
July 1996

FINANCIAL AUDIT

Capitol Preservation Fund for Years Ended September 30, 1995 and 1994



**Comptroller General
of the United States**

B-271525

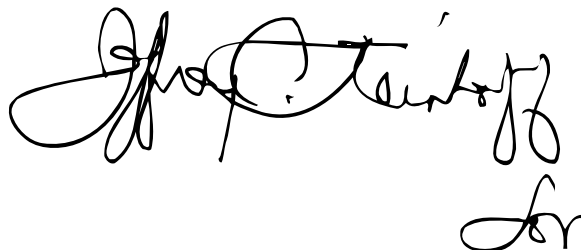
July 5, 1996

To the President of the Senate and the
Speaker of the House of Representatives

This report presents the results of the audit of the Capitol Preservation Fund's (CPF) financial statements for the fiscal years ended September 30, 1995 and 1994.

We are sending copies of this report to all members of the Capitol Preservation Commission, the Architect of the Capitol, and other interested parties. Copies will be made available to others upon request.

This report was prepared under the direction of David L. Clark, Director, Audit Oversight and Liaison, who may be reached at (202) 512-9489 if you or your staffs have any questions.

A handwritten signature in black ink, appearing to read "Charles A. Bowshe". The signature is fluid and cursive, with a large initial "C" and "B". Below the main signature, there is a smaller, separate mark that looks like "for".

Charles A. Bowshe
Comptroller General
of the United States

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Abbreviations

CPF Capitol Preservation Fund



United States
General Accounting Office
Washington, D.C. 20548

**Comptroller General
of the United States**

B-271525

To the President of the Senate and the
Speaker of the House of Representatives

Under 40 U.S.C. 188a-3, the General Accounting Office is responsible for auditing the Capitol Preservation Fund (CPF). The purpose of this audit was to determine whether the financial statements for the fiscal years ended September 30, 1995 and 1994, were reliable in all material respects; gain an understanding of CPF's internal control structure in order to determine audit procedures; and determine whether CPF complied with selected provisions of certain laws and regulations. Our report, Financial Audit: Capitol Preservation Fund for 6 Months Ended 9/30/93 and Year Ended 3/31/93 (GAO/AIMD-94-124, August 4, 1994), presented the results of the last audit of CPF.

To help fulfill our responsibility under 40 U.S.C. 188a-3, we contracted with the independent public accounting firm of Mitchell & Titus, LLP, to perform audit work. We determined the scope of the audit work, monitored Mitchell & Titus' progress at all key points, reviewed its audit working papers, and performed other procedures we deemed necessary. The audit was conducted in accordance with generally accepted government auditing standards.

Opinion on Financial Statements

We concur with Mitchell & Titus' opinion that the Capitol Preservation Fund's fiscal years 1995 and 1994 financial statements and accompanying notes present fairly, in all material respects, CPF's financial position as of September 30, 1995 and 1994, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

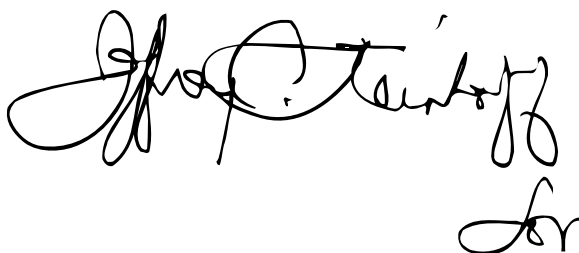
Consideration of Internal Controls

- Mitchell & Titus gained an understanding of internal controls designed to
- safeguard assets against loss from unauthorized acquisition, use, or disposition;
 - assure the execution of transactions in accordance with laws and regulations that could have a direct and material effect on the financial statements; and
 - properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability over assets.

Mitchell & Titus reported that the objective of its internal control work was to determine procedures for auditing the financial statements, not to express an opinion on internal controls. Accordingly, Mitchell & Titus did not express such an opinion. However, for the controls it tested, Mitchell & Titus reported that it found no material weaknesses in the internal control structure and its operations for the fiscal years ended September 30, 1995 and 1994. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties. Mitchell & Titus' internal control work would not necessarily disclose all material weaknesses. We concur with Mitchell & Titus' findings regarding the Capitol Preservation Fund's internal controls.

Compliance With Laws and Regulations

Mitchell & Titus also reported that the results of its test of CPF's compliance with selected provisions of certain laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. It further stated that the objective of its audit of CPF's financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, Mitchell & Titus did not express such an opinion. We concur with Mitchell & Titus' findings regarding CPF's compliance with laws and regulations.

A handwritten signature in black ink, appearing to read "Charles A. Bowsher", with a stylized flourish below it.

Charles A. Bowsher
Comptroller General
of the United States

March 8, 1996

Report on Audit of the Capitol Preservation Fund

Report of Independent Public Accountants



Mitchell & Titus, LLP

Certified Public Accountants
and Consultants

1825 K Street, NW
Washington, DC 20006
Tel (202) 293-7500
Fax (202) 822-8126

MITCHELL & TITUS, LLP OPINION LETTER

To the Comptroller General
of the United States

This report presents the results of our audit of the Capitol Preservation Fund's financial statements for the years ended September 30, 1995 and 1994. We found that the financial statements were reliable in all material respects. Our consideration of internal controls, which was limited for the purpose of determining our procedures for auditing the financial statements, disclosed no material weaknesses. Further, our audit included limited tests of compliance with laws and regulations that disclosed no reportable noncompliance with the laws and regulations we tested.

Opinion on Financial Statements

We have audited the accompanying statements of financial position of the Capitol Preservation Fund as of September 30, 1995 and 1994, and the related statements of revenues and expenses and cash flows for the years then ended. In our opinion, the financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Fund's

- assets, liabilities, and net financial position;
- revenue sources and expenses; and
- cash flows.

Consideration of Internal Controls

We gained an understanding of internal controls designed to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with laws and regulations that have a direct and material effect on the financial statements; and
- properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability for assets.

Mitchell & Titus, LLP

We do not express an opinion on internal controls because the purpose of our work was to determine our procedures for auditing the financial statements, not to express an opinion on internal controls. However, for the controls we tested, we found no material weaknesses in the internal control structure and its operations for the years ended September 30, 1995 and 1994. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

Management is responsible for:

- preparing annual financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing the internal controls to provide reasonable assurance that the internal control objectives mentioned above are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are reliable (free of material misstatement and presented fairly in all material respects, in conformity with generally accepted accounting principles). We are also responsible for obtaining a sufficient understanding of internal controls to plan the audit and for testing compliance with selected provisions of laws and regulations.

Appendix I
Report on Audit of the Capitol Preservation
Fund

Mitchell & Titus, LLP

In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations, and financial reporting; and
- tested relevant internal controls of safeguarding, compliance, and financial reporting; and
- tested compliance with selected provisions of 40 U.S.C. 188a-2, which governs expenses of the Fund and, as implemented by a memorandum of understanding between the Capitol Preservation Commission and the Library of Congress, requires that surcharges on the sale of bicentennial coins, donations, and interest be properly accounted for and invested by the Library of Congress.

We limited our internal control testing to those controls necessary to achieve the objectives outlined in our section on internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards.

Mitchell & Titus, LLP

Mitchell & Titus, LLP
March 8, 1996

Appendix I
Report on Audit of the Capitol Preservation
Fund

Statements of Financial Position

Mitchell & Titus, LLP

U.S. CAPITOL PRESERVATION FUND
STATEMENTS OF FINANCIAL POSITION

	<u>September 30</u>	
	<u>1995</u>	<u>1994</u>
Assets		
Fund balance with Treasury	\$ 21,969	\$ 5,886
Investments net of discounts (note 3)	22,278,305	18,175,687
Accrued interest receivable	<u>296,171</u>	<u>173,966</u>
Total Assets	<u>\$ 22,596,445</u>	<u>\$ 18,355,539</u>
Liabilities and Government Equity		
Liabilities		
Accounts Payable	\$ <u>13,177</u>	\$ <u>91,800</u>
Total liabilities	<u>\$ 13,177</u>	<u>\$ 91,800</u>
Government Equity		
Fund Balance	\$ <u>22,583,268</u>	\$ <u>18,263,739</u>
Total government equity	<u>\$ 22,583,268</u>	<u>\$ 18,263,739</u>
Total Liabilities and Government Equity	<u>\$ 22,596,445</u>	<u>\$ 18,355,539</u>

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the Capitol Preservation
Fund

Statements of Revenues and Expenses

Mitchell & Titus, LLP

U.S. CAPITOL PRESERVATION FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended September 30</u>	
	<u>1995</u>	<u>1994</u>
Revenues		
Surcharges	\$ 5,028,315	\$ -
Interest	1,276,987	665,386
Donations	5,692	51,200
Publications	<u>-</u>	<u>126,500</u>
Total Revenues	<u>\$ 6,310,994</u>	<u>\$ 843,086</u>
Expenses		
Capitol Visitors Center	1,933,091	601,864
Statue of Freedom	20,861	82,456
Publications	<u>37,513</u>	<u>51,000</u>
Total Expenses	<u>\$ 1,991,465</u>	<u>\$ 735,320</u>
Excess of Revenues Over Expenses	<u>\$ 4,319,529</u>	<u>\$ 107,766</u>

The accompanying notes are an integral part of these statements.

Appendix I
Report on Audit of the Capitol Preservation
Fund

Statements of Cash Flows

Mitchell & Titus, LLP

U.S. CAPITOL PRESERVATION FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended September 30</u>	
	<u>1995</u>	<u>1994</u>
Cash Flows From Operating Activities		
Surcharges received	\$ 5,028,315	\$ -
Interest received	1,154,782	542,858
Donations received	5,692	51,200
Sales of books	-	126,500
Cash paid for expenses	<u>(2,070,088)</u>	<u>(717,407)</u>
Net cash provided by operating activities	<u>4,118,701</u>	<u>3,151</u>
Cash Flows From Investing Activities		
Payments made to acquire Treasury Bills	(51,403,121)	(37,593,384)
Return of investment in Treasury Bills	<u>47,300,503</u>	<u>37,591,947</u>
Net cash (used) by investing activities	<u>(4,102,618)</u>	<u>(1,437)</u>
Net Increase in Cash	16,083	1,714
Cash at beginning of year	<u>5,886</u>	<u>4,172</u>
Cash at End of Year	<u>\$ 21,969</u>	<u>\$ 5,886</u>
Reconciliation's of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities		
Excess of revenues over expenses	4,319,529	107,766
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
(Increase) in accrued interest receivable	(122,205)	(122,528)
(Decrease) increase in accounts payable	<u>(78,623)</u>	<u>17,913</u>
Total adjustments	<u>(200,828)</u>	<u>(104,615)</u>
Net Cash Provided by Operating Activities	<u>\$ 4,118,701</u>	<u>\$ 3,151</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Mitchell & Titus, LLP

U.S. CAPITOL PRESERVATION FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ENTITY

The Capitol Preservation Commission was established under Title VIII of Public Law 100-696 in November 1988 for the purpose of providing improvements in, preservation of, and acquisitions for the United States Capitol. The operations of the Commission are financed through the "Capitol Preservation Fund", which was established in the Department of the Treasury under this law. The Fund generally consists of deposits from charitable contributions (donations), interest on invested portions of the Fund, and surcharges received by the Secretary of the Treasury from the sale of coins under the Bicentennial of the United States Congress Commemorative Coin Act and the Bicentennial of the United States Capitol Commemorative Coin Act.

The Commission may fund or assist in the funding of improvements in the Capitol Building and grounds surrounding the Capitol Building if such improvements are authorized, undertaken, and completed under the procedures established by the Congress for such purposes. Also, the Commission is authorized to expend \$400,000 (\$200,000 for the House of Representatives and \$200,000 for the Senate) for the purchase of art, furnishings, or items of historical interest provided that such expenses are approved by a majority of the members of the Commission from the House of Congress for which such purchases are made.

In accordance with Rule 11 of the Capitol Preservation Commission, the Commission shall not maintain any collection of fine or decorative art, or other property, but may assist in the transfer of items to a Congressional entity (Senate Commission on Art, House Fine Arts Board, or the Joint Committee on the Library), or facilitate the disposal of items.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

The property and improvements purchased with Commission funds are the accounting responsibility of the Architect of the Capitol or other Congressional entities to which the assets are transferred. Property is not capitalized in the accounting records of the Fund.

Mitchell & Titus, LLP

U.S. CAPITOL PRESERVATION FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

Cash deposits from donations and surcharges are invested in interest-bearing obligations of the United States and are purchased at a discount. The Commission has directed the Library of Congress to invest donations for 3 months, while surcharge proceeds are to be invested for 6 months. Net value of investments outstanding as of September 30, 1995 and 1994 amounted to \$22,278,305 and \$18,175,687 respectively, with annual investment rates ranging from 5.09% to 7.0% for 1995 and 2.7% to 5.4% for 1994.

Schedule of Outstanding Investments

	<u>Year ended September 30</u>	
	<u>1995</u>	<u>1994</u>
Investments outstanding -		
face value	\$ 23,130,000	\$ 18,565,000
Discounts	<u>851,695</u>	<u>389,313</u>
Investments outstanding -		
net of discounts	<u>\$ 22,278,305</u>	<u>\$ 18,175,687</u>

Appendix I
Report on Audit of the Capitol Preservation
Fund

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