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STATEMENT OF
MARY R. HAMILTON, REGIONAL MANAGER
NEW YORK REGIONAL OFFICE,
U.S. GENERAL ACCOUNTING OFFICE

BEFORE THE
SUBCOMMITTEE ON NATIONAL PARKS AND RECREATION
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
RESTORATION OF THE STATUE OF
LIBERTY NATIONAL MONUMENT

Mr. Chairman:

We appreciate the opportunity to report to you today on the restoration of the Statue of Liberty National Monument. Since your oversight hearing on the restoration last June, when a former official of the Interior Department testified that Interior was exercising little control over the project, we have looked into the allegations he made and, at your request, we have obtained information about other aspects of the restoration project as well. To address the issues, we grouped them into three broad questions:

- 1) Has the project met its restoration and fundraising goals?
- 2) How has the project operated compared with how it was intended to work?
- 3) Has Interior monitored and maintained oversight of the project?

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To answer these questions, we reviewed Interior, National Park Service (NPS), Statue of Liberty-Ellis Island Foundation and Statue of Liberty-Ellis Island Centennial Commission files, including the extensive Interior files that had belonged to the official who made the allegations we investigated. We also interviewed key officials of these organizations, including Interior Secretary Hodel; the Chairman of the Foundation and former Commission Chairman, Lee Iacocca; and the former Director of NPS, Russell Dickenson.

Much of our work was concerned with a review of the Foundation's financial records. Although GAO does not have the authority to audit the Foundation's records, the Foundation made available to us its financial statements, as well as other internal documents. We did not perform a financial audit. However, we did compare the Foundation's financial records with its certified financial statements, the data provided to Interior, and revenue and expenditure information provided to the Internal Revenue Service, and the State of New York and found that, in all cases, the information matched.

We expect to issue a final report to you on our findings shortly. In the meantime, I can report to you that overall, the effort to restore the Statue of Liberty and parts of Ellis Island is exceeding its original fundraising and restoration goals, although the project has operated differently than Interior planned. Contrary to the allegations, Interior has monitored and

maintained oversight of the project, although this was not always done well.

RESTORATION AND FUNDRAISING

By March 1986, the Statue of Liberty-Ellis Island Foundation, the private nonprofit organization that is raising funds for the restoration, had received cash, pledges and commitments for close to \$255 million of the \$265 million it hopes to raise. Of this total, however, the Foundation considers only \$243 million to be firm and does not expect to collect the other \$12 million. The Foundation has collected, as of February 28, 1986, about \$165 million in cash. In addition, the Foundation has earned about \$4 million in interest on investments.

About 2 million individuals, along with about 1,800 companies and 37,000 schools, fraternal and civic organizations, and charitable and educational foundations, account for about \$136 million or 56 percent of the cash and firm commitments received. About \$66 million or 27 percent is expected to come from 19 corporate sponsors. These sponsors are companies that have pledged to contribute from \$1 million to \$5 million each in return for the designation of official Foundation sponsor and the exclusive right to use the Foundation logo in advertising. While corporate sponsors are using a variety of methods to meet their pledges, regardless of the method chosen, each company is contractually obligated to contribute the full amount of its pledge. Merchandising programs which include licensed merchandise, coins, book and stamp sales account for about \$41

million, or 17 percent of firm commitments, with much of this amount--\$28 million--coming from the sale of commemorative coins.

Fundraising Goals

The amounts of money raised from the various categories of donors or through the different types of fundraising campaigns differ somewhat from the goals originally established by the Foundation in 1982. At that time, the Foundation estimated that about \$100 million might come from corporate sponsors. However, in its latest projection, the Foundation expects only \$69 million from sponsors.

Another \$60 million was expected through a capital campaign undertaken by the Foundation's regional offices to obtain contributions of \$5,000 or more from foundations, major corporations, and individuals in their areas; currently, the capital campaign is expected to raise \$53 million.

Through a grassroots campaign, direct mail solicitations, and licensed merchandise sales, the Foundation hoped to raise \$70 million. The Foundation's latest estimates, however, are for \$143 million from these sources. The grassroots campaign was to be conducted by national and local fraternal and civic organizations and ethnic groups, labor unions, and schools who were expected to raise funds for the restoration, usually from their members. The direct mail campaign conducted by the Foundation was an attempt to reach millions of Americans directly. The direct mail campaign has proven more successful than originally expected. By July 31, 1985, over 61 million mailings had been sent out.

Changes In Project Cost Estimates

Although Interior had originally estimated the restoration to cost \$103 million, the project was subsequently expanded. In 1982 the Foundation developed a budget for the project totalling \$230 million. This figure assumed that inflation would increase restoration costs from \$25 to \$39 million for the Statue and from \$78 to \$128 million for the Main Building and power station on Ellis Island, for a total \$167 million in restoration costs. To this was added another \$63 million for celebrations, fundraising, management, and other expenses. Part of this total also included a \$20-million endowment fund for the Monument, to be used to offset future costs of maintaining the Monument.

When the Foundation revised its budget in 1984, the total went up to \$250 million. Some costs actually went down, in part because of lower growth in inflation. Thus, for example, despite increases in exhibit costs for Ellis Island, overall restoration costs for the Island went down to \$112 million from \$128 million. A \$20-million cut was made in costs of celebrations and public awareness programs when plans were dropped to hold Fourth of July celebrations around the country. On the other hand, the scope of the project was expanded at Interior's request, and \$15 million was added to the budget for landscaping and improvements to the administration and concession buildings on Liberty Island. The 1984 budget also contained \$20 million as a contingency for unforeseen construction costs.

The latest budget, developed by the Foundation in March 1985, again saw decreases in some categories of expenses and increases in others, for a total estimated cost of \$265 million. The biggest change was in the estimated costs of improvements to Liberty Island, which were again increased at Interior's request, to include repairs and improvements to the Statue's pedestal and a new museum within the pedestal.

According to the 1985 budget, \$36 million is to be spent on restoration of the Statue, \$27 million for Liberty Island improvements, and \$111 million for restoration of the Main Building and power station on Ellis Island. With a \$22 million construction contingency included, total restoration costs amount to \$196 million, or about three-fourths of the budget. General management costs are expected to be about \$9 million; celebrations, public awareness, and education costs are estimated at \$8 million; and fundraising costs are expected to be \$33 million. The Foundation has also budgeted \$19 million for the endowment fund.

Project Expenditures

Actual expenditures, by the end of February 1986, amounted to \$122 million, about 46 percent of the \$265 million budgeted for the project. The Foundation has spent about \$32 million to raise about \$243 million, a fundraising-to-contributions rate of 13 percent. This rate compares favorably to the 30 to 35 percent considered acceptable by the Better Business Bureau and the National Charities Information Bureau.

PROJECT OPERATION

While those who have been involved with the project regard it as successful, the project has operated differently than Interior originally expected. In 1982, after a show of public interest in helping to restore the Monument, the Secretary of the Interior appointed the Statue of Liberty-Ellis Island Centennial Commission to coordinate private fundraising efforts and to provide advice and guidance to the Secretary and NPS on the restoration effort. The Commission, however, did not coordinate fundraising activities but did provide limited advice primarily through its committees. Fundraising was taken over by a single organization, the Statue of Liberty-Ellis Island Foundation, at first working through the Commission and later, under an agreement with Interior. The Foundation took over contracting for the restoration as well. Interior agreed with the Foundation that a single organization could be a more effective fundraiser, and it believed that the Foundation's assumption of contracting would facilitate completion of the Statue's restoration in time for its centennial in July 1986.

Although its charter calls for the Commission to provide advice on a number of matters, including the means and schedules of preservation and the needs and uses of funds, it has done very little. Two committees working independently of the Commission have been active, but the Commission itself has met only five times in the last 4 years, and has made only two recommendations: to proceed with the Statue's restoration, and to delay action on a

proposal the NPS favors for a hotel and conference center on the southern end of Ellis Island. The former Commission Chairman, along with some other Commission members, opposed commercial development of the island, while NPS officials favored leasing the buildings as the best way to ensure their preservation and maintenance. No decision was made on the proposal, however, because neither the Commission nor Interior saw an immediate need to resolve the controversy. The Commission is continuing to study alternatives, and expects to prepare final recommendations to the Secretary sometime next year.

The Secretary of the Interior, Foundation officials, former Commission Chairman, and NPS officials are all satisfied with the results of the project and with aspects of its operation, and Secretary Hodel told us that he would consider similar organizational arrangements for future projects. Secretary Hodel and former NPS Director Russell Dickenson also said they see no problem in having a private organization doing both fundraising and contracting, but NPS' North Atlantic Region Director, Herbert Cables, who oversees the project, said he would prefer that NPS do its own contracting on future projects.

FEDERAL OVERSIGHT

Interior established a number of mechanisms for overseeing the Foundation's activities, many of them specified in a memorandum of agreement with the Foundation. These include review of promotional materials used in fundraising, and periodic review of financial and operational reports, and design and

specifications for construction. The memorandum of agreement further requires that Interior be represented on the Foundation's Board of Directors. The Foundation must also comply with the terms of a special use permit issued by NPS that requires written approval of contracts for construction work on Liberty Island.

We found that with certain exceptions, the Foundation and Interior have complied with the memorandum of agreement. The Foundation had prepared and published annual financial reports that list sources of funds and how they were spent. The Foundation submitted, and Interior approved in writing, the design work and specifications for all permanent construction contracts issued from the start of construction until October 1985, when we conducted our review. An Interior representative attended all but one of the 20 Foundation Board meetings that were held between November 1983 and February 1986.

However, NPS did not, as required by the special use permit, approve any construction contracts for Liberty Island in writing. NPS officials, including the Superintendent of the Monument, said approval of design and specifications, as required by the memorandum of agreement, was sufficient and contract approval was not necessary. They could not, however, recall why this feature had been included in the special use permit when it was not a feature of the memorandum of agreement.

Review of Promotional Materials

In two instances, the Foundation did not, as required, submit certain promotional materials for Interior's review,

although corrective action was subsequently taken. The promotional materials in question were developed by a marketing firm under contract to the Foundation and, according to Foundation officials, were used by the firm in the spring of 1984 without the knowledge of either the Foundation or NPS, even though both were supposed to review them in advance. One advertisement showed the Statue of Liberty lying on its back in a serious state of disrepair; NPS found it offensive because it suggested that the government was guilty of neglect. The other ad erroneously said that Ellis Island was closed. According to the Superintendent of the Monument, after learning about these advertisements NPS contacted the Foundation and expressed its concern. The Foundation then attempted to prevent the release of the ads, officials said, but it was too late to do so.

To ensure that this situation would not recur, the Foundation reminded its marketing firm that its contract required it to submit all promotional material for review. At the same time, the Superintendent of the Monument began to review all proposed licensing agreements and promotional materials developed by licensees and corporate sponsors. The Superintendent has been reviewing these materials since July 1984. Although it is not required, the Foundation also agreed not to approve any marketing activities without the Superintendent's concurrence.

Also in July 1984, the Foundation terminated its 5-year contract with the marketing firm. According to Foundation officials, the decision to cancel the contract was made for a

number of reasons, including the fact that the firm was attempting to solicit as clients companies that had become corporate sponsors. In September 1984, the Foundation hired another marketing firm and its contract requires that it submit all promotional materials to the Foundation for its review and approval.

Reporting Requirements

The Foundation also did not submit all required reports to Interior or NPS. It did not submit an initial plan of operations until January 1984, more than a month late. When submitted however, the plan was incomplete and lacked required information on administrative and support structures, timetables for the first 3 years, and projected staffing costs. The information was eventually provided to NPS in June 1984, over 6 months late.

We also found that four of nine required quarterly reports were submitted from 1 to nearly 5 weeks late, and were also incomplete. Two of the nine did not include descriptions of restoration efforts, present or anticipated problems, and financial projections for the remaining work. This information was submitted to NPS in June 1984 along with information for the plan of operations. Quarterly goals for the restoration and fundraising efforts, as well as comparisons of prior quarter results with the goals established for that quarter, were not included in eight of the reports. The ninth report submitted in January 1986 included all the required information.

According to the two Interior officials who have been responsible for the day-to-day oversight of the project, these delays and lack of information did not affect their ability to monitor the restoration effort. NPS' North Atlantic Region Director told us that in addition to the reports, information is provided to NPS at the Foundation Board of Directors' meetings, and through NPS contact with Foundation staff on a daily basis.

SUMMARY

In short, Mr. Chairman, we found that in terms of fundraising and restoration, the project has more than met original expectations, although it has operated differently than Interior originally intended. Everyone acknowledges that there were start up problems, but steps were taken to correct them, and none of them turned out to be of great consequence.

This concludes my prepared statement. We will be pleased to respond to any questions you may have.