



UNITED STATES GENERAL ACCOUNTING OFFICE
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JUL 22 1975

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Honorable Marjorie Lynch, Deputy Administrator
American Revolution Bicentennial Administration 57
2401 E Street, NW.
Washington, D.C. 20276

Dear Mrs. Lynch:

As you know, our Office issued on June 6, 1975, a report to the Congress entitled, "Planning for America's Bicentennial Celebration--A Progress Report." The objective of this report was to provide the Congress with information on the current status of planning for the Bicentennial Celebration, and it contained no recommendations.

The cited report was based in large part on work performed at the American Revolution Bicentennial Administration (ARBA). During our review we noted two matters that were not discussed in our report to the Congress but which we believe warrant your attention. The first concerns ARBA's management of the inventory and disposition of commemorative medals while the second concerns compliance with ARBA guidelines for grants-in-aid.

During the course of our review, the situation concerning the commemorative medals was discussed with your staff. It is our understanding that an effort is now underway to develop a more effective system for controlling the inventory and disposition of the medals. Provided below is our analysis of the problems that existed along with our recommendation for the development of an effective system.

SALE OF COMMEMORATIVE MEDALS
AT ARBA HEADQUARTERS

We noted that ARBA did not maintain adequate records of the receipt and disposition of commemorative medals at ARBA Headquarters. This lack of adequate records made

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it impossible to determine the number of medals received and either sold or given away. As a result, there was no assurance that ARBA had received all of the revenues from the direct sale of medals by ARBA personnel. These medals represent an asset with a substantial retail value and should be accounted for and controlled.

In the absence of adequate records and control we had to estimate the number of medals on hand, sold or given away.

According to information provided to us by the Department of Treasury, a total of 107,077 medals with a retail value of \$533,372 had been transferred to ARBA through February 10, 1975. According to your staff about 78,000 of these medals were in storage in a vault at the Treasury and about 3,000 additional medals were on hand at ARBA Headquarters. ARBA deposits to the Treasury, amounting to approximately \$25,000, represent revenues from its direct sale of medals. Using the average retail value of the medals transferred to ARBA (\$533,372 divided by 107,077 medals equals \$4.98), we estimated that these deposits accounted for approximately 5,000 additional medals (\$25,000 divided by \$4.98 equals 5,020). This left approximately 21,000 medals unaccounted for.

A member of your staff expressed the belief that the medals not accounted for had been given away by ARBA to individuals and groups such as Congressmen, Governors and State Commissions, either to promote sales or in recognition of some achievement. However, the lack of any records on giveaways precluded verification.

Procedures Followed at ARBA Headquarters

Medals are stored in a vault at the Treasury and in a locked room at 736 Jackson Place. No record could be found of the number of medals actually received. A clerk in the Office Services Division was responsible for safeguarding the medals inventory at ARBA Headquarters. The clerk made an occasional inventory count, but the results were not recorded.

Medals were released from inventory for direct sale or to be given away by ARBA officials in recognition of achievements by people or groups. Generally, the medals were released by the clerk as a result of verbal requests from selected individuals who had general authority to receive the medals. However, no record was made, by either the clerk or the individual receiving the medals, of the number of medals involved. Because records were not maintained there is no way of knowing how many medals were withdrawn from inventory.

Sales of medals consisted of both mail-order and over-the-counter sales. Over-the-counter sales were made by the receptionist at the Jackson Place office from a small supply of medals kept on hand in a desk drawer. The supply was replenished as needed, but no record was kept of either the number of medals received or sold. The money received from over-the-counter sales of the medals was routed through the Commemorative Sales Division to the Finance Division for deposit. The only record maintained was the amount of money deposited.

There was no firm policy for the give away of medals and the authority to give away medals was not clear. Medals were generally given to anyone likely to promote the sale of medals. We were informed that in October 1974 a new policy was verbally promulgated by the Assistant Administrator for Finance Administration and Management. This new policy provided that no medals were to be given away without the written authorization of the Administrator.

Recommendation

We recommend that ARBA establish an effective control system for the commemorative medals it has on hand and will receive in the future. We believe that, as a minimum, this system should provide for

- Assigning control and accountability of the medals' inventory to a single individual.
- Making a complete physical inventory of all medals on hand at ARBA Headquarters and in storage at the Treasury and preparing a record of this inventory showing the quantities of medals of each type.

- Maintaining a record of medals received into inventory subsequent to the date of the above inventory.
- Requiring a written authorization for the release of medals from inventory that identifies the individuals receiving the medals, the types and quantities of medals received and the purpose for which they were withdrawn. Such written authorizations are needed to serve as a record of the medals withdrawn and to relieve the inventory manager of accountability for them.
- Restricting the selling of medals to one or two authorized individuals at ARBA Headquarters and requiring them to periodically account for the medals received from inventories and sold and the monies received and deposited.
- Maintaining a record of all medals given away showing the type and quantity of medals, the recipient, the ARBA official presenting the medals and the date presented.
- Periodic independent audit of the inventory, sales and giveaway process.

GRANTS-IN AID PROGRAM

In addition to our review at ARBA we also performed some work at the State Bicentennial Commissions in Alabama, Massachusetts and Virginia. In reviewing selected operations of the Massachusetts Revolutionary War Bicentennial Commission (Massachusetts Commission) we noted certain instances of noncompliance with the guidelines established by ARBA for the grants-in-aid program. These instances of noncompliance are discussed below.

Maintenance of Separate Accounts

Section 9 of ARBA's guidelines requires the establishment and maintenance of a separate account for grants-in-aid funds reflecting all receipts, obligations and disbursements. The Massachusetts Commission had not

established a separate account and the \$90,000 it had received as grants-in-aid had been commingled with \$40,000 in matching grants it had received from ARBA and \$10,000 received from the New England Regional Commission. ARBA guidelines for matching grants also require a separate account for matching grant funds.

Restriction on Time for Obligating Grant Funds

Section 7 of the guidelines restricts obligation of the funds to the 12-month period following the date of the grant award. At June 20, 1973--the end of the 12-month period following the first grant-in-aid award--\$28,112.33 of the awarded \$45,000 remained unobligated. Contrary to the guidelines, this balance was carried over to fiscal year 1974 as unencumbered funds and subsequently obligated and expended.

Although ARBA gave the State Commissions the opportunity to request an extension of the time available to obligate funds, the Massachusetts Commission did not request an extension.

Approval Not Obtained for Changes in Use of Reserved Funds

On June 27, 1974, a Reservation of Funds form was filed by the Massachusetts Commission for its Comptroller's Division for \$17,843.39, from the second grant-in-aid award. The purpose of this reservation was for the payment of employee salaries and office equipment rentals. Subsequently, about \$9,000 of these funds was used for tourist information highway signs. Section 7 of the guidelines requires that funds be expended solely for the purpose specified in the grant application unless ARBA approval is obtained. ARBA approval for the changed use of funds was not sought.

Approval Not Obtained for Change in Program

The second grant-in-aid fund of \$45,000 was provided to the Massachusetts Commission in total, rather than quarterly as was the normal procedure. This was done so that contracts could be executed to hire a field

representative and establish an informational system. Such contracts cannot be executed by the State until all the funds have been deposited with the State Treasurer. These contracts were not executed and the Administration was not notified of this change. Grant-in-aid guideline, Section 13, states that the grantee shall inform the Administration of developments which may have a significant impact upon the accomplishment of program objectives.

Required Reports Not Submitted

Section 13 further states that as a minimum, a financial and descriptive program report will be made within 90 days after the end of the grant obligation period and a final accounting within 90 days after the final expenditure occurs. The end of the grant obligation periods for the first two \$45,000 grants were June 30, 1973 and June 30, 1974, respectively. The Massachusetts Commission did not prepare a financial and descriptive program report 90 days after the end of the grant obligation period for either grant. In addition, the final expenditure under the first grant occurred in October 1973, but a final accounting of this grant had not been made.

We discussed the above matters with the Executive Director of the Massachusetts Commission, who indicated that action would be taken to bring the grant-in-aid program into compliance with the guidelines.

We are bringing these instances of noncompliance to your attention so that ARBA can determine:

- the extent to which noncompliance with ARBA guidelines has occurred in the other State Commissions,
- the effect of noncompliance with ARBA guidelines on the accomplishment of the goals of the grant-in-aid program, and
- the need to either enforce compliance with the guidelines or to modify the guidelines if it is determined that noncompliance is not having any adverse effects.

GAO QUESTIONNAIRE

As you know, we sent a questionnaire to all State Commissions and to selected Bicentennial Communities. We received responses from 36 of the 50 State Commissions and 114 of 276 Bicentennial Communities. In addition to asking for information on the number, types, and costs of projects and source of funds, we also asked the following questions.

1. What has ARBA done that has been most helpful?
2. Has ARBA done anything that has hindered your efforts?
3. What would you like to see ARBA do?

The responses to these questions were many and varied and provided a wide cross section of viewpoints at the grassroots level. Some of the responses probably would be useful to ARBA in planning its future activities at State and local levels. Therefore we would be happy to make the questionnaire responses available for ARBA review, if you desire.

We would appreciate being advised of the actions taken or planned with respect to the matters discussed herein

If you wish, we are available to meet with you to discuss these matters further. Thank you for the courtesy and cooperation extended to my staff throughout our audit effort.

Sincerely yours,

H. L. Krieger

H. L. Krieger
Regional Manager