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## Accessible Version

June 30, 2021

The Honorable Patrick J. Leahy  
President Pro Tempore of the United States Senate

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

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

## Senate Preservation Fund: Audit of FY 2018, 2019, and 2020 Transactions

Congress established the Senate Preservation Fund in September 2003 within the U.S. Treasury.<sup>1</sup> The Fund is available to the Senate Commission on Art 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.<sup>2</sup> The Library of Congress is to provide the Commission with financial-management and disbursing services and support.<sup>3</sup> The law requires GAO to audit the Fund and report the results to the Commission.<sup>4</sup>

This report presents the results of our audit of the Commission's transactions as recorded in the Fund during fiscal years 2018, 2019, and 2020. 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 reasonably assure that the Fund's recorded transactions would be authorized in advance, promptly and accurately accounted for, and supported and (2) the Commission and

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<sup>1</sup>Pub. L. No. 108-83, 117 Stat. 1007, 1012 (Sept. 30, 2003), *classified as amended at* 2 U.S.C. § 2108(c).

<sup>2</sup>The 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).

<sup>3</sup>2 U.S.C. § 2108(c)(5).

<sup>4</sup>In 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).

the Library executed Fund transactions for fiscal years 2018, 2019, and 2020 in accordance with policies and procedures, as well as with applicable laws.

To address these objectives, we reviewed the Commission's and the Fund's enabling statutes and the Commission's and the Library's documented operating, reporting, and oversight policies and procedures. We compared them with applicable federal internal control standards to assess the adequacy of controls related to transaction authorization, prompt and accurate accounting, and documentation.<sup>5</sup> We tested 100 percent of the Fund's transactions that were recorded during fiscal years 2018, 2019, and 2020, by reviewing 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 March 2021 to June 2021 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 reasonably assure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. For fiscal years 2018, 2019, and 2020, the Fund's recorded transactions consisted of 42 investment-related transactions resulting in \$24,429 in interest received. There were no operating-related receipt or disbursement transactions during this period. 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 generally followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

### Background

Congress authorized the Commission 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.<sup>6</sup>

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<sup>5</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

<sup>6</sup>Section 901 of Pub. L. No. 100-696, 102 Stat. 4571, 4610 (Nov. 18, 1988) created the Commission by amending and enacting into law Senate Resolution, S. Res. 382, 90th Cong. (1968). With subsequent amendments, the law governing the Commission is now classified at 2 U.S.C. §§ 2101-2108.

Congress established the Fund in September 2003 within the U.S. 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).<sup>7</sup>

Table 1 provides a historical perspective of the Fund’s financial transactions from fiscal years 2008 through 2017. During this period, the Fund’s transactions consisted primarily of investments and disbursements for activities related to the Commission’s advisory boards<sup>8</sup> and for the purchase of artwork in 2011.<sup>9</sup>

**Table 1: Summary of Total Recorded Senate Preservation Fund Transactions and Balances from Fiscal Years 2008 through 2017**

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
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
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 Senate Preservation Fund data. | GAO-21-566R

<sup>7</sup>In 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).

<sup>8</sup>Disbursements related to the Commission’s advisory board activities consisted primarily of travel expenses.

<sup>9</sup>See GAO, *Senate Preservation Fund: Audit of Fiscal Years 2011 and 2012 Transactions*, [GAO-13-490R](#) (Washington, D.C.: May 1, 2013).

The Commission's Executive Secretary and staff provide operational support and assistance on behalf of the Commission for activities the Fund finances, including managing and overseeing the authorization, approval, and processing of operating disbursements and amounts 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, procedures, and internal controls are established and followed.<sup>10</sup>

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.<sup>11</sup> 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.<sup>12</sup> The Library, through its Chief Financial Officer, is also responsible for establishing, documenting, and following appropriate policies, procedures, and internal controls related to its service and support to the Commission.

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

For fiscal years 2018, 2019, and 2020, 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 reasonably assure 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 and procedures 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 processing receipts, (2) a payment directive providing procedures for disbursements, and (3) standard operating procedures documenting the Library's investment procedures supporting the Fund.

#### 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 reasonably assure that the Fund's receipts, disbursements, and

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<sup>10</sup>Federal 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](#).

<sup>11</sup>2 U.S.C. § 2108(c)(5).

<sup>12</sup>All 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).

investments would be authorized in advance, promptly and accurately accounted for, and supported. The following are examples of these policies and procedures.

- **Receipts:** The Commission's documented policies and procedures over 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, while 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 over 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 oversight policies and procedures establish how the Commission and the Library are to process and account for acquisitions, gifts, disbursements, communications, and investments.

#### 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 reasonably assure that the Fund's receipts, disbursements, and investments would be authorized in advance, promptly and accurately accounted for, and supported. The 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 Treasury.
- **Disbursements:** The Library has a payment directive that documents its procedures for paying vendors on behalf of the Commission. The directive establishes steps the Library should follow to reasonably assure 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 reasonably assure that investment transactions would be authorized in advance, promptly and accurately accounted for, and supported. Specifically, the procedures outline the staff members' and reviewers' detailed responsibilities 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, and provide that pertinent information, such as Fund transaction activities, be reported in a form and timeframe 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 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.<sup>13</sup> In addition, the Commission and the Library generally followed their respective oversight and reporting policies and procedures over the activity that occurred during the period.

Fund Activity for Fiscal Years 2018, 2019, and 2020

The Fund’s recorded transactions for fiscal years 2018, 2019, and 2020 consisted of 42 investment-related transactions, which resulted in a total of \$24,429 interest received from investments and an ending Fund balance of \$492,792 at the end of fiscal year 2020. There were no operating-related receipt or disbursement transactions. The Fund’s investment-related transactions consisted of 21 purchases of investments and 21 redemptions of investments. Table 2 summarizes the Fund’s financial transactions covering fiscal years 2018, 2019, and 2020, as recorded by the Library.

**Table 2: Summary of Total Recorded Senate Preservation Fund Transactions and Balances for Fiscal Years 2018, 2019, and 2020**

Fiscal year	Beginning Fund balance (dollars)	Operating related (dollars)		Investment related (dollars)	Ending Fund balance (dollars)
		Disbursements	Receipts	Interest received from investments	
2018	468,363	0	0	6,679	475,042
2019	475,042	0	0	11,424	486,466
2020	486,466	0	0	6,326	492,792

Source: GAO analysis of Library of Congress records for the Senate Preservation Fund. | GAO-21-566R

Compliance with Investment Policies and Procedures

We found that all of the investment transactions were executed in accordance with the Commission’s and Library’s investment policies and 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, which consisted solely of investment transactions, were generally followed. The Library’s financial-management services on behalf of the Fund include reporting to the Commission on the Fund’s activity. During the period covered by our audit, the Library provided the Commission with quarterly financial reports, which enabled the Commission to monitor the Fund’s financial activity. However, for the quarter ending December 31, 2017, the Library was unable to provide documentation showing that it sent a report to the Commission.

<sup>13</sup>There were no operating-related receipt or disbursement transactions during the period covered by our audit. Thus, we could not test the implementation of the Commission’s and the Library’s policies and procedures for operating-related receipts and disbursements.

## Compliance with Significant Laws for Recorded Transactions

In reviewing the Fund's transactions, we identified three statutory provisions within the enabling statutes related to our audit objectives, which 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.<sup>14</sup> Our review of the recorded transactions of the Fund found that each of the Fund's 21 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).<sup>15</sup> During the period covered by our audit, no funds were used other than for purchases of investments.
- **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.<sup>16</sup> 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, no funds were used for the purposes stated in the previous paragraph and, therefore, no approvals for the use of the Fund assets were needed.

## 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 for review and comment. They responded that they had no comments on our report.

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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 <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2623 or [davisbh@gao.gov](mailto: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 Mai Nguyen

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<sup>14</sup>2 U.S.C. § 2108(c)(4).

<sup>15</sup>2 U.S.C. § 2108(c)(2).

<sup>16</sup>2 U.S.C. § 2108(c)(3)(C).

(Assistant Director), Nicole Dow (Auditor-in-Charge), Umesh Basnet, Tabitha FitzGibbon, Juan Garay, and Nizar Lalani.

A handwritten signature in cursive script that reads "Beryl H. Davis". The signature is written in black ink on a white background.

Beryl H. Davis  
Director  
Financial Management and Assurance

Enclosure



## Enclosure: Objectives, Scope, and Methodology

To determine to what extent the Senate Commission on Art's and the Library of Congress's policies and procedures were documented and designed to reasonably assure that the Senate Preservation Fund's recorded transactions would be authorized in advance, promptly and accurately accounted for, and supported, we reviewed the enabling statutes for the Commission and the Fund, and the Commission's and the Library's documented operating, reporting, and oversight policies and procedures. We compared them with applicable federal internal control standards to assess the adequacy of controls related to transaction authorization, prompt and accurate accounting, and documentation. 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 documented and designed to reasonably assure that the Fund's recorded transactions would be authorized in advance, promptly and accurately accounted for, and supported.

To determine to what extent the Commission and the Library executed Fund transactions for fiscal years 2018, 2019, and 2020 in accordance with policies and procedures, we (1) traced and agreed subsidiary records to the Library's trial balance, and (2) traced and agreed the Library's trial balance to the Department of the Treasury's Governmentwide Accounting Account Statements.<sup>17</sup> We also tested 100 percent of the Fund's transactions that were recorded during fiscal years 2018, 2019, and 2020, by reviewing related accounting records and supporting documentation to determine if the Fund's recorded transactions were authorized in advance, promptly and accurately accounted for, and supported. Furthermore, we verified the Library's recorded transactions with the Treasury FedInvest Transaction History Reports.<sup>18</sup> In addition, we reviewed documentation supporting communications between and among Library and Commission staff regarding recorded transactions and activities of the Fund.

We reviewed applicable laws to determine if any were significant to our audit objectives, and identified three statutory provisions within the enabling statutes related to the objectives, which 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 conducted this performance audit from March 2021 to June 2021 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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<sup>17</sup>The Account Statements provide the Fund's balance and transaction information at Treasury and were used to verify the Library's records of Fund transactions.

<sup>18</sup>Treasury maintains the Fund's transaction records, which provided third-party verification of the Library's records of Fund transactions.