

GAO

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Report to the Chairman, Subcommittee on  
National Parks and Recreation,  
Committee on Interior and Insular Affairs  
House of Representatives

June 1986

# NATIONAL PARKS

## Restoration of the Statue of Liberty National Monument



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United States  
General Accounting Office  
Washington, D.C. 20548

Resources, Community, and  
Economic Development Division

B-222831

June 11, 1986

The Honorable Bruce Vento  
Chairman, Subcommittee on  
National Parks and Recreation  
Committee on Interior and  
Insular Affairs  
House of Representatives

Dear Mr. Chairman:

This report is in response to your request concerning the restoration of the Statue of Liberty National Monument. The report responds to allegations made by a former Department of the Interior official and answers questions about the restoration project raised during hearings held by the Subcommittee on June 27, 1985.

The report addresses whether the project is meeting its goals for fundraising and restoration, how the actual operation of the project compares with the way it was intended to work, and whether the Department of the Interior has monitored and maintained oversight of the project.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

J. Dexter Peach  
Director

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# Executive Summary

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## Purpose

On the eve of its centennial, one of America's most important national symbols, the Statue of Liberty, is being restored through a public-private partnership that is expecting to raise \$265 million. At a June 1985 oversight hearing of the House Interior Subcommittee on National Parks and Recreation, a former Department of the Interior official charged that Interior was exercising little control over the project. The Chairman then asked GAO to report on (1) restoration and fundraising goals, (2) how the project has operated, and (3) federal oversight of the project.

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## Background

The Statue of Liberty National Monument consists of the Statue, Liberty Island on which the Statue stands, and Ellis Island, the site of the immigration station through which more than 12 million immigrants passed as they entered the United States in the late 19th and 20th centuries.

By the late 1970s, when the Park Service began to draw up a management plan for the Monument, the Statue had begun to show signs of deterioration, and the buildings on Ellis Island, long abandoned, were in serious disrepair. Because of public interest in helping to restore the Monument, the Secretary of the Interior in 1982 appointed the Statue of Liberty-Ellis Island Centennial Commission to provide advice to him and to coordinate private fundraising efforts. Rather than coordinating fundraising, the Commission began to use the Statue of Liberty-Ellis Island Foundation, a nonprofit charitable organization, as its fundraising arm. The following year, Interior entered into a formal agreement with the Foundation to raise funds and to contract for the restoration work. Interior also agreed to recognize the Foundation as the primary fundraiser, with whom other groups were encouraged to work. (See Ch. 1.)

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## Results in Brief

Overall, the effort to restore the Statue of Liberty and parts of Ellis Island is meeting its restoration and fundraising goals. The project has operated differently than planned, however. The Commission has been inactive as an advisory body, and rather than the Commission coordinating fundraising and the Park Service issuing contracts for restoration work, the Foundation undertook both fundraising and contracting. Contrary to allegations, Interior has monitored and maintained oversight of the project, although this was not always done well.

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## Principal Findings

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### Restoration and Fundraising

By March 1986 more than 2 million individuals, schools, groups and companies had donated or pledged about \$256 million of the \$265 million goal, with most coming from individuals and corporate sponsors. Of the \$91 million in pledges, the Foundation considers only \$78 million to be firm commitments, and does not believe it will collect the remaining \$13 million. The Foundation therefore reported \$243 million in contributions; another \$4 million was earned in interest on investments.

Restoration of the Statue is nearly complete, and work on Liberty Island is about 75 percent complete. Restoration of the Main Building on Ellis Island is expected to be completed on schedule, sometime in 1988.

Although Interior had originally estimated the restoration to cost \$103 million, the project was expanded to include improvements to Liberty Island and an endowment fund. These expansions, along with administrative and fundraising costs, increased the project's estimated costs to \$265 million. (See Ch. 2.)

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### Project Operation

Although the Statue of Liberty-Ellis Island Commission was to provide advice to the Secretary of the Interior on various aspects of fundraising and restoration, it has not generally done so. The Commission 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 Park Service 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 on the island, while Park Service 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.

Contrary to Interior's original plans, the Commission never acted as a fundraising coordinator. Instead, 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.

The Secretary of the Interior, the head of the Foundation, and Park Service officials are all satisfied with the results of the project and with all or some aspects of its operation. The Interior Secretary and the former Director of the Park Service see no problem in having a private organization doing both fundraising and contracting, but the North Atlantic Regional Director of the Park Service, who oversees the project, would prefer that the agency do its own contracting. (See Ch. 3.)

## Federal Oversight

Interior established several mechanisms for overseeing the Foundation's activities, most 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.

With some exceptions, the Foundation has met the terms of its memorandum of agreement. All required financial information has been submitted. As alleged, the Foundation submitted certain required reports late and incomplete, although Interior officials say this had no effect on their ability to monitor the project because they were aware of what was going on. Also as charged, some promotional materials were used without prior Park Service review at the beginning of the project; procedures were subsequently established to prevent this from recurring. Construction plans and specifications have been routinely reviewed and approved by the Park Service, but the Park Service has not been providing formal approval of construction contracts for Liberty Island, as required by the special use permit it issued to the Foundation for access to the Island.

Although without significant problems, Interior did not manage the project well in its first few years, according to some of those involved. The Foundation Chairman believes that the Park Service and Interior were not sufficiently involved in the project at that time. Along with Park Service and Interior officials, he believes that coordination between the Foundation and Interior improved considerably when the North Atlantic Regional Director of the Park Service took over day-to-day management from the Special Assistant to the Director of the Park Service (the same official who made the allegations). (See Ch. 4.)

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**Recommendations**

GAO is making no recommendations.

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**Agency Comments**

GAO did not request official agency comments on a draft of this report. However, GAO discussed its contents with Interior, Park Service and Foundation officials and incorporated their comments, where appropriate, in the report.

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**Abbreviations**

ACHP	Advisory Council on Historic Preservation
CHP	Center for Housing Partnerships
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
NCIB	National Charities Information Bureau
NPS	National Park Service

# Introduction

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Since its arrival in the United States 100 years ago, the Statue of Liberty has been one of the nation's most important symbols. When the Statue reopens in July 1986, followed by the reopening of the major historic building on Ellis Island in 1988, their restoration will have been the result of a unique public-private partnership. Under an agreement with the Department of the Interior and its National Park Service (NPS), the Statue of Liberty-Ellis Island Foundation, a private nonprofit corporation, has been raising funds and contracting for the repairs and renovation necessary to restore parts of the Statue of Liberty National Monument. This restoration effort, expected to cost about \$265 million, is the largest ever undertaken by a private organization for a national monument.

In June 1985, before a hearing of the House Interior Subcommittee on National Parks and Recreation, a former Interior official claimed that Interior was exercising little control over the Foundation. Following the hearing, the Chairman asked us to determine whether the restoration effort has operated as intended and to investigate various allegations about the Foundation's conduct of the project.

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## Background

The Statue of Liberty National Monument consists of the Statue of Liberty, the 12.7-acre Liberty Island on which the Statue stands, and Ellis Island, a 27 5-acre island containing a former immigration station. From 1892 to 1954, more than 12 million immigrants passed through Ellis Island as they entered the United States. (See fig. 1.1.)

The Statue of Liberty was presented in 1886 as a gift from France to America to commemorate the long friendship between the two nations on the first centennial of American independence. Standing over 150 feet tall, the Statue was constructed with an elaborate iron armature, clad in copper sheathing, and it was at the time the tallest sculpted figure as well as the largest copper statue ever built. Both the Statue and Liberty Island were designated a national monument in 1924, and in 1933, they were placed under the jurisdiction of NPS.

Ellis Island did not become a part of the Monument until 1965. Between 1892 and 1954, it was used as a processing center for entering immigrants and a detention center for those awaiting deportation. The most



The Statue of Liberty

Credit: National Park Service, Statue of Liberty National Monument

Figure 1.1: Statue of Liberty National Monument



Credit National Park Service Statue of Liberty National Monument

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historically important of the island's 33 buildings are on its north side, and include the Main Building through which immigrants passed, the power station for the island, the baggage and dormitory building, and a kitchen and laundry building. The southern section of the island contains what was once a large hospital complex, with contagious disease wards behind it. In 1954 the Immigration and Naturalization Service closed the immigration station and turned the island over to the General Services Administration for disposal as surplus property. It has remained unused since then. By the time Ellis Island was designated part of the Monument, most of the buildings were in serious disrepair and have remained so except for those currently being restored. (See fig. 1.2.)

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### Planning for the Restoration

In 1979 NPS began to develop a general management plan for the Monument, focusing specifically on the need for restoration. With the Statue nearing its 100th anniversary, it had begun to show signs of corrosion from exposure to the salt air of New York harbor. Many of the buildings on Ellis Island were in extremely poor condition and in need of considerable rehabilitation. Altogether, NPS estimated at that time, restoration of the Statue and the Main Building on Ellis Island would cost about \$100 million.

NPS' analysis of alternatives for the general management plan, published in 1980, claimed that budget constraints made it necessary to delay structural repairs to the Statue and prohibited the complete renovation of buildings on Ellis Island. The analysis concluded that only a few of the buildings on Ellis Island could be preserved and then only if part of the work was funded privately.

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### Private Involvement

Once the analysis was made available for public review and comment, several organizations and individuals came forward to raise money for the restoration. According to Secretary of the Interior Donald Hodel, who was then Interior Undersecretary, their offers were appealing because of their emphasis on volunteerism and private sector involvement. Interior therefore chose not to seek appropriated funds, preferring to use private funds instead.

The five major groups concerned with restoring the Monument had different interests and sources of support. The French-American Committee for the Restoration of the Statue of Liberty, for example, wanted to raise money for the restoration of the Statue, primarily from French

sources. The Statue of Liberty Foundation had the centennial celebrations for the Statue as its major interest. The Coordinating Committee for Ellis Island and the Ellis Island Restoration Commission were primarily concerned with Ellis Island's restoration, while another group's interest centered on the American Museum of Immigration located in the Statue.

**Figure 1.2: Ellis Island Main Building Needing Much Repair, December 1984**



Credit Sally Cummings for The Statue of Liberty-Ellis Island Foundation, Inc

To coordinate the fundraising efforts of these different groups, the Secretary of the Interior created the Statue of Liberty-Ellis Island Centennial Commission and appointed to it a number of prominent citizens. The Commission was formally chartered in April 1982 under the Federal

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Advisory Committee Act (5 U.S.C. App.) to advise the Secretary of the Interior and the Director of NPS on the means and schedules of preservation, the needs and uses of funds, celebrations, and other aspects of the restoration effort.

Rather than serving to coordinate fundraising, however, the Commission became involved in fundraising, operating through the Statue of Liberty Foundation (renamed the Statue of Liberty-Ellis Island Foundation), a nonprofit charitable organization incorporated in 1981. In October 1983 Interior entered into a memorandum of agreement with the Foundation, which called for the group to raise funds and contract for restoration work on the Statue of Liberty and Ellis Island, subject to certain reviews and approvals by Interior. In turn, Interior agreed to recognize the Foundation as the primary fundraising organization, with whom other groups were encouraged to work and coordinate their efforts.

Interior's authority to enter into such an agreement with a private organization originates in the Act of June 5, 1920 (16 U.S.C. 6). The act permits NPS to accept donations of money, land, or property for the national park and monument system. While NPS has used this authority in various circumstances since its enactment, the Statue of Liberty National Monument's restoration represents by far the most ambitious undertaking. At completion—expected to be July 1986 for the Statue and sometime in 1988 for two Ellis Island buildings—the Foundation estimates that about \$265 million will have gone into the restoration project.

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## Objectives, Scope, and Methodology

In June 1985 the Subcommittee on National Parks and Recreation, House Interior and Insular Affairs Committee, held an oversight hearing on the Statue of Liberty National Monument restoration project. In a series of allegations before the Subcommittee, a former Interior official who had served as Interior's representative to the Commission and the Foundation, Mr. Garnet Chapin, charged that both the Commission and the Foundation had failed to meet certain of their responsibilities and that Interior was exercising little control over the Foundation.

In a July 3, 1985, letter, the Subcommittee Chairman asked us to determine the validity of the allegations. He also asked us to determine the legal basis for Interior's agreement with the Foundation and to evaluate Interior's and the Foundation's compliance with their memorandum of agreement and the Commission's compliance with its charter.

In subsequent discussions with the Subcommittee, the scope of our review was expanded to include questions relating to the Foundation's fundraising activities and to Interior's expectations for the restoration effort compared with how it has worked. Each allegation that we were asked to examine and a summary of our findings appear in appendix I. Appendix II lists the questions raised by the Subcommittee; in each case, the reader is directed to the section of the report where the allegations and questions are addressed more fully.

In order to deal with the many questions and allegations in this report, we have organized them under three broad questions:

- Is the project meeting its goals for fundraising and restoration? (Ch. 2.)
- How does the actual operation of the project compare with the way it was intended to work? (Ch. 3.)
- Has Interior monitored and maintained oversight of the project? (Ch. 4.)

To answer these questions, we reviewed Interior, NPS, and Foundation files, including the extensive Interior files that had belonged to Mr. Chapin. We also reviewed Interior memoranda and other documents pertaining to the Foundation and the Commission, which included minutes of meetings of the Commission and its committees. In addition, we attended two Commission meetings.

The Subcommittee Chairman asked if GAO was empowered to review and audit the Foundation's records. Although we lack this authority, the Foundation made available to us financial statements, as well as minutes of the board of directors' meetings, relevant correspondence, and internal memoranda.<sup>1</sup> The financial records that the Foundation provided to us covered the period from its incorporation in 1981 through March 1986. These records included statements of financial activity, statements of changes in financial position, balance sheets and supporting documentation.

We did not perform an independent verification or financial audit of the Foundation's financial records. However, we compared the records with the Foundation's certified financial statements and with data provided to Interior on amounts of funds raised from various categories of contributors, amounts of funds spent on various components of the project,

<sup>1</sup>GAO has legal authority to review and audit only records of expenditures of funds received by the Foundation from the sale of commemorative coins authorized by the Statue of Liberty-Ellis Island Commemorative Coin Act (See p 31)



and estimated costs and fundraising goals. We also compared Foundation records with revenue and expenditure information provided to the Internal Revenue Service (IRS) and the State of New York. In all cases, we found that Foundation records matched the information furnished Interior, IRS, and New York State. The Foundation's financial records were audited by Deloitte, Haskins, and Sells, a certified public accounting firm, to meet the requirement of the memorandum of agreement. Deloitte, Haskins, and Sells reviewed the records of the Foundation and issued unqualified financial reports for fiscal years 1983, 1984, and 1985.

In addition to our review of various files and records, we interviewed current and former officials of the Interior Department, NPS, the Foundation, and the Commission. These officials included Interior Secretary Hodel; Interior's Solicitor and Associate Solicitor for Conservation and Wildlife; the former NPS Director, Russell Dickenson, who served as agency head until January 1985; and the Director of NPS' North Atlantic Region, Herbert S. Cables, Jr., who oversees day-to-day operations of the project. We also interviewed Garnet Chapin, who was formerly a Special Assistant to the Director of NPS.

Foundation officials whom we interviewed included its Chairman, Lee Iacocca, who also served as Chairman of the Commission until February 1986; the Executive Vice-President; the Vice President and Controller; the Secretary and General Counsel; and the Director of Restoration and Preservation, who was an Associate Director of NPS until June 1983 and closely involved with the restoration project. We also spoke with NPS and Foundation personnel responsible for the day-to-day restoration effort, as well as with the Superintendent of the Monument, who accompanied us on a tour of the Monument.

We conducted our review between July 1985 and April 1986 following generally accepted government auditing standards. At the request of the Subcommittee Chairman, we did not obtain comments on this report from the Department of the Interior. However, we discussed the contents of the report with Interior, NPS, and Foundation officials and incorporated their comments where appropriate. We also wrote to Secretary Hodel; the current Director of NPS; Mr. Cables; Mr. Iacocca; William F. May, the President of the Foundation; and Mr. Chapin and asked them for their comments and recommendations on initiating, implementing, and completing future projects similar to the Statue of Liberty-Ellis Island restoration. Their comments have been incorporated in the report and those that were provided in writing are reproduced in appendix III.

# Fundraising and Restoration Goals Are Being Met

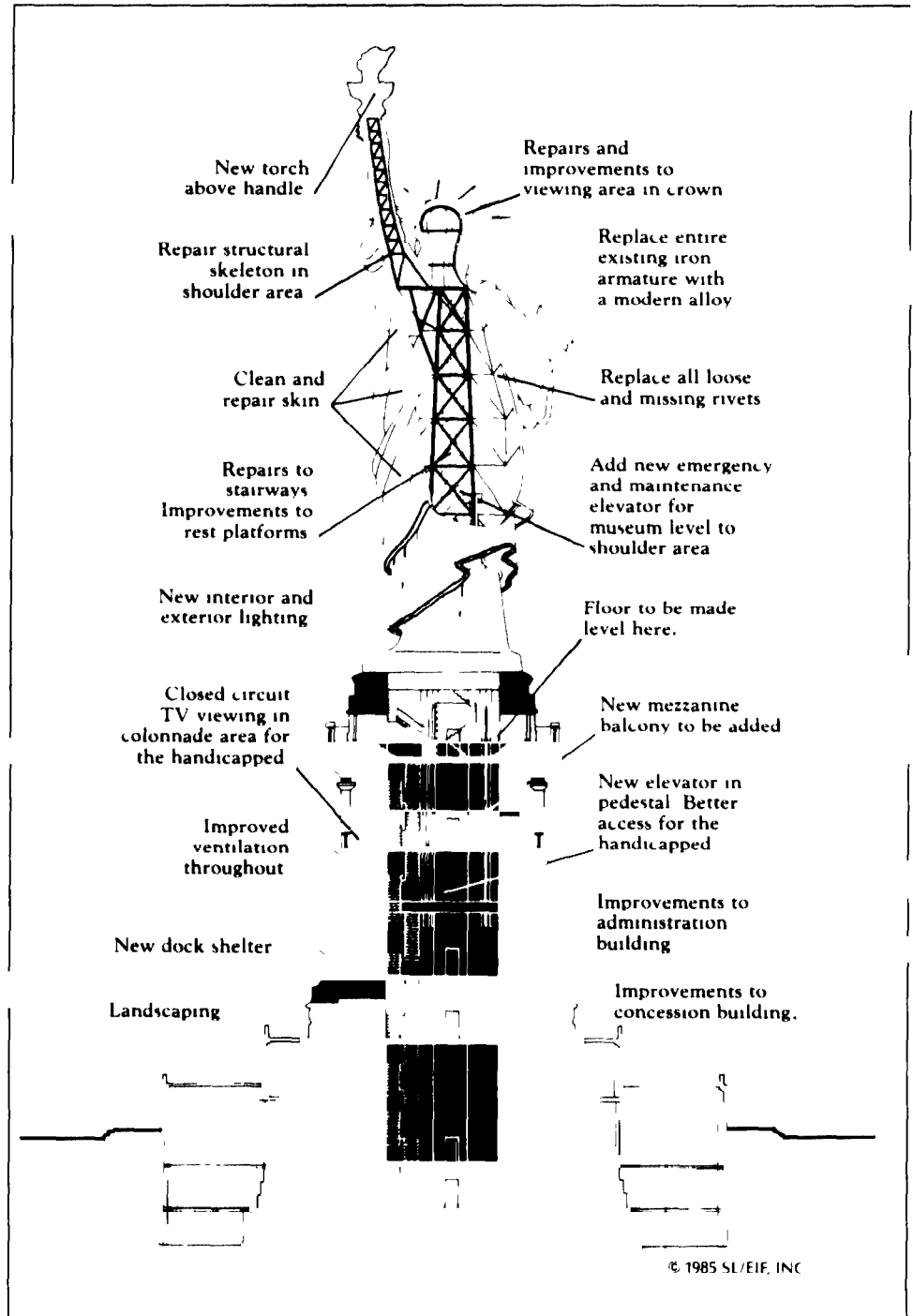
Overall, the effort to restore the Monument is meeting fundraising and restoration goals. Although NPS originally expected that privately raised funds would pay for just the restoration of the Statue of Liberty and the Main Building on Ellis Island, enough money is being raised to also pay for improvements to Liberty Island and to create an endowment fund. As of March 1986, expenditures were within budget, almost all of the necessary funds had been raised, restoration was underway, and it appeared that all key deadlines would be met.

## Project Has Expanded

The project to restore the Statue of Liberty National Monument calls for repairs and renovation to the Statue of Liberty and Liberty Island, and the Main Building and power station on Ellis Island. Work on the Statue, which was about 92 percent complete as of March 1986, included replacing the torch, the entire armature, and part of the skeleton; the copper sheathing was to be cleaned and repaired as well. (See fig. 2.1.) Major improvements are to be made to the administration and concession buildings on Liberty Island, a new dock shelter is to be built, and the island is to be newly landscaped and walkways rebuilt in time for the centennial celebrations in July 1986. About 75 percent of the work was complete in March 1986. (See fig. 2.2.)

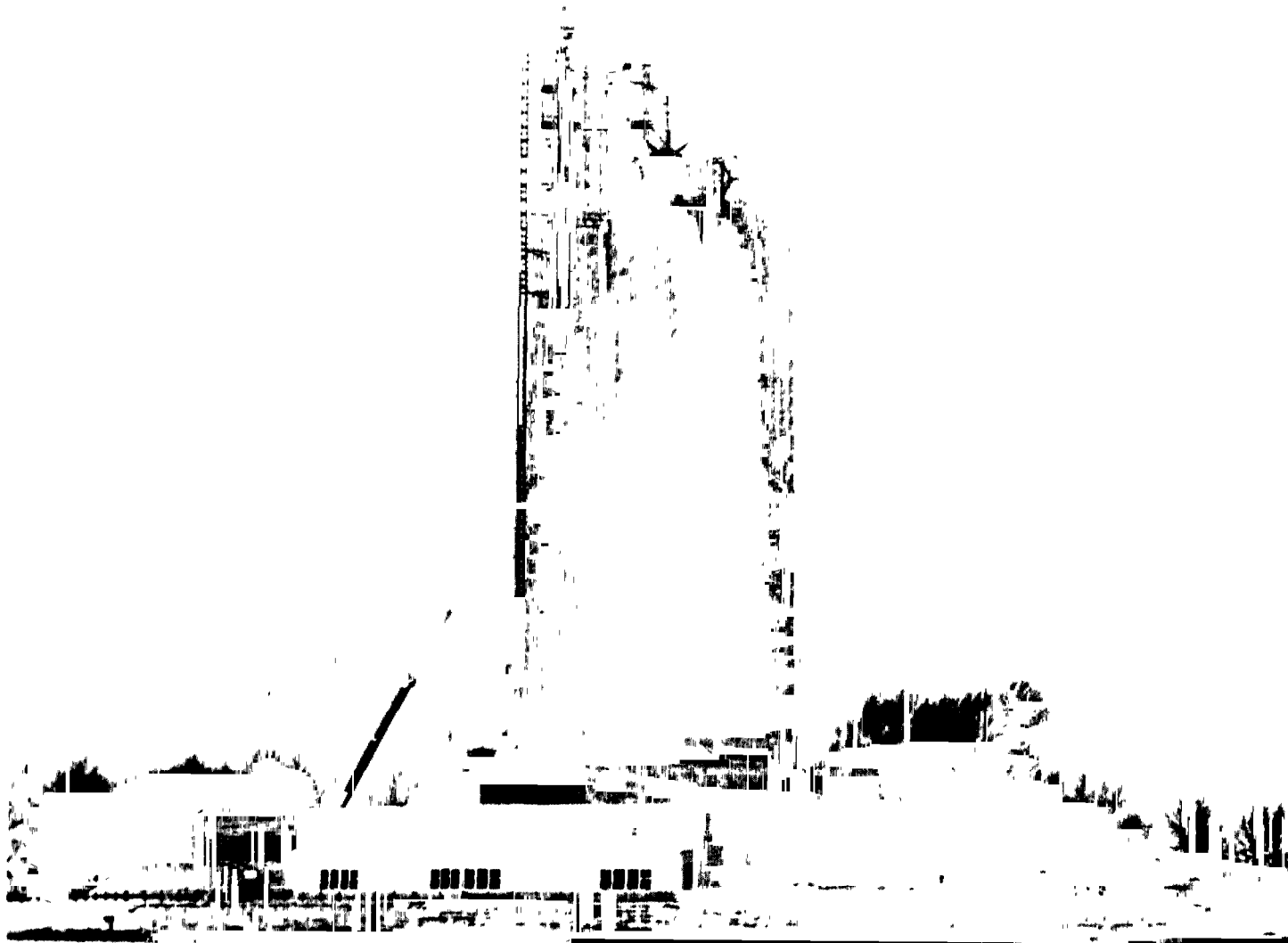
Restoration on Ellis Island is confined to the Main Building, the major historic structure on the island, and the power station, which lie at the northern end of the island. (See fig. 2.3.) The Great Hall within the Main Building is planned to become the home of the American Museum of Immigration, which would be moved from Liberty Island. (See fig. 2.4.) (According to the Superintendent of the Monument, however, there is some public opposition which could block the move.)

Figure 2.1: Statue of Liberty  
 Restoration



Copyright, 1985 SL/EIF, Inc

Figure 2.2: Statue of Liberty in Full Scaffolding, April 1985



Credit Henning Neilsen



Figure 2.4: The Main Building on Ellis Island Shortly After Its Completion



Credit National Park Service Statue of Liberty Monument

Although NPS expected, in 1982, that the Main Building would be restored by 1986, this was not a firm deadline. NPS and Foundation officials now expect work on the Main Building and the power station for the island to be completed sometime in 1988, well before the Island's 1992 centennial. While various proposals have been made for the development of the hospital complex at the southern end of Ellis Island, they are not considered a part of this restoration project, nor are funds being raised for that purpose.

### Increases in Costs

In 1981 NPS estimated that restoration of the Monument would cost \$103 million. As of March 1985, however, the Foundation estimated that restoration costs would reach \$174 million. With management, fundraising, and other expenses, total project costs amount to an estimated \$265 million. More ambitious restoration goals, along with the creation of an endowment and a construction contingency, primarily account for increases in the project budget

In its final General Management Plan for the Monument, published in 1982, NPS said that it planned to repair deterioration and return the Statue of Liberty to a sound structural condition. It also wished to preserve the interiors of the major historic structures on Ellis Island and devote them to public use. On the south side of Ellis Island, it planned to make the buildings available for private leasing.

According to the Superintendent of the Monument, NPS expected that the fundraising effort would provide funds only to restore the Statue of Liberty and the Main Building and power station on Ellis Island. NPS estimated in 1981 that this would cost about \$25 million for the Statue of Liberty and \$78 million for Ellis Island.

Working with these estimates, the Foundation, acting on behalf of the Commission, developed a budget for the project in 1982. Allowing for an inflation rate of 10 percent, compounded annually, the Foundation estimated that the cost of restoring the Statue would increase by \$14 million to \$39 million; inflation would increase Ellis Island costs to \$128 million from \$78 million, bringing the total estimated restoration costs to \$167 million. (See table 2.1.) To this was added \$63 million for celebrations, fundraising, general management, and other costs. Part of this total also included a \$20-million endowment fund for the Monument. The Foundation expected that the endowment would be used to offset future costs of maintaining the Monument. However, the memorandum of agreement does not mention who is to administer the fund, and as of March 1986, there had been no serious discussion of whether NPS, the Foundation, or some other private organization would do so.

**Table 2.1: Changes in Estimated Project Costs** (In Millions)

	NPS estimate 1981	Foundation estimates			Differences in estimates 1982-1985
		July 1982	August 1984	March 1985	
<b>Restoration</b>					
Statue of Liberty	\$ 25	\$ 39	\$ 37	\$ 36	\$- 3
Liberty Island	•	•	15	27	+27
Ellis Island	78	128	112	111	-17
<b>Total restoration</b>	<b>103</b>	<b>167</b>	<b>164</b>	<b>174</b>	<b>+ 7</b>
<b>Other</b>					
Celebrations, public awareness, and education	•	28	8	8	-20
Management & general expenses	•	5	9	9	+ 4
Fundraising	•	10	29	33	+23
Endowment	•	20	20	19	- 1
Construction contingency	•	•	20	22	+22
<b>Total other</b>	<b>•</b>	<b>63</b>	<b>86</b>	<b>91</b>	<b>+\$28</b>
<b>Total estimate</b>	<b>\$103</b>	<b>\$230</b>	<b>\$250</b>	<b>\$265</b>	<b>+\$35</b>

In August 1984 the Foundation revised its budget and overall costs were projected to go up to \$250 million. Some estimates of costs actually went down. Despite increased costs for exhibits on Ellis Island and architectural and engineering work for the Statue, overall restoration costs for the Statue and Ellis Island decreased because inflation had slowed and lower rates of 6 to 8 percent were used. 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.

However, the scope of the restoration was expanded. According to Foundation and former NPS officials, at Interior's request, the Foundation increased the August 1984 budget by \$15 million for landscaping and improvements to the concession and administration buildings on Liberty Island. Estimated fundraising costs also went up, from \$10 million to \$29 million, in order to open five regional offices across the country to recruit volunteers and carry out fundraising in their areas; additional direct mail solicitations were also planned. The budget also contained \$20 million as a contingency for unforeseen construction costs; in March 1985, the amount was increased to \$22 million. According to the Foundation, any contingency funds that are not used for construction will be placed in the endowment fund.



The current 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 cost for improvements to Liberty Island. Again, at Interior's request, plans were made to create a new museum within the Statue's pedestal and to make repairs and improvements to the pedestal. As a result, the estimated cost of work on Liberty Island went up by \$12 million to \$27 million. Estimated fundraising costs increased by \$4 million, to more accurately reflect actual costs, according to the Foundation's Vice President and Controller.

In April 1986 the Foundation reported to Interior that it would provide funds for additional construction, although it had not revised its overall budget. It anticipated spending more than \$15 million to restore the exteriors of three additional buildings on the north side of Ellis Island, and \$2 million to build an interpretative center for visitors to the Monument within Castle Clinton, an NPS-owned site at the tip of Manhattan Island.

Also as of April 1986, plans were underway to hold large-scale celebrations at the Statue for the weekend of July 4, 1986, which are expected to cost about \$30 million. These celebrations will be supported by ticket sales and sale of television rights rather than donations. Of the \$8 million in the Foundation's budget for public awareness, celebrations and education, \$2 million is set aside for the parade of tall ships in the 1986 July Fourth celebration. The Foundation expects to recover those costs from revenues generated from the celebration.

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## Fundraising Goals Are Being Met

By March 1986, the Foundation had received cash, pledges and commitments for \$255.4 million, of which \$164.6 million was cash. However, of the \$90.8 million in pledges, the Foundation considers only \$78.1 million to be firm commitments and does not believe it will collect the remaining \$12.7 million. The Foundation therefore reported \$242.7 million in contributions; another \$4.1 million was earned in interest on investments. The Foundation's Vice President and Controller believes that the entire \$265 million fundraising goal will be reached by December 1986.

As shown in table 2.2, about 30 percent of the funds came from close to 2 million individuals, who contributed more than \$72 million. Over 2,100 companies gave or pledged over \$33 million, while about 39,000 schools

and fraternal and civic organizations contributed \$14.6 million. Charitable and educational foundations contributed nearly \$16 million. (See app. IV for contributions in cash received annually.)

**Table 2.2: Number of Contributors and Funds Raised** (In Millions)

	Number of contributors at 2/28/86	Cash as of 2/28/86 <sup>a</sup>	Pledges as of 3/31/86	Total funds raised	Percent of total
Individuals	1,989,713	\$ 67.5	\$ 4.6	\$ 72.1	29.2
Schools	19,233	4.5	•	4.5	1.8
Fraternal and civic groups and labor unions	19,688	6.7	3.4	10.1	4.1
Charitable and educational foundations	270	12.8	3.0	15.8	6.4
Corporations	2,152	17.1	16.4	33.5	13.6
Corporate sponsors <sup>b</sup>	19	26.5	39.7	66.2	26.9
Merchandising					
Licensees <sup>b</sup>	98	2.3	5.6 <sup>c</sup>	7.9	3.2
Coin program	•	24.7	3.3 <sup>d</sup>	28.0	11.3
Book program	•	2.5	2.0	4.5	1.8
Stamp program	•	•	1	1	•
Interest income <sup>e</sup>		4.1	•	4.1	1.7
<b>Total</b>	<b>2,031,173</b>	<b>\$168.7</b>	<b>\$78.1</b>	<b>\$246.8</b>	<b>100.0</b>

<sup>a</sup>A schedule of cash raised each year since 1983 is included in appendix IV

<sup>b</sup>Number of corporate sponsors and licensees as of March 1986

<sup>c</sup>The Foundation usually requires a minimum amount from its licensees. The difference between what has already been paid and what is owed is treated as a pledge

<sup>d</sup>Estimated coin revenue due from Treasury as of March 31, 1986

<sup>e</sup>Interest earned on investments

## Corporate Sponsors

In addition to those other companies making donations, 19 major corporations have agreed to become corporate sponsors. As corporate sponsors, these companies have agreed to donate 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. (See fig. 2.5.) Altogether, corporate sponsors have contributed or pledged to contribute about \$66 million, or about 27 percent of total contributions as of March 1986.

The 19 corporate sponsors have been meeting their pledges in various ways. (See app. V for a list of corporate sponsors, their pledges and methods used to meet their pledges.) Regardless of the methods chosen,

however, each company has signed an agreement to give the Foundation the full amount pledged.

Ten corporate sponsors are meeting all of their pledges with corporate donations, and six of these are raising funds in addition. For example, in addition to the \$5 million the Coca-Cola Company has pledged to donate, the company is offering to send as a donation to the Foundation part of the purchase price of a Cabbage Patch Kids pinup. Time Magazine included a special section in one of its issues that contained a coupon to return with a donation to the Foundation; funds collected as a result are in addition to Time Magazine's \$2 million pledge.

Nine corporate sponsors, on the other hand, are undertaking fundraising through which they expect to meet all or part of their pledges. The Stroh Brewery Co., for example, sponsored a "Run for Liberty" race and donated the entrance fees to the restoration effort, after the costs of the event were deducted. Part of Avon Products' \$5 million pledge is expected to come from a fundraising drive among the company's employees and suppliers. About half of Chateau Ste. Michelle Vintners' \$1 million contribution (by the end of 1985) was a corporate donation, while the other half came from monies collected from people to whom the company sent free cookbooks or trays. Only one corporate sponsor, USA/Today Gannett Co., Inc., expects to meet its pledge entirely through fundraising. Two sponsors, however—Eastman Kodak and Allied Van Lines—expect to raise funds in excess of their pledges through separate campaigns.

Eight of the corporate sponsors are tying their donations to the sales of their products. The Kellogg Company, for example, is contributing 50¢ to the Foundation when customers mail in certain cereal box tops. Avon Products is also making donations with proof of product purchases, as are the Black & Decker Corporation, the Kimberly-Clark Corporation, and several others.

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### Licensed Merchandise Sales

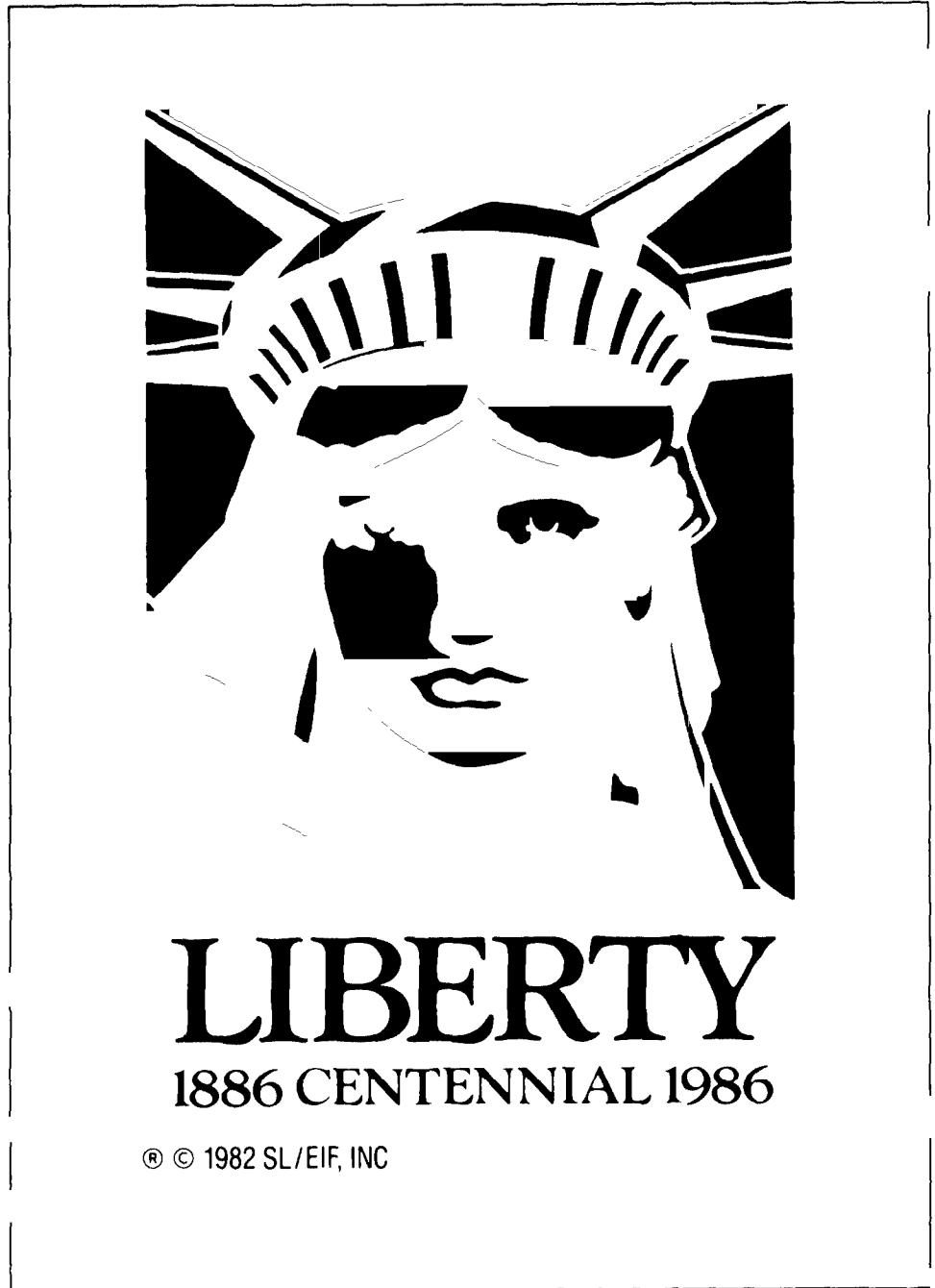
Income expected from the sale of licensed merchandise, such as statues, clothing, paperweights, and other memorabilia, has thus far totaled \$7.9 million. (See app. VI for a list of licensees and their products.) Commemorative coin sales reached \$28 million, while book sales came to about \$4.5 million and sales of stamp sets earned about \$100,000.

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**Contributions to Interior**

In addition to those funds collected by the Foundation, Interior had received \$1,482 directly from 40 groups and individuals. The funds were deposited into a special donations account for the restoration of the Monument. Interior has also received donations made out to the Foundation, but these were sent directly to the Foundation and no separate record of the amounts were maintained.

Figure 2.5: The Statue of Liberty-Ellis  
Island Foundation Logo



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## **Fundraising Campaigns**

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. On the whole, corporate sponsors have contributed somewhat less than originally expected, while direct mail solicitations have yielded more.

At the direction of the Commission, the Foundation first developed fundraising goals for the project in 1982. Since the Foundation had not yet launched its fundraising campaigns, it consequently based its goals on rough estimates of funds that might be obtained from various sources. It anticipated that \$100 million of the \$230 million it then estimated to be needed might come from corporate 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. The Foundation hoped to raise the remaining \$70 million through a grassroots campaign, direct mail solicitations, and licensed merchandise sales. (See table 2.3.) 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. While it initially relied on rented mailing lists, the Foundation has since developed its own mailing list. As of July 31, 1985, over 61 million mailings had been sent out.

**Chapter 2  
Fundraising and Restoration Goals Are  
Being Met**

**Table 2.3: Comparison of Fundraising Goals and Amounts Contributed** (Through March 31, 1986) (In Millions)

Campaign	Fundraising goals			Amount contributed <sup>a</sup>	Contribution as a percent of current goal
	July 1982	August 1984	(Current) March 1985		
Sponsorship	\$100.0	\$92.3	\$69.0	\$66.3	96.1
Capital	60.0	51.7	52.7	49.3	93.5
Grassroots	70.0 <sup>b</sup>	30.0	22.0	20.8	94.5
Direct mail	•	26.0	56.2	65.8	117.1
Merchandising					
Licensees	•	20.0	12.9	7.9	61.2
Coin program	•	35.0	45.0	28.0	62.2
Book program	•	5.0	4.5	4.5	100.0
Stamp program	•	•	2.7	1	3.7
<b>Total merchandising</b>	•	<b>60.0</b>	<b>65.1</b>	<b>40.5</b>	<b>62.2</b>
<b>Total</b>	<b>\$230.0</b>	<b>\$260.0<sup>d</sup></b>	<b>\$265.0</b>	<b>\$242.7<sup>c</sup></b>	<b>91.6</b>

<sup>a</sup>Amount of cash contributions is as of February 28, 1986, pledge amounts are as of March 31, 1986

<sup>b</sup>Includes expected revenue from direct mail and merchandising programs

<sup>c</sup>Includes \$78.1 million in pledges and \$164.6 million in cash. Does not include \$4.1 million in interest earned on investments, nor \$12.7 million in pledges or commitments that are not considered firm

<sup>d</sup>Although the Foundation's budget was \$250 million at this time, it set a higher fundraising goal in order to have cash on hand for 1984-85, when restoration work would reach its peak. According to its Vice President and Controller, the Foundation expected that if it met its goal of \$260 million and project costs remained \$250 million, the surplus \$10 million would be placed in the endowment fund.

By August 1984, when the overall fundraising goal was increased to \$260 million, the Foundation's actual experience in fundraising enabled it to refine the targets of its various campaigns. Both the sponsorship and capital campaign goals were reduced, while revenues from merchandising programs were expected to reach \$60 million, to include revenues from commemorative coin and book sales.

Current goals, last set in March 1985, call for merchandising program revenues to be even greater, up to \$65 million. Most of that amount—\$45 million—is expected to come from the sale of commemorative coins. Under the Statue of Liberty-Ellis Island Commemorative Coin Act (31 U.S.C. 5112) enacted in July 1985, the Treasury is authorized to mint as many as 500,000 five-dollar gold coins, 10 million silver dollars, and 25 million silver half-dollars. If the Treasury were to mint all these coins and they were all sold, the Foundation could earn as much as \$137.5 million. However, based on analyses of previous sales of commemorative coins, numbers of coin collectors, and other factors, the Foundation estimates that it will receive \$45 million.

In addition to commemorative coin sales, the Foundation expects to raise money from the sale of special stamp sets and a book on the history of the Statue of Liberty and Ellis Island. The stamp sets are produced by the U.S. Postal Service and include a canceled commemorative stamp with a special souvenir card that contains a piece of copper from the Statue. The sets are sold by the Postal Service for \$10; the Foundation expects that enough will be sold to raise \$2.7 million after costs.

The book on the Statue of Liberty-Ellis Island's history is being produced by the National Geographic Society for the Foundation, which is acting as publisher. The Foundation has printed 280,000 copies which will be sold for \$25, or \$50 in a deluxe edition. All of the expected \$4.5 million from book sales has already been earned.

The current fundraising goals also reflect an even further reduction in expected contributions from corporate sponsors, down to \$69 million. According to the Foundation's Vice President and Controller, not as many corporations have been interested in sponsorship as originally hoped. Expected contributions from the grassroots campaign are also lower, as are anticipated revenues from the sale of licensed merchandise. The direct mail campaign, however, has proved more successful than originally expected. The goal more than doubled between 1984 and 1985, and by March 1986, contributions from this source had even exceeded the goal.

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## **Expenditures Are Within Budget**

By March 1986, the Foundation had spent close to \$122 million, about 46 percent of the \$265 million budgeted for the project. (See table 2.4.) About \$78 million of the amount spent was for restoration, while the remaining \$44 million was spent on fundraising and other administrative costs, including public awareness and education. Expenses will continue to be incurred at least until 1988, when work on Ellis Island is scheduled to be completed. (See app. VII for annual expenditures.)



**Table 2.4: Comparison of Projected Costs and Actual Expenditures (in Millions)**

	Projected costs as of March 1985	Expenditures as of February 28, 1986
<b>Restoration</b>		
Statue of Liberty	\$ 36.0	\$ 28.4
Liberty Island	27.0	16.3
Ellis Island	111.0	32.9
<b>Total Restoration</b>	<b>174.0</b>	<b>77.6</b>
<b>Other</b>		
Celebrations, public awareness & education	8.0	6.9
Management & general expenses	9.0	5.7
Fundraising	33.0	31.6
Endowment	19.0	•
Construction contingency	22.0	•
<b>Total other</b>	<b>91.0</b>	<b>44.2</b>
<b>Total</b>	<b>\$265.0</b>	<b>\$121.8</b>

Of the \$77.6 million spent for restoration, the Foundation gave \$19.8 million to NPS. Most of this amount—about \$15.5 million—went toward NPS contracts for architectural and interpretive design on Ellis and Liberty Islands. The remaining \$4.3 million was for park operations, staff salaries and expenses, and archeological monitoring in support of the restoration. According to the Associate Director of NPS' North Atlantic Region, these expenses were not covered by appropriated funds.

In addition to those monies provided by the Foundation, Interior reported that it spent \$178,283 for Commission-related activities for 1982 through fiscal year 1985 from funds appropriated for the NPS Director's Office. We were unable to determine how these funds were spent, because according to Interior's Associate Solicitor, the person responsible for preparing the reports is no longer with Interior, and there were no records of the nature of the expenses. The Associate Solicitor believes, however, that the costs represent a portion of the salaries and travel expenses of Garnet Chapin and his assistant, while Mr. Chapin was Interior's liaison to the Commission.

**Fundraising Cost Comparisons**

Thus far, the Foundation's fundraising costs are within generally accepted levels. As of March 1986, the Foundation had spent \$31.6 million to raise \$242.7 million, a fundraising-to-contributions (cash and

pledges) rate of 13 percent. If revenues from coin sales, which are sold by the Treasury but promoted by both the U.S. Mint and the Foundation, are omitted, the rate is about 15 percent. According to the Better Business Bureau, fundraising costs should not exceed 35 percent of contributions, while the National Charities Information Bureau considers that an organization should not spend more than 30 percent of contributions on fundraising. Both these organizations believe their indicators can be applied to the Foundation's fundraising efforts.



# Project Has Operated Differently Than Planned

The restoration effort has operated differently than originally envisioned. The Statue of Liberty-Ellis Island Centennial Commission, set up to advise the Interior Secretary and to coordinate fundraising, has generally not performed those roles. Interior instead agreed to work with just one fundraiser, the Statue of Liberty-Ellis Island Foundation. Interior also expected to do the contracting for construction and some design work on Liberty Island itself, but later decided, in the interests of time, to turn these responsibilities over to the Foundation as well.

While its charter calls for the Commission to provide advice to the Secretary of the Interior on a number of matters, it has done so on only one occasion. Its committees, comprised mostly of NPS staff and outside consultants rather than Commission members, have made some recommendations, but these were not usually brought before the Commission, instead going directly to NPS. The Commission's only recommendations were to proceed with the restoration of the Statue and to delay action on a controversial proposal to develop the southern end of Ellis Island while it studied alternatives. No decision was made on the proposal, however, because neither the Commission nor the Interior Secretary saw an immediate need to resolve differences of opinion.

Despite the changes in operations, Interior officials are very satisfied with the results of the restoration, and Secretary Hodel and former NPS Director Dickenson said they would consider similar organizational arrangements for future projects. NPS' Regional Director, however, would prefer that NPS do its own contracting.

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## Responsibility for Fundraising Moved

With five different groups, each with different purposes, formed to raise funds or plan for the restoration of the Monument, NPS officials were concerned about the administrative problems of dealing directly with this number of organizations, and that fundraising would not be very effective if different groups were competing for donations. According to former NPS officials, including its Director and an Associate Director, the degree of public interest in the restoration of the Statue of Liberty and Ellis Island made it clear that an umbrella group was necessary to coordinate fundraising

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## The Commission as Fundraising Umbrella

The vehicle Interior chose to perform this coordinating role was a federal advisory committee. The Statue of Liberty-Ellis Island Centennial Commission was established by the Secretary of the Interior in April 1982 to advise him and the Director of NPS on matters pertaining to the

restoration, pursuant to the Federal Advisory Committee Act (5 U.S.C. App.) and the NPS organic act (16 U.S.C. 1a-2(c)). According to its charter, the Commission was to have no more than 21 members (later increased to 58), each serving for 2 years. Commission members were to include representatives of the fundraising groups, other individuals concerned with the restoration, and representatives of the Governors of New York and New Jersey and the Mayors of New York City and Jersey City. The Director of NPS was named an ex-officio member; in August 1983, the Undersecretary of the Interior became co-chairman and federal representative. Lee A. Iacocca, Chairman of Chrysler Corporation, was named Chairman of the Commission. According to former Interior officials, Mr. Iacocca was selected because of his personal popularity and visibility, and because, as the son of immigrant parents, he was known to have an interest in the Statue of Liberty and Ellis Island.

The organizational structure, shown in figure 3.1, had the Commission as the intermediary between fundraising groups and Interior and NPS. According to Interior documents, the Commission was to monitor the activities of these groups, moderate any disputes, and serve as a conduit for funds. The minutes of the first two Commission meetings, held in September 1982 and April 1983, reflect the fundraising focus, with much of the discussion concerned with means and techniques of fundraising, including the use of corporate sponsors.

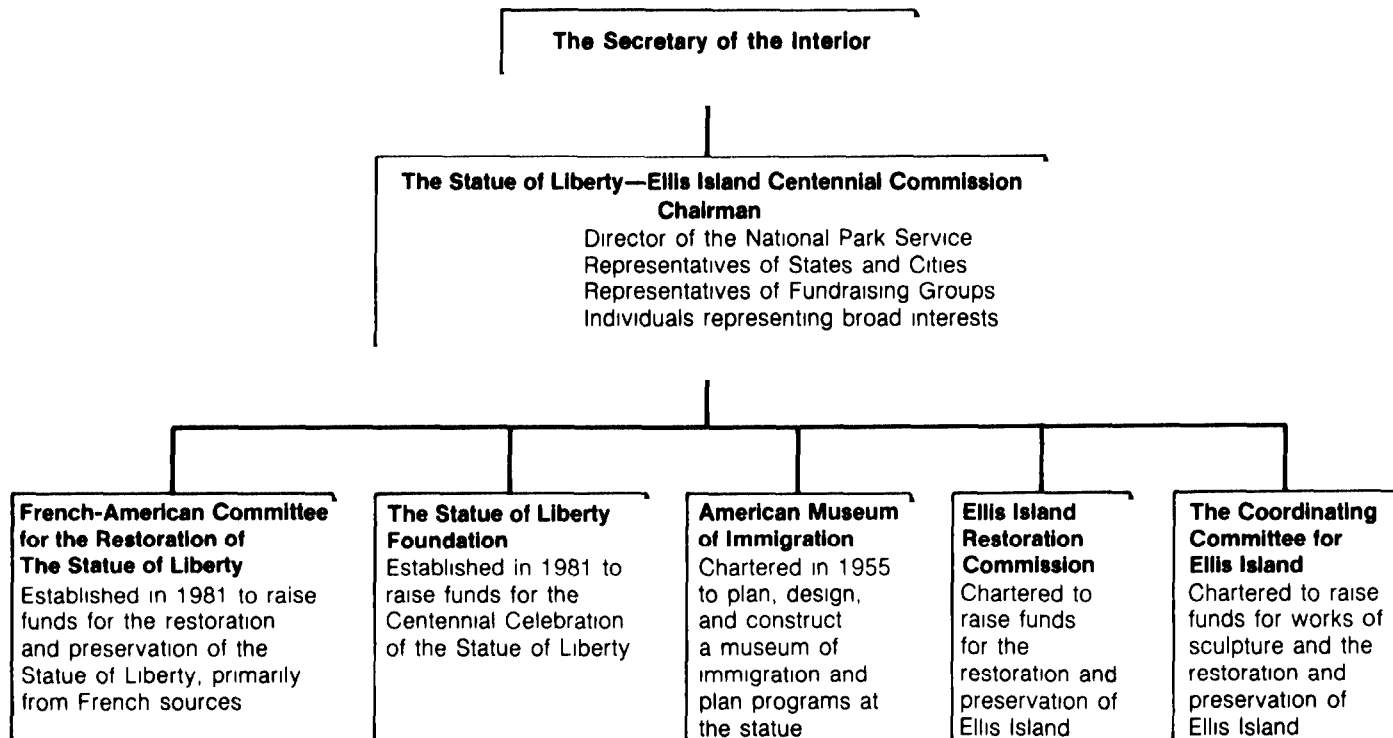
### Emergence of the Foundation as Primary Fundraiser

According to Russell Dickenson, former Director of NPS, and Ross Holland, a former Associate Director, the Commission did not work as expected, its role changing from that of an umbrella group to an organization raising funds itself. Shortly after the Commission's formation, the Statue of Liberty-Ellis Island Foundation, then called the Statue of Liberty Foundation, offered to provide the Commission with the necessary administrative support for fundraising; Mr. Iacocca, as Commission Chairman, accepted its offer. As evidenced by Interior documents and interviews with former NPS officials, the Foundation then came to be regarded by all concerned, including Interior and NPS, as the operating affiliate or fundraising arm of the Commission.

Foundation officials believed that the existence of different fundraising groups would cause confusion among potential contributors and could adversely affect the project's success. As a result, in the fall of 1982, Foundation officials proposed to Interior that the government designate a single organization—the Foundation—to lead the fundraising effort.

Foundation officials pointed out that a single organization would also lower fundraising and administrative expenses.

Figure 3.1: Organizational Structure of the Statue of Liberty-Ellis Island Centennial Commission



Source: National Park Service

Although having a single fundraising organization differed from their original plans, Mr. Holland said that NPS officials accepted the arrangement. He said he realized that it was important to have only one group raising money for the project and that an umbrella group had been a naive idea because it was not workable. At the same time, he said NPS officials saw that with the Foundation actively raising funds, they could not continue to work with the organization solely through the Commission but required a direct relationship with the Foundation in order to oversee its activities.

Consequently, by December 1982, Interior and the Foundation began drafting a memorandum of agreement under which the Foundation

agreed to donate funds, materials and services for the restoration of the Statue of Liberty National Monument, while Interior agreed to recognize the Foundation as the "primary" fundraiser, with whom other groups were supposed to work.

Interior's authority to designate the Foundation as primary fundraiser rests in the Act of June 5, 1920 (16 U.S.C. 6), which gives the Secretary discretion to accept or not accept donations for the national park and monument system. In February 1985 Interior issued a policy statement announcing that it would accept donations generated by commercial solicitation only if they were raised by the Foundation or with the Foundation's participation. Interior said that only under such an arrangement could the public be assured that funds were adequately accounted for and monitored.

The memorandum of agreement between the Foundation and Interior was signed in October 1983. At that point, the Foundation formally assumed fundraising responsibilities for the project, and the Commission's role became solely advisory.

Even as the agreement was being drafted, another reason emerged for transferring fundraising to the Foundation. According to Mr. Holland, in the spring of 1983, Interior lawyers pointed out to NPS officials that the Federal Advisory Committee Act, under which the Commission was established, prohibited the Commission from directly raising funds. According to Section 2(b)(6) of the act, the function of an advisory committee must be advisory only. Although the Commission's charter described only advisory functions, NPS had nevertheless viewed it as primarily a fundraising body. Consequently, to emphasize this prohibition, Interior amended the Commission's charter in August 1983 to state that the Commission could not solicit nor accept donations in cash or in services.

Further emphasis came in a March 1984 memorandum from the Undersecretary of the Interior to the Director of NPS laying out the various roles and responsibilities of the Commission, the Foundation, and NPS on the project. The memo said that while members of the Commission might as individuals or on behalf of the Foundation actively engage in fundraising, the Commission itself was prohibited from doing so. The memo stressed that the distinction between the Commission's advisory role and the Foundation's fundraising role must be adhered to for both legal and policy reasons.

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## Confusion Over Commission and Foundation Roles

Although Interior has tried to make clear distinctions between the two organizations, the responsibilities and functions of the Commission and the Foundation have often been confused. A May 1985 press release issued by the Foundation claimed: "A 40-member commission...has been named to raise funds for the restoration project." In February 1985, a letter from a Regional Director of NPS referred to the Commission as being "formed to do the fundraising for the restoration."

While the shift in fundraising responsibilities from the Commission to the Foundation partly accounts for the confusion about their roles, an added factor has been the indistinct lines separating the two organizations. J. Paul Bergmoser, the first Executive Director of the Foundation, for example, was asked to head the Foundation by Mr. Iacocca, then the Commission Chairman, and then came to refer to himself in correspondence interchangeably as the Executive Director of the Foundation and the Commission, even though the Commission officially has no staff. Although he was overseeing the fundraising carried on by the Foundation, Mr. Iacocca had no formal relationship with the Foundation until September 1984, when he was elected its Chairman. In this case, Interior itself was responsible for the dual appointment, having requested it, according to Interior's Associate Solicitor, in order that Mr. Iacocca have an official connection to the Foundation and its fundraising effort.

In February 1986 Interior Secretary Hodel eliminated some of this organizational overlap by removing Mr. Iacocca from his post as Commission Chairman. Secretary Hodel told us that although he saw no conflict of interest in any legal sense, he believed that Mr. Iacocca's role as head of both the Commission and Foundation prevented the Commission from providing independent advice and guidance to him. He explained that the issue of organizational overlap was first suggested to him by the Foundation, which had instructed two of its board members to give up either Foundation or Commission posts because Mr. Iacocca wanted to avoid "cross over" membership between the two organizations. Secretary Hodel added that if the Foundation had not raised the issue, Mr. Iacocca would still be Commission Chairman.



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## NPS Gave Foundation Contracting Responsibility

The consolidation of fundraising responsibilities within the Foundation was one unanticipated aspect of the restoration effort. NPS also revised its plans by turning over the responsibility for contracting to the Foundation as well.

According to Mr. Holland, NPS expected that once funds were raised, NPS itself would carry out the actual design and contracting for the restoration. In May 1981 NPS had entered into an agreement with one of the fundraising groups, the French-American Committee for the Restoration of the Statue of Liberty, under which the Committee would prepare architectural plans and drawings for the restoration of the Statue of Liberty. NPS expected that once the drawings and plans were completed, it would issue contracts for the work.

With the Statue's centennial celebration set for July 1986, Mr. Dickenson and Mr. Holland told us that by early 1983 they were growing concerned that restoration work on the Statue and Liberty Island would not be completed in time. For one thing, government rules required that funds be available before contracts could be let. According to Mr. Holland, since it was not possible to raise the funds necessary for the restoration in advance of construction and still meet the July 1986 deadline, NPS and the Foundation agreed that the Foundation would assume responsibility for construction and repair work on the Statue. In 1984, NPS asked the Foundation to also take over contracting for all work on Liberty Island, and construction and repair work on Ellis Island; NPS remained responsible for issuing design contracts on Ellis Island. The Foundation's memorandum of agreement with Interior specified that all designs and specifications would be subject to Interior review and approval.

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## The Commission as Advisory Body

With fundraising moved entirely to the Foundation, the Commission's sole function has been to provide advice to the Secretary of the Interior and the Director of NPS on various aspects of the restoration effort. It has not, however, carried out this role. As required by the Federal Advisory Committee Act, Interior filed a charter for the Commission which specified among other things, the estimated number and frequency of meetings. Although its charter states that the Commission is to meet quarterly, the Commission has held only one meeting a year since its creation: on September 15, 1982, April 8, 1983, February 24, 1984, November 22, 1985, and March 4, 1986.

Since its first meeting in September 1982, the Commission itself has not provided any advice or formal recommendations to Interior. At that meeting, it recommended that NPS proceed immediately with restoration of the Statue and that the Secretary of the Interior delay a decision on the development of the southern side of Ellis Island for at least 90 days while the Commission studied alternative proposals.

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**Reasons Given for  
Commission's Inactivity**

As former Chairman of the Commission, and as the officials to whom the Commission was supposed to provide advice, we asked Mr. Iacocca, Secretary Hodel, and former NPS Director Dickenson why the Commission had not met more frequently and taken a more active role in the restoration project.

Both Secretary Hodel and Mr. Dickenson said that the Commission had no need to meet more frequently because it had little to do. They said that the Foundation and Mr. Iacocca were directing most aspects of the restoration project; as a result, Mr. Dickenson said that he chose simply to ignore the Commission.

Mr. Iacocca said that the Commission had not met more frequently because his attention had been taken up with the restoration of the Statue of Liberty, which had an imminent deadline. The focus of the Commission, on the other hand, was on the future of the southern end of Ellis Island, where no immediate decisions were required. Mr. Dickenson likewise noted that his principal concern had been with the Statue's restoration, rather than with Ellis Island.

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**Advice Provided by  
Committees**

While the Commission made only two formal recommendations to Interior, committees of the Commission made several recommendations that went directly to NPS rather than through the Commission. At its first meeting, the Commission established seven committees; two of them—a History Committee and a Restoration, Architecture and Engineering Committee<sup>1</sup>—met on several occasions and developed recommendations that were presented to NPS.

Few Commission members participated in either committee, however. The 17-member History Committee was mostly made up of experts in

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<sup>1</sup>The Restoration, Architecture, and Engineering Committee was formed in October 1983 when the Architecture and Engineering Advisory Committee and the Preservation and Restoration Advisory Committee were combined

immigration history who were not Commission members; NPS and Foundation staff were also on the committee, but only one Commission member was on the committee. Between February 1984 and April 1985, the History Committee met at least four times and made several recommendations. One that was adopted by NPS was to rebuild the second historic staircase leading from the baggage room to the registry room of the Main Building on Ellis Island; the Restoration, Architecture, and Engineering Committee made a similar recommendation. The History Committee also voted to support an NPS proposal to move the American Museum of Immigration to Ellis Island and recommended at the same time that the current site be used for an exhibit on the Statue of Liberty.

Two Commission members, along with the Director of NPS, were on the 12-member Restoration, Architecture, and Engineering Committee. The other members were architects and historic preservation experts. At least six meetings of this committee and its predecessors were held between September 1982 and October 1984. The committee recommended that the torch and flame removed from the Statue of Liberty be allowed to tour the country to further the fundraising effort, a recommendation accepted by Interior although some NPS officials objected to it. Committee members also advised NPS that the historic buildings on Ellis Island contained adequate space for exhibits. As discussed below, the Preservation and Restoration Advisory Committee, one of the predecessors to the Restoration, Architecture, and Engineering Committee, also made recommendations to the Commission on proposals to develop Ellis Island, but the Commission took no action.

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### Commission Has Made No Decision on Restoration of the Southern Section of Ellis Island

At the first Commission meeting in September 1982, its Chairman, Mr. Iacocca, indicated that one of the principal questions to be addressed by the group was the future development of the southern section of Ellis Island, that portion outside the scope of the planned restoration. As he explained during an interview, with the Statue's restoration already underway, the Commission's basic responsibility was to decide how to proceed with the restoration of Ellis Island. After more than 3 years, however, the Commission has made no decision on the development of Ellis Island and, in particular, on a proposal selected by NPS in September 1982 to lease the buildings to private developers.

The development of Ellis Island has been, and remains a highly controversial issue. In 1981 NPS issued a Request for Proposals to lease some of the buildings on Ellis Island, mostly on the south side, restore their

exteriors, and use them for public or private purposes. NPS favored private development because it wanted to have the buildings restored while also establishing a source of revenue for maintenance and rehabilitation of the other buildings on the island. Under the 1980 National Historic Preservation Act Amendments (16 U.S.C. 470 h-3), NPS is authorized to use the proceeds of any leases to defray the costs of administering, maintaining, and repairing the buildings on Ellis Island.

Of the 15 proposals submitted, NPS selected one developed by the Center for Housing Partnerships (CHP), a nonprofit group, as the preferred alternative. The CHP plan originally called for the restoration of the buildings on the south side of Ellis Island to house an international conference center and hotel operated by the Sheraton Corporation. Public facilities, including an open air cafe and restaurant, were also planned.

Although NPS favored the CHP proposal, then-Secretary of the Interior James Watt wanted the newly established Commission to review all proposals for Ellis Island. An Interior memorandum indicates that after agreeing to head the Commission, Mr. Iacocca was concerned that he have an opportunity to make the review, and he was assured that Secretary Watt would consult with the Commission before making a decision. According to the minutes of the Commission's first meeting in September 1982, Mr. Iacocca said, "I told Secretary Watt when they asked me to chair this Commission that unless we can at least conceptually decide what's right for Ellis Island and do it right, I don't want to be a part of it." The Commission then voted to ask the Secretary to delay any further action on the proposals received for at least 90 days, during which the Commission would study them and simultaneously undertake further study, with the objective of making formal recommendations to the Secretary regarding the use of the Ellis Island facility.

From then on, committees of the Commission and a special working group, including NPS representatives, began to study the CHP plan and develop alternatives and modifications to it. At the Commission's second meeting, in April 1983, NPS Director Dickenson described four alternatives for developing Ellis Island. The committee of which he was the Chairman, the Preservation and Restoration Advisory Committee, recommended an alternative that modified the CHP proposal by expanding public use of the island. The committee's recommendation was not formally considered by the Commission, however, because several members wanted additional time to review all the alternatives. Despite subsequent study, no further proposals or recommendations were presented to the Commission as a whole.

The main reason for the delay in a decision on the southern side of Ellis Island has been the great difference in views on how the island should be developed. At the outset, Mr. Iacocca had made it quite clear that he was opposed to commercial development on Ellis Island although he had (and still has) no definite idea about how the Island should be restored. At the first Commission meeting, he said that he had no intention of serving on the Commission if he could not develop a different idea for Ellis Island. He talked about making Ellis Island "a living historical experience" and an "ethnic Williamsburg," and he said that he had communicated these views to the Secretary before he had agreed to serve on the Commission.

Mr. Iacocca was not alone in opposing commercialization of Ellis Island. At least two members of the Commission voiced their opposition to any commercial development on Ellis Island and claimed that it would adversely affect fundraising efforts. For example, the President of the Stroh Brewery Company, one of the corporate sponsors of the restoration, wrote to Mr. Iacocca in June 1983 that he was "probably not interested in funding even a small part of a project" that includes commercial facilities, believing it inappropriate to consider such a direction. According to the former Executive Director of the Foundation, donors had called his office to complain that their contributions were being used to redevelop Ellis Island for the benefit of a private corporation.

NPS, on the other hand, as well as its former director, have remained in favor of the CHP's private leasing proposal for Ellis Island. In April 1983, even as the Commission deliberated, Secretary Watt notified CHP that its plan had been "designated as acceptable to the NPS" and that NPS was prepared to enter into an exclusive negotiating agreement pending submission of acceptable financing and development plans. Although CHP submitted these plans in July 1983, Interior has taken no further action.

The Commission continued to consider the Ellis Island question at its meeting in November 1985 and set up two new committees to review alternatives. At its March 1986 meeting, the Commission decided that the study of alternatives would continue, with reports due to the full Commission in late 1986 or early 1987. The Commission will then prepare final recommendations to the Secretary.

In the meantime, the Center for Housing Partnerships is still willing to go ahead with its proposal for the restoration of Ellis Island, although in a modified form. According to CHP's President, the current plan, developed in 1984, no longer calls for a private hotel chain to operate the

conference center and hotel. Instead, the conference center would be run by a nonprofit institute with local university affiliations, which would contract with an innkeeper to manage the hotel. Tennis courts and a marina were also dropped from the plan.

Financing plans have not been updated since July 1983, when the project was estimated to cost \$65 million. At that time, its president told us, CHP expected to obtain \$32 million in private mortgages, \$13 million from the Department of Housing and Urban Development (HUD), and \$20 million from a private investment group. Although this investment group has since withdrawn, the CHP President believes he can obtain the \$20 million from other sources, while still securing \$45 million in HUD and private mortgages.

Although he has not yet made a decision on Ellis Island, Secretary Hodel explained that with no deadline for the restoration of the southern portion of Ellis Island, there is no urgency to resolve the disagreements over how it should be restored. He observed that constructing or restoring a national monument is always accompanied by conflict and controversy, as was the case with the Vietnam War Memorial. The Secretary said that since time was not an important factor, he would take as long as necessary to reach an agreeable solution to the restoration of Ellis Island.

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## Views on Future Projects

Based on their experiences with the restoration of the Statue of Liberty National Monument, we asked the principal parties involved—the Secretary of the Interior, the former and current Directors of NPS and the Director of its North Atlantic Regional Office, the former Chairman of the Commission and Chairman of the Foundation, the President of the Foundation, and Mr. Chapin, formerly Interior's liaison to the Commission and the Foundation—for their recommendations for similar projects in the future. The current Director of NPS replied with only a draft policy statement on fundraising; Mr. Chapin did not respond at all, despite repeated attempts to obtain his comments. The views of the others are described below. (See app. III for the full text of comments provided in writing.)

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### Interior Department Views

Secretary Hodel told us that Interior is very pleased with the restoration project and offered his praise to Mr. Iacocca for an exceptional effort. He felt that without the involvement of the private sector in this project, the Statue of Liberty would not have been restored in time for its centennial. According to the Secretary, private sector involvement

allows such projects to be completed in a more timely manner and with more certainty than is afforded by the appropriations process.

In general, Secretary Hodel has been quite satisfied with the way the project has operated. He recognizes that the Commission has not been used as an advisory body, but he believes that with the replacement of Mr. Iacocca as Chairman, the Commission will become more independent. The Secretary does not see any potential for conflict in having the same organization both raising funds and spending them, as the Foundation has done, and would consider using this arrangement again.

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## **NPS Views**

According to several NPS officials we interviewed, the restoration of the Statue and Ellis Island is proceeding well. They are satisfied with the Foundation's work and are not reluctant to continue working with them. Reflecting on the way in which the restoration effort has operated, Herbert Cables, Jr., the Director of NPS' North Atlantic Region, who oversees the project for NPS, told us that there was probably no other way to have approached it considering the scope of the work and the amount of time in which to do it. "If the Government had attempted to accomplish the work with its normal procedures," he wrote, "the project would most likely have had to be scaled down and phased over a long span of time. The net result of this long time span could very well have been loss of critical, irreplaceable, and nationally significant resources."

Based on NPS' experience with the restoration of the Statue of Liberty National Monument, Mr. Cables had several observations to make for other such efforts in the future:

- NPS should provide a master plan for the park or monument to the fundraising organization, along with estimates of construction costs that are based on the plan. The fundraising organization should accept these materials as given and use them as a basis for setting fundraising goals.
- NPS should be responsible for designing and constructing any restoration work, rather than the fundraising group. This group should have the right to review and comment on all aspects of the project, but should have no say in managing the construction funds. Mr. Cables said that in cases where time is not a critical factor, as it was for the Statue of Liberty restoration, NPS would prefer to have more direct authority over contractors, even though the process of government contracting could take longer.

Russell Dickenson, the former Director of the NPS, on the other hand, saw no problem in having a single private group carrying out both fundraising and contracting, as long as there is adequate oversight. Mr. Dickenson believes, however, that the government rather than the Foundation should administer any endowment fund once the project is completed. Overall, Mr. Dickenson is satisfied with the results of the restoration project.

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### **Foundation Views**

William F. May, the Foundation's President and Chief Operating Officer, said his most important recommendation was for adequate advance planning, which sets forth the government's goals and objectives in adequate detail. Mr. May advocated giving a private group exclusive rights and responsibilities for fundraising, arguing that a large number of overlapping and conflicting groups "confuses the market place" and ultimately injures the project. He said that in order to minimize confusion, waste and delay, a single person in both the private organization and the government should have final authority.

Mr. Iacocca believes that a fundraising organization should be responsible for fundraising and contracting and should have a strong say in how funds are spent. He claimed that unless an organization is also in charge of spending funds, costs cannot be controlled. Mr. Iacocca added that he felt personally obligated to have a say in how the money he raised on behalf of the American people should be spent, and he plans to continue to do so.





# Interior Has Monitored and Maintained Oversight of the Restoration Project

Contrary to the allegations made to the Subcommittee on National Parks and Recreation, Interior is monitoring and overseeing the restoration project. The Foundation did miss certain reporting deadlines and did not obtain all necessary Interior reviews of promotional materials, but these problems have since been corrected. NPS did review all designs and specifications for construction performed on the project and approved them in writing, although it did not formally approve the construction contracts for Liberty Island, as called for by its special use permit. As alleged, Interior did not publish all required notices of Commission meetings. Interior did not, however, violate historic preservation laws while carrying out restoration of Liberty Island but kept historic preservation officials informed as plans developed.

In his June 1985 testimony, Mr. Chapin also raised questions of improper conduct or conflict of interest on the part of Foundation, Commission, and Interior officials. We found nothing improper or illegal in any of these cases, however.

Although we found no major problems in Interior's oversight, some of those involved in the project were dissatisfied with how Interior managed it in its first few years. Mr. Iacocca believes that Interior and NPS should have given greater attention to the project, and assigned its management to someone with greater experience and authority. Both Mr. Iacocca and Interior officials believe coordination between Interior and the Foundation improved when the North Atlantic Regional Director took over day-to-day management.

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## Interior's Oversight of the Foundation

Interior's oversight of the Foundation is carried out primarily under the terms specified in its memorandum of agreement, that is, through reports on restoration and fundraising, review of promotional materials, and review of proposed architectural and engineering designs and specifications. Interior is also represented on the Foundation's Board of Directors, and it maintains daily contact with the Foundation at the staff level. The Foundation must also comply with the terms of a special use permit issued by NPS that allows access to Liberty and Ellis Islands.

The memorandum of agreement was executed under the authority given to the Secretary of the Interior by the Act of June 5, 1920 (16 U.S.C. 6) to accept, at his discretion, gifts of land, buildings, money, or property donated to the national park and monument system. This law, in our opinion, provides adequate authority for such an agreement.

Although two identical agreements were signed by Interior and the Foundation—one dated October 14, 1983, and the other October 24, 1983—according to an Associate Solicitor of Interior, the Department considers the first agreement to be legally binding. He believes the second agreement was executed because Interior erroneously believed that it had not been signed by the proper official of the Foundation. In any case, the agreements are identical and contain precisely the same terms and requirements. They differ only in their dates and in the signators for the Foundation, with the first agreement signed by the Chairman of the Foundation and the second signed by its Executive Vice President. The first agreement was also signed by Mr. Iacocca, the Chairman of the Commission, but since he was not an official of the Foundation at this time, he was not a party to the agreement and his signature was unnecessary.

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**Memorandum of Agreement  
Requires Reports and  
Approvals**

The memorandum of agreement established various reporting and review/approval requirements that permit Interior to monitor the Foundation's fundraising and restoration activities. (See app. VIII.) To oversee fundraising activities, Interior imposed the following requirements:

- The Foundation had to prepare a plan of operations describing an overall fundraising strategy, a timetable covering at least the first 3 years of operations, administrative and support structures, projected staffing costs, and estimated results of the fundraising effort. An initial plan was to be submitted within 60 days of the agreement and then updated as conditions changed, or at least annually.
- Any promotional activities or materials, including brochures and other publicity materials, are subject to Interior review, although they do not require Interior's approval. However, the Superintendent of the Monument must approve any celebration or event planned by the Foundation for the Statue of Liberty National Monument.
- The Foundation must publish and make public an annual report of its finances and activities based on an audit by a qualified audit firm. The report is to identify sources of funds and how they were spent.

Restoration activities are also subject to a number of conditions:

- All preliminary and final designs and specifications must be reviewed and approved in writing by NPS architects.

- The Foundation has to maintain construction records, including shop drawings, change orders, modifications, daily logs, weekly reports, and "as constructed drawings."
- The Foundation may not accept work as completed or acceptable until it is approved in writing by Interior.

Finally, the agreement requires the Foundation to submit quarterly progress reports to the Secretary of the Interior. The reports are to discuss fundraising and restoration efforts, any present or anticipated problems, financial projections for the remaining work, quarterly goals for the restoration and fundraising efforts, and a comparison of goals and performance.

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**Special Use Permit Contains  
Some Additional  
Requirements**

In addition to the memorandum of agreement, the Foundation must adhere to the terms of a special use permit issued by NPS in August 1984. The permit grants the Foundation access to Liberty and Ellis Islands and allows it to perform restoration activities under certain conditions: the Foundation and/or its contractors must obtain insurance, provide safe working conditions, and observe federal laws regarding discrimination in hiring, among other things. The provision of the permit that applies to Liberty Island also requires NPS approval of all Foundation renovation activities, plans, specifications, and contracts.

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**Interior Is Represented on  
the Foundation's Board of  
Directors**

The memorandum of agreement also calls for Interior's Assistant Secretary for Fish and Wildlife and Parks (who oversees NPS) to be appointed to the Foundation's Board of Directors as a nonvoting member. The agreement further requires that the Foundation make all decisions on major activities and policies at its board meetings so that Interior representatives can be present when important actions are decided upon. Between November 1983 and February 1986, an Interior representative attended 19 of the 20 meetings that were held.

In September 1984, at Interior's request, the Foundation conferred voting privileges on the Assistant Secretary and also elected as a second voting member Interior's Associate Solicitor for Conservation and Wildlife. However, in February 1986, at the same time that he removed Mr. Iacocca from his position as Chairman of the Commission, Secretary Hodel asked the Foundation not to re-elect the two Interior representatives as voting members; the Foundation changed their status to non-voting members at its March board meeting. The Secretary told us that

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he had been unaware that the Interior representatives had had voting privileges, which he believed could jeopardize their independence.

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**NPS Working Relationships  
With Foundation Staff**

Interior maintains its monitoring and oversight of the Foundation both formally, through specified procedures and reports, and informally, through the close contact between NPS and Foundation staff working on the restoration project. For example, NPS staff, including the overall project architect, the historical architect for Liberty Island, and the Ellis Island project architect, share offices and administrative support with the Foundation's project manager and his staff and meet daily to discuss progress and problems. NPS staff are also responsible for reviewing and approving (in writing) restoration work before it can be undertaken by the Foundation. The Superintendent of the Statue of Liberty National Monument lives on Liberty Island and is consequently able to observe restoration activities continually.

Since January 1985, the day-to-day management of the project has been the responsibility of NPS' North Atlantic Regional Office and its Director, Herbert Cables, Jr., to whom the NPS project staff and the Superintendent of the Monument report. Until he left Interior in January 1985, Garnet Chapin, working from NPS headquarters in Washington, represented the Director of NPS on all matters pertaining to the restoration project. These two officials, Mr. Cables and Mr. Chapin, are or were responsible for monitoring the Foundation's activities and making sure that all the terms of the memorandum of agreement are met.

In August 1985 NPS and the Foundation established a steering committee which meets monthly to coordinate restoration and fundraising activities and share information concerning the restoration project. The committee is chaired by Mr. Cables and the President of the Foundation, and it includes various managerial-level officials from both NPS and the Foundation. Among other things, the monthly meetings are meant to maintain effective communication and avoid duplication of effort and to assure that commitments made to donors and the public are being honored.

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## Memorandum of Agreement Not Always Followed

While the Foundation has, for the most part, complied with the memorandum of agreement, in some cases, it has not. These instances of non-compliance were eventually corrected, and according to Mr. Chapin and Mr. Cables, the two Interior officials who have been responsible for monitoring the Foundation's activities, did not affect their ability to monitor and oversee the restoration project.

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## Some Reporting Requirements Were Not Met

Mr. Chapin had charged that the Foundation had not submitted the annual financial reports required by the memorandum of agreement and that it had submitted the required plan of operations late and with information missing. We found that contrary to the allegation, the Foundation did submit the required financial reports. When we brought this to Mr. Chapin's attention, he acknowledged that he had, in fact, received the report submitted during his tenure.

However, Mr. Chapin correctly reported that the Foundation had submitted an incomplete and late plan of operations. We found that the initial plan of operations was submitted to Mr. Dickenson and Mr. Chapin on January 17, 1984, 35 days past the deadline, and it lacked information on administrative and support structures, timetables for the first 3 years, and projected staffing costs. This information was eventually provided to NPS on June 21, 1984, over 6 months late. The Foundation updated the plan in September 1984 and again in January 1985.

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 discussions 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 Foundation's Vice President and Controller, who is responsible for compiling and submitting all these reports, he did not consider meeting report deadlines a high priority, partly because he believed NPS staff who were involved in the project on a daily basis were well-informed. As for the information required, he said he was simply unaware of all the details required by the memorandum of agreement. He told us, however, that this information was generally provided at the

Board of Directors' meetings, usually held monthly, at which Interior and NPS representatives are present.

According to Mr. Cables and Mr. Chapin, these delays and lack of information did not affect their ability to keep abreast of the restoration effort. Mr. Chapin told us that the Foundation's reports contained the information he needed to monitor the restoration project, although their lateness prevented him from responding promptly to congressional requests for information on the status of the project. Mr. Cables said that the quarterly reports, information provided at the Foundation's Board of Directors meetings, and daily involvement with the architectural and engineering work provide NPS with the information necessary to properly oversee the restoration effort

**Not All Requirements for  
Review and Approval of  
Construction Work Were  
Met**

Among his allegations, Mr. Chapin charged that the Foundation had violated the memorandum of agreement because it had not submitted construction contracts for Interior's review and approval for the first 2 years of the project. However, according to the memorandum of agreement, the Foundation is not required to obtain Interior's approval of construction contracts. The agreement requires that Interior give written approval of design work and specifications for the restoration, and that Interior give its written approval before the Foundation can accept any construction work as complete or acceptable and make final payment. In our review of all contracts for permanent construction awarded since the project began through October 1985, we found that requirements for approval of design work were always met. Since no construction on the Monument was completed at the time of our review, Interior had not yet given approvals for final payment. We did find, however, that the special use permit does require Interior's written approval of construction contracts for Liberty Island, and this requirement was not met.

We reviewed 45 contracts for permanent construction awarded between January 1984, when the first construction contract was issued, and October 1985 for work on Liberty and Ellis Islands. We found that the Foundation submitted and NPS had in all cases reviewed and approved the designs and specifications upon which the contracts were based. Liberty Island drawings and plans were reviewed and approved in writing by two NPS architects who work at the project office in New York, while authority for Ellis Island approvals rests with the manager of NPS' Denver Service Center, the North Atlantic Regional Director, and with the Superintendent of the Monument. These officials reviewed all

designs and specifications prepared by the various architectural and engineering firms involved in the project. NPS architects told us that after NPS gave its written approval, the specifications were turned over to the Foundation's construction manager, who broke them up into discrete jobs for bidding. The NPS architects continued to participate in the contracting process by attending pre-bid conferences and bidder interviews, analyzing bids, and reviewing each contract.

In addition, the memorandum of agreement requires the Foundation to include a copy of the agreement in any contract executed by the Foundation for work on the Monument. We found, however, that the Foundation did not comply with the requirement. This occurred because the Foundation was not aware of the requirement, according to the Vice President and Controller. However, neither he nor NPS architects believed that this omission had a negative effect on the project.

#### Construction Contracts and the Special Use Permit

During the June 1985 Subcommittee hearing, questions were raised about whether the special use permit constituted Interior approval of construction activities. We found that the special use permit does not provide unconditional approval of construction work in advance. Its primary purpose was to give the Foundation access to Liberty and Ellis Islands to undertake construction.

Like the memorandum of agreement, the special use permit requires NPS approval of the plans and specifications for construction work. Unlike the memorandum of agreement, however, it also requires NPS written approval of Foundation contracts for restoration work on Liberty Island, although not on Ellis Island. Despite this requirement, NPS officials have not provided written approval of construction contracts for Liberty Island, believing that their review of designs and specifications and their participation in the bidding process is sufficient. Neither the Superintendent of the Monument, who issued the permit, nor Interior's Associate Solicitor, could tell us why the special use permit required written approval of Liberty Island contracts and why the permit differed from the memorandum of agreement.



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## Foundation's Payment to a French Engineering Group Was Not Certified

Between April and August 1984, at the request of NPS, the Foundation made a series of payments to a French engineering group that had performed some of the architectural and engineering work for the Statue of Liberty's restoration. The Subcommittee Chairman asked us to determine whether the last payment of \$500,000, made in August 1984, had been certified by NPS and whether the payment was justified.

In April 1983 the French engineering group entered into a contract for architectural and engineering work with the French-American Committee for the Restoration of the Statue of Liberty, a group which had agreed to provide this work to NPS. That contract, which, as amended, was for \$1.1 million plus expenses, followed a pair of preliminary studies the engineering group had earlier conducted for the French-American Committee. The Committee did not begin paying the engineering group for any of its work until November 1983, when it made a payment of \$400,000; another \$50,000 payment was made 2 months later. By early 1984, however, the French-American Committee was unable to make any further payments. Consequently, to make sure the work would be finished, NPS turned to the Foundation with a request that it settle the problem. In April and May 1984, the Foundation made two payments of \$250,000 each. In August 1984 it made another \$500,000 payment, bringing the total paid to the French engineering group to \$1.45 million.

By the time the group completed its work in July 1984, it had billed the French-American Committee for a total of \$2.3 million, including close to \$500,000 for the studies done earlier.<sup>1</sup> However, after the Foundation's August payment, the then-Secretary of the French-American Committee asked its Architectural Advisory Group to convene a task force to review the engineering group's work product in relation to its billings. Two months later, in October 1984, the task force concluded that the French engineering group's bills for \$2.3 million exceeded the value of its work, and the group had been overpaid by about \$600,000 to \$700,000. This conclusion, in turn, suggested that the Foundation's last payment had not been justified.

When we looked at the details of the task force's findings, however, we could not determine how the task force had concluded that the French engineering group had been overpaid. Of the \$2.3 million billed by the

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<sup>1</sup>We were unable to obtain any information on the terms of the agreement under which these preliminary studies were done.

French group, \$1.4 million was professional fees, \$575,000 was for reimbursable expenses, and \$308,000 was for interest on late payments. The professional fees and expenses were billable under the contract; interest charges were not covered, but the engineering group said it had a verbal agreement with the French-American Committee to charge interest. The task force did not examine these latter charges, but only professional fees. It found that the value of the work performed was about \$700,000 to \$800,000 rather than the \$1.4 million charged. Since the French engineering group had been paid \$1.45 million, the task force concluded that the group had been overpaid by about \$600,000 to \$700,000.

The task force did not know, however, whether the French engineering group's payment of \$1.45 million was solely for professional fees. Since the group was being paid on account, the payments were not directed toward specific charges. The \$1.45 million could have gone toward reimbursable expenses and interest on late payments as well as toward professional fees. Further, part of the payment may have been for the preliminary studies and related expenses. Thus, since it is unclear what the payment was for, we are unable to determine whether or not it is justifiable.

Although NPS architects reviewed the engineering group's work when it was completed and found it to be of excellent quality, they did not certify any of the payments made to the group because they did not consider it their responsibility to do so. According to the memorandum of agreement with the Foundation, Interior must approve all work before the Foundation may accept it as completed. A 1984 directive from Interior's Undersecretary delegated this responsibility to NPS and assigned to the agency responsibility for certifying payment as well. According to the Chief of NPS' North Atlantic Region Preservation Center, NPS must certify only final payment, not all payments.

While the \$500,000 payment in August turned out to be the last payment the Foundation made, Foundation and NPS officials told us that at the time neither the Foundation nor NPS considered it the final payment on the contract, since the French engineering group had been paid only \$1.45 million, or some \$900,000 short of the \$2.3 million it billed. Since additional money was owed on the contract, the NPS Preservation Center Chief told us he did not believe it necessary to certify the August payment.

Although the French engineering group believes that it is still owed payment, the Foundation's Vice President and Controller told us that since

the group's contract is with the French-American Committee, the Foundation does not plan to make any further payments. He added that in April 1985, the Chairman of the Board of the French-American Committee had notified the Foundation that the Committee planned to raise funds in order to pay the balance of the money owed the French engineering group, as well as to repay the Foundation for the payments made on the Committee's behalf. As of March 1986, however, the Foundation had not received any money from the French-American Committee, nor was it aware of whether the French-American Committee had made any payments to the French engineering group

### Some Promotional Materials Were Not Reviewed by NPS

Mr. Chapin also alleged that the Foundation had violated its memorandum of agreement by distributing brochures and advertising copy without Interior's prior review and approval. We found that the Foundation did not submit certain promotional materials for Interior's review in the early stages of its fundraising efforts, but corrective action was taken. In any case, the memorandum of agreement requires only Interior's review, not its approval of promotional materials.

The promotional materials in question were developed by a marketing firm under contract to the Foundation and, according to Foundation officials, 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 the ground in a serious state of disrepair; NPS found it offensive because it suggested that the government was guilty of neglect. The other ad incorrectly said that Ellis Island was closed. After learning about these advertisements, the Superintendent of the Monument told us, 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 it had to submit all promotional materials for review in the future. 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. Since the contract still had 2-1/2 years remaining, it was not until December 1984 that final settlement on the terminated contract was reached. The contract had called for the Foundation to pay the marketing firm \$60,000 a month plus expenses. Under the contract settlement, the Foundation agreed to pay the firm \$59,000 for unreimbursed expenses, and \$416,000 as settlement for the remaining term of the contract, a total payment of \$475,000. In September 1984 the Foundation hired another marketing firm, and required it to submit all promotional materials to the Foundation for its review and approval.

## Commission Meeting Notice Requirements Not Always Met

As noted earlier, the Statue of Liberty-Ellis Island Centennial Commission was established to coordinate fundraising activities and to serve as an advisory body to the Interior Secretary and the Director of NPS. As required by the Federal Advisory Committee Act, federal agencies must give members of the public an opportunity to observe advisory committee deliberations by publishing timely notice of committee meetings in the Federal Register.

Mr. Chapin had charged that the Commission had not always met this requirement, having failed to publish announcements of its meetings, called impromptu meetings, and canceled scheduled meetings without notice. Although Mr. Chapin suggested that the Commission was at fault, the responsibility for complying with the Advisory Committee Act rests with the federal agency, in this case, the Department of the Interior. We found that Interior did not always meet certain requirements:

- Notices of two Commission meetings were published in the Federal Register 5 days and 14 days before the meeting, rather than the 15 days required by Interior guidelines.
- Eight of the 10 Commission committee meetings of which we are aware were not announced in the Federal Register.
- The notice for the Commission's first meeting indicates that it was not open to the public, and Interior had no record that an explanation was prepared and made publicly available as required by the Advisory Committee Act.

Mr. Dickenson, former Director of NPS, as well as Mr. Cables and Mr. Holland, the former Associate Director, recognize that meeting notice requirements were not always met. However, they believe that this lack of timely and full public disclosure did not adversely affect the restoration project.

According to Mr. Chapin, the Commission had canceled a meeting without the required notice. Foundation officials told us that the Chairman did cancel one meeting, but the Federal Advisory Committee Act contains no requirements regarding notice of meeting cancellations.

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### Different Procedures Followed for Liberty Island

Among his allegations, Mr. Chapin charged that Interior was permitting Liberty Island to be bulldozed without an approved plan and in violation of historic preservation laws. The Subcommittee Chairman also asked us to determine why Liberty Island had been closed and what effect its closing has had on concessionaires.

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### NPS Approved Work on Liberty Island

We found that NPS did not approve a complete plan for landscaping and improving the administration and concession buildings on Liberty Island until November 1985. Although it was decided to include Liberty Island in the restoration effort in 1984, NPS and the project architect had differing views on the work to be done, and some time was spent in resolving these differences to NPS' satisfaction. Consequently, work on the Island did not start until July 1985. Because of the delay, work had to be undertaken on a section-by-section basis, with NPS architects approving work for each section before it could proceed. According to Mr. Cables, NPS' North Atlantic Region Director, although normally NPS would require an overall plan, he decided to proceed in the absence of one in order for the work to be completed by July 4, 1986.

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### NPS Took Steps to Comply With the National Historic Preservation Act

Section 106 of the National Historic Preservation Act of 1966, as amended, requires a federal agency to give the Advisory Council on Historic Preservation (ACHP) an opportunity to comment on any undertaking involving a structure or building on the National Register before any work is done. ACHP's regulations issued pursuant to section 106 also require that the State Historic Preservation Officer of the state in which the historic structure is located be given the opportunity to comment

Since the Statue of Liberty National Monument is on the National Register, NPS sent its General Management Plan for the Monument, published in September 1982, to ACHP and to the State Officers for New York and New Jersey for comment. ACHP and the New York State Officer provided comments to NPS; since New Jersey officials did not respond after 15 working days, it was assumed they had no comment.

According to the Regional Historian of NPS' North Atlantic Regional Office, NPS has continued to keep the New York State Officer informed of plans for the Monument, including plans for landscaping on Liberty Island, as more details developed. These plans were provided to satisfy the State Office's request, following its review of the General Management Plan, for further assurance that the plans would have no adverse effect on the Monument. The New York State Deputy Commissioner for Historic Preservation confirmed that her office had been kept informed of landscaping plans as well as other aspects of the restoration project, and that her office had raised no objections to the work being done.

NPS has not kept ACHP similarly informed because, in the judgment of the Regional Director, Mr. Cables, it was not necessary to do so. In its final review of the General Management Plan, ACHP did not request additional information as had the New York State Office. In addition, Mr. Cables said, the landscaping plans did not alter the overall existing landscape design, since the plans consist mostly of replacement of the existing administration and concession buildings, rebuilding of walkways, and repairs to the dock. Although NPS was prepared to notify ACHP if the State Office had taken issue with the landscaping plans, this was not the case.

We believe that since NPS submitted its General Management Plan to ACHP and the State Historic Preservation Office and kept the State Office informed of additional details and plans on Liberty Island since then, it has satisfied the law's requirements to obtain comments from responsible historic preservation officials. Although NPS did not notify ACHP of its plans for landscaping, NPS' Regional Director said he was prepared to do so if the State Office raised concerns or if the plans significantly altered the existing landscape design.

**Statue of Liberty National Monument Was Closed to Ensure the Safety and Health of the Public**

Although it had planned to keep the Monument open until October 1985, the Foundation's construction manager informed NPS in late May 1985 that construction would have to be underway in all public areas of Liberty Island if the July 4, 1986, deadline were to be met. NPS therefore decided to close the Monument so as not to endanger the public's health and safety during construction on Liberty Island.

Because the construction schedule had to be accelerated immediately, NPS officials told us they closed the Monument on an emergency basis, beginning June 24, 1985. Under ordinary circumstances, NPS can only close a national park or monument following rulemaking procedures; that is, it must publish a notice of intent in the Federal Register and invite public comment. When for some reason the park or monument must be closed immediately, NPS can close it on an emergency basis.

In the case of the Monument, NPS closed it on an emergency basis, announced the closing in the June 26, 1985, Federal Register, and then published an interim rule in the September 13, 1985, Federal Register, which closed the Monument through July 4, 1986. No public comments were received on the closing. NPS cited the reasons for the closing and acknowledged that it would have some effect on the two concessionaires: Circle Line, Inc., which runs ferry service to Liberty Island, and Evelyn Hill, Inc., which operates a concession stand. In October 1985 NPS agreed to a settlement with Evelyn Hill, Inc., for dislocations and costs associated with the renovation of the Statue of Liberty and the closing of Liberty Island; a similar agreement was being negotiated with Circle Line as of March 1986. Neither agreement will include cash payments. Instead, the settlement with Evelyn Hill includes:

- A provision to allow Evelyn Hill to deduct the book value of fixed assets demolished or made useless in renovation, estimated to be about \$300,000, from future payments to NPS under a new 15-year contract that NPS intends to issue to Hill.
- An interest-free loan of up to \$500,000 from the Foundation to Hill covering the cost it incurs as a result of the closure. The loan will be repaid within 60 days of either contract signature, or Hill's notification that the contract will not be renewed.
- Office and storage space for Hill off Liberty Island while the Island is closed. The space was provided at no cost by the Foundation's construction management firm.
- A waiver of all franchise fees for 1984 (\$61,122) and 1985 (\$55,328); 70 percent of the 1983 fees (\$60,745) already paid to NPS will be credited to future franchise fees payable by Hill.

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## No Evidence of Official Misconduct

Mr. Chapin's testimony contained three charges of illegal or improper conduct on the parts of Foundation, Commission, and Interior officials. We found no such instances.

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## Foundation's Hiring of a Director Was Not Improper

Mr. Chapin charged that in hiring one of its directors to coordinate the Fourth of July celebrations at the Statue of Liberty in 1984, the Foundation had violated its charter. We found that the Foundation's Board did hire one of its members, but his hiring was permitted by Foundation bylaws and did not violate conflict of interest standards set by the National Charities Information Bureau (NCIB), a charity watchdog group.

The Foundation hired one of its directors in June 1984, as a consultant, to negotiate television rights and supervise celebrations planned for July 4, 1984, at the Statue of Liberty, which featured the lowering of the Statue's torch. In doing so, the Foundation followed procedures required in its bylaws, which state that any member, director, or officer of the Foundation is authorized to receive reasonable compensation for services rendered to the Foundation when authorized by a majority of the Board of Directors at any meeting at which a quorum is present. The Board agreed to hire this director, the former chairman of a major advertising agency, at its June 8, 1984, meeting, at which a quorum of members was present. The agreement provided that the director would receive \$750 a day plus expenses through July 4. Interior's Associate Solicitor and Deputy Assistant Secretary were present at this meeting and were consequently aware of the decision to hire the director, as well as the size of his fees.

The Foundation's hiring of a director in this instance did not violate conflict of interest standards set for philanthropic fundraising organizations by NCIB. Because of public interest in the restoration project, NCIB has been checking the Foundation's fundraising activities since they began. In a February 1986 report, NCIB specifically addressed the propriety of the Foundation director's payment. It found that the director had received \$11,250 for his services and that this compensation did not constitute a material conflict of interest.

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## No Conflict of Interest in Committee Co-Chairman's Work for Commission

Another of Mr. Chapin's allegations concerned a possible conflict of interest on the part of John Burgee, a former co-chairman of the Commission's Architectural and Engineering Advisory Committee. Specifically, Mr. Chapin suggested that Mr. Burgee's solicitation of work for



Ellis Island may have been in conflict with his role as co-chairman and that plans for Ellis Island may have been compromised as a result.

At the first meeting of the Commission in September 1982, John Burgee, a prominent architect and head of a well-known architectural firm, said that he had been asked to serve as co-chairman of the Commission's Architectural and Engineering Advisory Committee. The committee was expected to advise Commission members on design, architecture, engineering, development, and construction related to the entire restoration effort. The committee's first assignment, undertaken at the request of the Director of NPS, was to review proposals that had been submitted to NPS for the development of the southern side of Ellis Island, including the hotel and conference center proposal of the Center for Housing Partnerships (CHP) that NPS favored.

As discussed in the previous chapter, Mr. Iacocca and some other members of the Commission objected strongly to the CHP proposal. Mr. Burgee's committee developed two alternatives that contained none of the features of the CHP proposal. In reaction, NPS developed a third alternative which combined features of the Architectural and Engineering Committee alternative with the original CHP proposal. Although all alternatives were presented to the Commission in April 1983, it took no action. Subsequently, in the fall of 1983, at a meeting attended by NPS and Foundation officials, Mr. Iacocca, as Commission chairman, asked Mr. Burgee to prepare a master plan for Ellis Island. According to Mr. Chapin, Mr. Burgee solicited this work, and his having done so may have been in conflict with his position as co-chairman of the committee charged with reviewing proposals for Ellis Island

Legally, we find no conflict of interest. As to whether Mr. Burgee unduly profited from his position as co-chairman by obtaining work, we found that in effect, he donated his services in development of a master plan. He charged no professional fees and billed only for time and expenses incurred by his firm, which amounted to approximately \$53,000

In order to profit from his committee role in the future, Mr. Burgee would have to have some power to award himself contracts. Since his committee was not asked to make recommendations on contract awards, Mr. Burgee's position as co-chairman conferred no such power.

We also could find no evidence that his preparation of a master plan compromised his ability to advise the Commission on Ellis Island. Presumably, Mr. Burgee was appointed to advise the Commission because

of his professional reputation and the value placed on his ideas for Ellis Island, a number of which were known to the Commission and expressed at the first Commission meeting. There is no indication that Mr. Burgee was expected just to evaluate the ideas of others. On the contrary, it would seem that he was appointed on the strength of his own ideas. Thus, the preparation of a master plan for Ellis Island would seem to be in keeping with his role as advisor to the Commission, rather than in conflict with it. For this same reason, we find no indication that plans for Ellis Island were compromised.

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**Associate Solicitor's  
Position on the  
Foundation's Board Is Not a  
Conflict of Interest**

As noted earlier, one of the two Interior representatives on the Foundation's Board of Directors was Interior's Associate Solicitor for Conservation and Wildlife, Keith Eastin.<sup>2</sup> Mr. Chapin charged that it was improper for Mr. Eastin to serve as legal counsel to Interior while also a member of the Foundation's Board of Directors.

We see no violation of federal conflict of interest laws (18 U.S.C. 208) and regulations. Under these laws, a federal employee may serve as a director of an organization as long as the employee does not participate in government decisions that affect the "financial interest" of that organization. Since the Foundation is carrying out a government purpose, to restore and preserve the Statue of Liberty National Monument, it does not have a financial interest, as interpreted by the courts, separate from that of the government. Consequently, while Mr. Eastin, as a government employee, participated in decisions that affected the financial interest of the Foundation, those interests were the same as the government's. For the same reason, we see no violation of Interior's regulations governing the ethics of employee conduct. However, while it is our opinion that conflict of interest laws have not been violated, it is the Department of Justice's responsibility to interpret and enforce these laws.

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**Views on Project  
Management**

Although we found no major problems with Interior's monitoring and oversight of the restoration, a number of those who had been involved in the project in its first few years believe that Interior had not managed the project well.

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<sup>2</sup>In March 1986, he was made Deputy Undersecretary of Interior

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**Views of Mr. Iacocca**

Mr. Iacocca said that while he believed the project has been quite successful, it did have its problems, none of them significant, however. According to Mr. Iacocca, for the first 3 years of the project—that is, until 1985—Interior and NPS were not sufficiently involved in the project and its planning, which resulted in delays in reaching agreement on needed decisions. He believes that Mr. Dickenson, as Director of NPS, did not pay enough attention to the project in its first year and delegated too much responsibility to Mr. Chapin. Mr. Iacocca said that Mr. Chapin did not have sufficient authority or experience within Interior to properly coordinate the project, and it was not until after he left that cooperation and coordination between Interior and the Foundation improved. Mr. Iacocca suggested that in future projects, Interior ought to designate, as liaison to a private organization, someone with adequate experience and knowledge.

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**Views of Interior and NPS**

NPS and Interior officials, including Mr. Eastin, currently Deputy Undersecretary, Mr. Cables, and Mr. Moffitt, Superintendent of the Monument, were also dissatisfied with the way the project was initially managed. They said that until Mr. Cables was assigned the day-to-day management responsibility, he was responsible for the project without having the authority to make decisions on it. That is, as North Atlantic Regional Director, Mr. Cables was the person to whom the NPS project architects and the Superintendent of the Monument reported, all of whom had various responsibilities for monitoring and oversight. Yet it was Mr. Chapin, they pointed out, rather than Mr. Cables who had been designated manager of the project by the Director of NPS and who made decisions on how the project should proceed. This split, NPS and Interior officials told us, caused confusion among NPS staff. Once Mr. Chapin left and Mr. Cables assumed overall responsibility, officials believed the project ran much more smoothly.

# List of Allegations Investigated

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This appendix lists allegations made by Garnet Chapin, a former Interior official, at a June 1985 hearing of the House Interior Subcommittee on National Parks and Recreation on the Statue of Liberty-Ellis Island restoration project. Each allegation is followed by a brief summary of our findings. The reader is referred to sections of the report where each allegation is addressed more fully.

1. The Commission did not meet as frequently as specified by its charter. (See p. 39.)

True. The Commission met only once a year rather than the four times a year specified in its charter.

2. The Commission violated the Federal Advisory Committee Act's requirements for announcement of meetings, calling impromptu meetings, and canceling scheduled meetings without the required notice. (See pp. 58 and 59)

Partly true. Interior did not publish timely announcements of all meetings in the Federal Register, and in some cases, published none at all. However, announcements are not required before canceling meetings.

3. The Department of the Interior has not received formal recommendations from the Commission on restoration of the Statue of Liberty since its first meeting. (See p. 40)

True.

4. John Burgee's solicitation of work on Ellis Island while serving as co-chairman of the Commission's Architectural and Engineering Committee may have been a conflict of interest. The Ellis Island restoration plans may have been compromised as a result. (See pp. 62-64.)

Not true. Mr. Burgee's work on Ellis Island while serving on a committee was neither illegal nor improper.

5. After 3 years of deliberation, no decision has been made on the Center for Housing Partnerships' proposal for Ellis Island. (See pp. 41-44 )

True

6. The Foundation did not meet the 60-day deadline for submission of an initial plan as required by the memorandum of agreement. (See p. 52.)

True. The plan was submitted late and with information missing.

7. The Foundation did not submit the financial reports required by the memorandum of agreement. (See p. 62.)

Not true. All required financial reports were submitted.

8. For the first 2 years of the project, the Foundation did not submit construction contracts for review and approval as required by the memorandum of agreement. (See pp. 53 and 54.)

Partly true. The memorandum of agreement does not require that Interior review and approve the contracts themselves, but only the designs and specifications for all construction work. However, NPS has not given written approval for construction contracts for Liberty Island, as required by the special use permit. The Foundation submitted the plans for all permanent construction contracts issued since the project began.

9. The Foundation distributed brochures and advertising copy without Interior's review and approval as required by the memorandum of agreement. (See pp. 57 and 58)

Partly true. In two cases, the Foundation's marketing firm used promotional materials without submitting them to either the Foundation or Interior. However, NPS' approval is not required by the memorandum of agreement.

10. Liberty Island is being bulldozed without an approved plan and in violation of the laws regarding national landmarks. (See pp. 59 and 60)

Not true. NPS has approved plans for Liberty Island on a section-by-section basis. NPS followed the requirements of the National Historic Preservation Act by informing federal and state historic preservation officials.

11. The Department of Interior's Associate Solicitor acting as legal counsel to the Department on restoration issues while serving on the Foundation's Board of Directors as a voting member is improper. (See p. 64.)

Not true. Since the Foundation is carrying out a governmental purpose, to restore the Statue of Liberty National Monument, its financial interest is the same as the federal government's. Consequently, the Associate

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Solicitor has violated neither federal conflict of interest laws nor Interior's regulations governing employee conduct.

12. The Foundation hired one of its own directors for an undisclosed sum of money to coordinate the efforts of a celebration activity even though the Foundation's charter prohibits such an activity. (See p. 62.)

Not true. The Foundation's bylaws permit the hiring of directors when certain procedures are followed, as was the case here. A charitable organization watchdog group also found no material conflict of interest.

# List of Subcommittee Questions

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In addition to the allegations listed in appendix I, the Chairman of the House Interior Subcommittee on National Parks and Recreation asked GAO to answer the following questions. Our summary findings follow. References are to the pages of the report where each question is addressed more fully.

1. Does the Act of June 5, 1920 (16 U.S.C. 6) provide proper legal basis for Interior's memorandum of agreement with the Foundation? (see p. 48.)

Yes. We believe this law provides adequate authority.

2. What is the legal basis for NPS' designation of the Foundation as the primary fundraiser for the project and NPS' basis for accepting/rejecting donations raised outside the Foundation? (See p. 37.)

The same law—the Act of June 5, 1920—gives the Interior Secretary discretion to accept or not accept donations for the national park and monument system. This allows him also to set conditions on accepting donations, for example, by requiring that donations be made through a particular organization.

3. Does GAO have the legal authority to review and audit records of funds raised and disbursed by the Foundation for the restoration project? (See p. 14.)

GAO does not have this authority, except for records of expenditures of funds from the sale of coins authorized by the Statue of Liberty-Ellis Island Commemorative Coin Act.

4. Have the Foundation and the NPS complied with the memorandum of agreement and has the Commission complied with its charter? (See pp. 39, 52-54, and 58-59.)

The Foundation did not meet certain reporting requirements and deadlines and did not submit some promotional materials for Interior's review; with one minor exception, all other requirements of the memorandum of agreement were met. The Commission did not meet as often as specified in its charter, and Interior did not publish all required meeting notices.

5. How was the restoration meant to work and how has it actually worked? (See pp. 16-46)

The restoration project is meeting its restoration and fundraising goals. It has operated differently than Interior first planned, however. The Commission has been Foundation, rather than the Commission and NPS, has been doing the fundraising and contracting.

6. How are estimated budget expenditures and fundraising goals arrived at? (See pp. 20-23, and 28-30.)

The first budget developed by the Foundation was based on NPS restoration plans, and the Foundation's own plans for celebrations and an endowment fund; Liberty Island plans were added at NPS' request. Fundraising goals were based on expected costs and adjusted to reflect the Foundation's actual experience in raising funds from different sources.

7 What are the sources and application of funds for the restoration project? (See pp. 23-26.)

About 30 percent of the funds raised has come from individuals, and about 27 percent has come from corporate sponsors. About two-thirds of the funds raised are expected to go toward the restoration project, with most of the remaining funds set aside for an endowment fund (7 percent), a construction contingency fund (8 percent), and administrative and fundraising costs (16 percent)

8. What are the current estimated costs of restoring the Statue of Liberty, Liberty Island and Ellis Island? How do they differ from the original estimates? (See pp. 20-23.)

As of March 1985 the Foundation estimated that the restoration of the Statue of Liberty would cost \$36 million, or \$3 million less than it estimated in 1982. It estimated that restoration on Ellis Island would cost \$111 million, or \$17 million less than its 1982 estimate. Both changes were due primarily to lower inflation estimates. Work on Liberty Island was first included in the 1984 budget, when it was expected to cost \$15 million; with additional work planned, current estimates are \$27 million.

9. Who was the initial Executive Director of the Foundation? Did he hold a similar position with the Commission? (See p. 38.)

The first Executive Director of the Foundation was J. Paul Bergmoser. Mr. Bergmoser also referred to himself as Executive Director of the Commission, although the Commission has no staff



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10. Was the August 1984 payment of \$500,000 to a French engineering group certified by the National Park Service? Was it justified? (See pp. 55-57.)

The payment was not certified by NPS because NPS staff believed that certification was not required. We were unable to determine whether the \$500,000 payment was justified.

11. Why was the Monument closed to the public? Was it announced in the Federal Register? What was the impact on the concessionaires? (See p. 61.)

The Monument was closed to ensure public safety when an accelerated work schedule went into effect and construction was extended over all of Liberty Island. As an emergency closing, it was announced in the Federal Register but not until after it occurred. Settlements have been or are being negotiated with concessionaires.

12. Why were there two memoranda of agreement? Which one is legal? (See p. 49.)

While no one seems to know for sure, an Interior official believes that the second agreement was signed as a result of an erroneous belief on Interior's part that the first agreement did not contain the proper signatures. The first agreement is valid, however.

13. Has the NPS expended any funds for Commission expenses? (See p. 31.)

NPS reported \$178,283 in Commission-related expenses for 1982 through fiscal year 1985.

14. Has NPS received any contributions for the restoration project? (See p. 26.)

NPS received \$1,482 in donations that were made out to the government. Those that were sent to NPS but made out to the Foundation were forwarded to the Foundation; no records were kept of these donations.

15. What are the views of the former Director of the National Park Service on the restoration plans for Ellis Island? (See pp. 46 and 43.)

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Mr. Dickenson is satisfied with the results of the current restoration project. For the rest of Ellis Island, the former Director of NPS favors a hotel/conference center proposal put forward by the Center for Housing Partnerships in 1982.

16. Why did it take so long to terminate the Foundation's initial marketing contract? (See p. 58.)

The Foundation decided to terminate its contract with its marketing firm a few months after the firm used unapproved promotional materials. Its decision was not based just on this incident but on others as well. It then took 5 months to negotiate a settlement on the contract, which still had 2-1/2 years left, at \$60,000 a month.

17. Is NPS reluctant to have the Foundation do any work on Ellis Island? (See p. 45.)

NPS has been satisfied with the work performed by the Foundation on Ellis Island and is not reluctant to continue working with them.

18. Do NPS' policies require the submission and approval of an overall plan for Liberty Island before any renovation can be undertaken? (See p. 59 )

Although normally NPS would have required an overall plan, the Director of the North Atlantic Region has allowed work on Liberty Island to proceed as each section is approved in order for all the work to be completed by July 4, 1986.

19. Was the special use permit meant to act as the Secretary's advance authorization for all construction contracts? (See p. 54.)

The special use permit is not meant to serve this purpose. Like the memorandum of agreement, it requires that NPS formally approve designs and specifications before construction work can proceed; however, it also requires written approval of construction contracts for Liberty Island.

20. Were the lines of authority and communication between the Foundation and the Commission well-defined? (See p. 38.)

The lines separating the two organizations were not distinct with their purposes often confused.

# Responses Regarding Future Projects



IN REPLY REFER TO

United States Department of the Interior

NATIONAL PARK SERVICE

PO BOX 37127

WASHINGTON, D C 20013-7127

JAN 8 1986

Ms. Mary R. Hamilton  
Acting Regional Manager  
General Accounting Office  
Regional Office  
26 Federal Plaza  
New York, New York 10278

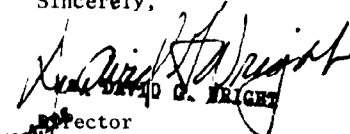
Dear Ms. Hamilton:

This is in response to your December 18, 1985, letter requesting information on actions the National Park Service proposes to take on efforts similar to the Statue of Liberty-Ellis Island restoration project.

The National Park Service has prepared a strategy for philanthropy and fundraising in the National Park Service. This has been distributed to Congress and others in draft form for review and comment prior to issuing a policy on this matter.

Enclosed for your information and use is a copy of the paper. The policies and principles beginning on page four outline the activities the Service will take in the future.

Sincerely,

  
DAVID C. WRIGHT  
Director

Enclosure

PHILANTHROPY AND FUND RAISING  
IN THE  
NATIONAL PARK SERVICE

A Strategy Paper

Philanthropy has a long history in the National Park System. In years past the parks have benefitted from donated money, art, furnishings, historic artifacts, land, buildings--even entire parks. Donations are often explicitly authorized or encouraged by Congress in legislation affecting new parks or existing ones.

In the past the National Park Service has been largely a passive recipient of private philanthropy. Donors approached the Service, though, of course, earlier Directors and many Superintendents nurtured contacts with people of wealth who could consider donations for the parks.

Over the last decade, philanthropy in the National Park System has seen gradual change. Donations do not come only from very wealthy people, as many people of much more modest means have taken opportunity to express their appreciation and concern for the National Park heritage through gifts as varied as the parks themselves.

Today further change is in process. The National Park Service is moving beyond a merely passive role in philanthropy, to facilitate donations and actively encourage these expressions of public support and concern.

However, fund raising by a Federal bureau is not a common form of activity, and in moving toward a more active role of facilitating private donations, the National Park Service will proceed with orderly caution, not only because such a role is largely new, but also because the Service will take deliberate precautions to avoid problems and conflicts which may possibly arise. For example, the Service will be concerned about the tone and content of campaigns designed and conducted by private organizations on its behalf. The Service will be concerned about who is approached and how. The Service will be concerned at how much fund raising costs and what fraction of the funds raised will actually benefit the parks.

Being cautious and concerned about the content of fund raising programs does not, however, mean compromising enthusiasm or building roadblocks to success. A 1985 survey indicates that already 92 percent of all NPS units are involved in some form of fund raising! An active program to facilitate philanthropy is a positive and timely response to severely constrained Federal and National Park Service budgets that must, of necessity, focus limited resources on core mission essentials. Private donations can, however, afford a "margin of excellence" to benefitting National Park System units that will enrich and envalue visitors' experiences and afford a measure of resource protection otherwise not available.

This evolution in National Park Service strategy is also a timely response to private initiatives that are often the consequence of spontaneous upwellings of appreciative concern for individual parks or their natural, cultural, or recreational resources.

The current private initiatives to restore the Statue of Liberty and Ellis Island are examples of private groups taking action on behalf of a park, without any prior stimulus or coaxing from the National Park Service. It is appropriate that the Park Service have the capability to interact with such external initiatives--to provide factual information, to set voluntary standards and guidelines for such actions, and to do all it can to assure that funds subsequently donated to the National Park Service are used appropriately and effectively.

Of course, NPS cannot control or assume any measure of practical responsibility for the conduct or operations of private individuals and organizations, but it can respond affirmatively with guidance and leadership.

This change is, additionally, a timely response to changes in the general "climate" surrounding parks and recreation as an object of private giving. In the last decade parks and park systems at all levels of government have benefitted from increasing philanthropic expressions by park visitors and supporters--to levels heretofore never experienced.

Donations are increasingly common at museums, and other cultural and recreational facilities when entrance fees are difficult to collect or when precedent has held them to be historically free. The National Park System is in position to similarly benefit as, indeed, it already does in many locations through donation boxes, wishing wells, and similar devices.

In moving toward a more activist role, the National Park Service is mindful of the need to avoid potential problems, such as controversy over the donations or programs not authorized by the National Park Service. The National Parks are "special places" in public trust, the care and financing of which are the shared responsibility of the Congress and the President, through the National Park Service. Under our system of government, the major policies and financing decisions affecting the National Park System are subject to elaborate checks and balances and oversight to insure accountability, continuity, and integrity. Private donations may or may appear to circumvent those protective processes and thereby cause concern.

The National Park Service will address these concerns directly, through policies and controls that will to the greatest extent possible extend to these actions the same criteria and internal controls afforded appropriated funds and the goods and services they buy.

Except in limited activities detailed below, NPS's role in private philanthropy will be that of facilitator and coordinator for non-governmental institutions or individuals working on the Service's behalf. The Service's role will be that of authorizing the project to be funded, with the Service providing information and reviewing and approving communications materials intended for the public, within a policy structure that attempts to insure the integrity of all activities undertaken to benefit the National Park System.

The National Park Service program will include donation boxes and gift catalogs and fund raising campaigns by outside organizations and institutions.

#### Donation Boxes

Over 120 parks already have donation boxes for voluntary visitor contributions, normally at locations where no park entrance fee is charged. With each donation box is an official explanation of what donated funds will be used for. Donation boxes provide a convenient way for visitors to spontaneously express their appreciation for the park during a visit. Monies collected in donation boxes are accounted for in the same way as other cash receipts, including measures for accountability, security, and appropriate documentation.

#### Gift Catalogs

Gift catalogs list giving opportunities for consideration by a variety of donors. Gift catalogs identify items for which donations may be designated, thereby giving potential donors examples of things the park needs and explaining specifically how a donation may support the park. All gift catalogs have been, and will in the future be, paid for by donated funds or services. Over 27 catalogs have been produced for NPS units. Several catalogs cover more than one park unit.

Donations associated with a gift catalog are to be received and accounted for in the same way as any other money or property.

#### Fund Raising Campaigns

The third form of fund raising activity are organized "campaigns" associated with individual parks or park projects. The National Park Service will not directly conduct or execute fund raising campaigns, but will respond to the initiative of others. The Service will (1) identify projects or objects for which donations may be sought, (2) sanction specific organizations to conduct campaigns on behalf of a park or project when that body will operate under standards set by the Service, (3) approve all printed and other informational materials distributed to the public, and (4) insure accountability for all donations received.

There are two major elements of a fund raising program by the National Park Service that merit special clarification. Fund raising by and on behalf of this Federal agency is not (and will not be permitted to become) an activity indicating the failure of the normal appropriations process to meet the day-to-day needs of the National Park System. Those needs are, in fact, met as part of the regular budget process and action on the budget by Congress. The needs which NPS may identify as appropriate objects for private philanthropic support are external to those which are included in appropriations requests.

It is important that NPS employees and those outside the Service working or behalf of the parks be sensitive to the roles of the President and the Congress in financing the National Park System. Fund raising campaigns may be undertaken to provide a "margin of excellence" for the System and employees and friends must be careful not to derogate the Congress or the President or to imply the failure of others to meet their responsibilities to oversee and finance the System.

The second element of fund raising that is a point of concern is the degree to which the Service will "control" the fund raisers and the materials used by them and on their behalf.

There are distinct limits to what NPS can do to control private actions, even those for which the Service is the direct beneficiary. The Service, will, however, attempt to strongly influence those actions through setting standards, by providing oversight, and, if necessary, through public statements as to the merits of individual efforts. The Service will take special care to make certain its own actions are disciplined and within a carefully drawn policy framework, the substance of which is detailed in the following statements.

Policies and Principles

All major fund raising programs in which the Service is an active participant, will be carried out only after formal approval by the Director of a plan covering such activities. Plans will spell out, to the extent known, the purposes, goals, schedules, potential donors, geographic scope, costs, proposed use of receipts, and the roles, participants, and sponsorships of all affected parties. On-going activities under approved plans will be coordinated through the Deputy Director, who will serve as the Servicewide program coordinator. Major fund raising programs are defined as those whose goals total \$1 million or more.

The Servicewide coordinator will also be responsible for the review of all individual gifts having a value in excess of \$250,000. Such gifts will be accepted only after approval in advance by the Deputy Director.

Other activities, including donation boxes, gift catalogues, and campaigns for less than \$1 million, will be approved and coordinated by the Regional Director.

Fund raising activities totalling less than \$250,000 may be redelegated to superintendents or unit managers by the Regional Director.

All fund raising activities will be in concert with Interior Department standards governing employee conduct and conflicts of interest. (See 43 CFR, Parts 1 through 7.)

The aims of all fund raising campaigns and philanthropic activities conducted or sanctioned by the National Park Service will be consistent with approved General Management Plans and other park specific plans, and with the National Park Service "Management Policies."

Money and other negotiable donations received by the National Park Service shall be deposited to the appropriate NPS donations account. Donations may also be made to third parties, such as the National Park Foundation, a cooperating association, friends organization, or other non-profit institution, etc. on behalf of the National Park Service for subsequent expenditure by the association, etc., on specific approved projects. However, NPS can assume no responsibility for third party donations prior to their formal acceptance by the Service.

Neither appropriated funds nor contributions deposited to an NPS donation account may be used to fund or reimburse the costs of professional fund raising consultations or services, purchase of mailing lists, postage for mass mailings, or telethon or phone bank expenses.

All efforts will be made by the Service to formalize fund raising campaigns on its behalf through a Memorandum of Understanding with the organization conducting the campaign. Such Memoranda shall not impose any liability or obligation of any type on the Government and shall contain a termination-for-convenience clause. Memoranda of Understanding covering fund raising campaigns by outside parties and organizations will also require that all printed and audio-visual materials, posters, advertisements, and other literature be approved in advance by the Service. Memoranda of Understanding will receive policy and legal reviews prior to execution by the park Superintendent or manager.

The level of review follows the dollar levels associated with delegations. Reviews will cover technical and legal adequacy, and compliance with NPS policy and practice.

Efforts will be made to negotiate a Memorandum of Understanding covering all outside fund raising activities on behalf of the parks. Should this not be possible, the National Park Service will not approve the effort.

Further, in order to remove concerns that donations are being used to circumvent decisions made by Congress, all gifts which will require annual funding for operations and maintenance or staffing (FTE's) or unfunded non-recurring costs may only be accepted when approved in advance by the



Deputy Director. Requests for approval must identify the source(s) of funding, whether within current resources or proposed future increases.

Major fund raising campaigns will not be directed toward recurring maintenance activities, but should emphasize capital improvements or major programs, such as summer-in-the-parks, etc.

There will be no duplication in items accepted for donation or for which donations are being solicited and items included in an annual budget request to Congress.

Research projects, books, mapping, and all projects requiring planning and design (including films and exhibits) to be funded by donations require the same review and approval stages as similar projects funded through the normal budget process.

Internal accountability will be achieved by requiring all monetary gifts received be accounted for and disbursed under the same standards of accountability and the same internal processes and protections as monies appropriated by Congress. All non-monetary gifts and items purchased with donated funds will be recorded, accounted for, managed, and otherwise treated in the same manner as other property of the United States Government.

Gifts will be appropriately acknowledged, but will not be recognized in the form of permanent plaques or memorials, or by any special privilege associated with the park, or through the naming of physical features after living persons or in wilderness areas. (See also the relevant policies of the U.S. Board on Geographic Names.)

Third party organizations which receive and hold donations prior to transfer to NPS units are expected to maintain accountability for all contributions and interest generated therefrom. It is required that these organizations have independent annual financial audits and that they publish an annual report for the interested public.

Finally, the National Park Service will not knowingly permit others on its behalf to solicit or accept tax deductible gifts from concessioners or from businesses or institutions having any contractual relationship with the Service.

These policies may be waived only by the Director, National Park Service.

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IN REPLY REFER TO

## United States Department of the Interior

NATIONAL PARK SERVICE

North Atlantic Region

15 State Street

Boston, Massachusetts 02109

January 17, 1986

D18 (NAR-P)

Ms. Mary R. Hamilton  
Acting Regional Manager  
United States General Accounting Office  
Regional Office  
25 Federal Plaza  
New York, New York 10278

Dear Ms. Hamilton.

On December 18 you asked for the recommendations of the National Park Service for initiating, implementing and completing future work similar to the Statue of Liberty/Ellis Island project. This office has received a copy of a January 8 letter to you from the Director of the National Park Service. His letter enclosed a copy of a strategy for philanthropy and fundraising for the Service. Our comments emphasize certain aspects of that strategy based upon the experience with the Statue of Liberty.

In general, there was probably no other way to have approached the restoration of the Statue of Liberty and Ellis Island considering the scope and time frame of the work. If the Government had attempted to accomplish the work with its normal procedures, the project would most likely have had to be scaled down and phased over a long span of time. The net result of this long time span could very well have been loss of critical, irreplaceable, and nationally significant resources.

Based on our experience over the last several years, I would make several observations. The key to success is a memorandum of agreement which defines in precise terms the responsibilities of the signators, the procedures to be followed and the limits of responsibilities. The memorandum should be carefully conceived, thoroughly reviewed and proved at all levels of the organization.

The fundraising goals should be derived based upon a master plan for the park or monument. The plan should be a clear statement of intent. Solid estimates of construction costs based upon the plan should be prepared. This material should be conveyed to the fundraising organization as given.

The agency should have the responsibility for designing and constructing any restoration work. As fundraiser, the private group should have the right to review and comment on all aspects of the project, but the group should have no responsibilities or veto power in the management of the construction funds.

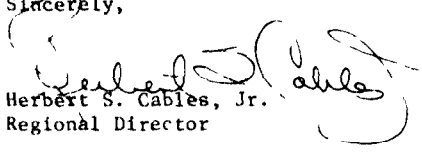
**Appendix III**  
**Responses Regarding Future Projects**

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Strict guidelines must be established for fundraising. It must be very clear what represents acceptable use of parks and monuments for fundraising purposes.

If you would like to discuss these comments further, I would be more than happy to meet with you. I appreciate the opportunity to comment.

Sincerely,

  
Herbert S. Cables, Jr.  
Regional Director

cc:  
Director, NPS  
Superintendent, STLI  
Gary Roth, Harpers Ferry Center  
Michael Adlerstein, STLI Project Office  
Blaine Cliver, Historic Preservation Center



United States Department of the Interior

NATIONAL PARK SERVICE  
P O BOX 37127  
WASHINGTON, D C 20013-7127

IN REPLY REFER TO  
A2623(190)

FEB 20 1986

Mary R. Hamilton, Regional Manager  
United States General Accounting Office  
Regional Office  
26 Federal Plaza  
New York, New York 10278

Dear Ms. Hamilton:

Secretary Hodel has asked me to respond to your letter of January 15 on the approach that has been taken on the Statue of Liberty/Ellis Island restoration project and to suggest principles that might guide similar future projects.

It is important to note that the Statue of Liberty project is unique in many respects. The National Park Service does not contemplate any fund-raising efforts of this magnitude in the future. The power of the Statue as a symbol, the size of the financial commitment, the contribution of in-kind services, required a kind of concentrated effort that would be neither possible nor appropriate at other locations in the National Park System.

In spite of its uniqueness we believe there are some principles derived from the Statue of Liberty/Ellis Island project that would apply in any project supported by private donations. To that end we have prepared a general policy in draft form. This has been shared with Representative Vento, and we are reviewing his comments. We have enclosed a copy of the draft policy for your information.

We believe the Statue of Liberty/Ellis Island project has overcome its earlier difficulties. One of the most significant aspects of this improvement has been to establish a clear line of authority within the National Park Service through the Director to the Regional Director. We believe this clearer line of command has significantly improved the timeliness of decisionmaking and reestablished the authority of the National Park Service.

In spite of the size of the Statue of Liberty project it is the most recent of a long series of philanthropic and private involvements in the National Park System. Recently visitor centers at Point Reyes and Pecos have been built with private donations. The history of parks such as Cape Hatteras, Acadia, and Grand Teton reflects significant donations

Mary R. Hamilton

2

of land from private sources. At such parks as Independence National Historical Park there are very close relationships with groups interested in the welfare of the park and willing to enhance park operations in many ways. Our very successful Volunteers in the Parks program is the best continuing example of the significant private support and interest in parks.

We believe the Statue of Liberty/Ellis Island effort raised legitimate questions. Substantial improvements have been made in the management of the project. Adoption of a nationwide policy on fundraising should go further to clarify the intent of the National Park Service with respect to private donations and to the ultimate responsibility of public officials for the care of the units of the National Park System.

Sincerely,

  
Acting Director Denis P. Galvin

Enclosure



**The Statue of Liberty-  
Ellis Island Foundation, Inc.**

101 Park Avenue  
Suite 1205  
New York, NY 10178  
212-883-1986

William F. May  
President and Chief Operating Officer

March 13, 1986

Dr. Mary R. Hamilton  
Regional Manager  
United States General Accounting Office  
26 Federal Plaza  
New York, New York 10278

Dear Dr. Hamilton:

You have asked us to provide you with recommendations we might have for improving the initiation, implementation, and completion of future National Park Service efforts similar to The Statue of Liberty-Ellis Island restoration project. I have consulted with my colleagues and what follows is a consensus of their views, all of which I heartily endorse.

The most important recommendation is adequate advance planning. Good planning is the key ingredient in the orderly and successful accomplishment of the project. Planning should include the detailed goals and objectives of the government, and should set forth the work to be accomplished and a schedule for accomplishment. Broad elements of the private sector must be involved in this planning effort, though they may not be the same private sector elements that are eventually called upon to cooperate on the project itself.

The private sector organization finally chosen to work with the government should be given the exclusive right and responsibility to undertake the fund raising activities. There should not be a plethora of overlapping and conflicting organizations (as there has been in this project), as this only confuses the market place and ultimately injures the entire project, both in terms of its credibility and its ability to raise adequate funds.

*"Dedicated to the Restoration and Preservation  
of the Statue of Liberty and Ellis Island"*

Appendix III  
Responses Regarding Future Projects



United States General Accounting Office  
Dr. Mary R. Hamilton  
March 13, 1986  
Page 2

Depending upon the boundaries of the interrelationship between the government agency and the private sector organization, clear lines of liaison should be established and continually reviewed. One person in the government and one in the private sector organization should be vested with final authority in order to minimize confusion, waste and delay that always results from less than clear communication of decisions. Each one's authority would, of course, be subject to legal requirements and/or board of director responsibility.

We hope these recommendations will be helpful to you, and we are grateful for the opportunity to present them.

Yours very truly,

*William F. May,*

WFM/drm

# Statue of Liberty-Ellis Island Foundation Cash Received, by Fiscal Year (in Millions)

	FY 1983	FY 1984	FY 1985	4/1/85 thru 2/28/86	Total as of 2/28/86
Individuals	\$0.4	\$8.2	\$45.2	\$13.7	\$67.5
Schools	•	0.6	2.1	1.8	4.5
Groups	•	0.3	1.8	4.6	6.7
Foundations	0.1	1.2	3.4	8.1	12.8
Corporations	0.2	3.6	4.1	9.2	17.1
Sponsors	•	5.1	9.8	11.6	26.5
Licensees	•	•	1.2	1.1	2.3
Coin program	•	•	•	24.7	24.7
Book program	•	•	•	2.5	2.5
Stamp program	•	•	•	•	•
Interest income	•	0.3	1.6	2.2	4.1
<b>Total</b>	<b>\$0.7</b>	<b>\$19.3</b>	<b>\$69.2</b>	<b>\$79.5</b>	<b>\$168.7</b>





# Contributions and Pledges From Corporate Sponsors as of February 28, 1986

<b>Sponsors</b>	<b>Contributions received as of 2/28/86</b>
Allied Van Lines, Inc	\$ 360,000
American Airlines, Inc	2,260,477
Avon Products, Inc	1,000,000
The Black & Decker Corporation	937,500
Chateau Ste Michelle Vintners, Inc	1,500,000
Chrysler/Plymouth and Dodge Dealers	4,622,787
The Coca-Cola Company	1,000,000
Eastman Kodak Company	1,500,000
Federated Department Stores	50,000
The Grand Union Company	416,666
Kellogg Company	2,500,000
Kimberly-Clark Corporation	1,000,000
The Nestle Company, Inc	1,500,000
Oscar Mayer & Company Inc.	2,500,000
Joseph E Seagram & Sons, Inc	1,000,000
The Stroh Brewery Company	1,050,000
Time Magazine	800,000
USA/Today Gannett Company Inc	1,037,905
The United States Tobacco Company	1,500,000
<b>Total</b>	<b>\$26,535,335</b>

**Appendix V  
Contributions and Pledges From Corporate  
Sponsors as of February 28, 1986**

Amount due	Total pledge	Direct donations		Fundraising			Donations tied to product purchases
		Equal to pledge	Part of pledge	Equal to pledge	Part of pledge	Above pledge	
\$ 640,000	\$ 1,000,000		X		X	X	
2,739,523	5,000,000		X		X		
4,000,000	5,000,000		X		X		X
1,062,500	2,000,000	X					X
3,500,000	5,000,000		X		X		X
377,213	5,000,000	X				X	
4,000,000	5,000,000	X				X	
3,500,000	5,000,000		X		X	X	
1,450,000	1,500,000	X				X	
833,334	1,250,000		X		X		
500,000	3,000,000	X					X
500,000	1,500,000	X					X
3,500,000	5,000,000	X				X	X
1,500,000	4,000,000	X				X	X
2,000,000	3,000,000	X					
1,950,000	3,000,000		X		X		
1,200,000	2,000,000	X				X	
2,962,095	4,000,000			X			
3,500,000	5,000,000		X		X		X
<b>\$39,714,665</b>	<b>\$66,250,000</b>	<b>10</b>	<b>8</b>	<b>1</b>	<b>8</b>	<b>8</b>	<b>8</b>

# Cash Received and Minimum Amount Due From Licensees as of February 28, 1986

Licensee	Cash received as of 2/28/86	Minimum amount due	Total	Product
American Broadcasting Company	\$ 3,750	\$ •	<b>\$ 3,750</b>	Television production for children
Kurt Adler, Inc	2,150	•	<b>2,150</b>	Christmas tree ornaments
S Aiden, Inc	3,750	33,750	<b>37,500</b>	Big Apple board game
American Bank Stationery Co	37,500	75,000	<b>112,500</b>	Bank checks
American Liberty Lights, Inc	7,500	11,250	<b>18,750</b>	18-carat gold Statue of Liberty pin/pendant
Applestreet Inc	3,750	•	<b>3,750</b>	Jigsaw puzzles
Appletown Creations, Div of Porcelain International Inc	5,625	3,750	<b>9,375</b>	Porcelain dolls
Artistic Greetings, Inc	18,750	3,750	<b>22,500</b>	Personalized paper labels and stationery
Consumer Products Div of Ball Corp	150,000	75,000	<b>225,000</b>	Home canning jars
Barrett Colea, Inc	41,250	71,250	<b>112,500</b>	Statue of Liberty replicas
Battery Street	•	45,000	<b>45,000</b>	Women's slacks
Bell Helmet	•	7,500	<b>7,500</b>	Motorcycle helmets
Bradley Time Div, Elgin National Industries	145	•	<b>145</b>	Wristwatches and clocks
Brandywine of California, Ltd	111,988	630,137	<b>742,125</b>	T-shirts, sweatshirts and jogging suits
R A, Briggs & Co	2,625	2,625	<b>5,250</b>	Beach towels, bath sheets, hand towels and wash cloths
Bright Ideas, Inc	5,989	9,011	<b>15,000</b>	Wooden pencils, erasers, notebooks and filler pads
Bufkor, Inc	5,250	6,000	<b>11,250</b>	Laminated paper bags and wrapping paper rolls
But erick Co, Inc	11,250	•	<b>11,250</b>	Sewing patterns
Canvas & Leather Bag Co, Inc	7,500	7,500	<b>15,000</b>	Tote bags, lunch kits and school bags
Casablanca Fan Co, Inc	•	187,500	<b>187,500</b>	Commemorative Liberty ceiling fans
Castle Neckwear, Inc	3,750	\$ 3,750	<b>7,500</b>	Men's ties
Cliff Engle, Ltd	•	11,250	<b>11,250</b>	Embroidered sweaters
Col egiate Cap & Gown Co	7,500	12,000	<b>19,500</b>	Cast metal signet
Creative Marketing Assoc	9,259	13,241	<b>22,500</b>	Coffee and beer mugs, photo frames and collector plates
Crystal Clear Industries, Inc	7,500	•	<b>7,500</b>	Crystal replica of the Statue of Liberty
Daco Industries, Inc	9,923	1,327	<b>11,250</b>	Bandanas, headbands and can coolers
David-Thomas, Ltd	3,750	3,750	<b>7,500</b>	Indoor/outdoor thermometers
EHCO, Inc	3,407	15,343	<b>18,750</b>	Two-gallon cannister and barbeque grills
Empire Pencil Corp	3,750	3,750	<b>7,500</b>	Plastic rulers and pencil boxes
Erv ng Paper Co	5,286	•	<b>5,286</b>	Paper napkins
Faso, Paul Leo	a	a	•	Limited edition photographs of the Statue of Liberty
Fellows Mfg Co	•	75,000	<b>75,000</b>	Cardboard storage boxes
Fine Art Limited	18,750	71,250	<b>90,000</b>	Bronze on wood plaques
First Line Products, Inc	36,187	53,813	<b>90,000</b>	Paperweight, spoons and bells
Wm M Frazin & Co, Ltd	2,250	9,000	<b>11,250</b>	Silk and polyester scarves

**Appendix VI  
Cash Received and Minimum Amount Due  
From Licensees as of February 28, 1986**

<b>Licensee</b>	<b>Cash received as of 2/28/86</b>	<b>Minimum amount due</b>	<b>Total</b>	<b>Product</b>
Geerlings Greenhouses, Inc	\$15,000	\$ •	<b>\$15,000</b>	Bust-size replica of the Statue of Liberty
Gravelly Furniture Co , Inc	152,522	•	<b>152,522</b>	Grandfather and mantle clocks
Great American Housewares, Inc	<sup>a</sup>	<sup>a</sup>	•	Ceramic mugs
Hallmark Cards, Inc	5,625	5,625	<b>11,250</b>	Christmas tree ornaments
Halo Technologies, Inc	3,750	11,250	<b>15,000</b>	Holograms
Harley-Davidson Motor Co , Inc	37,500	37,500	<b>75,000</b>	Motorcycles and accessories
Hedstrom Corp	•	11,250	<b>11,250</b>	Children's wooden rocking chairs
Hi-Flier Mfg Co , Inc	3,750	•	<b>3,750</b>	Kites and gliders
Hot Sportswear	7,500	11,250	<b>18,750</b>	Satin jacket
House of Tilly, Inc	520	6,980	<b>7,500</b>	Fabric calendar, wall hangings and throw pillows
Husky Industries, Inc	14,729	•	<b>14,729</b>	Charcoal briquets
Integrated Products, Inc	3,750	•	<b>3,750</b>	Yarn and yarn kits
James River Paper Co , Inc	16,920	•	<b>16,920</b>	Plastic cups
Kem Playing Cards, Inc	13,644	8,856	<b>22,500</b>	Playing cards
Keyes Fiber Co	10,484	•	<b>10,484</b>	Paper plates
Kirk S eiff Co	375	1,875	<b>2,250</b>	Pewter ashtray, cup, tankard, candlestick and bud vase
Louisville Mfg Co Inc	1,125	•	<b>1,125</b>	Painter style caps
Lynx Golf	•	37,500	<b>37,500</b>	Golf clubs
Marlenn Corp	7,100	•	<b>7,100</b>	Air freshener
Mattel Inc	•	75,000	<b>75,000</b>	Children's magazine
McCa l Publishing Company	•	3,750	<b>3,750</b>	20 international postage stamps
Michael Anthony Jewelers, Inc	3,750	3,750	<b>7,500</b>	14-carat gold lapel pin of the torch of the Statue of Liberty
Mora Textiles Corp	7,500	•	<b>7,500</b>	Blankets
National Latex, Inc	1,500	•	<b>1,500</b>	Balloons
Omega Watch Corp	•	7,500	<b>7,500</b>	Wrist and pocket watches
Onlooker, Inc.	•	1,875	<b>1,875</b>	Folding paper or plastic binoculars
Owens-Illinois, Inc	101,250	•	<b>101,250</b>	Glass drinking containers, pitchers and storage canisters
P M I nc	12,750	47,250	<b>60,000</b>	Mirrors, chalkboards, clocks, dart board and lighted mirrors
Uniflex/Packaging 3, Inc	•	37,500	<b>37,500</b>	Polyethylene all-purpose bags and bookcovers
Pente of America, Ltd	37,500	•	<b>37,500</b>	Pens, pencils, gift sets, desk sets and erasers
Pitney Bowes, Inc	1,290	•	<b>1,290</b>	Postage meter slugs featuring the image of the Statue of Liberty
Pro Sports, Inc	3,750	3,750	<b>7,500</b>	Headwear
Pynn Corp	<sup>a</sup>	<sup>a</sup>	•	Opelle products and pewter replicas of the Statue of Liberty

**Appendix VI  
Cash Received and Minimum Amount Due  
From Licensees as of February 28, 1986**

<b>Licensee</b>	<b>Cash received as of 2/28/86</b>	<b>Minimum amount due</b>	<b>Total</b>	<b>Product</b>
Resource Developers, Inc	\$76,250	\$298,750	<b>\$375,000</b>	Flags, banners and pennants
Sagamore Enterprises, Inc	15,000	11,250	<b>26,250</b>	Automotive medallions, paper decals and bumper strips
Sagamore Liberty, Inc	a	a	•	Tumblers, stemware, and beer and coffee mugs
Sales Corp of America	7,500	11,250	<b>18,750</b>	Posters and paper calendars
Scripto/Everglide, Inc	33,188	•	<b>33,188</b>	Disposable butane cigarette lighters, 3-color pen and plastic notepads with pen
Seville Metal Corp, Div of Albest Metal Stamping Corp	10,500	27,000	<b>37,500</b>	Plastic and zinc diecast replicas of the Statue of Liberty, banks, bookends and clock
Shakespeare Fishing & Tackle Co, Div of Anthony Ind, Inc	7,769	•	<b>7,769</b>	Fishing rods
Shelley Inventories, Inc	870	•	<b>870</b>	Fundraising merchandise catalog, paper decals, bookcovers and postcards
Simar Jewelry Corp	18,750	37,500	<b>56,250</b>	Gold, silver and platinum ingots
Somerset House	•	18,750	<b>18,750</b>	Limited edition prints
Spring Air Co	•	37,500	<b>37,500</b>	Mattress
STACO Enterprises, Inc	7,875	•	<b>7,875</b>	Sunvisors
Tandy Corporation	75,000	•	<b>75,000</b>	Cast-metal radios in the shape of the Statue of Liberty
Thompson Industries, Div of W M F Container Corp	3,807	•	<b>3,807</b>	Styrofoam cups
Tiffany & Co	3,290	•	<b>3,290</b>	Silver money clip, key ring, spoon and watch
Trans-American Sports Enterprises, Inc	•	3,750	<b>3,750</b>	Kodak supersaver fundraising coupon
Trans World Mfg Corp	a	a	•	Sale displays of promotional items
U S Americans, Inc	7,500	•	<b>7,500</b>	Ceramic mugs and steins
Van Treese Financial Corp, Div of Home Furniture Corp	•	60,000	<b>60,000</b>	Bronzestone replica of the Statue of Liberty
Village Sampler	1,875	1,875	<b>3,750</b>	Copper punch kits
Villeroy & Boch Tableware, Ltd	26,250	•	<b>26,250</b>	Ceramic plates, stein, music box, clock and lead crystal products
Voyager Emblems, Inc	2,250	5,250	<b>7,500</b>	Embroidered patches
Wall rin Industries	•	7,500	<b>7,500</b>	Automotive sun-screens
Waterbury Companies, Inc	2,125	1,625	<b>3,750</b>	Metal buttons and button covers
Waverly Div of F Schumacher & Co, Inc	15,000	3,750	<b>18,750</b>	Wall coverings, bedspreads, comforters, draperies and pillows
Weingeroff Enterprises, Inc	90,687	•	<b>90,687</b>	Pins, rings, earrings, charms, cuff links and tie bars

**Appendix VI  
Cash Received and Minimum Amount Due  
From Licensees as of February 28, 1986**

<b>Licensee</b>	<b>Cash received as of 2/28/86</b>	<b>Minimum amount due</b>	<b>Total</b>	<b>Product</b>
Western Emblem Co	\$3,750	\$1,875	<b>\$5,625</b>	Wall hanging, tapestry and rugs
Willow Hosiery Co, Inc	18,750	•	<b>18,750</b>	Mens, boys, ladies, girls and infants hosiery
Winterland Products	4,804	•	<b>4,804</b>	Retail sales of licensed products for licensees
Gold Leaf Corp	892,204	8,557,796	<b>9,450,000</b>	Products made from authentic materials from the Statue of Liberty and Ellis Island
<b>Total</b>	<b>\$2,318,662</b>	<b>\$10,840,379</b>	<b>\$13,159,041</b>	
Estimated uncollectable commitments <sup>b</sup>		5,299,625	<b>5,299,625</b>	
<b>Total</b>	<b>\$2,318,662</b>	<b>\$ 5,540,754</b>	<b>\$ 7,859,416</b>	

<sup>a</sup>No provision for advance or minimum payment

<sup>b</sup>This sum represents the total that the Foundation expects it may be unable to collect, despite contractual obligations. According to the Foundation, most of this amount—\$5 million—is owed by the Gold Leaf Corporation whose sales have been much lower than anticipated

# Statue of Liberty-Ellis Island Foundation Expenses, by Fiscal Year (in Millions)

	FY 1983	FY 1984	FY 1985	4/1/85 thru 2/28/86	Total as of 2/28/86
<b>Restoration</b>					
Statue of Liberty	\$0.1	\$1.8	\$11.8	\$14.7	<b>\$28.4</b>
Liberty Island	•	•	0.1	16.2	<b>16.3</b>
Ellis Island	0.2	4.2	7.9	20.6	<b>32.9</b>
<b>Total restoration</b>	<b>0.3</b>	<b>6.0</b>	<b>19.8</b>	<b>51.5</b>	<b>77.6</b>
<b>Other</b>					
Celebrations, public awareness and education	0.2	0.3	3.0	\$3.4	<b>\$6.9</b>
Management and general expenses	0.8	0.8	2.0	2.1	<b>5.7</b>
Fundraising	0.7	3.9	18.2	8.8	<b>31.6</b>
<b>Total other</b>	<b>1.7</b>	<b>5.0</b>	<b>23.2</b>	<b>14.3</b>	<b>44.2</b>
<b>Total</b>	<b>\$2.0</b>	<b>\$11.0</b>	<b>\$43.0</b>	<b>\$65.8</b>	<b>\$121.8</b>



# Memorandum of Agreement Between the Department of the Interior and the Statue of Liberty-Ellis Island Foundation

Memorandum of Agreement

between the

Department of the Interior and the

Statue of Liberty - Ellis Island Foundation

THIS AGREEMENT, entered into this 14 day of October, 1983 by and between the Statue of Liberty-Ellis Island Foundation, a private, non-profit corporation organized and existing under the laws of the State of New York; hereinafter referred to as the "Foundation" and the United States Department of the Interior (reference to the Secretary in this agreement shall also include such representatives as he may specifically designate):

Whereas, the Statue of Liberty and Ellis Island, parts of the Statue of Liberty National Monument, a unit of the National Park System, require extensive restoration and preservation in order to serve public programs in education, recreation, and cultural and historic continuity;

Whereas, the Department of the Interior wishes to restore and preserve the Statue of Liberty and Ellis Island for enhanced public use and enjoyment as part of the national patrimony;

Whereas, the Secretary of the Interior has the discretionary authority to accept donations for the purpose of restoration and preservation of the National Park System by virtue of 16 U.S.C. § 6;

NOW THEREFORE, the parties agree as follows:

(1) The Department of the Interior agrees to recognize the Foundation as a private non-profit organization to raise funds for and cooperate in a program to restore and preserve the Statue of Liberty and Ellis Island;

(2) The Foundation agrees to donate to the National Park Service funds, materials and services for the restoration and preservation of the Statue of Liberty and Ellis Island subject to, and in consideration of, the following terms and agreements:

A. Fundraising Activities

1. The Foundation shall be fully qualified under appropriate State and Federal law to engage in fundraising and receive philanthropic contributions, which contributions shall be provided solely for the benefit of activities to restore and preserve the Statue of Liberty and Ellis Island and to celebrate the centennials of each.

**Appendix VIII  
Memorandum of Agreement Between the  
Department of the Interior and the Statue of  
Liberty-Ellis Island Foundation**

2. Within 60 Days of the effective date of this Agreement, the Foundation shall furnish to the Secretary, a plan of operations indicating the overall strategy for fundraising, timetables covering at least the first three years, administrative and support structures, projected staffing costs, and estimated results. Such plan shall be updated as conditions change, and, in any event, on at least an annual basis. The Secretary may review and comment on the plan and shall transmit the results of his review to the Foundation. Individual promotional activities, brochures and other publicity in connection with fundraising or with regard to the relationship between the Department of the Interior and the Foundation shall also be provided to the Secretary for review.

3. All costs of fundraising shall be borne by the Foundation.

4. Funds received and expended by the Foundation from whatever source and for whatever purposes shall be accounted for under a system of accounts and financial controls meeting accepted professional standards for non-profit charitable organizations; the Foundation shall engage an annual audit by a qualified audit firm, and shall publish an annual report of its activities and finances which shall be available to the Secretary and the public.

5. Funds donated to the National Park Service by the Foundation shall be placed in a special donations account and shall be used by the NPS solely on behalf of and for benefit of the restoration and preservation of the Statue of Liberty and Ellis Island and/or the conduct of programs and activities at or on behalf of the Statue of Liberty and Ellis Island, unless otherwise provided by law.

6. The National Park Service will make available to the Foundation such information and data as may reasonably be required by the Foundation and is generally available to inform potential donors and others about the status of plans for the Statue of Liberty and Ellis Island.

7. The Foundation shall be recognized as the primary fundraiser of donations for the restoration and preservation of the Statue of Liberty and Ellis Island, except as the Secretary may otherwise determine, and other groups and individuals will be encouraged to work with and coordinate their fundraising efforts with the Foundation.

**B. Celebrations and Events.**

The National Park Service, to the extent practicable, will agree to, arrange for and conduct tours, interpretive events and inspections for individuals and groups at the request of the Foundation provided that such activities shall not, in the judgment of the National Park Service, unduly infringe upon or detract from normal

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visitor activities and services of the Statue of Liberty National Monument. The Foundation shall request such tours and other events through the Superintendent of the Statue of Liberty National Monument (hereinafter "Superintendent") in advance pursuant to a request for a special events permit. The Superintendent shall have final decision-making responsibility as to such arrangements.

**C. Restoration Activities**

1. On a project by project basis the Foundation shall be provided the opportunity, except as the Secretary may otherwise determine, to work in close association with the National Park Service and its consultants in a cooperative effort to plan restoration activities for the Statue of Liberty - Ellis Island that are satisfactory to the Secretary. All preliminary design and specifications for the restoration effort are subject to the approval of the Secretary, consistent with applicable requirements of law.

2. The Secretary shall also monitor the progress and continuously review the preparation of the construction/restoration drawings and specifications to assure compliance with the approved preliminary design. In addition, these documents will be subject to the approval of the Secretary when they are completed to assure that the Secretary's concerns are addressed and the final design is totally acceptable to the Secretary. As instructed by the Secretary, in writing, the Foundation may proceed with its consultants and contractors to assist in the process of contracting for the restoration of the Statue of Liberty and Ellis Island as provided therein. Access to all land, buildings and structures on the islands for these purposes shall be subject to prior written approval of the Secretary. The Foundation hereby agrees to include a copy of this agreement in any contracts that may be executed by the Foundation for work on the site.

3. When instructed by the Secretary, as provided above, the Foundation, with the assistance of its construction consultants, shall provide the day-to-day construction/restoration, administration, and supervision, and will be responsible for dealing directly with the construction contractors on all matters related to the construction contracts. The Foundation shall be responsible for maintaining all the necessary records related to construction, restoration, expenditures, shop drawings and sample approvals, addenda, change orders, modifications, daily logs, and weekly reports, and "As Constructed Drawings" complying with accepted industry practices. The Secretary shall monitor all these activities on a day-to-day basis but will have no direct dealings with the construction contractors or other contractors or consultants of the Foundation. If, in the opinion of the Secretary, any discrepancies occur between the contract documents and the actual work performed, the Secretary will bring this matter to the attention of the Foundation's construction representative who will remedy the situation to the satisfaction

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of the Secretary. If advised by the Secretary in writing, the Foundation shall cease all work of its contractors or subcontractors involved in the area of discrepancy until the Secretary authorizes the Foundation to continue the work.

4. With regard to any work the Foundation has been instructed by the Secretary to undertake, as provided above, the Secretary will participate with the Foundation and its construction administrators in the pre-final and final inspections of the work completed at the Statue of Liberty and Ellis Island. The Foundation will not accept work at either site as being complete or acceptable without first receiving written approval from the Secretary. The Foundation shall provide copies of all construction records in its possession including, but not limited to, those identified in paragraph C.3, above, to the Secretary. In addition, all warranties, and guarantees shall run to both the Foundation and the United States and any operation and maintenance manuals shall be provided to the Secretary. The Foundation shall provide "As Constructed Drawings" complying with accepted industry practice produced on a set of high quality photographic mylar reproducibles to the Secretary for his use in operating and maintaining the Statue of Liberty and the Ellis Island facilities.

5. Nothing in this agreement shall be construed as establishing a contractual relationship between any contractor or consultant of the Foundation and the Department of the Interior. Rather, it is the intention of both the Secretary and the Foundation to utilize the resources of the Department of the Interior in overseeing the restoration program in order to provide for the most expeditious completion of the project and to reflect the interest and purposes of the Statue of Liberty National Monument.

**D. General Provisions**

1. The Foundation agrees to appoint the Assistant Secretary for Fish and Wildlife and Parks of the Department of the Interior to be a non-voting member of its Board of Directors for the duration of this agreement and any extension hereof. The Foundation agrees that this member or an alternate may attend all meetings of the Foundation, its Board and committees thereof and that such member will be notified of such meetings in advance so as to provide a reasonable opportunity to be present. All decisions of the Foundation on its major activities and policies shall be made at such meetings or pursuant to decisions held at such meetings.

2. This Memorandum of Agreement shall be effective when signed by both parties and shall remain in effect for four years from that date, subject to renewal by mutual agreement for further periods of up to four years each. This Agreement may be vacated or cancelled by

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either party for cause on 90 days notice, at which time all further access to or use of Government facilities will be terminated. Provided, however, that the Secretary, in his discretion, may terminate this agreement for the convenience of the Government.


3. All obligations of the Department and National Park Service hereunder are subject to the availability of funds, and to such direction and instructions as may have been or are hereafter provided by Congress or the committees thereof.


4. During performance of this Agreement, the Foundation agrees to abide by the terms of Executive Order 11246 (Appendix 1) on non-discrimination and will not discriminate against any person because of race, color, religion, sex or national origin. The Foundation will take positive action to ensure that applicants are employed without regard to their race, color, religion, sex or national origin.

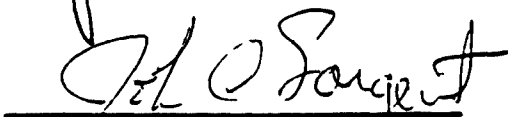
5. Within 60 days from the execution of this agreement and on a quarterly basis thereafter, the Foundation shall submit reports to the Secretary setting forth the progress of the fundraising programs; a discussion of restoration efforts, any present or anticipated problems of any type and the financial projections for remaining work will also be provided. The report shall also set forth quarterly goals for the restoration and fundraising efforts and shall compare the performance during the prior quarter to the goals set forth for that quarter. The reports following the first shall be submitted by the 15th day of the month following the end of each calendar quarter.

6. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this agreement, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this agreement if made with a corporation for its general benefit.

Dated this 14 day of October, 1983.

  
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CHAIRMAN, STATUE OF LIBERTY-ELLIS  
ISLAND CENTENNIAL COMMISSION

  
\_\_\_\_\_  
SECRETARY OF THE INTERIOR

  
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CHAIRMAN, STATUE OF LIBERTY-  
ELLIS ISLAND FOUNDATION



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