



ARCHITECT  
OF THE CAPITOL

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I am pleased to present the Accountability Report for the Office of the Architect of the Capitol (AOC) for Fiscal Year 2003. This report highlights our achievements during the fiscal year, including information on our audited balance sheet—a first in the history of the AOC.

Looking back over this past year and the complex challenges faced by our organization, I am proud of our many accomplishments. We are undergoing an organization-wide transformation to address management challenges and program risks that have been identified by the Government Accountability Office (GAO). We realize it is vital to take a strategic approach to achieve our mission, and we are continually taking the necessary actions to move the organization forward.

During fiscal year 2003, we continued construction of the Capitol Visitor Center; began to install roof fall protection campus-wide; renovated elevators in the House, Senate, Capitol, and Library buildings; installed perimeter security elements to protect visitors and building occupants; razed the structurally unsound O'Neill House Office Building; modernized the Capitol Power Plant coal-handling equipment; and installed a building-wide sprinkler system in the Rayburn House Office Building.

To strengthen our accountability, we changed our method of accounting from a budgetary method of tracking funds to a proprietary accounting system, making tremendous strides in the area of financial management. Our Financial Management Systems Office successfully implemented a new JFMIP-certified financial management system and the United States Standard General Ledger, while our Budget Office realigned the budget formulation, reporting, justification, and execution processes to reflect the structure of the new financial management system.

This past year we took the preliminary steps in the development of a management and accountability framework. This framework will provide us with a context for addressing other major management challenges. We also drafted an organization-wide Strategic Plan to transform and modernize the organization's business strategies and practices. The Plan will be the basis for development of annual goals and performance measures and help to establish priorities for action. Accordingly, we developed a senior executive performance management system to increase individual accountability for organizational goals. We expect to create clear lines of accountability for achieving results, including client satisfaction.

The AOC is accountable to Congress and the American people for its financial results and performance. The financial data presented in this report are complete and reliable. Some items have been noted in the Independent Auditor's Report on Internal Control, as condensed in our Summary of Audit Results section.

Our first financial audit has resulted in an unqualified, or "clean," opinion on our balance sheet from our independent auditors, Kearney and Company. The auditors have identified seven material weaknesses. We have summarized how we are addressing these issues in our Summary of Audit Results section.

The AOC made great progress in FY 2003. We were able to respond to current and emerging challenges with major organizational improvements. We continue to move forward and implement a number of initiatives to address issues that still require our attention. We are committed to fulfilling our mission while remaining devoted to sound fiscal management and excellent client service.

Sincerely,



Alan M. Hantman, FAIA  
Architect of the Capitol  
December 9, 2004



ALAN M. HANTMAN, FAIA

ARCHITECT OF THE CAPITOL

## MISSION STATEMENT AND VISION

Our mission is to provide Congress and the public a wide range of professional expertise and services to preserve and enhance the Capitol complex and related facilities.

Our vision is to be an innovative and efficient team dedicated to service excellence and to preserving, maintaining, and enhancing the national treasures entrusted to our care.



ON  
AVERAGE,  
WE COMPLETED 580 WORK ORDERS PER  
BUSINESS DAY.

## OUR RESPONSIBILITIES

The Architect of the Capitol has the daily responsibility of preserving, maintaining, and improving 370 acres of land, historic buildings, gardens, and national treasures.

The Office of the Architect of the Capitol (AOC) preserves, maintains, and improves the national treasures that make up the United States Capitol complex—the Capitol, the House and Senate office buildings, the Botanic Garden, the Capitol grounds, the Library of Congress buildings, the Supreme Court building, the Capitol Power Plant, and various support facilities. We care for these unique buildings and grounds, which millions of people visit each year, in accordance with their historical or national significance and their cultural, educational, artistic, or architectural importance.

Throughout the years, legislation has placed additional buildings and grounds under our jurisdiction. Today, we maintain 370 acres of land.

In addition to the Capitol complex, we also care for the Botanic Garden growing facilities located at DC Village and the auxiliary storage space for the Library of Congress at Fort Meade, Maryland. We also hold leases on several other facilities. In total, we are responsible for the maintenance, new construction, and renovation of more than three dozen buildings representing nearly 15 million square feet of space and the demands for and on our services grow greater each year.

If the AOC was compared to local enterprises, we would be considered among one of the largest property developers and managers in the D.C. metropolitan area, as ranked by the *Washington Business Journal Book of Lists*.



NEARLY 15 MILLION  
SQUARE FEET OF BUILDINGS  
ARE UNDER OUR CARE.

## AOC ORIGINS

Our work began in the 1790s with the initial construction of the Capitol. It continues through more than two centuries of construction, improvements, and maintenance of the Capitol complex and other related buildings and grounds.

In 1790, Congress authorized the Board of Commissioners of the new federal city to provide "suitable buildings and accommodations for the Congress of the United States." We trace our origin back to 1793, when the Commissioners formally adopted Dr. William Thornton's design for the Capitol. President George Washington laid the cornerstone for the Capitol on September 18, 1793, during the first large public event held in the new federal city.

Although the first block of sandstone was set into place on the outside walls of the north wing in July 1795, it wasn't until late 1800 that Congress, the Supreme Court, and the Library of Congress moved into the north wing. The last part of the original building was not finished until 1826 because of construction delays, the difficulty of obtaining materials and workers, and sporadic and small appropriations, not to mention that British troops burned the building on August 24, 1814. The resulting repair work further delayed construction.

In the following years, the country grew as state after state was admitted into the Union, sending more and more representatives and senators to the already crowded House and Senate chambers. The nation was outgrowing its Capitol, and more space was desperately needed. In 1851, we began work on a 16-year construction project that added extensions to both the House and Senate wings.

In 1897, the Library of Congress became the first legislative branch function to move out of the Capitol and into its own building. The turn of the 20th century saw the development of the Capitol complex into its present form. As a result, the responsibilities of the AOC continued to grow with the construction of libraries; the purchase of additional land; the construction and renovation of office buildings; and the expansion of the Botanic Garden. Today, we care for 370 acres of land on Capitol Hill and in outlying areas.

Over the years, our role has evolved to include maintaining and improving the physical infrastructure of the Capitol complex, providing day-to-day Congressional support, and overall facilities management.



### ENLARGING THE GROUNDS

FROM 1853 TO 1872, THERE WAS MUCH DEBATE ON CAPITOL HILL ABOUT PURCHASING LAND TO EXPAND THE CAPITOL BUILDING AND GROUNDS. YEAR AFTER YEAR, PLANS FOR EXPANSION WERE PRESENTED AND YEAR AFTER YEAR, THE PLANS WOULD BE DEFEATED BY THOSE WHO OBJECTED TO ANY IMPROVEMENTS THAT WOULD KEEP THE SEAT OF GOVERNMENT FROM MOVING WESTWARD, TO A LOCATION MORE CENTRAL TO THE NATION. FINALLY, ON MAY 8, 1872, PRESIDENT ULYSSES S. GRANT SIGNED LEGISLATION AUTHORIZING THE SECRETARY OF THE INTERIOR TO PURCHASE PRIVATE PROPERTY TO ENLARGE THE CAPITOL GROUNDS. AFTER TWO DECADES OF DISCUSSION, THE CAPITOL GROUNDS WERE ABOUT TO RECEIVE SOME MUCH-NEEDED PROFESSIONAL ATTENTION.

## ACCOMPLISHMENTS IN THE 19TH CENTURY

- 1820 Establishment of the original Botanic Garden
- 1826 Completion of the Capitol's wings and central rotunda
- 1855 First fresco painted by Brumidi in the Capitol
- 1863 Statue of Freedom placed atop the Capitol Dome
- 1865 First application of electricity in the Capitol
- 1868 Completion of Capitol extensions and Dome
- 1892 Olmsted terrace completed
- 1894 Modern plumbing completed throughout the Capitol
- 1897 Library of Congress moves into the Thomas Jefferson Building





**EXPANSION THROUGH THE 20TH CENTURY**

Throughout the 20th century, the AOC constructed or acquired many buildings, from the utilitarian to the ornate. Highlights include

<b>1908</b>	Cannon House Office Building	\$ 35,783,343
<b>1909</b>	Russell Senate Office Building	53,081,424
<b>1909</b>	Main Power Plant	37,627,456
<b>1933</b>	Longworth House Office Building	45,913,803
<b>1933</b>	Botanic Garden Conservatory	33,388,107
<b>1935</b>	Supreme Court Building	20,233,134
<b>1938</b>	Adams Library Building	42,581,019
<b>1958</b>	Dirksen Senate Office Building	100,652,688
<b>1965</b>	Rayburn House Office Building	116,131,865
<b>1980</b>	Madison Library Building	149,946,855
<b>1982</b>	Hart Senate Office Building	145,730,798
<b>1992</b>	Thurgood Marshall Federal Judiciary Building	135,312,382

These are the estimated historical costs of the construction and improvements to date.

**CONTINUED GROWTH IN THE 21ST CENTURY**

<b>2002</b>	Botanic Garden Conservatory Reconstruction
<b>2003</b>	Library of Congress Fort Meade Book Storage Facility
	Capitol Visitor Center—currently under construction

**OUR STAFF**

**Our employees, from the Architect through our administrative and facilities maintenance personnel, balance the multiple interests and needs of Congress, the public, the Supreme Court, and other clients.**

The historic nature and high-profile use of the buildings under our care creates the complex environment in which we work. All of our employees balance and meet the needs of multiple stakeholders, including members of Congress, committees, Congressional leadership and staff, the visiting public, and other clients.

Our staff of 1,963 full-time equivalents (FTEs) work in the nine "jurisdictions" that are responsible for the day-to-day operations throughout the Capitol complex. These operations include the mechanical, electrical, structural, and other maintenance of the buildings and grounds, as well as any improvements. We also support inaugural ceremonies, state funerals, and other events and ceremonies held in the buildings or on the grounds. We have a host of electricians, plumbers, upholsterers, carpenters, painters, masons, and other skilled craftspeople who repair, maintain, and preserve the historic buildings and furnishings under our care. Our Architecture, Engineering, and construction groups work to design and complete projects on time and within budget, and are of the highest quality, while our facilities maintenance staff provides the building maintenance services required throughout the Capitol complex.

## The Architect of the Capitol

The Architect of the Capitol is appointed for a term of ten years. A bicameral commission recommends three candidates to the president and, with the advice and consent of the Senate, the president selects an appointee. Upon confirmation by the Senate, the Architect becomes an official of the Legislative Branch as an officer and agent of Congress and is eligible for reappointment after completion of the term.

Architect of the Capitol—Alan M. Hantman, FAIA (Fellow of the American Institute of Architects), was the first Architect of the Capitol to be appointed under this process in 1997. He holds a bachelor's degree in architecture from the City College of New York and a master's degree in urban planning from the City University of New York Graduate Center. Prior to his appointment, he was Vice President of Architecture and Planning for the Rockefeller Center Management Corporation of New York City for ten years, after which he served as a consultant to several corporations. He has also been a development consultant, assistant chief architect, and project manager at major architectural and real estate services firms.

The Architect serves as a member of several governing or advisory bodies: Capitol Police Board, Capitol Guide Board, Advisory Council on Historic Preservation, National Capital Memorial Commission, District of Columbia Zoning Commission, and Art Advisory Committee to the Washington Metropolitan Area Transit Authority. He is also an ex-officio member of the United States Capitol Preservation Commission and the National Building Museum.

## Other Officers

The Chief Operating Officer (COO) is a newly-created position established by the 2003 Legislative Branch Appropriations Act. The COO assists the Architect with achieving the organization's goals, and manages our day-to-day operations.

The Chief of Staff assists the Architect as an external liaison to our stakeholders and achieving the organization's goals for project management, architecture, engineering, construction management, and security services.

The Deputy Chief of Staff serves as administrative management advisor to the Architect, COO, and Chief of Staff, and provides management oversight and direction for administrative programs and services.

The Chief Financial Officer is the senior financial management advisor to the Architect, COO, and Chief of Staff, providing management oversight and direction for our financial management programs and services, including budget and accounting.



## WHAT WE DO

**Our construction, improvement, and replacement projects go through an ongoing life-cycle process and may last from a few months to several years. We also perform thousands of operations and maintenance tasks throughout the Capitol complex each year.**

We have two major functions: capital improvements, and operations and maintenance.

### Capital Improvements

In addition to major projects such as the construction of the Capitol Visitor Center and modernization of the Supreme Court building, we worked on a great variety of projects throughout the Capitol complex in 2003.



BASED ON  
OUR APPROPRIATIONS, WE ARE  
ORGANIZED TO PROVIDE SERVICES TO  
THE FOLLOWING NINE JURISDICTIONS:

- CAPITOL BUILDING
- CAPITOL GROUNDS
- HOUSE OFFICE BUILDINGS
- SENATE OFFICE BUILDINGS
- CAPITOL POWER PLANT
- SUPREME COURT BUILDING AND GROUNDS
- LIBRARY OF CONGRESS BUILDINGS AND GROUNDS
- BOTANIC GARDEN
- CAPITOL POLICE BUILDINGS AND GROUNDS

These projects included

- Campus-wide initiatives to install roof fall protection
- Renovating elevators in the House, Senate, Capitol, and Library buildings
- Installing perimeter security elements across the Capitol campus to protect visitors and building occupants
- Razing of the structurally unsound O'Neill House Office Building
- Modernizing the Power Plant's coal-handling equipment
- Installing a building-wide fire protection system in the Rayburn House Office Building

Our capital projects, which involve one-time construction projects or system replacements, differ in size, complexity, and time required for completion. Projects can span a few months to several years. Each project typically follows a similar cycle. It begins by identifying a need, then defining the scope of the work to determine if a capital project is necessary. Once the project is approved, it is designed and funding is requested so that construction can begin.

Currently, the Superintendents' Offices identify which projects to undertake, based on facility needs and potential equipment failures. However, because of growing demands on our limited resources, we are developing plans to help us categorize and track facility needs so we can better coordinate those resources. A key tool that will help us is the facility condition assessments (FCAs) that will be performed once funding is granted.

***The Future Capital Projects Process***

We plan to use the FCAs as the baseline for developing a five-year Capital Improvement Plan in the future. These assessments will help us identify necessary projects and prioritize them in order to use our resources as efficiently and economically as possible.

Each proposed project will be evaluated based on a scorecard of defined criteria in order to determine which fully designed projects we will present to Congress for funding. Once funding is approved, we will be ready to begin construction. We will request funding for the condition assessments program in 2004.

***Capital Improvement Plan***

Our first formal Capital Improvement Plan (CIP) is under development and will be submitted as part of our 2005 Budget Request. It will provide Congress with a clear picture of our long-range capital requirements and priorities. The CIP will also identify projects not yet included in the five-year plan. As we continue to use the CIP process, we will identify which projects to assign to the proper fiscal year for development and execution. This process will allow us to meet our stewardship responsibilities and clients' needs as they arise.

***Capitol Complex Master Plan***

The final element in our project planning and execution program is the creation of an overall Capitol Complex Master Plan. With this Plan, we will provide a framework in which we can conduct intermediate project planning over the next 20 years to help us plan for future growth. The Master Plan also will assist us and Congress in making decisions in the short term that will not adversely affect the long-term viability of the Congressional campus. The creation of this Master Plan is a significant step in our long-term planning process, given that the last Master Plan was published in 1981.



### Operations and Maintenance

While we have completed many construction projects over the years, the largest part of our work is maintaining the buildings and land under our care, and ensuring that all of the building systems function appropriately. To help fulfill this important obligation, we will use the new facilities condition assessments to create a priority list for our preventative maintenance workload.

We are responsible for thousands of client-requested work orders, which are tasks involving maintenance work accomplished through the resources of the Superintendents of our many distinct jurisdictions. The Superintendents are responsible for the maintenance and preservation of their respective buildings and grounds, providing high-quality facilities management and related support services.



THE CAPITOL VISITOR CENTER

### OUR FISCAL YEAR 2003 ACCOMPLISHMENTS

Highlights of our 2003 work include beginning the expansion of the West Refrigeration Plant at the Capitol Power Plant, continued construction of the Capitol Visitor Center, infrastructure improvements resulting from 9/11, and completion of more than 145,000 work orders throughout the Capitol complex.

This was an extraordinary year for us. In addition to handling 145,044 work orders for preventative maintenance and demand work for our four largest jurisdictions—the Capitol, Senate, House, and Library of Congress—we completed 27 projects, including improvements to the Capitol grounds, construction of the first module of auxiliary storage space for the Library of Congress, and campus-wide infrastructure improvements in response to the terrorist attacks of September 11, 2001.

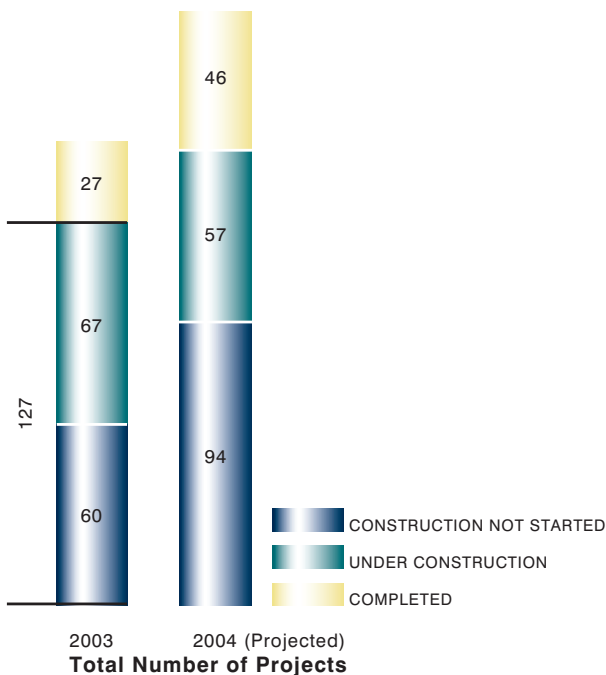
As of September 30, 2003, we had 127 projects in various stages of the project life cycle. The largest of these projects is the Capitol Visitor Center (CVC). The work on the CVC is proceeding in several successive and overlapping phases. The first phase of this project was excavation and the construction of the foundation and structure of the underground building. The second phase is mechanical, electrical, plumbing, and interior fit-out. Construction for this phase began in June 2003. Other major projects in progress include the West Refrigeration Plant expansion at the Capitol Power Plant, modernization of the Supreme Court building, and the Cannon Garage floor replacement.

AT 580,000 SQUARE FEET, THE CAPITOL VISITOR CENTER IS THE LARGEST INCREMENT OF GROWTH IN THE HISTORY OF THE CAPITOL. THE DESIGN FOR THE VISITOR CENTER HAS BEEN GUIDED BY THESE FUNDAMENTAL GOALS:

**SECURITY**—IT WILL PROVIDE A SECURE PUBLIC ENVIRONMENT TO WELCOME AND MANAGE A LARGE NUMBER OF VISITORS AND TO PROTECT THE CAPITOL BUILDING, ITS OCCUPANTS, AND GUESTS.

**VISITOR EDUCATION**—IT WILL ESTABLISH AND PRESENT LIVELY AND INFORMATIVE PROGRAMS ON THE WORKINGS AND HISTORY OF THE CONGRESS, THE LEGISLATIVE PROCESS, AND THE ARCHITECTURE OF THE CAPITOL.

**VISITOR COMFORT**—THE VISITOR CENTER WILL PROVIDE AMENITIES, COMFORT, AND CONVENIENCE FOR VISITORS. IN ADDITION, ALL ITS SPACES AND RESOURCES WILL BE FULLY ACCESSIBLE TO PERSONS WITH DISABILITIES.



## OUR CURRENT FINANCIAL CONDITION

This year we are making our first public reporting of our financial position. We have achieved this milestone following the arduous undertaking of developing detailed historical costs of the land and buildings under our care. We are continuing to develop the processes and procedures with which we will account for and report on our financial position.

Fiscal year 2003 marks the first time we are publicly reporting on our financial position. An independent outside auditor has examined our balance sheet and notes and has rendered an unqualified, or "clean," opinion.

Our balance sheet reflects total assets of \$1,825.5 million as of September 30, 2003. Of these assets, almost 52% are property and equipment. The bulk of our remaining assets is our fund balance with the U.S. Treasury, which represents unexpended appropriation balances.

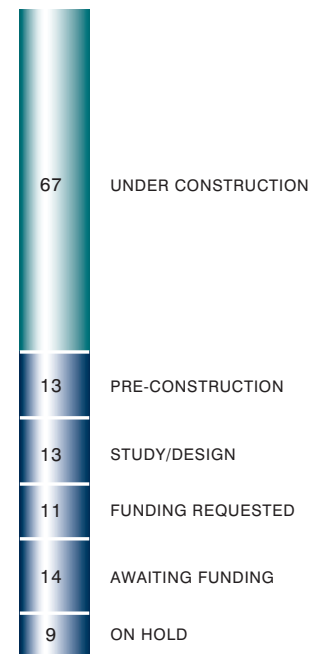
Liabilities were \$321.4 million at fiscal year-end 2003. The majority, approximately 52%, consists of a special financing arrangement to construct the Thurgood Marshall Federal Judiciary Building. The remainder consists primarily of capital lease liability, workers' compensation, and accounts payable liabilities.

Our net position as of September 30, 2003, was \$1,504.1 million. This consists of \$819.8 million in unexpended appropriations and \$684.3 million in cumulative results of operations.

The information we provide on our balance sheet and in the notes is the result of our continuing development of the processes and procedures needed to account for and report on our financial position. Completing our first balance sheet audit is a key step in our effort to build a foundation for financial control and accountability. With a concerted effort, we will continue to make progress toward achieving accountability and producing reliable financial and management information on a regular basis.

For more than 200 years we focused solely on tracking the budgetary status of our funds rather than on a proprietary accounting system. We did not use a trial balance, did not perform general ledger reconciliations, and did not publish external reports. Now, we have begun an ambitious process to transform the way in which we account for our activities and actions.

We set forth with a goal to build a balance sheet. Because we relied on a budgetary system in the past, we did not track the historical cost of assets. This not only meant that we had to develop procedures, policies, and processes to support our newly-adopted method of accounting; it also meant that we had to ascertain the cost of the buildings and land under our jurisdiction. This was one of the greatest challenges we faced in adopting the proprietary accounting methodology.



We have 127 projects in progress, as described below.

- **Under Construction (67)**—We have started construction.
- **Pre-Construction (13)**—We have received full funding, but we have not begun actual construction. We are proceeding with preliminary work.
- **Study/Design Phase (13)**—We have received funding to either study or design the project, and we are actively working on it.
- **Funding Requested (11)**—We have requested construction funding in either 2005 or 2006.
- **Awaiting Funding (14)**—We have not yet made a request for funding.
- **On Hold (9)**—We may have received full or partial funding, but we are not currently working on the project.

First, we had to determine the cost of the 370 acres under our care—typically in 1/8-acre lot increments. For the land of the original Capitol Square (22.5 acres), the government paid £25 per acre, which we converted to U.S. dollars. Approximately 160 acres were purchased from private citizens beginning in 1872. We also reviewed real property reports from 1937, 1940, 1955, and 1977 produced by our Budget Office. We analyzed historical cost by examining old reports that had been presented to Congress and by locating the original deeds, some dating back to 1872. Some of the land acquired by transfer did not have supporting deeds or related data. In these cases, we quantitatively estimated the cost of the land based on other properties purchased on Capitol Hill between 1872 and 1965. We used a similar approach to estimate the cost of alleys, sidewalks, and streets.



#### **A MAJOR ACCOMPLISHMENT THAT YOU WON'T SEE**

**AN OVERLOOKED BUT MAJOR ACCOMPLISHMENT FOR 2003 DIDN'T INVOLVE CONSTRUCTION, OPERATIONS, OR MAINTENANCE.**

**WE SUCCESSFULLY COMPLETED THE ARDUOUS TASK OF DIGGING THROUGH DECADES OF RECORDS IN ORDER TO DEVELOP A DETAILED FIXED-ASSET DATABASE OF ALL THE LAND AND BUILDINGS (AND THEIR HISTORICAL COST) UNDER THE JURISDICTION OF THE AOC, SOMETHING THAT HAD NEVER BEEN ATTEMPTED.**

**AFTER FINDING WHERE THE RECORDS WERE STORED, THE GROUP UNEARTHED DEEDS FROM THE 18TH, 19TH, AND 20TH CENTURIES TO FIND OUT HOW MUCH WAS PAID FOR THE LAND. THEY PERFORMED REGRESSION ANALYSES TO ESTIMATE THE COST OF THE LAND FOR WHICH NO DEEDS EXISTED. THEY SCoured BOOKS, LETTERS, REPORTS, INVOICES, CONTRACTS AND OTHER DOCUMENTS TO FIND CONSTRUCTION COSTS OF VARIOUS BUILDINGS. IN SHORT, THEY DID WHATEVER HAD TO BE DONE TO ASCERTAIN THE ESTIMATED HISTORICAL COST OF OUR LAND AND BUILDINGS.**

Our second step was to evaluate the historical cost of each building under our jurisdiction. We used a variety of sources to obtain information about the initial cost of construction or acquisition of each building, including reports to Congress, deeds, internal records, and major construction contracts. To estimate the cost of improvements from the time of construction or acquisition to 2003, we reviewed a combination of miscellaneous internal reports and detailed project data. We compiled all of the data we had gathered into a detailed, fixed-asset database. For the first time in history, major milestones throughout the years for each and every building have been documented.

In addition to estimating the historical cost of our assets, we had to identify our liabilities for financial reporting purposes. The liabilities on our balance sheet as of September 30, 2003, include "Debt Held by the Public," representing slightly over half of our total liabilities. This amount consists of a unique financing arrangement we entered into for the construction of the Thurgood Marshall Federal Judiciary Building in 1988. We analyzed the nature of this transaction to determine how best to account for it and how to report it. Because of the implications this transaction had across the federal government, the Office of Management and Budget and the Department of Treasury had to agree to its accounting treatment.

Our financial management improvement plans include a full-scope audit of a complete set of financial statements for fiscal year 2005. While obtaining an unqualified audit opinion is an important objective, it is not an end in itself. The key is to take steps to continuously improve internal controls and the underlying financial and management information systems. We are dedicated to continuously improving our efficiency, effectiveness, internal control, and accountability.



## WHERE WE'RE GOING, AND HOW WE'LL GET THERE

Our core services are embodied in our strategic goals: provide quality facilities management and project management; bring on board and nurture skilled employees; and improve our business programs, processes, and systems.

Our objective is simple: to be an innovative and efficient team dedicated to service excellence. To gain the trust of the public, we are committed to developing clear performance goals and to reporting annually whether we met those goals.

We will publish our first Strategic and Performance Plan in 2004 and include a performance section in our 2005 Performance and Accountability Report.

We have identified four strategic goals that will enable us to achieve our objective.

- **Facilities Management**—We will maintain and preserve the national treasures entrusted to our care by providing timely and quality facilities management and related support services to our clients.
- **Project Management**—We will enhance our national treasures by planning and delivering timely and quality capital projects.
- **Human Capital**—We will attract, develop, and retain diverse and highly-motivated employees with the skills, talents, and knowledge necessary to support our mission.
  - **Organizational Excellence**—We will provide the highest quality services to our clients through improved business programs, processes, and systems.

## OUR MANAGEMENT AND CONTROL

As part of our new public reporting policies, we have established an Audit Committee. We are also implementing internal control processes, and are adopting and implementing new policies and procedures for reconciling accounts and administering funds control.

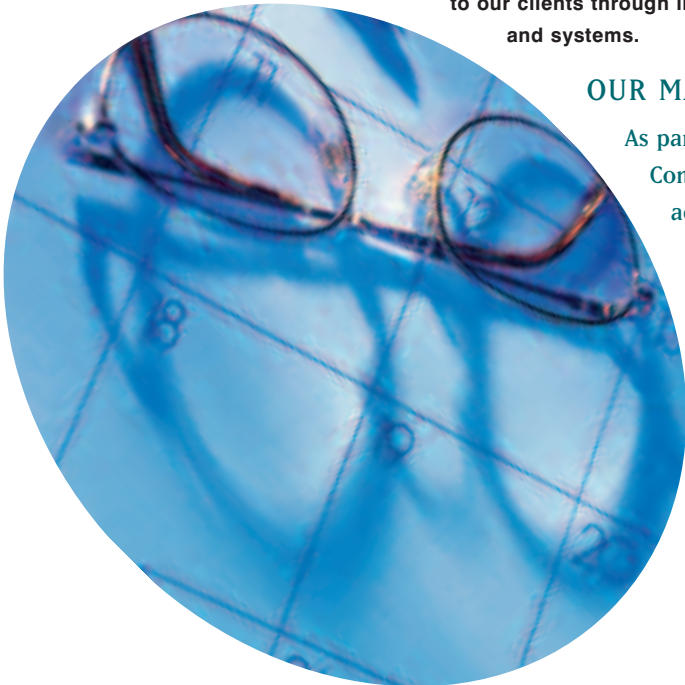
Our strong financial systems and internal controls are designed to provide accountability, integrity, and reliability. Our internal controls are designed to provide reasonable assurance that our obligations and costs are in compliance with applicable laws and regulations.

Currently, we are in the course of implementing a process to manage and monitor our system of internal controls more effectively. One such step is the establishment of an audit committee.

### ***Our Audit Committee***

We have established a five-member Audit Committee (Committee) that will provide an independent review of our financial statement audit process.

- **Michael Lampley**—experienced business executive, retired partner from Ernst & Young LLP, and a Certified Public Accountant with vast experience in both the private and government sectors as an audit partner, chief operating officer, and certified government financial manager.





- **Michael J. Riley**—former CFO of the U.S. Postal Service, Lee Enterprises, and United Airlines. He is currently a professor at the University of Maryland University College.
- **John Webster**—Chief Financial Officer of the Library of Congress. Appointed to the position in November 1989, he is responsible for strategic planning, annual program performance planning, budget, accounting operations, financial reporting, financial systems, and disbursing functions.
- **Gary Glovinsky**—AOC Chief Financial Officer. He was appointed to the position in 2001. Before joining the Architect of the Capitol, Mr. Glovinsky served as Chief, Financial Management Division, Headquarters, for the Defense Contract Audit Agency.
- **Art McIntye**—AOC Inspector General. Reporting directly to the Architect, Mr. McIntye became our Inspector General in 1996 after serving as the AOC's Internal Auditor for 14 years. He is responsible for audits, investigations, and appraisals of the efficiency of the organization's activities, programs, and operations, which includes detection and prevention of fraud, waste, and abuse.

Messrs. Lampley, Riley, and Webster are voting members, while Messrs. Glovinsky and McIntye, as AOC employees, are non-voting members. The primary function of the Committee is to provide open avenues of communication among the Inspector General, the Independent Public Accountant, and the management of the AOC regarding the financial statement audit process. The Committee reviews and makes recommendations regarding all matters relating to the Independent Public Accountant who will perform our financial audit. The Committee must report its actions to our management and may make recommendations it considers appropriate to its function. More information on our Audit Committee is located on our Web site at [www.aoc.gov/aoc/cfo/committee/audit-charter.cfm](http://www.aoc.gov/aoc/cfo/committee/audit-charter.cfm).

#### ***New Policies and Procedures***

During 2003 we adopted and implemented key policies and procedures in the areas of reconciling accounts and administering funds control. We also took important steps to establish an effective information security program to ensure the reliability, availability, and confidentiality of our information technology assets.

#### ***Summary of Audit Results***

The independent auditing firm, Kearney and Company, PC, has given our balance sheet a clean opinion. As expected, the auditors noted several material weaknesses, as well as other reportable conditions, in their Independent Auditor's Report on Internal Control.

Establishing effective internal controls and preparing auditable financial statements are significant components of our strategic plan to build a solid foundation of control and accountability. Management action to address the weaknesses and reportable conditions will improve our financial, managerial, and other internal controls. We will design and implement programs and procedures to continually assess and improve our internal controls. With the exception of the items associated with the November 2002 Office of Compliance Report on Occupational Safety and Health Inspections, we assert our compliance with all laws and regulations applicable to our organization.

Here is our summary of the auditor's material weakness findings, and our response and plan to address these weaknesses. For complete information regarding the audit results, please consult the auditor's documented findings and recommendations in the Independent Auditor's Report on Internal Control, posted on our Web site at [www.aoc.gov/aoc/cfo/index.cfm](http://www.aoc.gov/aoc/cfo/index.cfm).







### **Summary of Audit Results, continued...**

#### **1. Capitalization of Period Expenses**

While an asset is under construction, we record construction costs in the Construction Work-in-Progress (CWIP) account. Our auditor found we did not have a policy in place that provided guidance for the proper classification of projects as CWIP. This led to their discovery of four projects with total expenditures of \$2.9 million that did not meet capitalization requirements and should not have been included in the CWIP account. When this was brought to our attention, we analyzed the CWIP account for activities that did not meet our capitalization requirements. As a result, we transferred \$15.3 million from CWIP to operating expenditures. This represented approximately 4.3% of the September 2003 CWIP balance. The \$15.3 million includes \$3.1 million of project expenditures that were below the new \$200,000 capitalization threshold.

**Management Response.** We agree with the finding. We have made the appropriate adjustment as noted above, and we have implemented new project capitalization guidelines and communicated them throughout the organization. In addition, we will continue to routinely monitor the CWIP account to ensure that only capital projects are recorded in this account.

#### **2. Delayed Transfer of Phased Projects to Property and Equipment (P&E)**

A number of our projects span multiple years and are constructed in a series of phases that are placed into service at different dates. Our auditor found we did not account for project phasing and, as a result, we did not capitalize a phase when it was placed into service. Rather, we waited for the project budget to be substantially expended. This caused an understatement of depreciation expense. The auditor's testing identified five projects with expenditures of \$83.1 million that were still in the CWIP account after the assets were placed in service. Subsequent to this testing, we analyzed the CWIP account and transferred 16 projects with a total cost of \$130.7 million, approximately 37% of the September 2003 CWIP balance, to P&E.

**Management Response.** We agree with the finding. We have implemented a policy whereby phased projects are closely monitored, with each phase capitalized when it is placed in service. We will also work with our project management staff to determine the best way to track and account for multi-phased projects, from project planning through project completion.

#### **3. Allocation of Overhead to Project Costs**

Our auditor discovered that general and administrative expenses were erroneously charged to some projects prior to 1996. We subsequently transferred \$22.2 million of costs from the CWIP account to P&E and adjusted accumulated depreciation by \$13.4 million. The errors were related to the funding mechanisms for temporary employees in the Construction Management Division (CMD) and jurisdictions' overhead cost pool.

**Management Response.** We agree with the finding and have corrected our accounts for all transactions prior to 1996. Furthermore, this finding brought to light that we need to strengthen our CMD's time and attendance system to ensure that construction and overhead personnel costs are charged to the appropriate project. As we move toward a cost accounting system, we need to consider the use of a working capital fund, which we feel is a better business model for our internal construction activities.

#### 4. Accounts Payable Cut-off

Our auditor found that we did not have a process to compile and record liabilities at period-end for goods and services that do not require receiving reports, such as professional services, many operating supplies, and maintenance contracts. Accordingly, liabilities are understated at period-end. The auditor's testing of vendor invoices entered into the financial system in the month subsequent to year-end identified 15 of 19 invoices, valued at \$1.4 million, recorded in the incorrect period. Further statistical calculations projected an understatement of liabilities of \$10.9 million, which we recorded in our financial system.

**Management Response.** We agree with the finding. We have developed an estimation methodology that analyzes payments in order to accrue the applicable liability. We plan to supplement the estimation methodology by asking field personnel to estimate accruals for a material number of open obligations.

#### 5. Capital and Operating Leases

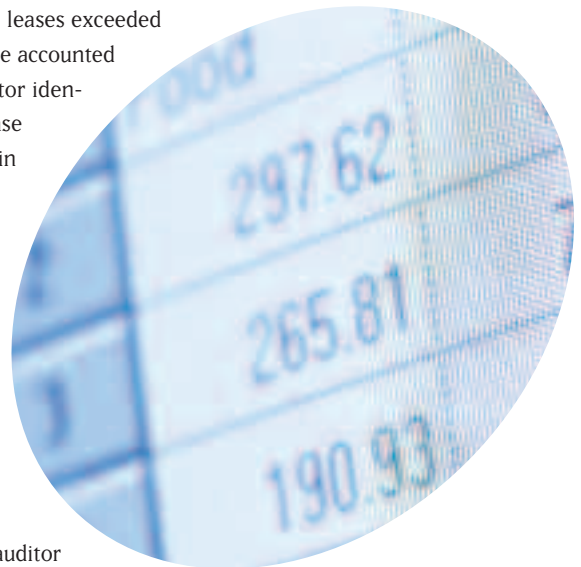
We maintain numerous lease obligations. Our auditor discovered that we did not have an effective policy to identify those obligations, nor did we perform the requisite analysis to determine, for financial reporting purposes, whether they were capital leases or operating leases. We polled the jurisdictions to identify all known leases and found we had 39 leases, 11 of which qualified for capital lease treatment. Three of the 11 leases exceeded our capitalization threshold, so we capitalized them at a total of \$45.8 million. One lease accounted for 99.8%, or \$45.7 million, of the total. In other testing, in accounts payable, our auditor identified a shared energy performance transaction that they determined was a capital lease with a capitalized asset value of \$8.7 million. We recorded this item as a capital asset in our financial system.

**Management Response.** We agree with the finding. We are working to develop a policy whereby each new lease is reviewed in depth during the procurement process and classified accordingly for financial reporting purposes. We will also continue to poll the jurisdictions to confirm that we have accounted for all leases.

#### 6. Payroll Records

Our auditor found that we did not have an adequate payroll record retention policy, one that matches our operating environment of long-lived capital projects. Additionally, the auditor noted that documentation for personnel changes was inconsistently maintained in our personnel records. Finally, our auditor found that we did not have adequate controls to prevent, detect, and subsequently monitor payroll receivables.

**Management Response.** We agree with the finding. We will review our payroll records retention policy and seek ways to match it to our operating environment. We have established a repository where we will indefinitely maintain all authorized pay adjustments, such as night-shift pay, that apply to groups of employees. Pay adjustments sourced in-house will be certified and filed in the employee's official personnel record. To address inadequate controls related to payroll receivables, payroll controls will receive a high priority when we implement our internal control program. Also, we plan to ask our payroll service provider, the National Finance Center, to perform an assessment of and recommend improvements in our payroll processes. Finally, we will suggest to our Inspector General that he include payroll in his fiscal year 2005 audit plan.





**Summary of Audit Results, continued...**

**7. Information Technology (IT) Controls**

Our auditor identified weaknesses in our Information Technology control structure, entity-wide security, access control, and change control. In addition, our auditor incorporated procedures and findings from an earlier third-party review of our IT control structure and practices.

**Management Response.** We agree with the finding and have taken several steps to address these weaknesses. First, we developed a plan to systematically address our IT control weaknesses. Second, in January 2004, we issued ten policies related to IT controls. Additional policies have followed. Third, we voluntarily initiated an Independent Verification review of our information technology findings. The review will follow GAO and National Institute of Standards and Technology standards.

## OUR LEGAL COMPLIANCE

**Although we are not required to do so, we have adopted laws, regulations, and standards to help us operate much as other federal agencies operate.**

As a legislative office, we are not required to follow the accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). For financial reporting purposes, the AOC has issued AOC Order No.32-02, which adopts U.S. generally accepted accounting principles (GAAP) for financial reporting and internal controls in a manner consistent with a legislative office.

We have not adopted the Federal Managers Financial Integrity Act, the Federal Financial Management Improvement Act of 1996, or the Government Performance and Results Act, because these standards apply only to executive branch agencies. However, we are committed to using these Acts as guidance or "best practices" and are incorporating them into our financial management practices as appropriate.

In lieu of developing, implementing, and maintaining our own standards, we have chosen to adopt existing standards and conform to those principles insofar as it is practical for a legislative office. We embrace certain laws, regulations, standards, and other sources of accounting principles and view them as prudent management practices that will allow us to operate effectively and efficiently in a manner consistent with other federal agencies.

We continue to follow and implement many of these best practices. In 2001, we hired a Chief Financial Officer and implemented the U.S. Standard General Ledger. In 2002, we implemented a financial management software package certified as Joint Financial Management Improvement Program compliant, and we followed this in 2003 with our first financial audit. We also drafted Strategic and Performance Plans that will become effective in fiscal year 2004.



**AN  
ARCHITECT'S  
DILEMMA—COST AND  
SCHEDULE VS. "GETTING IT RIGHT"**

IN 1803, PRESIDENT THOMAS JEFFERSON CHARGED B. HENRY LATROBE, THE FIRST PROFESSIONAL ARCHITECT AND ENGINEER TO WORK IN AMERICA, WITH THE TASK OF COMPLETING THE U.S. CAPITOL. LATROBE WAS TO SPEND MUCH OF HIS TIME BATTLING CONGRESSIONAL COMMITTEES OVER DESIGN VERSUS ECONOMY AND SPEED. LATROBE WAS LESS CONCERNED WITH CONSTRUCTION COST AND TIMELINESS THAN WITH CONSTRUCTING A BUILDING THAT WAS SYMBOLIC OF DEMOCRACY AND THE NEW NATION. ONE OF THE DESIGN ELEMENTS HE ADAMANTLY SOUGHT, FIREPROOF MASONRY VAULTS, WOULD PROVE TO BE INVALUABLE.

LATROBE BEGAN HIS WORK WITH CONSTRUCTION OF THE CAPITOL'S SOUTH WING. HE HAD THE FOUNDATIONS REBUILT STRONG ENOUGH TO SUPPORT SOLID BRICK VAULTING. THESE VAULTS WOULD BE MUCH MORE PERMANENT AND FIREPROOF THAN ORDINARY BRICK AND WOOD CONSTRUCTION. CRITICS, MANY OF WHOM HAD NEVER SEEN A MASONRY VAULT, COMPLAINED OF THE EXPENSE AND DANGER INVOLVED IN VAULT CONSTRUCTION. IN 1814, DURING THE WAR OF 1812 WITH GREAT BRITAIN, THE CAPITOL WAS SEVERELY DAMAGED BY FIRES SET BY BRITISH TROOPS. LATROBE'S FIREPROOF DESIGN HELPED SAVE THE CAPITOL FROM COMPLETE RUIN.

FOLLOWING THE WAR, LATROBE WAS ASKED TO ASSIST IN REBUILDING THE CAPITOL. IN 1817, FOLLOWING A DISPUTE OVER VAULTING THE CEILINGS OF THE HOUSE AND SENATE CHAMBERS (A DISPUTE THE ARCHITECT LOST), LATROBE RESIGNED, LEAVING WASHINGTON, NEVER TO RETURN TO SEE HIS GRAND ACCOMPLISHMENT.

## OUR CHALLENGES

In building for the future, we must meet the challenges of developing cost accounting standards, budget constraints, and the continual requirement to balance our needs and requirements with the sometimes conflicting needs and requests of our clients.

### **Cost Accounting**

A sound cost accounting system can provide managers with the information they need to effectively manage operations while at the same time extending responsibility for financial accountability and control throughout the operations.

We plan to perform limited work regarding cost accounting through the end of 2005. From 2006 through 2007 we will identify and implement the system and procedural changes needed to have a cost accounting system operational in 2008. We are delaying this work because of our need to develop appropriate and consistent performance metrics across our major jurisdictions. Considerable work remains to be done before we can provide managers with more effective financial, cost, and performance information needed to improve their management of the jurisdictions and before we can extend full responsibility for financial accountability and control to them.



### **Budget Requests and Future Budget Trends**

Entrusted with the preservation, maintenance, and enhancement of the national treasures that make up the Capitol complex, the AOC budget justification process is often met with challenges. Due to the historic nature and high-profile use of the facilities, a complex environment is created in balancing budgetary needs with the expectations and requirements of its multiple stakeholders. Our stewardship role requires that we attempt to use or adapt appropriate historic design for construction projects while ensuring a safe and secure environment for AOC personnel, congressional leadership and staff, and the visiting public. These are resource-intensive issues in terms of both cost and time.

Since 2003, our budget requests have reflected steady growth, driven by such factors as complex-wide master planning, security concerns, large capital project requests, and increased demands on operations and maintenance. However, the funds appropriated in 2003 were lower than our budget request. Maintaining the facilities to recognized national standards becomes difficult with diminishing resources.



We continue to strive for a more integrated approach ensuring that a long-term capital project program strategy will identify and fortify current and future resource requirements. Facility condition assessments, currently being performed within various buildings across the Capitol complex, will also assist in the planning and programming of future budget requests. These assessments should provide us with a comprehensive schedule for performing cyclical maintenance, tied to budgetary requests, that will provide additional stability to future operational and maintenance requirements.

We have reexamined and realigned our requests for future capital projects to reflect a scoring mechanism that considers preservation, safety, mission, economics, and security. In light of federal budget trends and financial constraints, we will continue to evaluate projects and operations on the basis of their merits and their place in our Strategic Plans.

We will continue to make every effort to improve our financial management and budget processes so our jurisdiction and project managers can execute funding within their authority in the most efficient and economical manner.

## OUR NATIONAL TREASURES

**Our highest priority is the protection and preservation of the historic Capitol complex and its buildings, artwork, and grounds.**

Stewardship of our nation's treasures is one of our core values. We undertake every design and maintenance effort to protect and preserve the Capitol complex's rich historic features. We are responsible for the continued preservation of paintings, murals, statues, architectural and landscape features, historic collections, and the buildings that house them. We are also charged with the maintenance and operation of the United States Botanic Garden and with any construction, changes, and improvements made to the Garden.

The Capitol art collection is comprised of hundreds of works of art, ranging from bronze and marble statues to oil portraits and frescoed murals. The curator for the AOC works closely with the Senate and House curators to track and care for these works. We regularly carry out projects to preserve our stewardship assets. Completed or ongoing projects include

- **Replacement of worn Minton tile in the Senate and House corridors of the Capitol**
- **Conservation of the Brumidi Corridors**
- **Rehabilitation of the interstitial space of the U.S. Capitol Dome**
- **Restoration of the frescoed Capitol Rotunda canopy and frieze**
- **Conservation of and follow-up maintenance to the Statue of Freedom**



Stewardship projects undertaken during fiscal year 2003 included

- **Conservation of Brumidi murals in the Senate and House Appropriations Committee hearing rooms**
- **Conservation of ceiling murals in leadership offices**
- **Renovation of the Senate Rules Committee hearing room in the Russell Building, including cleaning of the murals**
- **Restoration of the scagliola walls in the Hall of Columns**
- **Conservation of statues in the National Statuary Hall collection**
- **Paint analysis in the corridors around the House chamber**
- **Restoration of a committee room in the Cannon Building**
- **Conservation of the Peace Monument on the Capitol grounds**



**T H E**

**U.S. BOTANIC GARDEN**

**CURRENTLY MAINTAINS ABOUT 26,000 PLANTS. THE PLANTS ARE USED FOR EXHIBITION, STUDY, AND EXCHANGE WITH OTHER INSTITUTIONS.**

Established by Congress in 1820, the United States Botanic Garden is the oldest such garden in North America. A living museum, it is maintained by the AOC to demonstrate the aesthetic, cultural, economic, therapeutic, and ecological importance of plants to humankind. The Botanic Garden maintains about 26,000 plants used for exhibition, study, and exchange with other institutions.

We were authorized by law to establish the National Fund for the United States Botanic Garden in order to design and construct the National Garden and to support the educational programs of the Garden. This project is solely funded by private donations and is our first public-private partnership project.

The noteworthy collections of the Botanic Garden include economic plants, medicinal plants, orchids, cacti and succulents, bromeliads, cycads, and ferns. In addition to providing a tranquil and beautiful environment for visitors, the Botanic Garden makes its gardens and living collections important resources for the study of threatened plants and their conservation. The staff maintains extensive computerized records of the plants in the Garden's collections.

## LIMITATIONS OF THE BALANCE SHEET

Our balance sheet is the culmination of a systematic accounting process that includes certain estimates and assumptions. We have prepared the statement to report our financial position according to our accounting principles and standards. While we have prepared the statement from our books and records, the statement is in addition to the financial reports we use to monitor and control budgetary resources that we prepare from the same books and records. Readers should understand that the statements are a component of the United States government, a sovereign entity. Thus, liabilities cannot be liquidated without legislation that provides resources to do so.

## INFORMATION RESOURCES

Internet:

To learn more about the Architect of the Capitol, please visit our Web site at [www.aoc.gov](http://www.aoc.gov). An online version of this publication can be found at [www.aoc.gov/aoc/cfo/index.cfm](http://www.aoc.gov/aoc/cfo/index.cfm).

Public Inquiries and Requests for Additional Copies:

We welcome your comments on this report.

You may contact us at (202) 228-1793.

Mailing Address:

Office of the Architect of the Capitol

U.S. Capitol

Washington, DC 20515

The Audit Committee assists the Architect of the Capitol (Architect) in fulfilling his fiduciary responsibilities. The Architect created the Committee on April 4, 2003, to help facilitate the audit process and promote disclosure and transparency. The Committee was not mandated or established by statute.

As part of its responsibilities, the Committee meets with AOC's management and its internal and external auditors to review and discuss the AOC's external financial audit coverage, the effectiveness of the internal controls over their financial operations, and their compliance with certain laws and regulations that could materially impact the financial statements. Their external auditors are responsible for expressing an opinion on the conformity of their audited financial statements with generally accepted accounting principles. The Committee reviews the findings of the internal and external auditors, and AOC's responses to those findings, to ensure their plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the Accountability Report, including the financial statements, and provides comments to management, which has primary responsibility for the report.



MICHAEL J. RILEY,

CHAIRMAN, AUDIT COMMITTEE

During our first six meetings, we discussed a number of items with management, the AOC's Inspector General, and the external auditors, Kearney & Company. During fiscal year 2003, management proposed and the Committee concurred that the first year audit be of the balance sheet only, with a single year presentation in the financial statements. We also concurred with management's decision to defer a request for the external auditor to provide an opinion on internal control in the first year of audit.

At the start of the 2003 balance sheet audit, we discussed the overall scope of work and the audit plans with the external auditor and the Inspector General. The Committee met independently with Kearney & Company, and jointly with Kearney & Company, the Inspector General, and management to discuss the progress of the audit and ensure independence and objectivity in the audit process. Periodically, we evaluated fiscal year 2003 audit progress and agreed with management and the Inspector General that the audit should continue while the AOC re-estimated historical asset costs.

For capital projects and other categories of plant, property and equipment, we reviewed changes proposed by management to its capitalization methodology for phased projects and to the capitalization thresholds and endorsed the proposed changes. We also discussed with management suggested approaches to ensuring proper communication of information related to contingent liability issues between and among management, the external auditors, and the General Counsel. In addition, we reviewed and commented with regard to management's approach for the development of an internal control program and its methodology for revising and/or establishing certain accounting principles and standards.

On the basis of the procedures performed as outlined above, we recommend that AOC's audited balance sheet and notes to the financial statements be included in its fiscal 2003 Accountability Report.

A handwritten signature in cursive script that reads "Michael J. Riley".

Michael J. Riley,  
Chairman, Audit Committee  
December 9, 2004

dollars in thousands

**BALANCE SHEET FOR THE YEAR ENDED SEPTEMBER 30, 2003**

2003

**ASSETS**

## Intragovernmental:

Fund balance with Treasury (Note 2)	\$ 849,038
Accounts receivable (Note 4)	1,206

Total intragovernmental	\$ 850,244
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Investments (Note 3)	31,921
Accounts receivable (Note 4)	67
Property and equipment, net (Note 5)	943,224
Other	17
AOC collections (Note 1.J)	-

Total assets	\$ 1,825,473
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**LIABILITIES**

## Intragovernmental:

Accrued unfunded workers' compensation (Note 7)	7,742
Other (Note 12)	1,258

Total intragovernmental	9,000
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Accounts payable	30,019
Debt held by the public (Note 8)	165,777
Accrued annual leave and other (Note 7)	15,132
Actuarial unfunded workers' compensation (Note 7)	45,272
Capital lease liability (Note 11)	47,903
Other liabilities with the public (Note 9)	8,283
Total liabilities	321,386

**NET POSITION**

Unexpended appropriations	819,798
Cumulative results of operations	684,289
Total net position	1,504,087

Total liabilities and net position	\$ 1,825,473
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The accompanying notes are an integral part of this financial statement.

## Note 1: Summary of Significant Accounting Policies

### A. REPORTING ENTITY

The Architect of the Capitol (AOC) is an office within the legislative branch of the federal government. Initially authorized by Congress to provide "suitable buildings and accommodations for the Congress of the United States," the AOC's role has evolved to include responsibility for the maintenance, operation, development, and preservation of the Capitol Building, Senate Office Buildings, House Office Buildings, Library of Congress Buildings, Capitol Power Plant, U.S. Botanic Garden, Capitol Police Buildings, Supreme Court Building, and all of the grounds encompassing the Capitol campus.

The AOC is also responsible for

- providing facilities management services for the Senate Restaurants,
- construction of the Capitol Visitor Center,
- arrangements for the Presidential Inaugural and other ceremonies held on the Capitol Grounds, and
- providing steam and chilled water to the Supreme Court and Thurgood Marshall Federal Judiciary Buildings, Union Station, and the Folger Library, as well as steam only to the Government Printing Office and the Postal Square building.

Non-entity activities include

- a portion of steam and chilled water,
- flag flying fees, and
- provision of palm trees for rent.

Upon receipt, these funds are not available for our use.

### B. BASIS OF ACCOUNTING AND PRESENTATION

Our Balance Sheet has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants (AICPA) recognizes FASAB standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment as well as the recognition of other long term assets and liabilities.

These principles (GAAP) require us to make certain estimates and assumptions. The estimates and assumptions affect the reported amounts of assets, liabilities—including contingent liabilities—and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from the estimates.

For financial reporting purposes, the AOC has issued AOC Order No.32-02, which adopts GAAP for financial reporting and internal

controls in a manner consistent for a legislative office. As a legislative branch office, we are not required to follow the accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards promulgated by FASAB.

We have not adopted the Federal Managers Financial Integrity Act, the Federal Financial Management Improvement Act of 1996, or the Government Performance and Results Act, as these standards apply only to executive branch agencies. We are committed to using these Acts as "best practices" and are incorporating them into our financial management practices as appropriate.

The Balance Sheet should be read with the understanding that it presents our financial position in a non-comparative format to establish a baseline for future year reporting.

### C. FUND BALANCE WITH TREASURY

We maintain all cash accounts, with the exception of investments described in Note 3, with the U.S. Department of Treasury (Treasury). The account, Fund Balance with Treasury, represents the unexpended balances of appropriation accounts, trust accounts, and revolving funds. Cash receipts and disbursements are processed by Treasury, and our records are reconciled with those accounts on a regular basis.

### D. ACCOUNTS RECEIVABLE

Accounts Receivable includes reimbursement for supplying entities on Capitol Hill with steam and chilled water to heat and cool their facilities (see Note 4). Per annual appropriation, we provide steam and chilled water to the Folger Library, Union Station, Supreme Court and Thurgood Marshall Federal Judiciary Buildings, as well as steam only to the Government Printing Office and the Postal Square building. We are legislatively provided the ability to collect a pre-determined amount to recover the cost of supplying these services and record these amounts as offsetting collections. Any amount collected over the pre-determined amount is credited to the Treasury's Miscellaneous Receipt Fund and is a non-entity asset.

### E. INVESTMENTS

As a result of financing the construction of the Thurgood Marshall Federal Judiciary Building, we have funds invested by a trustee (see Note 3). These investments are recorded at current market value.

### F. TRUST AND REVOLVING FUNDS

We have stewardship responsibility for three revolving funds. The revolving funds consist of the House of Representatives Wellness Center Fund, the Senate Health and Fitness Facility Fund, and the Judiciary Office Building Development and Operations Fund. Preservation and maintenance of the House of Representatives Wellness Center are paid by members' dues. Proceeds from the Senate recycling program are used to pay for the preservation and

maintenance of the Senate Health and Fitness Facility. The Judiciary Office Building Development and Operations Fund is used to record transactions related to the Thurgood Marshall Federal Judiciary Building (see Note 3).

We administer the National Garden Trust Fund. Subject to the direction of the Joint Committee on the Library (of Congress), we are authorized to accept gifts or bequests of money, plant material, and other property on behalf of the Botanic Garden. Gifts of money are deposited into the National Garden Trust Fund. We can also dispose of, utilize, obligate, expend, disburse, and administer such gifts for the benefit of the Botanic Garden, including, among other things, the carrying out of any programs, duties, or functions of the Botanic Garden, and for constructing, equipping, and maintaining the National Garden.

#### G. RECOGNITION OF FINANCING SOURCES

We receive funding to support our programs through appropriations authorized by Congress. Funding for our operating and capital expenditures is received as annual, multi-year, and no-year appropriations. The appropriations we receive are

- Botanic Garden,
- Capitol Building,
- Capitol Grounds,
- Capitol Police Buildings and Grounds,
- Capitol Power Plant,
- Capitol Visitor Center,
- Congressional Cemetery,
- General Administration,
- House Office Buildings,
- Library Buildings and Grounds, and
- Senate Office Buildings.

#### H. OPERATING MATERIALS AND SUPPLIES

Our materials and supplies consist of tangible personal property consumed during normal operations. Per Statement of Federal Financial Accounting Standard (SFFAS) No. 3, "Inventory and Related Property," operating materials and supplies are recorded using the purchases method. The purchases method provides that operating materials and supplies be expensed when purchased.

Operating materials and supplies are purchased using funds specifically appropriated to our nine jurisdictions; therefore, the related usage of those materials and supplies is restricted to those specific appropriations making the purchases.

#### I. PROPERTY AND EQUIPMENT

We record property and equipment at what it costs us to acquire the assets. We depreciate buildings and equipment over their estimated useful lives, which range from 3 to 40 years, using the straight-line method. All AOC property and equipment is in our possession. None is held by others (see Note 5).

The following table presents our capitalization thresholds and related useful lives.

Capitalization Thresholds		
Property Type	Useful Life(years)	Capitalization Threshold
Real Property	40	\$ 200,000
Improvements	20	\$ 200,000
Equipment and Vehicles	2-15	\$ 25,000
Assets Under Capital Lease	Shorter of Lease term or Useful Life of Property Type	See related Property Type
Intellectual Property	3	\$ 1,000,000

The Capitol Building, the Supreme Court Building, and the Senate and House office buildings, as well as the Library of Congress' Jefferson Building, are considered multi-use heritage assets.

#### J. AOC HERITAGE COLLECTIONS

The AOC's collections are classified as "heritage assets" and, per SFFAS No. 6, their value is not presented on our balance sheet. Stewardship information covering the acquisition, use, and preservation of the collections is contained in the Overview section of our Accountability Report.

#### K. LIABILITIES

Liabilities represent the amounts we owe to others for goods or services received, and amounts owed for progress in contract performance. Because no liability can be paid without an enacted appropriation, some liabilities are funded while others are unfunded. For accrued unfunded annual leave and workers' compensation, appropriations may be enacted to fund these activities. The Balance Sheet presents the following types of liabilities:

- Unfunded actual and actuarial workers' compensation,
- Accounts payable,
- Debt held by the public,
- Annual leave, and
- Capital lease liability.

#### L. PERSONNEL COMPENSATION AND BENEFITS

Federal Employee Benefits—The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of



employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. The DOL determines the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' compensation, and medical and miscellaneous costs for approved compensation cases (see Note 7).

We recognize our share of the cost of providing future pension benefits to eligible employees over the period that they render the related services. This amount is considered imputed financing to us (see Note 10).

We also recognize a current-period expense for the future cost of post-retirement health benefits and life insurance for our employees while they are still working. This amount is also considered imputed financing to us (see Note 10).

Annual, Sick, and Other Leave—Annual leave is recognized as an expense and a liability as it is earned. The liability is reduced as leave is taken. The accrued leave liability is principally long term in nature. Sick leave and other types of leave are expensed when taken and no future liability is recognized for these amounts (see Note 7).

**M. CONTINGENCIES**

We account for contingencies in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government." It defines a contingency as an existing condition, situation, or set of circumstances involving uncertainty as to the possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. We recognize a contingent liability when a past transaction or event has occurred, a future outflow or other sacrifice of resources is probable, and the related future outflow is measurable. We have recorded provisions for losses in relation to the definition of contingent liabilities documented above (see Note 9).

**Note 2: Fund Balance with Treasury**

Our funds with Treasury primarily consist of appropriated funds. We also have stewardship responsibility for three revolving funds and administer one trust fund. The balance of these funds as of September 30, 2003, is as follows:

**A. FUND BALANCES**

dollars in thousands	
<b>Fund Type:</b>	<b>2003</b>
Appropriated Funds	\$ 848,379
Revolving Funds	531
Trust Funds	128
<b>Total</b>	<b>\$ 849,038</b>

**B. STATUS OF FUND BALANCE WITH TREASURY**

We classify our funds with Treasury as obligated, unobligated available, or unobligated unavailable. Unobligated available balances represent unexpired appropriations available for incurring new obligations. Unobligated unavailable balances are expired appropriations no longer available to incur new obligations. Obligated balances not yet disbursed include undelivered orders or orders received but not yet paid.

Status of Fund Balance with Treasury as of September 30, 2003, consists of the following:

dollars in thousands	
<b>Balance Type:</b>	<b>2003</b>
Unobligated Balance	
Available	\$ 521,882
Unavailable	31,901
Obligated Balance not yet Disbursed	295,255
<b>Total</b>	<b>\$ 849,038</b>

**Note 3: Cash and Investments Held Outside Treasury**

We entered into a contractual agreement with Boston Properties. The agreement was for the construction of the Thurgood Marshall Federal Judiciary Building. To finance the construction of the building, Shearson Lehman Hutton, Inc. and Kidder, Peabody, & Co. Inc., issued 30-year Serial Zero Coupon Certificates of Participation.

The proceeds were received by a trustee, The U.S. Trust Company of NY (now the Bank of New York), and deposited into two funds, the Project Fund and the Operating Reserve Fund. The funds are held outside the U.S. Treasury by the trustee and, at our direction, are invested or disbursed.

After construction, the remaining amounts were left in trust, in the Project Fund, to finance major construction of improvements, additions, and changes or renovations. The Operating Reserve Fund is held in reserve for future needs (e.g., roof replacement, major renovation). The market values of these funds are:

dollars in thousands	
<b>Funds Held Outside Treasury</b>	
<b>Fund Type:</b>	<b>2003</b>
Operating Reserve	\$ 30,061
Project	1,860
<b>Total</b>	<b>\$ 31,921</b>

## Note 4: Accounts Receivable

The breakdown of consolidated gross accounts receivable at September 30, 2003, is as follows:

dollars in thousands

Accounts Receivable	
Receivable Type:	2003
Entity:	
Intragovernmental	\$ 131
With the Public	67
<b>Total Entity</b>	<b>198</b>
Non-Entity:	
Intragovernmental	1,075
<b>Total Accounts Receivable</b>	<b>\$ 1,273</b>

Based upon a year-end review, all receivables are deemed 100% collectible.

## Note 5: Property and Equipment

We differentiate our property and equipment by distinct categories. The following represents those categories in further detail.

dollars in thousands

Property and Equipment for 2003			
Class of Property and Equipment	Acquisition Value	Accumulated Depreciation	Net Book Value
Buildings	\$ 671,617	\$ 387,769	\$ 283,848
Building Improvements	577,431	336,355	241,076
Land	134,791	-	134,791
Land Improvements	33,871	7,382	26,489
Capital Leases	54,501	12,925	41,576
Equipment (Computers, Hardware and Other)	8,484	4,941	3,543
Construction Work-in-Progress	211,901	-	211,901
<b>Total</b>	<b>\$ 1,692,596</b>	<b>\$ 749,372</b>	<b>\$ 943,224</b>

A brief historical summary of property as of September 30, 2003, is as follows:

1. Construction of the U.S. Capitol began in 1793. For more than 200 years, the Capitol has been a work in progress. There have been nine major phases or additions to the Capitol complex. They are
  - a. Construction of the North wing (1793–1800)
  - b. Construction of the South wing (1793–1807)
  - c. Construction of the center section, Rotunda and the first dome (1818–1826). This phase included the restoration after the burning of the Capitol during the War of 1812.
  - d. Present House and Senate Wings and connecting corridors (1851–1867)
  - e. Design and construction of cast iron Dome (1855–1866)
  - f. Terrace construction (1884–1892)
  - g. East Front Extension (1958–1962)
  - h. West Front Courtyard Infill Rooms (1991–1993)
  - i. The Capitol Visitor Center (2000–ongoing)
2. The construction of the Senate office buildings began with the Russell (completed in 1909), then the Dirksen (1954–1958), and the Hart (1975–1982). The Senate buildings also include a page dorm (purchased in 1993), two childcare centers (constructed in 1986 and 1999), the Senate Underground Garage (constructed in 1992), the Monocle building (purchased in 1975), and the Eney, Chestnut, Gibson building (transferred from GSA in 1974).
3. The construction of the House office buildings began with the Cannon (1904–1908), then the Longworth (1930–1933), and the Rayburn (1962–1965). The House office buildings also include the Ford Building (transferred from the FBI in 1974), the East and West Underground Garages (constructed in 1965), and a page dorm (transferred from GSA in 1986).
4. The construction of the Supreme Court building started in 1932 and was finished by 1935. A major renovation began in 2003 and is ongoing.
5. The construction of the Library of Congress buildings began with the Jefferson (1886–1897), then the Adams (1930–1938), and the Madison (1965–1980). The Library buildings include the Special Facilities Center purchased in 1991. The AOC managed the construction of a storage facility at Fort Meade in Anne Arundel County, Maryland, on land transferred to us by the U.S. Army in 1993.
6. Construction of the Thurgood Marshall Federal Judiciary Building (1990–1992) was "a result of a study of the needs of the federal judiciary for additional federal office space."
7. The Architect has served as acting director of the Botanic Garden since 1934. The Garden moved to its present location in 1933 and includes the Conservatory and two acres of surrounding exterior grounds; the outdoor display gardens in Frédéric Auguste Bartholdi Park; and an administration building. A plant production and support facility (obtained via similar kind exchange with the District of Columbia) opened in Anacostia in 1993 that includes thirty-six greenhouse bays, storage, and maintenance shops.
8. We are responsible for the Capitol Power Plant facility, which consists of the Main Plant (1909), an Operations building (1978), the West Refrigeration plant (1978), and the Coal Yard (transferred from GSA in 1987). The Capitol Power Plant ceased electrical power production in 1951 and now provides only steam and chilled water to most AOC buildings as well as to the Supreme Court, the Thurgood Marshall Federal Judiciary Building, Union Station building, and the Folger Library, and steam only to the Government Printing Office and the Postal Square building.

9. The construction of the Capitol Visitor Center (CVC) began with a ceremonial groundbreaking in June 2000. We are currently managing its construction. The CVC will provide a more accessible, comfortable, secure, and informative environment for all visitors to the Capitol.
10. The "Residence Act" of 1790 provided that the federal government should be established in a permanent location by the year 1800. In early March 1791 the Commissioners of the City of Washington, who had been appointed by President George Washington, selected the French engineer Pierre Charles L'Enfant to plan the new federal city.

The original site of 22.5 acres was described by L'Enfant as "a pedestal waiting for a monument." Between 1838 and 1886 an additional 52 acres were added. Between 1903 and 1935, 92 acres north of Constitution Avenue was added to the grounds. Approximately 204 acres was added in subsequent years, bringing the total approximate area to 370 acres. In 1981, the Architect of the Capitol developed the Master Plan for future development of the U.S. Capitol grounds and related areas.

The educational, artistic, architectural, and historical significance of the Capitol, Senate, House, Supreme Court, and Jefferson buildings meets the FASAB criteria for heritage assets. Because these buildings are currently used for day-to-day business, they are further classified as multi-use heritage assets. This means we depreciate them in the same manner as if they were general purpose assets.

We are responsible for reviewing and authorizing all changes to the buildings and grounds, prior to any change occurring.

### Note 6: Liabilities Not Covered by Budgetary Resources

The liabilities on our Balance Sheet as of September 30, 2003, include liabilities not covered by current budgetary resources. These liabilities require Congressional action prior to budgetary resources being provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. Liabilities not covered by budgetary resources generally include accrued annual and compensatory leave, workers' compensation, debt held by the public, and capital lease liability. Liabilities not covered by budgetary resources are as follows:

dollars in thousands	
Liabilities	2003
Intragovernmental:	
Accrued unfunded workers' compensation	\$ 7,742
Other	1,258
<b>Total Intragovernmental</b>	<b>\$ 9,000</b>
Total liabilities not covered by budgetary resources	309,849
Total liabilities covered by budgetary resources	11,537
<b>Total</b>	<b>\$ 321,386</b>

### Note 7: Payroll and Liabilities

The liability for Accrued Annual Leave and Other is comprised of two accounts: Funded Accrued Payroll (payrolls that have been earned but not paid) and Unfunded Accrued Annual Leave (employee leave that has been earned but not taken).

dollars in thousands	
Accrued Annual Leave and Other	
Accrual Type:	2003
Funded Accrued Payroll	\$ 9,087
Unfunded Accrued Annual Leave	6,045
<b>Total</b>	<b>\$ 15,132</b>

Workers' Compensation is reported as required by the Federal Employee Compensation Act (FECA). The liability is presented in two parts: an annual accrued liability for billed costs (current portion) and a long-term, actuarial based unfunded liability (see Note 1.L).

The actuarial workers' compensation liability for 2003 was calculated using a formula provided by the Department of Labor (DOL).

dollars in thousands	
Workers' Compensation	
Type:	2003
Unfunded Annual (current)	\$ 7,742
Actuarial Unfunded (long term)	45,272

Estimated future costs have been actuarially determined, and are regarded as a liability to the public because neither the costs nor reimbursement have been recognized by DOL. Workers' Compensation is included in Liabilities Not Covered by Budgetary Resources, as described in Note 6.

## Note 8: Debt Held by the Public

As of September 30, 2003, Debt Held by the Public consists of the financing obtained for the construction of the Thurgood Marshall Federal Judiciary Building. The debt consists of 30-year Serial Zero Coupon Certificates of Participation issued in 1988 worth \$125,391,621 with a maturity value of \$525,515,000. The certificates are amortized using the effective interest rate of 8.72%. The balance of Debt Held by the Public is as follows:

dollars in thousands

<b>Debt Held by the Public</b>	
<b>2003</b>	
Securities	\$ 361,830
Interest Payable	1,176
Subtotal	363,006
Discount on Securities	(400,123)
Less: Amortization of Discount	202,894
Subtotal	(197,229)
<b>Total</b>	<b>\$ 165,777</b>

Various judiciary offices and personnel occupy the Thurgood Marshall Federal Judiciary Building under an Interagency Agreement between the AOC and the Administrative Office of the U.S. Courts. Base rent will not change over the initial 30 years and is set at the amount necessary to retire the debt at \$17,230,000 annually. Payment of the certificates will end in August 2024.

Per the language in the certificate agreement, "This Certificate is not subject to prepayment or acceleration under any circumstance."

## Note 9: Contingent Liabilities

We conducted a review of contingent liabilities for financial statement purposes for 2003. Based on this review, we recorded a contingent liability for claims we think it probable we will lose and for which we can reasonably estimate the amount of an unfavorable outcome. Our review covered claims arising from: contracts, environmental issues, labor and equal employment opportunity, and personal and property damage. Additionally, management and General Counsel evaluated the materiality of cases determined to have a reasonably possible chance of an adverse outcome. None of these cases were determined to meet our materiality threshold.

Our review concluded that the AOC is not responsible for the clean-up and remediation of previous environmental contamination on the approximately 100 acres of land at Fort George G. Meade, Maryland (FGGM), which the U.S. Army transferred to the AOC. The Army is responsible for the environmental clean-up of any previous contamination under the Comprehensive and Environmental Response, Compensation and Liability Act (CERCLA). We understand

that the Army is actively monitoring existing contamination on the entire FGGM site, including the 100 acres transferred to us, and is pursuing appropriate remediation of this contamination.

Because of this review of estimates required in the preparation of our financial statement, our balance sheet reflects a liability of approximately \$8 million in 2003. Management and General Counsel believe that we have made adequate provision for the amounts that may become due under the suits, claims, and proceedings we have discussed here.

## Note 10: Imputed Financing

In accordance with SFFAS No. 4, "Managerial Cost Accounting," imputed financing results when an entity receives un-reimbursed services from other government entities.

Our imputed financing consists of future pension benefits for our employees that are paid on our behalf by the Office of Personnel Management, and design elements paid for by the Army Corps of Engineers to improve building infrastructure campus-wide.

With certain exceptions, employees participate in one of the following three defined benefit retirement programs based upon the starting date of their employment with the AOC: employee and employer contributions are made to the Civil Service Retirement and Disability Fund (CSRDF), the Civil Service Retirement Offset, or the Federal Employee Retirement System, all of which are administered by the Office of Personnel Management. Employees may also participate in the Thrift Savings Plan, which is a defined contribution retirement savings and investment plan. AOC employees are authorized to participate in the Thrift Savings Plan by the Federal Employees Retirement System Act of 1986. The Federal Retirement Thrift Investment Board administers the Plan.

### Civil Service Retirement System (CSRS)

According to PL 99-335, all employees hired prior to January 1, 1987, could elect CSRS or CSRS Offset. The CSRS provides a basic annuity and Medicare coverage. The CSRS fund covers substantially all the AOC employees hired prior to January 1, 1984. The AOC and the employee contribute to Medicare at the rate prescribed by law. We do not match contributions to the Thrift Savings Plan for employees who participate in the CSRS.

### Civil Service Retirement System Offset

CSRS Offset generally covers those employees who have had a break in their CSRS service of more than one year and less than five years by the end of 1986. The AOC and the employee contribute to Social Security and Medicare at the rates prescribed by law. The AOC does not match contributions to the Thrift Savings Plan for employees who participate in the CSRS Offset.

**Federal Employee Retirement System (FERS)**

According to PL 99-335, employees with less than five years of creditable civilian service as of December 31, 1986, were automatically converted to FERS. In addition, during certain periods in 1987, 1988, and 1998, employees hired before January 1, 1984, could choose to participate in FERS. This system consists of Social Security, a basic annuity plan, and the Thrift Savings Plan.

The AOC and the employee contribute to Social Security and Medicare at rates prescribed by law. In addition, the AOC is required to contribute to the Thrift Savings Plan a minimum of 1% per year of the basic pay of employees covered by this system. The AOC also matches a voluntary employee contribution up to 3% dollar-for-dollar and another 2% is matched 50 cents on the dollar.

Imputed Financing consists of the following:

dollars in thousands

Imputed Financing	
<b>Benefit Type:</b>	<b>2003</b>
CSRS	\$ 9,531
CSRS Offset	671
FERS	10,695
Less: Contributions	(13,890)
Subtotal Pensions	7,007
Health	5,658
Life Insurance	17
<b>Total Employee Benefits</b>	<b>\$ 12,682</b>
Corps Building Improvements	\$ 3,450
<b>Total Imputed Financing</b>	<b>\$ 16,132</b>

**Note 11: Leases**

As of September 30, 2003, the AOC was committed to various non-cancelable operating leases primarily covering administrative office space and storage facilities, motor vehicles, and office equipment. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options.

The following is a schedule of future minimum rental payments required under leases that have initial or remaining noncancelable lease terms in excess of one year, as well as under capital leases together with the present value of the future minimum lease payments.

dollars in thousands

Capital Leases			
Fiscal Year	Real Property	Personal Property	Total
2004	\$ 6,910	\$ 13	\$ 6,923
2005	6,910	13	6,923
2006	6,444	13	6,457
2007	5,512	-	5,512
2008	5,512	-	5,512
Thereafter	25,723	-	25,723
<b>Total Future Lease Payments</b>			<b>\$ 57,050</b>
Less: Imputed Interest			9,147
<b>Net Capital Lease Liability</b>			<b>\$ 47,903</b>

**Operating Leases**

We currently have leases with the General Services Administration (GSA) and commercial vendors for office and storage space, plus rentals of equipment and vehicles.

The aggregate of our future payments due under noncancelable operating leases and our estimated real property payments to GSA for fiscal year 2004 through fiscal year 2008 is as follows:

dollars in thousands

Operating Leases			
Fiscal Year	Real Property	Personal Property	Total
2004	\$ 6,192	\$ 148	\$ 6,340
2005	6,233	24	6,257
2006	6,275	8	6,283
2007	251	6	257
2008	258	-	258
Thereafter	799	-	799
<b>Total Future Lease Payment</b>			<b>\$ 20,194</b>

**Note 12: Other Liabilities**

During fiscal year 2003, all other liabilities consisted of miscellaneous receipts (these receipts included, but were not limited to, flag flying fees, rent for the Monocle restaurant, and steam and chilled water) that are to be forwarded to Treasury. These liabilities are current.





*Certified Public Accountants  
and Consultants*

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To the Architect of the Capitol

We have audited the accompanying balance sheet of the Architect of the Capitol as of September 30, 2003. The balance sheet is the responsibility of the Architect of the Capitol's management. Our responsibility is to express an opinion on the balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, Audit Requirements for Federal Financial Statements, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the September 30, 2003 balance sheet referred to above presents fairly, in all material respects, the financial position of the Architect of the Capitol as of September 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 2004, on our consideration of the Architect of the Capitol's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Kearney &amp; Company".

August 20, 2004  
Alexandria, VA

"I have no longer any desire for fame and fortune. My one ambition and my daily prayer is that I may live long enough to make beautiful the Capitol of the one country on earth in which there is liberty."

—Constantino Brumidi, artist of the Capitol from 1855 – 1880



Architect of the Capitol  
United States Capitol  
Washington, DC 20515