

GAO

Report to the Co-Chairs,
Northeast-Midwest Congressional
Coalition

August 1993

FINANCIAL AUDIT

Northeast-Midwest
Congressional
Coalition Financial
Statements for 1991
and 1990



Comptroller General
of the United States

B-233862

August 13, 1993

The Honorable Dean A. Gallo, Co-Chair
The Honorable Marcy Kaptur, Co-Chair
Northeast-Midwest Congressional Coalition

Pursuant to your request, we audited the accompanying statements of financial position of the Northeast-Midwest Congressional Coalition as of December 31, 1991 and 1990, and the related statements of revenues and expenses and of cash flows for the years then ended. We found

- the financial statements were reliable in all material respects;
- internal controls were effective in protecting assets, assuring material compliance with laws and regulations, and assuring that there were no material misstatements in the financial statements; and
- no material noncompliance with laws and regulations we tested.

In the following sections, we describe (1) each conclusion in more detail and (2) the scope of our audit.

Opinion on the Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Coalition's

- assets, liabilities, and fund balance;
- revenues and expenses; and
- cash flows.

As discussed in note 4, the financial statements present the activities financed by Members of the Coalition and the identifiable portion of employee benefits paid with appropriated funds. These financial statements do not include those items financed by funds appropriated to the Architect of the Capitol or the U.S. House of Representatives related to office space, utilities, and furnishings.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and

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- properly record, process, and summarize transactions to permit the preparation of financial statements, and to maintain accountability for assets.

Those controls in effect on December 31, 1991, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected. Our report on the Coalition's internal control structure for 1990 is in GAO/AFMD-92-44, dated April 9, 1992.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for 1991. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Our report on compliance with laws and regulations for 1990 is also in GAO/AFMD-92-44, dated April 9, 1992.

Objectives, Scope, and Methodology

Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining internal controls to provide reasonable assurance that the control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

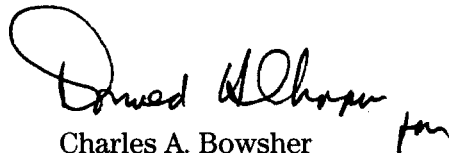
In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;

- evaluated and tested relevant internal controls which encompassed the following areas: receipts, disbursements, and financial reporting; and
- tested compliance with regulations established by the Committee on House Administration and governmental regulations related to payroll. (See note 2.)

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on May 15, 1993.

A handwritten signature in black ink, appearing to read "Charles A. Bowsher", with a stylized flourish at the end.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Financial Position

	<u>December 31,</u>	
	<u>1991</u>	<u>1990</u>
Assets		
Cash	\$46,799	\$28,354
Accounts receivable--dues	0	7,500
Accounts receivable--other	820	0
Prepaid publications	449	430
Prepaid computer rental	<u>5,163</u>	<u>7,745</u>
Total Assets	<u>\$53,231</u>	<u>\$44,029</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable--trade	\$ 329	\$ 614
Accrued liabilities	788	4,791
Dues prepaid by Members	<u>35,750</u>	<u>32,750</u>
Total liabilities	36,867	38,155
Fund Balance	<u>16,364</u>	<u>5,874</u>
Total Liabilities and Fund Balance	<u>\$53,231</u>	<u>\$44,029</u>

The accompanying notes are an integral part of these statements.

Statements of Revenues and Expenses

	<u>Years ended December 31,</u>	
	<u>1991</u>	<u>1990</u>
Revenues (note 3)		
Members' dues	\$180,000	\$165,500
Clerk-hire funds	17,355	18,344
Government contributions for payroll expenses	8,939	8,952
Special assessments for expenses	3,531	13,619
Reimbursed travel expenses	1,300	0
Tax refund	<u>702</u>	<u>0</u>
Total revenues	<u>211,827</u>	<u>206,415</u>
Expenses (notes 3 and 4)		
Salaries and benefits	163,877	161,990
Payroll taxes	12,288	12,954
Equipment rental	8,950	9,165
Bad debt expense	4,500	0
Subscriptions	4,474	3,592
Printing	2,080	1,773
Travel and meetings	1,900	135
Telephone	1,509	1,354
Office supplies	1,234	2,727
Miscellaneous	<u>525</u>	<u>342</u>
Total expenses	<u>201,337</u>	<u>194,032</u>
Excess of Revenues Over Expenses	<u>\$ 10,490</u>	<u>\$ 12,383</u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	<u>Years ended December 31,</u>	
	<u>1991</u>	<u>1990</u>
Cash Flows From Operating Activities		
Cash received from Members (note 3)	\$189,680	\$181,250
Cash received for tax refund	702	0
Cash paid to employees and service providers	(171,937)	(161,680)
Net cash provided by operating activities	18,445	19,570
Cash at beginning of year	<u>28,354</u>	<u>8,784</u>
Cash Balance at End of Year	\$ <u>46,799</u>	\$ <u>28,354</u>
<hr/>		
Reconciliations of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities		
Excess of revenues over expenses	\$ <u>10,490</u>	\$ <u>12,383</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
(Increase) decrease in assets		
Accounts receivable	6,680	(5,500)
Prepaid expenses	2,563	(7,778)
Increase (decrease) in liabilities		
Accounts payable	(285)	(3,428)
Prepaid Members' dues	3,000	21,250
Accrued liabilities	(4,003)	2,643
Total adjustments	<u>7,955</u>	<u>7,187</u>
Net Cash Provided by Operating Activities	\$ <u>18,445</u>	\$ <u>19,570</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Coalition

The Northeast-Midwest Congressional Coalition is a legislative service organization (LSO) sponsored by Members of Congress who pool their resources to pursue common legislative goals. Legislative service organizations are unincorporated associations of Members that assist in carrying out activities of mutual interest and coordinate their efforts for reasons of efficiency and effectiveness. The Coalition's purposes are to (1) inform its Members about regional implications of national policies and proposals and (2) influence congressional decisions regarding those issues of greatest importance to northeastern and midwestern states.

Note 2. Regulations and Rules Pertaining to the Coalition

On October 21, 1981, the Committee on House Administration adopted regulations and rules pertaining to legislative service organizations. Effective January 1, 1983, these regulations require the following:

- A legislative service organization may not use dues or assessments to generate additional income, including income from interest-bearing accounts or time deposits.
- A legislative service organization generally may not receive income or contributions from any source other than the Congress or its Members.
- Each legislative service organization shall submit a quarterly report of its receipts and disbursements to the Clerk of the House not later than 30 days after the end of the reporting period.
- At establishment or by May 1, 1984, and by each even-numbered year thereafter, 30 Members of each legislative service organization, or two-thirds of the total membership, whichever is less, shall attest, in a statement filed with the Committee on House Administration, that the organization provides bona fide legislative services or assistance which supports them in the performance of their official duties.

The Committee on House Administration permits legislative service organizations, such as the Coalition, to carry over unexpended funds into the following year. The Coalition's fund balance represents amounts received in earlier years as Members' dues which have not yet been expended and which will remain available to cover operating costs of future periods.

Also, certain House regulations applicable to Members have not been applied to legislative service organizations. For example, rules prohibiting purchases of food and beverages, unless they are part of an event to discuss matters related to the Members' official and representational duties with persons, other than Members or staff, who have a legitimate interest therein, do not apply to legislative service organizations. The Coalition spent about \$29 in 1991 for food and beverages at events that were attended only by Members.

Note 3. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

The Coalition receives the following forms of revenues: (1) Member dues, which the Coalition recognizes as revenues for the year to which they are applied and (2) payments of expenses on behalf of the Coalition. The Coalition recognizes the revenues and the expenses in the amount of these payments but does not receive or disburse cash. Such payments include the following:

- Clerk-hire funds, which are salaries paid to Coalition staff by the Clerk of the House on behalf of Members. These revenues and expenses are recognized as the staff earn salary.
- Government contributions for payroll expenses, which are benefits such as retirement and health and life insurance, and payroll taxes paid for employees who receive clerk-hire salary payments.
- Special assessments for expenses, which are bills paid directly by Coalition Members on behalf of the Coalition rather than from dues paid to the Coalition. These revenues are recognized when an expense voucher is sent to a Member for payment.

The Coalition leases equipment through the House Office Systems Management. Equipment usage fees are shown as equipment rental expense.

The Coalition does not estimate an allowance for uncollectible receivables because bad debts are infrequent. Bad debts are written off when realized.

No annual leave is accrued at year-end because the staff cannot carry over vacation leave from year to year, but must use it within the calendar year.

Government contributions for clerk-hire payroll expenses are included for the first time for 1991 and 1990. As a result, the Statement of Revenues and Expenses was

restated for 1990 to reflect the additional revenues of \$8,952, and the corresponding increase in salaries and benefits, and payroll tax expenses.

Note 4. Appropriated Funds Support

Certain costs of operating the Coalition are financed through funds appropriated to the Architect of the Capitol and to the Clerk of the House of Representatives rather than through the Coalition's financial statements. Some of those costs cannot be readily determined, such as office space, utilities (except telephone), furniture, repairs, maintenance, and other services. Identifiable costs paid from appropriated funds of the Clerk of the House of Representatives on behalf of the Coalition are included in the financial statements under the caption "government contributions for payroll expenses," which represents employee benefits.

Note 5. Contingency--Taxes Payable to the District of Columbia

The District's Department of Employment Services informed the Coalition it was reexamining its earlier position that certain Coalition employee salaries were exempt from the District's unemployment compensation tax. The District stated that for employee salaries paid partially with Coalition funds and partially with federal funds, unemployment taxes must be paid on the share funded by the Coalition. These taxes amount to at least \$10,381. The Coalition disagrees with the District's claim that unemployment compensation taxes are due for these employees. These differing views remain unresolved, because the District has not made a final decision. On April 12, 1991, the Coalition paid taxes for employees paid solely with Coalition funds. The Coalition has had no further correspondence from the District's Department of Employment Services. Accordingly, no amounts have been accrued for these taxes.

Note 6. Related Parties

The Northeast-Midwest Congressional Coalition shares its executive director and accountant with other organizations. The executive director is shared with the Northeast-Midwest Senate Coalition and the Northeast-Midwest Institute, although he is not compensated by the Northeast-Midwest Senate Coalition. The accountant is shared with the Institute. These organizations have separate Boards of Directors and have no common Members.

The Northeast-Midwest Congressional Coalition has no other financial relationship with these organizations. The two Coalitions share common objectives related to informing their members about the regional implications of federal policies and legislation. The

Institute is a privately funded, nonprofit, independent research organization, created in 1978 at the request of the Northeast-Midwest Congressional Coalition to provide in-depth research and analysis on the regional implications of federal policies and legislation.

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