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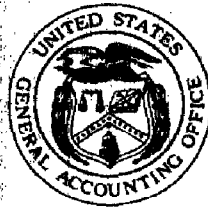
United States General Accounting Office

Report to the Sergeant at Arms,
U.S. Senate

May 1994

FINANCIAL AUDIT

Senate Recording and Photographic Studios Revolving Fund for Fiscal Year 1991





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

Comptroller General
of the United States

B-199745

May 26, 1994

The Honorable Robert L. Benoit
Sergeant at Arms
United States Senate

Dear Mr. Benoit:

As requested, we audited the Senate Recording and Photographic Studios Revolving Fund's financial statements for the year ended March 31, 1991. We found the financial statements were reliable in all material respects.

Further, our audit included limited tests of internal controls and compliance with laws and regulations that disclosed

- no material weaknesses in the internal control structure and its operation and
- no material noncompliance with laws and regulations we tested.

The following sections outline each conclusion in more detail and discuss 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 Senate Recording and Photographic Studios Revolving Fund's

- assets, liabilities, and government equity;
- revenues and expenses; and
- cash flows.

The financial statements present the activities of the Senate Recording and Photographic Studios Revolving Fund and are not intended to present the financial position and results of operations of the Studios as a whole. Other costs, primarily salaries and benefits, that are not financed directly by the Revolving Fund, but which are readily identifiable, are presented in note 3.

As discussed in note 1 to the financial statements, on April 1, 1991, the Senate Recording and Photographic Studios Revolving Fund was separated into two individual revolving funds.

Consideration of Internal Control Structure

The internal controls we considered were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with management authority and with laws and regulations; and
- properly record, process, and summarize transactions to (1) permit the preparation of the financial statements in accordance with generally accepted accounting principles and (2) maintain accountability for assets.

Our consideration of the internal control structure would not necessarily disclose all material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we found no material weaknesses in the internal control structure and its operation.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

Objectives, Scope, and Methodology

The Studios' management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles,
- establishing and maintaining an internal control structure 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 the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles). We are also responsible for considering the internal control structure to determine our auditing procedures for expressing an opinion on the financial statements, not to provide assurance on the internal

control structure. In addition, we are responsible for testing compliance with selected provisions of laws and regulations.

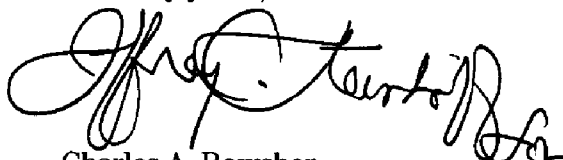
In order to fulfill these responsibilities, we

- 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;
- obtained an understanding of the design of relevant internal control structure policies and procedures, determined whether they had been placed in operation, assessed the associated control risk, and conducted limited tests of relevant internal controls including those over equipment inventory, revenues, expenditures, and financial reporting; and
- tested compliance with selected provisions of 2 U.S.C. 123b and 123b-1 and the Department of the Treasury regulations on cash.

It is important to note that because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. Also, projecting any 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 audit in accordance with generally accepted government auditing standards. We completed our audit work on August 6, 1993.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher", written in a cursive style.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Balance Sheet

	<u>March 31, 1991</u>
Assets	
Current Assets	
Cash in U.S. Treasury	\$ 787,042
Accounts receivable (note 4)	<u>142,560</u>
Total current assets	<u>929,602</u>
Fixed Assets	
Equipment (note 5)	1,763,168
Less accumulated depreciation	<u>(1,080,105)</u>
Total equipment	<u>683,063</u>
Recording Studio facilities	531,896
Less accumulated depreciation	<u>(531,896)</u>
Total Recording Studio facilities	<u>0</u>
Total fixed assets	<u>683,063</u>
Total Assets	\$ <u>1,612,665</u>
Liabilities and Government Equity	
Liabilities	
Accounts payable	\$ <u>17,193</u>
Total liabilities	<u>17,193</u>
Government Equity	183,619
Invested capital	<u>1,411,853</u>
Cumulative results of operations	<u>1,595,472</u>
Total government equity	<u>\$ <u>1,612,665</u></u>
Total Liabilities and Government Equity	

The accompanying notes are an integral part of these statements.

Financial Statements

Statement of Operations

	Fiscal year ended March 31, 1991
Revenue	
Sales	<u>\$466,721</u>
Expenses	
Depreciation of equipment	193,502
Materials	120,449
Satellite transmission	60,047
Small equipment	13,587
Maintenance and repairs	13,465
Depreciation of Recording Studio facilities	9,527
Miscellaneous	<u>18,568</u>
Total expenses (note 3)	<u>429,145</u>
Income from operations	<u>37,576</u>
Other Income (Loss)	
Loss on equipment write-off (note 5)	(31,521)
Loss on disposal of equipment	<u>(8,493)</u>
Total other income (loss)	<u>(40,014)</u>
Results of Operations (Loss)	<u>\$ (2,438)</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statement of Cash Flows

	Fiscal year ended March 31, 1991
Cash Flows From Operating Activities	
Cash received from customers	\$ 429,732
Cash paid to suppliers	(225,936)
Net cash provided by operating activities	<u>203,796</u>
Cash Flows From Investing Activities	
Capital expenditures	(31,956)
Net cash (used) in investing activities	<u>(31,956)</u>
Net Increase in Cash	171,840
Cash at the beginning of the year	615,202
Cash at End of Year	<u>\$ 787,042</u>
<hr/>	
Reconciliation of Results of Operations (Loss) to Net Cash Provided by Operating Activities	
Results of operations (loss)	\$ (2,438)
Adjustments to reconcile results of operations (loss) to net cash provided by operating activities	
Depreciation of equipment	193,502
Depreciation of Recording Studio facilities	9,527
Loss on equipment write-off	31,521
Loss on disposal of equipment	8,493
(Increase) in accounts receivable	(40,617)
Increase in accounts payable	<u>3,808</u>
Total adjustments	<u>206,234</u>
Net Cash Provided by Operating Activities	<u>\$ 203,796</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Entity

The Senate Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriations Act, 1957 (2 U.S.C. 123b). The Senate Photographic Studio was later established pursuant to section 108 of the Supplemental Appropriations and Rescissions Act, 1980 (2 U.S.C. 123b-1). This legislation also provided that the Senate Recording Studio be known as the Senate Recording and Photographic Studios. Both Studios are for the exclusive use of Senators, the Vice President, committees of the Senate, the Secretary of the Senate, and the Senate Sergeant at Arms.

The Studios are operated by the Senate Sergeant at Arms under the direction and control of the Senate Committee on Rules and Administration. Charges for materials and services provided by the Senate Recording Studio are set by the Committee on Rules and Administration. Fees for photographs and photographic services provided by the Senate Photographic Studio are subject to the approval of the Senate Majority and Minority Leaders. Such charges and fees are generally paid from the appropriation for the "Senators' Official Personnel and Office Expense Account" and defray some of the Studios' operating costs (see note 3). All moneys from the Studios' operations are deposited into the Revolving Fund in the U.S. Treasury and are available for the operation of the Studios.

As required by section 7 of the Legislative Branch Appropriations Act, 1991 (Public Law 101-520, November 5, 1990), the Senate Recording and Photographic Studios Revolving Fund was separated into two individual revolving funds as of April 1, 1991.

Note 2. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting in accordance with generally accepted accounting principles. Materials and supplies are expensed when purchased. Senate Recording Studio equipment valued at \$1,000 or more and Senate Photographic Studio equipment valued at \$500 or more are capitalized and depreciated over a 5-year to 10-year life using the straight-line method of depreciation.

Note 3. Costs Paid Directly From Other Appropriated Funds

Certain costs of operating the Senate Recording and Photographic Studios are not financed through the Revolving Fund. Instead, they are paid directly from other appropriations made to the Senate or the Architect of the Capitol. Identifiable costs paid directly from other appropriated funds on behalf of the Studios for the fiscal year ended March 31, 1991, are shown in the following table. Senate Recording Studio employees work on televising and recording Senate floor proceedings and other appropriated fund activities as well as Revolving Fund activities; thus, the costs listed are the result of an

allocation based on management's estimate of time worked on each activity. Benefits are estimated based on the average of benefits paid on behalf of all Senate Sergeant at Arms' employees. Other costs cannot be readily determined, such as Studio space occupancy, utilities, building maintenance, office furnishings, and depreciation on equipment purchased in fiscal years prior to 1991.

**Identifiable Studio Operating Costs Paid
Directly From Other Appropriated Funds**

	<u>Recording Studio</u>	<u>Photographic Studio</u>
Salaries	\$ 882,800	\$489,600
Benefits	234,800	130,200
Telephone	4,400	1,600
Supplies	41,100	0
Depreciation on equipment purchased during fiscal year 1991	<u>8,000</u>	<u>0</u>
Total	<u>\$1,171,100</u>	<u>\$621,400</u>

Around the beginning of November 1992, the Senate Photographic Studio was relocated from the Senate Russell Building to the Postal Square Building. The new facility was constructed and equipped by the Architect of the Capitol with appropriated funds, including lighting, carpeting, storage cabinets, work tables, special plumbing and fixtures for handling caustic chemicals, a print-developing machine, a darkroom, and a large walk-in cooler. The costs incurred in setting up this new facility are not readily determinable.

Note 4. Accounts Receivable

The following table shows the aging of accounts receivable at March 31, 1991.

Aging of Accounts Receivable

<u>Days outstanding</u>	<u>Recording Studio</u>		<u>Photographic Studio</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 30	\$ 31,907	31.7	\$20,764	49.6
31 through 60	18,748	18.6	6,245	14.8
61 through 90	18,433	18.4	3,845	9.2
91 through 120	3,860	3.8	816	2.0
Over 120	<u>27,725</u>	<u>27.5</u>	<u>10,217</u>	<u>24.4</u>
Total	<u>\$100,673</u>	100.0	<u>\$41,887</u>	100.0

All receivables are deemed collectible because any amounts a Senator owes the Revolving Fund may be deducted from the Senator's salary, mileage, or expense money (2 U.S.C. 40a).

Note 5. Equipment

The following table summarizes the changes in the equipment account for each component during the year ended March 31, 1991.

Change in Equipment by Component

	<u>Recording Studio</u>			<u>Photographic Studio</u>	<u>Total</u>
	<u>Television</u>	<u>Radio</u>	<u>Office</u>		
Balance— March 31, 1990	\$1,366,993	\$147,803	\$37,726	\$324,870	\$1,877,392
Acquisitions	31,169	0	0	787	31,956
Equipment write-off*	(62,578)	(17,398)	(3,877)	0	(83,853)
Equipment disposals	<u>(62,327)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(62,327)</u>
Balance— March 31, 1991	<u>\$1,273,257</u>	<u>\$130,405</u>	<u>\$33,849</u>	<u>\$325,657</u>	<u>\$1,763,168</u>

*During fiscal year 1991, the Senate Recording Studio wrote off equipment costing less than \$1,000 that was purchased in earlier years. The current capitalization minimum of \$1,000 was established in 1988. This change in accounting estimates was made to simplify the Studio's accounting for capitalized equipment. After netting accumulated depreciation, the loss on equipment write-off was \$31,521.

Note 6. Sales and Operating Income by Component

The following table presents sales and operating income (loss) by component.

Sales and Operating Income (Loss) by Component for the Year Ended March 31, 1991

	<u>Recording Studio</u>		<u>Photographic Studio</u>	<u>Total</u>
	<u>Television</u>	<u>Radio</u>		
Revenue				
Sales	<u>\$253,013</u>	<u>\$44,677</u>	<u>\$169,031</u>	<u>\$466,721</u>
Expenses				
Depreciation of equipment	151,743	15,993	25,766	193,502
Materials	42,867	13,536	64,046	120,449
Satellite transmission	59,772	275	0	60,047
Small equipment	11,794	0	1,793	13,587
Maintenance and repairs	9,505	0	3,960	13,465
Depreciation of Recording Studio facilities	9,527	0	0	9,527
Miscellaneous	<u>15,170</u>	<u>0</u>	<u>3,398</u>	<u>18,568</u>
Total expenses	<u>300,378</u>	<u>29,804</u>	<u>98,963</u>	<u>429,145</u>
Income (loss) from operations	<u>(47,365)</u>	<u>14,873</u>	<u>70,068</u>	<u>37,576</u>
Other Income (Loss)				
Loss on equipment write-off	(31,521)	0	0	(31,521)
Loss on disposal of equipment	<u>(8,493)</u>	<u>0</u>	<u>0</u>	<u>(8,493)</u>
Results of Operations (Loss)	<u>\$(87,379)</u>	<u>\$14,873</u>	<u>\$ 70,068</u>	<u>\$ (2,438)</u>

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