United States General Accounting Office

Report to the Honorable James A. Leach, House of Representatives

March 1995

FINANCIAL AUDIT

U.S. Commission on Improving the Effectiveness of the United Nations

GAO/AIMD-95-75
March 3, 1995

The Honorable James A. Leach
House of Representatives

Dear Mr. Leach:

As you requested and in accordance with authority granted by Public Law 100-204, dated December 22, 1987, we audited the statement of cash receipts and disbursements of the United States Commission on Improving the Effectiveness of the United Nations from its inception (June 22, 1992), to cessation (November 19, 1993). We found the statement of cash receipts and disbursements was reliable in all material respects.

Our audit also included limited tests of internal controls and compliance with laws and regulations that disclosed, for the period ending November 19, 1993,

- no material or other reportable conditions in the internal control structure and its operations and
- no material noncompliance with laws and regulations we tested.

Background

The Commission was established by the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989 (Public Law 100-204). The Commission’s purposes were to (1) examine the United Nations operations and identify and evaluate its strengths and weaknesses and (2) prepare and submit to the President and the Congress recommendations on ways to improve the effectiveness of the United Nations system, including the feasibility of and means for implementing such recommendations. While the Commission was established March 1, 1989, the appointments of its 16 members were not completed until March 19, 1992. The Commission held its first meeting on June 22, 1992.

The enabling legislation authorized the Commission to accept and use contributions from private U.S. sources and prohibited the use of federal funds. To facilitate private fund-raising, the Commission incorporated in Pennsylvania and obtained a federal income tax exemption from the Internal Revenue Service under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Commission directly solicited and received $254,306 in private contributions. In addition, the Commission used volunteer groups in regional locations to
sponsor and organize field hearings. We did not audit these volunteer activities, but they are disclosed in the notes to the statements.

The law required the Commission to hold a minimum of five public hearings. The Commission held six public hearings between October 1992 and May 1993. Five of these were regional hearings in Philadelphia, Los Angeles, San Francisco, Atlanta, and Chicago, and one was a fact-finding hearing in New York City, where testimony was given by United Nations officials. At the regional hearings, the Commission sought testimony from each area’s leading experts in United Nations affairs and American foreign policy, and time was also allowed for any group or citizen that wished to testify before the Commission.

The enabling legislation required the Commission to cease to exist 60 days after submitting its report to the President and the Congress. The Commission issued its report on September 10, 1993, but continued operations until November 19, 1993, or 9 days after the 60-day requirement, in order to conclude its affairs, including the payment of all liabilities. The Co-Chairman of the Commission informed the Speaker of the House of Representatives and us of this possible delay on November 4, 1993.

Opinion on Statement of Cash Receipts and Disbursements

We found that the statement of cash receipts and disbursements was fairly stated in all material respects, in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Commission’s records and reports show that from inception (June 22, 1992) to cessation of activities (November 19, 1993), cash receipts totalled $255,441, and disbursements totalled $255,441. Of the total disbursements, $188,800 was allocated to personnel and travel activities and $66,641 to administrative support.

Consideration of Internal Control Structure

The internal controls we considered were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with management authority and with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial reports and to maintain accountability for assets.
We are not expressing an opinion on internal controls because of the limited scope of our work. However, for the controls we tested, we found no reportable conditions in the internal control structure and its operations for the period ending on November 19, 1993. Reportable conditions involve matters, including material weaknesses, coming to our attention related to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the Commission’s ability to implement its statutory mandate. Because of the limitations mentioned above, our consideration of the internal control structure would not necessarily disclose all reportable conditions.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

As agreed with your office, we audited the cash receipts and disbursements of the Commission from its inception (June 22, 1992) to its cessation (November 19, 1993). We performed our work in accordance with generally accepted government auditing standards. We directed our work to accounting and other controls necessary to support reported cash receipts and disbursements and did not evaluate the efficiency or effectiveness of the Commission’s operations. Because the General Services Administration could not close out its accounting for the Commission until the end of fiscal year 1994, our work was not completed until November 28, 1994.

Specifically, we

- evaluated and tested relevant internal controls encompassing financial reporting,
- contributions,
- payroll,
- travel, and
- procurement of goods and services;

- examined, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements and notes thereto, except items indicated as unaudited; and
tested compliance with the following provisions of Public Law 100-204:

- section 727 regarding funds for the Commission and limitations on contributions and obligations and expenditures;
- sections 723 and 725 regarding compensation and travel expenses for members and staff; and
- section 727 (d) regarding periodic reports to the Congress.

We obtained, but did not audit, information on the volunteer groups’ receipts and disbursements that were not processed through the Commission’s accounting system. We obtained information from the Commission and volunteer groups on these receipts and disbursements.

We interviewed officials at the Commission regarding their operations and officials at the General Services Administration regarding the accounting services provided to the Commission.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Foreign Relations and the House Committee on International Relations, and other interested parties. Copies will be made available to others upon request.

Sincerely yours,

[Signature]

David L. Clark
Director, Legislative Reviews and Audit Oversight
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## Financial Statement

### Statement of Cash Receipts and Disbursements

For the period
June 22, 1992  
(Inception)  
through  
November 19, 1993 (cessation)

<table>
<thead>
<tr>
<th>Cash Receipts</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Contributions</td>
<td>$254,306</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,135</td>
</tr>
<tr>
<td><strong>Total cash receipts (note 5)</strong></td>
<td><strong>255,441</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disbursements</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel compensation and benefits (note 3)</td>
<td>170,276</td>
</tr>
<tr>
<td>Travel and transportation</td>
<td>18,524</td>
</tr>
<tr>
<td>Rent, communications, and equipment (note 2)</td>
<td>31,338</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>15,007</td>
</tr>
<tr>
<td>Service contracts (note 2)</td>
<td>18,111</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,486</td>
</tr>
<tr>
<td>Excess funds returned to the Treasury (note 6)</td>
<td>699</td>
</tr>
<tr>
<td><strong>Total disbursements</strong></td>
<td><strong>255,441</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this statement.
Notes to Statement of Cash Receipts and Disbursements

Note 1 - Accounting Policies

The amounts reported on the accompanying statement of cash receipts and disbursements was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Commission used the accounting services of the General Services Administration's (GSA) Office of Finance in Kansas City, Missouri, for the payment of major disbursements such as payroll, payroll benefits, rent, and travel. The Commission also maintained a checking account for the deposit and transfer of contributions and the payment of certain bills. For information on the volunteer groups or "host" committees, see note 4.

Note 2 - Reimbursable Services and Rent

GSA provided reimbursable services to the Commission for payroll, personnel, accounting, and bill-paying. GSA's fee for these services amounted to $10,353. Also, the office space the Commission occupied from October 11, 1992, through August 31, 1993, was rented from GSA for $24,108.

Note 3 - Employee Benefit Plans

The Commission had two paid employees. One was categorized as a permanent employee and contributed to the Federal Employees Retirement System (FERS). The other was categorized as a temporary employee and contributed to Social Security under the Federal Insurance Contributions Act (FICA). In addition, six Commission members elected to receive compensation for the days they attended Commission meetings and functions, and the Commission contributed to Social Security under FICA for those members. For the employee covered by FERS, the Commission contributed 1 percent to the Thrift Savings Plan (TSP). The Commission does not report FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to this employee since these data are reported only in total by the Office of Personnel Management. The following pension-related contributions were made by the Commission between June 22, 1992, and November 19, 1993.

Employer Pension-Related Contributions

<table>
<thead>
<tr>
<th>Plan</th>
<th>June 22, 1992 through November 19, 1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>FERS</td>
<td>$4,878</td>
</tr>
<tr>
<td>TSP</td>
<td>$ 237</td>
</tr>
</tbody>
</table>
Note 4 - Volunteer Groups or "Host" Committees' Cash Receipts and Disbursements (Unaudited)

The statement of cash receipts and disbursements includes only receipts and disbursements received and made by the Commission and processed through GSA and the Commission’s checking account. Five of the public hearings the Commission held were partially financed by private funds raised and expended by volunteer groups or "host" committees in the five cities. The Commission took this approach to stimulate the interests of local groups and citizens. The amount financed by the volunteer groups was reported to be $33,364, of which $4,980 was sent to the Commission and is included in the statement of cash receipts and disbursements. The remainder of the financing, or $28,384 (unaudited), was not processed through the Commission’s accounting system but the Commission received reports of the financing activities from the volunteer groups. For one of the hearings, local contributors paid or assumed bills for the 1-day hearing but provided only a summary report to the Commission. The Commission funded the New York hearing, the last of six hearings, directly.

Note 5 - Reconciliation of Receipts to Commission’s Report

The Commission’s report was released September 10, 1993, and included a statement that it received a total of $275,003 in contributions as of August 31, 1993, including the amounts raised by the host committees. After that date, the Commission received contributions of $7,687. In addition, the Commission received interest income of $1,135. By adjusting the Commission figure of $275,003 for the host committee amounts excluded from the statement ($28,384) and adding the contributions received after August 31 and interest income, the figure reported by the Commission reconciles to the statement amount of $255,441.

Note 6 - Excess Funds Returned to the Treasury

Excess funds were returned to the Treasury because, in May 1994, GSA processed an accounting adjustment for the Commission to recognize the actual rent expense, which was less than what was originally billed. In November 1994, GSA closed the Commission’s account as part of fiscal 1994 year-end processing and returned the excess funds to the Treasury.
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