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June 28, 2018

The Honorable Orrin G. Hatch
President Pro Tempore of the United States Senate

The Honorable Mitch McConnell
Majority Leader
The Honorable Charles E. Schumer
Minority Leader
United States Senate

The Honorable Roy Blunt
Chairman
The Honorable Amy Klobuchar
Ranking Member
Committee on Rules and Administration
United States Senate

Senate Preservation Fund: Audit of Fiscal Years 2015, 2016, and 2017 Transactions

In November 1988, the Senate Commission on Art (Commission) was established and authorized to supervise, hold, place, protect, and make known all works of art, historical objects, and exhibits in the Senate wing of the United States Capitol; Senate office buildings; and in all rooms, spaces, and corridors thereof.¹ Subsequently, in September 2003, the Senate Preservation Fund (Fund) was established within the Department of the Treasury (Treasury).² The Fund is available to the Commission to fund the acquisition of works of art, historical objects, documents, and materials relating to historical matters, or exhibits in the Capitol and Senate office buildings, and certain related activities.³ The Library of Congress (Library) provides financial management and disbursing services and support to the Commission.⁴ GAO is required to audit the Fund and report the results to the Commission.⁵

¹The Commission was created as part of the Arizona-Idaho Conservation Act of 1988, Pub. L. No. 100-696, § 901, 102 Stat. 4571, 4610 (Nov. 18, 1988), *classified as amended at* 2 U.S.C. §§ 2101-2108.

²Pub. L. No. 108-83, 117 Stat. 1007, 1012 (Sept. 30, 2003), *classified as amended at* 2 U.S.C. § 2108 (c).

³The Fund is also available for official activities of advisory boards established to provide advice and assistance to the Commission; for specified purposes for which funds from the Senate contingent fund may be used; and for expenditures, not to exceed \$10,000 in any fiscal year, for meals and refreshments in Capitol facilities in connection with official activities of the Commission or other authorized programs and activities. 2 U.S.C. § 2108(c)(2).

⁴2 U.S.C. § 2108(c)(5).

⁵In 2012, the prior requirement for GAO to audit the Fund on an annual basis was amended to a periodic basis of at least once every 3 years, unless the Chairman or the Ranking Member of the Committee on Rules and Administration of the Senate or the Secretary of the Senate requests that an audit be conducted at an earlier date. Pub. L. No. 112-234, § 2(h), 126 Stat 1624, 1625 (Dec. 28, 2012), *classified at* 2 U.S.C. § 2108(c)(6).

This report presents the results of our audit of the Commission's transactions as recorded in the Fund during fiscal years 2015, 2016, and 2017. Our audit objectives were to determine to what extent (1) the Commission's and the Library's policies and procedures were documented and designed to help ensure that the Fund's recorded transactions would be authorized in advance, promptly and accurately accounted for, and supported and (2) the Commission and the Library executed Fund transactions for fiscal years 2015, 2016, and 2017 in accordance with these policies and procedures, as well as with applicable laws.

To address these objectives, we reviewed the Fund's enabling statute and the Commission's and the Library's documented operating, reporting, and oversight policies and procedures and compared them to applicable federal internal control standards to assess the adequacy of controls related to transaction authorization, prompt and accurate accounting, and documentation.⁶ We tested 100 percent of the Fund's transactions that were recorded during fiscal years 2015 through 2017 and reviewed related accounting records and supporting documentation to determine to what extent the documented policies and procedures were followed. To assess whether transactions were executed in compliance with laws considered significant to our audit objectives, we reviewed the relevant statutory requirements, supporting documentation, and accounting for all Fund transactions. See the enclosure for a more detailed discussion of our scope and methodology.

We conducted this performance audit from February 2018 to June 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

We found that the policies and procedures for the Commission's operations and oversight and the Library's operations and reporting were sufficiently documented, adequately designed, and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. For fiscal years 2015 through 2017, the Fund's recorded transactions consisted of 79 investment-related transactions and one operating-related disbursement transaction. There were also two operating-related receipt transactions during this period.⁷ We found that all transactions were executed in accordance with the Commission's and the Library's policies and procedures and that all transactions were in compliance with applicable laws that we deemed significant to the objectives of our audit. In addition, the Commission and the Library followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁷The two operating receipt transactions were reimbursements of overpayments identified in our prior audit report. See GAO, *Senate Preservation Fund: Audit of Fiscal Years 2013 and 2014 Transactions*, [GAO-15-587R](#) (Washington, D.C.: June 17, 2015).

Background

The Commission was established on November 18, 1988, to supervise, hold, place, protect, and make known all works of art, historical objects, and exhibits in the Senate wing of the Capitol and Senate office buildings and in all rooms, spaces, and corridors thereof. The Commission is made up of five U.S. senators—the President Pro Tempore of the Senate, the Majority and Minority Leaders of the Senate, and the Chairman and Ranking Member of the Senate Committee on Rules and Administration.⁸

In September 2003, the Fund was established within Treasury and appropriated—by transfer from the contingent fund of the Senate—\$500,000 in initial funding. The Fund is available to the Commission to pay for expenses associated with

- acquisition of any work of art, historical object, document, or material related to historical matters or exhibit for placement or exhibition within the Senate wing of the Capitol and Senate office buildings;
- official activities of advisory boards established to advise and assist the Commission;
- meals and refreshments, subject to limitation, in connection with official activities of the Commission; and
- any purposes for which funds from the contingent fund of the Senate may be used under 2 U.S.C. § 2107(a).⁹

Table 1 provides a historical perspective of the Fund’s financial transactions from fiscal years 2008 through 2014. During this period, the Fund’s transactions consisted primarily of investments and disbursements for activities related to the Commission’s advisory boards¹⁰ and for the purchase of artwork in 2011.¹¹

Table 1: Summary of Total Recorded Senate Preservation Fund (Fund) Transactions and Balances from Fiscal Years 2008 through 2014

Fiscal year	Beginning Fund balance (dollars)	Operating-related (dollars)		Investment-related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2008	565,615	33,293	0	16,004	548,326
2009	548,326	1,966	10	3,437	549,807
2010	549,807	3,308	0	1,104	547,603
2011	547,603	80,125	0	784	468,262

⁸2 U.S.C. § 2101(a).

⁹In addition to these purposes, in May 2017 the statute establishing the Fund was amended to provide authority for the Commission to transfer amounts in the Fund to the Architect of the Capitol for individual conservation or restoration projects estimated to cost greater than \$100,000 for the cost of conservation or restoration, in whole or in part, by the Architect of the Capitol of works of art, historical objects, documents, or material relating to historical matters placed or exhibited, or to be placed or exhibited, within the Senate wing of the United States Capitol or any Senate Office Building. Pub. L. No. 115-31, div. I, title I, § 2, 131 Stat. 571 (May 5, 2017), *classified at* 2 U.S.C. § 2108(c)(3)(D).

¹⁰Disbursements related to the Commission’s advisory board activities consisted primarily of travel expenses.

¹¹See GAO, *Senate Preservation Fund: Audit of Fiscal Years 2011 and 2012 Transactions*, [GAO-13-490R](#) (Washington, D.C.: May 1, 2013).

Fiscal year	Beginning Fund balance (dollars)	Operating-related (dollars)		Investment-related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2012	468,262	0	0	440	468,702
2013	468,702	0	0	456	469,158
2014	469,158	5,563	0	228	463,823

Source: GAO analysis of Senate Preservation Fund data. | GAO-18-525R

On behalf of the Commission, the Commission’s Executive Secretary and staff provide operational support and assistance for activities that the Fund finances, including managing and overseeing the authorization, approval, and processing of operating disbursements and amounts that the Commission receives for deposit to the Fund. The Executive Secretary is responsible for ensuring that (1) Fund transactions are authorized, supported by documentation, and in accordance with applicable laws and (2) related policies and procedures and internal controls are established and followed.¹²

The Library is to provide financial management and disbursing services and support to the Commission as may be required and mutually agreed to by the Librarian of Congress and the Commission’s Executive Secretary.¹³ The Library’s principal services and support include investing funds not needed for current withdrawal, processing receipt and disbursement transactions, and developing and maintaining the Fund’s accounting records and related support.¹⁴ The Library, through its Chief Financial Officer, is also responsible for ensuring that appropriate policies, procedures, and internal controls related to its service and support to the Commission are established, documented, and followed. During the period covered by our audit, the Fund activity that the Library processed consisted of investment and operating-related receipt and disbursement transactions.

The Commission’s and Library’s Operating, Reporting, and Oversight Policies and Procedures Were Sufficiently Documented and Adequately Designed

For fiscal years 2015 through 2017, the policies and procedures for the Commission’s operations and oversight and the Library’s operations and reporting were sufficiently documented, adequately designed, and consistent with applicable federal internal control standards to help ensure that the Fund’s receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. The Commission’s operating and oversight policies are contained in statutes, a Commission delegation letter, the *United States Senate Acquisition Policy*, and a memorandum from the Commission to the Library. The Library’s operating and reporting policies and procedures are contained in (1) an accounting directive for the Fund providing documented procedures for

¹²Federal internal control standards recognize that an entity’s management is responsible for designing and implementing appropriate internal controls to achieve objectives related to the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. An entity’s management is also responsible for monitoring and evaluating the effectiveness of internal control. See [GAO-14-704G](#).

¹³2 U.S.C. § 2108(c)(5).

¹⁴All fund assets not needed for current withdrawal are required to be invested in Treasury securities. The Commission determines the amount of funds that are not needed for current withdrawal. In this instance, the Commission has determined, and its procedures require, that \$250 of the fund assets not be invested in Treasury securities and be available for current withdrawal. 2 U.S.C. § 2108(c)(4)(A).

processing receipts, (2) a payment directive providing procedures for disbursements, and (3) standard operating procedures documenting the Library's investment procedures supporting the Fund.

Fund Activity for Fiscal Years 2015 through 2017

The Fund's recorded transactions for fiscal years 2015 through 2017 consisted of 79 investment and one operating-related disbursement transactions. There were also two operating-related receipt transactions during this period that related to reimbursements from overpayments identified in our prior audit report.¹⁵ The Fund's investment-related transactions consisted of 39 purchases of investments and 40 redemptions of investments. In addition, there was one operating-related disbursement from the Fund in fiscal year 2016 for activities related to the Commission's Curatorial Advisory Board.¹⁶ Table 2 summarizes the Fund's financial transactions covering fiscal years 2015 through 2017, as recorded by the Library.

Table 2: Summary of Total Recorded Senate Preservation Fund (Fund) Transactions and Balances for Fiscal Years 2015 through 2017

Fiscal year	Beginning Fund balance (dollars)	Operating-related (dollars)		Investment-related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2015	463,823	0	262	179	464,264
2016	464,264	192	0	1,349	465,421
2017	465,421	0	0	2,942	468,363

Source: GAO analysis of Library of Congress records for the Senate Preservation Fund. | GAO-18-525R

Commission Policies and Procedures for Fund Operations and Oversight

We found that the Commission's operating and oversight policies and procedures were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. Following are examples of these policies and procedures.

- **Receipts:** The Commission's documented policies and procedures for receipts provide that the Commission may accept gifts of money and that any such gifts must be deposited in the Fund's account at Treasury.
- **Disbursements:** The Commission's documented policies and procedures for disbursements provide that disbursements may only be made for (1) costs incurred in carrying out the purposes of the Commission, (2) official activities of advisory boards, and (3) the acquisition of works of art and historical objects or any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a). The policies and procedures also provide that disbursements over \$10,000 from the Fund are to be made using vouchers approved by the Commission and signed by the Executive Secretary of the Commission. Furthermore, the

¹⁵See [GAO-15-587R](#).

¹⁶The Commission's Curatorial Advisory Board provides advice and assistance to the Commission on the acquisition, care, and disposition of items for or within the United States Senate Collection, and on such other matters as the Commission determines appropriate.

policies and procedures provide that disbursements under \$10,000 are to be made using vouchers approved by the Commission's Executive Secretary.

- **Investments:** The Commission's documented policies and procedures for investments provide that any portion of the Fund that is not needed to meet current withdrawals is to be invested in an interest-bearing obligation of the United States or an obligation guaranteed as to principal and interest by the United States.
- **Oversight:** The Commission's documented policies and procedures for oversight establish required steps for how acquisitions, gifts, disbursements, communication, and investments are to be processed and accounted for at the Commission and the Library.

Library Policies and Procedures Supporting Fund Operations and Reporting

We found that the Library's operating and reporting policies and procedures were sufficiently documented and adequately designed and consistent with applicable federal internal control standards to help ensure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. Following are examples of these policies and procedures.

- **Receipts:** The Library's accounting directive contains procedures for processing operating-related receipt transactions, such as depositing checks or similar instruments in the Fund at the Treasury.
- **Disbursements:** The Library has a payment directive that documents its procedures for paying vendors on behalf of the Commission. The directive establishes required steps that the Library should follow to help ensure that Fund payments are properly authorized, accurate, approved, recorded, and made on a timely basis. The directive also requires the Library to have the appropriate segregation of duties between authorizing, approving, and recording payments.
- **Investments:** The Library's standard operating procedures establish the required steps staff should follow to help ensure that investment transactions would be authorized in advance, promptly and accurately accounted for, and supported. Specifically, the procedures outline the detailed responsibilities of staff members and reviewers when preparing and reviewing investment transactions.
- **Reporting:** The Library's accounting directive and standard operating procedures for the Fund contain policies and procedures for reporting to the Commission on a quarterly basis. The directive and standard operating procedures provide that pertinent information, such as Fund transaction activities, be reported in a form and time frame that enables those who need the information to carry out their responsibilities efficiently and effectively.

Fund Transactions Were Executed in Accordance with Applicable Policies, Procedures, and Laws

We found that all of the investment and operating-related transactions were executed in accordance with the Commission's and the Library's policies and procedures and that all transactions were in compliance with applicable laws that we deemed significant to the objectives of our audit. In addition, the Commission and the Library followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

Compliance with Investment Policies and Procedures

We found that all of the investment transactions were executed in accordance with the Library's investment procedures.

Compliance with Operating-Related Disbursement Policies and Procedures

We found that the one operating-related disbursement of \$192 from the Fund in fiscal year 2016, which related to an advisory board member's travel, was executed in accordance with the Library's disbursement procedures.

Compliance with Oversight and Reporting Policies and Procedures

We found that the Commission's oversight policies and procedures and the Library's reporting policies and procedures over the activity that occurred during the period were followed. The Library's financial management services on behalf of the Fund include reporting to the Commission on the activity of the Fund. During the period covered by our audit, the Library provided the Commission quarterly financial reports, which enabled the Commission to monitor the Fund's financial activity.

Compliance with Significant Laws for Recorded Transactions

Management is responsible for complying with applicable laws. In reviewing the Fund's transactions, we determined that there were three statutory provisions within the enabling statute related to our audit objectives. The three statutory provisions we identified involved (1) investment of Fund assets, (2) use of Fund assets, and (3) required approvals for Fund disbursements. We found that all of the Fund's transactions complied with the applicable provisions, as described below.

- **Investment of Fund assets.** Pursuant to the Fund's enabling statute, Fund assets not needed to meet current withdrawals are to be invested in interest-bearing obligations of the United States or obligations guaranteed as to principal and interest by the United States that, as determined by the Commission, have maturity suitable for the Fund.¹⁷ Our review of the recorded transactions of the Fund found that each of the Fund's 39 investment purchases complied with this provision.
- **Use of Fund assets.** Under the Fund's enabling statute, Fund assets are available to the Commission for various purposes, including the acquisition of works of art and historical objects, official activities of the Commission's advisory boards, and any purposes for which the contingent fund of the Senate is available under 2 U.S.C. § 2107(a).¹⁸ Our review of the recorded transactions of the Fund during the period covered by our audit found that the Fund's operating disbursement related to Commission advisory board activities was consistent with the purposes for which assets in the Fund were made available to the Commission.
- **Required approvals for use of Fund assets.** Under the Fund's enabling statute, disbursements from the Fund are to be made on vouchers approved by the Commission and signed by the Executive Secretary of the Commission.¹⁹ In December 2008, the Commission delegated the authority to approve disbursements under \$10,000 for expenses and vouchers consistent with purposes of the Fund to the Commission's Executive Secretary. During the period covered by our audit, the Fund's one operating-related disbursement related to Commission advisory board activities was under \$10,000 and was made on a voucher that the Commission's Executive Secretary approved.

¹⁷2 U.S.C. § 2108(c)(4).

¹⁸2 U.S.C. § 2108(c)(2).

¹⁹2 U.S.C. § 2108(c)(3)(C).

Agency Comments

We provided a draft of this report to the Chief Financial Officer of the Library of Congress and the Secretary of the Senate. The Library's Chief Financial Officer concurred with the draft report's findings and conclusions in an email. In addition, the Secretary of the Senate concurred with the draft report's findings and conclusions in an email.

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We are sending copies of this report to the Secretary of the Senate and the Chief Financial Officer of the Library of Congress. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-2623 or davisbh@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report include Joseph O'Neill (Assistant Director), Mai Nguyen (Auditor-in-Charge), Mark Cheung, Jared Minsk, and Randy Voorhees.



Beryl H. Davis
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Enclosure

Enclosure: Scope and Methodology

To determine to what extent policies and procedures were adequately designed, we reviewed the Senate Commission on Art's (Commission) and the Senate Preservation Fund's (Fund) enabling statute, federal internal control standards,²⁰ and the Commission's and the Library of Congress's (Library) relevant policies and procedures. We also met with staff from the Commission and from the Library's Office of the Chief Financial Officer to discuss the nature and extent of the Fund's financial transaction operating, reporting, and oversight procedures; available supporting documentation; and accounting records. We used our discussions with Commission and Library staff, and our review of policies and procedures and available supporting documentation, to determine to what extent the policies and procedures were designed to help ensure that the Fund's transactions would be authorized in advance, promptly and accurately accounted for, and supported. We also considered whether the policies and procedures were consistent with federal internal control standards.

To determine to what extent the operating, reporting, and oversight policies and procedures were being followed at the Commission and the Library, we conducted meetings with staff from the Commission and the Library, traced and agreed subsidiary records to the Library's trial balance, traced and agreed the Library's trial balance to the Department of the Treasury's (Treasury) Governmentwide Accounting (GWA) Account Statements,²¹ tested 100 percent of the Fund's transactions that were recorded during fiscal years 2015 through 2017, and reviewed related accounting records and supporting documentation. Furthermore, we verified the Library's recorded transactions with the Treasury FedInvest Transaction History Reports.²² In addition, we reviewed documentation supporting communications between and among Library and Commission staff regarding recorded transactions and activities of the Fund. We also considered applicable federal internal control standards when reviewing supporting documentation related to these activities.

We reviewed applicable laws and regulations to determine if any were significant to our audit objectives. We concluded that there were three statutory provisions within the enabling statute related to the objectives of our performance audit. The three statutory provisions we identified involved (1) investment of Fund assets, (2) use of Fund assets, and (3) required approvals for Fund disbursements. To assess whether transactions were executed in compliance with laws considered significant to our audit objectives, we reviewed the relevant statutory requirements, supporting documentation, and accounting for all Fund transactions. We did not identify any regulations we considered significant to our audit objectives.

We conducted this performance audit from February 2018 to June 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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²⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

²¹The GWA Account Statements provide the Fund's balance and transaction information at Treasury and were used to verify the Library's records of Fund transactions.

²²Treasury maintains the Fund's transaction records, which provided third-party verification of the Library's records of Fund transactions.