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United States General Accounting Office
Washington, DC 20548

May 20, 2004

The Honorable Orrin G. Hatch
Chairman
The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable F. James Sensenbrenner, Jr.
Chairman
The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

Subject: *Financial Management: Audit of the White House Commission on the National Moment of Remembrance for Fiscal Years 2003 and 2002*

The White House Commission on the National Moment of Remembrance (Commission) was created on December 28, 2000, by the National Moment of Remembrance Act (Act).¹ The Commission received appropriated funds in fiscal years 2003 and 2002. Its purpose is to sustain the American spirit through acts of remembrance for those who died serving their country, not only on Memorial Day, but also throughout the year. We are required by the Act to audit the financial transactions of the Commission, and this report covers our work on its fiscal years 2003 and 2002 financial transactions.

Results in Brief

We found that the Commission's financial records for fiscal years 2003 and 2002 were incomplete and that its financial record keeping lacked basic internal controls. As a result, we were unable to audit the Commission's financial transactions, and the Commission does not have reasonable assurance that its records are accurate, that it has adequate information for decision making, or that its funds are being spent as intended.

The Commission's records of financial transactions for fiscal years 2003 and 2002, including receipts and expenditures, were incomplete and not regularly reconciled to the statements produced by the Department of Veterans Affairs (VA) or General Services Administration (GSA), agencies that provided the Commission with administrative and financial processing services. In addition, significant amounts of

¹Pub. L. No. 106-579, 114 Stat. 3078 (2000).

the Commission's expenditures for fiscal years 2003 and 2002 were not supported by documentation.

Without such basic internal controls as documentation to support transactions and the reconciliation of transactions recorded by the Commission to the actual receipts and expenditures processed by VA and GSA, the Commission does not have reasonable assurance that its financial information is complete and accurate, that its funds are being spent as intended, and that financial and programmatic decisions are based on complete and accurate information.

The Commission's difficulties in financial record keeping and internal controls result, in part, from the Commission's lack of staffing and financial expertise. The Commission depends on temporary and part-time detailees from other agencies, and has never had the full level of staffing called for in its authorizing legislation.

When the Commission received its initial appropriations in 2002, the Commission assumed several program activities² of No Greater Love, a nonprofit organization founded in 1971 by the Commission's current White House Liaison and Executive Director. The Commission also shares office space, services, and personnel with No Greater Love. Although the Act allows the Commission to enter into cooperative agreements with private entities in carrying out its duties, the respective program sponsorship costs borne by the Commission and No Greater Love have not been accounted for and documented clearly. Without clear accountability and transparency of activities and related costs for each entity, donors and Congress are at risk of not knowing which programs they are supporting.

Congress may wish to consider amending the National Moment of Remembrance Act to make the Commission an independent entity within VA. Retaining the Act's provisions regarding the Commission's duties and powers but placing the Commission within VA would require VA to assume responsibility for the Commission's administrative functions. These would include maintaining the Commission's accounting records, processing the Commission's transactions, and performing personnel and payroll services. The Commission currently has an interagency agreement with VA for administrative services, but making the Commission an entity within VA could streamline this arrangement and make it more efficient. In addition, the Commission's mission of remembering those who have served the country is related to that of VA, and the two organizations could achieve synergy by working together on their complementary missions.

If Congress chooses not to act upon the matter for congressional consideration discussed above, we are recommending that the Commission develop and implement basic financial record keeping and internal controls; consider hiring accounting or bookkeeping assistance; and clearly account for its finances separately from those of No Greater Love. The Commission agreed with our recommendations for executive action and is taking initial steps to implement some of the recommendations. However, the Commission expressed concerns regarding the matter for

²The activities assumed are "remembrance programs," which have as their purpose promoting remembrance of those who have died for our country, those who have served our country, and those who continue to serve our country.

congressional consideration. We continue to believe that making the Commission an independent entity within VA presents a viable and practical alternative for resolving the Commission's internal control and financial reporting weaknesses described in this report.

Objective, Scope, and Methodology

Our objective was to audit the Commission's financial transactions (donations and expenditures) recorded during fiscal years 2003 and 2002 for proper supporting documentation and management approval. Because the Commission did not maintain complete accounting records, we were unable to perform an audit. Instead, our work was limited to a review of those transactions recorded for the Commission by VA and GSA. Therefore there is a risk that there could be unrecorded transactions for services that the Commission purchased but for which it did not forward invoices to VA or GSA for payment. When possible, we traced the recorded transactions to supporting documentation, including contracts, invoices, credit card statements, and travel vouchers. However, because the Commission lacked supporting documentation for a significant portion of its transactions, we were unable to perform an audit of the Commission's transactions.

We obtained an understanding of the accounting procedures and related internal controls of the Commission and the financial accounting and other services provided by VA and GSA.

We performed our work in Washington, D.C., from November 2003 through March 2004 in accordance with U.S. generally accepted government auditing standards. We requested comments on a draft of this report from the White House Liaison and Executive Director of the White House Commission on the National Moment of Remembrance and from the Secretary of Veterans Affairs. We received written responses from both the Commission and VA. Those comments are addressed in a later section of this report and included in enclosures I and II, respectively.

Background

Section 6 of the Act³ states that the Commission's duties are to

- (1) encourage the people of the United States to give something back to their country, which provides them so much freedom and opportunity;
- (2) encourage national, state, local, and tribal participation by individuals and entities in commemoration of Memorial Day and the National Moment of Remembrance, including participation by
 - (a) national humanitarian and patriotic organizations,
 - (b) elementary, secondary, and higher education institutions,
 - (c) veterans' societies and civic, patriotic, educational, sporting, artistic, cultural, and historical organizations,
 - (d) federal departments and agencies, and
 - (e) museums, including cultural and historical museums; and

³114 Stat. at 3080.

(3) provide national coordination for commemorations in the United States of Memorial Day and the National Moment of Remembrance.

In fiscal year 2003, Congress appropriated \$250,000 directly to the Commission.⁴ In fiscal year 2002, Congress provided that \$500,000 of a larger appropriation was available for the Commission.⁵

We met with the Commission's Executive Director and staff on several occasions late in 2002 to gain an understanding of the financial records and internal control environment. We held discussions with the Executive Director on key accounting issues and internal controls that should be established in order to achieve accountability over operations and to facilitate future audits. In January 2003, we issued a letter to the Commission stating that the fiscal year 2002 audit would be delayed until the end of fiscal year 2003, so that the Commission could get its financial records in order.

Although administrative support services were provided by other agencies, the Commission's management is responsible for preparing accurate and reliable financial reports reflecting its activities. The Commission is also responsible for establishing, maintaining, and assessing internal control⁶ to provide reasonable assurance that internal control objectives are met. The Commission engaged VA in fiscal year 2003 and GSA in fiscal year 2002 for administrative support services, including payment of the Commission's bills and personnel and payroll services. VA processed the Commission's obligations, expenditures, and cash donation transactions recorded during fiscal year 2003. GSA processed the Commission's obligation and expenditure transactions during fiscal year 2002. The Commission entered into interagency agreements with both VA and GSA for their services. The interagency agreements provided the terms of payment for the services.

When the Commission was funded in 2002, it assumed several of the program activities of No Greater Love, a nonprofit established in 1971, and the founder of No Greater Love was appointed as the Commission's White House Liaison and Executive Director. The founder resigned her position with No Greater Love in April 2002. According to No Greater Love's 2002 financial statements, the organization's primary program is to sponsor programs of friendship for and care of children of servicemen missing or killed in action, hospitalized veterans, servicemen overseas, and senior citizens without families.

The Act allows for the Commission's close involvement with other entities. Section 8(f) of the Act explicitly authorizes the Commission to enter into cooperative

⁴Pub. L. No. 108-7, 117 Stat. 11, 460 (2003).

⁵Pub. L. No. 107-117, Stat. 2230, 2299 (2002).

⁶According to our *Standards for Internal Control in the Federal Government*, management's internal control responsibility encompasses controls related to (1) the effectiveness and efficiency of operations, including the use of resources; (2) the reliability of financial reporting, including internal and external reports on the use of resources and financial statements; and (3) compliance with applicable laws and regulations. Within each of these categories, management is responsible for establishing controls to prevent or promptly detect unauthorized acquisition, use, or disposition of assets. See U.S. General Accounting Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

agreements that involve private, as well as government, entities in assisting the Commission to carry out its duties. The Act further authorizes the Commission to accept program support from nonprofit organizations.⁷ While the Commission may accept assistance and support from other entities, and in so doing engage in jointly funded activities, the Act does not provide for the Commission to use its appropriations for anything other than carrying out its statutory duties.

The Act also provides that the Commission will receive six employees—one each from the Army, Air Force, Navy, Marines, VA, and Department of Education—detailed to assist the Commission in carrying out the Act. During fiscal years 2003 and 2002, the assignment and service of the details was inconsistent. The Commission never had more than two detailees at one time except for 30 working days in 2002 and 2003, and most of the staff detailed from the other agencies did not complete their full terms.

Commission Financial Records Were Incomplete and Lacked Supporting Documentation

We found that the Commission's financial records for fiscal years 2003 and 2002 were incomplete. The Commission also lacked basic documentation for its expenditures. As a result, it does not have reasonable assurance that its financial records are accurate or that its funds are being spent as intended. (See table 1.)

⁷Pub. L. No. 106-579, 114 Stat. at 3084.

Table 1: White House Commission on National Moment of Remembrance Schedule of Management and Documentation Support for Fiscal Years 2003 and 2002 Expenditures (Unaudited)

Expenditures	Fiscal year 2003	Fiscal year 2002 (January - September)
White House Liaison and Executive Director salary and benefits ^a	\$164,366	\$111,953
Programs and administration ^b		
Supported by documents and approved by management	48,245	45,869
Supported by documents but not approved by management	13,075	10,415
Unsupported by documents	51,279 ^c	66,968 ^d
Programs and administration total	\$112,599	\$123,252
Total	\$276,965	\$235,205

Sources: VA, GSA, and the White House Commission on National Moment of Remembrance.

^aFor fiscal year 2003, VA records showed salary and benefits of \$164,366, and for fiscal year 2002, GSA records showed salary and benefits of \$111,953; however, the Commission did not maintain support for salary and benefits.

^bFor fiscal year 2003, the program and administration amount presented is from VA records of amounts processed, which showed \$7,105 more than the recorded expenditures in the Commission's database. For fiscal year 2002, the amount presented is from GSA records of amounts processed, which showed \$29,204 more than the recorded expenditures in the Commission's database.

^cThe Commission's contract with VA to provide payroll and accounting services for fiscal year 2003 totaled \$34,237; however, the Commission did not maintain support for the actual amounts paid.

^dThe Commission's contract with GSA to provide payroll and accounting services for fiscal year 2002 totaled \$46,513; however, the Commission did not maintain support for the actual amounts paid.

Fiscal Year 2003

In fiscal year 2003, the Commission received an appropriation of \$250,000. According to VA, the Commission also received cash donations of \$5,140 during fiscal year 2003. According to the Commission, it also received various in-kind donations—such as calendars, phone service, and Web site design and hosting at a value estimated by the Commission as approximately \$43,149 during fiscal year 2003. Office space was also donated, but the Commission did not provide an estimated value. The Commission did not record the cash donations or completely record in-kind donations received in fiscal year 2003.

We also found that the Commission did not reconcile its recorded expenditures to those processed by VA on behalf of the Commission. As a result, the Commission lacks assurance that its recorded expenditures are complete and accurate. Of the Commission's \$276,965 expenditures processed by VA for fiscal year 2003, \$164,366 was for the White House Liaison and Executive Director's salary and benefits. Of the remaining \$112,599 recorded by the Commission as spent on programs and administration for fiscal year 2003, \$61,320 was supported by documentation and \$51,279 lacked supporting documentation. Of the \$61,320 in supported transactions, \$13,075 did not have documentation indicating approval by management. (See table 1.) During our review, we noted expenditure transactions that were recorded more than once in the Commission's financial records and transactions that were not recorded at all.

Fiscal Year 2002

In fiscal year 2002, the Commission similarly lacked basic supporting documentation and reconciliation procedures for its expenditure transactions. For fiscal year 2002, the Commission received an appropriation of \$500,000. Because the funding was provided in January 2002, the Commission was operational for approximately 9 months of the fiscal year (January 10, 2002, through September 30, 2002). According to the Commission, it received no cash donations for fiscal year 2002 but did receive various in-kind donations—including office supplies, phone service, and Web site design and hosting at a value estimated by the Commission as approximately \$91,353. The Commission did not record the in-kind donations received in 2002 in its financial records. Of the \$235,205 in expenditures processed by GSA during fiscal year 2002, \$111,953 was for the White House Liaison and Executive Director's salary and benefits. Of the remaining \$123,252 recorded by the Commission for programs and administration, \$56,284 was supported by documentation and the remaining \$66,968 lacked documentation. Of the \$56,284 in supported transactions, \$10,415 did not have documentation indicating approval by management. (See table 1.)

Fiscal Years 2003 and 2002

For both fiscal years 2003 and 2002, basic internal controls did not exist for recording transactions and reconciling recorded transactions to funds received and expenditures. In addition, the majority of the Commission's fiscal year 2002 expenditures were not coded by expense category or obligation number. As a result, VA or GSA had to designate, without knowledge of the nature of the transactions, what type of expenditure was being made in each transaction. For both fiscal years 2003 and 2002, we noted that the Commission's financial records were not reconciled to the VA and GSA records, respectively. Without such basic internal controls as documentation, management approvals, complete transaction records, and reconciliation, the Commission does not have reasonable assurance that its financial information is complete and accurate, that its funds are being spent as intended, and that financial and programmatic decisions can be based on complete and accurate information. Retaining supporting documentation, such as invoices for goods or services purchased; management approval; and recording transactions are all basic internal control activities.

Because the financial records and documentation for fiscal years 2003 and 2002 were incomplete, unsupported, and not reconciled, we were not able to audit the Commission's financial records.

The Commission's difficulties in maintaining its financial records result, in part, from the lack of staffing and financial expertise. The only full-time employee is the White House Liaison and Executive Director. The Commission has had the assistance of several detailees from the military service branches and VA, as authorized by legislation; however, it has never had its full authorized staffing levels called for in its authorizing legislation, and except for one, the detailees assigned to the Commission did not serve the full period to which the military service branch or VA had committed. No Greater Love has loaned staff to the Commission, but the staff were generally short term and did not have a financial background.

Commission's Mission, Operations, and Use of Resources Overlap with Those of a Related Organization

The Commission lacks accountability for and internal control over its own transactions, as well as accountability and internal control over resources and activities it shares with No Greater Love. The Commission operates in the same location and with a similar purpose as No Greater Love. Both organizations share personnel and services and have cosponsored programs. However, the respective costs born by each entity in sponsoring programs have not been accounted for and documented clearly.

Even though the Act allows the Commission to be closely involved with entities in carrying out its duties, because the Commission receives federal appropriations, there is an increased fiduciary responsibility for all parties to account for the funds received and activities conducted. Without the clear accountability of each entity for its own activities and costs and without transparency in those activities and costs, donors and Congress are at risk of not knowing which programs their funds are supporting.

Matter for Congressional Consideration

Congress may wish to consider amending the National Moment of Remembrance Act to make the Commission an independent entity within VA. Retaining the Act's current provisions regarding the Commission's duties and powers, but placing the Commission within VA, would require VA to assume responsibility for the Commission's administrative functions. This would include maintaining the Commission's accounting records, processing the Commission's transactions, and performing personnel and payroll services. The Commission currently has an interagency agreement with VA for administrative services, but making the Commission an entity within VA could streamline this arrangement and make it more efficient. In addition, the Commission's mission of remembering those who have served the country is related to that of VA, and the two organizations could achieve synergy by working together on their complementary missions.

Recommendations for Executive Action

If Congress chooses not to act on the matter for congressional consideration, then in order to achieve basic accountability for, and internal control over, its transactions and properly account for related-party activities, we recommend that the White House Liaison and Executive Director of the Commission

- consider hiring a bookkeeping service on a part-time basis to help maintain the Commission's financial records, including producing year-end summaries and reconciliations;
- maintain a complete record or log of Commission financial transactions, including all appropriations, donations, revenues, obligations, and expenditures;

- develop and implement procedures to properly approve all invoices prior to payment;
- require that all invoices are properly coded to indicate type of expense on a timely basis;
- develop procedures to ensure that all transactions are supported by appropriate documentation;
- reconcile, at least monthly, the Commission's financial records or logs to the statements showing obligations and expenditures that were actually processed; and
- develop a clear accountability for expenditures⁸ related to the Commission's operations, including transactions with No Greater Love.

Agency Comments and Our Evaluation

We received written comments from the Executive Director and White House Liaison of the Commission and the Secretary of Veterans Affairs. These comments are reprinted in enclosures I and II, respectively. The Commission agreed with our recommendations for executive action and is taking initial steps to implement some of the recommendations. For example, the Commission is working to finalize procedures for processing, reviewing, and approving financial transactions and plans to retain an accountant to perform monthly financial reconciliations. In addition, the Commission has stated that in order to achieve better accountability for the two organizations, it will no longer cosponsor any programs with No Greater Love, and as of the end of June 2004, the Commission will no longer share office space with No Greater Love.

The Commission did not agree with the matter we raised for congressional consideration, that the Commission be made an independent entity within VA. The Commission stated that its mission requires it to work with numerous departments throughout the government and becoming an entity within VA might create the appearance of a conflict of interest. The Commission's Executive Director also believes that making the Commission an entity within VA would be limiting to the Commission's unique and specific mission and detrimental to its ability to meet changing demands and priorities. The Commission also expressed concern that the matter for congressional consideration does not ensure that it will receive resources—funds and people—necessary to accomplish its mission. The Commission also suggested that Congress may want to consider alternative methods for providing the Commission with resources and funding.

We agree that there are alternative methods for strengthening the Commission and providing resources to the Commission. We continue to believe that the alternative presented in this letter—making the Commission an independent entity within VA—is a viable and practical alternative. We believe that the Commission should work with both VA and its congressional stakeholders to arrive at mutually agreeable

⁸Expenditures related to office space, personnel, office equipment, and joint remembrance projects.

solutions for achieving accountability, streamlined administrative processes, appropriate staffing levels, and the autonomy needed to achieve the Commission's mission.

VA deferred to the Commission's views in regards to the matter for congressional consideration.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Appropriations and the House Committee on Appropriations; the Chairman of the White House Commission on the National Moment of Remembrance; the Secretary of Veterans Affairs; and other interested parties. This report will also be available on our home page at <http://www.gao.gov>.

If you or your staff have any questions, please contact me at (202) 512-9471 or by e-mail at franzelj@gao.gov or Julie T. Phillips, Assistant Director, at (202) 512-5121 or by e-mail at phillipsjt@gao.gov. Key contributors to this report were Kimberley A. McGatlin and Kara M. Scott.



Jeanette M. Franzel
Director
Financial Management and Assurance

Enclosures – 2

**Comments from the White House Commission
on the National Moment of Remembrance**

THE WHITE HOUSE
COMMISSION ON REMEMBRANCE
ESTABLISHED BY THE CONGRESS OF THE UNITED STATES

April 15, 2004

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 White House Commission on the National Moment of Remembrance for fiscal years 2002 and 2003.

The Commission generally concurs with GAO's recommendations. We particularly agree with GAO's recommendation emphasizing that the Commission must develop and implement "*basic financial record keeping and internal controls consider hiring accounting or bookkeeping assistance....*," and "*a clear accountability for expenditure... including transactions with No Greater Love*"

The Commission already has taken initial steps to achieve improved accountability over transactions and accounts for related-party activities. Besides working to finalize policies and procedures for processing, reviewing and approving transactions, the Commission will retain an accountant to perform monthly financial reconciliations. In addition, as of the end of June 2004, the White House Commission will not share the same office space as No Greater Love. Finally, while some No Greater Love staff will continue to donate time to support the Commission, No Greater Love will not co-sponsor any Commission programs.

We remain concerned that the matters identified for Congressional consideration are not adequate to ensure that the Commission receives the resources necessary to accomplish the mission outlined by the United States Congress. As noted in the report, the Commission's authorizing legislation specifies that six personnel, above the military rank of O3 or civilian grade GS-12, be detailed "to assist the Commission in carrying out this act." Nevertheless, the Commission has never been able to operate with a full authorization of staff. In fact, since its inception, the Commission has only had 1 of 6 detailees present full time. Despite repeated requests for detailees, the support envisioned by Congress has not been forthcoming.

For this reason, we feel the United States Congress may want to consider alternative methods for detailing resources or funding alternatives. For example, the Commission's authorizing legislation could be amended to provide that each military service branch, the Department of Veterans Affairs and Department of Education shall each detail a commissioned officer/employee, or may provide the Commission with an annual transfer of funds equivalent to salaries and benefits of a detailee. This would enable the Commission to be in a position to obtain full-time, committed personnel to accomplish its mission.

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Finally, the Commission does not agree with the recommendation that: "*Congress may wish to consider amending the National Moment of Remembrance Act to make the Commission an independent entity within VA...placing the Commission as an entity within VA could... make it more efficient.*" Public Law 106-579, establishes the Commission to be independent and requires it to work with numerous departments throughout the government, including, but not limited to, the Department of Defense, Department of Interior, Department of Education, and Department of Transportation. One of the primary reasons the Commission was established involves the over-arching nature of its mission and the fact that Memorial Day is not the responsibility of any single agency. Because of that fragmentation and due to the many other constituencies that other federal agencies serve, national polls have repeatedly demonstrated that focused efforts are necessary to enhance the Nation's understanding and commemoration of those who fought and died for our freedom. Accordingly, there could appear to be a conflict of interest if the Commission becomes an entity within the Department of Veterans Affairs, as it could be conceived as both limiting to our unique and specific mission, and detrimental to our ability to meet changing demands and priorities.

We would also like to note that the White House Commission on the National Moment of Remembrance is not the only Commission that has been established for similar reasons. For example, independent commissions have been established to guide and commemorate such important national events as the celebration of the discovery of North America, the development of important memorials, including the WWII Memorial, and the investigation of national disasters. Many, if not most, of these events could have been placed within existing federal agencies. However, as Congress did with the White House Commission on the National Moment of Remembrance, it chose to ensure that these activities were protected from special interests in favor of the broader concerns of all Americans.

Sincerely,



Carmella LaSpada
Executive Director and White House Liaison

Comments from the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON
April 15, 2004

Ms. Jeanette Franzel
Director
Financial Management and Assurance Team
U. S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Franzel:

The Department of Veterans Affairs (VA) has reviewed your draft report, ***Financial Management: Audit of the White House Commission on the National Moment of Remembrance for Fiscal Years 2003 and 2002*** (GAO-04-497R) and offers these comments.

VA and the Commission have complementary missions. VA's mission is to provide benefits and services to veterans. The Commission's mission is broader in scope, requiring it to work not only with VA, but with numerous departments throughout the government, including, but not limited to, the Department of Defense, Department of Interior, Department of Education, and Department of Transportation. It is VA's understanding that the White House Commission has serious concerns with any proposal for a statutory change that could potentially affect its independence. VA defers to the views of the Commission on this issue.

VA supports the spirit of GAO's recommendations for executive action. These recommendations, if implemented, would strengthen the Commission's financial records and improve its internal controls. Regarding the suggestion that Congress consider making the Commission an "independent entity within VA," the expression of any official departmental views would require prior coordination within the Executive branch.

VA appreciates the opportunity to review your draft report.

Sincerely yours,

A handwritten signature in black ink that reads "Anthony J. Principi".

Anthony J. Principi