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BY THE COMPTROLLER GENERAL

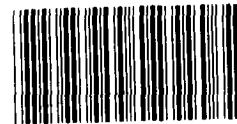
Report To The Congress

OF THE UNITED STATES

Review Of The Trans-Alaska Pipeline Liability Fund's Financial Statements For The Year Ended December 31, 1981

GAO reviewed the report on the audit of the *Trans-Alaska Pipeline Liability Fund's* 1981 financial statements and the work of the Fund's independent certified public accountant. GAO found nothing to indicate that the opinion of the Fund's independent accountant is inappropriate or cannot be relied on.

In the opinion of the independent accountant, the *Fund's financial statements* present fairly the financial position of the Fund at December 31, 1981, and the changes in net assets available for claims for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



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GAO/AFMD-82-108

SEPTEMBER 21, 1982

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-208638

To the President of the Senate and the
Speaker of the House of Representatives

The Trans-Alaska Pipeline Liability Fund is a federally chartered, privately funded, nonprofit corporation. It was established by Congress in 1973 to insure the payment of allowed claims for damages that result from discharges of oil from vessels loaded with oil from the trans-Alaska pipeline. Under certain conditions, the Fund is liable for claims arising from each incident in excess of \$14 million but not more than \$100 million. It is administered by the holders of the trans-Alaska pipeline right-of-way under regulations prescribed by the Secretary of the Interior. 1/

According to 43 U.S.C. 1653(c)(4), the Fund is subject to an annual audit by the Comptroller General. However, Deloitte Haskins & Sells, a certified public accounting firm, audited and rendered an opinion on the Fund's calendar 1981 financial statements. In the opinion of Deloitte Haskins & Sells, the Fund's financial statements present fairly the financial position of the Fund at December 31, 1981, and the changes in net assets available for claims for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In order to avoid duplication and unnecessary expense, and to make the best use of our limited resources, we believe we can best discharge our responsibilities under this law by reviewing and, to the extent appropriate, relying on the work and report of the Fund's independent certified public accountant. We believe this approach provides a reasonable and cost effective means of assuring the Congress that the Fund's financial activities are fairly presented.

Accordingly, we reviewed the workpapers and audit report of Deloitte Haskins & Sells to determine the quality of the work and the extent to which we could rely on it. We performed such tests of the workpapers and audit report as we considered necessary to ensure that:

1/The holders of the trans-Alaska pipeline right-of-way are: BP North America, Inc., Exxon Pipeline Company, Phillips Petroleum Company, The Standard Oil Company (Ohio), Union Oil Company of California, Atlantic Richfield Company, and Mobil Alaska Pipeline Company.

- The Trans-Alaska Pipeline Liability Fund's financial statements were prepared in accordance with generally accepted accounting principles.
- Deloitte Haskins & Sells' audit was made in accordance with generally accepted auditing standards.
- Deloitte Haskins & Sells had established the necessary policies and procedures to comply with other applicable professional standards.

We conducted our review at the Deloitte Haskins & Sells office in Los Angeles, California.

During our review of Deloitte Haskins & Sells' workpapers and audit report, nothing came to our attention that would indicate that Deloitte Haskins & Sells' opinion on the Fund's 1981 financial statements is inappropriate or cannot be relied on. We therefore transmit to the Congress the opinion of Deloitte Haskins & Sells' and the Trans-Alaska Pipeline Liability Fund's 1981 financial statements, which are included as appendix I.

We are sending copies of this report to the Director, Office of Management and Budget, the Secretary of the Interior, and the Administrator of the Trans-Alaska Pipeline Liability Fund.



Comptroller General
of the United States

Deloitte Haskins+Sells

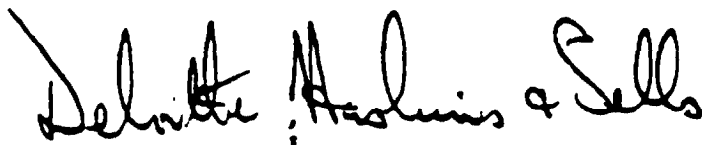
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AUDITORS' OPINION

Trans-Alaska Pipeline Liability Fund:

We have examined the statements of net assets available for claims of the Trans-Alaska Pipeline Liability Fund ("Fund") as of December 31, 1981 and 1980 and the related statements of changes in net assets available for claims for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Fund at December 31, 1981 and 1980, and the changes in net assets available for claims for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



April 9, 1982 -

TRANS-ALASKA PIPELINE LIABILITY FUNDSTATEMENTS OF NET ASSETS AVAILABLE FOR CLAIMS
DECEMBER 31, 1981 AND 1980

	<u>NOTES</u>	<u>1981</u>	<u>1980</u>
ASSETS:			
Cash (including savings accounts: 1981, \$25,210; 1980, \$202,312)		\$ (16,300)	\$ 179,789
Fees receivable			<u>1,156,364</u>
Prepaid insurance		<u>1,497</u>	<u>1,497</u>
Investments (at cost):	1		
United States obligations		65,180,220	21,102,064
Certificates of deposit		6,090,738	8,241,969
Demand notes, commercial paper, and other short-term notes		14,278,998	17,882,378
Bonds and other long-term notes		<u>30,727,749</u>	<u>37,613,195</u>
Total investments		<u>116,277,705</u>	<u>84,839,606</u>
TOTAL ASSETS		116,262,902	86,177,256
LIABILITIES - Accrued			
administrative expenses		<u>88,129</u>	<u>66,388</u>
NET ASSETS AVAILABLE FOR CLAIMS	1	<u>\$116,174,773</u>	<u>\$86,110,868</u>

See notes to financial statements.

TRANS-ALASKA PIPELINE LIABILITY FUNDSTATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR CLAIMS
FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1980

	<u>NOTES</u>	<u>1981</u>	<u>1980</u>
REVENUES - Fees	3	\$ 20,436,123	\$27,421,494
INVESTMENT INCOME:			
Interest:			
United States obligations		4,294,217	1,360,833
Bankers' acceptances			96,925
Certificates of deposit		620,786	1,013,026
Other short-term notes		4,601,125	2,056,803
Bonds and other long-term notes		3,486,587	2,955,589
Savings accounts		8,436	11,511
Total interest income		<u>13,011,151</u>	<u>7,494,687</u>
Gain (loss) on sales:			
United States obligations		(101,914)	(51,948)
Other long-term notes		(2,808,703)	(291,243)
Net investment income		<u>10,100,534</u>	<u>7,151,496</u>
Total income		<u>30,536,657</u>	<u>34,572,990</u>
EXPENSES:			
Investment advisory services		234,639	158,515
Accounting and consulting services		107,256	97,806
Meeting expenses		53,014	43,720
Legal services		36,536	41,546
Auditing services		15,000	15,000
Insurance expense		19,425	10,700
Administrative expense		6,882	7,360
Total expenses		<u>472,752</u>	<u>374,647</u>
EXCESS OF INCOME OVER EXPENSES		30,063,905	34,198,343
NET ASSETS AVAILABLE FOR CLAIMS:			
Beginning of the year ¹	1	<u>86,110,868</u>	<u>51,912,525</u>
End of the year		<u>\$116,174,773</u>	<u>\$86,110,868</u>

See notes to financial statements.

TRANS-ALASKA PIPELINE LIABILITY FUND**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accounts of the Fund are maintained and the financial statements have been prepared on the accrual basis.

Investments - Investments are stated at cost and are adjusted for accretion of discount or accrued interest. At December 31, 1981, cost exceeded net market value by \$5,702,357.

2. PURPOSE OF THE FUND

The Fund was created by Section 204(c) of the Trans-Alaska Pipeline Authorization Act ("Act") to provide a source of funds to compensate for certain damages resulting from discharges of oil occurring from vessels transporting oil that has been transported through the Trans-Alaska Pipeline to ports under the jurisdiction of the United States. The Fund's operations, which began in August 1977, are governed by regulations issued by the United States Department of the Interior ("Regulations").

Under the Act, the vessel owner and operator are strictly liable (jointly and severally) for the first \$14,000,000 of certain claims arising from any one incident, and the Fund is liable for the excess of such claims over \$14,000,000 and up to \$100,000,000 for each incident.

3. FEE REVENUE

Each oil owner is required to pay to the Fund a five-cent fee for each barrel loaded on vessels at the Trans-Alaska Pipeline terminal, Valdez. Payments cease at the end of the month following the month in which \$100,000,000 (at market) has been accumulated by the Fund from any source and resume should the market value of the Fund fall below \$100,000,000. The market value of the Fund reached \$100,000,000 in August 1981 and, accordingly, payments ceased subsequent to September 1981.

4. INCOME TAXES

The Fund is a "nonprofit corporate entity" created by Congress and is exempt from federal, state, and local income taxes.

5. RELATED PARTIES POLICY

The Regulations provide that any member of the Board of Trustees of the Fund must excuse himself or herself from consideration of any claim presented to the Fund by or on behalf of any person having a close business, personal, or governmental association

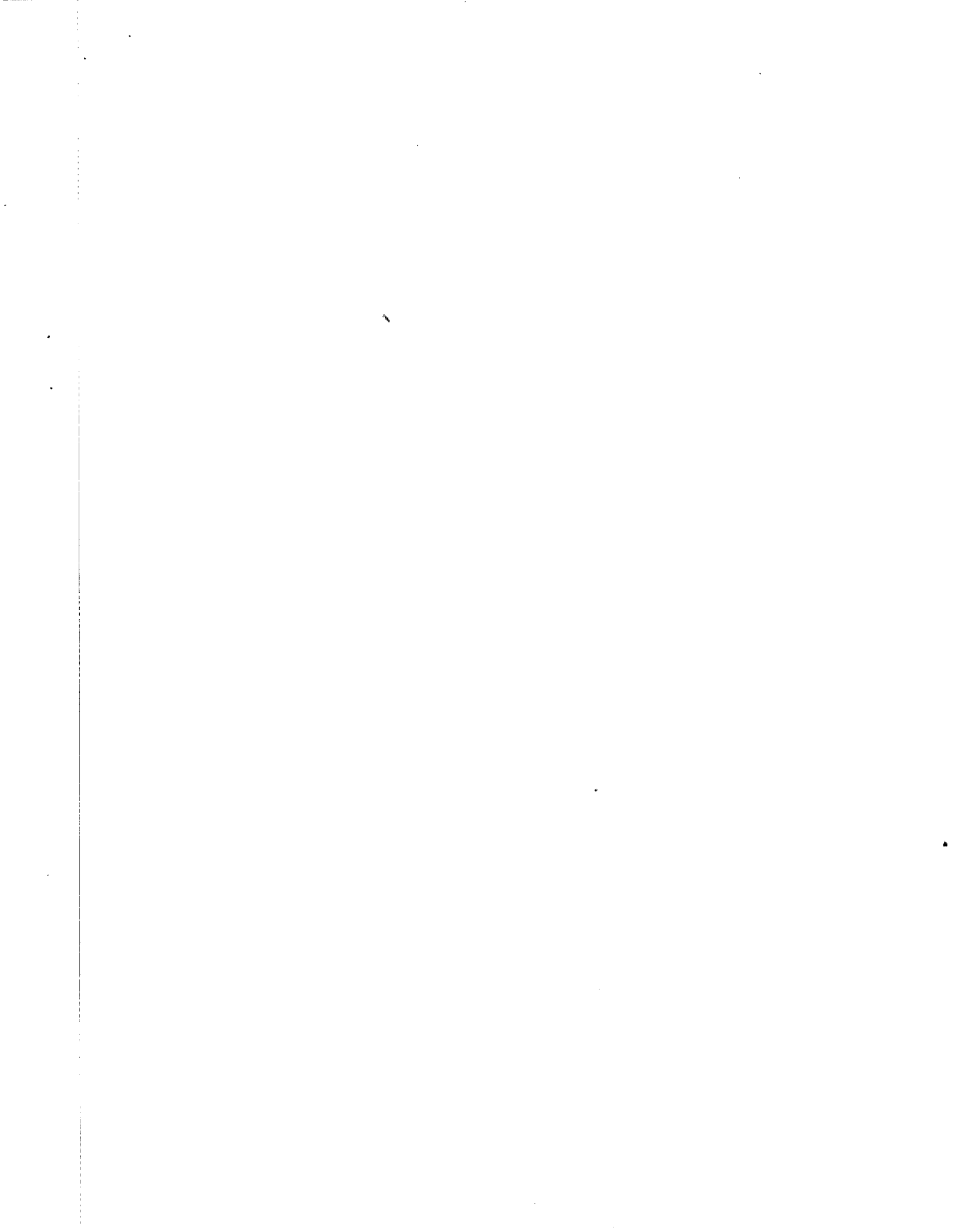
with such member such as to create a conflict of interest or the appearance of a conflict of interest on the part of such Board member. Similarly, a Board member must excuse himself or herself from consideration of any claim presented to the Fund if any such claim has previously been presented to a vessel owner or operator having a close business, personal, or governmental association with such member such as to create a conflict of interest, or the appearance of a conflict of interest on the part of such Board member. Furthermore, where any action of the Fund would create a conflict of interest or the appearance of a conflict of interest on the part of any Board member, the Board member involved shall excuse himself or herself from consideration of such action by the Board.

The Fund is prevented from investing in any securities or obligations of the holders of the pipeline right of way for the Trans-Alaska Pipeline System or their affiliates or of any investment advisor or custodian to the Fund or their affiliates.

6. TERMINATION OF FUND

The Regulations provide that when pipeline operations have terminated, all claims have been disposed of, and the period for filing additional claims has expired, the assets remaining in the fund will be placed in a temporary trust fund account within the state of Alaska. If this event were to occur, the Regulations further provide that during the next succeeding session of Congress, the Secretary of the Interior will request that Congress provide for final disposition of the fund.

The United States Congress is considering bills which would create a new oil spill liability fund which would be broader in scope and jurisdiction. Certain of these bills contain provisions which would abolish the fund.



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