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Examination of Financial Statements of the Pennsylvania Avenue Development Corporation for Fiscal Year Ended June 30, 1975, and the 15-Month Period Ended September 30, 1976. FOD-77-4(a); B-118638. July 20, 1977. 6 pp. + 4 enclosures (5 pp.) + appendix (1 pp.).

Report to the Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Field Operations Div.

Budget Function: General Government (800).

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Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs; Congress.

Authority: Pennsylvania Avenue Development Corporation Act of 1972 (40 U.S.C. 871-885). Supplemental Appropriations Act [of] 1977 (P.L. 95-26). (P.L. 93-427; 88 Stat. 1170). (P.L. 94-388; 90 Stat. 1188).

The financial statements of the Pennsylvania Avenue Development Corporation present fairly its financial position at September 30, 1976, and at June 30, 1975, the results of its operations, and the changes in U.S. Government investment for the periods then ended. The Corporation was created by the Congress to develop and implement a plan for redeveloping the area adjacent to Pennsylvania Avenue between the Capitol and the White House. Findings/Conclusions: To develop the plan, the Congress appropriated \$824,000 for operating and administrative expenses for the fiscal year ended June 30, 1975, and \$1,042,000 for similar expenses for the 15-month period ended September 30, 1976. On August 14, 1976, the Congress approved an additional \$38,800,000 appropriation authorization to remain available without fiscal year limitation through September 30, 1990. The Supplemental Appropriations Act, 1977, appropriated \$4,081,000 to the Corporation for public development activities and projects in accordance with the development plan, and it gave the Corporation authority to borrow up to \$25 million from the U.S. Treasury. The Corporation's powers and management are vested in a Board of Directors consisting of 15 members, 8 of whom are private citizens appointed by the President and 7 of whom are Federal and District of Columbia officials. (Author/SC)

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# *REPORT TO THE CONGRESS*

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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## **Examination Of Financial Statements Of The Pennsylvania Avenue Development Corporation For Fiscal Year Ended June 30, 1975, And The 15-Month Period Ended September 30, 1976**

This report comments on the current status of funding of the Pennsylvania Avenue Development Corporation and the objectives of the overall redevelopment plan. It also includes GAO's opinion on the fair presentation of the Corporation's financial statements.



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

B-118638

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

This report summarizes the results of our examination of the Pennsylvania Avenue Development Corporation's financial statements for the fiscal year ended June 30, 1975, and the 15-month period ended September 30, 1976.

We made our examination pursuant to section 105 of the Government Corporation Control Act, as amended (31 U.S.C. 850 (Supp. V, 1975)).

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of the Treasury; and the Chairman, Board of Directors, Pennsylvania Avenue Development Corporation.

A handwritten signature in black ink, reading "James B. Altschuler".

Comptroller General  
of the United States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

EXAMINATION OF THE PENNSYLVANIA  
AVENUE DEVELOPMENT CORPORATION'S  
FINANCIAL STATEMENTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 1975,  
AND THE 15-MONTH PERIOD ENDED  
SEPTEMBER 30, 1976

D I G E S T

The Pennsylvania Avenue Development Corporation was created by the Congress on October 27, 1972, to develop and implement a plan for redeveloping the area adjacent to Pennsylvania Avenue between the Capitol and the White House. The Pennsylvania Avenue Plan-1974 was presented to the Congress that year on November 19. (See p. 1.)

To develop the plan, the Congress appropriated \$824,000 for operating and administrative expenses for the fiscal year ended June 30, 1975, and \$1,042,000 for similar expenses for the 15-month period ended September 30, 1976. On August 14, 1976, the Congress approved an additional \$38,800,000 appropriation authorization to remain available without fiscal year limitation through September 30, 1990.

The Supplemental Appropriations Act, 1977 (Public Law 95-26, May 4, 1977), appropriated \$4,081,000 to the Corporation for public development activities and projects in accordance with the development plan. The act also gave the Corporation authority to borrow up to \$25 million from the U.S. Treasury. (See p. 5.)

The Corporation's powers and management are vested in a Board of Directors consisting of 15 members--8 private citizens appointed by the President and 7 Federal and District of Columbia officials. (See p. 2.)

OPINION ON FINANCIAL STATEMENTS

In GAO's opinion the Corporation's financial statements present fairly its financial position at September 30, 1976, and June 30, 1975, the results of its operations, and the changes in U.S. Government investment for the periods

then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General.

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## CHAPTER 1

### INTRODUCTION

The Pennsylvania Avenue Development Corporation, a wholly owned corporation of the United States, was created by the Congress on October 27, 1972, under the Pennsylvania Avenue Development Corporation Act of 1972 (U.S.C. 871-885 (Supp. III, 1973)).

The act provides for preparing and implementing a development plan for certain areas between the White House and the Capitol. The Congress declared it was in the national interest that the area adjacent to Pennsylvania Avenue be developed, maintained, and used in a manner suitable to its ceremonial, physical, and historical relationship to the legislative and executive branches of the Federal Government.

### CORPORATE POWERS

The Corporation has a broad range of powers including the power to:

- Sue and be sued in its own name.
- Acquire lands, improvements, and properties within the development area by purchase, lease, donation, or exchange; sell, lease, or otherwise dispose of such real and personal property and any interest therein as the Corporation deems necessary to carry out the development plan.
- Enter into and perform such contracts, leases, cooperative agreements, or other transactions with any agency or instrumentality of the United States, the several States, or the District of Columbia, or with any person, firm, association, or corporation as deemed necessary to the conduct of activities under the act.
- Acquire, construct, reconstruct, rehabilitate, improve, alter, repair, or provide for the construction, reconstruction, improvement, alteration, or repair of any project.
- Borrow money from the U.S. Treasury in such limited amounts as may be authorized in appropriation acts. (See, in general, 40 U.S.C. 875, (Supp. V, 1975.))

The Corporation's powers are vested in a Board of Directors consisting of 15 members--8 private citizens appointed by the President and 7 Federal and District of Columbia officials. (See app. I.)

## CHAPTER 2

### THE DEVELOPMENT PLAN

Pennsylvania Avenue's redevelopment has been planned since 1962 when an ad hoc committee on Federal office space recommended to the President that the Government renovate the avenue. The President's Advisory Council on Pennsylvania Avenue submitted a master plan to the President in April 1964. In 1965, the President's Commission on Pennsylvania Avenue was established to refine and implement the plan.

The Corporation initiated planning activities in July 1973 when appropriated funds became available. A staff of 15 was hired to prepare the development plan. In addition, outside consultants were contracted to conduct studies and provide expertise in numerous fields which included engineering, traffic, architecture, and restoration.

The Corporation's Board of Directors approved the "Pennsylvania Avenue Plan-1974," on October 24, 1974, and presented it to the Congress on November 19, 1974. The plan became effective in May 1975 since the act provided that the Corporation could execute and implement the plan unless, between the date of transmission and the end of a 60-day legislative period, either the Senate or the House of Representatives passed a resolution opposing the development plan (40 U.S.C. 874d, (Supp. V, 1975)).

### PLANNING OBJECTIVES

The basis for planning included the following objectives.

- Make the avenue function as a bridge between the monumental Federal core to the south and the city's downtown area to the north.
- Reinforce the avenue's special role as the physical and symbolic link between the White House and the Capitol.
- Bring new economic life, jobs, shopping, and business activities to the avenue, while reinforcing existing economic activity along the avenue and in the adjacent downtown core.
- Enhance the tax base of the city through more intensive use of land in the development area.

- Make the avenue an attractive and enjoyable place for residents and visitors.
- Introduce new buildings on currently underutilized land that will represent modern architecture and planning concepts while enhancing existing locations.
- Maintain the historical continuity of the avenue through preserving buildings that represent different eras and styles that give tangible evidence of how the avenue has developed and been used over the years.
- Structure a development program that can be implemented in a timely fashion and is consistent with overall market demand in the area.

#### SOURCES OF FUNDS TO IMPLEMENT PLAN

The plan will be implemented with the following funds:

- A public development fund which will be used to pay for all public sector activities whose costs will not be recovered through the Corporation's revenues. These activities will include public works, relocation assistance, site preparation and improvements, historic preservation and renovation, and changes in land use. All expenditures for implementing the plan will be made from the revolving fund.
- A revolving fund to finance property acquisition and land preparation. The Corporation will repay money borrowed from the Treasury with revenues from reselling or leasing acquired and prepared parcels to private developers.
- An annual appropriation to pay salaries and expenses for the corporate staff.

#### CURRENT STATUS OF FINANCING

The act of October 1, 1974, (Public Law 93-427 (88 Stat. 1170)) authorized \$1,750,000 for corporate operating and administrative expenses for fiscal years 1974 and 1975. The Congress later appropriated \$850,000 and \$824,000 for spending during fiscal years 1974 and 1975, respectively.

On August 14, 1976, the Congress again authorized additional sums (Public Law 94-388 (90 Stat. 1188)) for operating and administrative expenses not to exceed \$1,300,000 for the

fiscal year ended June 30, 1976; \$325,000 for July 1 through September 30, 1976; and \$1,500,000 each, for the fiscal years ending September 30, 1977, and September 30, 1978. During the 15-month period ended September 30, 1976, the Congress appropriated \$1,042,000 of this amount. This act further authorized an additional \$38,800,000 for implementation of the plan to be appropriated to the Corporation through the fiscal year ended September 30, 1978; this appropriation was to remain available without fiscal year limitation through September 30, 1990.

The Supplemental Appropriation Act, 1977 (Public Law 95-26, May 4, 1977), appropriated \$4,081,000 to the Corporation for public development activities and projects in accordance with the development plan. The act also gave the Corporation authority to borrow \$25 million from the Treasury pursuant to the provisions of 40 U.S.C. 875(6) (Supp. V, 1975).

### CHAPTER 3

#### SCOPE OF EXAMINATION AND OPINION

##### ON FINANCIAL STATEMENTS

##### SCOPE OF EXAMINATION

We examined the statements of financial condition for September 30, 1976, and June 30, 1975; and the statements of operations and the statement of changes in Government investment for the 15-month period ended September 30, 1976, and the fiscal year ended June 30, 1975. This examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such auditing procedures as we considered necessary. We previously examined and reported on the Corporation's financial statements for the fiscal year ended June 30, 1974.

##### OPINION ON FINANCIAL STATEMENTS

In our opinion, the accompanying financial statements (schs. 1 through 3) present fairly the financial position of the Corporation at September 30, 1976, and June 30, 1975, and the results of its operations and the changes in U.S. Government investment for the periods then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General.

**SCHEDULES**



## SCHEDULE 2

## SCHEDULE 2

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATIONSTATEMENT OF OPERATIONS FORTHE 15-MONTH PERIOD ENDED SEPTEMBER 30, 1976,AND THE FISCAL YEAR ENDED JUNE 30, 1975

	<u>15-month period ended Sept. 30, 1976</u>	<u>Fiscal year ended June 30, 1975</u>
<b>OPERATING AND ADMINISTRATIVE EXPENSES:</b>		
Consultant services	\$229,627	\$370,077
Personnel compensation and related benefits	567,095	338,195
Annual leave expenses	1,031	2,063
Rent of office space	42,044	29,826
Administrative support service provided by General Services Administration	28,000	26,000
Supplies and materials	16,868	19,238
Printing and reproductions	10,485	22,095
Director and staff travel expense	18,395	12,980
Telephone communications	14,611	4,709
Rental of furniture and equipment	5,131	3,972
Leasehold amortization and depreciation (notes 2 and 3)	5,512	19,213
Other expenses	17,732	333
GAO audit	9,000	8,334
Loss on sale of office furniture and equipment	<u>90</u>	<u>-</u>
Total	<u>\$965,629</u>	<u>\$857,035</u>

(The notes on p. 11 are an integral part of this statement.)

PENNSYLVANIA AVENUE DEVELOPMENT CORPORATION  
STATEMENT OF CHANGES IN U.S. GOVERNMENT INVESTMENT  
FOR THE 15-MONTH PERIOD ENDED SEPTEMBER 30, 1976,  
AND THE FISCAL YEAR ENDED JUNE 30, 1975

	15-month period ended <u>September 30, 1976</u>	Fiscal year ended <u>June 30, 1975</u>
Beginning balance	\$ 169,105	\$ 206,269
New appropriation	<u>1,042,000</u>	<u>824,000</u>
Balance available	1,211,105	1,030,269
Less:		
Cost of operations	\$965,629	\$857,035
Surplus funds returned to Treasury	<u>8,666</u> <u>974,295</u>	<u>4,129</u> <u>861,164</u>
Ending balance	<u>\$236,810</u>	\$ <u>169,105</u>

(The notes on p. 11 are an integral part of this statement.)

## NOTES TO FINANCIAL STATEMENTS

1. The financial statements of the Pennsylvania Avenue Development Corporation represent financial activity by the Corporation for the 12-month period ended June 30, 1975, and the 15-month period ended September 30, 1976. Effective October 1, 1976, the U.S. Government fiscal year will begin on October 1 and end on September 30.
2. During 1975, the Corporation adopted a new minimum capitalization figure of \$350 for equipment. The General Services Administration adjusted its general ledger account for the difference, which represented the amount of equipment purchased in 1974 and 1975 having an acquisition cost of \$350 or less. This adjustment resulted in a decrease to the office furniture and equipment account of \$14,708 and an increase to 1975 depreciation expense of \$14,708. These items of office furniture and equipment were capitalized at \$1 each for control purposes. The depreciation rates used for fiscal year 1975 and the 12-month period ended June 30, 1976, are 8 percent for office furniture and filing equipment and 20 percent for office machines. The depreciation rates used for the 3-month transition quarter July 1, 1976, through September 30, 1976, are 2 percent for office furniture and filing equipment and 5 percent for office machines. No depreciation is recorded in the year of acquisition, and a full year's depreciation is recorded in the year of disposal.
3. Leasehold improvements are amortized on a monthly basis from the month that work is completed to March 31, 1977, the date of expiration of the current lease. Leasehold improvements are stated at cost less amortization.
4. Outstanding obligations for the Corporation totaled \$141,155.56 for fiscal year 1975 ended June 30, 1975. Outstanding obligations for the Corporation totaled \$243,143.27 for fiscal year 1976 and the transition quarter ended September 30, 1976.

**APPENDIX**

PRINCIPAL PENNSYLVANIA AVENUE DEVELOPMENT CORPORATIONOFFICIALS RESPONSIBLE FORTHE ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>BOARD OF DIRECTORS (voting members):</b>		
Elwood R. Quesada, Chairman	Oct. 1972	Present
Donald J. Bruckmann, Vice Chairman	Oct. 1972	Present
Joseph B. Danzansky	Oct. 1972	Present
Nathaniel A. Owings	Oct. 1972	Present
Leonard A. Haft	Aug. 1976	Present
Thomas F. Murphy	Aug. 1976	Present
Orlando W. Darden	Aug. 1976	Present
Mitchell I. Kafarski	Oct. 1972	Present
Willie L. Leftwich	Oct. 1972	Oct. 1974
The Secretary of the Interior (note a)		
The Secretary of the Treasury	"	
The Secretary of Housing and Urban Development	"	
The Secretary of Transportation	"	
The Administrator of General Services	"	
The Commissioner of the District of Columbia	"	
The Chairman, District of Columbia Council	"	
<b>OFFICERS:</b>		
John M. Woodbridge, Executive Director	June 1973	Present
Peter T. Meszoly, Assistant Director, General Counsel	Dec. 1973	Present
F. David Harris, Assistant Director, Finance and Economics	Mar. 1974	Present
Barbara S. Austin, Secretary	June 1973	Present

a/These board members are appointed ex officio and will serve until the Corporation is dissolved.