and September 2011 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 2008 through 2010, the Fund's recorded transactions consisted of 159 investment transactions recorded and accounted for by the Library. With one exception, the Fund's recorded transactions were authorized in advance, supported by documentation, and accurately accounted for. We also 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 2008 through 2010, operating and oversight practices were documented and in place at the Commission. For the same period, with the exception of investment and reporting practices, the Fund's operating practices were documented and in place at the Library. 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, the Rules of the Commission, and

---

<sup>2</sup>Practices, for the purposes of this report, are the Commission's and Library's established operating procedures, which have not necessarily been documented or approved.

<sup>3</sup>Operating practices are those related to authorization; documentation; accounting of receipts, disbursements and investments; and compliance with laws to ensure that Fund transactions are properly executed.

memoranda from the Commission to the Library. The Library had documented operating practices used to account for Fund disbursements in its payment directive. However, the Library's investment and reporting practices used in providing services to the Commission were not documented and approved. Until the Library's investment practices are documented and approved, the Commission and the Library are at risk that funds will not be consistently invested in accordance with applicable operating practices, and Fund assets will not be adequately safeguarded against loss or unauthorized use or distribution. Furthermore, having documented reporting practices at the Library would provide further assurance that the Commission is provided information on a routine basis to adequately monitor the Fund.

We are making a recommendation to the Secretary of the Senate and the Clerk of the House of Representatives to work with the Library to ensure that the Library documents and approves practices used to carry out the Library's investment and reporting responsibilities supporting the Capitol Preservation Fund. The Chief Financial Officer of the Library of Congress, the Secretary of the Senate, and the Clerk of the House of Representatives agreed with our recommendation and worked together to complete procedures to address our recommendation.

### **Background**

The Capitol Preservation Commission was established on November 18, 1988, for the purpose of providing for improvements in, preservation of, and acquisitions (including works of fine art and other property for display) for the United States Capitol.<sup>4</sup> Pursuant to Public Law 100-696, the Capitol Preservation Fund was established within the U.S. Treasury and is available to the Commission for (1) improvement and preservation projects for the U.S. Capitol, (2) disbursement with respect to works of fine art and other property, and (3) such other payments as may be required to carry out the Commission's purpose. The Fund's assets consist of amounts derived from contributions and surcharge proceeds from the Secretary of the Treasury (U.S. Mint) arising from the sale of commemorative coins, and interest earned on the invested portions of the Fund's assets. Fund assets not needed to finance current improvement, preservation, or acquisition projects are invested in interest-bearing obligations of the United States.

The Fund is authorized to receive proceeds from coin surcharges from three commemorative coin programs authorized by the Congress: (1) the Bicentennial of the United States Congress Commemorative Coin Act, (2) the Bicentennial of the United States Capitol Commemorative Coin Act, and (3) the United States Capitol Visitor Center Commemorative Coin Act. The proceeds from the Capitol Visitor Center commemorative coins were used to partially fund the construction of the Capitol Visitor Center and were fully expended by 2006.

The Commission is also authorized to accept gifts of (1) works of fine arts, (2) money, and (3) other property, and can also purchase and dispose of property. In 1991, the Rules of the Commission authorized the use of \$400,000 (\$200,000 for the House of

---

<sup>4</sup>Pub. L. No. 100-696, title VIII, § 801, 102 Stat. 4608, classified at 2 U.S.C. § 2081.

Representatives and \$200,000 for the Senate) from the Fund for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the body of the Congress for which such purchases are made. The Commission may not maintain any collection of fine art and other property that it receives or acquires. Instead, it may assist in the transfer of such items to a congressional entity (such as the Senate Commission on Art, the House of Representatives Fine Arts Board, or the Joint Committee on the Library) or dispose of such property by sale or other transaction. The Architect of the Capitol, the Senate Commission on Art, and the House of Representatives Fine Arts Board are required to provide staff support and assistance to the Commission.<sup>5</sup>

On behalf of the Commission, the Secretary of the Senate and the Clerk of the House of Representatives, pursuant to Commission Rules, provide general 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. They are responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable laws; and (2) related operating practices and internal controls<sup>6</sup> are established and followed. In a 1989 memorandum, the Commission delegated the investment responsibilities of the Fund to the Library, specifying that all funds not needed to meet current withdrawals are to be invested in U.S. Treasury securities that have 3 or 6 month maturities.

Pursuant to Public Law 101-45,<sup>7</sup> the Library is to provide financial management services and support to the Commission. As such, the Library's Chief Financial Officer (CFO) staff provide principal services and support for the Fund, including the purchase and redemption of U.S. Treasury investments with funds not needed to finance current operations, the processing of receipt and disbursement transactions, and the development and maintenance of the Fund's accounting records and related support. Further, as the Fund's financial management provider, the Library, through its CFO, is also responsible for ensuring that appropriate operating practices and internal controls related to its service and support to the Commission are appropriately documented and followed.

---

<sup>5</sup>Pub. L. No. 100-696, title VIII § 801(e), 102 Stat. 4608 (Nov. 18, 1988); classified at 2 U.S.C. § 2081(e).

<sup>6</sup>Federal 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. A subset of each of these control objectives is the need to safeguard assets and to 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 internal control. See *GAO Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

<sup>7</sup>See 2 U.S.C. § 142i.

**Fund Transactions Were Properly Authorized, Supported, Recorded and in Compliance with Applicable Laws**

For fiscal years 2008 through 2010, the Fund’s recorded transactions consisted of 159 investment transactions recorded and accounted for by the Library. With the exception of one investment purchase, the Fund’s recorded transactions for this period were authorized in advance, supported by documentation, and accurately accounted for. We also 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 2008 through 2010**

As summarized in table 1, the Fund’s 159 investment-related transactions represented (1) the use of available Fund resources to purchase U.S. Treasury securities, and (2) amounts received and deposited to the Fund resulting from the redemption of U.S. Treasury securities. The Fund’s investment-related transactions consisted of 79 purchases of investments and 80 redemptions of investments. During our audit period, there were no Fund receipt or disbursement (operating-related) transactions. Table 1 presents a summary of Fund-related financial information covering fiscal years 2008 through 2010, as recorded by the Library.

**Table 1: Summary of Total Recorded Fund Transactions and Balances for Fiscal Years 2008–2010**

Fiscal year	Beginning Fund balance	Operating related		Investment related	Ending Fund balance
		Disbursements	Receipts	Net cash provided by investments	
2008	\$10,096,868	0	0	\$386,404	\$10,483,272
2009	\$10,483,272	0	0	\$104,233	\$10,587,505
2010	\$10,587,505	0	0	\$20,467	\$10,607,972 <sup>a</sup>

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

<sup>a</sup>During 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 after the end of 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 Senate Commission on Art, under authority of 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 Senate Commission on Art 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 \$155,175 in funds from the Senate's previously authorized \$200,000. On October 6, 2010, the Curator's office, on behalf of the Senate Commission on Art, took physical possession of the sketches.

### Advance Authorization of Investment Purchases

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.<sup>8</sup> With one exception, we found the Fund's investment purchases were authorized in advance by written authorization in accordance with the Library's established but undocumented investment practices. Specifically, we found written authorization for 78 of 79 Fund investment purchases of U.S. Treasury securities by appropriate officials at the Library prior to the investment purchase. However, the Library could not locate a "Request for Investment/Redemption" form documenting evidence of advanced authorization for one transaction.

### 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. With one exception, our review of supporting documentation found that the Fund's investment transactions were fully supported by documentation in accordance with the Library's established but undocumented investment practices.

- The Fund's 79 investment purchases were fully supported by documentation from the Department of the Treasury's Bureau of the Public Debt.
- With the exception of the missing authorization documentation discussed previously, the other 78 investment purchases were fully supported by documentation from the Library.
- All 80 investment redemptions were fully supported by documentation from the Library and the Department of the Treasury's Bureau of the Public Debt.

### 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 recognized. During our audit, we found that all Fund transactions were promptly and accurately recorded.

---

<sup>8</sup>GAO/AIMD-00.21.3.1.

## 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 of 3 or 6 months.<sup>9</sup> Our review of the recorded transactions of the Fund found that each of the Fund's 79 investment purchases complied with this provision regarding the investment of Fund assets in U.S. Treasury securities.
- Use of Fund assets—Under the Fund's enabling legislation, Fund assets are available to the Commission for payment of transaction costs and similar expenses incurred under 2 U.S.C. § 2082; improvement and preservation projects for the United States Capitol; disbursement with respect to works of fine art and other property; and such other payments as may be required to carry out the purpose of the Commission.<sup>10</sup> During the period covered by our audit, there were no funds used for any of these purposes.
- Required approvals for use of Fund assets—Under the Fund's enabling legislation, except for improvement and preservation projects for the Capitol, which require appropriation committee approval, funds are to be available to the Commission. Disbursements from the Fund are to be made on vouchers approved by the Commission and signed by the Co-Chairmen.<sup>11</sup> Commission Rules authorize the Co-Chairmen to approve incidental expenses on behalf of the Commission. During the period covered by our audit, there were no funds used for any of the purposes stated in the previous paragraph and therefore no approvals for the use of the Fund assets were needed.<sup>12</sup>

## **Documented Commission Practices Were in Place but the Library's Investment and Reporting Practices Were Not Documented**

For fiscal years 2008 through 2010, operating and oversight practices were documented and in place at the Commission. For the same period, with the exception of investment

---

<sup>9</sup>Pub. L. No. 100-696, title VIII, § 803(e), 102 Stat. 4609 (Nov. 18, 1988); classified at 2 U.S.C. § 2083(e).

<sup>10</sup>See 2 U.S.C. § 2083(b).

<sup>11</sup>See 2 U.S.C. § 2083(d).

<sup>12</sup>The purchase of the Brumidi sketches was made after our audit period. The sketches were purchased using Fund monies available to the Senate and approved by the Commission as noted previously in this report.

and reporting practices, the Fund's operating practices were in place and documented at the Library. 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, the Rules of the Commission, and memoranda from the Commission to the Library. The Library had documented operating practices used to account for Fund disbursements in its payment directive. However, the Library's investment and reporting practices used in providing services to the Commission were not documented and approved. Without documented and approved Library investment practices, the Commission and the Library are at risk that funds will not be consistently invested in accordance with applicable operating practices and Fund assets will not be adequately safeguarded against loss or unauthorized use or distribution. Furthermore, having documented reporting practices at the Library would provide further assurance that the Commission is provided information on a routine basis to adequately monitor the Fund.

#### Commission Practices for Fund Operations and Oversight

The Commission has documented operating practices over the receipts, disbursements, investments, and oversight of the Fund. These practices are documented in legislation, the Rules of the Commission, and memoranda from the Commission to the Library.

Receipts: The Commission's documented practices over receipts provide that the Commission is to accept money only in the form of a check or similar instrument made payable to the Fund or to the U.S. Treasury for the account of the Fund and any such instruments are to be deposited in the Fund at the Treasury. During the period covered by our audit, the Commission's receipts practices were in place; however, there were no Commission receipts.

Disbursements: The Commission's documented practices for disbursements provide that all transactions are to be directly related to the purposes of the Commission. The Commission's disbursement practices also direct the Library to take the necessary steps to ensure funds are available in advance of disbursement. The practices also provide that disbursements from the Fund are to be made using vouchers approved by the Commission and signed by the Co-Chairmen. During the period covered by our audit, the Commission's disbursement practices were in place. There were no disbursements during the period of our audit; however, as discussed previously, a disbursement transaction subsequent to this period related to the purchase of the Brumidi sketches was executed in accordance with the Commission's disbursement practices. Specifically, we found that the

- Commission communicated to the Library its intent to purchase the sketches;

- purchase was approved and made by the Senate Commission on Art<sup>13</sup> using a portion of the Fund available specifically to the Senate, as stated previously;
- Commission appropriately transmitted the bill of sale for the purchase to the Library to notify it of the scheduled disbursement; and
- sketches were properly safeguarded and transferred to the fine arts inventory of the Senate Commission on Art.

Investments: The Commission's documented practices over investments provide that any portion of the Fund that is not needed to meet current withdrawals is to be invested in an interest-bearing obligation of the United States or an obligation guaranteed as to principal and interest by the United States. 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 U.S. 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 annual unaudited financial statements which enabled the Commission to monitor the financial activity of the Fund.

#### Library Practices Supporting Fund Operations and Reporting

The Library's payment directive provided documented operating practices for Fund disbursements. However, the Library did not have documented practices for Fund investments and reporting. Without documented and approved Library investment practices, the Commission and the Library are at risk that funds will not be consistently invested in accordance with applicable operating practices and internal controls. In addition, the Library had established but undocumented practices in place to report to the Commission on the activity of the Fund.

Disbursements: The Library issued a payment directive in 2009 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 Fund payments are properly authorized, accurate, approved, recorded, and made on a timely basis. The directive also requires the Library to have the appropriate segregation of duties between authorizing, approving, and recording the payment. During the period covered by our audit, we found that the Library's payment

---

<sup>13</sup>The Senate members of the Commission delegated its approval for Senate expenditures of art, furnishing, and other items of historical interest to the Senate Commission on Art.

practices were in place. While there were no disbursements during the audit period, there was one disbursement subsequent to this period (discussed previously) related to the purchase of the Brumidi sketches that we found was executed in accordance with the Library's disbursement practices. Specifically we found that the

- Library followed its payment directive appropriately to ensure the payment was properly authorized, accurate, approved, recorded, and made on a timely basis; and
- Brumidi transaction was fully supported by documentation, and the Library had the proper segregation of duties over the processing of the payment.

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:

- 64 of 78<sup>14</sup> investment purchases contained secondary supervisory review prior to the investment purchase as required by the Library's undocumented investment practices. Fourteen investment purchases did not contain any form of secondary supervisory review prior to the purchase.
- 75 of the 79 investment purchases were invested in accordance with the maturity date directed by the Commission.
  - 4 investment purchases were not invested in accordance with the maturity date directed by the Commission. One investment purchase was mistakenly invested in a security with a 3-month maturity rather than a security with a 6-month maturity as directed by the Commission. This occurred due to human error and was not caught by the primary reviewer who checks the maturity date and related investment information. For the 3 other investment purchases, investments were made in securities that matured 1 week prior to the time frame directed by the Commission. The Library stated that it invested in these securities to obtain a greater return on the investments. However, the reasons why the investments were made for time frames different than directed by the Commission were not explained and documented in the support for the transactions.

Reporting: The Library's practices for reporting on the Fund activities to the Commission were not documented. Federal internal control standards provide that pertinent information, such as Fund transaction activities, should be reported in a form and timeframe that enables those who need the information to carry out their responsibilities effectively and efficiently. These standards also provide that practices should be clearly

---

<sup>14</sup>During the period under audit, there were 79 total investment purchases; as noted earlier in this report, one investment purchase lacked documentation.

documented to effectively support management in controlling operations and making decisions. Having documented reporting practices provides further assurance that the Commission will receive reports on the activity of the Fund on a routine basis. During the period covered by our audit, we found that although the Library did not have documented reporting practices, established reporting practices were in place and otherwise consistent with federal internal control standards. Furthermore, we found no instances where the Library deviated from its undocumented reporting practices intended to provide adequate information to the Commission to monitor the activities of the Fund. Specifically, we found the following

- The Library annually provided unaudited financial statements reporting on the activity of the Fund to the Commission, and
- During our audit, the Library adopted the practice of reporting the transactions of the Fund on a quarterly basis to the Commission to be consistent with its reporting on another Fund for which the Library provides cross servicing.

### **Conclusions**

Prompt action by the Commission to work with the Library to document and approve its investment and reporting practices for the Fund will help ensure that Fund transactions are consistently executed as intended, that Fund assets are adequately safeguarded, and that the Commission has adequate information to monitor the Fund.

### **Recommendation for Executive Action**

We recommend that the Secretary of the Senate and the Clerk of the House of Representatives work with the Library's Chief Financial Officer to ensure that the Library documents and approves operating practices for its investment and reporting responsibilities supporting the Capitol Preservation Fund.

### **Agency Comments and Our Evaluation**

We provided a draft of our report to the Chief Financial Officer of the Library of Congress, the Secretary of the Senate, and the Clerk of the House to obtain official comments on the draft report's findings and recommendation. In commenting on the draft report (see enclosure 2), the Library's Chief Financial Officer concurred with the draft report's recommendation and stated that it completed action to document the Library's investment and reporting practices for the Fund. In oral comments received on the draft report, the Secretary of the Senate and the Clerk of the House also stated they agreed with the draft report's recommendation.

---

We are sending copies of this report to the Secretary of the Senate, the Clerk of the House of Representatives, and the Chief Financial Officer of the Library of Congress. The report also 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)512-3406 or by e-mail at [sebastians@gao.gov](mailto: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), Cole Haase, Alan MacMullin, Jacquelyn N. Hamilton, and Meg Mills.

A handwritten signature in black ink, reading "Steven J. Sebastian". The signature is written in a cursive style with a large, stylized initial "S".

Steven J. Sebastian  
Director  
Financial Management and Assurance

Enclosures—2

### **Scope and Methodology**

To achieve our audit objectives, we reviewed the Capitol Preservation Commission's (Commission) and the Capitol Preservation Fund's (Fund) enabling legislation and federal internal control standards and met with staff from the Commission and the Library of Congress'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 2008 through 2010 were authorized in advance, supported by documentation, and accurately accounted for. To do so, we reviewed and reconciled all transactions for fiscal years 2008 through 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 Reports<sup>15</sup> and Treasury's Governmentwide Accounting and Reporting (GWA) Account Statements.<sup>16</sup>

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 assets of the Fund were adequately safeguarded, we obtained an understanding of the Commission's and Library's operating, reporting, and oversight practices by reviewing the available documented practices and conducting walk-throughs. We reviewed documentation supporting communications between and

---

<sup>15</sup>BPD maintains the Fund's transaction records which provided third-party verification of the Library's records of Fund transactions.

<sup>16</sup>The GWA account statements provide the Fund's balance and transaction information at Treasury and were used to verify the Library's records of Fund transactions.

among the Library and the Commission staff regarding recorded transactions and activities of the Fund. We also considered federal internal control standards when reviewing supporting documentation related to these activities.

We conducted this performance audit between January 2011 and September 2011 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.

**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

September 20, 2011

Dear Mr. Sebastian,

I have reviewed your report entitled *Capitol Preservation Fund: Audit of Fiscal Years 2008 Through 2010 Transactions*. I concur with your recommendation to document the Library's investment and reporting practices for the Fund. We have completed an OCFO Directive and a Standard Operating Procedure which fully document our processes and responsibilities.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey Page".

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

---

---

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site ([www.gao.gov](http://www.gao.gov)). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to [www.gao.gov](http://www.gao.gov) and select "E-mail Updates."

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: [www.gao.gov/fraudnet/fraudnet.htm](http://www.gao.gov/fraudnet/fraudnet.htm)

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

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

---

## Congressional Relations

Ralph Dawn, Managing Director, [dawnr@gao.gov](mailto:dawnr@gao.gov), (202) 512-4400  
U.S. Government Accountability Office, 441 G Street NW, Room 7125  
Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

