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U.S. MINT NUMISMATIC COIN PROGRAMS

Allegation of Additional Losses on the Olympic Commemorative Coin Program

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss our preliminary findings regarding an allegation about the U.S. Mint's Atlanta Olympic Commemorative Coin Program (Olympic Coin Program). The allegation claims that the Olympic Coin Program has lost approximately \$24.7 million, while the Mint has previously reported losses of only about \$2 million. You asked in April that we review the allegation to determine whether it is true.

We have not yet completed our work and, accordingly, caution that our results are only preliminary. Also, it is important to note that we are using figures provided by the Mint's financial management and cost accounting system. The reliability of that system has been criticized extensively over the past several years. The Mint has acknowledged this problem and has stated that it is developing a new system that is designed to integrate its finance, marketing, and manufacturing functions. Accordingly, we caution that figures we are citing today may not necessarily be accurate.

The Olympic Program

The Mint has two lines of manufacturing business. It manufactures circulating coins, which reportedly constituted 78 percent of its fiscal year 1996 revenues. The remaining 22 percent consisted of the manufacture of numismatic products for collectors including medals; proof coins; uncirculated coins; gold and silver bullion coins; and several commemorative coin programs, including the Olympic Coin Program.

The Olympic Coin Program is one of the largest and most complex commemorative coin programs ever managed by the Mint. The Mint was authorized to design a total of 32 Olympic Program coins and manufacture not more than approximately 18 million coins,¹ which later was reduced to not more than 13.3 million coins.² According to Mint records, it has produced 4.1 million Olympic coins, of which 1.8 million remain unsold.

The Olympic Coin Act provides that no coins shall be minted after December 31, 1996, but there is no date by which sales shall end. Mint officials informed us that the Mint is attempting to sell its remaining Olympic Program coins. For example, officials said that the Mint's fall sales catalog will include Olympic Program coins, and that the Mint is

¹Doug Barnard, Jr.—1996 Atlanta Centennial Olympic Games Commemorative Coin Act, Public Law 102-390, October 6, 1992.

²Public Law 104-74, December 26, 1995.

negotiating a bulk sale to the U.S. Olympic Committee for the coins' use as contributor gifts.

The Allegation

The quarterly report by the Mint provided to the subcommittee through March 1997 shows cumulative losses in the Olympic Coin Program of approximately \$2.8 million. According to the Mint's Chief Financial Officer, the Olympic Coin Program could lose at least another \$3.6 million if the Mint does not sell all of its remaining Olympic Program coins for a total potential loss of \$6.4 million.

An anonymous letter dated in March 1997 and addressed to the Treasurer of the United States stated that losses in the Olympic Coin Program were approximately \$24.7 million. The table below compares the allegation with Mint records.

Comparison of Alleged Losses to Mint Records

Dollars in millions	
Alleged Losses:	\$(24.7)
Mint Records:	
Cumulative reported losses	(2.8)
Unsold inventory	\$(15.5)
Less inventory loss allowance	3.5
Net unsold inventory	(12.0)
Less net metal salvage value	8.4
Additional potential losses ^a	(3.6)
Total reported and additional potential losses	(6.4)
Difference Between Alleged Losses and Mint Records	\$(18.3)

^aPotential losses if inventory remains unsold.

The \$3.6 million in additional potential losses beyond the \$2.8 million reported through March 1997 by the Mint consists of labor and overhead costs to manufacture the coins, the cost of melting down all the metal for reuse, and some Olympic imprinted packaging material. Although these additional potential losses are less than the \$24.7 million loss in the allegation, when added to the program's \$2.8 million cumulative loss previously reported to the subcommittee, they double Mint losses to a total of approximately \$6.4 million.

We are currently reviewing the remaining difference between the allegation and Mint records of \$18.3 million. At this point, more than one-half of the remaining difference appears to relate to packaging material, which according to the allegation was purchased specifically for the Olympic Coin Program. However, Mint officials contend that most of this packaging pertains either to other numismatic programs or can be used by other commemorative coin programs. Other remaining differences appear to relate to coin quantities and valuations, surcharges and shipping costs, and related general and administrative costs.

Recent Requirements to Improve the Mint's Financial Management

Recent legislation, coupled with new accounting principles for the federal government, provide a framework for improving the Mint's financial management. Public Law 102-390 required the Mint to prepare annual financial statements and to have them independently audited, beginning with fiscal year 1993. Also, Public Law 104-208, the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, required detailed quarterly accounting for commemorative coin programs authorized after September 30, 1996. Finally, Managerial Cost Accounting Concepts and Standards for the Federal Government are effective for the fiscal year 1997 Mint audit. If implemented properly, these requirements would provide more specific information regarding the results of individual coin programs. For example, the fiscal year 1994 through 1996 audits of the Mint's financial statements disclosed significant problems in the Mint's cost accounting system, and helped to form the basis for the Mint's decision to develop a new overall integrated financial management system.

Mr. Chairman, that concludes my prepared remarks for the record. I would be pleased to respond to any questions the subcommittee may have.

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