United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Public Buildings and Economic Development, Committee on Transportation and Infrastructure, House of Representatives

For Release on Delivery
Expected at
10:30 a.m. EST
Wednesday, March 25, 1998

Kennedy Center

Preventing Audit Duplication and Developing Facility Management Capability

Statement of Bernard L. Ungar
Director, Government Business Operations Issues
General Government Division

Statement

Kennedy Center: Preventing Audit Duplication and Developing Facility Management Capability

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss two audit reports we have issued within the last year on the operations of the John F. Kennedy Center for the Performing Arts. In August 1997, we issued a report addressing the need to prevent duplication of audit efforts involving the Kennedy Center's appropriated funds.[1] Today, we are issuing a report addressing the Kennedy Center's efforts to define and implement a facility management organization.[2] My statement summarizes the two issues discussed in these reports—preventing audit duplication and developing facility management capability.

Preventing Audit Duplication

In August 1997, we issued our initial report in response to a provision contained in Public Law 103-279.[3] In 1994, Public Law 103-279, which authorized Kennedy Center (Center) appropriations, provided that we audit, not less than once every 3 years, the expenditures of funds appropriated for the Kennedy Center and that our audit include testing for compliance with the act's limitation[4] on the use of any of those appropriated funds for performing arts functions.

Since its inception, the Center has annually contracted with a public accounting firm to audit its financial statements and provide a report on whether those statements present fairly the financial position of the Center. As part of the audit, tests of the Center's compliance with certain provisions of laws, regulations, contracts, and grants are made to identify instances of noncompliance that could have a direct and material effect on the financial statement amounts. As we did the work necessary to plan our own audit, the information and documentation that we obtained from the Center and from the Center's auditor demonstrated that our audit, if done, would have duplicated those portions of the auditor's work involving

- testing of internal controls,
- sampling of expenditures, and

[1] Kennedy Center: Audit Duplication Can Be Prevented (GAO/GGD-97-161, Aug. 19, 1997).

[2] Kennedy Center: Information on Facility Management Capability (GAO/GGD-98-56, Mar. 25, 1998).

[3] Section 5(d) of the John F. Kennedy Center Act Amendments of 1994, Public Law 103-279, 108 Stat. 1409, 1415-1416 (1994), which amended section 6 of the John F. Kennedy Center Act, 20 U.S.C. 76l.

[4] Section 12(c) of the John F. Kennedy Center Act Amendments of 1994, Public Law 103-279, 108 Stat. 1409, 1416 (1994), 20 U.S.C. 76r.

- testing for compliance with the limitation on the use of the appropriated funds.

Further, the auditor planned and executed the audit under the Government Auditing Standards, which govern our audit work as well.

In our August 1997 report, we concluded that efficient use of our audit resources would be best achieved by the Center's continued contracting for a single, annual audit of its financial statements and that this annual audit should include both the use of appropriated funds and compliance with the limitation on the use of those funds. We recommended that Congress delete the requirement that we audit the funds appropriated to the Center, and we also stated that Congress may wish to consider imposing a statutory requirement that the Center continue to contract for annual financial statement audits and communicate the results to Congress.

Regarding compliance with the limitation on the use of appropriated funds, we suggested that Center managers include a requirement in future financial statement audit engagement letters that the auditor include in its report (1) information about the specific tests for compliance with the limitation on the use of funds that it had undertaken and (2) the results of those tests. Center officials agreed and included, in their fiscal year 1997 audit engagement letter, a contractual requirement that the results of the funds limitation compliance tests be reflected in the auditor's report[5] to the Center's Board of Trustees. The audit report for fiscal year 1997 included a Report of Independent Public Accountants on Compliance and Internal Controls that described the compliance testing performed by the auditor to determine any direct and material effect of the compliance with the limitation on the Center's financial statement amounts. Further, the results of the auditor's tests were reflected in the November 25, 1997, auditor's opinion,[6] which stated that the financial statements of the Center for the period audited present fairly, in all material respects, the financial position of the Center.

[5]The John F. Kennedy Center for the Performing Arts and the National Symphony Orchestra, OMB Circular A-133 Supplemental Financial Report As of Sept. 28, 1997 Together with Auditors' Report, Nov. 25, 1997.

[6]The John F. Kennedy Center for the Performing Arts Financial Statements As of Sept. 28, 1997, and Sept. 29, 1996 Together With Auditors' Report, Nov. 25, 1997.

Developing Facility Management Capability

Today, we issued our report on the Kennedy Center's progress in defining and implementing a facility management organization since enactment, in 1994, of Public Law 103-279. In addition to authorizing appropriations for the Center, Public Law 103-279 transferred complete operating responsibility for the Center, previously divided between the National Park Service and the Center's Board of Trustees, to the Board. In response, the Center managers began the process of creating a facility management organization to operate the facility.

In a February 1993 report,[7] we noted that while the Center did not then have individuals on staff with certain professional and technical skills that would be associated with managing capital projects, there appeared to be no reason that—given sufficient time and funding—the Center could not acquire the necessary management capability. Other reports, ours and one by a consultant retained by the Center, pointed out the need for an organizational structure that would clearly define and assign roles and responsibilities related to facility operations.

The Center has developed its facility management organization under the premise that the organization would include a small in-house staff supported by contractor technical staff. Accordingly, the Center established about 55 in-house facility management staff positions, including 6 managerial positions. These managerial positions have responsibility for specified areas and include the Vice President for Facilities; the Directors of Contracting, Facilities, Security, and Auxiliary Services; and the Project Executive. With the exception of the Vice President for Facilities, these positions use contractors to support operations. While the six positions function within a single, formal, facilities management organizational structure, several committees bring together facility managers; managers of other functions, such as performance production; and staff to coordinate facility operations with performing arts schedules and to resolve various facility issues and problems.

To provide facility-related operating information to managers, the Center staff has developed a series of reports for use in tracking and managing appropriated funds usage. In addition, the Center has purchased and is implementing four modules of a computer-integrated facility management system. Three modules assist in managing the Center's inventory of assets and Center maintenance functions, including preventive maintenance, demand maintenance, and scheduled maintenance projects. The fourth

[7]Kennedy Center: Information on the Capital Improvement Program (GAO/GGD-93-46, Feb. 9, 1993).

module is a database in which data from all other modules are to be maintained. In addition, the Center is in the process of evaluating and implementing computerized scheduling software for use in preparing a comprehensive facility utilization schedule/calendar. Center officials told us that they expect these systems to become operational during the next few months.

Mr. Chairman that concludes my statement. At this time I will be pleased to respond to any questions the Subcommittee might have.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested