



June 2013

CONGRESSIONALLY CHARTERED ORGANIZATIONS

Key Principles for Leveraging Nonfederal Resources

GAO Highlights

Highlights of [GAO-13-549](#), a report to Congressional Committees

Why GAO Did This Study

Through congressional charters, Congress has created independent organizations which receive support from federal and nonfederal sources. These organizations, known as CCOs, are authorized to receive and retain financial and nonfinancial resources from nonfederal partners to help meet their core mission and goals. In 2012, GAO was directed to study CCOs. To determine whether selected CCOs offer lessons learned to facilitate the leveraging of nonfederal resources, GAO studied (1) factors, if any, that facilitated selected CCOs' ability to partner with the nonfederal sector and (2) key principles to better leverage resources through nonfederal partners. To do this, GAO reviewed relevant federal laws, regulations, and policies; analyzed relevant legal authorities, agency documents, and prior GAO reports; conducted site visits to the four CCOs; and reviewed literature on partnerships. GAO compiled key principles, discussed and validated them with subject matter specialists and the four CCOs, and incorporated their feedback, as appropriate.

What GAO Recommends

To provide more complete information about CCOs' fiscal position and strategies for leveraging resources from and strengthening relationships with nonfederal partners, congressional committees should consider requiring that the CCOs under their jurisdiction report on their total nonfederal funds—including a breakdown of the amounts and uses—in their annual budget requests. All of the CCOs GAO studied generally agreed with the report's findings and provided technical comments, which GAO incorporated, as appropriate.

View [GAO-13-549](#). For more information, contact Susan J. Irving, Director for Federal Budget Analysis, at (202) 512-6806 or irvings@gao.gov.

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Key Principles for Leveraging Nonfederal Resources

What GAO Found

Four factors facilitated the ability of the U.S. Holocaust Memorial Museum, National Gallery of Art, Presidio Trust, and Smithsonian Institution to leverage nonfederal resources: (1) unique legal authorities and management flexibilities; (2) benefits received from these congressionally chartered organizations' (CCO) federal status; (3) governing boards that provided management and oversight; and (4) informal networks that enabled CCOs to share lessons. A critical flexibility is the ability to accept gifts and solicit private donations, but the CCOs in this study are not required to, and did not always provide, a complete picture of nonfederal resources to Congress. The federal budget process is the primary means by which the President and Congress select among competing demands for federal funds; as such, it is essential that budget information be comprehensive and clear. While Congress does not direct the CCOs' use of nonfederal funds, consistent and timely information about CCOs' total resources could provide important context for understanding both the relative tradeoffs among funding decisions and the implications of such decisions.

GAO compiled six key principles to guide CCOs' management decisions about leveraging resources through nonfederal partners.

- 1. Make partnering decisions in line with mission.** Organizations that leverage partnering arrangements have clear, well-articulated missions; strategic goals to achieve them; and a defined process for assessing whether partnering arrangements complement their missions and goals.
- 2. Ensure top leadership support for partnering arrangements.** Top leadership support is critical to successfully pursuing and engaging partners. The tone at the top—management's philosophy and operating style—sets the stage for how the organization will make management decisions related to partnering.
- 3. Assess and manage risks.** Partnering decisions should reflect both the likely risk and the organization's tolerance for risk in partnering. Incorporating risk assessment and risk management practices into partnering decisions can help ensure that the organization recognizes and is prepared to manage explicit risks (e.g., financial and physical) and implicit risks (e.g., reputational).
- 4. Select complementary partners and appropriate projects.** Partners should bring complementary resources, skills, and financial capacities to the relationship. A systematic approach helps to identify projects that are well-suited for partnering opportunities and helps to achieve an organization's mission.
- 5. Manage partnering arrangements.** Partnering arrangements are relationships that should be managed actively. Formalizing collaborations between the partners, including documenting dispute resolution processes, can enable productive partner interactions. Further, it is important to have the staff with the right skills and experience to manage these opportunities.
- 6. Evaluate partnering arrangements.** Information about how well existing partnering arrangements leverage nonfederal resources could inform decisions about continuing arrangements or entering into new ones. Gathering this information also presents an opportunity to evaluate progress toward a project's intended goals.

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June 7, 2013

The Honorable Jack Reed
Chairman
The Honorable Lisa Murkowski
Ranking Member
Subcommittee on Interior, Environment, and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Michael K. Simpson
Chairman
The Honorable Jim Moran
Ranking Member
Subcommittee on Interior, Environment, and Related Agencies
Committee on Appropriations
House of Representatives

Through congressional charters, Congress has created independent organizations which receive support from both federal and nonfederal resources. These congressionally chartered organizations (CCO) are authorized to receive and retain financial and nonfinancial resources from nonfederal partners to help meet their core mission and goals.^{1,2} Nonfederal financial resources generally take the form of private donations while nonfinancial resources may include specialized skills, artifacts and exhibitions, or infrastructure that CCOs leverage to meet their management and operational duties.

Congress has chartered organizations for diverse purposes, but CCOs generally have missions and goals dedicated to promoting a public purpose to which private individuals and nonfederal partners are drawn. CCOs have been described as being perceived to be better suited than

¹ Nonfederal partners include nonprofit organizations, research institutions, for-profit businesses, international entities (such as national museums and private arts organizations), and individuals. CCOs work with these partners to further research goals, enhance programmatic offerings, strengthen internal operations, raise private funds, and generate business revenues.

² Generally, if an agency does not have statutory authority to accept donations of money, it must turn the money in to the Treasury as miscellaneous receipts.

typical government agencies to handle certain issues and deliver services by partnering activities with nonfederal entities to produce public value greater than what the federal government can accomplish alone. We have previously reported that many of the meaningful results that the federal government seeks to achieve require the coordinated efforts of more than one federal agency, level of government, or sector.³

The report accompanying the Fiscal Year 2012 Interior, Environment, and Related Agencies Appropriations Bill directed us to study CCOs. This study addresses whether CCOs under the subcommittees' jurisdiction offer examples and lessons learned from leveraging partners that enable the government to share costs with the private sector. To do this, we (1) determined factors, if any, that facilitated selected CCOs' ability to partner with the nonfederal sector and (2) compiled key principles to better leverage resources through nonfederal partners.

For the purposes of this report, we define CCOs as entities that (1) were created by Congress; (2) have the authority to receive appropriations directly and not just through another federal agency; (3) have the authority to receive nonfederal funds; (4) are subject to congressional oversight; and (5) are managed or advised by a board or commission that includes government officials, presidential or congressional appointees, or both. Based on this definition, we identified nine CCOs in the committees' fiscal year 2012 appropriation.⁴

To study how CCOs leveraged resources of nonfederal partners, we selected a nongeneralizable sample of four CCOs within the committees' jurisdiction. The four selected CCOs represent a range of organization

³ See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms*, [GAO-12-1022](#) (Washington, D.C.: Sept. 27, 2012); and *Results Oriented Government: Practices That Can Help Enhance and Sustain Collaboration Among Federal Agencies*, [GAO-06-15](#) (Washington, D.C.: Oct. 21, 2005).

⁴ Pub. L. No. 112-74, div E. 125 Stat.786 (Dec. 23, 2011). The nine CCOs we identified, which provide a wide range of services and receive a varying amount of federal appropriations, are the: Dwight D. Eisenhower Memorial Commission (\$42 million federal appropriations in fiscal year 2012), Institute of American Indian and Alaska Native Culture and Arts Development (\$9 million), John F. Kennedy Center for the Performing Arts (\$37 million), National Foundation on the Arts and the Humanities (\$292 million), National Gallery of Art (\$128 million), Holocaust Memorial Museum (\$51 million), Presidio Trust (\$12 million), Smithsonian Institution (\$810 million), and Woodrow Wilson International Center for Scholars (\$11 million).

types and services, and leverage nonappropriated funds to different extents. They are the U.S. Holocaust Memorial Museum, the National Gallery of Art, the Presidio Trust, and the Smithsonian Institution.

To conduct our work, we visited these four CCOs to observe partnering efforts and to meet with officials responsible for those activities.⁵ We analyzed relevant documentation related to CCOs' partnering activities, such as legal authorities, strategic and annual plans, bylaws and policies, budget documents, and reports to Congress. We reviewed relevant federal laws, regulations, and policies and analyzed relevant legal authorities. We also reviewed our past work and reports from the Congressional Research Service and the National Academy of Public Administration. At the four CCOs, we interviewed cognizant officials and board members about how they leveraged resources through nonfederal partners and what factors facilitated those partnering efforts. We spoke with officials that were involved in partnering arrangements, as identified by each CCO. To develop themes and examples from our documentary and testimonial evidence, we analyzed information from relevant documents and responses to our interview questions to identify and confirm common patterns. We did not independently verify the quality of the CCOs' partnering efforts nor interview their partners.

To help put the experiences of these four CCOs in context, we also looked to our body of work on the Valles Caldera Trust for additional lessons learned.⁶ Congress created the Valles Caldera Trust in 2000 and modeled its governance structure after the Presidio Trust. We reviewed our prior work and have included information collected during routine agency follow-up on open recommendations conducted in February 2013 to ensure we had the most current information about the Valles Caldera Trust's experience.⁷

⁵ The CCOs we studied partnered with the nonfederal sector—including other museums, businesses, academics, foreign entities, and individuals—on activities such as exhibitions, food and gift sales, media, and programming.

⁶ GAO, *Valles Caldera: Trust Has Made Some Progress, but Needs to Do More to Meet Statutory Goals*, [GAO-06-98](#) (Washington, D.C.: Nov. 16, 2005); and *Valles Caldera: The Trust Has Made Progress but Faces Significant Challenges to Achieve Goals of the Preservation Act*, [GAO-10-84](#) (Washington, D.C.: Oct. 30, 2009).

⁷ We did not conduct new audit work on the Valles Caldera Trust for this study.

To compile key principles that CCOs follow to better leverage resources through nonfederal partners, we conducted a literature review of reports and academic papers on public-private partnerships and partnering arrangements. We identified six principles. We incorporated into the principles lessons learned and good practices from the four CCOs we visited. We discussed and validated these principles with federal and academic researchers who study partnerships; these subject matter specialists generally agreed with these principles and provided comments, which we incorporated as appropriate. We also compared these six principles with key issues that we have identified when organizations work collaboratively.⁸ Finally, we sought feedback on the principles from the four CCOs we visited. CCO officials agreed with the six principles we compiled and provided specific comments on elements of these principles, which we incorporated as appropriate.

We conducted this performance audit from April 2012 to June 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

CCOs are congressionally created entities that are in part privately funded but operate under some level of government oversight, generally through the appointment of their leadership, management oversight, or additional regulation.⁹ The missions of these entities vary substantially,

⁸ See [GAO-06-15](#) and [GAO-12-1022](#).

⁹ There are many types of CCOs, including nonprofit organizations. There are about 90 nonprofit organizations that were incorporated first under state law and later granted a charter from Congress. These nonprofits, known as "Title 36 organizations" include the Girl Scouts of America and the National Academy of Public Administration. These organizations are not agencies of the United States and their charters do not assign the corporate bodies any governmental attributes, such as guaranteeing their debt explicitly or implicitly. Title 36 organizations view a charter as a statement of congressional support for the nonprofit organization's mission. The four CCOs we studied are not considered Title 36 organizations.

but individually they are narrowly defined. Table 1 provides attributes of the four CCOs selected for our review.¹⁰

Table 1: Attributes of Four Selected Congressionally Chartered Organizations (CCO), Fiscal Year 2012 (Dollars in Millions)

	Year congressionally chartered	Net assets	Federal and nonfederal revenues ^a	Federal appropriations to CCO
Smithsonian Institution: <i>Museum and research complex headquartered in Washington, D.C.</i>	1846	\$3,039	\$583	\$810
National Gallery of Art: <i>Museum of American and European art in Washington, D.C.</i>	1937	\$988	\$144 ^b	\$128
U.S. Holocaust Memorial Museum: <i>Living memorial to the Holocaust in Washington, D.C.</i>	1980	\$328	\$74 ^c	\$51
Presidio Trust: <i>Urban national park in San Francisco, CA</i>	1996	\$285	\$100	\$12

Source: Fiscal year 2012 CCO financial statements, fiscal year 2012 CCO performance and accountability reports, fiscal year 2013 CCO congressional budget requests; the Presidio Trust's detailed budget from fiscal year 2011 to 2017; and the Holocaust Memorial Museum mission statement and its Chief Financial Officer.

^aIncluded in this figure are funds received from other federal agencies, such as through government grants, or government contracts. This does not include appropriations to the four CCOs.

^bAccording to its Treasurer, the National Gallery of Art does not typically receive funds from other federal agencies. However, in fiscal year 2012, it received less than \$5,000 for the disposal of surplus equipment from the General Services Administration.

^cThe Holocaust Memorial Museum did not receive funds from any federal agencies.

The Smithsonian Institution was established with funds from James Smithson, a British scientist who, on his death in 1829, left his estate to the United States to found "at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge." The Smithsonian Institution opened to the public in 1855, and has since become the world's largest museum and research complex with 19 museums, the National Zoo, and nine research facilities in Washington, D.C., 7 states, and Panama. There were 30.3 million visitors to the institution's museums and zoo in 2012.

¹⁰ Although the four CCOs we studied received nonappropriated funds, they are different from nonappropriated fund instrumentalities (NAFI). NAFIs are entities or activities that do not receive appropriations. NAFIs raise their own operating funds through product sales, member fees, and so forth. Absent statutory provisions to the contrary, the United States assumes none of the financial obligations of a NAFI.

The National Gallery of Art was created in 1937 for the American people by Congress, accepting the gift of financier and art collector Andrew W. Mellon, who wished that his private art collection be the basis of a national art museum. Funds for the construction of the original building were provided by the A. W. Mellon Educational and Charitable Trust. The President accepted the completed building and the Mellon collection on behalf of the American people in 1941. There were 4.2 million visits to the museum in fiscal year 2012.

In 1979, the newly-formed President's Commission on the Holocaust recommended that a living memorial be established to honor the victims and survivors of the Holocaust and to ensure that the lessons of the Holocaust would be taught in perpetuity. The Holocaust Memorial Museum was chartered in 1980 and opened to the public in 1993. The museum is situated on federal land on the national mall and was built entirely with private funds. There were 1.6 million visitors to the museum in fiscal year 2012.¹¹

Spain established the Presidio of San Francisco as its northern most military outpost in the New World in 1776. The U.S. Army took control of the military base in 1847 and later transformed it into part of the nation's coastal defense system. The Presidio served as an active military installation until 1994, when it was transferred to the National Park Service. In 1996, Congress created the Presidio Trust and mandated that it preserve the site's natural, cultural, scenic, and recreational resources. Congress assigned 80 percent of the park's 1,500 acres to the Presidio Trust; the National Park Service continues to manage the remaining 20 percent (coastal areas). Congress directed that the Presidio Trust attain financial self-sufficiency 15 years after the first meeting of the Trust's board of directors. The Presidio Trust achieved this goal and, since October 1, 2012, has sustained itself through a combination of philanthropic sources and rental income from residential and commercial buildings on its grounds. An estimated 4 million people visited the park in 2012.

¹¹ We recently reported on the Holocaust Memorial Council, which has overall governance responsibility for the Holocaust Memorial Museum, including policy guidance, strategic direction, and fiduciary responsibility. See GAO, *Characteristics of Presidential Appointments that do not Require Senate Confirmation*, [GAO-13-299R](#) (Washington, D.C.: Mar. 1, 2013).

Congress created the Valles Caldera Trust in 2000 to preserve a unique volcanic parcel of land in New Mexico. Modeled after the Presidio Trust, the Valles Caldera Trust was considered a 20-year public-private land management experiment. The Valles Caldera Preservation Act authorized the Secretary of Agriculture to purchase about 89,000 acres, known as the Baca Ranch.¹² The act charged the Valles Caldera Trust with managing the land to achieve a number of goals, including becoming financially self-sustaining by the end of fiscal year 2015. We found in 2009 that while the Valles Caldera Trust had taken steps to establish and implement a number of programs and activities to position it to achieve the Preservation Act's goals, it was at least 5 years behind the schedule it set to achieve in meeting those goals. We also found that its biggest self-identified challenge was to achieve financial self-sustainability.¹³ As such, we recommended that the Chairman of the Board and Executive Director work with the relevant congressional committees to seek legislative remedies, as appropriate, for the legal challenges confronting the Valles Caldera Trust, such as prohibition from entering into long-term leases or acquiring property. When we followed up on our recommendations in February 2013, we found that New Mexico's Senators had reintroduced legislation that would transfer ownership of the Valles Caldera National Preserve to the National Park Service. Because this would, in effect, eliminate the legal challenges we cited, as well as the goal of self-sufficiency for the Valles Caldera Trust, we have closed this recommendation as being implemented.¹⁴

Congress has given these CCOs a unique structure and range of authorities. For example, they are managed by boards of directors whose membership make-up is designated by statute. CCOs' personnel and procurement flexibilities allow them to achieve public goals by leveraging

¹² Pub. L. No. 106-248, title I, § 104, 114 Stat. 598 (Jul. 25, 2000).

¹³ See [GAO-06-98](#) and [GAO-10-84](#).

¹⁴ In 2011, a bill was introduced to transfer jurisdiction of the Valles Caldera to the National Park Service. However, Congress did not pass that bill. On Feb. 12, 2013, a new bill was introduced for the same purpose (see S. 285).

nonfederal resources and increasing their capacity to respond more nimbly to the needs of the organization and attract and retain talent.¹⁵

The four CCOs we studied partnered with nonfederal entities ranging from nonprofit organizations and research institutes to for-profit businesses, international entities,¹⁶ and individuals. These partnering arrangements aimed to generate business revenues, further research goals, enhance programmatic offerings, strengthen internal operations, and raise private funds. These efforts are consistent with our previous work on collaborative efforts, which recognized that the federal government must identify ways to deliver results more efficiently and in a way that is consistent with its multiple demands and limited resources. Further, we found that the federal government could work together with the nonfederal sector to generate more public value than could be produced when agencies act alone.¹⁷ See appendix 1 for detailed examples of how the four CCOs we studied worked with nonfederal partners.

¹⁵ We have previously reported that agencies enjoying these types of flexibilities need to manage them with care as there may be an increased risk of reduced accountability, transparency, and the lack of safeguards to build fair, credible, and transparent human capital systems. See for example GAO, *Department of Homeland Security: Further Action Needed to Improve Management of Special Acquisition Authority*, [GAO-12-557](#) (Washington, D.C.: May 8, 2012); and *Human Capital: Observations on Final DHS Human Capital Regulations*, [GAO-05-391T](#) (Washington, D.C.: Mar. 2, 2005).

¹⁶ CCOs partnered with international entities, such as national museums, private organizations, and individuals living outside the United States.

¹⁷ [GAO-06-15](#).

Four Factors Facilitate CCOs' Ability to Leverage Nonfederal Resources, but Information on These Resources Provided to Congress in Budget Requests Varies by CCO

Officials from the CCOs we studied cited four factors that facilitate their ability to leverage nonfederal resources: (1) unique authorities that provided legal flexibilities; (2) benefits received from being part of the federal government; (3) governing boards that provided management and oversight; and (4) informal networks that enabled CCOs to share lessons. Critical among the authorities mentioned above is the ability to accept gifts and solicit private donations, but the CCOs we studied are not required to, and did not always provide, a complete picture of their nonfederal resources to Congress.

Legal Authorities, Federal Status, Governing Boards, and Informal Networks, Enable CCOs to Leverage Nonfederal Resources

Legal Authorities

A critical factor that facilitates CCOs' ability to leverage nonfederal resources are unique legal authorities exempting them from certain federal regulations on (1) soliciting and accepting private funds and (2) using those funds to hire staff and procure goods. Officials from all four CCOs we studied said that these authorities and flexibilities allowed them to act more nimbly and to adapt more readily to the needs of their organization.

- *Authority to solicit and accept private funds.* The four CCOs we studied have the statutory authority to solicit and accept private gifts and donations. They are also able to retain and use these funds without fiscal year limitation or further congressional approval. This authority provides CCOs with additional financial resources beyond directly appropriated federal funds. Officials from the Smithsonian Institution told us that their donors value the institution's flexibility to retain and use nonfederal funds to carry out its mission. Further, they noted that donors view their contributions as an addition to, not replacement for, federal funding. CCOs used private funds, for example, to build new buildings and expand their collections. An

official also explained that these authorities allow CCOs to accept gratis services from volunteers. Officials from all four CCOs we studied told us that this authority was critical to helping ensure they have appropriate resources to meet their organization's mission and goals. Further, all four of the CCOs we studied are tax exempt under section 501(c)(3) of the Internal Revenue Code. The status as a charitable organization can facilitate fundraising efforts because donors are potentially eligible for tax benefits based on their donations. Officials told us that this status is critical to their ability to raise private funds.

- *Hiring and procurement flexibilities.* The four CCOs we studied also benefit from some exemptions from federal hiring and procurement requirements. For example, some CCO staff are not subject to many of the civil service laws in Title 5, which govern the hiring of federal employees.¹⁸ CCO officials told us they use this flexibility to compete with the private sector to attract and retain certain staff—such as fundraisers and business development managers—whose specialized skills and abilities play a key role in attracting and leveraging nonfederal funds. Officials also said that the ability to pay these staff in accordance with market rates (i.e., above the federal pay scale) allowed them to attract and retain highly qualified individuals to serve in critical positions.¹⁹ In addition to being able to compete with the private sector in this manner, CCO officials told us that they are authorized to terminate staff when their specialized skills are no longer needed. Lastly, CCO officials noted that the general exemption from federal procurement laws provides CCOs with the flexibility to procure goods and specialized services more quickly and efficiently than they would otherwise be able to.²⁰

CCO officials reported they implement these managerial flexibilities in a way that maximizes financial resources while safeguarding the principles

¹⁸ The Presidio Trust has more leeway than the other three CCOs we studied because Congress exempted all its employees from civil service laws.

¹⁹ While these hiring and procurement flexibilities are not typical of federal agencies, Congress has sometimes granted other agencies similar statutory authorities. For example, the Department of Homeland Security has greater leeway in recruiting, retaining, developing, managing, and compensating employees. See, for example, GAO, *Homeland Security: DHS's Actions to Recruit and Retain Staff and Comply with the Vacancies Reform Act*, [GAO-07-758](#) (Washington, D.C.: July 16, 2007).

²⁰ The Presidio Trust is still subject to federal contract laws governing working conditions, wage rates, and civil rights provisions.

these federal laws are created to uphold. For example, CCO officials told us that they develop policies for staff paid with nonfederal funds that follow the spirit of federal employment laws, when appropriate. In this way, they see this as helping to ensure transparency and accountability while still maintaining flexibility. Specifically, the Human Resources Director at the Presidio Trust said that its personnel policies reflect principles consistent with federal equal employment opportunity guidelines. Further, while these flexibilities are critical to their organizations, CCO officials said that it is often not immediately apparent from their enabling legislation whether a CCO is considered a federal or private entity for employment, benefits, insurance, federal torts, copyright laws, and administrative procedures, and that making these legal determinations can be time consuming.

Federal Status

Some of the most valuable resources of the four CCOs we studied have been derived from their federal status. CCO officials told us that this status provided them with significant assets and facilitated their ability to leverage nonfederal resources. Specifically, the Presidio is located on a former military reservation and the Holocaust Memorial Museum, National Gallery of Art, and Smithsonian Institution all enjoy exhibition and office space on federal land near the National Mall in Washington, D.C. Further, some CCOs received private collections and objects that were intended to be donated to the people of the United States and available as national assets.

In addition to these physical assets, CCO officials cited intangible benefits that are derived from their federal status. For example, officials at the four CCOs we studied said that federal status signaled their entity's permanence and therefore helped to secure nonfederal resources. One official explained that many private donors and partners are attracted to the perceived financial stability that federal ties bring, even in these times of shrinking federal budgets. Other officials noted that these nonfederal donors' and partners' views are tied to the belief that the federal government will "be around" and so their gifts will be there for future generations. Another official told us that partners and donors see federal status as an implicit recognition of the CCO's credibility, which helps to bring in more donations and build relationships with other organizations. Officials at the four CCOs we studied also noted that private citizens' willingness to contribute financial and nonfinancial resources to CCOs is based, in part, on their belief that these entities contribute to a greater public purpose. For example, Presidio Trust officials noted that its public mission combined with the assurance of sustained revenue created a powerful incentive for private citizens to donate and invest in the park.

Another factor that facilitated CCOs' ability to leverage nonfederal resources is access to the support and expertise of federal agencies, specifically the Departments of Justice and State. The Department of Justice represents CCOs in lawsuits and other legal matters. Additionally, officials from the Holocaust Memorial Museum said that the Department of State's international contacts, expertise in negotiating with entities outside of the US, and diplomatic channels have occasionally facilitated the museum's ability to resolve issues with international partners. For example, in negotiating agreements with foreign governments to obtain Holocaust-era objects and information from state-owned archives, the Holocaust Memorial Museum follows a template agreement developed and approved by the Department of State, allowing the museum to enter into specific types of agreements on its own authority.²¹

Finally, CCOs also found that the federal government immunity to state and local requirements facilitated their ability to leverage nonfederal resources. For example, Presidio Trust officials said that having exclusive federal jurisdiction enabled them to avoid jurisdictional confusion with other government entities. Specifically, these officials said that not having to adhere to local zoning laws helped to decrease the time needed to rehabilitate the Presidio Trust's buildings. Further, they noted that the Presidio Trust benefited from exemption from certain state and local laws such as rent control. Holocaust Memorial Museum officials noted that the museum is exempt from having to register with each state attorney general for fundraising purposes because of its federal government status. One official added that being exempt from 50 different sets of fundraising restrictions relieves the museum of a significant administrative burden.

Governing Boards

A third factor officials reported to be helpful in leveraging nonfederal resources is the valuable expertise provided by governing boards. The size, appointment, and duties of these boards are specified in law and vary among CCOs.²² The size of these boards varies greatly among the

²¹ According to Holocaust Memorial Museum officials, the Department of State allows the museum to enter into archival cooperative agreements on its own and without further review by the Department of State unless material changes to the template are required.

²² This is consistent with our recent finding that presidential appointments that do not require Senate confirmation vary by establishment, location, length of service, and responsibilities. See [GAO-13-299R](#).

four CCOs we studied: The smallest has 7 members and the largest 65.²³ Board members include a mix of presidentially appointed members, ex-officio members based on a government position; such as the Chief Justice of the United States and the Secretary of State; and others including private citizens. Some boards have specific expertise and residency requirements for their members. For example, members of the Presidio Trust Board are required to have extensive knowledge of finance, real estate development, planning, and resource conservation or have expertise in these areas. Further, at least 3 board members must reside in the San Francisco Bay Area. CCO board member term lengths are also specified by law.

Some of the CCOs we reviewed provided examples of the help they received from their governing boards. According to officials, the National Gallery of Art's Board of Trustees plays an active role in fundraising and the Presidio Trust Board provides strategic advice on real estate, financial, and operational management. Additionally, the Smithsonian Board of Regents approves the Smithsonian Institution's strategic plan, budgets, and other key documents. The Board of Regents also evaluates the performance of top executives and sets their pay.

The importance of a stable board is evident when comparing the Valles Caldera experience with that of the other four CCOs we studied. Our previous work on the Valles Caldera Trust noted that board member turnover contributed to challenges, such as delays in decision making and false starts to programs.²⁴ In contrast, officials at the Presidio Trust and National Gallery of Art said that their boards have provided consistent guidance and leadership.

Informal Networks

Lastly, some CCOs used informal networks to leverage nonfederal resources. Officials at the Smithsonian Institution and the Holocaust Memorial Museum meet periodically with their counterparts at other related organizations in informal settings to exchange lessons learned, seek advice on shared issues, and discuss questions specific to their unique legal and financial statuses. For example, the Holocaust Memorial

²³ Specifically, the Presidio Trust Board has 7 members, the National Gallery of Art Board of Trustees has 9, the Smithsonian Board of Regents has 17, and the Holocaust Memorial Council has 65.

²⁴ See [GAO-06-98](#) and [GAO-10-84](#).

Museum's General Counsel said that he has sought advice from legal staff at other CCOs when considering whether certain laws and regulations apply to the museum. Officials told us they find these meetings to be particularly helpful because they provide a network for organizations that face similar challenges to learn from each other. The Presidio Trust's Executive Director expressed interest in joining such a network. Further, Presidio Trust officials said that it would be useful to have a regular forum to exchange information and ideas between organizations responsible for former military bases or other public landholdings that seek to revitalize their organization through partnering arrangements. They noted that it may help to meet twice a year so officials could discuss best practices.

Information on Nonfederal Resources Provided to Congress in Budget Requests Varies by CCO

The information about nonfederal funds presented to Congress in annual budget requests varies among the CCOs we studied.²⁵ For example, the Smithsonian Institution and Holocaust Memorial Museum typically present some information about these funds in their annual budget requests to Congress, but the type of information differs. For example, the Smithsonian Institution summarizes the balance, source, and uses of its nonfederal nonappropriated funds. Further, it describes funding sources—including those from nonfederal resources—for its museums, research centers, and departments.²⁶ In contrast, the Holocaust Memorial Museum provides a high-level summary of the uses of its nonfederal funds broken down by restricted and nonrestricted donations.²⁷ While the National Gallery of Art reported on the nonfederal funds used for special exhibitions in its budget requests, it does not include information on nonfederal funds used for other purposes, which represents the majority of these funds.

CCO officials told us that they are not required to report on their nonfederal funds and congressional staffers confirmed this. However,

²⁵ We did not review the Presidio Trust's budget request because it no longer receives federal appropriations as of fiscal year 2013.

²⁶ Specifically, the Smithsonian Institution's annual budget request presents summary information on general trust funds (which include sources from investment income and net proceeds from revenue-generating activities and programs), private donations, and government grants and contracts.

²⁷ In its fiscal year 2013 budget request, the Holocaust Memorial Museum also reported on activities for which its restricted funds were donated.

federal internal control standards note that financial information is needed, among other things, to make operating decisions, monitor performance, and allocate resources. These standards further note that pertinent information should be identified, captured, and distributed in a form and time frame that permits people to perform their duties efficiently.²⁸ The federal budget process is the primary means by which the President and Congress select among competing demands for federal funds; as such, it is essential that budget information be comprehensive and clear. Consistent and timely information about CCOs' complete financial picture—including both appropriated and nonfederal funds—could provide the Congress with important context for understanding both the relative tradeoffs among appropriation decisions and the implications of such decisions for these entities.

While Congress does not direct the CCOs' use of nonfederal funds, the lack of consistent information on nonfederal funds inhibits the ability to understand how CCOs leverage federal funds to meet their missions. Better information on nonfederal funds may also make clearer the donor and endowment restrictions on some of those funds and would also provide more context about the total financial resources available to CCOs. Although some information about nonfederal funds is available in the CCOs' audited financial statements, annual reports, and publicly available tax returns, the timing and availability of those reports do not align with the typical time frames of congressional budget deliberations.²⁹

²⁸ GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1999).

²⁹ The CCOs we studied have typically released their performance and accountability reports and financial statements the following fiscal year. For example, the National Gallery of Art issued its fiscal year 2012 performance and accountability report in November 2012 and expects to issue its fiscal year 2012 annual report in June 2013. However, budget deliberations for any given fiscal year typically occur during the prior calendar year. For example, fiscal year 2014 budget deliberations occur during calendar year 2013.

Six Key Principles Helped CCOs Leverage Resources through Nonfederal Partners

We compiled six key principles and related key questions that CCOs can use to guide management decisions about partnering with the nonfederal sector. Each principle has corresponding elements that are intended to enhance or facilitate CCOs' ability to achieve each principle (see table 2). As previously discussed, these key principles are grounded in relevant literature, including our prior work; the knowledge and experience of internal and external subject matter specialists; and the experiences of the four CCOs we studied. Incorporated throughout this section are examples of how CCOs used elements of these principles to manage their partnering arrangements.³⁰ Additionally, many of these practices are consistent with the key issues we have identified when agencies or other organizations work collaboratively.³¹ These principles can be tailored to suit different types of arrangements, partners, and CCO needs, as appropriate.

³⁰ Some of the partnering arrangements we studied were formalized in contracts while others were informal. CCOs made decisions about the extent to which they formalized these arrangements based on the nature of the program or project, the partner involved, whether the partner is located in the U.S. or abroad, and the CCOs' financial commitment.

³¹ See [GAO-06-15](#) and [GAO-12-1022](#).

Table 2: Key Principles and Elements Helpful for Congressionally Chartered Organizations to Leverage Resources

Principle	Elements
<p>Principle 1: Make partnering decisions in line with mission Organizations that leverage partnering arrangements have clear, well-articulated missions; the strategic goals to achieve them; and a defined process for assessing whether partnering arrangements are aligned with and further the organizations' missions and goals.</p>	<ul style="list-style-type: none"> • Clear, well-articulated mission and goals facilitate appropriate partnering decisions. • Consider whether potential partners and partnering arrangements are in line with mission and goals.
<p>Principle 2: Ensure top leadership support for partnering arrangements Top leadership support for partnering arrangements is critical to successfully pursuing and engaging with partners. The tone at the top—management's philosophy and operating style—sets the stage for how the organization will make management decisions, including decisions related to partnering with the nonfederal sector. As a champion for these types of arrangements, leaders can encourage their staff and stakeholders to see the value in creatively building on the assets and resources of partner organizations.</p>	<ul style="list-style-type: none"> • Tone at the top matters. • Institutionalize top leadership support.
<p>Principle 3: Assess and manage risks Partnering decisions should reflect both the likely risk and the organization's tolerance for risk in partnering. Incorporating risk assessment and risk management practices into partnering decisions can help ensure that the organization recognizes and is prepared to manage explicit risks (e.g., financial and physical) and implicit risks (e.g., reputational). The specific risk mitigation and management methodology used will likely vary by organization because of differences in missions and varying tolerance for risk.</p>	<ul style="list-style-type: none"> • Incorporate risk assessment by formalizing partner selection. • Manage partnering risks.
<p>Principle 4: Select complementary partners and appropriate projects Selecting appropriate partners and projects is central to a successful partnering arrangement. Partners should bring complementary resources, skills, and financial capacities to the relationship. Further, a systematic approach helps to identify projects that are well-suited for partnering opportunities and helps to achieve an organization's mission.</p>	<ul style="list-style-type: none"> • Select partners with the right resources and expertise. • Create a process to systematically propose, evaluate, and select projects consistent with mission.
<p>Principle 5: Manage partnering arrangements Partnering arrangements are relationships between or among different parties that should be managed actively. Technology can enable information sharing between partners to facilitate the leveraging of resources. Formalizing collaborations between the partners, including documenting dispute resolution processes, can enable productive partner interactions. Further, it is important to have the staff with the right skills and experience to manage these opportunities.</p>	<ul style="list-style-type: none"> • Use technology to leverage partner resources. • Use written documentation to foster partner collaboration. • Attract and retain staff with the right skills for partnering.
<p>Principle 6: Evaluate partnering arrangements Information about how well existing partnering arrangements leverage nonfederal resources is important to inform decisions about continuing existing arrangements or entering into new ones. Gathering this information also presents an opportunity to evaluate progress toward a project's intended goals.</p>	<ul style="list-style-type: none"> • Evaluate how partners leverage nonfederal resources. • Evaluate specific partnering arrangements.

Source: GAO.

Principle 1: Make Partnering Decisions in Line with Mission

Clear, Well-Articulated Mission and Goals Facilitate Appropriate Partnering Decisions

Organizations that leverage partnering arrangements have clear, well-articulated missions; the strategic goals to achieve them; and a defined process for assessing whether partnering arrangements are aligned with and further the organizations' missions and goals. This is consistent with our past work noting that organizations must have a clear and compelling rationale to work together to overcome significant differences in missions, cultures, and established ways of doing business.³²

A clear, well-articulated mission and supporting goals can help facilitate CCOs' decision making about partnering. For example, the Presidio Trust's efforts to clearly determine and articulate its mission have helped it make partnering decisions. Although the Presidio Trust's authorizing legislation set out two broad goals—one to preserve the park and the other to achieve financial self-sufficiency in 15 years—the Presidio Trust made a strategic decision that self-sufficiency was to be its primary goal since it was a necessary condition for preserving the park's beauty and natural resources. That is, officials reasoned that the Presidio Trust could only be preserved if the park was still in existence and well managed. To achieve the goal of self-sufficiency, the Presidio Trust worked with real estate and construction firms to plan, develop, and manage the rehabilitation and rental of structures. These partnering efforts helped the Presidio Trust successfully meet its goal of financial self-sufficiency by fiscal year 2012, within the mandated deadline, while also making significant progress in historical preservation.

Organizations that are unable to articulate a clear and well-defined mission and to prioritize multiple goals in support of that mission are not well-positioned to make strategic partnering decisions. The Valles Caldera Trust was mandated by law to achieve a number of goals, including self-sufficiency by the end of 2015.³³ We previously found that officials set out to achieve an acceptable balance in the pursuit of all six goals instead of prioritizing them and had did not have a strategic plan laying out those goals nor a performance plan that could measure progress in achieving those goals.³⁴ Based on our analysis and the

³² [GAO-06-15](#).

³³ Pub. L. No. 106-248, title I, §§ 108(d), 111, 114 Stat. 598 (Jul. 25, 2000).

³⁴ In October 2009, the Chair of the Board of the Valles Caldera Trust responded to us that there was no excuse not to have a strategic plan and subsequently in late 2011 produced a strategic plan for fiscal years 2012 to 2018.

Consider Whether Potential Partners and Partnering Arrangements Are in Line with Mission and Goals

principles we compiled, we believe that because the Valles Caldera Trust lacked these plans, it would have also found it difficult to make partnering decisions.³⁵

Complementary goals and missions are important to a successful partnership. Officials at both the Smithsonian Institution and Holocaust Memorial Museum described processes they have in place to make such determinations. For example, officials at Smithsonian Enterprises, the unit that oversees the Smithsonian Institution's revenue generating activities, implemented a process to help ensure that business partners and projects have missions that are compatible with that of the institution. Smithsonian Enterprises has a strategic advisory committee composed of 15 to 18 staff from across the institution that meets quarterly to discuss new activities, updates, and ideas. These quarterly meetings have included substantive discussions about whether particular proposed business relationships are consistent with the Smithsonian Institution's mission. Outside Smithsonian Enterprises, the Smithsonian Institution also carefully assesses whether potential partnering arrangements and partners are in line with its mission. For example, when making partnering decisions, officials rank potential projects based on the extent to which they might help to advance the institution's mission. Specifically, officials assess the extent to which potential partners have complementary missions and beliefs. For example, officials noted that the institution has declined corporate sponsorship offers from private companies who have publicly espoused beliefs that are different from the institution's core beliefs and principles, especially key scientific theories, such as evolution, that are important to its mission.

Similarly, Holocaust Memorial Museum officials said they carefully assess partner organizations' goals to help ensure that they align with the museum's strategic vision and that potential partners' causes do not conflict with or overshadow the museum's own mission. To do so, officials consider how partners could further the Holocaust Memorial Museum's mission. For example, the museum has partnered with the company Ancestry.com to develop software that could be used to index and access information on victims of the Holocaust. In this instance, according to museum officials, the partners have leveraged their complementary

³⁵ See [GAO-06-98](#) and [GAO-10-84](#).

missions—to track individual and family heritage information—to provide this resource to more than 1 million people each year.

Key Questions to Consider

- Are the CCO’s mission and goals well-defined and clearly articulated?
- Are the partner’s goals clearly articulated and well aligned with the CCO’s mission and goals?
- Will partners understand how key activities, core processes, and resources link to shared mission and goals?
- How will the partner contribute to the CCO’s mission to deliver programs and services?

Principle 2: Ensure Top Leadership Support for Partnering Arrangements

Top leadership support for partnering arrangements is critical to successfully pursuing and engaging partners. The tone at the top—management’s philosophy and operating style—sets the stage for how the organization will make management decisions, including decisions related to partnering with the nonfederal sector. As a champion for these types of arrangements, leaders can encourage their staff and stakeholders to see the value in creatively building on the assets and resources of partner organizations. This is consistent with our past work noting that top-level commitment and continuity in leadership is a key issue when organizations work to collaborate with each other.³⁶

Tone at the Top Matters

Officials from all four CCOs we studied told us their top leaders have encouraged their organization to leverage external resources. To that end, they have cultivated an environment that has facilitated staffs’ ability to form, pursue, and engage with partners. Specifically, a Smithsonian Institution official told us that partnerships at the institution have benefited from extensive top leadership support, and that the Secretary has greatly increased the emphasis on partnerships and collaborations in general. For example, leaders at the Smithsonian Institution have championed the Grand Challenges Consortia Program, which offers competitive funding for interdisciplinary projects through internal grants to researchers that work with interdisciplinary partners to conduct research that aligns with the institution’s strategic goals. Leadership support of this program has sent a clear message about the importance of partnering across interdisciplinary boundaries, and officials noted such partnering has increased since the Consortia was established. In another example, Presidio Trust officials said their top leaders’ efforts to encourage the

³⁶ [GAO-12-1022](#).

leveraging of nonfederal resources have resulted in \$4 of private investment for every federal dollar received.

In contrast, the lack of consistent top leadership can hinder CCOs' partnering efforts. We previously found that leadership turnover at the Valles Caldera Trust caused management challenges. Specifically, the first executive director served for only 18 months. The position remained vacant for about 7 months and the next executive director resigned after 10 months. Other key positions became vacant in 2004 and 2005, including the controller, business manager, programs director, chief administrative officer, communications manager, and cultural program coordinator. In our past work, we found that the lack of consistent leadership and progress in organizational and program development contributed greatly to staff turnover.³⁷ This frequent turnover led both to delays in partnering decisions about partnerships and false starts to programs. When we followed up on our prior work in February 2013, we learned that, just in the past year, the Valles Caldera Trust had appointed as its new executive director an employee who served in various roles at the preserve for over 10 years. This official's long tenure and hands-on experience at the Valles Caldera can, among other things, help the Valles Caldera Trust engage partners in a way that could leverage nonfederal resources.

Institutionalize Top Leadership Support

CCOs institutionalize leadership support for partnering through their strategies and guiding principles and the actions of their top leaders. One way to institutionalize this support is to clearly document how partnering arrangements can be used to achieve organizational missions and goals. For example, the Smithsonian Institution's strategic plan identifies the use of federal and nonfederal partners as a strategy to pursue the institution's key goals. The plan also identifies steps to achieve this goal. Specifically, the plan states that the institution will enhance its research capacity by leveraging resources from a range of partners including federal agencies such as the National Aeronautics and Space Administration, universities, nongovernmental organizations, industry, and other domestic and international agencies.

³⁷ [GAO-06-98](#).

Key Questions to Consider

- Are top leaders and managers committed to a common vision of success in partnering arrangements?
- Are specific responsibilities and accountability for the partnering arrangement clearly defined and established?
- Do open and candid communications with all stakeholders occur to minimize potential resistance to establishing the partnering arrangement?
- How will partners operate across different organizational cultures to accomplish respective partner missions and goals?

Principle 3: Assess and Manage Risks

Partnering decisions should reflect both the likely risk and the organization's tolerance for risk in partnering. Incorporating risk assessment and risk management practices into partnering decisions can help ensure that the organization recognizes and is prepared to manage explicit risks (e.g., financial and physical) and implicit risks (e.g., reputational).³⁸ The specific risk mitigation and management methodology used will likely vary by organization because of differences in missions and varying tolerance for risk. This is consistent with our prior work noting that risk management helps organizations assess risk, strategically allocate finite resources, and take actions under conditions of uncertainty.³⁹

Incorporate Risk Assessment by Formalizing Partner Selection

The Smithsonian Institution developed a formalized partner selection process to assess risks associated with its Affiliations Program, which shares institution resources, including artifacts, with museums nationwide. As part of the application process, the Smithsonian Institution implemented a process to verify the applicant's nonprofit status, mission statement, and organization chart. Additionally, applicants are required to be in good standing under state laws and adhere to certain industry standards for managing and storing collections. Through this risk

³⁸ We have previously defined explicit risk as financial exposures including liabilities, contingencies, and financial commitments. In this report, we also use explicit risk to mean damage, destruction, loss, or theft of CCOs' physical assets. We have also previously defined implicit risk as exposures that stem not from a legal obligation of the federal government but rather from implied commitments embedded in the government's current policies or in the public's expectations about the role of government. See GAO, *Fiscal Exposures: Improving the Budgetary Focus on Long-Term Costs and Uncertainties*, [GAO-03-213](#) (Washington, D.C.: Jan. 24, 2003).

³⁹ GAO, *Risk Management: Strengthening the Use of Risk Management Principles in Homeland Security*, [GAO-08-904T](#) (Washington, D.C.: June 25, 2008).

assessment process, the Smithsonian Institution evaluates the management abilities of potential partners and determines whether those partner institutions will be appropriate stewards of the loaned artifacts and resources.

Similarly, the National Gallery of Art has assessed partnering risks through a formalized process to identify partners for its privately-funded Art Around the Corner program. This program brings District of Columbia public school classes to the museum to experience art through discussion, role-playing, sketching, art making, and creative writing. To select classes for the program, program staff first communicated with school principals and then invited teachers and their students to visit the museum as a class. During these visits, National Gallery of Art staff observed teacher and student interactions, the teacher's enthusiasm for the program, and general class dynamics. Further, Art Around the Corner officials make themselves available to provide more information about the program as needed so that teachers understand their role in the program and the expected outcome for their students. During this observation process, National Gallery of Art program staff and teachers can mutually assess the program's benefits and consider whether or not to be involved.

Manage Partnering Risks

Risks—both explicit and implicit—should be assessed and managed when partnering. For example, the way that the Smithsonian Institution funds projects as part of its Grand Challenges Consortia program takes explicit risks into account by minimizing the institution's financial exposure. Specifically, the Consortia program staff review grant proposals and provide seed funding of \$20,000 and then later up to \$100,000 after a project has demonstrated increased capacity. This approach allowed the Smithsonian Institution to take calculated risks on new projects in a manner that mitigates extensive financial losses. Similarly, the Holocaust Memorial Museum has also assessed and managed explicit risks in its traveling exhibitions program by establishing requirements based on industry best practices regarding potential partners' physical space. Specifically, partners that would like to borrow the museum's artifacts are required to meet certain facility, security, and preservation requirements to reduce the risk that artifacts are damaged or lost.

It is also important to manage implicit risks, such as the likelihood that partners could potentially damage a CCO's reputation. For example, the Smithsonian Institution allows the use of its space in connection with

substantial donations under the condition that the use is consistent with certain policies to help ensure the institution can retain appropriate control over its facilities.⁴⁰ These policies include, for example, a prohibition on the use of facilities for such events as weddings or birthdays; partisan, political, or religious gatherings; fundraising; and marketing activities.

Another type of implicit risk which can affect a CCO's reputation is community and stakeholder opinion. Presidio Trust officials received a high degree of neighborhood opposition to a plan to build a contemporary art museum on its grounds. Preservationists and others fiercely opposed the scale of the museum as being inconsistent with the overall historical character of the park and criticized the Presidio Trust for failing to consider and plan for traffic impacts on local streets. Faced with adamant resistance from these outside groups, a decision was made not to pursue plans for the museum.

Key Questions to Consider

- Have explicit and implicit risks—both between and among all partners and internally between staff offices—been identified, analyzed, and allocated?
- Have the likelihood and significance of risks as well as strategies to manage those risks been identified?

Principle 4: Select Complementary Partners and Appropriate Projects

Selecting appropriate partners and projects is central to a successful partnering arrangement. Partners should bring complementary resources, skills, and financial capacities to the relationship. Further, a systematic approach helps to identify projects that are well-suited for partnering opportunities and helps to achieve an organization's mission. This is consistent with our past work noting the importance of ensuring that relevant participants have been included in the collaborative effort. Further, we have found that it is helpful when the participants have full knowledge of their resources; the ability to commit these resources and make decisions; the ability to regularly attend all activities of the collaborative mechanism; and the knowledge, skills, and abilities to contribute to the outcomes of the collaborative effort.⁴¹

⁴⁰ Officials noted that while the Smithsonian Institution provides the venue, the private entities pay other expenses related to food, drink, and entertainment.

⁴¹ [GAO-12-1022](#).

Select Partners with the Right Resources and Expertise

Partners have broadened CCOs' audiences. The CCOs we met with have used partners to expand their audiences locally and throughout the world. For example, the National Gallery of Art has expanded its audience through its Art Around the Corner program which partners with District of Columbia public schools to bring fourth and fifth grade students to the museum who were otherwise unlikely to visit. As part of this program, students visit the museum up to 14 times over two school years to view, discuss, and create art. According to Art Around the Corner officials, the program also has provided an opportunity for the museum to engage with students' families, some of whom have never visited the museum.

Some CCOs reached a broader global audience through international partners. For example, the Holocaust Memorial Museum and the Mémorial de la Shoah in Paris convened an international symposium in 2010 to assess governments' capacities to effectively respond to genocide and mass atrocities. The symposium—which was attended by leading genocide prevention and human rights officials and experts worldwide—highlighted and examined core issues in genocide prevention to governments all over the globe. Further, strategies were recommended to enhance international cooperation on this issue. Similarly, the National Gallery of Art has collaborated with foreign museums to broaden its international audience. For example, the museum organized an exhibition on Victorian art and design with the Tate Britain museum in London, England.⁴² The exhibition is also scheduled to travel to the State Pushkin Museum of Fine Arts in Moscow, Russia.

Partners have provided technical support. The CCOs we studied worked with partners who have provided technical support in various areas of business expertise. For example, the Smithsonian Institution and George Mason University leveraged their respective expertise and resources to develop the Smithsonian-Mason School of Conservation. This school offers a semester-long residential academic program for undergraduate students in conservation biology located at the Smithsonian Conservation Biology Institute in Fort Royal, Virginia. A program official explained that George Mason University had previously offered conservation studies at the graduate level only and that this new program provides undergraduates access to prominent scientists and educators earlier in

⁴² The Tate Britain holds the national collection of British art from 1500 to the present day in addition to international modern and contemporary art.

their academic careers. George Mason University provided academic and business expertise to help manage the program and conducted a market analysis to demonstrate the program's economic sustainability. The Smithsonian Institution contributed scientific resources, such as experienced scientists, laboratories, and connections with other programs. The institution also made property available to house new dormitories and dining facilities. A program official noted that leveraging the university's complementary areas of expertise was critical to the school's success and economic self-sufficiency.

The Smithsonian Institution has also contracted with companies to provide specialized services in connection with certain business opportunities, including managing food and beverage services, distributing Smithsonian books, and creating Smithsonian-branded products. Specifically, the Smithsonian Enterprises unit works with private sector partners to provide various business services, and the resulting revenues are used to fund programs throughout the institution. For example, the home shopping television channel, QVC, which has a large viewership and marketing expertise, helped the Smithsonian Institution sell jewelry with designs based on the institution's gem collection. In another instance, Smithsonian Enterprises leveraged Mattel's product development expertise to design, produce, and sell a paleontologist Barbie doll. In both arrangements, the Smithsonian Institution received a portion of the revenue.

Partners have provided operational support. Volunteers and organizations have provided critical operational support to the CCOs we studied. For example, the Smithsonian Institution's 6,500 volunteers outnumber its paid employees. Volunteers have led tours, conducted field work, assisted with research, provided administrative support, and staffed information desks, among other wide-ranging services. Volunteers have also provided specific technical services to the four CCOs we studied. For example, the Holocaust Memorial Museum worked with a law firm whose lawyers conducted legal research on genocide issues free of charge.

Operational support may also come in the form of what is more traditionally viewed as a public-private partnership. For example, prior to the establishment of the Presidio Trust in September 1995, the National Park Service entered into a 55-year ground lease with Thoreau Center Partners, a for-profit California real estate company, to rehabilitate part of

an old hospital.⁴³ Thoreau Center Partners leased, developed, and operated some of these buildings, now known as the Thoreau Center for Sustainability, and then subleased the improved office space to a variety of subtenant organizations. Since the Presidio's transfer from the National Park Service in 1998, the Presidio Trust has overseen this public-private partnership. When we followed up with Presidio Trust officials about this project in May 2013, they noted that this lease resulted in a good outcome for the National Park Service by providing for the rehabilitation of the building with outside funds.⁴⁴ However, the official said that rental rates had not kept pace with market changes.

According to Presidio Trust officials, the Presidio Trust continues to pursue a development strategy that includes rehabilitating and leasing buildings by executing long-term building and ground leases with tenants who independently fund building improvements. Officials noted that this approach provides a mix of revenue sources that balances low-risk, long-term, and market-driven rents which provide greater certainty of revenues during economic downturns. Further, officials said it allows tenants to make significant investments toward operational and rehabilitation costs. For example, the Presidio Trust replaced the previously vacant Letterman Army Medical Center with a new 850,000 square foot campus by partnering with filmmaker George Lucas whose company invested \$300 million to rehabilitate the complex. This project—known as the Letterman Digital Arts Center—is home to Lucasfilm, Ltd and a number of its subsidiary companies including Industrial Light and Magic, LucasArts, and the George Lucas Educational Foundation. The Presidio Trust earns an revenue of approximately \$6 million from the ground lease each year.⁴⁵ Other examples of projects that relied on nonfederal partners to rehabilitate and lease Presidio Trust buildings include the Walt Disney Family Museum and the Presidio Landmark residential apartments. Between 2005 to 2011, the Presidio Trust executed 226 ground leases for

⁴³ A ground lease is a lease for the use and occupancy of land only, usually for a long period of time. It is also called a land lease.

⁴⁴ For more information on the Thoreau Center Project at the Presidio, see GAO, *Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships*, [GAO/GGD-99-23](#) (Washington, D.C.: Feb. 3, 1999).

⁴⁵ The Letterman Digital Arts Center's ground lease is a 60-year term with a 30-year option to extend.

nearly 1 million square feet that have provided rental revenues valued at \$240 million over the duration of these leases.

Partners have provided financial support. Nonfederal financial support is critical to CCOs' ability to further their missions. Nonfederal partners have provided millions of dollars of support to each of the CCOs we studied. These funds allowed CCOs to purchase art and artifacts, construct new buildings, develop exhibitions, enhance program offerings, conduct research, and otherwise further the CCO's mission. CCOs have worked with donor or member groups to solicit funds from individuals and corporations. For example, the Presidio Trust partnered with the Golden Gate National Parks Conservancy to raise private philanthropic funds.

Create a Process to Systematically Propose, Evaluate, and Select Projects Consistent with Mission

Projects are proposed internally and externally and some CCOs have developed internal processes to help ensure they select appropriate projects for partnering opportunities. Specifically, some CCOs have used committees to evaluate proposals against set criteria, including the extent to which the proposal would be consistent with the CCO's mission and goals. For example, the Smithsonian Grand Challenges Consortia program assembles a review committee that rates potential projects based on a set of criteria that includes scholarly merit, ability to meet Consortia goals, ability to build coalitions, social impact, team member qualifications, ability to finish the project on time with the provided resources, and potential to garner additional funds.

Key Questions to Consider

- What resources will each partner contribute and how will the CCO leverage those resources?
- To what extent does the CCO have the key skills needed to create, manage, and monitor partners and projects?
- How will the potential partners and projects be selected and evaluated?

Principle 5: Manage Partnering Arrangements

Partnering arrangements are relationships between or among different parties that should be managed actively. Technology can enable information sharing between partners to facilitate the leveraging of resources. Formalizing collaborations between the partners, including documenting dispute resolution processes, can enable productive partner interactions. Further, it is important to have the staff with the right skills and experience to manage these opportunities.

Use Technology to Leverage Partner Resources

CCOs have created online tools that help partners share resources. For example, the Holocaust Memorial Museum leveraged the time and skills of individuals through the power of crowdsourcing on the Internet as part of the World Memory Project. Thousands of volunteers have helped to transcribe more than 2 million records of Holocaust-related historical documents into an online database hosted by the company Ancestry.com.⁴⁶ The software developed by Ancestry.com allowed volunteers across the globe to easily access information and perform tasks that helped achieve the Holocaust Memorial Museum's mission.

In another example, the National Gallery of Art developed online educational resources to help it connect with students and teachers, who can help achieve the museum's mission of fostering an understanding of works of art.⁴⁷ These free resources include teaching packets and online interactive lessons. Specifically, the website includes lesson plans, worksheets, and other educational materials on topics such as self-portraits, 19th century American art, and art and ecology. The National Gallery of Art also has a website with activities and games to engage children in art.⁴⁸

Use Written Documentation to Foster Partner Collaboration

To facilitate collaboration, it is important that partners agree on roles and responsibilities and that there is a process in place to resolve disputes. One subject matter specialist noted that processes to mediate and resolve disputes and conflicts can help CCOs avoid confusion about partner expectations and may contribute to partners' willingness to invest resources in the project. This is consistent with our recent work on collaborative mechanisms, in which we found that articulating these

⁴⁶ See <http://www.worldmemoryproject.org/>.

⁴⁷ See <http://www.nga.gov/content/ngaweb/education.html>.

⁴⁸ See <http://www.nga.gov/content/ngaweb/education/kids.html>.

agreements in formal documents can strengthen organizations' commitment to working collaboratively, and that it is important to address diverse organizational cultures to enable a cohesive working relationship and to create the mutual trust required to enhance and sustain the collaborative effort.⁴⁹ Another subject matter specialist made the related point that it is also important to think ahead about whether other suitable partners exist if an arrangement fails.

The Smithsonian-Mason School of Conservation used written documentation to foster partner collaboration. Specifically, the Smithsonian Institution and George Mason University signed a memorandum of understanding outlining roles and responsibilities, describing the financial commitments expected of each party, allocating financial risk between the partners, and setting terms for renewing the agreement. The document also established a dispute resolution process for discussing and negotiating conflicts. Specifically, the memorandum dictated when one partner has the final authority and, in other cases, when and how a consensus will be reached. Smithsonian Institution officials credited the memorandum of understanding with their ability to manage the whole academic, residence, and dining complex as one unified program, which has facilitated problem solving and de-emphasized the distinction among staff from both institutions.

In another example, the National Gallery of Art has used written contracts outlining the teachers' roles and responsibilities to encourage teacher engagement for its Art Around the Corner program. The National Gallery of Art provides extensive materials to teachers and students, including curricula, workbooks, sketchbooks, art reproductions, art materials, and children's books. According to officials, integrating program-developed activities into the classroom has helped reinforce students' critical thinking skills and therefore it has been important for teachers to follow through in carrying out the curriculum in their classrooms. To help ensure that teachers adhere to their contractual responsibilities, the teachers are paid an annual stipend only after their classes successfully completed the program.

In addition to written agreements, establishing mutual expectations facilitated successful partnering arrangements. As noted by one subject

⁴⁹ [GAO-12-1022](#).

Attract and Retain Staff with the Right Skills for Partnering

matter specialist, developing such an understanding takes time and is predicated on coordinating, communicating, and learning how partners operate. Smithsonian Institution officials discussed the importance of setting expectations about how much time is needed for the partnering arrangement. Specifically, the institution has worked to set realistic expectations internally and externally about the time frames needed for its business enterprises. To assist with this process internally, Smithsonian Enterprises maintains a flow chart of the key dates for review. Externally, officials have managed private partners' expectations by explaining that the development of licenses takes longer than in the private sector.

Each of the four CCOs we studied has made use of their previously described legal authorities and exemptions to attract and retain appropriate staff to facilitate partnering. CCOs have used these authorities for staff in areas such as business development, philanthropy, and key management positions that require skills to facilitate and manage partnering arrangements. Further, one CCO used this exemption to be nimble and responsive when its partnering needs changed. Specifically, when working with private contractors, the Presidio Trust was able to downsize construction staff when the 2008 decline in real estate values resulted in less demand for housing in the San Francisco area.

CCOs also have had a strong focus on recruiting and retaining staff skilled at facilitating partnering arrangements. This is consistent with our prior work, in which we found that strategic human capital management allows agencies to perform their missions economically, efficiently, and effectively and facilitates agencies' ability to deploy the right skills, in the right places, at the right time.⁵⁰ For example, the Presidio Trust has offered a rent credit program for selected employees who live on the park. It has also conducted an employee survey to assess personal work experience; recruitment, development, and retention strategies; job satisfaction; and feedback on the performance culture and leadership. These practices have helped the Presidio Trust retain staff with, among other skills, expertise in partnering.

Key Questions to Consider

- How will roles and responsibilities surrounding the partnering arrangement be delineated, agreed upon, and documented?

⁵⁰ See for example, GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

-
- Are there clear lines of authority to coordinate and elevate decision making discussions?
 - How will programmatic decisions be made and disputes be resolved?
 - How will the CCO ensure or promote effective and open communications between partners and what tools, if any, would facilitate this communication?
 - What key knowledge, skills, and abilities are needed to manage the partnering arrangement?
 - If the organization does not have staff on board with the necessary skills to manage partnering arrangements, how will it attract and retain that talent?

Principle 6: Evaluate Partnering Arrangements

Information about how well existing partnering arrangements leverage nonfederal resources is important to inform decisions about continuing arrangements or entering into new ones. Gathering this information also presents an opportunity to evaluate progress toward a project's intended goals.

Evaluate How Partners Leverage Nonfederal Resources

It is important to evaluate the role of partners at an organizational level to help ensure nonfederal resources are effectively leveraged. To better understand the role of partners at the Smithsonian Institution and to promote internal and external collaborations, officials have completed various reports over time that identify the strengths, weaknesses, opportunities, and threats to partnering. These reports also focused on how the Smithsonian Institution can better develop a collaborative culture. In a February 2012 report, officials compiled an inventory of active collaborations with external partners. A separate April 2009 report recommended steps the Smithsonian Institution could take to facilitate collaboration. In addition, a 2008 Smithsonian Institution task force report evaluated the management of revenue-generating activities and recommended restructuring Smithsonian Enterprises to improve capacity, cost, and focus.

Evaluate Specific Partnering Arrangements

Evaluating the effectiveness of specific partnering efforts can serve an important role in improving partnering arrangements. In past work, we found that agencies that create a means to monitor, evaluate, and report the results of collaborative efforts can better identify areas for improvement.⁵¹ Evaluations can also serve as a means to provide

⁵¹ [GAO-12-1022](#).

feedback to private donors that funded a program. For example, the National Gallery of Art conducted an external evaluation of its Art Around the Corner program's outcome and participant impact. The December 2012 evaluation assessed the program's mission and participant impact through interviews, and identified potential program improvements. National Gallery of Art officials have begun discussions about how to address the recommendations identified in the evaluation and also plan to use this as a means to report back to the private donors that funded the program.

CCOs have also evaluated the success of potential programs by conducting pilot programs. For example, the Smithsonian-Mason School of Conservation used a pilot to determine the effectiveness of its business model and academic curriculum before fully implementing the program. Five pilot programs were conducted between 2008 and 2011 to evaluate the school's curriculum and determine whether the program could become financially self-sustaining. These pilots allowed officials to evaluate the program's financial and operational feasibility before fully committing resources. Upon the successful completion of these pilots, the school has been fully operational and has significantly increased the size of its program.

Key Questions to Consider

- To what extent are partnering arrangements used to better leverage nonfederal resources?
- How are partners and their performance evaluated?
- What data-based tools are available to determine whether a partnering arrangement is leveraging nonfederal resources effectively?
- What lessons learned from other partnering arrangements are used to inform new partnering decisions?

Conclusions

Increasingly, the federal government relies on networks of partners to achieve critical results, often including multiple federal agencies, sectors, and levels of government. CCOs are in a unique position to leverage nonfederal resources by working with partners to produce greater public value than they can achieve alone, especially given the special managerial flexibilities and legal authorities they enjoy. Chief among these flexibilities is the ability to solicit private funds and accept gifts. These nonfederal resources are particularly valuable in light of today's constrained budget environment, in which agencies may no longer expect regular increases in their budgets.

While the four CCOs we studied—the Holocaust Memorial Museum, the National Gallery of Art, the Presidio Trust, and the Smithsonian Institution—benefit from millions of nonfederal, nonappropriated dollars that provide programmatic, research, and operational support, information about how these CCOs leveraged nonfederal funds are not reported in a timely, consistent manner. Congress does not direct the CCOs’ use of nonfederal funds. However, because the federal budget process is the primary means by which Congress evaluates competing demands for federal funds, it is essential that Congress has timely, sufficient information about the nature and scope of all resources—federal and nonfederal—being used to serve a public purpose. Absent a requirement to present this information in a timely, transparent fashion and make it available for use in congressional budget deliberations, Congress will lack complete information about CCOs’ federal and nonfederal financial resources. Further, CCOs may be missing an opportunity to share good practices and strategies for leveraging resources and strengthening relationships with private and nonprofit partners in new, more cost-effective ways.

Matter for Congressional Consideration

To provide more timely, complete information about CCOs’ fiscal health, and increase awareness about good practices and strategies for leveraging resources from nonfederal partners, congressional committees should consider requiring CCOs under their jurisdiction to report on their total nonfederal funds—including a breakdown of the amounts and uses of these funds—in their annual budget requests. In requiring this information, Congress should also consider what types of information on CCOs’ nonfederal funds would be helpful to them, how that information should be reported and at what level of detail, and whether the information should be presented consistently across CCOs.

Agency Comments and Our Evaluation

We provided the Executive Director of the Holocaust Memorial Museum, the Director of the National Gallery of Art, the Executive Director of the Presidio Trust, and the Secretary of the Smithsonian Institution with a draft of this report for review and comment. All of the CCOs generally agreed with the findings and conclusions in this report. They also provided technical comments, which we have incorporated, as appropriate.

The Director of the National Gallery of Art provided written comments that we have reprinted in appendix II. In written comments, the Director of the National Gallery of Art agreed that Congress should have timely

information about the nature and scope of nonfederal resources. However, he noted that Congress should not direct or restrict the use of private funding. Instead, the Board of Trustees has full fiduciary responsibility over nonfederal funds. We agree that Congress does not direct CCOs' use of nonfederal funds. We have clarified this point in the report, as appropriate.

We are sending copies of this report to the Holocaust Memorial Museum, the National Gallery of Art, the Presidio Trust, the Smithsonian Institution, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-6806 or irvings@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.



Susan J. Irving
Director for Federal Budget Analysis
Strategic Issues

Appendix I: Selected Examples of How Congressionally Chartered Organizations Leveraged Nonfederal Resources

Smithsonian Institution	
Business activities	Smithsonian Enterprises, the institution's revenue-producing organization, works with nonfederal partners in its three major business divisions: (1) The media division manages the institution's magazines, books, and the Smithsonian Channel, (2) the retail operation manages the museum and airport stores, three IMAX theaters, and food concessions, and (3) the consumer products division manages agreements with more than 75 companies permitting the use of the Smithsonian name following collaboration with staff and curators. Smithsonian Enterprises works closely with the private sector to provide the services in each of their business divisions.
Research	The Smithsonian Grand Challenges Consortia help foster a spirit of interdisciplinary collaboration to stimulate intellectual exchange within the institution and beyond. The Consortia develop and launch collaborations, research centers, and programs that address the Smithsonian Institution's four Grand Challenges: (1) Unlocking the Mysteries of the Universe, (2) Understanding and Sustaining a Biodiverse Planet, (3) Valuing World Cultures, and (4) Understanding the American Experience.
Programs	<ul style="list-style-type: none"> • The institution partners with George Mason University to create, manage, and operate the Smithsonian-Mason School of Conservation. The program offers residential, hands-on, interdisciplinary programs in conservation biology for undergraduate and graduate students and professionals at a jointly developed facility in Front Royal, Virginia. • The Smithsonian Affiliations program shares the institution's collections, scholarship, and exhibitions with Americans in their own communities by collaborating with museums and cultural and educational organizations. The program brings the institution's resources to local communities through its 177 affiliates in 41 states, Puerto Rico, and Panama. • Through the Encyclopedia of Life the Smithsonian Institution partners with other research organizations to compile and make available scientific research, data, and information to users worldwide. Its goal is to create "a webpage for every species" by bringing together trusted information from resources across the world such as museums, learned societies, expert scientists, and others into one database and a single, easy-to-use online portal.
Internal operations	Volunteers provide office and event support by offering programmatic and administrative services, such as working on special projects, staffing information desks, providing docent tours, and caring for animals.
National Gallery of Art	
Research	<ul style="list-style-type: none"> • The National Gallery of Art collaborates with conservation scientists and conservators, conservation laboratories, and universities both nationally and internationally on art conservation. • The Center for Advanced Study in the Visual Arts collaborates with historians, critics, art theorists, and social science and humanities scholars to study the production, use, and cultural meaning of art, artifacts, architecture, urbanism, photography, and film, from prehistoric times to the present.
Programs	<ul style="list-style-type: none"> • Art Around the Corner partners with the District of Columbia Public School System's elementary schools to bring fourth and fifth graders to the National Gallery of Art up to 14 times over 2 years to experience art through personal and interdisciplinary connections. In small groups, students look closely at works of art, engaging in open-ended discussion, role-playing, sketching, art making, and creative writing. • The National Gallery of Art partners with educators to disseminate information and foster an understanding and appreciation of art. It provides resources for educators and students such as free interactive lesson units online that include lesson plans, worksheets, and student activities.
Internal operations	Volunteers assist the public by staffing the information desks at the museum as well as providing docent tours of the art for the public.

**Appendix I: Selected Examples of How
Congressionally Chartered Organizations
Leveraged Nonfederal Resources**

U.S. Holocaust Memorial Museum

Research	<ul style="list-style-type: none"> The museum's Center for Advanced Holocaust Studies worked with international academics to support scholarship and publications in the field of Holocaust studies, promotes the growth of Holocaust studies at American universities, seeks to foster strong relationships between American and international scholars, and initiates programs to ensure the ongoing training of future generations of scholars specializing in the Holocaust. The Holocaust Memorial Museum's World Memory Project program leveraged individual volunteer's efforts to identify photographs of thousands of children. Further, the public helps to piece together information about the children's wartime and postwar experiences and facilitate renewed connections among these young survivors, their families, and other individuals who were involved in their care during and after the war.
Programs	<ul style="list-style-type: none"> The Genocide Prevention Task Force was jointly convened by the Holocaust Memorial Museum, U.S. Institute of Peace, and the American Academy of Diplomacy and funded through private foundations. Its goals included spotlighting genocide prevention as a national priority and developing practical policy recommendations to enhance the capacity of the U.S. government to respond to emerging threats of genocide and mass atrocities. The traveling exhibitions program allows different organizations to borrow exhibitions and thereby extend its educational activities to a broader audience. Since 1991, the museum's traveling exhibitions have been to 150 cities in 45 U.S. states, as well as Canada and Germany.
Internal operations	<ul style="list-style-type: none"> Volunteers worked to assist the Holocaust Memorial Museum's operations such as visitor services special projects, clerical work, research, translation, and transcription. To augment the work of the museum, the Office of General Counsel said that law firms are periodically engaged to provide pro bono and discounted paid legal services, such as research on international law, advice on specific aspects of intellectual property law, and advice on major mediations.
Presidio Trust	
Business activities	<ul style="list-style-type: none"> The Presidio Trust employs a firm specializing in residential leasing to manage residential homes in 21 neighborhoods, and a nonresidential management firm to manage leases for nonresidential building space. The Presidio Trust oversaw the rehabilitation of a historic building into the Inn at the Presidio and entered into a management service agreement with a hotel management company to manage and operate the inn. Presidio Trust Special Events issues permits for recreational uses. The Presidio Trust hospitality department rents out seven event venues for meetings and private events.
Research and preservation	The Presidio Trust partners with the National Park Service, academics, and researchers on archeology, historical preservation, and open space restoration.
Programs	The Presidio Trust partners with the National Park Service, Golden Gate National Parks Conservancy, Presidio YMCA, and other organizations to provide cultural, recreational and natural resource programming.

Source: GAO summary of documents and interviews with officials from the four congressionally chartered organizations we studied.

Appendix II: Comments from the National Gallery of Art

NATIONAL GALLERY OF ART

Office of the Director

May 24, 2013

Dear Ms. Irving,

Thank you for the opportunity to comment on your draft report, "Congressionally Chartered Organizations: Key Principles for Leveraging Nonfederal Resources." The National Gallery of Art is a bold experiment in charitable giving and federal support that has created one of the world's leading art museums. We are particularly proud of our privately funded Art Around the Corner program and are pleased that the report notes the program evaluation we have undertaken. We agree that evaluation of partnering agreements and programs is essential to sound fiduciary management and meeting program goals, and believe the six principles identified in the report will be useful to other CCOs.

I would like to clarify a few points concerning the Gallery's authorities and history, which could affect the applicability to the Gallery of the report's recommendation that Congressional committees consider requiring CCOs to report on their total nonfederal funds. The report notes that information on private funding would provide Congress with an "important context for understanding... the relative tradeoffs among funding decisions..." Restrictions on private funding and the unique authorities given our Board of Trustees would make funding such tradeoffs difficult, if not impossible.

When the nation accepted Andrew Mellon's gift of his superb art collection and the funds to build the Gallery, Mr. Mellon requested and Congress pledged in 1937 to "provide such funds as may be necessary for the upkeep of the National Gallery of Art and the administrative expenses and costs of operations thereof, including the protection and care of works of art acquired by the Board..." To supplement and expand this historic compact between Mr. Mellon and President Roosevelt, the Gallery has looked to private donors to fund programs and activities for which Congress did not agree to pay. Examples include funds for art acquisition, gifts of works of art, and educational programs like the Art Around the Corner program. In almost all instances, these private funds are given for a particular restricted purpose. Such restricted private donations cannot be substituted for the federal funds that are by statute to be used for necessary functions such as maintenance, utilities, and care of the permanent collection. In fact, institutions with charitable endowments are under a legally binding, fiduciary duty to manage, account, and spend private funds strictly in accordance with donor instructions and uniform standards. To do otherwise, would expose those institutions to potential legal claims and liability.

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**Appendix II: Comments from the National
Gallery of Art**

As a second point of clarification, I would note the unique authority given our Board of Trustees by the 1937 Joint Resolution of Congress. The Gallery's Board of Trustees has plenary authority and full fiduciary responsibility over the private funds it raises. Such responsibility does not allow for others to direct the use of private funding, which could be the result of "tradeoffs" between private and federal funding referenced in the report.

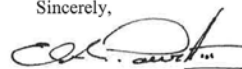
We agree that Congress should have timely information about the nature and scope of nonfederal resources. To that end, the Gallery comprehensively reports both private and federal information in its audited financial statements and the Performance and Accountability Report, which are delivered to Congress and available on our website within 45 days of the close of each fiscal year. We firmly believe we currently fulfill the intent and spirit of your recommendation to present timely and transparent information to the public and Congress.

Charitable giving is a direct result of the federal commitment to the Gallery, which continues to be a successful public/private partnership where federal funds are used as required by statute to support operations and maintenance, and privately raised funds are used to support other types of vital programs. We continue to be grateful for the federal support that is the cornerstone of Gallery operations and maintenance.

Thank you for the opportunity to comment on the draft report.

With all best wishes,

Sincerely,



Earl A. Powell III

Ms. Susan J. Irving, Director
Federal Budget Analysis
Strategic Issues
United States Government Accountability Office
441 G Street NW
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Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgments

In addition to the contact named above, Jacqueline M. Nowicki, Acting Director, Melissa Emrey-Arras, Shirley S. Hwang, Melissa L. King, and Catherine H. Myrick made major contributions to this report. Also contributing to this report were Mallory Barg Bulman, Amy R. Bowser, Elizabeth Erdmann, Robert L. Gebhart, Mehrzad Nadji, Amy J. Radovich, Cynthia M. Saunders, Sabrina C. Streagle, and Sarah Veale.

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