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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## Reviews Of The Trans-Alaska Pipeline Liability Fund's Financial Statements For The Years Ended December 31, 1982 and 1981

GAO reviewed the reports on the audits of the Trans-Alaska Pipeline Liability Fund's 1982 and 1981 financial statements and the work of the Fund's independent certified public accountant. GAO found nothing to indicate that the opinion of the Fund's independent accountant is inappropriate or cannot be relied on.

In the opinion of the independent accountant, the Fund's financial statements present fairly the financial position of the Fund at December 31, 1982 and 1981, and the changes in net assets available for claims for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



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GAO/AFMD-83-98  
SEPTEMBER 30, 1983

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

B-208638

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

This report presents the results of our reviews of Deloitte Haskins & Sells' audits of the statement of net assets available for claims of the Trans-Alaska Pipeline Liability Fund as of December 31, 1982 and 1981, and the related statements of changes in net assets available for claims for the years then ended. Our reviews were made pursuant to the provisions of the Trans-Alaska Pipeline Authorization Act (43 U.S.C. 1651 et seq.) which directs that the Fund shall be subject to annual audit by the U.S. General Accounting Office.

In order to avoid unnecessary duplication and expense and to make the most efficient use of our available resources, we are relying on the work and report of the Fund's independent certified public accountant. We made inquiries, examined Deloitte Haskins & Sells' workpapers, and performed analytical procedures to determine the quality of the auditor's work and the extent to which we could rely on it. We also reviewed the adequacy of the independent accountant's work on internal controls and compliance with laws and regulations.

In the opinion of Deloitte Haskins & Sells, the Fund's financial statements present fairly the net assets available for claims of the Fund at December 31, 1982 and 1981, and the changes in net assets available for claims for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. During our review, we found nothing which would indicate that Deloitte Haskins & Sells' opinion on the Fund's calendar year 1982 financial statements was inappropriate or cannot be relied on. The auditor's work did not disclose any evidence of material internal control weaknesses or noncompliance with laws and regulations. We therefore concur with and transmit to the Congress Deloitte Haskins & Sells' opinion on the Fund's financial statements. The opinion and financial statements are included as appendix I.

We are sending copies of this report to the Director, Office of Management and Budget, the Secretary of the Interior, and the Administrator of the Trans-Alaska Pipeline Liability Fund.

  
Comptroller General  
of the United States



Crocker Center  
333 South Grand Avenue  
Los Angeles, California 90071  
(213) 253-4600  
Telex 674922

AUDITORS' OPINION

Trans-Alaska Pipeline Liability Fund:

We have examined the statements of net assets available for claims of the Trans-Alaska Pipeline Liability Fund ("Fund") as of December 31, 1982 and 1981 and the related statements of changes in net assets available for claims for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the net assets available for claims of the Fund at December 31, 1982 and 1981, and the changes in net assets available for claims for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

A handwritten signature in cursive script that reads "Deloitte Haskins + Sells".

April 15, 1983

TRANS-ALASKA PIPELINE LIABILITY FUNDSTATEMENTS OF NET ASSETS AVAILABLE FOR CLAIMS  
DECEMBER 31, 1982 AND 1981

	<u>NOTES</u>	<u>1982</u>	<u>1981</u>
ASSETS:			
Cash (including savings accounts: 1982, \$26,617; 1981, \$25,692)		\$ 60,324	\$ (16,300)
Prepaid insurance		<u>1,633</u>	<u>1,497</u>
Investments (at cost):	1		
United States obligations		68,037,021	65,180,220
Certificates of deposit			6,090,738
Demand notes, commercial paper, and other short-term notes		50,115,482	14,278,998
Bonds and other long-term notes		<u>13,214,884</u>	<u>30,727,749</u>
Total investments		<u>131,367,387</u>	<u>116,277,705</u>
TOTAL ASSETS		131,429,344	116,262,902
LIABILITIES - Accrued administrative expenses		<u>125,712</u>	<u>88,129</u>
NET ASSETS AVAILABLE FOR CLAIMS		<u>\$131,303,632</u>	<u>\$116,174,773</u>

See notes to financial statements.

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TRANS-ALASKA PIPELINE LIABILITY FUNDSTATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR CLAIMS  
FOR THE YEARS ENDED DECEMBER 31, 1982 AND 1981

	<u>NOTES</u>	<u>1982</u>	<u>1981</u>
INCOME:			
Fee revenue	3		<u>\$ 20,436,123</u>
Investment income:			
Interest:			
United States obligations		\$ 7,270,389	4,294,217
Certificates of deposit		212,548	620,786
Other short-term notes		5,490,078	4,601,125
Bonds and other long-term notes		1,851,182	3,486,587
Savings accounts		3,147	8,436
Total interest income		<u>14,827,344</u>	<u>13,011,151</u>
Gain (loss) on sales:			
United States obligations		3,571,454	(101,914)
Bonds and other long-term notes		(2,695,642)	(2,808,703)
Net investment income		<u>15,703,156</u>	<u>10,100,534</u>
Total income		<u>15,703,156</u>	<u>30,536,657</u>
EXPENSES:			
Investment advisory services		327,816	234,639
Accounting and consulting services		125,949	107,256
Meeting expense		56,918	53,014
Legal services		22,644	36,536
Auditing services		15,000	15,000
Insurance expense		20,714	19,425
Administrative expense		5,256	6,882
Total expenses		<u>574,297</u>	<u>472,752</u>
EXCESS OF INCOME OVER EXPENSES		15,128,859	30,063,905
NET ASSETS AVAILABLE FOR CLAIMS:			
Beginning of the year		<u>116,174,773</u>	<u>86,110,868</u>
End of the year		<u>\$131,303,632</u>	<u>\$116,174,773</u>

See notes to financial statements.

TRANS-ALASKA PIPELINE LIABILITY FUNDNOTES TO FINANCIAL STATEMENTS

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accounts of the Fund are maintained and the financial statements have been prepared on the accrual basis.

Investments - Investments are stated at cost adjusted for amortization of discounts and accrued interest. At December 31, 1982, net market value exceeded cost by \$3,314,522.

## 2. PURPOSE OF THE FUND

The Fund was created by Section 204(c) of the Trans-Alaska Pipeline Authorization Act ("Act") to provide a source of funds to compensate for certain damages resulting from discharges of oil from vessels transporting oil that has been transported through the Trans-Alaska Pipeline to ports under the jurisdiction of the United States. The Fund's operations, which began in August 1977, are governed by regulations issued by the United States Department of the Interior ("Regulations").

Under the Act, the vessel owner and operator are strictly liable (jointly and severally) for the first \$14,000,000 of certain claims arising from any one incident, and the Fund is liable for the excess of such claims over \$14,000,000 and up to \$100,000,000 for each incident.

## 3. FEE REVENUE

Each oil owner is required to pay to the Fund a five-cent fee for each barrel loaded on vessels at the Trans-Alaska Pipeline terminal at Valdez, Alaska. Payments cease at the end of the month following the month in which net assets of \$100,000,000 (at market) have been accumulated by the Fund from any source and would resume when the market value of net assets falls below \$100,000,000. The market value of the Fund's net assets reached \$100,000,000 in August 1981 and, accordingly, payments ceased subsequent to September 1981.

## 4. INCOME TAXES

The Fund is a "nonprofit corporate entity" created by Congress and is exempt from Federal, state, and local income taxes.

## 5. RELATED PARTIES POLICY

In order to avoid conflict of interest or the appearance of conflict of interest, the Regulations provide that any member of the Fund's Board of Trustees must excuse himself or herself from consideration of:

- . any claim presented to the Fund by or on behalf of any person having a close business, personal, or governmental association with such member;
- . any claim presented to the Fund if such claim has previously been presented to a vessel owner or operator having a close business, personal, or governmental association with such member;
- . any action of the Fund which might create a conflict of interest or the appearance of a conflict of interest.

The Fund is prohibited from investing in any securities or obligations of the holders of the pipeline right of way for the Trans-Alaska Pipeline System or their affiliates or of any Fund investment advisor or custodian or their affiliates.

## 6. TERMINATION OF THE FUND

The Regulations provide that when pipeline operations have terminated, all claims have been disposed of, and the period for filing additional claims has expired, the assets remaining in the Fund will be placed in a temporary trust fund account in the State of Alaska. If this event were to occur, the Regulations further provide that during the next succeeding session of Congress, the Secretary of the Interior will request that Congress provide for final disposition of the Fund.

The United States Congress is considering bills which would create a new oil spill liability fund which would be broader in scope and jurisdiction. Certain of these bills contain provisions which would abolish the Fund.

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