



United States General Accounting Office
Washington, DC 20548

June 18, 2004

The Honorable John McCain
Chairman
The Honorable Ernest F. Hollings
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 for Fiscal Year 2003 and through May 19, 2004*

The Centennial of Flight Commission (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 commemorate the 100th anniversary of the Wright brothers' flight at Kitty Hawk, North Carolina, on December 17, 1903. 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 of the Commission's financial transactions for fiscal year 2003 and through May 19, 2004, with cumulative information since the Commission's inception. We previously reported the results of our audits on Commission financial transactions for fiscal years 1999 and 2000,¹ 2001,² and 2002.³ This will be our final audit of the Commission because, in accordance with Public Law 105-389, the Commission must issue its final report to the President and the Congress no later than June 30, 2004, after which it has 60 days to terminate its

¹ U.S. General Accounting Office, *Financial Management: Audit of the Centennial of Flight Commission*, GAO-02-43R (Washington, D.C.: Oct. 22, 2001).

² U.S. General Accounting Office, *Financial Management: Audit of the Centennial of Flight Commission for FY 2001*, GAO-02-730R (Washington, D.C.: June 21, 2002).

³ U.S. General Accounting Office, *Financial Management: Audit of the Centennial of Flight Commission for FY 2002*, GAO-03-888R (Washington, D.C.: July 31, 2003).

operations. The Commission issued its final report on April 20, 2004, and terminated its operations by June 1, 2004.

The Centennial of Flight Commemoration Act created the Commission and authorized appropriations to the Commission in specific amounts⁴ for fiscal years 1999 through 2004 (Public Law No. 105-389, 112 Stat. 3486, 3494). For fiscal years 1999 through 2001, the Congress provided in the annual appropriation for the Federal Aviation Administration (FAA) operations that either a specific amount or a minimum specified amount should be for the Commission. For fiscal years 2002 through 2004, FAA did not specifically receive an appropriation for the Commission. However, FAA allotted to the Commission \$900,000 in fiscal year 2002, \$900,000 in fiscal year 2003, and \$400,000 in fiscal year 2004 from its operations account, which was available to fund the Commission.

Results in Brief

We found that the Commission's 117 recorded obligations and expenditures during fiscal year 2003 and through May 19, 2004, were substantially supported by documentation that was approved by management. The Commission also recorded the receipt of payments under several licensing agreements for use of the logo of the Centennial of Flight Commission. The Commission recorded no other receipts for user fees, cash donations, or in-kind donations for fiscal year 2003 and through May 19, 2004. Additional financial transactions may occur after May 19, 2004, to fully close out Commission activities. The Commission also corrected three minor findings in its fiscal year 2002 records that we previously reported.

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 national and international participation and sponsorship by companies, governments, individuals, and organizations to commemorate 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 The Centennial of Flight Commemoration Act authorized \$250,000 for fiscal year 1999; \$600,000 for fiscal year 2000; \$750,000 for fiscal year 2001; \$900,000 for both fiscal years 2002 and 2003; and \$600,000 for fiscal year 2004.

(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.

For fiscal years 2003 and 2004, FAA made funds available to the Commission by allotment. Only the administrators of the National Aeronautics and Space Administration (NASA) or 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. FAA and NASA give the Commission personnel support and other services without charge. The Commission reimburses NASA for office space, printing, supplies, and equipment. NASA and FAA provide accounting services to the Commission, and FAA provided all procurement services to the Commission for fiscal years 2003 and 2004. The Commission recognizes expenditures when paid and revenue when received.

Scope and Methodology

We examined the Commission's 117 financial transactions (obligations, expenditures, and receipts) recorded during fiscal year 2003 and through May 19, 2004, for proper supporting documentation and management approval. Because we limited our examination to those transactions recorded for the Commission by FAA and NASA, the risk exists that there could be unrecorded transactions not included in our examination. We traced the recorded transactions to supporting documentation, including contracts, invoices, credit card receipts, travel vouchers, and copies of checks. FAA maintains all contracts and supporting documentation for the Commission's transactions. FAA and NASA processed all of the Commission's 117 obligation, expenditure, and receipt transactions recorded during fiscal year 2003 and through May 19, 2004.

We also obtained an understanding of the accounting procedures and related internal controls of the Commission, financial accounting services provided by the FAA operations office, and other services provided by NASA. We also performed procedures to determine whether Commission management had approved the transactions.

We performed our work in Washington, D.C., from March 2 through May 19, 2004, in accordance with U.S. generally accepted government auditing standards for performance audits. We requested comments on a draft of this report from the Executive Director of the Centennial of Flight Commission.

Fiscal Year 2002 Commission Records Were Corrected

We previously reported⁶ three minor findings in fiscal year 2002 Commission records that the Commission subsequently corrected. First, Commission records contained a minor error of \$937 where NASA underrecorded Commission travel expenses that NASA subsequently corrected. Second, we identified an internal control weakness over licensing agreements where the Commission did not monitor the timely receipt of fees in accordance with the agreements. The Commission subsequently developed a spreadsheet to track royalty payments. Finally, due to a lack of monitoring, we also discovered as of our May 30, 2003, review, that the Commission had not received any royalty payments for the quarters ended June 30, 2002, and September 30, 2002, from one licensee. The Commission subsequently contacted the licensee and on June 2, 2003, received a check for \$2,000 in royalty payments for the four quarters ended March 31, 2003.

Fiscal Year 2003 and 2004 Audit of Commission Financial Transactions

We found that the Commission's 117 recorded obligations and expenditures during fiscal year 2003 and through May 19, 2004, were substantially supported by documentation that was approved by management. In addition, the Commission recorded the receipt of several royalty payments under licensing agreements for the use of the logo of the Centennial of Flight Commission. The Commission recorded no other receipts for user fees, cash donations, or in-kind donations for fiscal year 2003 and through May 19, 2004.

From October 1, 2002, through May 19, 2004, the Commission expended \$88,810 to pay fiscal year 2001 obligations, \$417,398 to pay fiscal year 2002 obligations, \$506,149 to pay fiscal year 2003 obligations, and \$7,370 to pay fiscal year 2004 obligations. For fiscal year 2003, the Commission received from FAA's operations appropriation an allotment of \$900,000, less a rescission of \$5,850, and received \$8,100 in fees under a licensing agreement for the Commission's logo for total funding of \$902,250. For fiscal year 2004, the Commission received from FAA's operations appropriation an allotment of \$400,000 and received \$1,578 in fees under a licensing agreement for the Commission's logo for total funding of \$401,578. The Commission's obligations for fiscal year 2003 totaled \$880,130 and consisted of

- \$350,000 for services related to the Commission's Outreach Plan,
- \$230,000 for NASA Web site maintenance,
- \$169,349 for Web site enhancement,
- \$124,780 for NASA interagency reimbursable services, and
- \$6,001 for travel and miscellaneous expenses.

The Commission's obligations for fiscal year 2004 totaled \$140,591 and consisted of

- \$82,544 for NASA Web site maintenance,
- \$50,677 for NASA interagency reimbursable services, and
- \$7,370 for travel and miscellaneous expenses.

⁵ GAO-03-888R.

The schedule in table 1 presents the Commission's appropriations, receipts, obligations, and expenditures (cash outlays) for fiscal years 1999 through 2004 as of May 19, 2004.

Table 1: Centennial of Flight Commission Schedule of Appropriations, Receipts, Obligations, and Expenditures for Fiscal Years 1999 through 2004 as of May 19, 2004

Account	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Total as of May 19, 2004
Appropriations	\$250,000	\$600,000	\$748,350 ^a	\$900,000	\$894,150 ^a	\$400,000	\$3,792,500
Plus: Receipts	\$0	\$0	\$0	\$1,000 ^b	\$8,100 ^b	\$1,578 ^b	\$10,678
Less: Obligations	\$249,658	\$599,929	\$739,828	\$899,198	\$880,130	\$140,591	\$3,509,334
Unobligated ^c	\$342	\$71	\$8,522	\$1,802	\$22,120	\$260,987	\$293,844
Expenditures as of 5-19-04 (cash outlays)	\$249,658	\$595,312	\$725,609	\$896,551	\$506,149	\$7,370	\$2,980,649
Unexpended obligations	\$0	\$4,617	\$14,219	\$2,647	\$373,981	\$133,221	\$528,685

Source: Centennial of Flight Commission.

Note: Accounting data were received from the Commission but maintained by FAA on the Commission's behalf.

^aLess rescission of \$1,650 in fiscal year 2001 and \$5,850 in fiscal year 2003.

^bLicensing fee for Commission logo.

^cThese amounts are not available for new obligations but may be used to adjust existing obligations for up to 5 years when the account is closed and any remaining balance is canceled.

As noted in table 1 above, between unobligated and unexpended obligations, there remains \$822,529 of unliquidated obligations, including unbilled NASA web site maintenance and interagency reimbursable services for fiscal year 2004, that had not yet been billed. Therefore, additional expenditures, receipts, and deobligations may occur after May 19, 2004, to fully close out Commission financial activities.

Agency Comments

The Executive Director of the Centennial of Flight was provided with a draft copy of this report and indicated that it was accurate.

Copies of this report are available to interested parties and will also be accessible on our home page at <http://www.gao.gov>.

If you or your staffs have any questions, please contact me at (202) 512-6906 or williamsml@gao.gov or Roger R. Stoltz, Assistant Director, at (202) 512-9408 or stoltzr@gao.gov. A key contributor to this report was Deborah A. Silk.

A handwritten signature in cursive script that reads "McCoy Williams".

McCoy Williams
Director
Financial Management and Assurance