



G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 28, 2009

The Honorable Robert C. Byrd
President Pro Tempore of the Senate

The Honorable Harry Reid
Majority Leader
The Honorable Mitch McConnell
Republican Leader
United States Senate

The Honorable Charles E. Schumer
Chairman
The Honorable Robert F. Bennett
Ranking Member
Committee on Rules and Administration
United States Senate

Subject: *Senate Preservation Fund: Key Transaction-Related Operating Practices
Have Been Established but Additional Practices Are Needed*

In September 2003, the Senate Preservation Fund (Fund) was established within the U.S. Treasury.¹ The Fund is available to the Senate Commission on Art (Commission) to fund various activities related to works of art, historical objects, documents, and materials relating to historical matters, or exhibits in the Capitol and Senate Office buildings. The Library of Congress (Library) provides financial management and disbursing services and support to the Commission. The Government Accountability Office (GAO) is required to audit the Fund and report the results to the Commission.²

This report presents the results of our audit of the Fund's transactions during the first 5 years of its operations, fiscal years 2004 through 2008. Our audit objectives were to determine whether the Commission and Library had established operating practices

¹Legislative Branch Appropriations Act, 2004, Pub. L. No. 108-83, title I, § 3(c), 117 Stat. 1007, 1012 (Sept. 30, 2003), *classified, as amended, at* 2 U.S.C. § 2108(c).

²2 U.S.C. § 2108(c)(6).

to help ensure that (1) the Fund's transactions were authorized in advance, supported by documentation, accurately accounted for, and in compliance with significant provisions of laws and (2) regular transaction reporting and monitoring were in place to effectively oversee transaction execution and safeguard Fund assets.

To address these objectives, we reviewed the Fund's enabling legislation and the operating practices established by the Commission and Library staff with respect to the execution and processing of Fund transactions, including those related to advance authorization, supporting documentation, accounting, and approval for Fund disbursements. We reviewed the Fund's transactions and related supporting documentation to determine whether established operating practices were followed and whether the Fund's transactions were in compliance with laws considered significant to our audit objectives. We also determined whether regular reporting and other oversight practices had been established to effectively monitor the execution of Fund transactions and safeguard Fund assets.

Results in Brief

For the Fund's initial 5 years of operations, Commission and Library staff established operating practices that generally resulted in transactions being authorized in advance, supported by documentation, accurately accounted for, and in compliance with selected statutory provisions considered significant to our audit objectives. These practices were generally consistent with federal internal control standards. However, many of these practices—those related to processing operating receipts and disbursements—had not been documented and formally approved, which may have contributed to instances in which they were not followed, including selected events and transactions not being authorized in advance, fully supported, or accurately accounted for. We also noted that, although compliance was achieved later through the Commission's ratification, the established practices did not provide for timely compliance with one statutory provision we reviewed.

In addition, the established operating practices did not provide for (1) regular reporting by the Library of transaction information, (2) using the reported information to monitor transaction execution, or (3) conducting needed follow-up to help prevent or timely detect transaction errors and safeguard Fund assets. Establishing and effectively implementing such practices could have helped to prevent or more timely detect various transaction processing and accounting errors we identified. Without effective approved operating practices related to processing transactions and related reporting, monitoring, and follow-up, the Commission and Library are at risk that other Fund transaction errors or problems may occur in the future and not be timely detected.

We are making recommendations to the Commission’s Executive Secretary to enhance existing Commission and Library operating practices, including taking actions to implement practices related to transaction reporting, monitoring, and follow-up. In commenting on a draft of this report, the Chief Financial Officer of the Library of Congress and Commission’s Executive Secretary agreed with our recommendations and cited actions underway to implement them.

Background

In 1988, the Senate Commission on Art was authorized to supervise, hold, place, protect, and make known all works of art, historical objects, and exhibits in the Senate wing of the Capitol and Senate office buildings, and in all rooms, spaces, and corridors thereof.³ The Commission is made up of five U.S. Senators—the President (pro tempore) of the Senate, the majority and minority leaders of the Senate, and the Chairman and Ranking Member of the Senate Committee on Rules and Administration.

In September 2003, the Fund was established within the U.S. Treasury and appropriated—by transfer from the contingent fund of the Senate—\$500,000 in initial funding. Specifically, the Fund is available to the Commission to pay for expenses associated with

- acquisition of any work of art, historical object, document, or material related to historical matters, or exhibit for placement or exhibition within the Senate wing of the Capitol and the Senate Office Buildings;
- official activities of any advisory board established by the Commission pursuant to Public Law 108-83, including actual and necessary expenses incurred in the performance of its official duties;
- meals and refreshments, subject to limitation, in connection with official activities of the Commission; and
- any purposes for which funds from the contingent fund of the Senate may be used pursuant to Public Law 101-302, as amended (2 U.S.C. § 2107).

On behalf of the Commission, the Commission’s Executive Secretary and staff provide operational support and assistance for activities financed by the Fund, including managing and overseeing the authorization, approval, and processing of operating disbursements and amounts received by the Commission for deposit to the Fund. They are responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable law and (2) related operating practices and internal controls⁴ are established and followed.

³See 2 U.S.C. § 2101-2108.

⁴Federal internal control standards recognize that an entity’s management is responsible for designing and implementing appropriate internal controls to achieve objectives related to (1) the effectiveness
Page 3

Pursuant to Public Law 108-83, the Library is required to provide financial management and disbursing services and support to the Commission as may be required and mutually agreed to by the Librarian of Congress and the Commission's Executive Secretary.⁵ The Library's principal services and support include the purchase and redemption of U.S. Treasury investments with funds not needed for immediate withdrawal, the processing of receipt and disbursement transactions, and the development and maintenance of the Fund's accounting records and related support. The Library is also responsible for ensuring appropriate operating practices and internal controls related to its service and support to the Commission are established and followed.

Over the initial 5 years, the Fund's transactions consisted of 370 investment and operating transactions, 368 of which were recorded and accounted for by the Library and 2 unrecorded transactions we identified during our review of the supporting documentation for the Fund's activities. There were 319 investment-related transactions which represented (1) the use of the Fund to purchase U.S. Treasury securities and (2) amounts received and deposited to the Fund resulting from the redemption of U.S. Treasury securities. There were 51 operating transactions which included 4 receipt-related transactions for deposit to the Fund and 47 disbursement-related transactions related to the use of Fund assets for activities related to the Commission's Advisory Boards and the purchase of paintings for the Senate Collection.⁶ Table 1 provides a summary of the types and numbers of transactions we reviewed.

and efficiency of operations, including the use of resources; (2) the reliability of internal and external financial reporting; and (3) compliance with applicable laws and regulations. A subset of each of these control objectives is the need to safeguard assets, and related internal controls should be designed to provide reasonable assurance regarding the prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. An entity's management is also responsible for monitoring and evaluating the effectiveness of the internal control. See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

⁵2 U.S.C. § 2108(c)(5)

⁶2 U.S.C. § 2107(b) defines the "Senate Collection" as all works, objects, documents, or materials purchased or obtained by the Senate Commission on Art using appropriations from the Contingent Expenses of the Senate, Secretary of the Senate.

Table 1: Total Fund Transactions for Fiscal Years 2004 – 2008

<u>Category of transaction</u>	<u>Total</u>
Operating receipt transactions	
- Donations	3
- Other	1
Total receipt-related transactions	4
Operating disbursement transactions	
- Acquisition	2
- Event-related	8
- Travel	37
Total disbursement-related transactions	47
Investment transactions	
- Purchases of U.S. Treasury Securities	161
- Redemptions of U.S. Treasury Securities	158
Total Investment-related transactions	319
Total number of identified Fund transactions	370

Source: GAO analysis.

Note: Table 1 includes provision for the two unrecorded operating transactions—an unpaid travel reimbursement and small missing donation—we identified during our audit. We did not consider the two unrecorded transactions which totaled \$221 to be significant to the accounting for or operation of the Fund. Excluded from this analysis is the initial \$500,000 transfer from the contingent fund of the Senate, which was deposited to the Fund in October 2003.

Table 2 presents a summary of Fund-related financial information covering its initial 5 years, which were recorded by the Library (fiscal years 2004 through 2008).

Table 2: Summary of Total Recorded Fund Transactions and Balances for Fiscal Years 2004 – 2008

Fiscal Year	Beginning Fund balance	Operating related		Investment related	Ending Fund balance
		Receipts	Disbursements	Net cash provided by investments	
2004	\$500,000*	\$0	\$817	\$3,910	\$503,093
2005	503,093	20,000	33,098	11,357	501,352
2006	501,352	30,000	10,131	20,271	541,492
2007	541,492	524	2,094	25,693	565,615
2008	565,615	0	33,293	16,004	548,326

Source: GAO analysis (in dollars).

Note: Table 2 does not include amounts related to the two unrecorded operating transactions identified during our audit.

*The opening balance represents the initial transfer from the contingent fund of the Senate that was deposited to the Fund in October 2003. For purposes of this analysis, we did not consider it to be an operating receipt.

Operating Practices Generally Supported Appropriate Transaction Processing and Accounting

For the Fund's initial 5 years of operations, Commission and Library staff established operating practices that generally resulted in Fund transactions being authorized in advance, supported by documentation, accurately accounted for, and in compliance with selected statutory provisions considered significant to our audit. These established practices were generally consistent with federal internal control standards. The Library's operating practices for processing of investment transactions and accounting for the Fund's transactions were generally documented, approved, and consistently followed. In contrast, key practices related to the processing of operating receipt and disbursement transactions by Commission and Library staff were not documented and formally approved and their informal nature may have contributed to them not always being followed.

In addition, we found that operating practices established by Commission staff did not provide for obtaining advance Commission approval for each disbursement from the Fund (a statutory requirement we reviewed (2 U.S.C. § 2108(c)(3)(C))) but in December 2008 the Commission acted to ratify the expenses previously disbursed. Without consistently following documented and approved operating practices, the Commission and the Library are vulnerable to the risk that Fund transactions may not be properly executed and processed or in accordance with applicable operating practices, internal control, and statutory requirements and that Fund assets may not be adequately safeguarded against loss or unauthorized use or distribution.

Practices Related to Advance Authorization

To help ensure that only valid transactions and events are initiated or entered into, federal internal control standards⁷ provide that such transactions should be authorized by appropriate officials. Operating practices established by Commission and Library staff reflect the importance of authorization, and they provide for advance written authorization of actions that later result in the use of Fund assets. While we noted certain exceptions, our review of the Fund's investment purchase and operating disbursement transactions generally found advance written authorization in accordance with established operating practices.

- All but 1 of the 161 purchases of U.S. Treasury securities with Fund assets were authorized in writing by the Library's Disbursing Officer prior to the investment purchase.

⁷ GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00.21.3.1 (Washington, D.C.: November 1999).

- The Commission’s Executive Secretary gave advance written authorization for events leading to 37 of the Fund’s 46 operating disbursement transactions. For the other 9—each involving Advisory Board member travel—the Executive Secretary did not give written authorization prior to the travel as noted below.
 - The Executive Secretary verbally authorized 1 of the 9 trips.
 - Advanced notice of the need to travel was given to the Executive Secretary for 4 trips but there was no evidence of the Executive Secretary’s prior written authorization.
 - There was no evidence of either advance written or verbal authorization or notice of the need to travel for the remaining 4 trips.

While the nine trips were taken and related requests for travel reimbursements were signed by the Executive Secretary, without advanced authorization of events that result in a claim against Fund assets those who manage and oversee the Fund face a risk that unauthorized expenses may be incurred and subsequent requests for reimbursement may be denied.

Practices Related to Supporting Documentation

Federal internal control standards provide that transactions and related events should be clearly documented and the documentation should be readily available for examination. The operating practices established by the Commission and Library staff reflect the value of supporting documentation by requiring that it be developed and maintained for Fund transactions. While we noted certain exceptions, our review of supporting documentation generally found that Fund transactions were fully supported by documentation in accordance with their established operating practices.

- The Fund’s 319 investment-related transactions were fully supported by documentation from the Library and the Department of the Treasury’s Bureau of the Public Debt.
- The documentation for the Fund’s 4 operating receipt transactions and 41 of its 46 operating disbursement transactions fully supported the nature and amount of each transaction. For the other 5—each involving Advisory Board member travel—the documentation did not include all the support called for by the related operating practices. The documentation for
 - 3 transactions did not include support for the amount paid by the traveler for transportation expense (either a receipt for air or train fare).
 - 1 transaction did not include evidence of the traveler’s signature to support the total amounts being claimed for reimbursement.

- 1 transaction did not agree with the amount paid to the traveler after the traveler made a small (\$10) computational error that was not detected by Commission staff resulting in a small overpayment.

Practices Related to Transaction Accounting

Federal internal control standards provide that transactions should be promptly recorded to most effectively support management in controlling operations and making decisions. In addition, generally accepted accounting principles provide that transactions and other accounting events should be promptly and accurately recognized. The established operating practices reflect the need for (1) Commission staff to forward approved operating transactions to the Library for processing and recording and (2) Library staff to promptly and accurately record accounting transaction information related to Fund investment, receipt, and disbursement transactions. While we noted several exceptions, our review of the Library's accounting records and related supporting documentation maintained by Commission and Library staff otherwise found that the Fund's transactions were accurately accounted for.

- A signed 2004 travel disbursement request sent to the Library for processing and payment went unpaid through the end of fiscal year 2008. Library staff obligated the funds needed to make the disbursement in 2004. However, the Library staff did not make the disbursement and the obligation remained open. In 2007, Library staff reviewed the unpaid obligation and incorrectly determined that it was invalid and cancelled the obligation without following up with Commission staff to see if they had relevant information about the unpaid obligation. Neither the Library nor the Commission staff had identified the fact that the traveler had not been paid prior to our audit. After follow-up with the traveler regarding the unpaid travel reimbursement, the traveler directed that the unpaid amount should not be paid and instead treated as a gift to the Fund.
- Library staff processed and paid a signed travel reimbursement request in January 2006 after receiving a copy of the request, which had been faxed by Commission staff. Later, after Commission staff mailed over a copy of the original signed travel reimbursement request with accompanying supporting documentation, Library staff mistakenly treated it as a new request and paid the traveler a second time for the same travel. The resulting duplicate payment was not detected by the Library or Commission staff until August 2006, when the traveler returned the payment.
- Separate disbursements—a 2005 investment purchase and a 2008 travel payment—resulted in transaction processing and accounting errors when the payments by Library staff exceeded the funds available resulting in negative

balances in the Fund's cash account with Treasury, which are procedural violations of U.S. Treasury operating guidance.⁸ In the first instance, Library staff purchased a Treasury security after relying on information that did not accurately reflect the Fund's actual cash balance. In the second instance, the evidence indicates that the Library staff involved in processing the travel payment did not contact other Library staff with responsibility for knowing when sufficient cash would be available to make the disbursement. The negative balances were subsequently eliminated through the scheduled redemption of Treasury securities.

- In 2006, the Commission staff received a small (\$10) check donation for the Fund that was not deposited in the Fund by the end of fiscal year 2008. The missing donation went undetected by the Commission and Library staff until we inquired about it during our audit. After receiving the check, Commission staff said that they sent the check to the Library as directed by the Library's Disbursing Officer, but Library staff said that there was no record of the check having been received and deposited to the Fund. After learning of the missing check, Commission and Library staff made reasonable attempts to locate the missing check but were unsuccessful. After follow-up with the donor, the donor sent in another donation for the same amount, which was later deposited to the Fund.

Practices Related to Compliance with Significant Laws

Compliance with relevant laws and regulations is an important objective of internal control, and management is responsible for developing operating practices needed to help ensure compliance. In reviewing the Fund's transactions, we identified three statutory provisions related to the Fund's authorizing legislation that we considered significant to our audit objectives. The three significant statutory provisions we identified involve use of Fund assets for investment and other purposes and required advance approvals for Fund disbursements.

⁸ While the Fund had adequate budget authority to cover all its obligations, procedurally, U.S. Treasury operating guidance requires that sufficient funds be available in the account (Fund) before a payment is made to vendors or to invest funds. See the Department of the Treasury, Operating Circular, *Responsibilities Relating to Government Investment Accounts and Investment in Government Account Series (GAS) Treasury Securities*, at www.publicdebt.treas.gov, effective November 15, 2002. Chapter 6000, *Responsibilities Relating to Disbursement of Moneys from Government Investment Accounts, Section 6010*, requires that investment accounts have a cash balance at least equal to the amount planned to be disbursed before making the disbursement. In addition, Chapter 4000, *Responsibilities, Procedures, and Policies Relating to Investment of Moneys in Government Investment Accounts, Sections 4035 and 4060*, requires that funds to be invested in Treasury securities be available to the Department of the Treasury general fund to pay for the purchase of Treasury investments.

- Investment of Fund assets—Fund assets not needed to meet current withdrawals can be invested in interest-bearing obligations of the United States or an obligation guaranteed as to principal and interest by the United States that, as determined by the Commission, has a maturity suitable for the Fund.⁹ Our review of the operating practices established by Library staff and the Fund’s investment transactions found that each of the Fund’s 161 investment purchases complied with this provision regarding the investment of Fund assets in U.S. Treasury securities.
- Use of Fund assets—Fund assets are available to the Commission for various purposes, including the acquisition of works of art and historical objects, official activities of the Commission’s Advisory Boards, and any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a).¹⁰ Our review of the operating practices established by Commission staff found that each of the 45 operating disbursements¹¹ was consistent with the purposes for which assets in the Fund were made available to the Commission.
- Approvals of Fund disbursements—Prior to disbursement, disbursements from the Fund must be approved by the Commission and signed by the Commission’s Executive Secretary.¹² Our review of the operating practices established by Commission staff found that the Commission’s Executive Secretary signed the disbursement request for each of the 45 operating disbursements from the Fund. However, the established operating practices did not provide for obtaining prior Commission approval. As a result, 43 of the 45 operating disbursements—each involving Advisory Board travel and events—were not approved by the Commission prior to disbursement, as required by statute. Commission staff said that they informally coordinated upcoming Advisory Board activities, including meetings and related events, with staff representing each Commission member.

After we noted the lack of advance Commission approval for the disbursements, the Senate Commission on Art acted in December 2008 to approve, through ratification, the 43 disbursements which served, after the fact, to satisfy the statutory requirement for Commission approval of Fund disbursements. In addition, the Commission approved a formal prospective delegation of its approval authority that will permit the Commission’s Executive Secretary, on

⁹ 2 U.S.C. § 2108(c)(4).

¹⁰ 2 U.S.C. § 2108(c)(2).

¹¹ As noted later in our Scope and Methodology, we evaluated 45 relevant disbursements from the Fund for compliance with statutory provisions considered significant to our audit objectives. In doing so we did not consider 2 of the 47 disbursement-related transactions identified in table 1 for compliance as one did not result in a Fund disbursement and another was an erroneous duplicate disbursement made by the Library staff.

¹² 2 U.S.C. § 2108(c)(3)(C).

behalf of the Commission, and subject to certain limitations, to approve in advance future Fund disbursements for uses which are consistent with the purposes for which the Fund is available to the Commission.

Lack of Reporting, Monitoring, and Follow-Up Practices

Federal internal control standards provide that pertinent information, such as Fund transaction activities, should be reported in a form and time frame that enables those who need the information to carry out their responsibilities effectively and efficiently. These standards also recognize that monitoring activities such as regular review and oversight activities, comparisons, reconciliations, and other actions, generally should be designed to occur as part of normal operations.

However, during the Fund's initial 5 years, the operating practices established by the Library and Commission staffs did not provide for (1) regular Library reporting of transaction processing information to Commission representatives, (2) using the reported information to monitor transaction execution, or (3) conducting needed follow-up to help prevent or timely detect transaction errors and safeguard Fund assets. Library staff did not report to Commission staff on the Library's execution and processing of the Fund's operating receipt and disbursement transactions, and Commission staff did not request such information from the Library staff. Without effective reporting, monitoring, and follow-up practices, Commission and Library staff did not have the information they needed to help ensure that Fund transactions were executed as intended and Fund assets were safeguarded.

Several of the previously discussed instances of transaction processing and accounting errors—a duplicate payment, an unpaid disbursement, and the missing donation—should have been prevented or more timely detected had there been effective transaction reporting, monitoring, and follow-up by Commission and Library staff. Without practices in place, the Commission and Library will continue to face the risk that transactions will not be executed as intended and that Fund assets will not be properly safeguarded from loss or unauthorized use or disposition.

In addition to the transaction processing and accounting errors found during our audit, we noted another matter that illustrates the importance of effective follow-up and coordination between the Library and Commission staff. The matter involved a decision by the Library's Disbursing Officer at the time—a decision which was not shared with Commission staff—that resulted in a missed opportunity to earn interest for the Fund on a \$30,000 donation that was made to help pay for the purchase of a portrait for the Senate Collection. After the Fund's establishment, the Commission's Executive Secretary advised the Library to invest funds not needed for immediate disbursement in U.S. Treasury securities over periods ranging from 2 weeks to 1 year.

After the Library received the \$30,000 donation in July 2006, the Commission staff provided the Library's Disbursing Officer information indicating that the donation might not be needed for disbursement for up to 2 years. However, the Library did not invest the donated funds, but instead held the funds until January 2008 when they were used to help pay for the portrait.

We found no evidence that the Disbursing Officer, who was no longer with the Library at the time of our audit, documented the reason for his decision not to invest the funds or discussed his decision with Commission staff. We estimate that had the donated funds been invested in 2-week Treasury securities, the Fund would have earned approximately \$2,000 in interest over the 18 months that the donated funds were not needed for disbursement. Without effective follow-up and coordination by the Library's Disbursing Officer, Commission staff did not have the opportunity to review and approve the Disbursing Officer's decision.

Conclusions

While practices related to the Fund's operating receipts and disbursements have generally resulted in transactions and related events being authorized in advance, supported by documentation, accurately accounted for, and in compliance with selected provisions of law considered significant to our audit, they have not been documented and formally approved, which may have contributed to several instances where they were not followed. Further, while Commission staff said that they informally coordinated with Commission Members' staff about the upcoming Advisory Board activities during the Fund's initial 5 years, their operating practices did not provide for obtaining advance Commission approval for 43 Fund disbursements as required by statute. However, in December 2008, the Commission ratified the 43 disbursements which served to satisfy the statutory requirement for Commission approval. Further, the Commission formally delegated its disbursement approval authority for certain future Fund disbursements. In addition, the lack of practices related to regular transaction reporting, monitoring, and follow-up contributed to various transaction execution and processing errors not being prevented or more timely detected by Commission and Library staff. Prompt action by the Commission and Library staff to formalize and enhance existing operating practices will help ensure that Fund transactions are executed as intended and that Fund assets are safeguarded against loss or unauthorized disposition or use.

Recommendations

We recommend that the Senate Commission on Art's Executive Secretary take the following actions.

- Work with the Library’s Chief Financial Officer to ensure that the Library documents and formally approves its operating practices related to the Library’s
 - processing of Fund-related operating receipt and disbursement transactions,
 - regular reporting to the Commission’s Executive Secretary on Fund transaction processing and balance information (e.g., quarterly), and
 - conducting timely follow-up and coordination with the Commission on Fund-related matters warranting further action.

- Work with Commission staff to document and formally approve operating practices related to the Commission’s
 - processing of Fund-related operating receipts and disbursement transactions,
 - use of Fund-related financial information to monitor Fund transactions and safeguard Fund assets, and
 - conducting timely follow-up and coordination with the Library on Fund-related matters warranting further action.

Agency Comments

On May 20, 2009, we provided a draft of our report to the Chief Financial Officer of the Library of Congress and the Executive Secretary of the Senate Commission on Art to obtain official comments on the draft report’s findings and recommendations. In commenting on the draft report (see enclosure 1), the Library’s Chief Financial Officer concurred with the draft report’s overall findings and recommendations and noted that the Library has established new practices including a process for providing quarterly reports of the detailed Fund transactions to Commission representatives. In commenting on the draft report, the Commission’s Executive Secretary agreed with the draft report’s recommendations and noted that actions were underway to implement the recommendations.

Scope and Methodology

To achieve our audit objectives, we reviewed the Fund’s enabling legislation and federal internal control standards and discussed with staff from the Commission and the Library’s Office of Financial Management the nature and extent of the Fund’s transactions and related transaction processing practices, available supporting documentation, and accounting records. We used these discussions along with our reviews of available supporting documentation to develop an understanding of those operating practices established by Commission and Library staff related to the execution and processing of the Fund’s investment and operating transactions. We

also considered whether the established operating practices were consistent with federal internal control standards.

We used established operating practices as our criteria for determining whether the Fund's transactions and related events were authorized in advance, supported by documentation, and accurately accounted for. To do so, we reviewed and reconciled available transactions records and supporting documentation including the Bureau of the Public Debt's investment confirmation statements, travelers' itemization of claimed expenses and related receipts, receiving or acceptance signatures on vendor invoices, approved acquisition agreements, and donation-related supporting records.

We reviewed applicable laws and regulations to determine those we considered significant to our audit objectives and concluded that three statutory provisions within the enabling legislation for the Commission and the Fund were significant to our performance audit. We did not identify any regulations we considered significant to our audit objectives. The three significant statutory provisions related to the use of Fund assets for investments and other purposes and required approvals for disbursements from the Fund. To assess whether transactions were executed in compliance with laws considered significant to our audit objectives, we reviewed the relevant statutory requirements, applicable operating practices, supporting documentation, and transaction accounting.

With regard to whether regular reporting of transaction processing information and other oversight practices were in place to help monitor Fund transactions and safeguard Fund assets from unauthorized use or disposition, we interviewed Commission and Library staff to gain an understanding of the nature and extent of (1) reporting on Fund transactions by the Library staff, (2) monitoring activities by Commission and Library staff, and (3) transaction-related communications between and among the Commission and Library staff. We also considered federal internal control standards and reviewed available supporting documentation related to these activities.

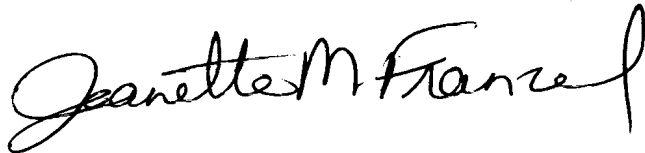
In our review of Fund transactions, we evaluated advance authorization, supporting documentation, accounting, and compliance for those transactions where the related practices applied. For authorization, supporting documentation, and compliance related to operating disbursement transactions, we evaluated 46 of the Fund's 47 disbursement-related transactions, excluding the 1 because it was a duplicate payment mistakenly initiated by Library staff based on a single authorization and related supporting documentation. Further, regarding compliance with statutory requirements related to disbursements of Fund assets, we did not evaluate a second disbursement-related transaction—a request for disbursement which had been signed by the Commission Executive Secretary but not been paid by the Library—because

no disbursement was made from the Fund. As a result, we reviewed 45 Fund disbursements for compliance with provisions of law significant to our audit.

We conducted this performance audit between March 2008 and January 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We are sending copies of this report to the Commission's Executive Secretary, and the Chief Financial Officer of the Library of Congress. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9471 or by e-mail at franzelj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report include John Reilly, Jr. (Assistant Director), John Craig, Jacquelyn N. Hamilton, and Maxine Hattery.



Jeanette M. Franzel
Managing Director
Financial Management and Assurance

Comments from the Library of Congress



THE LIBRARY OF CONGRESS
101 INDEPENDENCE AVENUE, S.E.
WASHINGTON, D.C. 20540-9100


OFFICE OF THE CHIEF FINANCIAL OFFICER

June 12, 2009

Dear Ms. Franzel:

I have reviewed your report entitled Senate Preservation Fund: Key Transaction-Related Operating Practices Have Been Established but Additional Practices Are Needed (GAO-08-89R). I concur with your overall findings and recommendations related to opportunities to improve operating practices related to the Library's processing of and reporting on Senate Preservation Fund transactions. To this end, the Library has sent the Commission representatives cumulative quarterly reports of the detailed fund activity (i.e., all transactions) for fiscal year 2009. The Library has also provided narrative highlights of key activity in the fund for the fiscal year. In addition, the Library has sought guidance from the Commission on matters related to the fund, such as reserve levels, whereas in the past we had defaulted to practices used previously for the fund or for the Capitol Preservation Commission, the fund on which the Senate Preservation Fund was modeled. The Library will continue these new practices unless instructed to do otherwise.

Sincerely,


Jeffrey Page
Chief Financial Officer
Library of Congress
202-707-7350

Ms. Jeanette M. Franzel
Managing Director
Financial Management and Assurance
U.S. Government Accountability Office
Rm 5Q24
441 G St. NW
Washington, DC 20548

(194757)

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

GAO's Mission

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

Obtaining Copies of GAO Reports and Testimony

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

Order by Phone

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

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

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

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

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

Congressional Relations

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

Public Affairs

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