



GAO

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

October 22, 2001

The Honorable Ernest F. Hollings
Chairman
The Honorable John McCain
Ranking Minority Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Don Young
Chairman
The Honorable James L. Oberstar
Ranking Democratic Member
Committee on Transportation and Infrastructure
House of Representatives

Subject: Financial Management: Audit of the Centennial of Flight Commission

The Centennial of Flight Commission was created on November 13, 1998, by the Centennial of Flight Commemoration Act (Public Law 105-389, as amended by Public Law 106-68). The purpose of the Commission is to provide recommendations and advice to the President, the Congress, and federal agencies on the most effective ways to encourage and promote national and international participation and sponsorships in commemoration of the centennial of powered flight. We are required by the act to audit the financial transactions of the Commission. This report presents the results of our audit for the fiscal years ended September 30, 2000 and 1999.

Results in Brief

We found that all 45 of the Commission's recorded financial transactions for fiscal years 2000 and 1999 obligations and expenditures were supported by documentation that was approved by management. The Commission recorded no donations, user fees, or in-kind donations for fiscal years 2000 and 1999.

We found that the Commission's obligations exceeded its fiscal year 2000 appropriation of \$600,000 by \$29,729. The Commission's lack of a reconciliation process between the records used by the Commission to track obligations and expenditures and the accounting records maintained by the Federal Aviation

Administration (FAA) on behalf of the Commission contributed to the \$29,729 overobligation in fiscal year 2000. Thus, the Commission, or the FAA on behalf of the Commission, must report a violation of the Antideficiency Act (31 U.S.C. 1341 (a)) as required by the Office of Management and Budget (OMB) Circular No. A-34, *Instructions on Budget Execution*.

We are making recommendations to the Commission to correct its financial records, to report and address the Antideficiency Act violation, and to improve its internal accounting control.

Background

The Commission was created to provide recommendations and advice to the President, the Congress, and federal agencies on the most effective ways to:

- (1) encourage and promote companies, governments, individuals, and organizations' national and international participation and sponsorships in commemoration of the centennial of powered flight;
- (2) plan and develop, in coordination with the First Flight Centennial Commission, the First Flight Centennial Foundation of North Carolina and the 2003 Committee of Ohio, programs and activities that are appropriate to commemorate the 100th anniversary of powered flight;
- (3) maintain, publish, and distribute a calendar or register of national and international programs and projects concerning the dates, events, and places of historical and commemorative significance regarding aviation history in general and the centennial of powered flight in particular;
- (4) provide national coordination for celebrations to take place throughout the United States during the centennial year;
- (5) assist in conducting educational, civic, and commemorative activities relating to the centennial of powered flight throughout the United States;
- (6) encourage the publication of popular and scholarly works on the history of aviation or the centennial of powered flight; and
- (7) advise the United States with regard to gaining support for and facilitating international recognition of the importance of aviation history and attend international meetings regarding such activities.

The Congress provided the Commission with a specific budgetary authority as part of the annual appropriation for FAA Operations (Airport and Airways Trust Fund) for fiscal year 2000 and as part of the FAA Operations appropriation for fiscal year 1999. The FAA made the funds available to the Commission by allotment. Only the

administrators of the National Aeronautics and Space Administration (NASA) or the FAA, or employees designated to act on their behalf, are authorized by the act to procure supplies, services, and property, and to make or enter into leases and other legal agreements on behalf of the Commission. The FAA and NASA give the Commission personnel support, office space, and other services without charge. The FAA provided all accounting and procurement services on behalf of the Commission for fiscal years 2000 and 1999. Expenditures were recognized when paid.

Scope and Methodology

We examined all recorded financial transactions (obligations and expenditures) of the Commission for fiscal years 2000 and 1999, for proper supporting documentation and management approval. We limited our examination to those transactions recorded for the Commission, and therefore, the risk exists that there could be unrecorded transactions not included in our examination. We traced the recorded transactions to supporting documentation, including contracts, purchase orders, invoices, credit card statements, and travel vouchers. The FAA processed 45 obligation and expenditure transactions against the fiscal year 2000 and 1999 appropriations. All contracts and supporting documentation for these transactions are maintained by the FAA. We also obtained an understanding of the accounting procedures and internal controls of the Commission, financial accounting services provided by the FAA operations office, and other services provided by NASA. We performed procedures to determine whether the transactions had been approved by Commission management. We performed our work in Washington, D.C., from June through August 2001 in accordance with U.S. generally accepted government auditing standards for performance audits. The Commission and FAA officials provided comments on a draft of this report. Those comments are summarized in a later section and are included as an enclosure to this letter.

Audit of Commission Financial Transactions

We found that all 45 of the Commission's recorded financial transactions for fiscal years 2000 and 1999 obligations and expenditures were supported by documentation that was approved by management. The Commission recorded no donations, user fees, or in-kind donations for fiscal years 2000 and 1999.

The schedule in table 1 below presents the Commission's appropriations, obligations for contracts and purchase orders, unobligated amounts, and expenditures for cash outlays for fiscal years 2000 and 1999 as of September 30, 2000.

Table 1: Centennial of Flight Commission Schedule of Appropriations, Obligations, and Expenditures for Fiscal Years 2000 and 1999 as of September 30, 2000

	Total as of September 30, 2000	Fiscal year 2000	Fiscal year 1999
Appropriations	\$850,000	\$600,000	\$250,000
Less: obligations (contractual)	879,387	629,729	249,658
Unobligated (overobligated)	\$(29,387)	\$(29,729)	\$342
Expenditures through September 30, 2000 (cash outlays)	\$256,141	\$6,483	\$249,658

Source: Centennial of Flight Commission accounting data received from the Commission but maintained by the FAA on behalf of the Commission, as adjusted for errors detected during our audit.

In fiscal year 1999, the Commission received an allotment of the FAA operations appropriation totaling \$250,000. The Commission's obligations of \$249,658 comprised \$209,324 for the design and delivery of visual identities for a logo, letterhead, posters, and banners and \$40,334 for the purchase of computer equipment. As of September 30, 2000, all fiscal year 1999 obligations had been expended.

In fiscal year 2000, the Commission received an allotment of the FAA operations (Airport and Airways Trust Fund) appropriation totaling \$600,000. The Commission's obligations of \$629,729 consisted of:

- \$29,948 for a modification of the fiscal year 1999 contract to develop a logo,
- \$203,709 for contractor services to develop a Commission web site,
- \$342,699 for contractor services to maintain the web site,
- \$49,234 for contractor services by the Library of Congress to complete a bibliography of the Wright brothers, and
- \$4,139 for travel and miscellaneous expenses.

As of September 30, 2000, only \$6,483 had been expended against the above obligations.

We identified a fiscal year 2000 contract obligation of \$29,948 that had been erroneously charged to the fiscal year 1999 appropriation in the records used by the Commission. When charged to its fiscal year 2000 appropriation, total Commission obligations amounted to \$629,729, which exceeded its appropriation by \$29,729. In addition, we identified a \$40,334 fiscal year 1999 contract that had not been charged to the Commission's fiscal year 1999 appropriation in the records described above. When the above changes are made, the total obligations for fiscal year 1999 are \$249,658, and total obligations for fiscal year 2000 are \$629,729, as shown in table 1. The Commission is taking the steps necessary to charge a \$40,334 computer hardware contract to fiscal year 1999, charge a \$29,948 computer support contract

modification to fiscal year 2000, and deobligate a \$29,729 overobligation for fiscal year 2000.

Violation of the Antideficiency Act¹

As provided by the Antideficiency Act in 31 U.S.C. 1341(a), a government official may not make or authorize an obligation or expenditure in an amount in excess of, or in advance of, an amount available in an appropriation. Obligations or expenditures made in violation of this prohibition are to be reported to the President and the Congress as provided by 31 U.S.C. 1351. We found that the obligations entered into by the FAA on behalf of the Commission totaled \$29,729 over its fiscal year 2000 appropriation of \$600,000. Thus, the Commission or the FAA on behalf of the Commission must report a violation of the Antideficiency Act (31 U.S.C. 1341 (a)) as required by OMB Circular No. A-34, *Instructions on Budget Execution*. The Commission should determine whether any obligation charged to fiscal year 2000 can be canceled and amounts deobligated in order to address the violation.

Weakness in Commission Internal Control

We obtained Commission financial records for fiscal years 2000 and 1999: the Commission's annual reports for 2000 and 1999, its 5-year budget based on its financial records and projections, and computer spreadsheets prepared and maintained by the FAA Office of Administration. We inspected, analyzed, and compared these records to ascertain whether the spreadsheet amounts tracked to the Commission's annual reports and its 5-year budget. None of these three financial records were complete and without error. In addition to the above records, the FAA tracks the Commission's obligations and expenditures in its accounting system. We determined that the computer spreadsheets were used as the source of information to track Commission obligations and expenditures and to make financial decisions for additional contractual obligations and expenditures. We viewed these spreadsheets prepared and maintained by the FAA Office of Administration as the financial records of the Commission and thus based our audit on these records.

We found, and Commission and FAA officials agreed, that a \$29,948 computer services contract modification using fiscal year 2000 funds was erroneously posted by the FAA to fiscal year 1999. We also found a contractual obligation that was reported in the Commission's fiscal year 1999 annual report but not recorded either in the Commission's 5-year budget records or in the computer spreadsheets maintained by the FAA. Upon inquiry, we obtained documentation of a \$40,334 unrecorded transaction for computer hardware in fiscal year 1999 that should have been included in the budget records and the computer spreadsheets. When these obligations are recorded in the appropriate fiscal years, the Commission violates the Antideficiency Act in fiscal year 2000, in the amount of \$29,729.

¹31 U.S.C. 1341, 1342, 1349-1351 and Subchapter II, Chapter 15.

We believe that these errors are a result of the Commission's lack of a reconciliation process between its spreadsheets used to track obligations and expenditures and the accounting records maintained by the FAA on behalf of the Commission.² According to GAO's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999), internal control should generally be designed to ensure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties.

Recommendations

We recommend that the Executive Director of the Commission, or the FAA on behalf of the Commission

- reconcile all of the financial accounting records kept for the Commission to correctly account for the \$29,948 computer support contract modification in fiscal year 2000 and the \$40,334 contract for computer hardware in fiscal year 1999.
- report the violation of the Antideficiency Act for fiscal year 2000 as required by OMB Circular No. A-34, *Instructions on Budget Execution*.
- address the overobligation by deobligating \$29,729 for fiscal year 2000.
- strengthen Commission internal control by reconciling its record of approved obligations and expenditures monthly with FAA accounting records maintained on behalf of the Commission.

Agency Comments

At the conclusion of our work, we provided a draft of this letter to the Commission's Executive Director and FAA officials. They agreed with all of our recommendations and stated that they are acting to implement the recommendations. Regarding the overobligation, Commission comments point out that they had already deobligated funds on an existing fiscal year 2000 contract. The Commission's complete response is presented as an enclosure to this letter.

We are sending copies of this letter to the Chairman of the Centennial of Flight Commission and other interested parties. This letter will also be available on our home page at <http://www.gao.gov>.

²The Commission's funds are provided through an allotment from the FAA's annual appropriation for "Operations," and there is no separate appropriation or fund account for the Commission with Treasury. Thus, the Commission is not able to reconcile fund balance with Treasury.

If you or your staffs have any questions, please contact me at (202) 512-2600, or by e-mail at steinhoffj@gao.gov or Jeanette M. Franzel, Acting Director, at (202) 512-9406, or by e-mail at franzelj@gao.gov. Key contributors to this report were Roger R. Stoltz, Patricia A. Summers, Patricia P. Blumenthal, Robert P. Preshlock, Jr., and Richard T. Cambosos.

A handwritten signature in black ink, reading "Jeffrey C. Steinhoff". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent and the last name "Steinhoff" following in a similar style.

Jeffrey C. Steinhoff
Managing Director
Financial Management and Assurance

Enclosure

**Comments From Centennial of Flight Commission and
Federal Aviation Administration**

Note: GAO's comments supplementing those in the letter appear at the end of this enclosure.



Centennial of Flight Commission
300 E Street, SW
Washington, DC 20546-0001
TEL 202.FLT.1903
WEB www.centennialofflight.gov

OCT 10 2001

Ms. Jeanette Franzel
Acting Director
Financial Management and
Assurance
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. Franzel:

We appreciate the opportunity to comment on the draft report containing the results of your review on the financial transactions of the Centennial of Flight Commission (Commission) for fiscal years 1999 and 2000. Copies of the draft report were provided to the Federal Aviation Administration (FAA), and its comments have been incorporated into this response. The draft report makes four recommendations.

The first recommendation states:

Reconcile all of the financial accounting records kept for the Commission to properly account for the \$29,948 computer support contract modification in fiscal year 2000 and the \$40,334 contract for computer hardware in fiscal year 1999.

See comment 1.

We concur with this recommendation, and note that the action was taken to correct the "cuff records" in late June 2001. There never was an error in the official FAA accounting system records (FAA DAFIS).

The second recommendation states:

Report the violation of the Antideficiency Act for fiscal year 2000 as required by OMB Circular No. A-34, Instructions on Budget Execution.

See comment 2.

We concur with this recommendation. Because appropriations for the Commission have been made to the FAA, and the obligation at issue was entered into by the FAA, the FAA will report the violation of the Antideficiency Act for fiscal year 2000 as required by law.

The third recommendation states:

Take steps to address the violation of the Antideficiency Act by deobligating \$29,728 for fiscal year 2000.

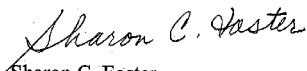
We concur with this recommendation and have taken action in August 2001, to deobligate fiscal year 2000 funds on the Proxtronics, Inc. Contract, FAA Award Number DTFA01-00-C-A0102.

The fourth recommendation states:

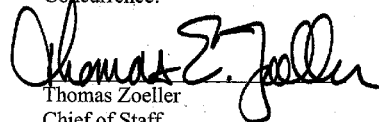
Strengthen Commission internal control by reconciling its record of approved obligations and expenditures monthly with the FAA accounting records maintained on behalf of the Commission.

We concur with this recommendation and have instituted, starting in FY 2001, monthly reconciliation with the FAA "cuff records." Within the FAA, those "cuff records" are reconciled monthly with the official FAA accounting records (FAA DAFIS).

Sincerely,


Sharon C. Foster
Executive Director

Concurrence:


Thomas Zoeller
Chief of Staff
Office of the Administrator
Federal Aviation Administration

Enclosure

The following are GAO's comments on the letter dated October 10, 2001, from the Centennial of Flight Commission and Federal Aviation Administration.

GAO Comments

1. The "cuff records" are the computer spreadsheets prepared and maintained by the FAA Office of Administration to track Commission financial transactions. We determined that these spreadsheets were the records used by the Commission to make its financial decisions in fiscal years 2000 and 1999. We considered these records to be the official records of the Commission and were thus the records that we audited. We did not audit the FAA and its Departmental Accounting and Financial Information System (DAFIS) that provided financial services to the Commission.
2. The obligation was entered into by the FAA on behalf of the Commission.