

REPORT BY THE
Comptroller General
OF THE UNITED STATES



**The Vietnam Veterans Memorial
Fund's Financial Operations
Were Properly Accounted For
And Reported**

GAO performed a comprehensive audit of the Vietnam Veterans Memorial Fund's financial operations from inception in April 1979 through March 31, 1984 at the request of nine Members of the Congress.

GAO found that the Fund's financial operations had been conducted in a proper and legal manner. The Fund's receipts and disbursements have been properly accounted for and reported and prior audits have been conducted in accordance with professional standards. GAO also investigated a number of specific allegations regarding the Fund and found no evidence of any improper or illegal actions.



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The Honorable G. V. Montgomery
The Honorable Duncan Hunter
House of Representatives

The Honorable John Warner
The Honorable Charles McC. Mathias
The Honorable Alan Cranston,
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

This report presents our response to your requests that we perform an audit of the financial operations of the Vietnam Veterans Memorial Fund, Inc. The report includes summaries and details of the receipts and disbursements of the Fund from its inception on April 27, 1979, through March 31, 1984, and our findings regarding various matters we investigated in connection with the audit.

As arranged with your offices, we are sending a copy of this report to the Chairman of the Board of Directors of the Fund and other interested parties.

A handwritten signature in cursive script that reads "Charles A. Bowser".

Comptroller General
of the United States

REPORT BY THE
COMPTROLLER GENERAL

THE VIETNAM VETERANS MEMORIAL
FUND'S FINANCIAL OPERATIONS
WERE PROPERLY ACCOUNTED FOR
AND REPORTED

D I G E S T

GAO conducted a comprehensive audit of the financial operations of the Vietnam Veterans Memorial Fund, Inc., (the Fund) at the request of nine Members of the Congress. The Fund is the non-profit organization which was authorized by the Congress to erect the Vietnam Veterans Memorial on federal land in Washington, D.C. Serious questions and allegations had been raised publicly regarding the propriety of the Fund's financial operations and its accounting and reporting of those operations.

GAO found that the Fund's financial operations have been conducted in a proper manner and that the Fund has properly accounted for and adequately reported its receipts and disbursements. GAO also found that the prior audits of the Fund's operations were proper and that the numerous allegations raised regarding the Fund were not valid.

HISTORY OF THE FUND

The Fund was incorporated as a non-profit corporation in the District of Columbia on April 27, 1979, with the purpose of raising funds for the erection of a monument to American veterans of the Vietnam war.

The President of the United States signed Public Law 96-297 on July 1, 1980, authorizing the Fund to erect the Memorial on a two-acre site near the Lincoln Memorial. While the Memorial was to be erected without government funds, the design was subject to the approval of the Secretary of the Interior, the Commission of Fine Arts and the National Capital Planning Commission. The Secretary of the Interior was also responsible for determining that adequate funds were available to complete the Memorial prior to groundbreaking and for assuming responsibility for maintenance of the Memorial after it is transferred by the Fund.

The Fund began a campaign in 1980 to obtain contributions for the Memorial from the American public through an extensive mail solicitation campaign and from veterans organizations, corpora-

tions, foundations, community groups, and others by personal contacts. The Fund hired professional fundraisers to assist it in these efforts.

In order to select a design for the Memorial, the Fund held a design competition in 1981 open to all Americans over 18 years of age. The winning design was a V-shaped memorial of polished black granite set below ground level. Each wall of the Memorial was to be 200 feet long and 10 feet high at the vertex. The names of the 57,939 dead and missing American casualties of the war were to be inscribed on the walls.

Major controversy over the design ultimately led to a compromise which added a flagpole and statue to the original design. After approval by the appropriate authorities, ground was broken on March 26, 1982. The Memorial wall was completed in October 1982, and dedicated at a National Salute to Vietnam Veterans during the week of Veterans Day, 1982.

The entire Memorial is still not complete as of May 1984. The statue must be completed and installed and various other items, such as lighting and expanded walkways, must be completed. The Fund anticipates that work will be complete and the Memorial transferred to the Department of the Interior by Veterans Day, 1984. The Fund then plans to terminate operations, after providing for future maintenance of the Memorial wall panels and the addition of names.

FINANCIAL CONTROVERSY

The Fund has been involved in a number of financial controversies regarding access to its books and records. A major contributor and a lawyer requested access to these records in 1981 and 1982, but were not permitted to make an examination.

In 1983, a television reporter began an investigation of the Fund's financial operations which culminated in a four-part television broadcast. The broadcast raised numerous questions regarding the propriety of the Fund's receipts and disbursements, its accounting for and reporting of its financial operations, its use of consultants, the level of its fundraising expenditures, its failure to meet standards for charitable organizations, "broken promises" to other charities, and other matters. As a result of this broadcast, GAO was requested by nine Members of the Congress and the Fund to perform an audit of the Fund records.

GAO began its audit of the Fund's financial activities on December 19, 1983; this examination, which was made in accordance with generally accepted auditing standards, included the following:

- The books and records of the Fund.
- Previous audits of the Fund.
- Special auditing measures taken by the Fund.
- Support for receipts and disbursements.
- Propriety of the use of funds.
- Allegations made regarding the financial management practices of the fund.

GAO FINDINGS

GAO found that receipts and disbursements have been properly accounted for and reported by the Fund. GAO conducted a detailed audit of receipts and disbursements and the results of this audit are summarized below. In GAO's opinion, this Summary of Fund Receipts and Disbursements through March 31, 1984, presents fairly, on a cash basis, the receipts and disbursements of the Vietnam Veterans Memorial Fund from inception on April 27, 1979, through March 31, 1984.

Vietnam Veterans Memorial Fund
Receipts and Disbursements
From April 27, 1979 (Inception)
Through March 31, 1984

Receipts

Contributions	\$ 8,333,941
Interest income	641,168
Other Income	<u>302,293</u>
Total Receipts	<u>9,277,402</u>

Disbursements

Memorial Construction	3,843,548
Fundraising	2,580,034
National Salute and dedication	533,182
Memorial promotion	312,485
Administration	<u>989,323</u>
Total Disbursements	<u>8,258,572</u>

Assets available March 31, 1984	<u><u>\$ 1,018,830</u></u>
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RECEIPTS AND FUNDRAISING COSTS

GAO found that fundraising costs were reasonable in relation to receipts. While GAO cannot conclude that alternative methods of fundraising would not have produced greater contributions or a lower cost, it is GAO's opinion that, given the requirements of the law that ground be broken within five years of the enactment of the law and that sufficient funds for the completion of the Memorial be available prior to ground breaking as well as the decision to seek widespread contributions from the American public using professional fundraisers, the fundraising costs of the Fund are reasonable in light of the receipts. In addition, the overall relationship of fundraising costs to receipts is in compliance with the Better Business Bureau standards for charitable organizations.

DISBURSEMENTS

GAO found that the disbursements made by the Fund were for goods and services received and were properly supported by documentary evidence. GAO also concludes that the disbursements of the Fund were for activities consistent with its charter and its publicly announced purposes. The costs incurred by the Fund were, as in any organization, influenced by management decisions and while GAO cannot state that alternative management decisions would not have reduced costs, GAO has no disagreement with the management decisions which were made. In addition, the overall relationship of the costs incurred to receipts is in compliance with the Better Business Bureau standards for charitable organizations.

PRIOR REPORTING AND AUDITS

GAO found that prior financial audits of the Fund had been properly conducted in accordance with generally accepted auditing standards by the independent public accountants. GAO also found that the special "audit committee" was formed for the specific purpose of considering the requests of outsiders for access to the records of the Fund and that, while the committee did not function as a typical audit committee of a board of directors, its operations were adequate given its special purpose. GAO found no evidence that prior financial reports, including the report to the Congress, were inaccurate or misleading. GAO also concludes that the Fund did not, in fact, conceal its financial information but distributed it to many groups and individuals.

OTHER ALLEGATIONS

Numerous questions and allegations have been raised regarding the financial operations of the Fund. These questions and allegations are listed in app. XI. Many of the questions were raised in the investigative reporter's television broadcast on a Washington, D.C., television station. During the course of the audit, GAO interviewed most of the persons who were presented during the television series on the Fund. Certain of these individuals raised additional questions regarding the financial propriety and managerial integrity of the Fund's operations. GAO investigated each of these matters and found that they were not supported by the facts. GAO's investigation of these matters did not reveal any improper or illegal actions by the Fund, its officers or its directors.

FUND COMMENTS

The officers and directors of the Fund have reviewed our report and agree with our conclusions. See app. XII for their specific comments.



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ABBREVIATIONS

DAV	Disabled American Veterans
GAO	General Accounting Office
IRS	Internal Revenue Service
VFW	Veterans of Foreign Wars
VVA	Vietnam Veterans of America
UVVO	United Vietnam Veterans Organization

CHAPTER 1

INTRODUCTION

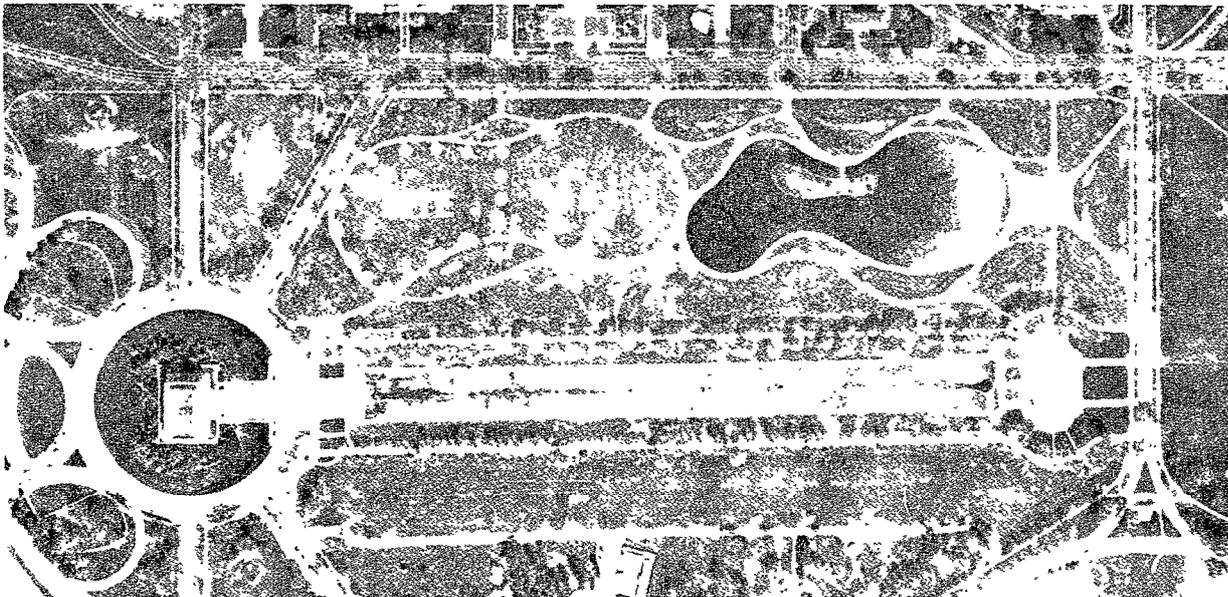
The Vietnam Veterans Memorial Fund, Inc. (the Fund), a private non-profit corporation, was responsible for erecting the Vietnam Veterans Memorial with contributions it collected from private sources. After questions of financial improprieties were raised publicly, we performed, at the request of nine Members of Congress (see app. I), a comprehensive audit of the Fund's operations, from its inception through March 31, 1984, in accordance with generally accepted governmental auditing standards.

HISTORY OF THE FUND

The Fund was incorporated as a non-profit corporation in the District of Columbia on April 27, 1979. Its purpose was to raise, receive, and maintain funds for the planning, design, erection, operation, and maintenance of a permanent public monument to American veterans of the Vietnam conflict. This Memorial was to be erected in the Washington, D.C., area. The Fund applied for and received status as a 501(c)(3) non-profit corporation from the Internal Revenue Service (IRS) in June 1979.

Passage of legislation

On November 8, 1979, legislation was introduced to designate a site of national parkland for the Memorial. Following passage of the legislation by the Congress, the President of the United States signed Public Law 96-297 on July 1, 1980 (see app. II), authorizing the Fund to erect the Memorial on a two-acre site in Constitution Gardens, near the Lincoln Memorial.



Memorial Site

The law stated that the designs and plans for the Memorial were subject to the approval of the Secretary of the Interior, the Commission of Fine Arts, and the National Capital Planning Commission. The Secretary of the Interior was also responsible for determining that sufficient funds were available to complete the Memorial prior to groundbreaking. Finally, the law prohibited the use of federal or District of Columbia funds in the erection of the Memorial, but provided that the maintenance and care of the Memorial after it was established were the responsibility of the Secretary of the Interior.

Fundraising efforts

The Fund conducted a major fundraising campaign to secure contributions to erect the Memorial. The fundraising campaign had two major components. The first was a direct mail solicitation campaign designed to secure financial support from individual Americans. The second effort involved the solicitation of contributions from corporations, foundations, veterans groups, community organizations, and unions through personal visits and discussions with appropriate officials from the entities.

Fundraising began soon after the Fund's incorporation, but initial contributions received amounted to less than \$200. A July 4, 1979, wire-service story on the Fund, however, resulted in \$5,500 in contributions from individuals. The story also attracted the attention of a Washington, D.C., lawyer and Vietnam veteran who helped the Fund recruit a group of professionals, all veterans, who provided volunteer services and advice to the Fund.

By the end of 1979, the Fund had collected \$2,500 from the Veterans of Foreign Wars (VFW) and \$11,000 more through the efforts of supporters. This was enough to launch a direct mail solicitation test which proved successful. In February, another \$10,000 donation was received from a businessman. The Fund also established a National Sponsoring Committee, consisting of prominent Americans to lend support to the mail solicitation efforts and a Corporate Advisory Board, made up of prominent businessmen, to lend support to the effort to secure corporate contributions. By the end of March 1980, total contributions were approximately \$65,000.

A full-fledged direct mail fundraising campaign began when a Washington, D.C., bank provided a loan of \$30,000. The Fund retained the services of a public relations firm in March 1980 to assist in developing ideas to promote the Memorial project, and in April 1980, a syndicated columnist asked his readers to support the Fund. Contributions totaling \$60,000 resulted from this article. The Fund repaid the loan from the bank with this money.

In conjunction with the direct mail solicitation campaign, the Fund began identifying corporations, foundations, veterans organizations, unions, and community groups as potential contributors. They also hired fundraising consultants and intensified the direct mail solicitation effort. Based on preliminary estimates of the

funds required to build the Memorial, the Fund established a goal of raising \$7 million by the end of 1982: \$5.3 million was to be raised from the corporations, foundations, veterans organizations, unions, community groups and selected individuals while the remaining \$1.7 million was to be raised from the direct mail solicitation effort and fundraising events.

In February 1981, one of the the Fund's organizers became a paid officer and in April the Fund hired an Assistant Director. The businessman, who had previously contributed \$10,000, contributed another \$160,000 to fund the estimated cost of selecting a design for the Memorial. As the campaign gained momentum, the contributions from the mail solicitations increased and numerous corporations made substantial contributions. By March 31, 1981, the Fund had raised approximately \$1.7 million.

Design competition

The Fund chose to hold a national design competition, open to all Americans over 18 years of age, as an appropriate method of selecting a Memorial befitting the veterans of the Vietnam war. The choice of this method was based on the Fund's recognition of the Memorial's serious nature and purpose, the Board's limited knowledge in the areas of art, architecture, and design, and the level of interest already exhibited by artists and designers. The Fund selected a Washington, D.C., architect and planner as an advisor to help them in all phases of the design competition. Beginning in July 1980, the Fund's board, staff, and advisors began considering the details of the competition including design criteria, rules, and schedule of events. According to the Fund, "...the entire competition was planned according to guidelines developed by the American Institute of Architects."

Since the final memorial design had to be approved by the Secretary of the Interior, the Commission of Fine Arts, and the National Capital Planning Commission, and had to be physically and economically feasible, the Fund decided to use professional judges of international repute. The judges included two landscape architects, two structural architects, an expert on urban development and landscape, and three sculptors. In judging submitted designs, judges were required to adhere to the competition criteria which required that the design (1) be reflective and contemplative in character; (2) harmonize with its surroundings; (3) contain the names of those who had died in the conflict or who were still missing; and (4) make no political statement about the war.

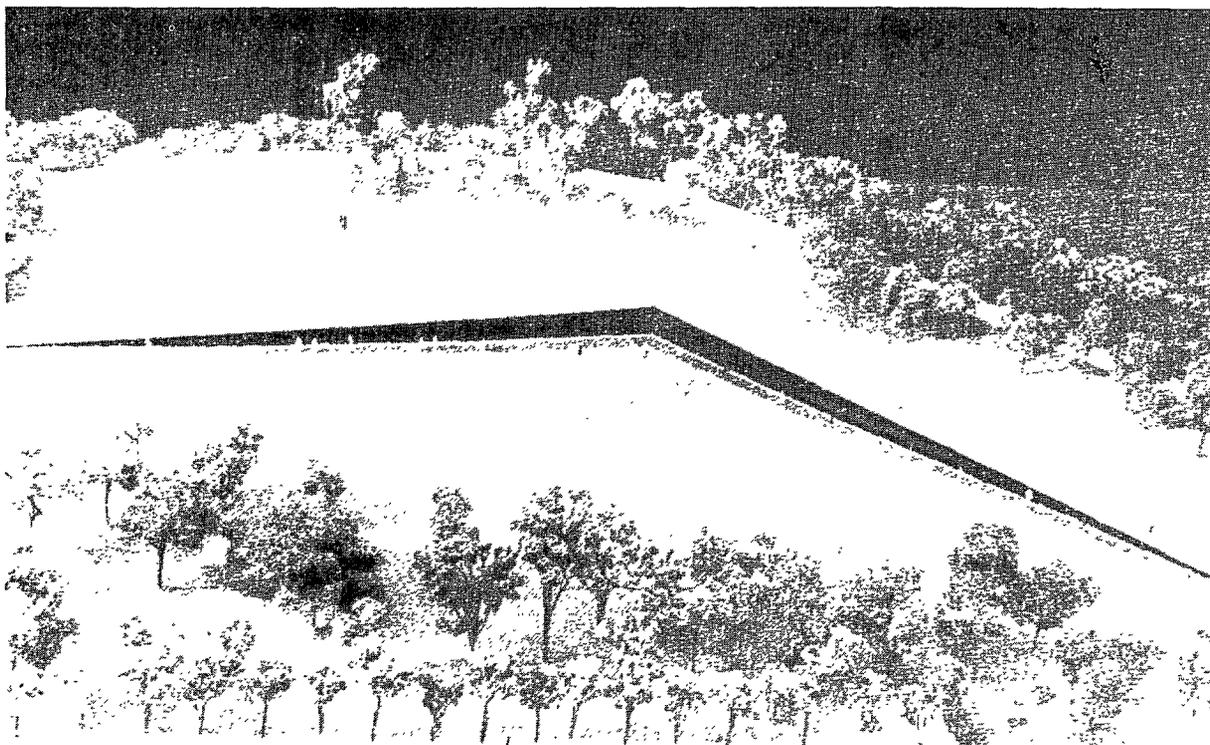
Selection of the design

In October 1980, the Fund publicly announced the Memorial design competition. By the December 29, 1980, deadline, over 2500 entrants had registered for the competition. A Design Program and set of site maps were sent to each registrant in January 1981, and by the March 31, 1981, entry deadline, the Fund had received 1,421 design entries. The Fund arranged for display of the designs in an

airplane hanger at an airfield in Washington, D.C. The designs were anonymous, identified only by an assigned number.

On April 26, 1981, the judges began the process of selecting the best design based on the competition criteria. On May 1, 1981, the judges presented their selections for first, second, and third place to the Fund's Board of Directors. The first place winner carried a cash prize of \$20,000 and a commission to assist in developing the design for construction. The second and third place designs were awarded prizes of \$10,000 and \$5,000, respectively. Fifteen additional prizes of \$1,000 each were also awarded, for a total of \$50,000 in prizes. The Fund unanimously accepted the judges' selection of the winners. The designer of the winning entry was Ms. Maya Lin, a student at Yale University. In accordance with the competition rules, she later served as a design consultant to the Fund's Architect of Record.

On May 6, 1981, the Fund publicly displayed the winning design: the Memorial was to have two walls of highly polished black granite arranged in a V-shape. Each wall was to be 200 feet long, one pointing toward the Washington Monument and the other toward the Lincoln Memorial. Beginning at ground level, the walls were to reach a height of 10 feet at their juncture. The names of the over 57,000 dead and missing American casualties of the war were to be inscribed on the walls in the chronological order of casualty.



Memorial Design

Initial planning

The design was selected in 1981 by Time Magazine as one of the top five architectural achievements of the year. The Secretary of Interior's National Capital Memorial Advisory Committee, the Commission of Fine Arts, and the Capital Planning Commission approved the design concept in public hearings held from June through August 1981.

After the design was announced in 1981, the Fund solicited bids from a number of architectural firms, four of which responded. The Fund's Board of Directors authorized the Project Director to contract with two of the companies for a projection of architectural and engineering costs for developing the Memorial. Following review and approval of estimated costs by the Board of Directors, the Fund signed a contract on August 10, 1981, engaging an Architect of Record, the Cooper-Lecky Partnership.

Work began on converting the design concept into the detail plans required for construction. One of the major changes was the lengthening of the Memorial walls to 246 feet to allow adequate space for the names. Suitable granite for the Memorial was located in India and arrangements were made to obtain the names of the casualties from the National Archives in Washington, D.C.

During this period, the Fund had also solicited bids from construction firms. On August 12, 1981, the Fund entered into a guaranteed maximum price contract with a construction company, Gilbane Building Company, which had built the Air and Space Museum in Washington, D.C., to serve as the general contractor on the project. The Board's choice was based on proposals submitted by three firms, with the winning proposal being selected based on price and experience with similar projects.

Design controversy and compromise

During an October 13, 1981 public meeting of the Commission of Fine Arts to consider the detail design of the memorial, opposition to the design was publicly voiced by a Vietnam veteran. This was the beginning of opposition to the Memorial's design which eventually led to numerous newspaper articles opposing the design. The debate threatened to end the project. The group opposing the design included a former member of the National Sponsoring Committee, the businessman who had helped fund the design competition, and a number of Members of Congress.

Despite the initial opposition, the process of reviewing the detail design of the memorial continued. The opposition to the design, however, continued to grow. Attempts were made during late 1981 to resolve the controversy, but no solution was found. The public controversy continued and the Secretary of the Interior requested the Fund to end the controversy over the design before ground could be broken for Memorial construction. On January 27, 1982, the Fund met with representatives of the groups opposed to

the design and finally reached a compromise that would add a statue and American flag to the Memorial site. The location of the statue and flag was to be resolved later, as was the specific design of the statue. On March 11, 1982, the United States Secretary of the Interior approved the compromise design.

At a subsequent meeting between the Fund and the design opponents to finalize details of the compromise, the location of the flag and statue became a significant issue. The opponents favored locating the flag and statue near the juncture of the walls. The Fund was concerned about securing approval of locating the additions to the Memorial near the juncture. After much debate by the parties involved in the review and approval process, the concept of an entrance plaza incorporating the flag and statue was developed. Finally, the Commission of Fine Arts approved, in February 1983, the location of the flag and statue in an entrance plaza approximately 120 feet from the Memorial wall.

To choose a design of the statue, the Fund formed a sculpture panel composed of two opponents and two supporters of the original Memorial design. A number of entries in the design competition included statues and the panel reviewed those entries in making its decision. A sculptor, who was a member of a team whose design had ranked third in the competition, was selected to create the statue.



The Statue

Continued fundraising

Fund officials believe the design controversy hindered fundraising, but contributions continued to be received. By March 31, 1982, the Fund had received or had pledges totaling \$7.5 million. Of particular importance was the pledge of the American Legion to contribute \$1 million. Because it had reached its goal, the Fund ended active fundraising in April 1982, although additional contributions and payments of pledges were received in subsequent years. For further details on fundraising, see chapter 3.

Ground breaking and construction

With the end of the fundraising effort and the compromise on the design, the United States Secretary of the Interior approved, on March 11, 1982, the start of construction. A ground breaking ceremony was held on March 26, 1982. Actual construction of the Memorial wall began subsequently and was completed in October of that year.

Final design and construction required significant effort by all parties because numerous problems developed in the process of converting a conceptual design into a reality. These problems included:

- Difficulties in cutting the granite panels to the tolerances required by the design.
- Proper arrangement of the names which ultimately required computer processing and manual verification.
- Photographic enlargement of the names for inscription.
- Development of the process to inscribe the 57,939 names on the panels.
- Poor soil conditions which required the driving of 140 concrete pilings to a depth of 35 feet.
- Improvements to the drainage system.
- Revisions to provide for safety and access by the handicapped.
- Revisions to incorporate the addition of the statue and flagpole.
- Difficulties in obtaining approval of the location of the flag and statue.
- Approvals required for the changes made to the design.

Specific information on construction of the Memorial and costs incurred is included in chapter 4.

National Salute and dedication

The Fund's Board of Directors decided that the Memorial would be dedicated at a National Salute to Vietnam Veterans to pay tribute to those who had served in Vietnam and to dedicate the Memorial. The Fund began planning the Salute in the spring of 1982. The basic format of the Salute was approved by the Fund's Board of Directors on April 15, 1982. On September 29, 1982, the Secretary of the Interior approved dedication of the Memorial during the Salute, contingent upon the Commission of Fine Arts' and the National Capital Planning Commission's final approval of the compromise memorial design. As discussed above, this approval was obtained and the Memorial was dedicated, even though the flagpole and statue were not complete.

The five-day National Salute to Vietnam Veterans was held in conjunction with the Veterans Day celebration in November 1982, and included: a candlelight vigil at the National Cathedral, various ceremonies, workshops, entertainment, unit reunions, a parade and dedication of the Memorial on Saturday, November 13, and concluded with religious services on Sunday at the National Cathedral. See chapter 4 for further discussion of the Salute and costs incurred.



Memorial As Of May 1984

Continued operations and future plans

The Department of the Interior will assume responsibility for the Vietnam Veterans Memorial when it is completed. As of May 1984, the following items remain to be completed:

- Completion and installation of the statue.
- Installation of lighting.
- Expansion of walkways.
- Completion and installation of permanent name locators.
- Installation of base for the flagpole.
- Additions and corrections to names.
- Final landscaping.

On April 5, 1984, the Board of Directors authorized the Fund to reduce its staff to one officer, with no secretary, by June 30, 1984 and to terminate operations entirely by December 1984. The Fund anticipates that construction will be completed by the fall of 1984 and plans to transfer the completed Memorial to the Department of the Interior by Veterans Day, 1984. Finally, the Fund plans to make a final report to the Congress, archive its records, and provide for perpetual maintenance of the Memorial panels, appropriate ceremonies at the Memorial on Memorial Day and Veterans Day, addition of names as necessary, and dispose of any surplus funds to charities that serve veterans. Details of the estimated costs to be incurred in completing the Memorial are included in chapter 4.

Financial controversy

In late 1981, the businessman who helped fund the design competition became concerned about the controversy over the design which was selected and contacted the Fund to voice his concerns. On December 17, 1981, he made public his concerns about the design through a news interview. The businessman eventually participated in the design compromise meetings.

In May 1982, after the compromise had been reached, the businessman formally requested the Fund's Board of Directors that he be allowed to pay for a "...detailed audit of receipts and disbursements." He stated that, "the normal annual audit of [the Fund] is not sufficiently detailed to accommodate the objective of checking receipts and expenses." This was based on his review of the financial statements and the audit reports prepared by a major independent public accounting firm, which the Fund provided to him.

The President of the Fund contacted the businessman in June 1982, and discussed the request. The businessman was provided a copy of the financial statements and audit report for the fiscal

year ended March 31, 1982. In July 1982, the businessman, when contacted by a Board member, indicated that he still believed the audits were not detailed enough and requested access to the Fund's records. The Board member asked that such request be made formally and in writing to the Fund's Board of Directors. The businessman made the formal request on July 23, 1982.

The Fund responded to this situation by creating a special audit committee. The committee was composed of members of the Board, the Corporate Advisory Board, the National Sponsoring Committee and others. The Fund also contracted with its accounting firm for an additional internal control review of the Fund's financial activities. The accounting firm reported that the Fund's internal controls were sufficient to provide management reasonable assurance that errors or irregularities of material amounts were prevented or disclosed.

The Board approved a meeting of representatives of the businessman, members of the Fund's special committee, and the Fund's outside auditors. This meeting was held on September 17, 1982, but no agreement was reached. The Fund maintained that the burden of proof was on the businessman to show cause for the need for additional audits of the Fund's activities, since the Fund had been audited annually throughout its existence by its outside accounting firm and the IRS (See chapter 5). In addition, a lawyer also requested access to the records of the Fund, but his request was also denied.

A television reporter began investigating the Fund's operations during the summer of 1983 and also requested access to the Fund's financial records, and on behalf of his employer, offered to pay for an outside audit of the Fund. The Fund also denied his request as they had done with the previous requests and maintained that the Fund had made all necessary public financial disclosures required by its non-profit corporate status. The Fund also issued, in September 1983, a report to Congress which included a summary of its operations.

On November 7, 1983, the reporter began a five-part television broadcast. The series:

- reported on the audit controversy between the Fund and the businessman.
- questioned the propriety of financial reporting by the Fund.
- suggested that fundraising and administrative expenditures of the Fund were excessive.
- reported that the Fund had broken "promises" of financial support to other Vietnam veterans groups.
- raised numerous other questions.

During the course of the series, the Fund agreed to accept the television station's offer of an outside audit of its books by a firm selected by the station. The station withheld the fifth segment of the investigative report pending the audit report. This arrangement was never implemented because of a disagreement between the Fund and the station regarding audit methodology. The Fund later issued a point-for-point rebuttal of the broadcast on December 21, 1983.

OBJECTIVES, SCOPE, AND METHODOLOGY

GAO's audit was requested by nine Members of the Congress because of their concerns over allegations and charges involving the propriety of the Fund's financial operations. The audit was conducted from December 1983 through May 1984 in accordance with generally accepted governmental auditing standards.

Our objectives were to audit the:

- Books and records of the Fund.
- Adequacy of previous audits of the Fund.
- Special auditing measures taken by the Fund.
- Support for receipts and disbursements.
- Propriety of the use of funds.
- Charges and allegations made regarding the financial management practices of the Fund.

The Fund also requested our audit and provided us complete access to its records and files. Our audit included:

- Examination of all bank statements, canceled checks and related records.
- Confirmation of the bank accounts and investments.
- Review all cash receipt records.
- Analysis of all disbursements made by the Fund from its inception through March 31, 1984.
- Examination of support for all disbursements over \$5,000 and a substantial portion of those under \$5,000.
- Review and evaluation of the Fund's contracting procedures and all major service and consulting contracts awarded by the Fund.
- Review of all Fund files deemed necessary, including records of incorporation, the design competition and

related controversy, contracts, correspondence relating to allegations raised, and minutes of the Board of Directors' meetings.

--Review of prior financial audits and interviews with the independent public accounting firm personnel.

In order to determine the propriety of disbursements made, we examined all disbursements to payees who received \$5,000 or more from the Fund. For payees who received less than \$5,000, we made a judgmental sample of payees and examined all payments to them. This sample included 100 payees with total payments of \$117,207. Additionally, we reviewed the distribution of disbursements to the various categories of activities, such as the design competition and the National Salute. Based on our examination of contracts, invoices, Fund records and discussion with payees and Fund officials, we have classified disbursements into the appropriate category of activity.

We interviewed numerous individuals regarding the operations of the Fund (see app.X). These included the two current Fund officers and the two former officers, 5 of the 7 members of the Board of Directors, officials of the veterans organizations which have provided assistance and support to the Fund, the television reporter, and other officials of the television station, and many of the persons interviewed during the television series.

We interviewed persons who had criticized the Fund to ascertain the bases for the various charges and concerns. Many of these individuals raised additional questions and allegations beyond those questions raised in the television series. We investigated all of the questions and allegations raised during the television series and in the course of our work.

FUND COMMENTS

The officers and directors of the Fund have reviewed our report and agree with our conclusions. See app. XII for their specific comments.

CHAPTER 2

SUMMARY OF FINANCIAL OPERATIONS
THROUGH MARCH 31, 1984

In our opinion, the following Summary of Receipts and Disbursements presents fairly, on the cash basis, the receipts and disbursements of the Vietnam Veterans Memorial Fund, Inc., from inception through March 31, 1984.

Vietnam Veterans Memorial Fund
Receipts and Disbursements
From April 27, 1979 (Inception)
Through March 31, 1984

<u>Receipts</u>	<u>Amount</u>	<u>Percent</u>
Contributions	\$ 8,333,941	89.8
Interest income	641,168	6.9
Other Income	<u>302,293</u>	<u>3.3</u>
Total receipts	<u>9,277,402</u>	<u>100.0</u>
 <u>Disbursements</u>		
Memorial construction	3,843,548	41.4
Fundraising	2,580,034	27.8
National Salute and dedication	533,182	5.7
Memorial promotion	312,485	3.4
Administration	<u>989,323</u>	<u>10.7</u>
Total disbursements	<u>8,258,572</u>	<u>89.0</u>
Assets available March 31, 1984	<u>\$1,018,830</u>	<u>11.0</u>
		<u>100.0</u>

BASIS OF ACCOUNTING

Because many of the questions raised regarding the Fund's receipts and disbursements, this summary is presented on the cash basis. For a discussion of receipts and disbursements which are anticipated to occur after March 31, 1984, see chapter 4.

RECEIPTS

As shown above, the Fund received the vast majority of its revenues from contributions from various sources. GAO verified the revenue sources by reference to bank statements and other records. Further details on the sources of these receipts are included in chapter 3. Interest income was earned by investments of cash not immediately required for operations while other income includes receipts from the sale of directories and rental of mailing lists.

MEMORIAL CONSTRUCTION

The largest disbursements of the Fund were for designing and constructing the Memorial. The largest single item was the construction contract for the Memorial. In addition, significant costs were incurred in the design competition, architectural fees, inscription of the names, and landscaping. It is estimated that \$440,000 will be required to complete construction of the Memorial. This will bring total construction disbursements to approximately \$4,284,000 or 46 percent of total receipts. See chapter 4 for further explanation of the estimate to complete the Memorial.

FUNDRAISING

The second largest category of disbursements by the Fund was for fundraising. As discussed later in chapter 3, the majority of these fundraising disbursements were made in connection with the mail solicitation campaigns of the Fund. In total, fundraising disbursements were equal to 27.8 percent of total receipts of the Fund.

NATIONAL SALUTE

From November 10 through 14, 1982, the Fund conducted a five-day ceremony which was termed the National Salute to Vietnam Veterans. During this ceremony, the Memorial was dedicated. In addition, the ceremony included a parade, a church service and various other activities. The disbursements made for the National Salute are discussed in further detail in chapter 4. These disbursements represented 5.7 percent of total receipts.

MEMORIAL PROMOTION

The Fund conducted various activities designed to promote the Memorial project to the American public. These activities included preparation and distribution of materials to the press and the public, ceremonies at the Memorial, speeches and attendance at conferences of veterans organizations, and other public relations activities. These disbursements, which represent 3.4 percent of total receipts, do not include costs related to fundraising. For further details, see chapter 4.

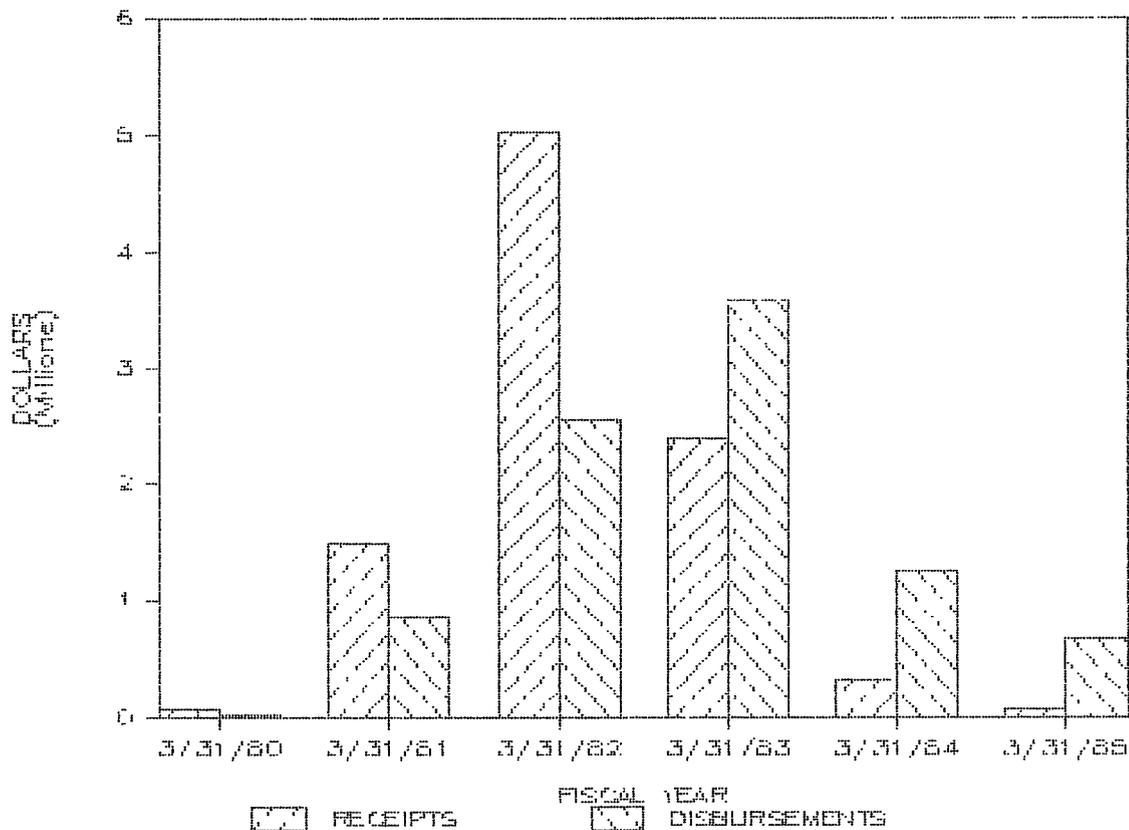
ADMINISTRATION

This category includes disbursements for the Fund's general operations. These other disbursements include salaries of officers and employees not included in other categories, legal and accounting fees, and office expenses. Administration disbursements represent 10.7 percent of total receipts. These disbursements are also discussed further in chapter 4.

RECEIPTS AND DISBURSEMENTS BY YEAR

Receipts and disbursements by year are shown in the following graph. The decline in receipts after fiscal year 1982 reflects the termination of active fundraising in that year. The receipts in fiscal year 1983 were primarily payments by donors of pledges made in earlier years. The 1984 receipts are primarily investment income and miscellaneous sales and rentals. The increase in disbursements in fiscal year 1983 compared to fiscal year 1982 reflects the disbursements for the construction of the Memorial which occurred primarily in fiscal year 1983. The fiscal year 1984 disbursements reflect continuing work on the Memorial. The receipts and disbursements for fiscal year 1985 are estimates of disbursements to be made in completing the Memorial and terminating Fund operations.

RECEIPTS AND DISBURSEMENTS



CONCLUSIONS

Contributions from various sources represented 89.8 percent of total receipts of the Fund through March 31, 1984. Additional receipts were generated through investment of available cash and the sale or rental of various items.

The Memorial construction has required expenditure of 41.4 percent of total receipts, while related disbursements for the National Salute and Memorial promotion represented 5.7 and 3.4 percent, respectively. In total, the Fund has expended 50.5 percent of total receipts on activities directly related to the Memorial.

Fundraising costs represented 31 percent of contributions received, or 27.8 percent of total receipts. Combined with administration disbursements, which were equal to 10.7 percent of total receipts, this equals 38.5 percent of total receipts.

As of March 31, 1984, the Fund had available funds of \$1.02 million, or 11 percent of total receipts. It is anticipated that the Fund will expend approximately \$660,000 of these funds on completing the Memorial and terminating operations. The Board of Directors, as discussed in chapter 4, is considering the final disposition of the funds which will remain after all required disbursements are made.

CHAPTER 3

RECEIPTS AND FUNDRAISING DISBURSEMENTS

Total receipts of the Fund from inception through March 31, 1984 were \$9,277,402. An analysis of these receipts by source is shown below. Fundraising disbursements were \$2,580,034. These disbursements were analyzed in detail and are discussed later in this chapter. While we cannot conclude that alternative methods of fundraising would not have produced greater contributions at a lower cost, it is our opinion that, given the decision to seek contributions from the American public, the fundraising disbursements of the Fund are reasonable in relation to the receipts. In addition, the overall relationship of fundraising disbursements to receipts is in compliance with the Better Business Bureau standards for charitable organizations.

<u>Receipt Source</u>	<u>Amount</u>	<u>Percent of Total</u>
Contributions		
Individuals	\$4,380,823	47.2
Veterans Organizations	1,643,432	17.7
Corporations	1,540,667	16.6
Radiothons	350,303	3.8
Foundations	319,340	3.4
Unions	55,128	.6
Community Groups	44,248	.5
Total Contributions	8,333,941	89.8
Interest Income	641,168	6.9
National Salute	166,732	1.8
Special Events	63,393	.7
Directory and other sales	42,083	.5
List Rental	30,085	.3
Total Receipts	<u>\$9,277,402</u>	<u>100.0</u>

RECEIPTS

The Fund receipts came primarily from individual contributions as a result of the decision by the Fund Board of Directors to conduct a mail solicitation campaign to solicit widespread contributions for the Memorial from the American public and to make the public aware of the Memorial project. These contributions came to the fund primarily in the form of checks, with the average contribution from an individual being \$17.00.

The second largest category of contributors was veterans organizations, which contributed \$1.6 million. The bulk of these

contributions, approximately \$1.2 million, came from the American Legion. The other major veterans organization contributors are shown in app. V. These contributions were raised primarily by negotiations between the Fund and the organizations. These organizations then solicited contributions from their members. These contributions from members were collected by the veterans organizations and then presented to the Fund.

The Fund raised \$1.5 million in contributions from corporations. Major corporate contributors are shown in app. V. These contributions were also raised by negotiations with the corporations by Fund personnel.

As shown in the chart on the preceding page, the Fund raised contributions from foundations, unions and community groups. These contributions were generated through both publicity and negotiations with personnel from the various groups. In addition, the Fund arranged for radiothons around the country. The stations solicited contributions for the Fund from listeners and the stations turned the contributions received over to the Fund. The Fund did not pay for air time on the stations.

The Fund also undertook other efforts to raise income. First, the Fund invested all available cash as soon as possible in interest-bearing accounts and investments such as mutual and money-market funds. Consequently, the Fund earned over \$640,000 in interest income. The Fund had National Salute receipts from sale of souvenirs and promotional items of \$166,732. The Fund also held a fundraising dinner which generated over \$63,000 of receipts in excess of costs. Finally, the Fund sold or rented various items such as souvenir programs, name directories to the Memorial and its mailing list. While these revenues were not large, they reflect attempts by the Fund to generate all possible income.

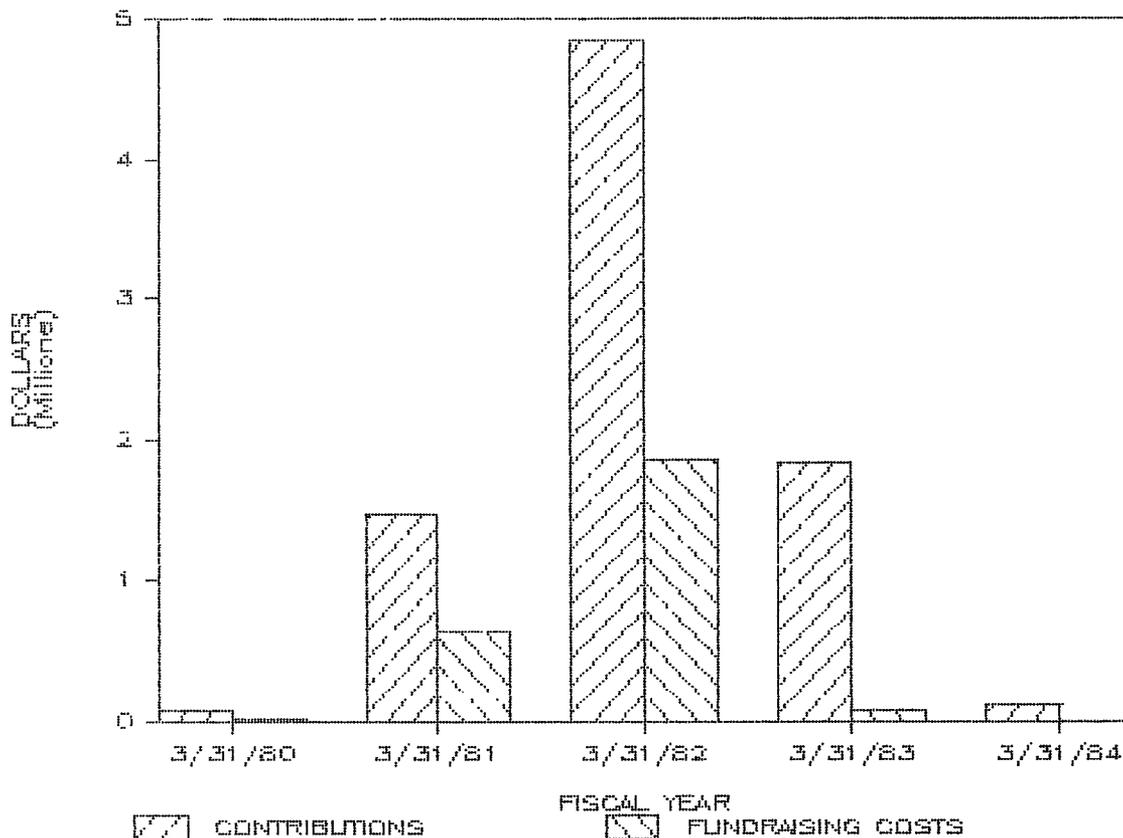
The Fund received a \$15,000 grant on May 13, 1981, from the National Endowment for the Arts for funding of the design competition held on May 1, 1981. This grant had been applied for by the Fund through a formal application. This grant was paid in federal funds. Section 2(c) of Public Law 96-297 states that "Neither the United States nor the District of Columbia shall be put to any expense in the establishment of the memorial." However, we find no indication that the Congress meant to preclude the Fund from receiving federal grants when it was an eligible recipient and was in a position to fulfill the grant conditions. This grant, which was applied for by the Fund following normal procedures, was not inconsistent with section 2(c) as we interpret it.

The Fund terminated active fundraising in April 1982, because it had met its goals. The last mailing to the public was conducted in February 1982. Since that time, the Fund has returned at least one large contribution, \$5,000, restricted to construction, which was received after it was evident that all construction costs could already be paid.

It has been alleged that the Fund was still attempting to raise money in 1983 by placing advertisements in veteran organization's publications. Our investigation revealed that the advertisements were for sale of granite Memorial souvenirs by a company, not the Fund. This matter is discussed further in chapter 6. The Fund did continue to receive contributions after it stopped fundraising activities but these contributions were due to the previous fundraising efforts, not to new efforts undertaken by the Fund.

Contributions by year, compared to fundraising costs are shown in the following chart.

CONTRIBUTIONS VS FUNDRAISING COSTS



CONTROLS OVER RECEIPTS

We found that the Fund established reasonable controls over receipts. First, the Fund established bank accounts or investment accounts in which all funds were kept, except for an imprest petty cash fund of \$350. Funds were only disbursed from these accounts on check requests or invoices properly authorized by one of the officers and approved by the Treasurer. All bank accounts were

authorized by the Board of Directors. As part of our audit, we obtained a written representation from the Fund's Board that we had been informed of all bank accounts and had been provided all appropriate records.

Secondly, the Fund attempted to direct all contributions through a lock-box account established at one of its banks by providing return envelopes addressed to the post office box in its mail solicitations and by listing the post office box as its primary address in advertisements and other fundraising material. The Fund maintained the lock-box account, first at Riggs National Bank and then at First American Bank, for all individual contributions. Fund records indicate that the majority of all individual contributions came through the lock-box account. The remaining individual contributions came directly to the Fund's offices and were deposited into the Fund's bank account.

Mail received at the office was opened by the Administration Director. Contributions under \$100 were filed for deposit in the bank later in the day. All receipts of \$100 or more were recorded individually by the Fundraising Director and also deposited later on the same day. Contributions of \$100 or more were acknowledged with a thank-you letter.

The bank recorded and credited all deposits to the Fund's account as they were received. Copies of the deposit slips and related adding machine tapes were provided daily to the Fund's bookkeeper who posted the receipts to the Fund's general ledger. Bank statements and deposit slips for the lock-box account were sent directly to the bookkeeper. The bookkeeper compared deposit slips to the bank statements to assure that the account had been properly credited. Deposit slips for contributions received and deposited by Fund headquarters were reconciled as they were entered into the general ledger, thus allowing the bookkeeper to maintain a current cash balance.

During our audit, certain persons stated they had heard that the Fund had raised \$12 million in revenues. Our research indicated this was due to a misunderstanding of a comment made by a Fund official that the Fund expected at one time that it could raise up to \$12 million. We found no evidence of any unrecorded revenues in our detailed review of controls over bank accounts, examination of bank statements, cash receipts records, fundraising records, and discussion with the fundraising firms used by the Fund. The Fund also sent certificates to individuals who contributed over \$100 to the Fund and listed all contributors over \$5,000 in the booklet for the National Salute. Major contributors were also confirmed in writing by the outside auditors.

The Fund implemented a prudent policy of investing all available cash as soon as possible. The Board of Directors authorized the Treasurer to establish and monitor three investment accounts. At the direction of the Board, the Treasurer instructed each of the account administrators to invest in short-term, insured, government

securities. The investments were monitored by the Treasurer who authorized checks to be written to the investment account when sufficient additional cash was available in the Fund's operating accounts. Income earned from investments was also invested. Because of the control by the Treasurer over investment transactions, the outside accounting firm performed a detail audit of investment transactions each year. We reviewed this audit work and found no improper investment transactions had occurred.

FUNDRAISING DISBURSEMENTS

We reviewed in detail the fundraising disbursements made by the Fund. The results of our analysis are shown below.

Fundraising Disbursements

<u>Disbursement Category</u>	<u>Amount</u>
List rental	\$ 664,448
Printing	443,887
Postage	490,796
Mailing services	363,784
Consulting fees	305,718
Envelopes	219,477
Promotion items	23,730
Travel	17,132
Salaries	45,611
Miscellaneous	<u>5,451</u>
Total	<u><u>\$2,580,034</u></u>

The majority of these disbursements were incurred in the extensive mail solicitation campaign conducted by the Fund. The Fund sent over 11.9 million pieces of mail to potential donors. A number of professional fundraising organizations were employed by the Fund to conduct the campaign. The firms who were employed by the Fund were generally selected after consideration of proposals from a number of firms. The Fund also hired a professional fundraiser to supervise the campaign. The salaries shown above represent the appropriate costs of this employee during the fundraising campaign.

The fundraising firms were responsible for assisting in developing the fundraising plans, designing the mail solicitation materials, providing mailing lists, arranging for printing of the solicitation materials, addressing and mailing the materials and eventually, maintaining the list of donors to the Fund. The Fundraising Campaign Director was responsible for overall direction and coordination of the plan and for arranging visits to potential corporate and other organizational donors.

We reviewed the contractor selection process and related documentation, including contracts finally issued, and conclude that a

reasonable and thorough effort was made by the Fund to select competent mail solicitation firms. Further, we reviewed all billings from these firms and found that the charges were properly supported and within the terms of the contracts. Our analysis shows that disbursements for fundraising were made to the following firms for professional services and reimbursement of costs, such as postage.

Fundraising Disbursements by Vendor

<u>Firm</u>	<u>Purpose</u>	<u>Amount</u>
Creative Mailing Consultants of America	mailings	\$1,138,610
Mattera Litho, Inc.	printing material	282,443
Tri-State Envelope Corp.	envelopes	186,897
Epsilon Data Management	mailings	176,082
Carol Enters List Co.	list rental	106,412
J. J. Mailing, Inc.	mailing services	102,480
Smith Lithograph Corp.	printing	89,043
U. S. Postmaster	postage	87,104
Robert F. Semple & Associates	planning campaign	60,636
Bond Office Services	mailing services	59,792
Oram International Group	consulting	51,394
Berlin & Jones	printing	39,251
Diversified Mail	mailing services	23,380
Printers II	printing	22,560
UARCO	printing	11,584
Techna-Graphics, Inc.	graphics	8,722
Constituency Builders, Inc.	mailing	7,809
Other	payroll and other	<u>125,835</u>
Total		<u><u>\$2,580,034</u></u>

These disbursements were made based on billings from the vendors which did not separate costs between fundraising and education. While the Fund, in accordance with generally accepted accounting principles, allocated billings between fundraising and education in its financial reports, we have presented these disbursements by vendor. See chapter 5 for a further discussion of the allocation process used by the Fund.

We inquired of Fund personnel why they had retained consultants and used outside firms rather than increase their own staff to conduct the mailing campaign. They told us that the Fund did not intend to remain in existence after the Memorial was complete and consequently, they did not wish to hire a staff which would have to be terminated in the future. Also, they required expertise in order to raise the amounts required in such a relatively short time, because they were under the constraints of the law which required that ground be broken by June 30, 1985 and the Fund obtain have the Secretary of the Interior's certification that sufficient funds

were available to insure completion of the Memorial before ground could be broken. We believe this was a prudent decision considering the planned termination of the Fund's operations.

It has been alleged that DAV personnel had reviewed the Fund's early fundraising efforts and had determined that the Fund was paying too much for direct mail fees and, as a result of this review, the direct mail firm reportedly lowered its fees. DAV did not provide any records or information to GAO during this audit. Fund officials confirmed to us that DAV did review its direct mail program, but the officials were never made aware that DAV was critical of their efforts. The Fund's principal direct mail firm did adjust its fees during the course of the campaign, but this adjustment was based upon the sliding fee scale included in their contract. The contract provided that fees were to be based on the number of pieces mailed per year. As the number of pieces mailed increased, the fees were to be lowered in accordance with the contract provisions.

FUNDRAISING STANDARDS

In order to determine the reasonableness of the contributions received by the Fund in relation to fundraising disbursements, we identified several fundraising standards. These standards are as follows:

Better Business Bureau

Fund raising costs should not exceed 35% of related contributions.

District of Columbia

No standards established.

National Charities Information Bureau

Fundraising costs should not exceed 30% of contributions.

Comparison of the Fund's total contributions to fundraising disbursements reveals the following:

Total contributions received	\$ <u>8,333,941</u>
Total fundraising disbursements	\$ <u>2,580,034</u>
Fundraising costs as a percent of Contributions	<u>31%</u>

We found that, after the television broadcast which reported that the Fund did not meet Better Business Bureau standards, the Fund provided information to the Bureau and that the Bureau had reported the Fund was in compliance with their standards.

Because these standards do not specifically provide criteria for evaluating the relationship of mail solicitation contributions to disbursements, we obtained the names of three experts whom we could consult from the Better Business Bureau. We did not, however, inquire of two of these individuals because they had, in fact, been used by the Fund in its mail campaign. The third individual had not been used by the Fund and had no prior knowledge of the Fund's direct mail experience. Upon contacting him this individual confirmed that there were no specific standards for mail solicitation costs compared to contributions. In addition to the lack of a specific standard for the ratio of mail solicitation contributions to disbursements, our review of the nature of the fundraising campaign, the disbursements made, and the records of the fundraising organizations leads us to conclude that it is impractical to determine the portion of the fundraising disbursements which were related to the contributions received from veterans organizations, corporations, foundations and community groups. As a result, we compared total fundraising disbursements to total contributions from individuals.

Contributions from individuals	\$ 4,380,823
	<u> </u>
Fundraising disbursements	\$ 2,580,034
	<u> </u>
Disbursements as a percent of contributions	58.9%
	<u> </u>

Because this comparison includes all fundraising costs compared to only a portion of total contributions, we believe it is a very conservative measure of the reasonability of the Fund's mail solicitation efforts. In discussion with the fundraising expert we consulted, he stated that, while it was a matter of judgment, he believed the Fund had obtained a reasonable return for an organization which was just beginning operations.

While we are unable to determine the impact of the controversy over the Vietnam war and the controversy over the Memorial design, we believe they did influence, generally in a negative way, the success of the fundraising efforts conducted by the Memorial. Consequently, they must be considered, along with the short-term nature of the project, in evaluating the results of the Fund.

CONCLUSIONS

The Fund collected over \$8.3 million in contributions, primarily from individuals and veterans organizations. The Fund has adequately controlled and accounted for these receipts and invested all available cash to generate additional receipts. Fundraising costs totaled \$2.6 million and were within normal experiences for non-profit organizations. The Fund is also in compliance with the Better Business Bureau standards.

CHAPTER 4

DISBURSEMENTS

Total disbursements of the Fund from inception through March 31, 1984 were \$8,258,572. An analysis of these disbursements is shown below. Fundraising costs were discussed in chapter 3. Additional details by category are shown in sections of this chapter, and in appendices III and IV. We found that the disbursements made by the Fund were for goods and services received and were properly supported by documentary evidence. We concluded that the disbursements of the Fund were for activities consistent with its charter and its publicly announced purposes. The costs incurred by the Fund were, as in any organization, influenced by management decisions. While we cannot state that alternative management decisions would not have reduced costs, we found that management decisions were made in a prudent and cost conscious manner and we have no disagreement with the management decisions which were made. In addition, the overall relationship of the costs incurred to receipts is in compliance with the Better Business Bureau standards for charitable organizations.

<u>Disbursements</u>	<u>Amount</u>
Memorial construction	\$ 3,843,548
Fundraising	2,580,034
National Salute	533,182
Memorial promotion	312,485
Administration	<u>989,323</u>
Total disbursements	<u>\$ 8,258,572</u>

CONTROLS OVER DISBURSEMENTS

The Board of Directors authorized and approved all major contracts issued by the Fund. The Fund's operating procedures stipulated that all purchases and contracts for amounts greater than \$5,000 be approved by the Board prior to commitment of funds. Purchases and contracts valued at \$1,001 to \$5,000 required joint approval by the Treasurer and Executive Vice-President and those valued at \$1,000 or less could be approved by the Executive Vice-President.

Contracting procedures

The Fund relied extensively on the guidance of the Board of Directors in determining the need for, soliciting of, and authorizing of contracts. Whenever the need for particular services arose, the matter was brought before the Board which determined the level of services required. Special committees were established by the Board for major contracts, such as construction, architectural and public relations services. These committees set the contract spec-

ifications, solicited and evaluated proposals from qualified companies, and recommended a contractor to the Board.

For other contracts, the Fund's Project Director or Executive Vice President, depending on the services sought, solicited proposals from qualified companies. After receiving and evaluating the bids, these individuals made their recommendations to the Board. The Board was the ultimate authority on authorizing contracts valued at over \$5,000. The Board reviewed the companies' proposals and the recommendations made by the special committees, project director or Executive Vice President. After deliberation the Board approved a contractor and authorized the Project Director or Executive Vice President to consummate the contract.

The Fund generally sought competitive bids for contracts but did let several sole-source contracts. For example, the sculptor who is preparing the statue of the servicemen which will be added to the Memorial was selected by the sculpture panel based on artistic criteria. Therefore, the Fund had to subsequently negotiate a contract with this sculptor for a total of \$330,000. Additionally, the Fund negotiated a sole-source contract with the company which arranged and type set the names inscribed on the Memorial because the Fund and Architect of Record were unable to locate any other firms which possessed the required technology to sort and type set the names from the computerized data provided by the Fund. Finally, the Fund negotiated a contract with the individual who invented the inscription process to inscribe additional names on the Memorial. According to Fund officials, this person was the only individual they could locate who was capable of inscribing the additional names on the Memorial so that they matched the previously inscribed names. Each of these contracts were reviewed and approved by the Board.

Review of billings

Vendor invoices, customarily sent subsequent to the delivery of goods or services, were received by the Fund's Administration Director who reviewed them for mathematical accuracy and reasonableness of quantity and price. The invoices were photocopied, filed and the original was given to the Executive Vice President for review and approval. The Executive Vice President maintained a log of all incoming invoices in order to keep a current record of unpaid items. This individual reviewed the invoices and ensured that the goods or services had been received. After ascertaining that the invoice was valid, he assigned an account number to the disbursement, initialed the invoice and returned it to the Administration Director.

The Administration Director forwarded the approved invoice to the bookkeeper who verified that the invoice had been properly approved and the reasonableness of the account charged. If the invoice was properly approved, the bookkeeper prepared a disbursement voucher which indicated payee, amount, account code, check number, and purpose. The bookkeeper also prepared a check for the indicat-

ed amount. The prepared check and approved invoice were sent to the Treasurer for review, approval, and signature. The check and invoice were returned to the bookkeeper who filed the invoice and forwarded the check to Fund's headquarters. The Administration Director received the check and ascertained if an additional signature was needed in accordance with Fund procedures, which required that checks larger than \$500 be signed by the Fund's President in addition to the Treasurer. A photocopy of the check was given to the Executive Vice President so that he could update his invoice log.

MEMORIAL DISBURSEMENTS

Based on our review of disbursements, we have determined that the major categories of Memorial disbursements through March 31, 1984, are as follows:

Memorial Construction Disbursements

Design competition	\$ 192,528
Architects and engineers	555,832
Construction	2,494,264
Other Memorial costs	502,967
Construction supervision	<u>97,957</u>
Total	<u><u>\$3,843,548</u></u>

The above data does not include disbursements which are still required to complete the Memorial. These disbursements, which are currently estimated at \$440,000, are discussed in more detail later in this chapter. With the disbursement of these funds, total Memorial disbursements will be approximately \$4.3 million. Each of these categories is discussed in detail below.

Design competition

The Board of Directors decided that the selection of the design for the Memorial would be conducted as a competition open to the American people. Mr. Paul Spreiregen was selected to arrange the competition because he was an architect and had written several books on architectural design and design competitions. The competition was advertised and 2,600 applications were distributed to persons requesting them from the Fund. The Fund received 1,421 submissions, which the Fund displayed in a local airplane hanger. A panel of judges was selected by the Board of Directors and consisted of professionals of international repute. These included two landscape architects, two architects, a writer on urban development and landscape, and three sculptors. Planning for the competition began in July 1980, and the winner was announced on May 6, 1981. Prizes totaling \$50,000 were awarded to the winning designs. The designer of the winning entry also received a commission to assist the Architect of Record in developing the design for construction. The Fund announced the winner publicly and arranged

for public display of the entries. Our review of invoices, canceled checks, and other documents showed that the Fund made the following disbursements in conducting the design competition:

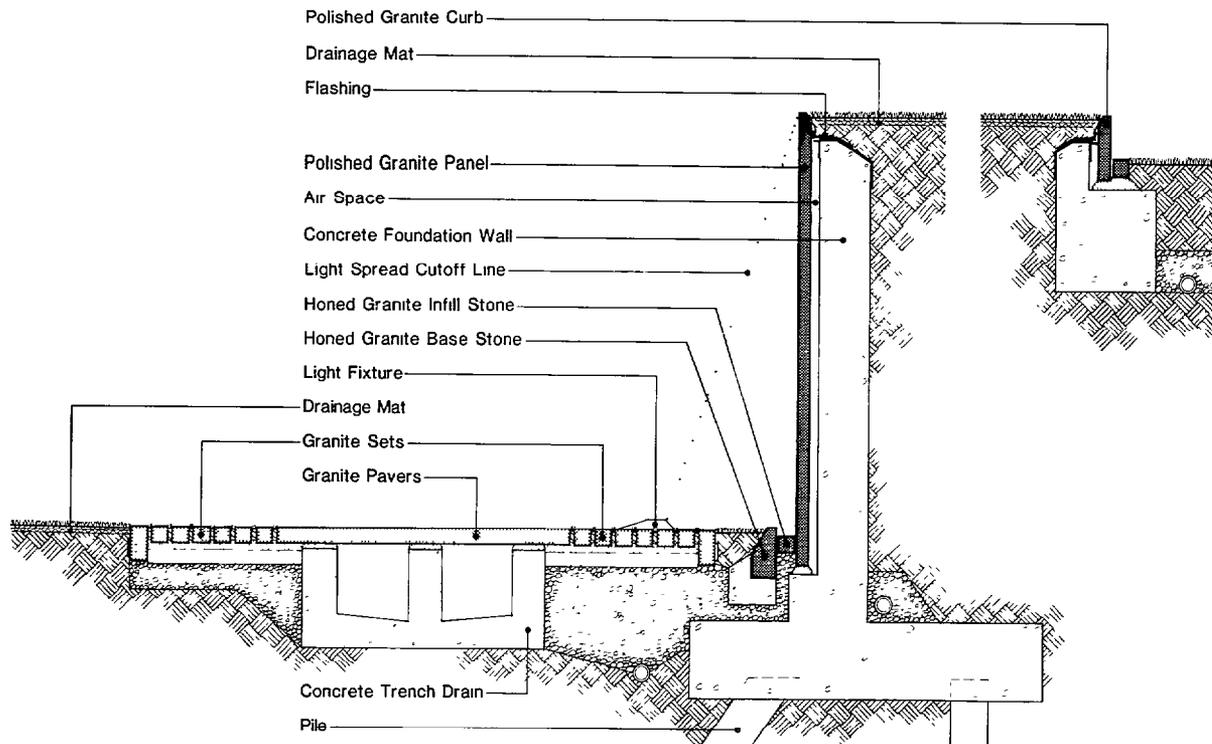
Design Competition Disbursements

<u>Category</u>	<u>Amount</u>
Design prizes	\$ 50,000
Judges fees and expenses	25,215
Consulting	52,786
Printing	18,128
Display expenses	29,714
Travel and expenses	13,282
Miscellaneous	2,775
Promotion	<u>628</u>
Total	<u>\$192,528</u>

We have reviewed applicable contracts, billings from the suppliers of goods and services, and other supporting documentation for these disbursements. Based on this examination, we concluded that the disbursements were for goods and services acquired for the design competition. We believe the total cost, which averages \$135 per entry, represents a reasonable expenditure of Fund resources, in light of the nature of the design competition and the large volume of entries which were received. This competition was reportedly the largest ever held in the United States. The firms which provided goods and services for the design competition were:

Design Competition Vendors

<u>Firm</u>	<u>Services</u>	<u>Amount</u>
Paul Spreiregen, FAIA	consulting architect	\$ 52,689
Partners for Livable Spaces	display of entries	17,764
Four Seasons Hotel	reception and rooms	8,095
AIA Foundation	display of entries	5,000
S&S Graphics	printing of program	4,727
Exspeedite Services	delivery services	3,986
U. S. Post Office	mail delivery	3,510
Paul Steveson-Oles	promotion	3,000
UPS	delivery services	2,940
CMCA	printing	1,762
Other	various	<u>13,840</u>
Total		<u>\$ 117,313</u>



Cross Section Of Memorial

Architects and engineers

The Architect of Record, Cooper-Lecky, Partnership, was selected by the Board of Directors on August 5, 1981, after consideration of proposals from four firms. The architect was selected based on costs of their services and their experience with projects similar to the Memorial. In addition, an unsuccessful bidder was engaged to assist the Fund in negotiating fees with Cooper-Lecky. On August 10, 1981, the Fund signed a contract with the partnership for architectural services. The estimated cost was approximately \$123,000. The architect was responsible for preparing the detail designs required for construction.

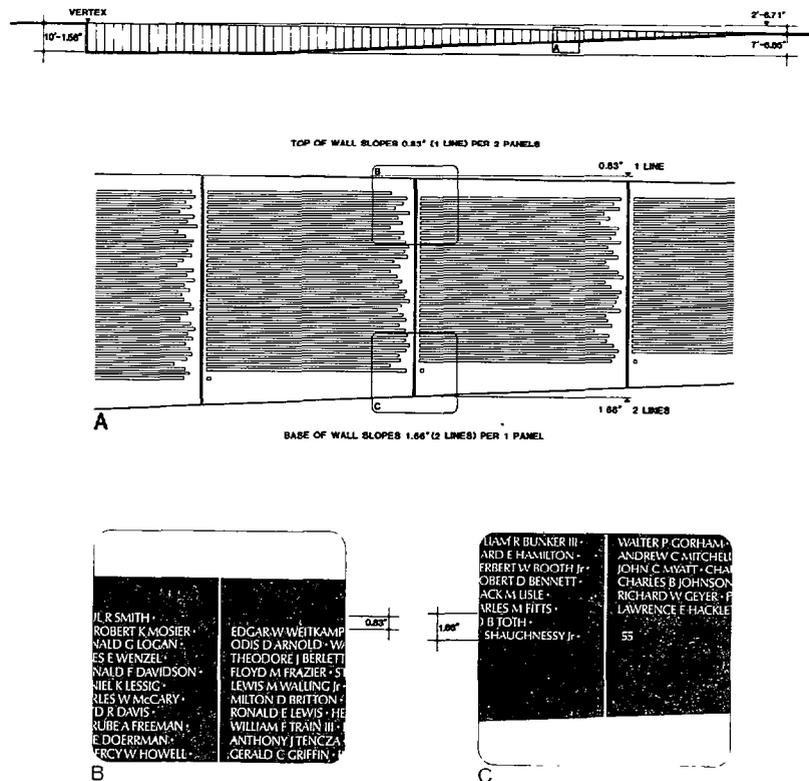
Shown above is one of the designs developed by the architect. This cross section shows the complexity of the Memorial. It was necessary to support the granite wall with 140 concrete piles driven 35 feet to bedrock. Also shown are the details of the complex drainage system which had to be developed to handle water runoff.

The Architect of Record was also responsible for assisting in negotiations with the various contractors, developing design documents for review by the various groups which had to approve the Memorial, review of construction, and review of billings from the contractors. In addition, the architect assisted in locating appropriate sources of granite for the walls, designing the arrangement of the names on Memorial, identifying the technology to be

used to inscribe the names on the granite, and locating a contractor who could inscribe the names. The architect also utilized a number of other architects and engineers to deal with specific technical issues regarding the design. Actual costs for Cooper-Lecky have exceeded the original estimates. We reviewed the billings from them and determined costs incurred were proper. The additional costs were due, in part, to:

- Changes to the design required by the various groups responsible for review and approval.
- Additional review and changes required by the design controversy.
- Engineering changes required by soil and other conditions.

Costs were also increased by the nature of the design itself. The design required engineering to tolerances of 1/100th of an inch as opposed to the 1/8 of an inch used in normal construction. It was determined that the length of the walls had to be increased from 200 feet to 246 feet to adequately display the names. Difficulties were also experienced in locating suitable granite, identifying and developing a methodology to inscribe the names, and arranging for data processing and photographic enlarging of the names to prepare them for typesetting. Details of the inscriptions are shown below.



Architectural Design Of Inscriptions

The disbursements to architects and engineers for this work were as follows:

Architects and Engineers

<u>Firm</u>	<u>Services</u>	<u>Amount</u>
Cooper-Lecky, Partnership	Architect of Record	\$ 422,052
EDAW, Inc.	landscape design	87,493
Schnabel Engineering	soil and concrete testing	20,195
Arthur C. Mosley	consulting architect	14,117
Other firms	misc. engineering	<u>11,975</u>
Total		<u>\$ 555,832</u>

We reviewed the billings from these firms and individuals and determined they were for services performed in connection with the Memorial design effort. Billings from Cooper-Lecky were supported by detailed time incurred by employee. Total professional time to March 31, 1984, totaled 9,328 hours at a \$32 average rate per hour. These billings were also reviewed by the Fund Project Director who was responsible for oversight of both the architects and the engineers.

Construction

Through March 31, 1984, our analysis of disbursements showed the following had been expended for construction of the Memorial.

Construction

<u>Description</u>	<u>Amount</u>	<u>Percent</u>
Materials and supplies	\$ 963,283	38.6
Subcontractors	1,381,174	55.4
Supervisory payroll	66,764	2.7
Profit (Gilbane's fee)	<u>83,043</u>	<u>3.3</u>
Total	<u>\$ 2,494,264</u>	<u>100.0</u>

The construction of the Memorial was done by a general contractor, Gilbane Building Company, and subcontractors selected by the general contractor and approved by the Fund. The general contractor was selected by the Board of Directors after review of proposals submitted by three construction firms. The general contractor was awarded the contract based on size and experience. The contractor selected was also the lowest bidder. We reviewed the contract for construction and all billings from the contractor and subcontractors for support. Our review disclosed no unsupported charges to the Fund. All billings were also reviewed and approved by the independent architect and by the Fund's Project Director.

The chart on the following page lists the major contractors and subcontractors on the project. All billings to the Fund were submitted through the general contractor and payments were made to the general contractor. As a result, the subcontractors shown on this chart are not included in the list of payees in app. VI. The review of billings, which was made by the architects and by the Fund Project Director, disclosed only one major error in billing by the general contractor in the amount of approximately \$49,000. This error and a small number of minor errors were subsequently corrected. Our review of billings disclosed no errors which had not been identified by the architect and the Project Director.

As part of our work, we obtained the progress reports which were prepared by the general contractor and determined by discussion with Fund personnel and the general contractor that they accurately reflected the Memorial construction. Included in these reports were photographs taken during the construction. Shown below is a photo as of April 1982. The extensive excavation work necessary to build the wall below ground level has been completed by this point. The 140 concrete pilings have been installed to support the wall. Several of the pilings are shown in the photograph, as is the fence which was erected around the construction site. While construction began, work to finish the granite panels and begin the inscription process was proceeding.



Initial Excavation At Site

VIETNAM VETERANS MEMORIAL CONSTRUCTION DISBURSEMENTS

SUMMARY AS OF MARCH 31, 1984

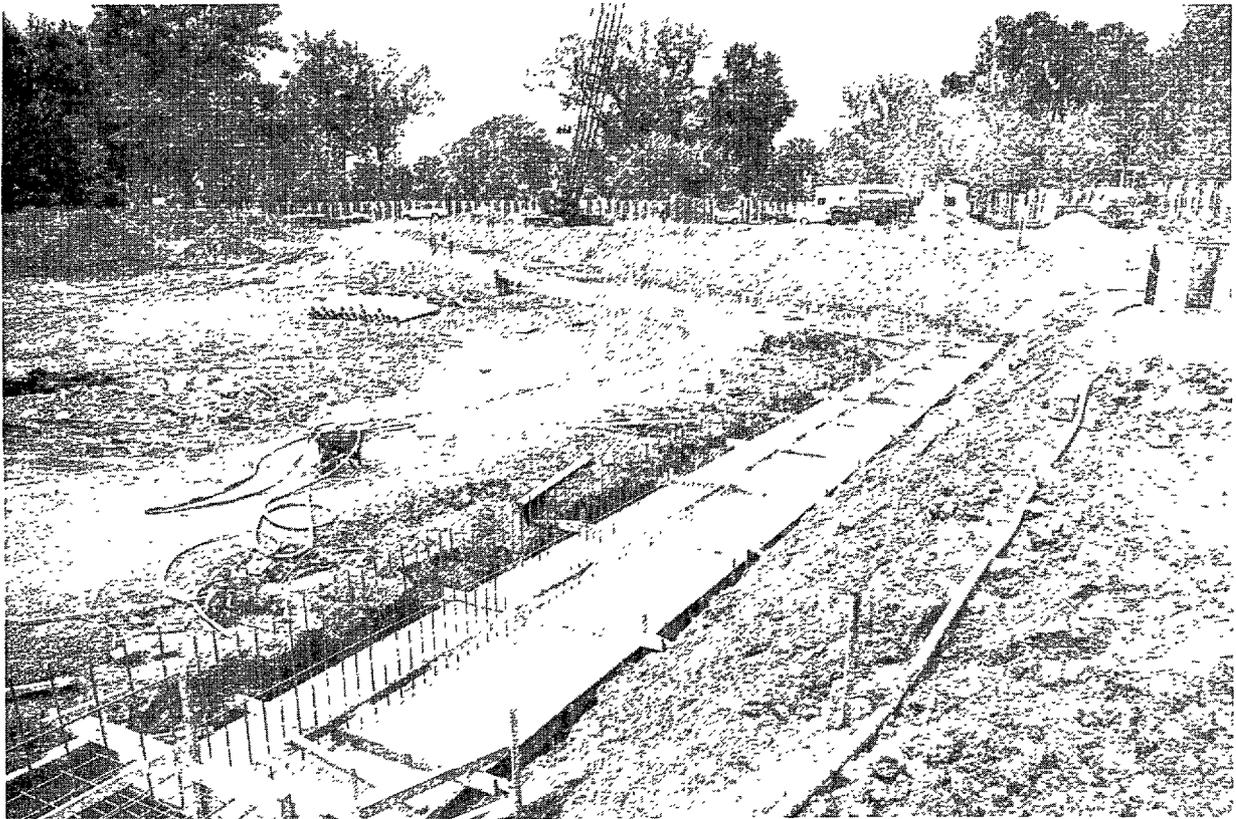
<u>Contractors</u>	<u>Description of Work</u>	<u>COST</u>
Fort Myer Construction Company	Excavation and concrete work.	\$ 435,702
Westland Construction Company	Piling and foundation work.	88,852
Rogan Granitindustries	Provide and finish granite panels	483,415
Binswanger Glass Craft Products	Engrave names on granite panels.	296,462.
Volpe & Musolino, Inc.	Install granite pavers. Furnish & install granite sets.	166,422
Ratrie Robbins, Schweizer Co.	Paving and walkways at the Memorial.	234,204
33 Chapel Valley Landscape Co.	Landscaping, planting trees, providing topsoil, etc.	399,284
National Capital Flag Co.	Furnish and erect bronze flag pole.	20,813
Joycon Construction Co.	Asphalt & concrete paving and temporay walkways.	11,227
Long Fence Company	Temporary fence around the construction site.	35,897
Gilbane Building Company	General Contractor Construction Manager, supervisory payroll.	66,990
Gilbane Building Company	General Contractor Construction Manager, fees.	83,043
Other	Supplies and materials.	<u>171,953</u>
Total		\$ <u><u>2,494,264</u></u>

During May 1982, work began on the storm water drains, some up to 18 inches in diameter, which were to be laid and connected to the storm water system around the site. Forms were also constructed for the concrete foundation and the foundation was poured.

By the end of the month, the foundation had been completed and work was beginning on the retaining wall to support the granite panels. During the month, additional granite panels were cut and finished at the plant in Vermont and shipped to the contractor in Tennessee where they were to be inscribed. The finishing of the granite panels required extensive work by hand because of their hardness.

During May, work continued on the computer processing, type-setting, and photo enlarging of the names in order to create the stencils necessary for the inscribing process. Some delays were encountered in finalizing the size and layout of the inscriptions on the Memorial wall, delaying the start of the inscription process by approximately one month. Work was completed to develop the special inscribing procedures and equipment which was necessary to inscribe the granite panels.

Shown below is the pouring of the concrete foundation for the Memorial in May 1982.



Pouring Of Concrete Foundation

During June 1982, the storm water drains were completed and the concrete walls and the trench drains in front of the walls were completed. The photograph below shows the erection of the walls. The majority of granite panels had been shipped to the plant for inscribing but the inscribing had not begun due to delays in the completion of the name stencils. Several panels were found to be unacceptable and new granite had to be imported.

In July 1982, the concrete work was completed on the Memorial wall and the area in back of the wall was filled with ground. In-scribing of the panels had begun during the month but, problems with the new technology continued and this part of the project was behind schedule. In addition, all required stencils for inscribing had not been completed.

By August 1982, all panels had been delivered for inscribing. Approximately one-half of the panels had been inscribed, although some panels had to be replaced because of quality control problems. At the site, the first inscribed panels were delivered and installed. The installation of the panels began and is shown in the photograph on the following page.

By the end of September 1982, the panels had been installed on the east wall and a portion of the west wall. The landscaping company was also preparing for the installation of the sod.



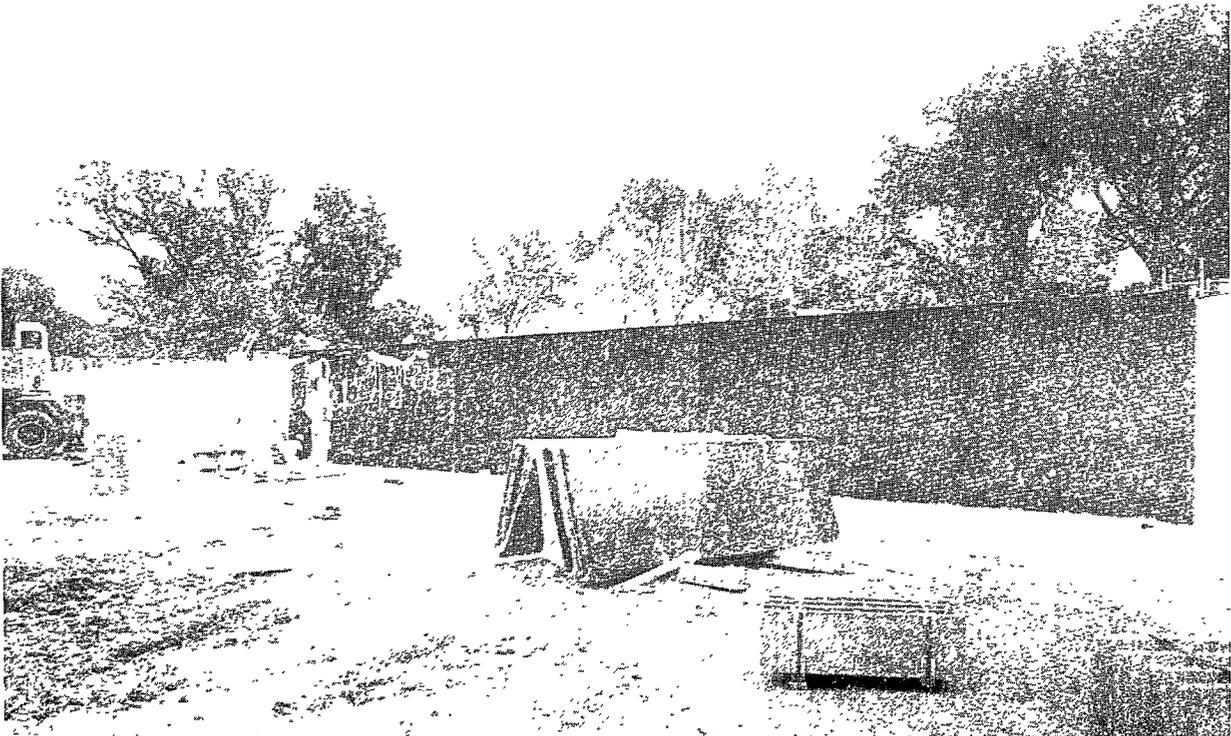
Erection Of Foundation Wall

In October 1982, the installation of the wall panels was completed as was the landscaping. The site was also prepared for the dedication in November 1982.

During the course of construction, there were a number of increases to the Gilbane contract. The original contract price was \$1,956,364. By March 31, 1984, change orders to the contract had been approved by the Fund totaling \$1,011,753. These change orders bring the total contract price as of March 31, 1984, to a total of \$2,968,117. The disbursements shown previously represent payments made through March 31, 1984, under this contract.

Based on our examination of construction reports, the change orders, and discussion with the Project Manager, certain change orders resulted from the following factors which were encountered during construction:

- Additional costs were incurred for hand finishing of edges of the granite panels.
- Additional pilings were required to support the wall.
- Changes to drainage system were required.



Installation Of Granite Panels

- Additional charges over estimates were incurred for shipping the panels.
- Revisions to landscaping were needed.
- Additional costs were incurred due to the unanticipated problems with the inscription process.

These change orders added approximately \$130,000 to the contract price.

The majority of change orders, however, resulted from changes which were approved after the Memorial walls were complete. These changes were due to the following:

- Relocation of paths for the entry plaza for the statue.
- Construction of the entry plaza and base for statue.
- Addition of the flagpole, base, and permanent name directories.
- Repairs to landscaping required by poor drainage and damage from crowds.
- Major changes to the drainage system under the site to correct the drainage problem.
- Installation of the walk and granite base stones in front of the wall, which were not in the original plans.
- Addition of lighting system.

The most significant changes were those involving (1) the addition of the flagpole and statue, approximately \$350,000, (2) installation of the walk and base stones and lighting in front of the wall, approximately \$300,000, and (3) repairs to the landscaping caused by the poor drainage and crowds and the improvements to the drainage system to correct the drainage problem, approximately \$230,000.

During the course of our work, we reviewed all change orders made to the contract. Our review showed that the overhead and profit percentages which the general contractor was to receive under the original contract had not been increased by the change orders. We also discussed the change orders with the former Fund Project Manager and with the contractor and found that all change orders reflected changes which were necessary because of design changes, engineering, or construction factors which were not foreseen under the terms of the original contract. A list of all change orders issued to the original contract is included in app. VII. The following schedule shows a summary of the Memorial construction contract.

Summary of Memorial Construction Contract

Original contract	\$ <u>1,956,364</u>
Change orders	
Material	764,282
Labor	130,084
Overhead	93,893
Profit	<u>23,494</u>
Total	<u>1,011,753</u>
Revised contract price	\$ 2,968,117
Disbursements to March 31, 1984	<u>(2,494,264)</u>
Balance of contract	\$ <u><u>473,853</u></u>

This represents only remaining work under the construction contract and does not include all costs to complete the Memorial. The total costs to complete the project are discussed later in this chapter.

Other Memorial disbursements

In addition to the basic construction contract, a number of other disbursements have been made for construction of the Memorial through March 31, 1984. These have included the statue and costs related to the inscription of names. The following table summarizes these disbursements.

Other Memorial Disbursements

<u>Vendor</u>	<u>Services</u>	<u>Amount</u>
Frederick Hart	sculptor	\$ 217,000
Joel Meisner	casting statue	22,166
Datalantic, Inc.	computer processing of names for walls	110,450
Federal Records Center	proofreading names for Memorial	26,620
Larry Century	inscibing additional names on walls	26,255
Ford Enterprises	security at site	54,161
Barbieri & Green	graphics	14,885
Various	miscellaneous	<u>31,430</u>
		\$ <u><u>502,967</u></u>



Detail Of Inscribed Names

The disbursements shown to the sculptor represent progress payments made through March 31, 1984, under the contract with the Fund which totals \$330,000. The large cost of processing the inscriptions was due to the extensive effort required to organize and then typeset the 57,939 names to prepare stencils for inscribing the names on the granite panels. Shown above is a picture of a small section of the names inscribed on the Memorial.

The names were obtained from the National Archives and verified to Department of Defense's official casualty list. Each name was then verified by the Federal Records Center in St. Louis, Missouri, against each person's official military personnel records. Because the official listings contained the last names first, it was necessary to have the first and last names reversed by computer processing. After computer processing, the names were checked manually for errors, typeset and photographically enlarged to provide the stencils necessary for inscribing the names. The names were inscribed by a technological process known as grit blasting. This was a new process and many technical difficulties had to be resolved before the names were all successfully inscribed. As discussed before, some of the contract change orders resulted from unanticipated problems encountered in inscribing the names on the panels. In addition, 68 names have been added to the

Memorial, bringing to 58,807 the total names currently on the Memorial. An additional 10 names are to be added to the wall in the future and further additions are expected based on changes to the official list of casualties of the Vietnam war.

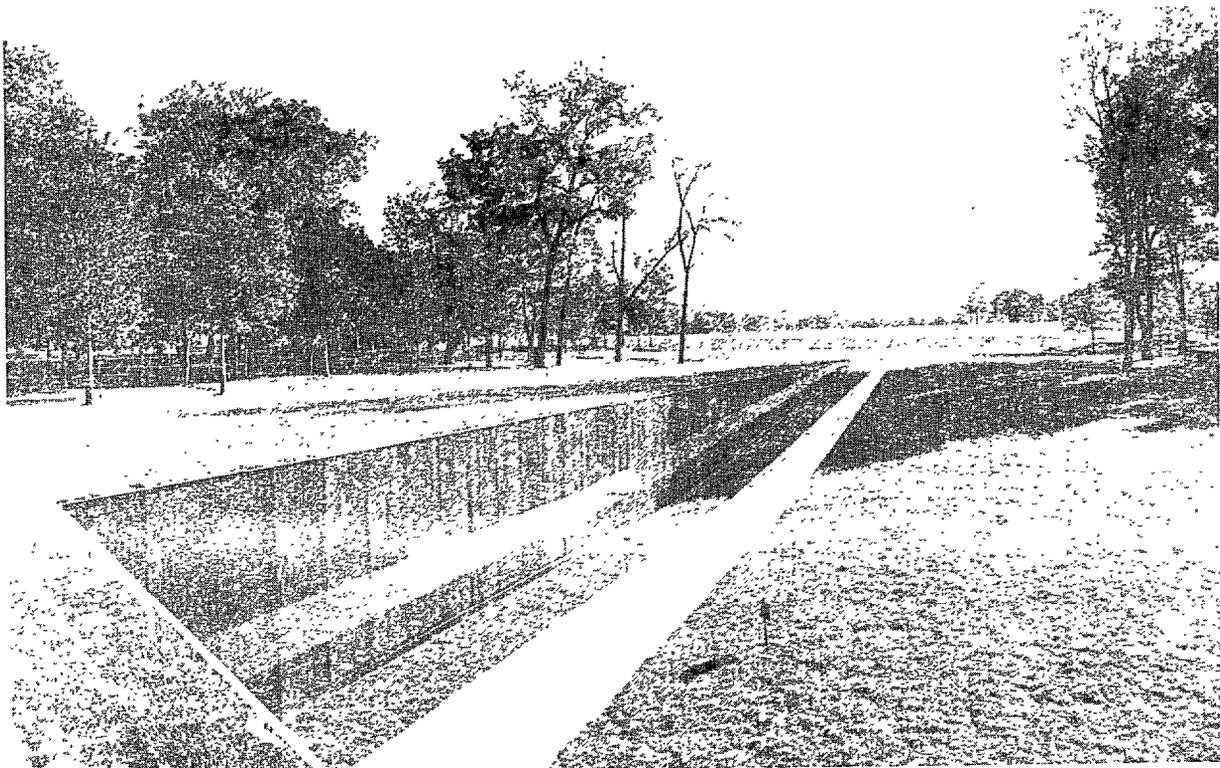
As part of our audit, we also examined invoices, contracts and supporting documents for the other Memorial disbursements. We found that all disbursements were properly authorized and represented costs associated with the Memorial.

Construction supervision

The Fund's Project Director spent almost all his time from May 1981, through October 1983, involved in planning for the Memorial, selecting architects and contractors, coordinating the various contractors, and supervising construction of the Memorial. His salary for this period, \$97,957, has been included in Memorial disbursements under the category of construction supervision.

Other issues involving the Memorial

We investigated certain specific questions which were raised regarding the Memorial. First, we determined that the only major contribution received by the Fund which was specifically restricted to use solely for Memorial construction was the \$1.2 million



Completed Memorial

received from the American Legion. We determined, by examination of cash receipt and disbursement records, that the Fund had utilized the contributions received from the American Legion for construction-related expenditures.

Secondly, certain questions were raised regarding the flagpole and statue that were to be added to the Memorial in order to resolve the design controversy. The flagpole installed at the Memorial is bronze and cost \$18,000, excluding base, per the invoices examined by us. The American Legion offered to provide an aluminum pole free of charge, but the Fund did not believe that this would be attractive when seen with the bronze statue and the Memorial itself. Instead, the Fund, with the approval of the American Legion, purchased the bronze pole with funds which had been provided by the American Legion to pay for construction costs. It was also alleged that since the American Legion had paid for the flagpole, the Fund should not reflect it as one of their disbursements. This allegation is incorrect since we determined that the Fund paid for the flagpole from contributions it received from the American Legion.

The sculptor of the statue was selected by a committee made up of both proponents and opponents of the original design and included Arthur Mosley, William Jayne, James Webb, and Milt Copulos. All the members of this committee were offered a fee of \$20 per hour to



Flagpole At Memorial

serve on the committee, but only one member of the committee accepted the fee and provided 400 hours of service. The committee selected a prominent sculptor who, as the member of a team, had been awarded third place in the design competition, to produce a model of a proposed statue. The committee unanimously approved the model and recommended to the Board of the Fund that the sculptor be commissioned to provide the statue for the Memorial. The Fund negotiated with the sculptor and agreed on a fee of \$330,000. The Fund did not receive any major contributions which were restricted solely to paying for the statue.

NATIONAL SALUTE

The Board of Directors resolved on May 27, 1982, that the Fund should plan a National Salute to Vietnam veterans on November 11, 1982. In October 1982, after the addition of the flagpole and statue to the design had been approved, the Board finalized the decision to dedicate the Memorial during the Salute. A large program of activities was conducted from November 10 to 14, 1982, around the dedication of the Memorial. The Salute drew an estimated 150,000 people over the 5 days of events. The ceremonies included:

- Candlelight vigil at the National Cathedral.
- Entertainers' Salute.
- Exhibits by veterans groups.
- Unit reunions.
- Parade.
- Dedication.

Numerous dignitaries from government, veterans organizations and other groups participated in the events which took place during the Salute.

We reviewed invoices, checks, and other records related to the National Salute and found that the Fund had made the following disbursements:

National Salute disbursements

<u>Description</u>	<u>Amount</u>
Sale items	\$ 121,775
Parade Expenses	113,365
Consulting	67,495
Special events	64,521
Public relations	55,392
Printing and postage	39,085
Salaries	38,967
Supplies	23,058
Other	<u>9,524</u>
Total	<u>\$ 533,182</u>

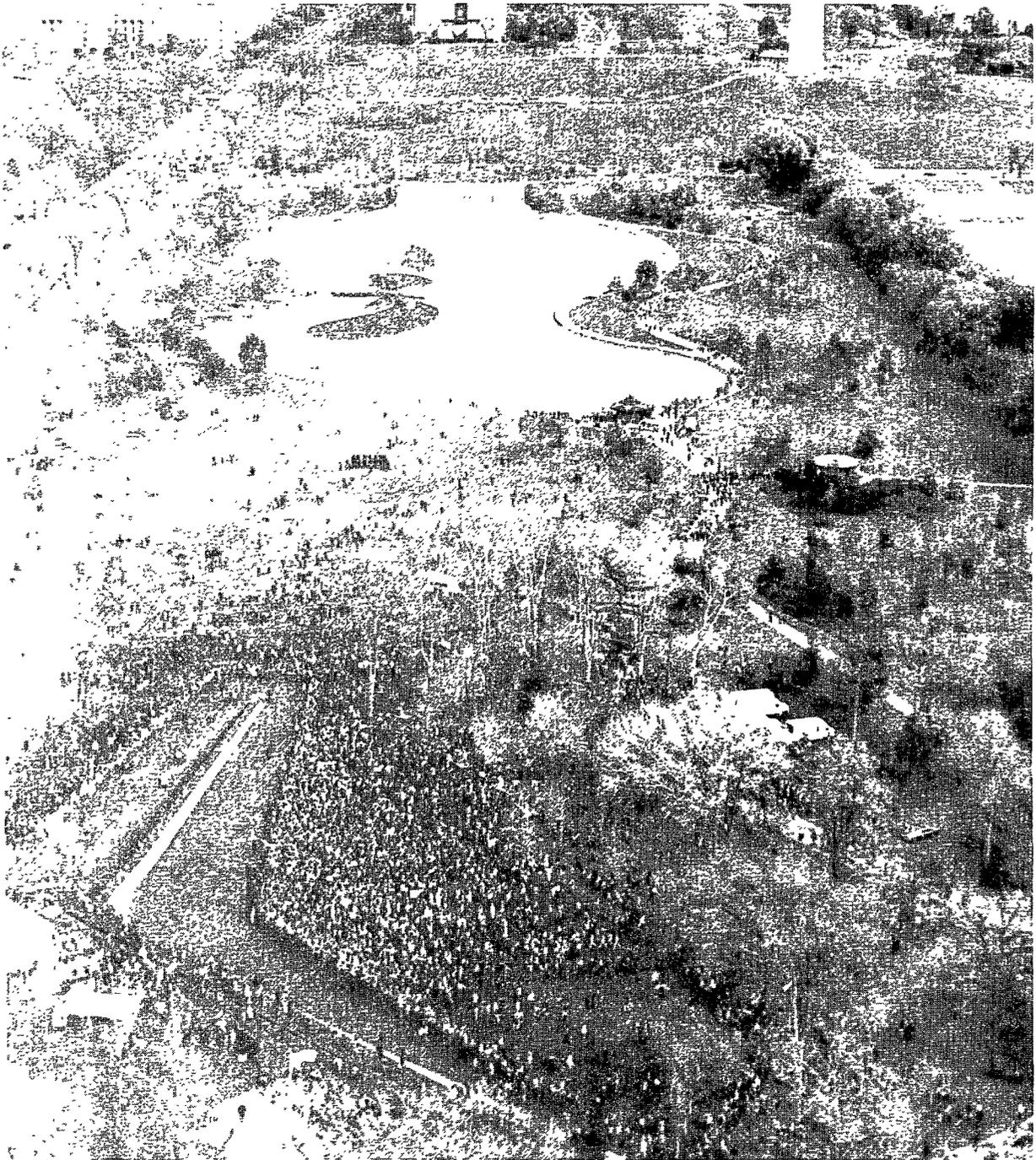
It was alleged that the Fund paid \$113,000 in consulting fees for the National Salute parade and expended \$500,000, or more, for transportation costs associated with the ceremony. As discussed above, we reviewed disbursements for the Salute and determined that these allegations are incorrect. Total consulting disbursements were only \$67,495 for the entire Salute and travel and entertainment expenses, including receptions held during the five days were only approximately \$26,000.

As in the case of the fundraising effort, the Fund determined that experts in organizing and conducting such an activity would ensure its success. Review of contracts and other records shows that the following firms supplied goods and services for the Salute.

National Salute Vendors

<u>Firm</u>	<u>Services</u>	<u>Amount</u>
Hargrove, Inc.	floats and decorations for parade and dedication	\$ 91,565
Cascio-Wolf, Inc	sale items	85,400
Tyl Associates	programs and other materials	48,342
Daniel J. Edelman	planning and public relations	38,068
Chronomatic Co.	sale items	30,690
Campbell, Peachy	entertainers and public relations	30,410
Barbieri & Green	printing	18,883
Safeway Steel	stands for spectators	16,956
Burrelle's Press	press coverage	14,769
Sheraton-Carlton	reception	12,107
Canzeri Co.	director of entertainers' salute	9,824
B&B caterers	reception for relatives of casualties	8,500
Events, Inc.	parade planning	6,700
Mattera Litho.	printing	7,392
Ballooning Center	balloons for entertainers' salute	6,004
Henry Kaufman Assoc.	public relations	5,199
Walsh-Thompson Assoc.	parade planning	5,165
Prentice Hall	books for sale at Salute	4,070
Sheraton Washington	reception	3,264
Jiffy John	portable toilets for parade	3,200
Dann Moss Assoc.	producer for entertainers' salute	2,835
Beaver Press, Inc.	printing	2,559
Mikris Productions	travel for entertainers	2,532
U.S. Post Office	postage	1,800
Other	various including salaries	<u>76,948</u>
 Total		 <u>\$ 533,182</u>

Prior to the Salute, the Fund obtained an opinion of outside legal counsel that the holding of the Salute was not in violation of its charter. The Fund is authorized by its charter to erect and operate the Memorial and to carry on any necessary and proper



Smithsonian Institution

Dedication Of Memorial During The National Salute

activity in furtherance of that purpose. District of Columbia law gives the Fund all powers necessary or convenient to carry out its purposes. In addition to these express powers, the outside legal counsel pointed out that corporations generally have implied power to do whatever is appropriate and suitable to achieve their goals.

Because the National Salute was intended to carry out the mission of the Fund by, for example, making the public aware of the Memorial's meaning, the opinion concluded that it was a permissible activity. We agree that the decision to hold a National Salute was not in conflict with the charter of the Fund.

It has been alleged that the National Salute was, in whole or in part, paid for by other veterans organizations. Our examination of the records disclosed no major contributions were received by the Fund which were restricted to pay for the Salute. It has also been alleged that the Fund unnecessarily hired employees and members of veterans organizations for the Salute. We found no evidence which supports this allegation.

MEMORIAL PROMOTION

The Fund conducted various activities designed to promote the Memorial and the need for reconciliation with the veterans of the war. These activities included preparation and distribution of materials to the press and the public, ceremonies at the Memorial, a seminar on reconciliation, speeches at conferences of veterans' organizations, and other public relations activities.

We determined that these disbursements did not relate to fundraising based on examination of contracts, invoices and other documents. Our audit indicated that the disbursements for Memorial promotion were proper and appropriate expenditures for the Fund as they increased public awareness of the Memorial, its purpose and the Vietnam veterans. The major categories of Memorial promotion disbursements through March 31, 1984 were:

<u>Memorial Promotion</u>	
<u>Category</u>	<u>Amount</u>
Public relations	\$208,968
Printing and graphics	45,857
Postage	25,697
Travel	21,608
Miscellaneous	6,990
Supplies	<u>3,365</u>
Total	<u>\$312,485</u>

These disbursements were made based on billings from the professional organizations used by the Fund to develop their promotion program. While the Fund, in accordance with generally accepted accounting principles, allocated billings from vendors between fundraising, education and public relations categories in its financial reports, we have presented fundraising and promotion disbursements on the cash basis by vendor. See chapter 5 for a further discussion of the allocation process used by the Fund.

Our review of the disbursements for Memorial promotion showed the following were the major vendors of these goods and services:

Memorial Promotion Vendors

<u>Vendor</u>	<u>Purpose</u>	<u>Amount</u>
Daniel J. Edelman, Inc.	public relations	\$ 122,535
Ernest Whittenberg & Assoc.	public relations	27,247
U. S. Post Office	postage	24,630
Barberi Green Graphics	Graphics	16,628
Drescher Productions	Memorial construction film	14,682
Charles Bailey	political advisor	8,100
Globe Travel	travel	4,646
Tri-state Envelope	envelopes	4,615
Mattera Litho, Inc.	printing	4,588
Victor Fischer	reconciliation seminar	4,470
UARCO	printing	4,857
Creative Direct Response	mailing	3,608
Grady Clay	design promotion visits	4,661
Direct Mail Management	printing	3,185
CMCA	mailing	2,514
Tele-color Productions	Memorial promotion	2,040
Burrelle's Press Clip	Press coverage	1,755
Hargrove, Inc.	Memorial ceremonies	1,680
Epsilon Data Managemnt	printing	1,500
Beaver Press	printing	1,201
Other	various	<u>53,343</u>
Total		<u>\$ 312,485</u>

ADMINISTRATIVE DISBURSEMENTS

In addition to disbursements for specific activities, such as the Memorial construction and the National Salute, the Fund made disbursements for general operations of the Fund. These other disbursements include salaries of officers and employees not included in other categories of disbursements, legal and accounting fees, and office expenses. Administrative disbursements represent 10.7 percent of total receipts. The Better Business Bureau standards allow up to 15 percent of total income to be spent on administration.

We examined supporting documents for all payments to vendors who provided in total administrative goods and services of \$5,000 or more. Salary payments to officers and employees were determined by review of checks and examination of W-2 forms. We also examined support for all non-salary payments to directors, officers, and employees. We found no unsupported or unapproved disbursements. We also found no travel charges which were not related to Fund operations. Rent and other such charges do not appear extravagant and we believe, based on examination of records and observation of

the Fund's daily operations, that the Fund was operated in a business-like manner. From inception through March 31, 1984, the Fund incurred the following administrative costs.

Administrative Disbursements

	<u>Total</u>	<u>Average Cost per year</u>
Salaries-Officers	\$ 211,711	\$ 42,342
Salaries-Admin.	177,921	35,584
Professional Services	169,303	33,861
Rent	127,663	25,533
Salaries-office	85,067	17,013
Telephone	33,483	6,697
Postage	28,477	5,695
Insurance	24,682	4,936
Misc. expenses	26,895	5,379
Office supplies	21,975	4,395
Printing	18,724	3,745
Payroll taxes	17,290	3,458
Delivery charges	11,916	2,383
Employee benefits	9,974	1,995
Travel	7,609	1,522
Equipment rental	7,098	1,420
Contract labor	6,424	1,285
Office equipment	1,661	332
Fees and licenses	1,141	228
Interest	200	40
General taxes	109	22
Total	<u>\$ 989,323</u>	<u>\$ 197,865</u>

Based on our examination of disbursement records, major suppliers of administrative goods and services (excluding salaries) were:

Administrative Vendors

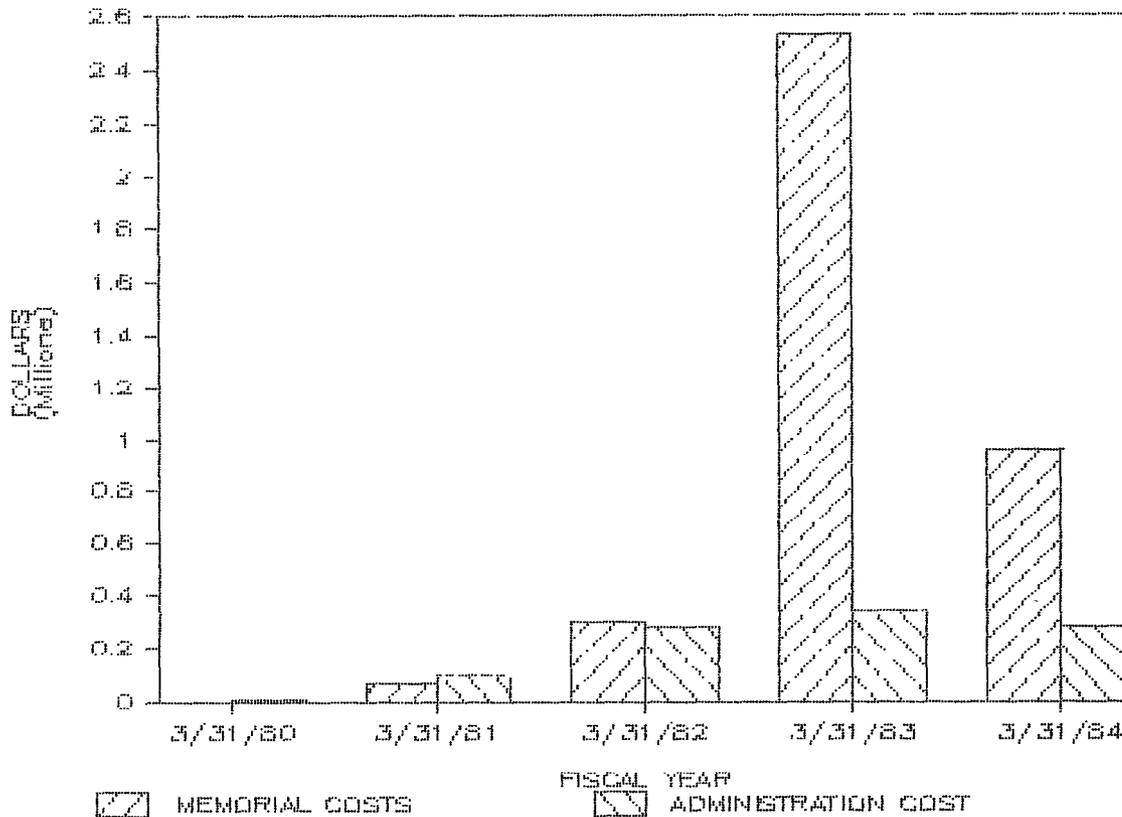
<u>Firm</u>	<u>Services</u>	<u>Total Amount</u>
Hellmuth, Obata & Kassenbaum	Rent	\$ 90,540
Williams & Connolly	Legal services	75,027
Frank, Stefanou & Company	Bookkeeping	49,259
Peat, Marwick, Mitchell & Co.	Auditing	41,290
Watson, Rice & Co.	Rent	33,121
C & P Telephone	Telephone	29,069
U.S. Post Office	Postage	28,336
Merkin Co.	Insurance	11,175
Total		<u>\$ 357,817</u>

We discussed the services provided by Williams & Connolly with an attorney from the firm and reviewed billings to the Fund. We were told that, of the total billings made to the Fund, approximately one-third were for normal legal services and two-thirds were for services provided in connection with the financial controversies. We believe this is an appropriate allocation of the costs involved in the legal services connected with the financial controversies. Billings from Williams & Connolly, we also noted, were reduced substantially from their normal rate of charges because the Fund was a non-profit organization.

Mr. Robert H. Frank, a member of the Board, is a partner in the firm of Frank, Stefanou & Company. This firm has provided bookkeeping services to the Fund since 1980. Services were provided on a cost basis. We have reviewed these billings and the books and records of the Fund and concluded that the billings represent services provided to the Fund. Mr. Frank's time spent on Fund matters was not billed to the Fund.

The following graph shows a comparison of administration disbursements by year to total disbursements.

MEMORIAL VS ADMIN. COSTS



Total disbursements to directors, officers, and employees for the five years ending March 31, 1984 were:

<u>Disbursements to Directors, Officers, and Employees</u>			
	<u>Total</u>	<u>Salary</u>	<u>Expenses</u>
Directors	\$ 8,280	\$ -	\$ 8,280
Officers	234,210	211,711	22,499
Employees	<u>477,478</u>	<u>444,975</u>	<u>32,508</u>
Total	\$ <u>719,968</u>	\$ <u>656,686</u>	\$ <u>63,282</u>

These disbursements are analyzed in detail, by director, officer and employee, in app. IX. The disbursements to directors excludes \$49,259 paid to the accounting firm of which Mr. Robert H. Frank is a partner. Salaries of officers and employees and expense reimbursements applicable to other categories of disbursements, such as fundraising and construction are reflected in those categories, rather than in administration.

We reviewed the travel reimbursements to directors, officers, and employees for \$250 or more. We analyzed the amounts, dates, places visited, purposes of travel and supporting documentation to determine if the trips were proper disbursements of the Fund. We also discussed the purposes of these trips with Fund officials and based on these interviews and review of supporting documentation, we believe that these trips were related to the operations of the Fund. It had been alleged that Fund officials took personal trips at Fund expense, but our audit disclosed no evidence to support this allegation.

FUTURE OPERATIONS

The Fund's articles of incorporation provide that:

" The period of duration of the corporation shall be until such time as a permanent public monument to American Veterans of the Vietnam War is erected in the Washington, D.C. area and the operation and maintenance of such monument is provided for in perpetuity."

Final Memorial construction and modifications are underway for a number of items, such as the sculpture, lighting system, and walkways. On April 5, 1984, the Board of Directors approved a plan to phase out the Fund's staff operations.

Fund plans for the future

Before the Fund can terminate its staff operations, the Memorial must be accepted by the Department of Interior. An Interior

official informed us that the Department will not accept the Memorial until it fully meets all specifications as approved by the Commission of Fine Arts and the National Capital Park and Planning Commission. The official stated that the Fund must also replace vegetation and repair walkways and curbs which have been damaged during construction of the Memorial. Presently, the Department has assumed responsibility for the maintenance of the grass around the Memorial and is staffing the site with park rangers. Contractors are currently working to complete several additions and modifications to the Memorial. The Fund anticipates that construction will be completed by the fall of 1984 and plans to transfer the completed Memorial to the National Park Service by Veterans Day, 1984.

The following items remain to be completed:

- Completion and installation of the statue and the base for the flagpole.
- Installation of lighting.
- Expansion and addition of walkways and paths.
- Installation of name directories.
- Additions and corrections to names.
- Repair of landscaping for damage during construction.

On April 5, 1984, the Board of Directors authorized the Fund to reduce their staff to one officer, with no secretary, by June 30, 1984, and to terminate staff operations entirely by December 1984. Finally, the Fund plans to make a final report to Congress, archive its records, and make provisions for the disposition of surplus funds. The Fund Board of Directors is currently considering the final disposition of funds. On May 8, 1984, the Board unanimously adopted the following resolution.

"RESOLVED, that after installation of the statue, completion of all work at the site, conveyance of title to the Department of the Interior, and other necessary work requiring completion as determined by the Board, the remaining funds of the VVMF shall be devoted to the following objectives: (1) assuring perpetual maintenance of the Memorial including the repair or replacement of the Memorial panels if damaged; (2) assuring that appropriate ceremonies are held at the Memorial each year; and (3) adding names as required, in accordance with the Park Service's request that VVMF provide a means in the future for accomplishing this. When the Board determines the amount of funds required to be set aside to accomplish these objectives, and assuming thereafter that a surplus exists, the Board will then consider making appropriate contributions to eligible organizations that serve the needs of veterans."

Comparison of the Fund's experience to the standards indicates that the Fund complied with the Better Business standards and is exactly in the middle of the range between the Better Business Bureau and the National Charities Information Bureau standards.

CONCLUSIONS

We found that the disbursements made by the Fund were for goods and services required by the Fund and were properly supported by documentary evidence. We concluded that the disbursements of the Fund were for activities consistent with its charter and its publicly announced purposes. The costs incurred by the Fund were, as in any organization, influenced by management decisions. While we cannot state that alternative management decisions would not have reduced costs, we found that management decisions were made in a prudent and cost conscious manner and we have no disagreement with the management decisions which were made. In addition, the overall relationship of the costs incurred to receipts is in compliance with Better Business Bureau standards for charitable organizations.

CHAPTER 5

PRIOR AUDITS AND FINANCIAL REPORTING

We found that prior financial audits of the Fund had been conducted in accordance with generally accepted auditing standards by the independent public accountants. We also found that, while the special audit committee formed by the Fund did not function as a typical audit committee of a Board of Directors, its operations were adequate given the special purpose for which the committee was created. We found no evidence that prior financial reports, including the report to the Congress, were inaccurate or misleading.

PRIOR FINANCIAL AUDITS

We reviewed the audits conducted by the Fund's independent public accounting firm on the financial statements of the Fund for the years ending March 31, 1980, 1981, 1982, and 1983. We found that these audits had been conducted in accordance with generally accepted auditing standards.

The independent public accounting firm was selected by the Fund's Board of Directors to conduct a financial audit for the period from inception of the Fund, April 27, 1979, through March 31, 1980. The firm was selected by the Board after considering proposals from other firms. The selected firm conducted an audit for the period ending March 31, 1980, and issued an opinion on the Fund's financial statements in June 1980. The opinion of the accounting firm stated that the financial statements presented fairly the assets, liabilities, fund balance, and cash receipts and disbursements of the Fund. The same accounting firm was also selected to perform audits for the years ending March 31, 1981, 1982, and 1983. The auditor's opinions on all of these financial statements was without exception, i.e. the statements presented fairly the financial position and results of the Fund's operations in accordance with generally accepted accounting principles.

We reviewed the workpapers which had been prepared by the public accounting firm in the conduct of its audits and discussed the work performed with representatives of the accounting firm. Based on our review, we believe that the scope of audit work performed was adequate in the circumstances and complied with generally accepted auditing standards.

SPECIAL AUDITS

As discussed in chapter 1, the Fund received special requests for audit of and access to its financial records. As part of its response to these requests, discussed more fully in chapter 6, the Fund requested certain special work by its independent public accounting firm. These special efforts included:

- A study and evaluation of the internal accounting controls of the Fund.
- Documentation of the accounting controls of the Fund.
- Preparation of a list of all disbursements of more than \$500 made by the Fund from inception through September 30, 1982.

A report was issued to the Board of Directors in connection with the review of internal controls. The auditors concluded that the system of internal accounting control of the Fund, taken as a whole, was adequate to prevent or detect errors or irregularities in amounts that would be material in relation to the financial statements of the Fund. The accounting firm did not render an opinion on the documentation of controls it developed or on the schedules of disbursements prepared. Nothing in our review indicated that this work was not done in accordance with generally accepted auditing standards. As discussed in more detail below, the above reviews and documentation were submitted to the Special Audit Committee for their consideration.

SPECIAL AUDIT COMMITTEE

The Board of Directors, on June 17, 1982, authorized three members of the Board to create a special audit committee to consider the requests for financial information and additional audits of the Fund's records. On June 23, 1982, the Fund President informed the Board that the special audit committee had been formed. The original committee was comprised of eight individuals who had prior knowledge of the Fund's operations:

- Paul Thayer, Chairman, LTV Corporation
- J. Richard Munro, President, Time, Inc.
- Edmund T. Pratt, Chairman, Pfizer, Inc.
- Lloyd N. Unsell, Executive Vice President, Independent Petroleum Association of America
- Joseph Albritton, Chairman, Riggs National Bank
- Judge James P. Dean, Chairman, American Legion's National Internal Affairs Commission
- John C. Morrison, Fund Board of Directors
- Richard E. Radez, Fund Board of Directors

Although the sole official meeting of the committee was held by telephone conference call on April 29, 1983, we examined documentation that the Fund's President had talked with or met with a number of the members of the committee separately. The members of the committee participating in the conference call on April 29,

1983, were Paul Thayer, Edmund Pratt, Richard Radez, and John Morrison.

The Committee considered the special reviews and schedules prepared by the accounting firm, the results of the IRS audit discussed later in this chapter, and the conflict of interest statements, obtained from all Fund officers and directors, which stated that they had no financial dealings with or interests in vendors listed on the schedule of disbursements prepared by the accounting firm. Appropriate disclosures were made of the relationship of Robert H. Frank with the Fund's bookkeeping firm. These materials had been supplied to the members of the committee previously. The special review of internal controls had been suggested by one of the members of the committee. Based on the information provided to them, the committee concluded that the audit measures taken by the Fund were satisfactory and no further special audits were required. In addition, the committee also resolved that the Fund should decline the requests to make its books and records available to the outside requestors. Based on this resolution, the Board declined to make the information available.

An audit committee of the Board of Directors of a typical corporation is responsible for selecting the independent public accounting firm which will perform the audit of the corporation's financial statements, meeting with the auditors and planning the scope of the audit, and then reviewing the results of the audit with the auditors. The special audit committee of the Fund was formed for the sole purpose of determining if the requests from outsiders for access to the Fund's records should be accepted or rejected. Consequently, the Fund's special committee did not function as a typical audit committee. We believe that operations of the special audit committee were adequate, given the limited purpose for which it was established.

IRS AUDIT

The Internal Revenue Service began an audit of the Fund on November 23, 1982 and issued their report on February 4, 1983. The audit covered the period from inception through March 31, 1982. As a result of the audit, the tax exempt status of the Fund was continued and the Fund's returns for fiscal years 1980, 1981, and 1982 were accepted as filed. The audit report did note that the Fund had not submitted certain administrative forms. We determined that these forms were subsequently submitted to the IRS.

PRIOR FINANCIAL REPORTING

We reviewed the Fund's prior financial reports and its report to Congress and compared this information to that developed during our audit. We found no material differences, inaccuracies or inadequate disclosures that we believe make the information misleading. The prior financial reports of the Fund were prepared in accordance with generally accepted accounting principles. In accordance with these principles, the Fund and its auditors allocated

fundraising, education and public relations costs into appropriate categories for purposes of financial reporting. These allocations were based on review of the content of the literature and other materials distributed to the public and the purposes for which the costs were incurred. Our report has been prepared on a cash basis and has categorized disbursements based on the vendors providing the goods and services. We do not disagree with the allocations made by the Fund and its auditors but the purpose of our audit was to report on the nature of disbursements made and consequently, we did not attempt to make such allocations.

We determined, based on discussions with Fund officials and review of correspondence, that the following distributions of financial information were made by the Fund.

Distribution of Prior Audited Financial Statements

- Board of Directors.
- Special Audit Committee.
- Corporate Advisory Board.
- National Sponsoring Committee.
- States in which licensed.
- Veterans organizations (including DAV).
- Better Business Bureau.
- National Charities Information Bureau.
- Individual donors requesting them (including the businessman discussed in chapter 6).
- Television station which requested access to records.

Report to Congress

- All Members of Congress.
- Board of Directors.
- Special Audit Committee.
- Corporate Advisory Board.
- National Sponsoring Committee.
- Veterans organizations.
- Better Business Bureau.
- National Charities Information Bureau.

CONCLUSIONS

We found that prior financial audits of the Fund had been conducted in accordance with generally accepted auditing standards by the independent public accountants. We also found that the special audit committee was formed for the specific purpose of considering the requests of outsiders for access to the records of the Fund and that, while the committee did not function as a typical audit committee of a board of directors, its operations were adequate given its special purpose. We found no evidence that prior financial reports, including the report to the Congress were inaccurate or misleading. We also conclude that the Fund did not, in fact, suppress its financial information but distributed it to many groups and individuals.

CHAPTER 6

OTHER ALLEGATIONS

Numerous questions and allegations have been raised regarding the financial operations of the Fund. These questions and allegations are listed in app. XI. We investigated each of these matters and found that they were not supported by the facts. Many of the questions were raised in an investigative reporter's television broadcast on a Washington, D.C., television station. During the course of our audit, we interviewed most of the persons who were presented during the television series on the Fund. Certain of these individuals raised other questions regarding the financial propriety and managerial integrity of the Fund's operations. Our investigation of these matters did not reveal any improper or illegal actions by the Fund, its officers or its directors.

REFUSAL TO ALLOW ACCESS TO RECORDS WAS NOT AN ATTEMPT TO CONCEAL FINANCIAL IMPROPRIETIES

Two individuals, a prominent businessman and a Washington, D.C., television reporter, attempted to gain access to the Fund's detailed financial records, but were rejected. The businessman had contributed to the Fund and desired access to the Fund's records to satisfy his concerns that the Fund was conducting its operations properly. The reporter requested permission to review the Fund's records as part of his investigation of the organization. These and other individuals believed that the Fund was denying access to its records in order to conceal financial improprieties.

In the spring of 1982, the businessman formally requested the Fund to allow him to conduct a detailed audit of the Fund's receipts and disbursements. In a letter dated May 7, 1982 to the Chairman of the Fund's Board of Directors, the businessman stated "... I would like to, as a matter of due diligence, assure that all funds are being received and disbursed properly. ... The normal annual audit of VVMF is not sufficiently detailed to accomplish the objective of checking receipts and expenditures." The businessman also wrote that he had had several conversations with Fund officials requesting this audit. However, the businessman's requests were rejected by the Fund.

The businessman had contributed \$170,000 to the Fund previously. On May 6, 1981, Maya Lin's winning design was announced. The businessman voiced his dislike for the black granite, V-shaped design to several Fund officials. A nation-wide news article published in December 1981 quoted the businessman as saying the design was a tombstone which honors the dead and not the living veterans who returned from the Vietnam war. According to the article, the businessman was considering underwriting the cost of a poll of Vietnam veterans to determine if the the design should be rejected.

The Fund officials believed the businessman's requests for an independent audit were a means of exerting influence over the Fund. The officials believed that the Fund was being investigated by the businessman because of his well-publicized dislike of the design. To advise them in considering this request, the Board created the special committee discussed in chapter 5. The Fund also contracted with its independent public accounting firm for a special review of its internal controls over financial activities. The auditor's opinion, dated November 2, 1982, reported that the Fund's internal accounting controls were sufficient to provide management reasonable assurance that errors or irregularities of material amounts were prevented or disclosed.

Additionally, in March 1983, a New York attorney reportedly informed the Fund that he had been retained by the businessman and other persons to seek access to the Fund's financial records. In a letter dated March 29, 1983, the attorney informed the Fund's legal counsel that he had "been asked by some substantial contributors to the Vietnam Memorial ... to request financial information as to what funds were raised and in what manner and on whose authority they were expended."

The attorney, like the businessman, was denied access to the Fund's financial records. On April 29, 1983, the committee established to advise the Fund on the businessman's request advised the Fund to deny access to its records to the attorney and his clients, which the Fund believed included the businessman. The businessman's request for access to the Fund's financial records has never been granted. Fund officials stated that the Fund has been audited in accordance with generally accepted auditing standards by a major accounting firm on an annual basis and no problems or improprieties have been discovered. The officials felt that the burden of proof was on the businessman to show why another audit was needed. According to Fund officials, the businessman never provided any specific details of improprieties.

During the course of an investigation of the Fund, a television reporter requested permission to conduct a review of the Fund's books and records. The Fund denied the reporter's request. The Fund official stated that the Fund believed the reporter was biased toward their organization and had obtained information which they felt substantiated their beliefs. Thus, the reporter was not allowed access to the Fund's financial records, but was provided copies of the Fund's audited financial statements.

Our review of the Fund's operations and transactions, as discussed previously in this report, documented no instances of financial impropriety. The accounting procedures and controls were sufficient to reasonably ensure that transactions were properly authorized, executed and recorded. In addition, the Fund did, as discussed in chapter 5, make its audited financial statements available to a number of individuals and groups, including the persons requesting access to the records.

ALLEGATION THAT THE FUND REFUSED
A \$1 MILLION CONTRIBUTION TO KEEP
ITS FINANCIAL RECORDS SECRET IS
UNSUBSTANTIATED

During the television series, a member of the Disabled American Veterans (DAV) who was interviewed on-camera indicated that the Fund rejected a \$1 million contribution from DAV in order to prevent DAV from inspecting the Fund's financial records.

This individual confirmed to us the statements in the broadcast. The DAV member also informed us that although he was not an official of DAV and was not present in any meetings with Fund personnel when the offer was discussed, he was aware of the details of the offer based on conversations with a DAV official. This did not agree with the understanding of the television reporter, who told us that DAV officials had informed him that the member was present in a meeting with Fund officials when the offer was discussed and, therefore, the member had first-hand knowledge of the offer. The reporter stated that the officials refused to be interviewed on-camera about the offer, but referred him to the member.

DAV declined to meet with us during this audit and did not provide any records or statements to substantiate or refute the member's account of the offer. However, records and statements provided by Fund officials do not support the DAV member's statements.

According to the Fund's documentation and the President of the Fund, DAV and Fund officials discussed a contribution of \$1 million in the summer of 1981. The contribution, according to Fund officials, was predicated on the Fund providing DAV precise construction cost estimates for the Memorial. At the time of the meetings, the Fund did not have this data and according to Fund officials, this data did not become available until January 1982. Fund officials stated that by that time fundraising efforts were nearly complete and the \$1 million contribution from DAV was no longer needed or sought. As discussed previously, the Fund did not, in fact, conduct any mail solicitations after February 1982, and formally terminated its fundraising campaign in April 1982.

According to a Fund official and Fund records, he discussed the allegation with DAV officials on two occasions in 1983. The records provided to us indicate that DAV officials have denied the allegation and reassured the Fund official that the allegation is without merit. However, DAV officials have not publicly refuted the allegation or responded to the Fund's concerns in writing. Because DAV would not meet with us during this audit, we are unable to determine DAV's official position regarding the allegation that the Fund rejected a \$1 million contribution in order to prevent access to its financial records. However, records provided by the Fund fail to substantiate the DAV member's comments.

FACTS REGARDING THE "BROKEN PROMISES"
HAVE NOT BEEN FULLY DISCLOSED

During the television series, two individuals, the founder of the Vietnam Veterans Chapel and the Chairman of South Boston Vietnam Veterans Memorial, were interviewed and indicated that the Fund had broken promises of financial support to their organizations. These interviews indicated that the Fund had promised \$100,000 to the Chapel and unspecified financial support to the South Boston Memorial, but had provided no support to either organization.

Before the Fund's articles of incorporation and IRS exemption application were filed in 1979, a founder of the Fund talked with the founder of the Vietnam Veterans Chapel and discussed possible funding for the Chapel. According to the Chapel founder, the founder of the Fund, on his own initiative, promised to contribute \$100,000 to the Chapel. The Chapel founder stated that the founder never followed up this verbal commitment with a written letter of acknowledgement.

However, the Fund's articles of incorporation, filed with the Recorder of Deeds in Washington, D.C., on April 27, 1979, stated that one of the purposes of the corporation was to raise, receive and maintain funds for "Contributions to the completion, operation, and maintenance of the Vietnam Veterans Peace and Brotherhood Chapel near Eagle Nest, New Mexico." In addition, the Fund's Application for Exemption Under Section 501(c)(3) of the Internal Revenue Code, dated May 3, 1979, indicates that \$100,000 of the first funds received by the Fund were to be contributed to the Vietnam Veterans Chapel. The application states that "it is planned that 50% of all contributions, net administrative, legal and accounting expenses, up to a total of \$100,000, will be contributed to the Center for the Advancement of Human Dignity, Inc. ... for completion, operation and maintenance of the ... Chapel..."

The Fund has never donated the \$100,000 to the Chapel and has cited several reasons for its action. The primary reason was that public statements made by the Chapel founder in May 1980, that his Chapel honored all the dead of the Vietnam conflict, including North Vietnamese and Viet Cong troops, concerned Fund officials.

The Fund maintained that a memorial which honored communist troops killed in Vietnam would be contrary to the Fund's legislated purpose of building a memorial "in honor and recognition of the men and women of the Armed Forces, of the United States [emphasis added] who served in the Vietnam War." Secondly, Fund officials stated that in 1980 it was their opinion that the Fund did not have ample funds to make contributions to any other projects and still ensure the completion of the Vietnam Veterans Memorial. This is supported by the fact that as of March 31, 1981, the Fund had available assets of only \$820,000.

The Fund informed us that a donation to the Chapel has not been finally rejected since the DAV has assumed operation of the

Chapel. Now that DAV is involved, Fund officials are satisfied that there is no longer any thought that the Chapel will honor enemy veterans. However, the officials maintain that any donation to the Chapel will be considered by the Board of Directors only after the Vietnam Veterans Memorial is completed and provision has been made for future maintenance needs.

During the television series, the Chairman of the South Boston Vietnam Veterans Memorial was interviewed and stated that he wrote to the Fund, "hoping that we could get some kind of financial help from them." The Chairman never stated during the interview that the Fund promised the South Boston Memorial any financial assistance. However, the reporter stated that the Fund offered "professional and financial assistance, but again, these promises were broken."

In a letter dated January 16, 1981, to the Fund, the Chairman of the South Boston project stated that the raising of funds and construction of a memorial to 25 men from South Boston, was nearly two years old and almost completed. The Chairman wrote, "We are going to erect a memorial in honor of 25 brave men. The cost for the memorial and day of our dedication will be around \$23,000.00, and all of it we have raised on our own. We hope to send to you after our dedication a check for of \$2,500.00 in honor of our friends."

The Chairman of the South Boston project informed us that he had never solicited monies from the Fund and that the Fund had never promised to contribute any funds to the South Boston Memorial. Regarding the anticipated contribution of \$2,500 from the South Boston Memorial to the Fund mentioned in his letter, the Chairman stated that he had originally intended to send \$100 in honor of each of the 25 men from South Boston who died in Vietnam. The donations were to have been made in the names of the next of kin. The \$2,500 was never contributed to the Fund and according to the Chairman, he decided to retain the monies for maintenance expenses associated with the South Boston Memorial.

Although the Fund originally intended to contribute monies to the Vietnam Veterans Chapel, it has violated no Federal or District of Columbia statutes by failing to do so. IRS officials informed us that as long as a nonprofit organization uses its funds for one of its charitable purposes, it is entitled to tax exemption. The Fund has used its resources to build the Memorial, a stated exempt purpose of the Fund, thus satisfying the requirement for continued certification as a 501(c)(3) corporation. The fact the Fund has not donated monies to other Vietnam memorials does not affect its tax exempt status.

ALLEGED CONFLICTS OF INTEREST IN THE
FUND'S DEALINGS WITH OTHERS ARE UNFOUNDED

A number of individuals informed us that they believed the Fund had entered into contracts and agreements which represented

serious conflicts of interest. One individual told us he had heard that the Fund issued a contract to a personal acquaintance of a Fund director when there was no justification or need for the acquired services. We were told that the Fund had marketed souvenirs manufactured from granite used to build the memorial. Other allegations were received that the Fund paid members of the Vietnam Veterans of America (VVA) for consulting services which were not necessary, donated a large sum of money to the VVA when it was in dire financial condition, and underwrote the costs of a book written by a member of the VVA. We were also told that the Fund had hired an official of the United Vietnam Veterans Organization as a consultant. We investigated each of these matters and found that they were not based on fact.

A personal friend of the Chairman of the Board of Directors, was paid \$14,117 for consulting fees and expenses by the Fund. However, there is no evidence that the transactions with this individual were not done on an arms-length basis or that the services were unnecessary.

The individual's involvement with the Fund began in August 1979--about four months after the Fund was incorporated. He was an unpaid volunteer and prepared the Fund's corporate management plan and flowchart and was appointed to head the Fund's memorial design committee. All of these duties were conducted on a voluntary basis. In 1981 the company that employed the individual received a contract for his services to analyze a construction contract proposal. The contract was at the rate of \$60 per hour and the Fund paid the company \$1,240. The Fund later retained him as an individual consultant because of his detailed knowledge of the design, related problems, and controversy.

The Fund signed a formal contract with the individual on February 8, 1982. Under the contract, he was to provide assistance with the design and construction of the Memorial. The individual assisted in negotiations with the opponents to the design and later served on the the sculpture panel. The individual is a personal acquaintance of the Chairman of the Fund's Board of Directors. The two attended West Point and served in Vietnam together. However, there is no evidence that the Fund's contract with the individual represented a conflict of interest or was for services that were not required or were not provided. The individual assisted the Fund on a voluntary basis before being remunerated for his services and the Board of Directors was fully cognizant of the individual's services and his relationship with the member of the Board.

A member of the Board of Directors is a principal partner in an engineering firm. The firm received \$3,440 between June 1981, and April 1982, for engineering services by the individual under a contract with the Fund. In April 1982, the individual became a member of the Board of Directors and the contract was immediately terminated. Since that date, neither the firm or the individual has been paid for his services to the Fund.

Several individuals raised questions regarding perceived relationships between the Fund and the Vietnam Veterans of America (VVA) and the United Vietnam Veterans Organization (UVVO). We were informed that the Fund had hired VVA members unnecessarily as consultants, donated a large sum of money to VVA, and underwrote the costs of a book written by a member of the VVA. According to the informants, these alleged activities were illegal because the Chairman of the Fund's Board of Directors had written the articles of incorporation for the VVA. In addition, we were told that the Fund had hired a UVVO official as a consultant.

The Chairman told us that when he was an employee of a law firm, an associate of the firm was preparing the VVA's articles of incorporation and that he assisted the associate in the preparation of the articles. His participation, in this fashion, in preparing the articles would not necessarily make any subsequent dealings with the VVA improper.

In any event, we investigated the merits of the allegations concerning the Fund's dealings with the VVA and found them to be unsupported. Fund and VVA officials informed us that the Fund never hired any VVA personnel as consultants. Our audit uncovered no records or payments to contradict the officials' statements. Additionally, no evidence was found indicating that the Fund ever donated any funds to the VVA. Officials of both organizations stated that the Fund had never donated monies to the VVA as alleged by certain individuals. Finally, we interviewed the VVA author regarding a book this person published and was informed that this person never received any funding from the Fund for any purpose. Fund officials confirmed the author's statements and our review of the Fund's disbursements disclosed no payments to the author.

We were also informed that an official of the UVVO was hired as a consultant to the Fund. We found no payments to the person and Fund officials told us the person was never a consultant to the Fund.

THE FUND DID NOT MARKET GRANITE SOUVENIRS

One individual reported that the Fund marketed souvenirs manufactured from the granite used for the Memorial. Our review of this allegation indicated that the importer of the granite used in the construction of the Memorial manufactured and marketed the souvenir medallions using surplus granite which belonged to his company.

According to the President of the granite importing company, his company was awarded a lump-sum contract for supplying the memorial granite and, therefore, any waste or excess granite leftover belonged to his company. The company became part of a joint venture, Vietnam Memorial Momentos, which manufactured the medallions, marketed them, and verbally agreed to remit portions of the proceeds from the sale of the items to the Fund. Although no formal

written contract was signed between the company and the Fund, a verbal understanding was reached and the company used the Fund logo in its advertisements. Additionally, the advertisements stated that portions of the proceeds from the sale of each medallion would go to the Fund.

According to Fund and company officials, the medallions did not sell very well. The company president informed us that the joint venture lost about \$40,000. However, he also stated that he and his partner's company owe the Fund about \$3,000 in royalties. To date the Fund has not received any payments from the partnership but the president informed us that "... it is the intention of the partners...to pay this amount in full as soon as possible." While we believe that it would have been preferable if this agreement had been in writing, we do not believe this arrangement was improper.

OFFICIALS DID NOT USE FUND RESOURCES FOR PERSONAL GAIN

Several individuals reported that two of the Fund's officials had used Fund facilities and property for personal benefit. Specifically, we were told that the Chairman of the Board used Fund facilities to publish a newsletter, solicited articles from veterans under the guise of the Fund which were later used in the writing of a book, and included a collection of his writings in a press kit issued by the Fund during the National Salute. In addition, one individual told us that the Fund was underwriting the cost of a book which is presently being written by another Fund officer. We investigated each of these matters and found they were not true.

Fund officers and employees told us that the Fund facilities had not been used by the Chairman for publishing his newsletter. We determined that the newsletter has its own offices and support staff and we uncovered no information to contradict the statements of the Fund personnel.

Regarding the solicitation of articles from veterans, the Fund wrote a letter dated October 6, 1982, which was sent to numerous veterans inviting them to attend a writing workshop during the National Salute to Vietnam Veterans. The purpose of the workshop was to assist each participant in choosing a topic on which to write a paper in subsequent weeks. The papers were intended to relate the veterans' experiences in and after Vietnam. The letter also stated that the papers would be compiled and prepared for use in publishing a book, with the profits to go to charity.

Fund officials informed us that, to date, no publisher for the book has been located by the Fund. However, the Chairman of the Board did use two pages of selected quotes from the articles in a 256-page book which he has written and which was published in April 1984. The Chairman told us that he had agreed to compensate the Fund for the quotes utilized. The book also credits the Fund as the source of the material. The Chairman noted to us that he had abided by the copyright laws in using the quotes and provided us

copies of his book to support his statements. We found no evidence that the Chairman had improperly misused the Fund's property.

Fund officials confirmed to us that a reprint of one of the Chairman's collection of writings on the Vietnam war was included in press kits distributed during the National Salute. The Chairman was not paid for the use of this material. The officials stated that the kits also contained writings from other authors and that all of these materials were included for the purpose of remembering and honoring Vietnam veterans. The Chairman's "Theological Reflections Upon the Vietnam War" represented 14 pages of the material, while other authors material constituted 32 pages of material. The officials stated that the writings were appropriate because they were part of the vigil and reading of deceased veterans' names at the National Cathedral. We believe that the inclusion of the material in the press kits was appropriate and was not an improper use of Fund resources for personal gain.

Another Fund officer is presently writing a book with the assistance of a co-author. This officer provided us information and documentation which documented that the Fund is not paying any costs associated with this book. On May 20, 1983 the officer informed the Board of Directors of his desire to write the book and on May 26, 1983, the Board accepted the officer's proposal and determined that no conflicts existed in the writing of the book. The author's contract for the book provides that the Fund is to receive one-third of the royalties of the book.

THE FUND DID NOT SPEND
\$20,000 FOR A SEMINAR

It was alleged that certain Fund officials and other individuals spent \$20,000 for a weekend seminar at a prestigious Washington, D.C., hotel. The seminar was believed to be an example of abusive spending by Fund officials.

We determined that the subject seminar was held on July 22 and 23, 1981, (Wednesday and Thursday) and brought together veterans, media personnel and former anti-war activists in a moderated, open discussion. The event was described by Fund officials as a reconciliation seminar and was intended to help "heal the wounds" caused by the Vietnam war. The officials believed that reconciliation was one of the major goals of the Memorial project. The seminar was organized and moderated by a former employee of Louis Harris and Associates who had been instrumental in preparing and publishing a study on the country's attitudes toward Vietnam veterans.

A transcript of the seminar was prepared and an offer was received from Rolling Stone Magazine to purchase it. After consideration, the Fund's Board of Directors decided to reject the magazine's offer because of the public perception which might have been created by any transactions between the Fund and magazine. No other offers were received by the Fund regarding the transcript.

Records provided by Fund officials and the seminar organizer indicate that the seminar cost approximately \$4,400, not \$20,000 as alleged by the informants. We found no evidence to support the statements regarding a higher cost for the seminar.

THE CHAIRMAN OF THE BOARD
RECEIVED AN HONORABLE DISCHARGE
FROM THE SERVICE

We noted that questions have been raised regarding the military service of the Chairman of the Fund's Board of Directors. We reviewed the Chairman's service with him and also examined his military service records. Based on this review, we noted that the Chairman received an honorable discharge and that he received the Joint Service Commendation Medal. We also noted that the book recently published by the Chairman includes a detailed description of his military service, including the fact he did not serve in combat in Vietnam.

THERE WERE NO VIOLATIONS
OF THE FUND'S CHARTER

Several persons stated that it was their belief that the Fund's sole purpose was to build the Vietnam Veterans Memorial and then terminate its operations. These individuals stated that the Fund had illegally conducted seminars, and other activities which were not directly related to constructing the Memorial and, therefore, were not legitimate activities.

Before the Fund decided to conduct the National Salute to Vietnam Veterans, it requested and received a legal opinion from a Washington, D.C., attorney regarding the legality of holding the celebration. The attorney concluded that, in accordance with the Fund's articles of incorporation, the District of Columbia Non-Profit Corporation Act, and general corporate law, the National Salute was sufficiently related to the Fund's purposes to be legally permissible.

The reconciliation seminar conducted by the Fund in July 1981 was another activity which the informants perceived to be a violation of the Fund's charter. However, we conclude that the conduct of the seminar was within the Fund's legal authority.

NO ILLEGAL PAYMENTS WERE
FOUND DURING THE AUDIT

One of the individuals we interviewed reported that he had been told that the Fund may have made a number of improper payments to two groups. We could find no evidence to support the allegations.

Specifically, we were told that reports existed that the Fund donated \$5,000 to a womens' rights group and that monies were funneled from the Fund to a radical military group in Central Amer-

ica. Our detailed review of all disbursements and supporting documents uncovered no payments or evidence of payments to these groups.

THE USE OF A POLITICAL ADVISOR
WAS NOT A VIOLATION OF THE
INTERNAL REVENUE CODE

It was also reported to us that the Fund hired a lobbyist, which was believed to be a violation of the provisions of section 501(c)(3) of the Internal Revenue Code. The lobbyist was reportedly paid approximately \$5,000.

Fund officials informed us that they hired a political advisor to assist them during the design controversy. Officials stated that the Secretary of the Interior had suspended approval of the Memorial project because of the controversy and potential political ramifications. Opponents of the design had obtained the support of a number of Congressmen in attempting to stop the project. Fund officials stated that because of the political situation, they needed the advice of an expert to advise them on how to proceed.

Fund officials stated that they hired the advisor, who was associated with an influential political committee, to assess the situation and provide the Fund advice. The consultant agreed to assist the Fund and helped coordinate the Fund's campaign against the design opposition. The consultant was paid \$8,100 to assist the Fund with its campaign. Fund officials stated that the consultant was instrumental in reaching the design compromise with the opponents whereby a flag and statue were added to the Memorial. The consultant met primarily with Fund officials, although he did attend several design meetings along with Fund officials. He did not act as an official representative or spokesman for the Fund.

The Internal Revenue Code allows some lobbying, defined as "carrying on propaganda, or otherwise attempting to influence legislation" by tax-exempt organizations. Such organizations may elect to conduct lobbying, within specified dollar limits without consequence under the Tax Code. Alternatively, exempt organizations which do not make that election may still lobby, as long as the lobbying is not a substantial part of their activities. IRS officials stated that while "substantial" is not defined in the law, previous IRS rulings had held that 5 percent of total contributions was generally viewed as the limit of expenditures for lobbying activities.

We found no evidence that the Fund violated the Internal Revenue Code by acquiring the services of the political advisor. The advisor was not hired to influence legislation but to assist the Fund in dealing with the immediate problem of securing a solution to the design controversy. Moreover, even if his services had involved lobbying, the amount expended is well within the 5 percent level considered permissible for a 501(c)(3) organization.

THE FUND DID NOT PAY
UNNECESSARILY FOR SERVICES

Questions have been raised about the Fund's extensive use of consultants. It has also been suggested that volunteers could have been utilized for many of the efforts. Our audit of Fund operations disclosed that while the Fund did make extensive use of consultants, it also made very extensive use of volunteers. During the course of its existence, the Fund has utilized the services of hundreds of volunteers, who provided thousands of hours of free support. Many of the consultants used by the Fund also provided volunteer services in addition to their paid service. The use of paid consultants was required in many cases by the Fund's desire to utilize competent professionals in order to ensure success for their project and because of the extensive demands made by the size and scope of the effort. We do not believe that the Fund engaged in unnecessary contracting for consultants.

CONCLUSIONS

Numerous questions and allegations have been raised regarding the financial operations of the Fund. These questions were raised primarily in an investigative reporter's television broadcast on a Washington, D.C. television station and in our interviews of the persons who were presented during the television series on the Fund. Many of these individuals interviewed reported other questions and allegations regarding the financial propriety and managerial integrity of the Fund's operations. We investigated each of these matters and found that they are not supported by the facts. Our detailed investigation of these matters did not reveal any improper or illegal actions by the Fund or its officers and directors.

Congress of the United States
House of Representatives
Washington, D.C. 20515

18 November, 1983

The Honorable Charles A. Bowsher
Controller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

We are writing as Members of Congress who are greatly concerned about the charges and allegations that have been made about the financial management practices of the Vietnam Veterans Memorial Fund, Inc.

As you may know, the Vietnam Veterans Memorial was authorized by Congress on July 1, 1980 (PL 96-297). The Vietnam Veterans Memorial Fund, Inc. is a private foundation set up to raise funds for the Memorial.

The officers of the VVMF have rejected repeated offers from a variety of sources wishing to fund outside, independent audits of the VVMF's financial records. One of those offers was made by the Veterans of Foreign Wars, which was reportedly willing to commit as much as \$1 million to the project in an effort to clear up any questions or doubts surrounding the financing of the Memorial.

As Members of Congress who represent many of those who contributed to the fund, and as Members of Congress who actually served in Vietnam, we are writing to request your assistance in auditing the books of the VVMF.

Our primary objective is to reassure the tens of thousands of contributors, and all the friends and relatives of the men whose names are on the Memorial, that Congress will tolerate no financial impropriety regarding a national memorial authorized by Congress and located on federal property. In addition, we believe it is important to provide those who administer the Memorial with an opportunity to clear themselves of any charges which the General Accounting Office determines to be unsupported by the facts.

Thank you for your assistance in this matter.

Sincerely,

Tom Rice
David Bonior
Tom Carper

John McLean
Rep. Robert G. Gandy
Chairman



November 20, 1983

The Honorable Charles A. Bowsher
Comptroller General
General Accounting Office
441 G Street, N.W., Room 7000
Washington, DC 20548

Dear Mr. Bowsher,

Recently, the Vietnam Veterans Memorial Fund has been the subject of what we believe to be a very inaccurate series of television reports by a single reporter concerning the fiscal management of our organization. Because of this situation we were working through the office of Senator John Warner in order to determine whether the General Accounting Office could perform a complete audit of the VVMF's financial records.

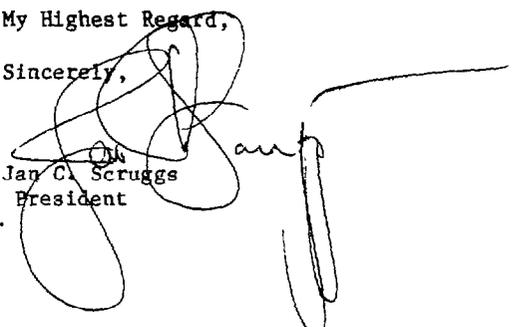
The assessment is that such an audit seems within the purview of GAO and VVMF would like to formally confirm the message that I conveyed to your office by telephone on November 18, 1983. VVMF would be pleased to cooperate with GAO if your agency determines that an audit of our financial records is possible. We also understand that while we were endeavoring to find whether GAO could do an audit of VVMF, that several Congressmen requested a GAO audit in a press conference on November 18, 1983. We hope that such an audit can take place.

Enclosed with this letter are copies of all of our previous audits which were performed by Peak, Marwick, Mitchell & Co. Additional auditing work that we have undergone is outlined on pages five through nine in the Report to Congress.

In closing, let me again state that we would be glad to cooperate with the General Accounting Office if your agency desires to do an audit of our financial records.

My Highest Regard,

Sincerely,


Jan C. Scruggs
President

Vietnam Veterans Memorial Fund, Inc.

1110 Vermont Avenue, N.W., Suite 308, Washington, D.C. 20005 (202) 659-2490

DIRECTORS

John P. Wheeler III Esq.*
Chairman
Robert H. Frank CPA
Treasurer
Ronald F. Gibbs*
George W. Mayo Jr. Esq.*
John C. Morrison Esq.*
Richard E. Radez*
John O. Woods Jr. P.E.*

STAFF

Jan Craig Scruggs*
President
Col. Robert A. Carter USAF Ret.*
Executive Vice President/Secretary
Kathie M. Kielich
Administrative Manager/
Director of Public Relations

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Pearl Bailey
Mannon S. Barry Jr.
Mayor
District of Columbia
Rocky Bleier*
Ruben Bonilla
League of United Latin
American Citizens (LULAC)
The Hon. Ellsworth Bunker
Carol Burnett
Jose Cano
American G.I. Forum of the U.S.
Rosalynn Carter
The Hon. Max Cleland*
The Hon. Ballasar Corrada
Howard Cosell
Gen. Michael S. Davison, USA Ret.*
Former Commander-in-Chief
U.S. Army Europe
The Hon. Gerald R. Ford
and Mrs. Ford
Philip Gevelin
Barry Goldwater
United States Senator
from Arizona
Rev. Theodore M. Hesburgh C.S.C.
University of Notre Dame
Bob Hope
Gen. David C. Jones USAF (Ret.)*
Vernon E. Jordan Jr.
National Urban League
Michael J. Kogutek
American Legion
The Hon. George McGovern
The Hon. Robert P. Nimmo
Nancy Reagan
Carl T. Rowan
Willie Stargell
Roger Staubach*
Jimmy Stewart
The Hon. Paul Thayer
Deputy Secretary of Defense
The Hon. Cyrus R. Vance
Gen. John W. Vessey Jr.*
Chairman Joint Chiefs of Staff
The Hon. Harry N. Walters
Administrator of Veteran Affairs
Veterans Administration
John W. Warner
United States Senator
from Virginia
Gen. William C. Westmoreland, Ret.*
Former Chief of Staff, U.S. Army
The Hon. Joseph C. Zengerle*

*Served in Vietnam

Affiliations noted for purposes of identification only

CORPORATE ADVISORY BOARD

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Chairman and President
Anheuser-Busch Companies Inc.
Wayne M. Hoffman
Chairman and Chief Executive Officer
Tiger International
John C. McElwee
President
John Hancock Mutual
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J. Richard Munro
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Time Inc.
Edmund T. Pratt, Jr.
Chairman of the Board
Pfizer Inc.
Lloyd N. Unsell
Executive Vice President
Independent Petroleum
Association of America
T. A. Wilson
Chairman and Chief Executive Officer
Boeing Company

United States Senate

WASHINGTON, D.C. 20510

December 1, 1983

Honorable Charles A. Bowsher
Comptroller General
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bowsher:

In 1980, the Congress passed legislation which authorized the Vietnam Veterans Memorial Fund to build a memorial in honor of those men and women who served in Vietnam.

Last November -- just a year ago -- that magnificent memorial was dedicated. As original sponsors of the Congressional Resolution, we are grateful to the Fund for giving America the chance for reconciliation of our people.

The Vietnam Veterans Memorial Fund (VVMF) worked tirelessly to accomplish this challenging task in such a short period of time. One hundred Members of the Senate supported the efforts of the Fund. Our confidence was strengthened by the prudent business methods employed by the Fund. Certified Public Accountants have audited the Fund annually since 1979 and published the audits. An independent committee has reviewed these audits.

There have been concerns raised publicly about the way the funds contributed were managed by the VVMF. Any question of integrity in the handling and disbursement of the monies should be resolved by the reference to the public audits. However, we are concerned about the shadow cast over the memorial by the questions raised and would like to resolve the matter once and for all. We have confidence that the General Accounting Office can answer many of these questions and therefore urge the office to conduct an audit as soon as possible.

We hope a GAO audit would cover, but not be limited to the following issues:

- a review of VVMF's previous audits
- a review of the special auditing measures taken by VVMF
- an opinion by GAO regarding the adequacy of VVMF's current auditing measures
- tests by GAO to see if VVMF's receipts and disbursements are supported by documentation
- a check by GAO to verify that there has been no mis-appropriations of funds by VVMF

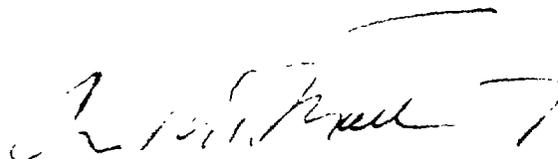
We hope that such an audit would be completed by January 31, 1984. We would be most appreciative if you would keep us informed as the audit progresses.

Thank you for your prompt attention to this matter.

Sincerely,



John Warner
United States Senator



Charles McC. Mathias, Jr.
United States Senator

ALAN K. SIMPSON, WYO., CHAIRMAN
 STROM THURMOND, S.C.
 ROBERT T. STAFFORD, VT.
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 ARLEN SPECTER, PA.
 JEREMIAH DENTON, ALA.
 RUDY BOSCHWITZ, MINN.

ALAN CRANSTON, CALIF.
 JENNINGS RANDOLPH, W. VA.
 SPARK M. MATSUNAGA, HAWAII
 DENNIS DE CONCINI, ARIZ.
 GEORGE J. MITCHELL, MAINE

United States Senate

COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, D.C. 20510

December 29, 1983

Honorable Charles A. Bowsher
 Comptroller General of the
 United States
 General Accounting Office
 Washington, D.C. 20548

Dear Charles,

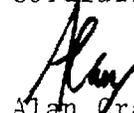
I have received and reviewed copies of the letters to you from Senators Mathias and Warner and Representatives Montgomery, Ridge, McCain, Carper, Hunter, and Martin requesting that the General Accounting Office undertake a review of financial matters concerning the Vietnam Veterans Memorial Fund. As the Ranking Minority Member of the Senate Committee on Veterans' Affairs, I am writing to express my support for the effort that I understand you have agreed to undertake with reference to this matter and to request a copy of your final report on that effort.

As you know, the Vietnam Veterans Memorial itself has, unfortunately, been a subject of significant controversy. However, I believe the strong consensus at present is that it is a most important American monument that has been a vital element in the long delayed process of national reconciliation after the great divisiveness of the Vietnam war. Thus, it is of great importance that this latest controversy -- over the Memorial Fund's financial practices and the appropriateness of its expenditures -- be resolved in an open manner and as expeditiously as possible, either through an independent audit by GAO or GAO's examination and certification of prior audits.

Thank you for your attention to my request.

With warm regards,

Cordially,



Alan Cranston
 Ranking Minority Member

cc: Honorable Charles McC. Mathias, Jr.
 Honorable John W. Warner
 Honorable Alan K. Simpson
 Honorable G.V. (Sonny) Montgomery
 Honorable Thomas J. Ridge
 Honorable John McCain
 Honorable Thomas R. Carper
 Honorable Duncan Hunter
 Honorable David O'B. Martin

PUBLIC LAW 96-297—JULY 1, 1980

94 STAT. 827

Public Law 96-297
96th Congress

Joint Resolution

To authorize the Vietnam Veterans Memorial Fund, Inc., to establish a memorial.

July 1, 1980

[S.J. Res. 119]

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Vietnam Veterans Memorial Fund, Inc., a nonprofit corporation organized and existing under the laws of the District of Columbia, is authorized to establish a memorial on public grounds in West Potomac Park in the District of Columbia, in honor and recognition of the men and women of the Armed Forces of the United States who served in the Vietnam war.

Vietnam
Veterans
Memorial Fund,
Inc.,
establishment.
16 USC 431 note.

Sec. 2. (a) The Secretary of the Interior, in consultation with the Vietnam Veterans Memorial Fund, Inc., is authorized and directed to select with the approval of the Commission of Fine Arts and the National Capital Planning Commission a suitable site of approximately two acres in size located in the area of West Potomac Park known as Constitution Gardens in the District of Columbia: *Provided*, That if subsurface soil conditions prevent the engineering of a feasible foundation system for the memorial in a location in that area, then the Secretary of the Interior, in consultation with the Vietnam Veterans Memorial Fund, Inc., is authorized and directed to select a suitable site of approximately two acres in size located in an area of West Potomac Park north of Independence Avenue other than Constitution Gardens.

Location
authorization

(b) The design and plans for such memorial shall be subject to the approval of the Secretary of the Interior, the Commission of Fine Arts, and the National Capital Planning Commission: *Provided*, That if the Secretary of the Interior, the Commission of Fine Arts, or the National Capital Planning Commission fails to report his or its approval of or specific objection to such design and plans within ninety days of their submission, his or its approval shall be deemed to be given.

Design plans

(c) Neither the United States nor the District of Columbia shall be put to any expense in the establishment of the memorial.

Expenses

Sec. 3. The authority conferred pursuant to this resolution shall lapse unless (1) the establishment of such memorial is commenced within five years from the date of enactment of this resolution, and (2) prior to groundbreaking for actual construction on the site, funds are certified available in an amount sufficient, in the judgment of the Secretary of the Interior based upon the approved design and plans for the memorial, to insure completion of the memorial.

Termination of
authority

Sec. 4. The maintenance and care of the memorial established under the provisions of this resolution shall be the responsibility of the Secretary of the Interior.

Memorial
maintenance

Approved July 1, 1980

VIETNAM VETERANS MEMORIAL FUND
DETAILED STATEMENT OF RECEIPTS AND DISBURSEMENTS
FROM INCEPTION THROUGH MARCH 31, 1984

Receipts

Contributions:

Individuals	\$4,380,823
Veterans organizations	1,643,432
Corporations	1,540,667
Radiothons	350,303
Foundations	319,340
Unions	55,128
Community groups	<u>44,248</u>

Total contributions	\$8,333,941
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Other income

Interest income	641,168
National Salute	166,732
Special events	63,393
Directory and other sales	42,083
List rental	<u>30,085</u>

Total receipts	<u>\$9,277,402</u>
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Disbursements

Memorial:

Design competition:

Design prizes	\$ 50,000
Consulting	52,786
Display expenses	29,714
Judges fees and expenses	25,215
Printing	18,128
Travel and expenses	13,282
Miscellaneous	2,775
Promotion	<u>628</u>

Total design competition	\$ 192,528
Construction and other	2,997,231
Architects	555,832
Construction supervision	<u>97,957</u>

Total	<u>\$3,843,548</u>
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Fundraising:

List rental	\$ 664,448
Postage	490,796
Printing	443,887
Mailing services	363,784
Consulting fees	305,718
Envelopes	219,477
Salaries	45,611
Promotion items	23,730
Travel	17,132
Miscellaneous expenses	<u>5,451</u>

Total	<u>\$2,580,034</u>
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National Salute:	
Sale items	\$ 121,775
Parade expenses	113,365
Consulting	67,495
Special events	64,521
Public relations	55,392
Printing and postage	39,085
Salaries	38,967
Supplies	23,058
Telephone	3,864
Contract work	3,381
Messenger	1,201
Travel	<u>1,078</u>
Total	\$ <u>533,182</u>
Memorial Promotion:	
Public relations	\$ 169,624
Printing	45,857
Education	39,344
Postage	25,697
Travel	21,608
Miscellaneous expenses	6,990
Supplies	<u>3,365</u>
Total	\$ <u>312,485</u>
Administration:	
Officers salaries	\$ 211,711
Salaries-admin.	177,921
Professional services	169,303
Rent	127,663
Salaries-office	85,067
Telephone	33,483
Postage	28,477
Miscellaneous expenses	26,895
Insurance	24,682
Office supplies	21,975
Printing	18,724
Payroll taxes	17,290
Delivery charges	11,916
Employee benefits	9,974
Travel	7,609
Equipment rental	7,098
Contract labor	6,424
Office equipment	1,661
Fees & licenses	1,141
Interest	200
General taxes	<u>109</u>
Total	\$ <u>989,323</u>
Total	<u>\$8,258,572</u>
Net Assets Available	<u><u>\$1,018,830</u></u>

VIETNAM VETERANS MEMORIAL FUND
STATEMENT OF DISBURSEMENTS BY TYPE
INCEPTION THROUGH MARCH 31, 1984

Memorial:	
Construction and other	2,997,231
Architects	555,832
Design competition	\$ 192,528
Construction supervision	<u>97,957</u>
 Total	 3,843,548
 List rental	 664,448
Printing	547,553
Postage	544,970
Consulting fees	373,213
Mailing services	363,784
Public relations	225,016
Fundraising envelopes	219,477
Officers salaries	211,711
Administrative salaries	177,921
Professional services	169,303
Rent	127,663
Sale items	121,775
Parade expenses	113,365
Office salaries	85,067
Other salaries	84,578
Special events	64,521
Promotion items	23,730
Office supplies	48,398
Travel	47,427
Education	39,344
Miscellaneous	39,336
Telephone	37,347
Insurance	24,682
Payroll taxes	17,290
Delivery charges	11,916
Employee benefits	9,974
Equipment rental	7,098
Contract labor	6,424
Contract work	3,381
Office equipment	1,661
Messengers	1,201
Fees & licenses	1,141
Interest	200
General taxes	109
 Total	 \$8,258,572

Note: This schedule summarizes the same disbursements shown in appendix III by type rather than by function.

LIST OF INDIVIDUAL CONTRIBUTORS OVER \$5,000

The following list of contributors each donated \$5,000 and over to the Fund. GAO verified this listing by reference to receipt records and discussions with Fund personnel.

	<u>AMOUNT</u>
American Legion	\$1,209,695
Veterans of Foreign Wars of the U.S.	250,000
Dallas Community Chest Trust Fund	170,000 (a)
Exxon Corporation	75,000
LTV Corporation	71,058
Boeing Company	65,530
Amoco Foundation	50,000
Anheuser-Busch Companies, Inc.	50,000
Atlantic Richfield	50,000
Houston Endowment, Inc.	50,000
Mobil Oil Corporation	50,000
Chevron U.S.A., Inc.	40,000
AMVETS	36,900
Sun Company	35,241
IBM	35,000
Shell Oil Companies Foundation	35,000
Illinois Campaign	34,664
AFL-CIO	30,226
Texaco Philanthropic Foundation	30,000
Tandy Corporation/ Radio Shack	26,000
AT&T	25,000
Gulf Oil Corporation	25,000
John Hancock Charitable Trust	25,000
Lilly Endowment, Inc.	25,000
Phillip Morris, Inc.	25,000
Florida Jaycees	22,750
American Express Foundation	22,400
Tiger International	22,082
Dresser Industries, Inc.	20,000
Southwestern Bell	20,000
Cities Service	18,200
Getty Oil Co.	15,000
Merrill Lynch & Co.	15,000
Western Company of North America	15,000

(a) Contributions from the businessman who requested access to the records. See chapter 6.

APPENDIX V

APPENDIX V

United Steel Workers of America	14,500
General Electric	12,000
Hughes Aircraft	12,000
Time Inc.	11,500
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers	10,942
Times-Mirror Foundation	10,500
David Rockefeller	10,000
DuPont	10,000
FMC Corporation	10,000
General Foods	10,000
Grumman Aerospace	10,000
Honeywell Fund	10,000
International Telephone & Telegraph	10,000
J.M. Foundation	10,000
MCA, Inc.	10,000
Marine Corps Association	10,000
Norton Simon Inc.	10,000
Pepsico Foundation, Inc.	10,000
Peter Gallo Memorial Foundation	10,000
Pfizer Foundation	10,000
Raytheon Company	10,000
Rockwell International Corporation Trust	10,000
Samuel H. Kress Foundation	10,000
Sunstrand Corporation	10,000
Union Pacific Foundation	10,000
United Technologies	10,000
Xerox Corporation	10,000
TRW Inc.	8,000
Capital Cities Communications, Inc.	7,500
Northrop Corporation	7,500
Olin Corporation	7,323
Lockheed	7,000
Control Data	6,500
Martin Marietta	6,500
Signal Companies, Inc.	6,500
Teledyne, Inc.	6,500
Fairchild Industries	6,000
Houston Natural Gas	6,000
Mapco	6,000
Motorola	6,000
Prudential Foundation	6,000
Owens-Illinois	5,060
Idaho Vietnam Veterans Association	5,027
Aetna Life Insurance Co.	5,000
American Can Co.	5,000

APPENDIX V

APPENDIX V

Beech Aircraft	5,000
Castle and Cook, Inc.	5,000
Coca-Cola Company	5,000
Conoco	5,000
F. M. Kirby Foundation	5,000
Federal Express	5,000
Garrett Corporation	5,000
Gould Foundation	5,000
Hershey Fund	5,000
Heublein Foundation	5,000
Johnson & Johnson	5,000
Jos. Schlitz Brewing Co.	5,000
Latrobe Brewing Co.	5,000
Lone Star Industries	5,000
Lone Star Steel Co.	5,000
Minnesota Department of Veterans Affairs	5,000
Missouri Pacific Railroad Company	5,000
North American Philips	5,000
Phillips Petroleum	5,000
R.J. Reynolds Industries	5,000
R.R. Donnelley & Sons	5,000
Reader's Digest	5,000
Sea-Land Industries, Inc.	5,000
Seagram Fund	5,000
Smith Kline Corporation	5,000
Southern Pacific Company	5,000
Sterling Drug, Inc.	5,000
U.S. Air	5,000
United Services Automobile Association	5,000
Whittaker Corporation	5,000
William Wrigley Jr. Co.	<u>5,000</u>
Total	3,239,598
Contributions under \$5,000 each	<u>5,094,343</u>
Total	<u><u>\$8,333,941</u></u>

LIST OF PAYEES \$500
AND OVER

The following list represents all payees who received payments from the Fund which aggregated \$500 and over. We reviewed the supporting documents for all aggregate payments made over \$5,000. As noted in our report, we found no items which were not adequately documented.

<u>Payee</u>	<u>Purpose</u>	<u>Total Paid</u>
Gilbane Building Company	construction of the Memorial	\$2,494,264
Creative Mailing		
Consultants of America	fundraising	1,142,886
Cooper-Lecky Partnership	Architect of Record	422,052
Mattera Litho, Inc.	printing	294,422
Frederick Hart	Memorial sculpture	217,000
Tri-State Envelope Corp.	fundraising envelopes	191,511
Epsilon Data Management	fundraising	177,678
Daniel J. Eldeman, Inc.	Memorial public relations	160,603
U.S. Postmaster, Washington, D.C.	postage	145,380
Robert W. Doubek	project director	111,563
Datalantic, Inc.	processing of names for Memorial	110,450
Carol Enters List Co.	mail lists for fundraising	106,412
J.J. Mailing, Inc.	mailing	102,480
Jan C. Scruggs	President	98,361
Hargrove, Inc.	National Salute parade floats and hotel decorations	93,395
Hellmuth, Obata & Kassenbaum	rent	90,540
Smith Lithograph Corp.	printing	89,996
First American Bank	payroll tax deposits	89,768
EDAW, Inc.	Memorial landscape architectural services	87,493
Cascio-Wolf, Inc.	National Salute sale items	87,048
Williams & Connolly	legal services	75,027
Sandra F. Fauriol	fundraising campaign director	71,795
Robert F. Semple Associates	fundraising	61,069
Bond Office Services	mailing services	59,792
Barbieri & Green	graphics/directories/brochures	57,670
Katherine M. Kielich	office manager	54,939
Ford Enterprises	security at Memorial	54,393
Paul D. Spreiregen, FAIA	architectural consulting (comp.)	52,689
Oram International Group	fundraising	52,394
Robert A. Carter	Executive Vice President	51,191
TYL Associates	National Salute printing	49,455
Frank, Stefanou & Co.	bookkeeping	49,259
Peat, Marwick, Mitchell & Co.	auditing	41,290
Berlin & Jones	printing/fundraising	39,251
Karen Bigelow	assistant administrator	37,694
Watson, Rice & Co.	rent	33,121
Riggs National Bank	payroll tax deposits	32,317
Chronomatic Inc.	National Salute sale items	31,143
Donald E. Schaet	Executive Vice President	30,858
Campbell Peachy & Assoc.	National Salute/Entertainers' Salute	30,410
C & P Telephone Co.	telephone	29,069

LIST OF PAYEES \$500
AND OVER

<u>Payee</u>	<u>Purpose</u>	<u>Total Paid</u>
Chelette Johnson	office employee	28,373
Ernest Whittenberg & Assoc.	public relations	27,248
Federal Records Center	records reveiw and proofreading names for Memorial	26,620
Larry Century	inscribing additional names	26,255
Ruth Murdock	office employee	25,350
Diversified Mail	fundraising	23,380
Printers II, Inc.	printing	22,560
Maya Ying Lin	winner of design competition	22,382
Joel Meisner	bronze casting of statue	22,166
Schnabel Engineering Assoc.	engineering	20,195
Partners for Livable Places	display of design entries	17,764
Comptroller of Treasury	payroll withholdings	17,672
Safway Steel Products	parade equipment	16,956
Burrelle's Press	press service	16,674
UARCO	promotion services	16,441
Global Travel Service	travel services	16,179
Drescher Productions	Memorial documentary film	14,682
Arthur C. Mosley	consultant/engineer	14,117
Kelvin Hunter Jr.	parade planner	13,946
Sharp Electronics Corp.	office equipment	11,698
Merkin Company	insurance	11,175
Department of Taxation	payroll withholding taxes	10,746
Marvin Krosinsky	design prize (competition)	10,000
Sheraton Carlton Hotel	reception for Salute	10,000
K. W. Miller, Inc.	construction (lawn maintenance)	9,864
Canzeri Co.	National Salute entertainers and public relations	9,824
Charlene Cook	office employee	9,136
Techna-Graphics, Inc.	printing	8,722
B & B Caterers	Gold Star Mothers reception	8,583
D. C. Treasurer	payroll tax withholdings	8,535
Beaver Press, Inc.	printing	8,317
Janice Padden	office employee	8,122
Charles R. Bailey	political advisor	8,100
Four Seasons Hotel	design competition expenses	8,095
Diversified Direct, Inc.	fundraising	8,046
Constituency Builders, Inc.	fundraising	7,809
Knobby Krafters, Inc.	promotional items (logo, pins)	7,697
TDX Systems	telephone services	7,663
Archer Courier Systems, Inc.	delivery services	7,593
Grady Clay	juror for design competition and promotion	7,586
Events, Inc.	National Salute (sound staging)	7,500
Bogley, Harting & Betts	legal services	6,800
Antaya Bros.	promotional items	6,741
Desks & Furnishings	office equipment	6,668
Dean Coston & Associates	rent	6,475
IBM	office equipment rental	6,207
D.C. Dept. of Employ. Ser.	unemployment taxes	6,074
Ballooning Center of No. Va.	balloons for National Salute	6,004
Reed Insurance Agency	insurance	5,954

LIST OF PAYEES \$500
AND OVER

<u>Payee</u>	<u>Purpose</u>	<u>Total paid</u>
Windsor Specialty Assoc.	promotion, public relations, 10k run, misc.	5,847
Webcraft	printing	5,309
Hideo Sasaki	design competition juror	5,244
Henry J. Kaufman & Assoc.	publicity of story behind Memorial and National Salute	5,199
Walsh-Thompson Associates	preparation of National Salute parade script	5,165
Philip Holzer & Assoc.	stationery, envelopes (promotion)	5,147
Office Boy, Inc.	office supplies	5,075
Joseph E. Brown	design prize	5,000
AIA Foundation	design competition exhibit	5,000
Kathy Wilson	office employee	4,954
Prentice-Hall	purchase of books for sale at the National Salute	4,926
Direct Mail Lithographers	mailing services	4,856
S & S Graphics	printing of design comp. program	4,727
Kahn Oppenheimer, Inc.	laminated plaques, decals, and certificates	4,571
Minuteman Press	xeroxing, printing	4,532
IRS	payroll taxes	4,499
Victor J. Fischer	reconciliation seminar (consulting)	4,470
Eckbo-Kay Associates	juror in design competition	4,406
Exspeedite Service, Inc.	Memorial design competition booklet, and poster contest	4,310
Creative Direct Response	mailing services	3,895
Richard E. Radez	director's expenses	3,639
Stanford Paper Co.	office supplies	3,577
Barrett Colea, Inc.	architectural development	3,500
ATEC Associates	concrete/soil technicians	3,465
Mercury Mailer	postage	3,450
FDE Ltd.	consulting construction	3,440
G. B. Craighill	contract negotiations with sculptor	3,425
Federal Express	delivery charges	3,416
Sheraton Washington	reception headquarters for the National Salute	3,354
M. S. Ginn & Co.	office supplies	3,291
Pietro Bellushi, Inc.	juror in design competition	3,262
Harry Weese & Associates	juror in design competition	3,261
Jiffy John, Inc.	portable toilets for National Salute	3,200
Postal Instant Press	printing	3,190
Direct Mail Management	printing	3,185
Bruce Hopkins, P.C.	legal services	3,066
Jacobs-Gardner Supplies	office supplies	3,062
Response Marketing Group	rent, telephone services, xeroxing	3,033
Paul Stevenson Oles	design promotion artist's sketch	3,000
Automated Correspondence Systems	printing	2,965
United Parcel Service	delivery services	2,940

LIST OF PAYEES \$500
AND OVER

<u>Payee</u>	<u>Purpose</u>	<u>Total Paid</u>
Dann Moss Associates	producer's fees for entertainers' show at the National Salute	2,835
Richard Hunt	juror for design competition	2,794
James Rosati	juror for design competition	2,699
PR Aids	public relations	2,666
Odd Jobs, Inc.	proofreading names	2,627
Shirt Explosion	T-shirts for radiothon	2,555
Mikris Productions	National Salute--travel for entertainers	2,532
Andrew Bartlett & Co.	supplies	2,500
C. J. Coahley Co.	moving expenses for new office location	2,447
Charles Bigelow	typography and typesetting services	2,447
Ronald F. Gibbs	travel to Board meetings	2,265
Constantino Nivola	juror for design competition	2,187
Ritz-Carlton	hotel expenses for the National Salute	2,107
Dorsey Franks	office employee	2,070
Tele-Color Productions	Memorial promotion	2,040
John P. Wheeler	director's expenses	1,978
Treasurer General, Nat'l Society DAR	DAR hall rental for National Salute entertainers' show	1,910
Richard T. Feller	contract negotiation with sculptor	1,900
Wilkes & Faulkner Assoc.	architectural consulting	1,866
Ridgewell Caterers, Inc.	catering for the National Salute	1,859
DCM Group	consulting services	1,847
Motivational Communication	printing	1,806
Natco	office supplies, printing, postage	1,706
S. Freedman & Sons	supplies for National Salute	1,651
Robert Terzo	contract labor--National Salute	1,625
Clark Printing	printing	1,562
Colter Limousine	travel expenses for entertainers at the National Salute	1,561
Earth Travel Co.	travel expense for entertainers at the National Salute	1,546
National Building Museum	rental space for sculpture model and wall display	1,500
Montgomery Signs	National Salute advertising--posters for Metro buses	1,490
TELE-SEC	office contract labor	1,461
Pamela Nissam	contract labor	1,364
Alpha Designs	promotional items	1,360
Designers Folio	design competition display panels	1,360
Senate Restaurant	public relations--luncheon after ground breaking	1,352
Dante's Office Supply	office supplies	1,347
Keyboard Services	printing	1,346
McGregor & Weiner	xeroxing	1,319

LIST OF PAYEES \$500
AND OVER

<u>Payee</u>	<u>Purpose</u>	<u>Total Paid</u>
Wood & Stone, Inc.	inscribing reference dots on the Memorial walls for locating names	1,290
Drums Unlimited	National Salute--entertainers' show, rental of musical equipment	1,277
Techniarts	technical services for Memorial ceremonies	1,250
Van Es Associates	construction consultants	1,240
Georgetown Employment Service	personnel finder fees	1,200
United Agencies	insurance	1,075
WBAP-AM Radio	radiothon fundraising expense	1,036
Army & Navy Club	luncheons, press events, sculpture panel meeting	1,018
Protestant Episcopal Dictaphone	National Salute vigil office equipment	1,009
Richard K. Aber	Honorable Mention Winner	1,000
Daniel F. Wagner	Honorable Mention Winner	1,000
Lincoln A. Poley	Honorable Mention Winner	1,000
Laura F. David	Honorable Mention Winner	1,000
Mark J. Loftus	Honorable Mention Winner	1,000
Tom Gibbs	Honorable Mention Winner	1,000
John Wiebsenson	Honorable Mention Winner	1,000
Loren W. Madsen	Honorable mention Winner	1,000
Brian J. Crumlish	Honorable Mention Winner	1,000
David W. Osler	Honorable Mention Winner	1,000
Henry F. Arnold	Honorable Mention Winner	1,000
Milton W. Palmer	Honorable Mention Winner	1,000
Abner B. Cohen	Honorable Mention Winner	1,000
Peter Blake	Honorable Mention Winner	1,000
Paul Nonnast	Honorable Mention Winner	1,000
KIX 106 (radio)	National Salute advertising	1,000
Olivia Brooks	National Salute temporary secretarial support	960
National Transit Adver.	National Salute-Posters (Metro Bus Advertisement)	950
Decision Making Inform.	survey	911
Cutting Studios, Inc.	public service announcements	907
Assoc. of Gen. Contractors of America	postage for editorial mailing	871
Robert Lautman	photographic services	850
ADS Audio Visual	audio-visual services	838
T. J. Hayes	travel expenses expenses	793
R. S. Willard Co.	design competition	789
Delta Airlines	travel services	784
Annin & Co.	promotional services	757
National Park Service	memorial guides for dedication	734
Gayle Krughoff	photographic services	697
Arent, Fox, Kintner, Plotkin and Co.	legal services	697

LIST OF PAYEES \$500
AND OVER

<u>Payee</u>	<u>Purpose</u>	<u>Total Paid</u>
Radio-TV Monitoring Service	video recording news story	675
Christine Shantz	contract labor	634
James Herbert	fundraising	628
Postalia, Inc.	purchase of postage meter base	624
Senate Recording Studio	recording tapes	620
A Plus Rental Center	expenses	610
Darrell Acree	photographic services	600
Jeff Reynolds	list research	588
Cavalier Press, Inc.	printing	580
Stephen Anderson	photographic services	561
Ruth Nivola	design competition expenses	547
Typographic Service	advertising expense	537
Action Graphics	printing	522
National Archives Trust Fund	DOD Vietnam casulty lists	512
Detente Messenger Service	Answering service	500
Total disbursements to payees over \$500 each		<u>8,229,835</u>
Total disbursements to payees under \$500 each		<u>28,737</u>
Total disbursements		<u>\$ 8,258,572</u>

SCHEDULE OF CHANGE ORDERS TO
THE MEMORIAL CONSTRUCTION CONTRACT

<u>Change Order #</u>	<u>Date of change</u>	<u>Subcontractor</u>	<u>Amount</u>
001	04-21-82	Rogan Granitindustries	\$ 1,729
002	04-22-82	Fort Myer Construction	(34,835)
003	05-26-82	Rogan Granitindustries	26,424
004	06-16-82	Westlind Construction Co.	4,677
005	06-28-82	Chapel Valley Landscape Co.	9,900
006	08-12-82	Fort Myer Construction	7,002
007	08-27-82	Fort Myer Construction	1,553
008	09-13-82	Fort Myer Construction	2,112
009	10-18-82	Binswanger Glasscraft	3,950
010	10-20-82	Volpe and Musolino Inc.	1,487
011	11-02-82	Fort Myer Construction	4,476
012	11-09-82	Fort Myer Construction	5,005
013	12-02-82	Chapel Valley Landscape Co.	7,450
014	12-28-82	Binswanger Glasscraft	23,608
015	01-13-83	Volpe and Musolino, Inc.	33,575
016	01-14-83	Fort Myer Construction	(578)
017	01-17-83	Volpe and Musolino, Inc.	3,829
018	01-20-83	Volpe and Musolino, Inc.	5,581
019	01-20-83	Chapel Valley Landscape Co.	11,913
020	01-25-83	Volpe and Musolino, Inc.	1,188
021	01-27-83	Chapel Valley Landscape Co.	7,725
022	02-07-83	Volpe and Musolino, Inc.	5,410
023	02-24-83	Chapel Valley Landscape Co.	12,400
024	02-28-83	Volpe & Musolino, Inc.	5,863
025	02-28-83	Chapel Valley Landscape Co.	98,496

SCHEDULE OF CHANGE ORDERS TO
THE MEMORIAL CONSTRUCTION CONTRACT

<u>Change Order #</u>	<u>Date of Change</u>	<u>Subcontractor</u>	<u>Amount</u>
026	04-25-83	Chapel Valley Landscape Co.	30,808
027	05-09-83	Chapel Valley Landscape Co.	54,429
028	06-08-83	Ratrie Robbins & Schweizer	158,372
029	07-15-83	Chapel Valley Landscape Co. Ratrie Robbins & Schweizer	39,488
030	09-07-83	Rogan Granitindustries Volpe and Musolino, Inc.	79,312
031	09-19-83	Spencer Industries	38,436
032	09-27-83	Ratrie Robbins & Schweizer	144,776
033	10-19-83	Chapel Valley Landscape Co. Joy Con Construction Co. Ratrie Robbins & Schweizer	2,611
034	10-19-83	Volpe & Musolino Spencer Industries Versa Tech	150,940
035	11-11-83	Chapel Valley Landscape Co.	14,443
036	11-17-83	Rogan Granitindustries Chapel Valley Landscape Co.	27,021
037	11-28-83	Chapel Valley Landscape Co.	1,066
038	12-07-83	Rogan Granitindustries	(1,791)
039	12-21-83	Ratrie Robbins & Schweizer,	3,404
040	03-13-84	Spencer Industries	<u>18,498</u>
Total			<u><u>\$1,011,753</u></u>

APPENDIX VIII

APPENDIX VIII

FUND BOARD MEMBERS AND OFFICERS
INCEPTION TO PRESENT

<u>Position on</u> <u>Board of Directors</u>	<u>Name</u>	<u>From</u>	<u>Dates</u> <u>To</u>
Member	Thomas E. Mullings	4/26/79	9/8/79
Member	Robert W. Doubek	4/26/79	11/26/79
Member	Jan C. Scruggs	4/26/79	12/29/80
Chairman	John P. Wheeler	9/8/79	Present
Member	Robert H. Frank	9/8/79	Present
Member	George W. Mayo, Jr.	12/29/80	Present
Member	John C. Morrison	4/15/82	Present
Member	Richard E. Radez	4/15/82	Present
Member	John O. Woods	4/15/82	Present
Member	Ronald F. Gibbs	4/15/82	Present
<u>OFFICERS</u>			
President	Jan C. Scruggs	12/29/80	Present
Exec. Vice President	Donald E. Schaet	2/17/81	3/31/82
Exec. Vice President	Robert A. Carter	4/7/82	Present
Project Director/Sec.	Robert W. Doubek	11/26/79	6/30/83
Campaign Director	Sandra F. Fauriol	9/24/80	3/31/83
Treasurer	Robert H. Frank	9/8/79	Present
Administrative Manager	Kathy M. Kielich	9/8/80	Present

SUMMARY OF SALARY AND EXPENSES
(INCEPTION THROUGH MARCH 31, 1984)
DIRECTORS, OFFICERS AND EMPLOYEES

	<u>Total</u>	<u>Gross Salary</u>	<u>Total Expenses</u>
John P. Wheeler, Chairman	\$ 1,978	\$ -	\$ 1,978
Robert H. Frank, Director	398 (a)	-	398
George W. Mayo, Jr. Director	-	-	-
John C. Morrison, Director	-	-	-
Richard E. Radez, Director	3,639	-	3,639
John O. Woods, Director	-	-	-
Ronald F. Gibbs, Director	2,265	-	2,265
Jan C. Scruggs, President	127,544	113,130	14,414
Donald E. Schaet, Exec. V.P.	39,405	33,158	6,247
Robert A. Carter, Exec. V.P.	67,261	65,423	1,838
Robert W. Doubek, Project Dir.	156,021	139,612	16,409
Sandie Fauriol, Campaign Dir.	95,204	89,323	5,881
Kathy M. Kielich, Admin. Mgr.	67,228	64,532	2,696
Karen K. Bigelow, Deputy Campaign Dir.	48,917	48,917	-
Chelette Johnson	34,915	33,326	1,589
Ruth Murdock	29,891	28,103	1,788
Kelvin Hunter, Jr.	17,826	17,524	302
Charlene Cook	10,581	10,576	5
Janice Padden	8,791	6,880	1,911
Kathy Wilson	5,743	4,250	1,493
Dorsey Franks	<u>2,361</u>	<u>1,932</u>	<u>429</u>
	<u>\$ 719,968</u>	<u>\$ 656,686</u>	<u>\$ 63,282</u>

(a) Excludes fees for bookkeeping services paid to Mr. Frank's accounting firm.

LIST OF INDIVIDUALS INTERVIEWED

The following individuals were interviewed in connection with our investigation of the Fund's operations.

<u>Name</u>	<u>Organization</u>
Charles R. Bailey	Political advisor
Thomas Carhart	Vietnam Veterans Leadership Program
Robert A. Carter	Executive Vice President of the Fund
George R. Clark	Pierson, Ball & Dowd, Attorneys at Law
Milton Copulos	Heritage Foundation
Elizabeth M. Doherty	Director, Philanthropic Advisory Service, Council of Better Business Bureaus, Inc.
Robert W. Doubek	Former Fund Project Director
John Fales	Member, Disabled American Veterans
Sandra F. Fauriol	former campaign director of the Fund
Victor J. Fischer	Consultant
Robert H. Frank	Treasurer of the Fund
Kevin Hogan	Federal Bureau of Investigation
Kent Jarrell	WDVM-TV
Chelette Johnson	Administrative Staff of the Fund
Kathy M. Kielich	Administrative Manager of the Fund
Mylio Kraja	American Legion
Bill Lawlor	WDVM-TV
Tom Lyons	Chairman, South Boston Vietnam Veterans Memorial
Michael McKenna	Gilbane Building Company
George W. Mayo, Jr.	Board of Directors

LIST OF INDIVIDUALS INTERVIEWED

<u>Name</u>	<u>Organization</u>
John C. Morrison	Board of Directors
David Murphy	National Park Service
Terrence O'Donnell	The Fund's outside legal counsel
Dave Pearce	News Director, WDVM-TV
H. Ross Perot	Electronic Data Systems
James Rogan	President, Rogan Granitindustries
Conrad Rosenberg	Chief, Program Branch, Internal Revenue Service
Jan C. Scruggs	President of the Fund
Carlton Sherwood	Former investigative reporter, WDVM-TV
Richard Shlakman	Vice-President, Electronic Data Systems
Robert Spanogle	National Adjutant, American Legion
William Stensland	Vietnam Veterans Leadership Program
Joseph Tedesco	Director, Exempt Organizations, Internal Revenue Service
John Terzano	Vice-President, Vietnam Veterans of America
Linda Van De Vanter	Vietnam Veterans of America
James Webb	Author
Dr. Victor Westphall	Founder, Vietnam Veterans Chapel (now the DAV National Vietnam Veterans Memorial)
John P. Wheeler	Chairman, Fund Board of Directors
Rufus Wilson	Minority Staff Director, House Committee on Veterans Affairs
John O. Woods	Board of Directors

LIST OF ALLEGATIONS INVESTIGATED

The following list of allegations represents those matters which were raised in the television broadcasts regarding the Fund or in discussions which we conducted during the investigation. The references are to the appropriate sections of our report where the matters were addressed.

	<u>Page Ref.</u>
1. The Fund President stated at a meeting that the Fund had \$12 million. If this statement is true, the the Fund obviously has two sets of accounting records.	20
2. The American Legion donation of \$1.2 million was conditioned on the dedication of the Memorial on Veterans Day 1982.	18
3. The Fund was still attempting to raise funds in 1983 by placing advertisements in veteran's organizations publications.	19
4. The Fund did not meet the Council of Better Business Bureaus' fundraising standards. Additionally, Elizabeth Doherty of the Council believed that the Fund had concluded operations in 1982.	23
5. The Fund paid \$2 million for direct mail fundraising to raise \$1.5 million net. These fundraising costs were too high. DAV reviewed the Fund's fundraising campaign and determined that its costs were too high. Subsequently, CMCA (the Fund's direct-mail firm), lowered its fees.	21-23
6. The Fund spent too much on administration and overhead and too little on the construction of the Memorial. Consulting fees were too high and direct-mail costs were out of line. The Fund spent more for administration than construction.	25-53
7. The American Legion paid for the bronze flagpole which has been erected at the Memorial.	41
8. The Fund is double counting contributions by applying the American Legion contributions for the flagpole to both pole costs and overall construction costs.	41
9. The Fund spent \$500,000 to \$1 million for the week of the National Salute transporting people to Washington, D.C.	43

Page Ref.

10. The Fund paid \$113,000 in consulting fees for the National Salute when the American Legion had made a commitment, and was under the belief, that it had paid for the parade. 43
11. The Fund paid \$120,000 in consulting fees for the National Salute. 43
12. The IRS audit showed that the Fund had committed six "paperwork" violations. The IRS's Baltimore office received a telephone call, supposedly from Terry O'Donnell of Williams and Connolly, which reportedly influenced the IRS to drop its line audit of the Fund. The IRS was allegedly told that the Fund would no longer be in existence within 90 days and that the IRS could let the matter "slide." Carlton Sherwood has a copy of an IRS memorandum discussing the Fund. 56
13. DAV offered the Fund a \$1 million contribution on the condition that DAV be allowed to see and audit the Fund's financial records. 60
14. The Fund has a history of breaking promises to other organizations. The Fund promised \$100,000 to the Vietnam Veterans Chapel (now the DAV National Vietnam Veterans Memorial) and unspecified financial support to the South Boston Vietnam Veterans Memorial. The Fund has never donated any money to either organization. 61-62
15. Art Mosley, a close friend of John Wheeler, received approximately \$11,000 for an unnecessary consulting contract. 63
16. John Wheeler wrote the articles of incorporation of the Vietnam Veterans of American (VVA), and therefore, any dealings between the Fund and VVA represent conflicts of interest. The Fund provided VVA \$100,000 when VVA was in dire financial condition. Also, the Fund donated \$10,000 to Linda Van DeVanter, member of VVA, to underwrite the cost of her book, NURSE. Finally, the Fund hired a number of VVA members as consultants for the National Salute. 64
17. The Fund sold souvenirs made of surplus granite left from the construction of the Memorial. 64-65

	<u>Page Ref.</u>
18. John Wheeler, Chairman of the Fund's Board of Directors, used the Fund for personal gain and benefit. Wheeler solicited articles from veterans under the guise of the Fund which were later used to write his book, <u>TOUCHED WITH FIRE</u> . Therefore, the Fund underwrote the cost of his book. Additionally, the Fund issued press kits which contained Wheeler's personal theological reflections on the Vietnam war. The cost of including Wheeler's reflections in the kits was an invalid Fund expense. Also, Wheeler used Fund facilities to publish a monthly newsletter.	65-66
19. The Fund is underwriting the costs of Jan Scruggs' book. No royalties from the sale of the book are to be remitted to the Fund.	65-66
20. John Wheeler, Jan Scruggs, Robert Doubek spent \$20,000 in one weekend at the Hay-Adams Hotel in Washington, D.C. promoting a book that Wheeler was going to write. Victor Fischer received \$5,000 of the money.	66-67
21. The Fund's sole purpose was to build the Memorial and not conduct seminars, parades, etc. The Fund violated its charter by conducting these "other activities. For example, educating the public and holding a reconciliation seminar had nothing to do with building the Memorial.	67
22. The Fund reportedly donated \$5,000 to a women's rights group (name unknown) and John Wheeler, with his disbursement authority of \$5,000, authorized the contribution.	67-68
23. The Fund reportedly gave \$2 million to the National Council of Churches which allegedly forwarded the funds to a radical military group.	67-68
24. The Fund paid Charles Bailey \$5,000 for lobbying on the "Hill." IRS regulations prohibit a 501(c) (3) organization from lobbying.	68
25. On November 10, 1983, Jan Scruggs stated on a radio talk show that H. Ross Perot had cost the Fund three to four times the amount of money he donated to the Fund. This statement indicates that the Fund paid \$750,000 to \$1 million in legal fees to the law firm of Williams and Connolly.	47-48

APPENDIX XI

APPENDIX XI

	<u>Page Ref.</u>
26. The Fund used its funds to pay attorney fees for the filing of charges against Carlton Sherwood on behalf of Fund Board Chairman, John Wheeler. A Williams and Connolly attorney assisted in drawing up the charges and delivered them to the police department himself.	47-48
27. Vietnam veterans were excluded from the process of selecting the Memorial design.	3
28. Less than one-third of the contributions were used on the Memorial itself.	27-42
29. The DAV was not provided financial information by the Fund.	57
30. The Chairman of the Board could authorize expenditures up to \$5,000.	25-27
31. The Report to the Congress was misleading.	57
32. An official of the United Vietnam Veterans was hired as a paid consultant by the Fund.	64



May 17, 1984

DIRECTORS

John P. Wheeler III Esq.*
Chairman
Robert H. Frank, CPA
Treasurer
Ronald F. Gibbs*
George W. Mayo Jr. Esq.*
John C. Morrison Esq.*
Richard E. Radez*
John O. Woods Jr. P.E.*

STAFF

Jan Craig Scruggs*
President
Col. Robert A. Carter USAF Ret.*
Executive Vice President/Secretary
Kathe M. Kielich
Administrative Manager/
Director of Public Relations

NATIONAL SPONSORING COMMITTEE

Arnold "Red" Auerbach
Pearl Bailey
Marion S. Barry Jr.
Mayor
District of Columbia
Rocky Bleier*
Ruben Bonilla
League of United Latin
American Citizens (LU/LAC)
The Hon. Ellsworth Bunker
Carroll Burnett
Jose Cano
American C.I. Forum of the U.S.
Rosalynn Carter
The Hon. Max Cleland*
The Hon. Baltasar Corrada
Howard Cosell
Gen. Michael S. Davison, USA Ret.*
Former Commander-in-Chief
U.S. Army Europe
The Hon. Gerald R. Ford
and Mrs. Ford
Philip Gevelin
Barry Goldwater
United States Senator
from Arizona
Rev. Theodore M. Hesburgh, C.S.C.
University of Notre Dame
Bob Hope
Gen. David C. Jones USAF (Ret.)*
Vernon E. Jordan, Jr.
National Urban League
Michael I. Kogutek
American Legion
The Hon. George McGovern
The Hon. Robert P. Nimmo
Nancy Reagan
Carl T. Rowan
Willie Stargell
Roger Staubach*
Jimmy Stewart
The Hon. Paul Thayer
Deputy Secretary of Defense
The Hon. Cyrus R. Vance
Gen. John W. Vessey, Jr.*
Chairman Joint Chiefs of Staff
The Hon. Harry N. Walters
Administrator of Veteran Affairs
Veterans Administration
John W. Warner
United States Senator
from Virginia
Gen. William C. Westmoreland Ret.*
Former Chief of Staff U.S. Army
The Hon. Joseph C. Zengerle*

*Served in Vietnam

Affiliations noted for
purposes of identification only

Mr. Thomas Sholedice
Group Director
Accounting and Financial
Management Division
U.S. General Accounting Office
441 G. Street, N.W.
Washington, D.C. 20548

Dear Mr. Sholedice:

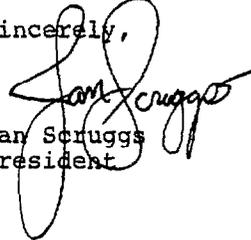
The Officers and Directors of the Vietnam Veterans Memorial Fund have reviewed the GAO draft report and agree with the conclusions stated therein. The Fund is most appreciative of the thorough, professional and detailed work of GAO.

The GAO report totally vindicates the Fund and demonstrates the financial integrity of the organization.

The GAO's conclusions that the Fund's financial operations have been conducted in a proper and legal manner, that the prior audits were proper, and that the GAO investigation did not reveal any improper or illegal actions by the Fund, its Officers and Directors, dispel once and for all the serious allegations that have been leveled at the Fund by a small group of individuals.

Even more important, the GAO report removes the cloud from the Memorial itself -- a cloud formed by baseless allegations that jeopardized the very purpose of the Memorial, which is to honor and dignify all American veterans who served in the Vietnam War.

Sincerely,


Jan Scruggs
President
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