



October 2016

# U.S. CAPITOL GROUNDS CONCERTS

## Improvements Needed in Management Approval Controls over Certain Payments

Accessible Version

# GAO Highlights

Highlights of [GAO-17-44](#), a report to congressional requesters

## Why GAO Did This Study

CCI, a private nonprofit organization in the District of Columbia, has produced the annual Memorial Day and Fourth of July concerts held on the U.S. Capitol Grounds for over 25 years and over 35 years, respectively.

GAO was asked to audit all concerts hosted by CCI for the past 3 years. This report examines (1) how much funding, federal and nonfederal, was received and used by CCI for the 2012 through 2014 Memorial Day and Fourth of July concerts and (2) to what extent CCI's recorded receipts and disbursements related to these concerts were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year. GAO performed data reliability procedures over CCI's 2012 through 2014 receipt and disbursement transactions, classified transactions by funding sources, obtained CCI management's concurrence with the classifications, and selected transactions for each year to test key controls.

## What GAO Recommends

GAO recommends that CCI update its existing policy to fully document CCI's management approval controls over payments made by check, including exemptions to regular procedures. The update should include approval procedures to be followed during periods when only one authorized manager is available to sign checks for payment. In commenting on a draft of this report, CCI maintained that all disbursements were properly approved but GAO disagreed as noted in the report. CCI stated it will take appropriate action to address GAO's recommendation.

View [GAO-17-44](#). For more information, contact J. Lawrence Malenich at (202) 512-3406 or [malenichj@gao.gov](mailto:malenichj@gao.gov).

October 2016

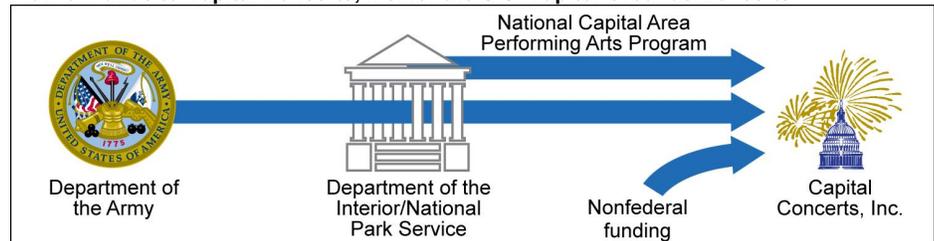
## U.S. CAPITOL GROUNDS CONCERTS

### Improvements Needed in Management Approval Controls over Certain Payments

## What GAO Found

Capital Concerts, Inc. (CCI) received both federal and nonfederal funding to support the production of the Memorial Day and Fourth of July concerts held on the U.S. Capitol Grounds from 2012 through 2014. CCI received federal funding through a cooperative agreement with the Department of the Interior's National Park Service (NPS) that included funding that NPS received through an interagency agreement with the Department of the Army and funding from NPS's own budget through the National Capital Area Performing Arts Program. CCI obtained nonfederal funding through corporate sponsorship agreements, grant agreements with the Corporation for Public Broadcasting, and license agreements from the Public Broadcasting Service. CCI also received funding from other sources, such as interest revenue, but these transactions represent a minor portion of total funding.

#### Flow of Funds to Capital Concerts, Inc. for the U.S. Capitol Grounds Concerts



Source: GAO analysis based on data provided by Capital Concerts, Inc. and National Park Service. | GAO-17-44

CCI received funding for the 2012 through 2014 Memorial Day and Fourth of July concerts ranging from \$8.5 million to \$9.2 million each year. CCI disbursed from \$8.3 million to \$8.9 million each year to produce these concerts, approximately 1.1 to 3.7 percent less than the annual funding received.

The receipt transactions tested for all 3 years were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year. In addition, the disbursement transactions GAO tested for all 3 years were supported by adequate documentation and recorded in the appropriate year, but management approval controls over certain payments were not implemented effectively for one of the years tested. Specifically, in 2013, three transactions were not approved in accordance with CCI's *Procurement and Accounts Payable Policy*. The existing policy provides that checks used for payments over \$500 should be signed by two authorized managers. In addition, for the years GAO reviewed, CCI issued separate memos that provided exceptions to the policy for certain periods when authorized managers may be out of the office and not available to satisfy the two-signature requirement. However, GAO found three checks for more than \$500 for three payments totaling over \$12,000 that were signed by only one manager but not within the policy exemption period. CCI's *Procurement and Accounts Payable Policy* has not been updated since November 2008 and does not include all internal control activities over payment approvals. Without incorporating all control activities over payment approvals into its policy and procedures, CCI increases its risk that the control activities will not be implemented consistently and that improper payments, fraud, and abuse may not be prevented or detected.

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**Abbreviations:**

Army                      Department of the Army

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CCI  
NPS  
PBS

Capital Concerts, Inc.  
National Park Service  
Public Broadcasting Service

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October 25, 2016

The Honorable Candice Miller  
Chairman  
Committee on House Administration  
House of Representatives

The Honorable Bill Shuster  
Chairman  
Committee on Transportation and Infrastructure  
House of Representatives

Annual Memorial Day and Fourth of July concerts have been held on the U.S. Capitol Grounds for many years. The Memorial Day concert, known as the National Memorial Day Concert, is televised nationwide, honors fallen soldiers, and features artists who give tribute to servicemembers and their families. The Fourth of July concert, known as A Capitol Fourth, is broadcast live from the West Lawn of the U.S. Capitol and features entertainment and a display of fireworks to celebrate America's independence. Capital Concerts, Inc. (CCI), a private nonprofit organization in the District of Columbia, has produced the annual Memorial Day and Fourth of July concerts held on the U.S. Capitol Grounds for over 25 years and over 35 years, respectively. The production is supported by the Department of the Interior's National Park Service (NPS) with performances by the National Symphony Orchestra.

In accordance with the authority in 40 U.S.C. § 5108, which authorizes GAO to audit the accounts of a private organization that performs services or conducts activities on U.S. Capitol Grounds, you asked us to audit all concerts hosted by CCI for the past 3 years. This report examines (1) how much funding, federal and nonfederal, was received and used by CCI for the 2012 through 2014 Memorial Day and Fourth of July concerts and (2) to what extent CCI's recorded receipts and disbursements related to these concerts were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year.

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For this review, we obtained the populations of receipt and disbursement transactions from CCI's accounting system for 2012 through 2014.<sup>1</sup> To verify the completeness and accuracy of these transaction populations, we performed data reliability procedures by reconciling population totals to the trial balances and then comparing the trial balances to the audited financial statements. We then used the account descriptions in CCI's accounting system to classify the transactions into categories for reporting purposes. We obtained CCI management's concurrence with our classifications.

To evaluate the controls over CCI's receipt and disbursement transactions, we met with officials from CCI to discuss the specific nature and characteristics of their organization's receipts and disbursements for concert-related activities. We discussed the manner in which CCI records and tracks concert-related receipt and disbursement activity in its system of records. We also obtained applicable policies and procedures, and performed walk-throughs to gain an understanding of the flow of information throughout the organization. Based on the information obtained, we developed data collection instruments to test receipt and disbursement transactions.

To perform detailed testing on receipts, we selected the largest receipt transactions that collectively represented at least 95 percent of the total dollar value of the recorded revenue for each year (a total of 21 transactions for 2012, 27 transactions for 2013, and 25 transactions for 2014). For each transaction selected, we traced transaction amounts to their supporting documentation, such as cooperative agreements, contracts, and deposit records, to determine to what extent each transaction was supported by documentation, approved by authorized management, and recorded in the appropriate year.

To perform detailed testing on disbursements, we selected a random sample of 66 disbursement transactions for each year using attribute sampling. For each sample item, we traced transaction amounts to their

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<sup>1</sup>We selected years 2012, 2013, and 2014 because CCI was in the process of having its 2015 financial statements audited. The Independent Auditor's Report on CCI's 2015 Financial Statements was completed on September 27, 2016, which was too late for our review.

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supporting documentation, such as contracts, vendor invoices, and payment records, to determine to what extent each transaction was supported by documentation, approved by authorized management, and recorded in the appropriate year. Disbursement transactions were primarily paid by check but also included electronic fund transfers for payroll and credit card payments. For payments made by check, we used the signatures found on the check images obtained from CCI's bank statements as evidence of management approval. For payments made by electronic fund transfer, we used other document sources as evidence of management approval, such as employment letters and expense reports. See appendix I for additional details on our scope and methodology.

We conducted this performance audit from December 2015 to October 2016 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.

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## Background

Producing the Memorial Day and Fourth of July concerts involves obtaining funding; determining each concert's artistic program; arranging for performing artists, talent, and production staff; and arranging for the television broadcast of the concerts.

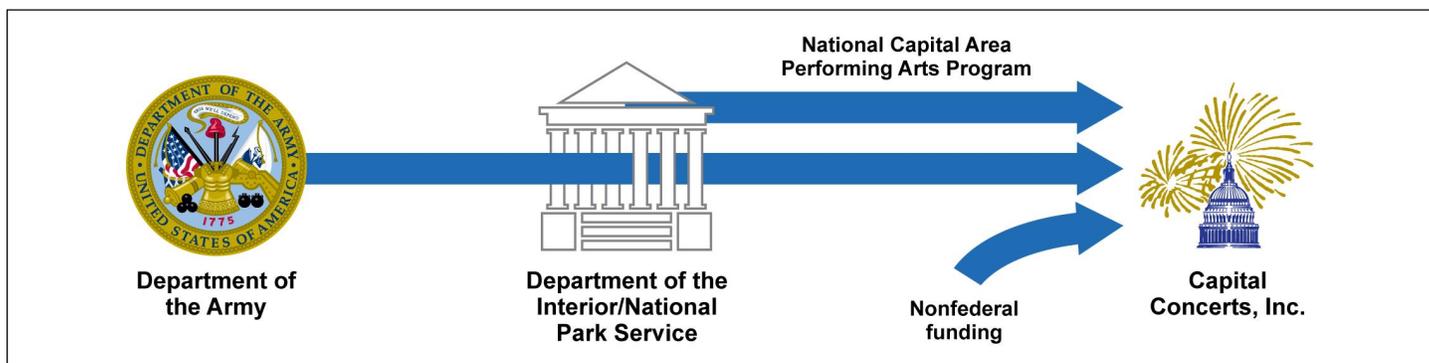
CCI received both federal and nonfederal funding to support the production of the 2012 through 2014 Memorial Day and Fourth of July concerts. CCI received federal funding from NPS through a cooperative agreement. As shown in figure 1, funding provided through the cooperative agreement included funding that NPS received through an interagency agreement with the Department of the Army (Army)<sup>2</sup> and funding from NPS's own budget through the National Capital Area

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<sup>2</sup>For the period of our review, the Departments of the Army and the Interior signed an interagency agreement each year pursuant to Section 601 of the Economy Act, as amended, whereby the Army provides funding to NPS to contract with the National Symphony Orchestra through CCI. 31 U.S.C. § 1535.

Performing Arts Program.<sup>3</sup> CCI obtained nonfederal funding through corporate sponsorship agreements, grant agreements with the Corporation for Public Broadcasting, and license agreements from the Public Broadcasting Service (PBS). CCI also received funding from other sources, such as interest revenue, but these sources represent a minor portion of total funding.

**Figure 1: Flow of Funds to Capital Concerts, Inc. for the U.S. Capitol Grounds Concerts**



Source: GAO analysis based on data provided by Capital Concerts, Inc. and National Park Service. | GAO-17-44

<sup>3</sup>The National Capital Area Performing Arts Program provides funding relating to the performing arts for the Ford's Theatre Society, Wolf Trap, Carter Barron Amphitheatre, Capitol concerts, and the National Symphony Orchestra. The Congress authorized NPS to annually sponsor a series of National Symphony Orchestra concerts on the U.S. Capitol Grounds through House Concurrent Resolution 133 (May 21, 1981). Additionally, 54 U.S.C. § 101702 allows the transfer of NPS funds to a state, local, or tribal government or other public entity; an educational institution; or a private nonprofit organization to carry out public purposes of a NPS program.

**CCI Received and Disbursed from \$8 Million to \$9 Million Each Year for the 2012 through 2014 Concerts**

CCI received from \$8.5 million to \$9.2 million and disbursed from \$8.3 million to \$8.9 million each year to produce the 2012 through 2014 Memorial Day and Fourth of July concerts.

**CCI Received from \$8.5 Million to \$9.2 Million Each Year for the 2012 through 2014 Concerts**

We found that CCI received funding for the 2012 through 2014 Memorial Day and Fourth of July concerts ranging from \$8.5 million to \$9.2 million each year. For purposes of our report, we classified funding into three categories: federal, nonfederal, and other funding sources. These three categories are presented in table 1.

**Table 1: Classification of Receipt Transactions for Funding Received by Capital Concerts, Inc.**

Category	Definition
Federal funding	Funding from the National Park Service (NPS), including funds received through an interagency agreement with the Department of the Army and funding from NPS's own budget through the National Capital Area Performing Arts Program.
Nonfederal funding	Funding through corporate sponsorship agreements, grant agreements with the Corporation for Public Broadcasting, and license agreements from the Public Broadcasting Service.
Other funding sources	Interest revenue, royalty fees collected, and investment income.

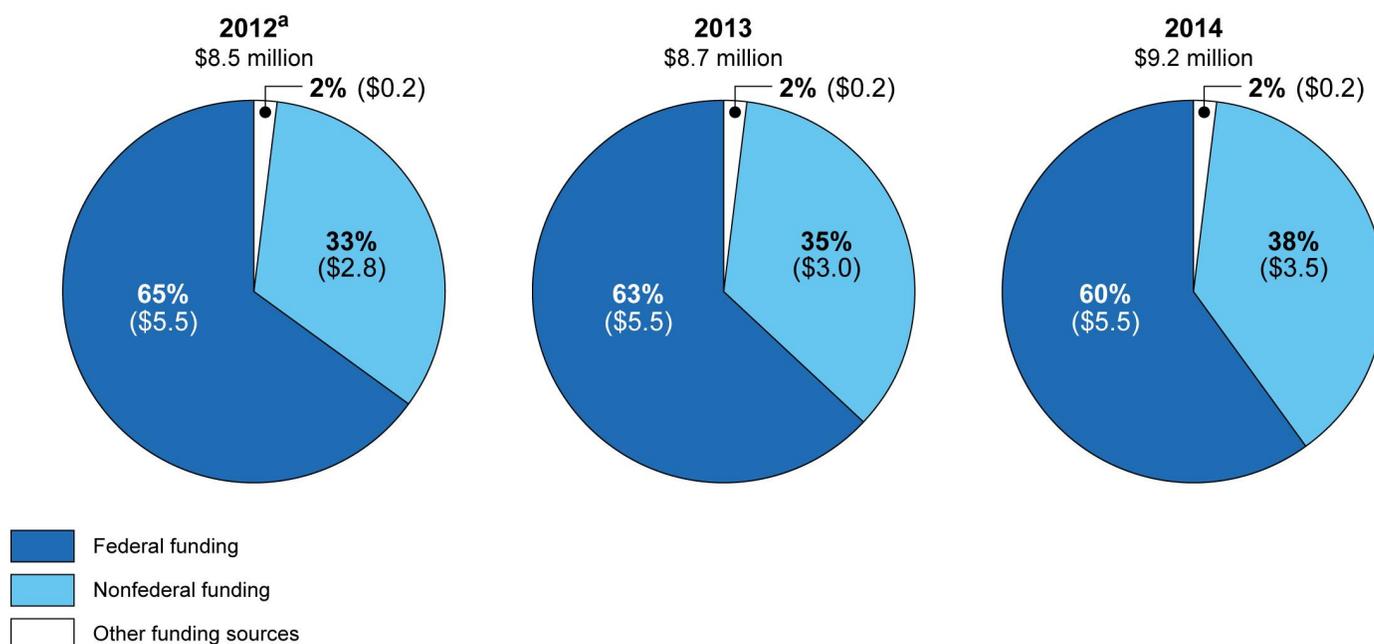
Source: GAO analysis based on data provided by Capital Concerts, Inc. | GAO-17-44

As shown in figure 2, CCI's receipts for the 2012 Memorial Day and Fourth of July concerts totaled \$8.5 million,<sup>4</sup> \$8.7 million for the 2013 concerts and \$9.2 million for the 2014 concerts. Over the 3-year period, the percentage of funding CCI received from federal sources slightly decreased, even though the dollar amount remained consistent. The amount of funding CCI received from nonfederal sources over the 3-year period increased slightly in both dollar value and percentage. The

<sup>4</sup>In 2012, CCI produced the *National Salute to Veterans* special which was a televised compilation of prior footage that aired on PBS to pay tribute to veterans and their families. Since this was not a concert hosted by CCI on U.S. Capitol Grounds, we did not include in the scope of our audit the additional \$0.3 million of nonfederal funds it received in support of this special programming.

increases were mainly attributable to an increase in funding received through the license agreements with PBS. Other funding sources remained consistent over the 3-year period.

**Figure 2: Funding Sources for the 2012 through 2014 Memorial Day and Fourth of July Concerts on the U.S. Capitol Grounds**



Source: GAO analysis based on data provided by Capital Concerts, Inc. | GAO-17-44

<sup>a</sup>Amounts for 2012 do not include the *National Salute to Veterans* special as the special was a televised compilation of prior footage funded by nonfederal sources, not a separate concert on U.S. Capitol Grounds. As such, it was not part of our scope.

### CCI Disbursed from \$8.3 Million to \$8.9 Million Each Year for the 2012 through 2014 Concerts

CCI disbursed from \$8.3 million to \$8.9 million each year to produce the 2012 through 2014 Memorial Day and Fourth of July concerts, approximately 1.1 to 3.7 percent less than the annual funding received. CCI retains the excess of receipts over disbursements to use toward future concerts in accordance with the cooperative agreements to produce the concerts.<sup>5</sup> CCI records transactions in its accounting system

<sup>5</sup>Per the cooperative agreements with NPS, program income earned during the project period shall be retained by the recipient and, in accordance with federal awarding agency regulations or the terms and conditions of the award, shall be added to funds committed to the project or program and used to further eligible project or program objectives.

under three main account series (i.e., Memorial Day concert, Capitol Fourth concert, and general and administrative) and uses detailed subaccounts to classify transaction types. We used the account descriptions from the subaccounts to classify disbursement transactions into six categories to present the types of disbursements made in producing the concerts. These six categories are presented and defined in table 2.

**Table 2: Classification of Disbursement Transactions Made by Capital Concerts, Inc.**

Category	Definition
Production staff	Executive and support production personnel employed year-round and those temporarily hired and contracted to assist in the production and creative aspects of the concerts, including writers, directors, and various producers, and related support expenses, including hotel, transportation, per diems, and meals.
Technical crew and postproduction	Personnel hired or contracted temporarily to build sets and operate and support technical equipment to record, edit, package, distribute, and broadcast the concerts; costs related to special guests, such as families of the fallen, and post-concert reception costs; and related support costs, including hotel, meals, and transportation.
Technical equipment	Equipment used in the production, recording, packaging, distribution, and broadcast of the concerts, including video, audio, camera, props, sets, scenery, band shell, scaffolding, set storage, and miscellaneous technical equipment.
Talent	On-air performers and related support, including hotel, transportation, per diems, meals, music, musicians, orchestra, dancers, arranging, recordings, and miscellaneous talent-related expenses.
Promotion	Salary and benefits for multimedia coordinator employed year-round; contracted promotion and public relations staff; promotional material, including advertising, social media, and website services; media services; public relations; Public Broadcasting Service station relations; highlight reel production; and photographers and photos.
Other administrative and miscellaneous	Accounting and administrative office personnel employed year-round, rent, office supplies, management consultants, legal and auditing fees, depreciation expense, interest expense, bank fees, gifts, software, postage, and other miscellaneous expenses.

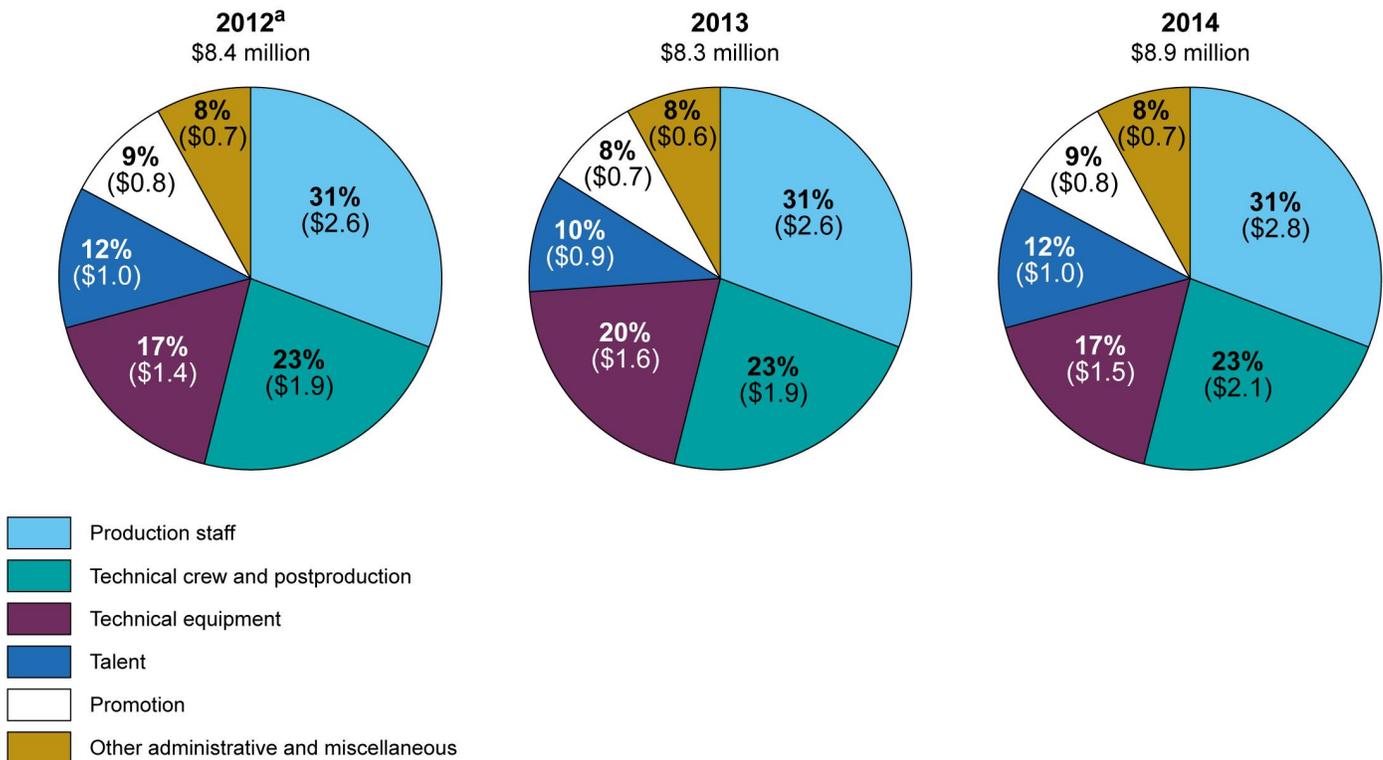
Source: GAO analysis based on data provided by Capital Concerts, Inc. | GAO-17-44

As shown in figure 3, CCI disbursed \$8.4 million for the 2012 Memorial Day and Fourth of July concerts,<sup>6</sup> \$8.3 million for the 2013 concerts and \$8.9 million for the 2014 concerts. Over the 3-year period, there were few

<sup>6</sup>In 2012, CCI produced the *National Salute to Veterans* special, which was a televised compilation of prior footage that aired on PBS to pay tribute to veterans and their families. Since this was not a concert hosted by CCI on U.S. Capitol Grounds, we did not include in the scope of our audit the additional \$0.3 million of nonfederal funds it disbursed in support of this special programming.

changes among the proportion of disbursements made by CCI in the overall production of the Memorial Day and Fourth of July concerts. Production staff is CCI's largest disbursement category, and it accounted for 31 percent of all disbursements across the 3-year period. The largest change in proportion occurred in 2013 when technical equipment rose 3 percent. According to CCI, this was due to upgrades made to the band shell.

**Figure 3: Disbursements Made to Produce the 2012 through 2014 Memorial Day and Fourth of July Concerts on the U.S. Capitol Grounds**



Source: GAO analysis based on data provided by Capital Concerts, Inc. | GAO-17-44

<sup>a</sup>Amounts for 2012 do not include the *National Salute to Veterans* special as the special was a televised compilation of prior footage funded by nonfederal sources, not a separate concert on U.S. Capitol Grounds. As such, it was not part of our scope.

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## Transactions Were Adequately Supported and Recorded, but Some Payment Approvals Were Missing in 2013

During our review, we found that the receipt transactions tested for all 3 years were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year. Similarly, we found that the disbursement sample items tested for all 3 years were supported by adequate documentation and recorded in the appropriate year. However, we found that CCI did not effectively follow its existing policy for documenting the approval of payments made by check in 2013.

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## Testing Results for Receipt Transactions

We found that all receipt transactions tested (21 transactions for 2012, 27 transactions for 2013, and 25 transactions for 2014) were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year. Specifically, we found that the receipt transactions tested were supported by signed cooperative agreements or contracts and deposit records. We traced all federal and nonfederal receipts tested to their respective cooperative agreements or contracts and verified the amounts agreed without exception. We also found that all receipt transactions tested were classified appropriately in the accounting system and recorded in the appropriate year.

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## Testing Results for Disbursement Transactions

During our review, we found that all disbursement sample items tested (66 transactions per year) were supported by adequate documentation and recorded in the appropriate year, but management approval controls over certain payments were not implemented effectively for one of the years tested. All disbursement transactions tested were supported by contracts or vendor invoices and payment records, and management approval controls over payments were implemented effectively for the populations tested in 2012 and 2014.<sup>7</sup> However, in 2013, we found 3 transactions that were not approved in accordance with CCI's policy.<sup>8</sup>

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<sup>7</sup>For 2012, based on the results of our audit, we are 95 percent confident that the actual error rate does not exceed tolerable error of 7.00 percent. For 2014, based on the results of our audit, we are 95 percent confident that the actual error rate associated with the sampling error inherent in statistical sampling is less than or equal to 4.40 percent.

<sup>8</sup>For 2013, based on the results of our audit, we are 95 percent confident that not more than 11.28 percent of disbursements in 2013 lacked proper payment approval in accordance with CCI's policy.

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CCI's *Procurement and Accounts Payable Policy*, section D, provides that invoices less than \$500 may be approved and paid for with just one signature on the related check. For all other payments made by check, the checks should be signed by two of the following authorized managers: President, Vice President, Chief Financial Officer, or Treasurer. There are, however, temporary exemptions to the two-signature rule. For each year under review, CCI provided us with the memos that establish these exemptions, titled "Accounts Payable Policy Temporary Exemptions." These memos state that for certain periods, specifically, July through October, authorized managers may be out of the office and not available to satisfy the two-signature requirement on checks equal to or over \$500. In such instances, a list of vendors with amounts due is to be e-mailed or faxed to one of the out of office managers for approval. CCI is to retain the e-mail or fax containing the approval as evidence of a secondary approval for checks equal to or over \$500 issued with only one signature during the July through October time frame.

In 2013, we found 3 transactions totaling over \$12,000 that were paid with checks over \$500 that contained only one signature, and the dates on these 3 checks did not fall within the stated policy exemption period. For 1 of the 3 checks, CCI provided us with an e-mail approval. However, this was not consistent with CCI's exemption policy as the check was approved and issued in December 2013, which fell outside of the exemption period. For the other 2 checks, no explanation or evidence of secondary approval on the check was provided. Furthermore, while the test of the 2012 population demonstrated effective implementation of management approval controls over payments, we identified one error that also related to a missing signature on a check outside the exemption period. Because of the large dollar value of the error (\$43,550) and related risks of improper payments, fraud, and abuse, we believe the error warrants management's attention.

These errors occurred, in part, because CCI's *Procurement and Accounts Payable Policy* has not been updated since November 2008 and does not include all internal control activities to be performed when authorized management may be out of the office and regular check authorization procedures cannot be followed. CCI issued separate memos documenting exemption periods for each of the years under review. However, these memos were not incorporated into CCI's policy. Furthermore, these memos only covered a certain time frame each year, but instances were occurring outside these stated time frames. CCI added that where checks had only one signature, the associated invoices had been approved. While we received copies of the invoices showing

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approval, the signatures on the invoices did not include a date. Therefore, we were not able to determine whether these transactions were approved prior to payment and, as a result, could not rely on the invoice approval as a compensating control. In addition, CCI's *Procurement and Accounts Payable Policy* does not refer to replacing check signatures with invoice approvals.

Without incorporating all control activities over payment approvals into its policy and procedures, CCI increases its risk that the control activities will not be implemented consistently and that improper payments, fraud, and abuse may not be prevented or detected.

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## Conclusions

CCI, a private nonprofit organization, relies on federal and nonfederal funding to put together concerts that honor military services and celebrate America's independence. Over the 3-year period of our review, the amount of funding CCI received increased slightly, mainly attributable to a nonfederal source, and disbursements were slightly less than funds received.

CCI's 2012 through 2014 concert receipts were adequately documented, properly approved by authorized management, and recorded in the appropriate year. In addition, CCI's 2012 through 2014 concert disbursements were adequately documented and recorded in the appropriate year. However, we identified certain disbursements in 2013 that were not properly authorized in accordance with CCI's policy. Without incorporating all control activities over payment approvals into its policy and procedures, CCI increases its risk that improper payments, fraud, and abuse could not be prevented or detected.

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## Recommendation for Executive Action

We recommend that CCI's Chief Financial Officer update its existing *Procurement and Accounts Payable Policy* to fully document CCI's management approval controls over payments made by check, including exemptions to regular procedures. This should include approval procedures to be followed during periods when only one authorized manager is available to sign checks for payment.

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## Third-Party Comments and Our Evaluation

We provided a draft of this report to CCI for comment. In its written comments, reprinted in appendix II, CCI stated that it views our report as a favorable review of its finances. For the four disbursements we found in which there was only one signature on a check, CCI stated in its comments that it provided us with records that indicated that these disbursements were properly approved by management. However, as noted in this report, checks outside of the exemption period should have two signatures per CCI's policy. While CCI provided invoices which it stated showed evidence of approval for these disbursements, as we noted in this report, the associated invoices did not have an approval date and CCI's policy does not make reference to replacing check signatures with invoice approvals. Nonetheless, CCI stated that its Board of Directors will take appropriate action to address our recommendation.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 3 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, Capital Concerts, Inc., and other interested parties. In addition, the report will be 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 [malenichj@gao.gov](mailto:malenichj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



J. Lawrence Malenich  
Director  
Financial Management and Assurance

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# Appendix I: Objectives, Scope, and Methodology

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Our objectives were to examine (1) how much funding, federal and nonfederal, was received and used by Capital Concerts, Inc. (CCI) for the 2012 through 2014 Memorial Day and Fourth of July concerts and (2) to what extent CCI's recorded receipts and disbursements related to these concerts were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year.

The scope of our audit was limited to the receipts and disbursements of CCI as the majority of funding received and disbursed to produce the Memorial Day and Fourth of July concerts held on U.S. Capitol Grounds rests with this organization. Other minimal costs are incurred by the National Park Service and the National Symphony Orchestra.

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## Categorizing Receipts and Disbursements

To examine how much funding, federal and nonfederal, was received and used by CCI for the Memorial Day and Fourth of July concerts, we obtained the populations of receipt and disbursement transactions from CCI's accounting system for 2012 through 2014.<sup>1</sup> To verify the completeness and accuracy of these populations, we performed data reliability procedures by reconciling population totals to the trial balances and then comparing the trial balances to the audited financial statements.<sup>2</sup> We then used the account descriptions in CCI's accounting system to classify the transactions into categories for reporting purposes.

CCI classifies revenue on its financial statements as public support, license fee, earnings on deferred compensation/retirement plan, royalty fees and other income, and interest income. For the purposes of this report and to provide the requesters more useful information about the sources of funding received, we chose to categorize revenues as federal funding, nonfederal funding, and other funding sources. To classify transactions into these three categories, we used the revenue subaccount descriptions. We obtained CCI management's concurrence with our classifications.

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<sup>1</sup>We selected years 2012, 2013, and 2014 because CCI was in the process of having its 2015 financial statements audited. The Independent Auditor's Report on CCI's 2015 Financial Statements was completed on September 27, 2016, which was too late for our review.

<sup>2</sup>CCI received unmodified opinions on its financial statements for all 3 years under review.

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CCI classifies expenses on its financial statements into three categories: Memorial Day concert, Capitol Fourth concert, and general and administrative. These three categories do not capture the various types of disbursement activities CCI undertakes. CCI uses over 500 different subaccounts to classify its disbursements. To provide the requesters with more useful information, we categorized disbursements into six categories: production staff, technical crew and postproduction, technical equipment, talent, promotion, and other administrative and miscellaneous. To classify transactions into these six categories, we used the disbursement subaccount descriptions. We obtained CCI management's concurrence with our classifications.

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## Testing of Receipts and Disbursements

To examine to what extent CCI's recorded receipts and disbursements related to the Memorial Day and Fourth of July concerts were supported by adequate documentation, approved by authorized management, and recorded in the appropriate year, we met with officials from CCI to discuss the specific nature and characteristics of their organization's receipts and use of concert-related funding. We also discussed the manner in which they record and track concert-related receipts and disbursements in their system of records, obtained their receipt and disbursement policies and procedures, and performed walk-throughs to gain an understanding of the flow of information throughout the organization. Based on the understanding we gained, we developed data collection instruments to test the receipts and disbursements.

To identify our populations for testing, we first obtained from CCI all transactions that made up total recorded revenue and those that made up total recorded expenses for each year. We then removed transactions that canceled each other (offset transactions), and for receipts we also removed transactions with abnormal balances (debit transactions) and reviewed these transactions separately to determine the nature of the transactions and why they occurred.<sup>3</sup> After removing these, the remaining transactions for each year made up the populations used for the sampling methodology described below.

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<sup>3</sup>There were no transactions with abnormal balances (credit transactions) for disbursements.

## Receipts

For receipts, we selected the largest receipt transactions that collectively represented at least 95 percent of the total dollar value of each year’s population. We chose this methodology because the receipt transactions that made up at least 95 percent of the total receipts population consisted mainly of a few high-dollar value transactions, and the remaining approximately 5 percent consisted of several low-dollar value transactions that were primarily interest receipts, which were not relevant to the scope of our audit. For the 3-year period we reviewed, a total of 73 individual receipt transactions were tested. Table 3 describes the total transaction count and dollar value of each population and the total number of transactions tested.

**Table 3: Breakdown of Capital Concerts, Inc.’s Receipt Transactions Tested by GAO**

Year	Total number of transactions in the population <sup>a</sup>	Total dollar value of transactions in the population <sup>a</sup>	Total number of transactions tested	Total dollar value of transactions tested
2012 <sup>b</sup>	134	\$8,536,057	21	\$8,173,182
2013	145	\$8,701,022	27	\$8,339,632
2014	128	\$9,251,920	25	\$8,791,757

Source: GAO based on data provided by Capital Concerts, Inc. | GAO-17-44

<sup>a</sup>The total number and dollar value of transactions in the population reflect amounts after the removal of debit and offset transactions, which were reviewed separately. As a result, there are some minor differences between the dollar value of transactions in the population and the total amount of revenue reported in Capital Concerts, Inc.’s financial statements for all 3 years.

<sup>b</sup>Amounts for 2012 do not include the *National Salute to Veterans* special as the special was a televised compilation of prior footage funded by nonfederal sources, not a separate concert on U.S. Capitol Grounds. As such, it was not part of our scope.

To perform detailed testing on receipts, we verified that (1) the transaction amount agreed to supporting documentation, such as cooperative agreements, contracts, and deposit records; (2) the supporting documentation had evidence of approval; and (3) the transaction was accurately recorded in the appropriate year.

## Disbursements

For disbursements, using an attribute sampling method, we selected a random sample of disbursement transactions for each year under review. We chose this methodology because of the large volume of transactions in our populations and the nature of the testing we were to perform. We planned our testing to be 95 percent confident with a tolerable error rate of 7 percent. Table 4 describes the total transaction count and dollar value of each population and the total number of sampled transactions selected for testing.

**Table 4: Breakdown of Capital Concerts, Inc.'s Disbursement Samples Tested by GAO**

Year	Total number of transactions in the sample population <sup>a</sup>	Total dollar value of transactions in the sample population <sup>a</sup>	Sample size
2012 <sup>b</sup>	6,359	\$8,408,175	66
2013 <sup>b</sup>	5,567	\$8,347,796	66
2014	5,754	\$8,922,538	66

Source: GAO based on data provided by Capital Concerts, Inc. | GAO-17-44

<sup>a</sup>The total number of transactions in the sample population reflect amounts after the removal of offset transactions, which were reviewed separately. There was no impact to the total dollar value of transactions in the sample population after removing these transactions. Therefore, the total dollar value of transactions in the sample population agrees to the total amount of expenses reported in Capital Concerts, Inc.'s financial statements for all 3 years excluding the disbursements made in support of the *National Salute to Veterans* special (see note b).

<sup>b</sup>Amounts for 2012 and 2013 do not include the *National Salute to Veterans* special as the special was a televised compilation of prior footage funded by nonfederal sources, not a separate concert on U.S. Capitol Grounds. As such, it was not part of our scope.

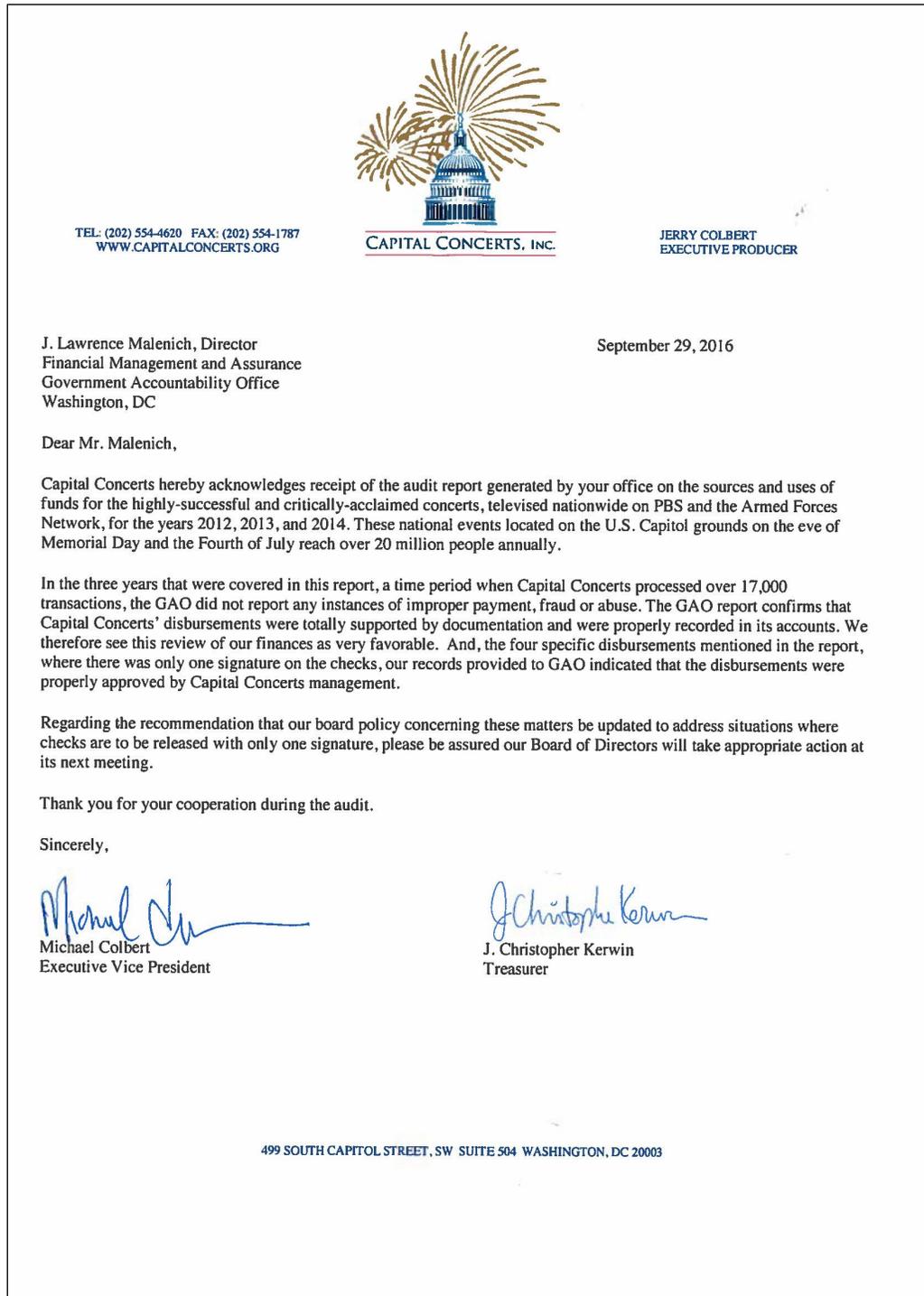
To perform detailed testing on disbursements, we verified that (1) the transaction amount agreed to supporting documentation, such as contracts, vendor invoices, and payment records; (2) the supporting documentation had evidence of approval; and (3) the transaction was accurately recorded in the appropriate year. For the 3 years under review, disbursements made by checks represented approximately 59 to 77 percent of our sample items, and disbursements made by electronic fund transfers represented approximately 23 to 41 percent of our sample items.<sup>4</sup> Therefore, for evidence of approval, we reviewed different documentation for each payment type. For payments made by check, we obtained check images from the bank to assess whether signatures by managers authorized to sign checks were evident and in accordance with CCI's policy. For payments made by electronic fund transfer, we verified other document sources, such as employment records for payroll transactions, and expense reports for petty cash reimbursements and credit card transactions to assess whether electronic fund transfers were approved by the appropriate manager prior to disbursement.

<sup>4</sup>Electronic fund transfers in our sample included payroll payments made to employees, petty cash reimbursements to employees to cover out-of-pocket purchases, and payments made to credit card vendors.

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We conducted this performance audit from December 2015 to October 2016 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.

# Appendix II: Comments from Capital Concerts, Inc.



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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

J. Lawrence Malenich, (202) 512-3406 or [malenichj@gao.gov](mailto:malenichj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Nina M. Rostro (Assistant Director), Sharon Byrd, Natasha Guerra, Brian Harechmak, Jason Kelly, and Joseph Willert made key contributions to this report.

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# Appendix IV: Accessible Data

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## Agency Comment Letter

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Text of Appendix II:  
Comments from Capital  
Concerts, Inc.

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Page 1

CAPITAL CONCERTS, INC.

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[WWW.CAPITALCONCERTS.ORG](http://WWW.CAPITALCONCERTS.ORG)

JERRY COLBERT

EXECUTIVE PRODUCER

J. Lawrence Malenich, Director

Financial Management and Assurance

Government Accountability Office

Washington, DC

September 29, 2016

Dear Mr. Malenich,

Capital Concerts hereby acknowledges receipt of the audit report generated by your office on the sources and uses of funds for the highly-successful and critically-acclaimed concerts, televised nationwide on PBS and the Armed Forces Network, for the years 2012, 2013, and 2014. These national events located on the U .S. Capitol grounds on the eve of Memorial Day and the Fourth of July reach over 20 million people annually.

In the three years that were covered in this report, a time period when Capital Concerts processed over 17,000 transactions, the GAO did not report any instances of improper payment, fraud or abuse. The GAO

report confirms that Capital Concerts ' disbursements were totally supported by documentation and were properly recorded in its accounts. We therefore see this review of our finances as very favorable. And, the four specific disbursements mentioned in the report, where there was only one signature on the checks, our records provided to GAO indicated that the disbursements were properly approved by Capital Concerts management.

Regarding the recommendation that our board policy concerning these matters be updated to address situations where checks are to be released with only one signature, please be assured our Board of Directors will take appropriate action at its next meeting.

Thank you for your cooperation during the audit.

Sincerely,

Michael Colbert

Executive Vice President

J. Christopher Kerwin

Treasurer

499 SOUTH CAPITOL STREET, SW SUITE 504

WASHINGTON, DC 20003

## Data Tables

**Data Table for Figure 2: Funding Sources for the 2012 through 2014 Memorial Day and Fourth of July Concerts on the U.S. Capitol Grounds**

	2012	2012	2013	2013	2014	2014
<b>Federal funding</b>	65%	\$5.5 million	63%	\$5.5 million	60%	\$5.5 million
<b>Non-federal funding</b>	33%	\$2.8 million	35%	\$3.0 million	38%	\$3.5 million
<b>Other funding sources</b>	2%	\$0.2 million	2%	\$0.2 million	2%	\$0.2 million

**Data Table for Figure 3: Disbursements Made to Produce the 2012 through 2014 Memorial Day and Fourth of July Concerts on the U.S. Capitol Grounds**

	2012	2012	2013	2013	2014	2014
<b>Production staff</b>	31%	\$2.6 million	31%	\$2.6 million	31%	\$2.8 million
<b>Technical crew and post production</b>	23%	\$1.9 million	23%	\$1.9 million	23%	\$2.1 million
<b>Technical equipment</b>	17%	\$1.4 million	20%	\$1.6 million	17%	\$1.5 million
<b>Talent</b>	12%	\$1.0 million	10%	\$0.9 million	12%	\$1.0 million
<b>Promotion</b>	9%	\$0.8 million	8%	\$0.7 million	9%	\$0.8 million
<b>Other administrative and miscellaneous</b>	8%	\$0.7 million	8%	\$0.6 million	8%	\$0.7 million

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