

GAO

Report to the Co-Chairman,
Environmental and Energy Study
Conference

January 1994

FINANCIAL AUDIT

Environmental and
Energy Study
Conference Financial
Statements for 1992
and 1991





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-216351

January 14, 1994

The Honorable Robert E. Wise
Co-Chairman, Environmental and Energy
Study Conference

Dear Mr. Chairman:

As requested, we audited the balance sheets of the Environmental and Energy Study Conference as of December 31, 1992 and 1991, and the related statements of revenues and expenses and cash flows for the years then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on December 31, 1992, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested for 1992.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The financial statements and accompanying notes of the Environmental and Energy Study Conference present fairly, in conformity with generally accepted accounting principles, the Conference's

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

As discussed in notes 3 and 4, the financial statements present only the activities financed by Members of the Environmental and Energy Study Conference. Thus, they do not include costs relating to office space and building operations which are financed by appropriations to the U.S. House of Representatives and the Architect of the Capitol.

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
- 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, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected. Our report on the Conference's internal control structure for 1991 is presented in GAO/AIMD-94-19, dated November 19, 1993.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for 1992. 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 1991 is also presented in GAO/AIMD-94-19, dated November 19, 1993.

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 internal 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

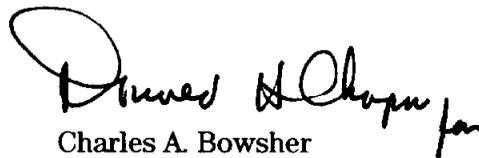
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;

- 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 in the following areas: revenues, expenditures, and financial reporting; and
- tested compliance with selected provisions of regulations established by the Committee on House Administration on October 21, 1981, and federal regulations on the withholding and payment of income and social security taxes.

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 July 30, 1993.

Sincerely yours,



Charles A. Bowshe
Comptroller General
of the United States

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Financial Statements

Balance Sheets

	<u>December 31,</u>	
	<u>1992</u>	<u>1991</u>
Assets		
Cash in bank	\$585,598	\$416,253
Receivables from employees	167	167
Receivables from Members	0	700
Tax refund receivable	0	445
Prepaid equipment rental (note 3)	<u>22,368</u>	<u>33,008</u>
Total Assets	<u>\$808,133</u>	<u>\$450,573</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 36,614	\$ 8,092
Accrued payroll liabilities	3,624	3,377
Prepaid Members' dues and subscriptions	168,000	63,400
Accrued annual leave	<u>6,177</u>	<u>8,240</u>
Total liabilities	214,415	83,109
Fund balance (note 2)	<u>393,718</u>	<u>367,464</u>
Total Liabilities and Fund Balance	<u>\$608,133</u>	<u>\$450,573</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Revenues and Expenses

	Year ended December 31,	
	1992	1991
Revenues (note 3)		
Members' dues and subscriptions	\$385,100	\$340,650
Clerk-hire funds	55,933	44,455
Government contributions for payroll expenses	30,788	28,903
Special assessments for expenses	16,887	33,893
Tax refund	<u>1,529</u>	<u>445</u>
Total revenues	<u>490,237</u>	<u>448,346</u>
Expenses (notes 3 and 4)		
Salaries	327,065	322,412
Benefits	32,210	27,728
Payroll taxes	30,557	26,519
Equipment rental	26,247	21,520
Office supplies	39,329	15,047
Printing expense	5,332	1,894
Telephones	1,485	1,577
Postage and delivery	811	926
Dues and subscriptions	642	375
Miscellaneous	<u>305</u>	<u>265</u>
Total expenses	<u>463,983</u>	<u>418,263</u>
Excess of Revenues Over Expenses	\$ <u>26,254</u>	\$ <u>30,083</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Cash Flows

	<u>Year ended December 31,</u>	
	<u>1992</u>	<u>1991</u>
Cash Flows From Operating Activities		
Cash received from Members' dues and subscriptions	\$ 491,100	\$ 317,195
Cash received from tax refund	1,974	0
Cash paid to employees and service providers	<u>(323,729)</u>	<u>(352,395)</u>
Net cash provided (used) by operating activities	169,345	(35,200)
Cash at beginning of year	<u>416,253</u>	<u>451,453</u>
Cash at End of Year	\$ <u>585,598</u>	\$ <u>416,253</u>
<hr/>		
Reconciliations of Excess of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities		
Excess of revenues over expenses	<u>\$ 26,254</u>	<u>\$ 30,083</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities		
Decrease (increase) in assets		
Receivables from employees	0	1,678
Receivables from Members	700	0
Tax refund receivable	445	(445)
Prepaid equipment rental	10,640	(33,008)
Increase (decrease) in liabilities		
Accounts payable	28,522	(6,448)
Accrued payroll liabilities	247	247
Prepaid Members' dues and subscriptions	104,600	(26,700)
Accrued annual leave	<u>(2,063)</u>	<u>(607)</u>
Total adjustments	<u>143,091</u>	<u>(65,283)</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>169,345</u>	\$ <u>(35,200)</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Conference

The Environmental and Energy Study Conference is a legislative service organization sponsored by a group of congressional representatives and senators who pool their resources to pursue common legislative goals. Legislative service organizations are unincorporated associations of Members that assist participating Members in carrying out activities of mutual interest and coordinate their efforts for reasons of efficiency and effectiveness. The Conference provides its congressional sponsors with information concerning environmental, energy, and natural resource issues affecting federal legislation.

Note 2. Regulations and Rules Pertaining to the Conference

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 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 and by May 1 of 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 Conference, to carry over unexpended funds into the following year. The Conference's fund balance represents amounts received in earlier years as Members' dues and subscriptions which have not yet been expended and which will remain available to cover operating costs of future periods.

On August 5, 1993, the Committee on House Administration adopted new regulations and rules to govern the operation of legislative service organizations. The effective date of these new regulations and rules is January 1, 1994.

Note 3. Significant Accounting Policies

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

The Conference receives the following forms of revenues:

- Member dues for Representatives, or subscriptions for Senators, which the Conference recognizes as revenues for the year to which they are applied.
- Payments of expenses on behalf of the Conference. The Conference recognizes the revenues and the expenses in the amount of these payments but does not receive or disburse cash. These include:
 - Clerk-hire funds--salaries paid to Conference staff by the Clerk of the House on behalf of Representatives or by the Secretary of the Senate on behalf of Senators. These revenues and expenses are recognized as the staff earn salary.
 - Government contributions for payroll expenses--benefits and payroll taxes, such as retirement, life and health insurance, and FICA, paid for employees who receive clerk-hire salary payments.
 - Special assessments for expenses--bills paid directly by Conference Members on behalf of the Conference rather than from dues paid to the Conference. These revenues are recognized when an expense voucher is sent to a Member for payment.

The Conference leases equipment through the House Office Systems Management. Equipment usage fees are charged and the amounts applicable to 1992 and 1991 are shown as equipment rental expense. Amounts applicable to future periods are shown as prepaid equipment rental.

Note 4. Appropriated Funds Support

These financial statements include only the costs paid by or on behalf of Members. Certain other costs of the Conference, related to office space, utilities (except telephone), office furniture, repairs and maintenance, and other services are paid from legislative branch appropriations to the Architect of the Capitol and to the U.S. House of Representatives and cannot be readily determined.

Note 5. Outside Organizations

The Conference makes its publications available for reprint to outside organizations without charge. Government information is not copyrighted. Anyone is free to reprint the Conference's publications to sell to subscribers. In 1992 and 1991, the Conference's publications were reprinted by the National Technical Information Service, part of the U.S.

Department of Commerce; the Environmental and Energy Study Institute, a nonprofit organization; and R.R. Bowker, a division of Reed Publishing, Inc.

Despite similar names, the Environmental and Energy Study Conference (which does not take positions on issues) is independent of the Environmental and Energy Study Institute (which does take positions on issues). Individuals interacting with both organizations are: (1) one of the 28 Members of the Executive Committee of the Conference who is also one of the 39 Members of the Board of Directors of the Environmental and Energy Study Institute and (2) one printer, an employee of the Conference, who is also an employee of the Environmental and Energy Study Institute and other congressional and outside organizations.

No financial transactions occurred between the Conference and the National Technical Information Service, the Environmental and Energy Study Institute, or R.R. Bowker.

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