



GAO

Accountability * Integrity * Reliability

United States General Accounting Office
Washington, DC 20548

June 21, 2002

The Honorable Ernest F. Hollings
Chairman
The Honorable John McCain
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 FY 2001

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 that occurred 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 fiscal year 2001 financial transactions, with cumulative information since the Commission's inception. We previously reported the results of our audit on Commission financial transactions for fiscal years 1999 and 2000.¹

Results in Brief

We found that all 156 of the Commission's recorded obligations and expenditures during fiscal year 2001 were supported by documentation that was approved by management. The Commission recorded no donations, user fees, or in-kind donations for fiscal year 2001.

¹ *Financial Management: Audit of the Centennial of Flight Commission* (GAO-02-43R, Oct. 22, 2001).
Page 1

Report Documentation Page

Report Date 21JUN2202	Report Type N/A	Dates Covered (from... to) -
Title and Subtitle Financial Management: Audit of the Centennial of Flight Commission for FY 2001	Contract Number	
	Grant Number	
	Program Element Number	
Author(s)	Project Number	
	Task Number	
	Work Unit Number	
Performing Organization Name(s) and Address(es) U.S. General Accounting Office 441 G Street NW, Room LM Washington, D.C. 20548	Performing Organization Report Number GAO-02-730r	
	Sponsoring/Monitoring Agency Name(s) and Address(es)	
		Sponsor/Monitor's Acronym(s)
		Sponsor/Monitor's Report Number(s)
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes		
Abstract see report		
Subject Terms		
Report Classification unclassified	Classification of this page unclassified	
Classification of Abstract unclassified	Limitation of Abstract SAR	
Number of Pages 8		

We also found that the Commission's financial records for fiscal year 2001 contained some minor errors that went unnoticed due to a lack of complete records being maintained by the Commission, as well as the Federal Aviation Administration (FAA) and the National Aeronautics and Space Administration (NASA) who provide administrative support to the Commission. We are making recommendations to the Commission to correct these errors and to maintain a complete record or log of Commission financial transactions. The Commission agreed with our recommendations.

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) 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.

The Congress provided the Commission with specific budgetary authority as part of the appropriation for FAA operations for fiscal year 2001 and FAA made the funds available to the Commission by allotment. Only the administrators of 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

on behalf of the Commission for fiscal year 2001. The Commission recognizes expenditures when paid.

Scope and Methodology

We examined all of the Commission's financial transactions (obligations and expenditures) recorded during fiscal year 2001 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, purchase orders, invoices, credit card statements, and travel vouchers. The FAA maintains all contracts and supporting documentation for the Commission's transactions. FAA and NASA processed all of the Commission's 156 obligation and expenditure transactions recorded during fiscal year 2001.

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., in March and April 2002 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 and received a written response from Commission which incorporated views from FAA and NASA. Those comments are summarized in a later section and are included as an enclosure to this report.

Audit of Commission Financial Transactions

We found that all 156 of the Commission's recorded obligations and expenditures during fiscal year 2001 were supported by documentation that was approved by management. The Commission recorded no donations, user fees, or in-kind donations for fiscal year 2001.

The schedule in table 1 below presents the Commission's appropriations, obligations, unobligated amounts, and expenditures for cash outlays for fiscal years 1999 through 2001.

Table 1: Centennial of Flight Commission Schedule of Appropriations, Obligations, and Expenditures for Fiscal Years 1999 through 2001 as of September 30, 2001

	Fiscal year 1999	Fiscal year 2000	Fiscal year 2001	Total
Appropriations	\$250,000	\$600,000	\$748,350	\$1,598,350
Less: obligations (contractual)	\$249,658	\$599,929	\$744,828	\$1,594,415
Underobligated (overobligated)	\$342	\$71	\$3,522	\$3,935
Expenditures as of September 30, 2001 (cash outlays)	\$249,658	\$508,444	\$19,552	\$777,654
Unexpended obligations	\$0	\$91,485	\$725,276	\$816,761

Source: Centennial of Flight Commission accounting data received from the Commission but maintained by the FAA on behalf of the Commission, as adjusted for errors detected during our audit.

During fiscal year 2001 the Commission corrected an overobligation of \$29,729 that we previously reported for fiscal year 2000, which is discussed later in this report. The Commission also expended \$501,961 to pay fiscal year 2000 obligations.

In fiscal year 2001, the Commission received an allotment of \$750,000 from the FAA operations appropriation. This allotment was subject to a .22 percent rescission for the fiscal year, reducing the Commission's allotment to \$748,350. The Commission's obligations for fiscal year 2001 totaled \$744,828, and consisted of:

- \$300,000 for services related to the Commission's Outreach Plan,
- \$122,387 for NASA interagency reimbursable services,
- \$105,500 for online presentations of the Wright brothers' wind tunnel, 1899 and 1901 gliders, and 1903 flyer,
- \$60,000 for a Centennial of Flight website enhancement,
- \$52,000 for a modification of a fiscal year 2000 contract for website maintenance,
- \$31,800 for a modification of a fiscal year 2000 contract to develop timeline and essay content for the website,
- \$20,600 for contractor services by the Library of Congress (LOC) to complete a bibliography of the Wright brothers and convert their flight logs to electronic format,
- \$15,450 for LOC update of bibliographical records of the Wright brothers,
- \$10,450 for videos of 1899, 1900, and 1901 glider models,
- \$10,300 for projects from the Wright Brothers Aeroplane Company,
- \$6,000 for materials to construct a half-size glider,
- \$5,341 for travel and miscellaneous expenses, and
- \$5,000 for a virtual reality flight simulation website.

As of September 30, 2001, only \$19,552 had been expended against the above obligations.

Weakness in Commission Internal Control

As we previously reported,¹ the Commission's obligations exceeded its appropriation by \$29,729 in fiscal year 2000, which caused the Commission to be in violation of the Antideficiency Act.² In response to the recommendations in our previous report, the FAA subsequently reported the violation of the Antideficiency Act as required by Office of Management and Budget Circular No. A-34, *Instructions on Budget Execution*, and corrected the overobligation by deobligating \$29,800 of Commission fiscal year 2000 funds and obligating \$29,800 of Commission fiscal year 2001 funds. The Commission and FAA also adjusted their records to properly account for the two transactions that caused the overobligation.

We found that the Commission's financial records for fiscal year 2001 contained some minor errors. Specifically, the Commission's actual travel expenditures were understated by a net amount of \$957 because of two transactions where the amount paid by NASA was not recorded and several transactions where the amount paid by NASA was incorrectly recorded. We also found that a NASA interagency agreement totaling \$122,387 was overpaid by \$700. This amount should be refunded to FAA and deposited to the credit of the appropriation initially obligated by the agreement. Commission officials had no knowledge of these errors because they were not maintaining a complete set of records and did not periodically reconcile Commission transactions with amounts recorded by FAA and NASA.

We believe that the above errors were caused by a lack of complete records being maintained by the Commission, NASA, and FAA, coupled with the lack of effective reconciliation between the three entities to verify that Commission accounts were complete and accurate. In addition, the Commission did not fully implement our prior audit recommendation to strengthen internal control by reconciling its record of approved obligations and expenditures monthly with FAA accounting records maintained on behalf of the Commission. Due to the small number of transactions, we agreed with the Commission and FAA that periodic reconciliation instead of monthly would be sufficient. However, wherein some transactions were not posted properly in fiscal year 2001, we are reemphasizing our prior year recommendation for the need to reconcile the Commission's record of approved obligations and expenditures with transactions recorded on behalf of the Commission by both FAA and NASA.

Recommendations

In addition to reemphasizing our prior year recommendation, we recommend that the Executive Director of the Commission:

² The Antideficiency Act (31 U.S.C. 1341(a)) provides that government officials may not make or authorize an obligation or expenditure in an amount in excess of, or in advance of, an amount available in an appropriation.

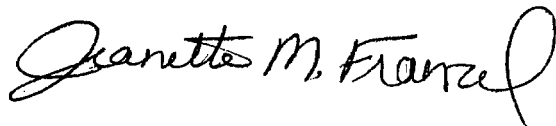
- maintain a complete record or log of Commission financial transactions, including all appropriations, donations, user fees, in-kind donations, obligations, and expenditures;
- correctly record travel expenses that resulted in a net understatement \$957; and
- direct FAA to obtain a refund of \$700 from NASA for the overpayment on the interagency agreement.

Agency Comments

The Commission's Executive Director agreed with our recommendations and stated that the Commission will immediately implement the first recommendation and has already made corrections to implement the last two recommendations. The Commission's response, which incorporated FAA and NASA views, is presented as an enclosure to this report.

We are sending copies of this report to the Chairman of the Centennial of Flight Commission and other interested parties. This report will also be available on our home page at <http://www.gao.gov>.

If you or your staffs have any questions, please contact me at (202) 512-9406, or by e-mail at franzelj@gao.gov or Roger R. Stoltz, Assistant Director, at (202) 512-9408, or by e-mail at stoltzr@gao.gov. A key contributor to this report was Robert P. Preshlock, Jr.



Jeanette M. Franzel
Acting Director
Financial Management and Assurance

Enclosure

Comments from the Centennial of Flight Commission



Centennial of Flight Commission
300 E Street, SW
Washington, DC 20546-0001
TEL 202 FLT 1903
WEB www.centennialofflight.gov

Ms. Jeanette Franzel
Acting Director
Financial Management and Assurance
U.S. General Accounting Office
Washington, DC 20548

JUN 14 2002

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 U.S. Centennial of Flight Commission (Commission) for fiscal year 2001. Copies of the draft report were provided to the Federal Aviation Administration (FAA) and the National Aeronautics and Space Administration (NASA), and their comments have been incorporated into this response. The draft report makes three recommendations.

The first recommendation states:

Maintain a complete record or log of Commission financial transactions, including all appropriations, donations, user fees, in-kind donations, obligations and expenditures.

We concur with this recommendation. As a result of the prior year audit, the Commission and the FAA did strengthen internal control by reconciling our record of approved obligations and expenditures in relation to our appropriations authority with FAA accounting records maintained on behalf of the Commission. This was done on a periodic basis. As a result of the 2001 audit, we will immediately initiate the periodic reconciliation of the costs recorded on behalf of the Commission by both NASA and the FAA.

The second recommendation states:

Correctly record travel expenses that resulted in a net understatement (of) \$957.

We concur with this recommendation. The travel expenses were corrected on June 6, 2002.

Enclosure

The third recommendation states:

Direct FAA to obtain a refund of \$700 from NASA for the overpayment on the interagency agreement.

We concur with this recommendation. The \$700 was withdrawn from NASA by the FAA on May 29, 2002.

Sincerely,



Sharon C. Foster
Executive Director

Enclosure