

GAO

Report to the Sergeant at Arms  
U.S. Senate

August 1994

# FINANCIAL AUDIT

## Senate Recording Studio Revolving Fund Financial Statements for the Year Ended March 31, 1992



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

Accounting and Information  
Management Division

B-199745

August 2, 1994

The Honorable Robert Benoit  
Sergeant at Arms  
United States Senate

Dear Mr. Benoit:

As your predecessor requested, we audited the accompanying statements of financial position of the Senate Recording Studio Revolving Fund as of March 31, 1992, and the related statements of operations and cash flows for the year then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on March 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.

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

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## Opinion on Financial Statements

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

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

As discussed in note 3, the financial statements present the results of activities financed through the Senate Recording Studio Revolving Fund, and are not intended to represent the financial position and results of operations of the Senate Recording Studio as a whole. Other readily identifiable costs, such as employee salaries and benefits, which are financed by other appropriated funds, are not included on the financial statements, but are disclosed in note 3. Also, the statements do not include such costs as space and utilities, which are not readily identifiable.

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## 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 March 31, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

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## Compliance With Laws and Regulations

Our audit 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.

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## Objectives, Scope, and Methodology

Studio 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

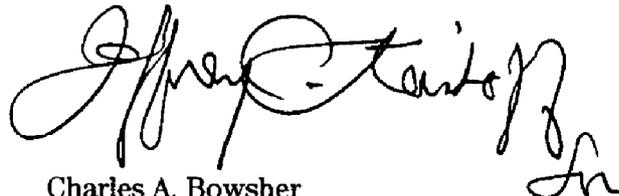
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;

- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls, including those over treasury, revenues, expenditures, property (equipment), 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.

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 March 31, 1994.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Charles A. Bowsher".

Charles A. Bowsher  
Comptroller General  
of the United States

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# Financial Statements

## Balance Sheet

	<u>March 31, 1992</u>
<b>Assets</b>	
Current assets	
Cash in U.S. Treasury	\$ 824,204
Accounts receivable (note 4)	<u>90,768</u>
Total current assets	<u>914,972</u>
Fixed assets	
Equipment (note 5)	1,481,138
Less accumulated depreciation	<u>(982,463)</u>
Total equipment	<u>498,675</u>
Recording studio facilities	531,896
Less accumulated depreciation	<u>(531,896)</u>
Total recording studio facilities	<u>0</u>
Total fixed assets	<u>498,675</u>
<b>Total Assets</b>	<b><u>\$1,413,647</u></b>
<b>Liabilities and Government Equity</b>	
Liabilities	
Accounts payable	\$ <u>5,250</u>
Government equity	
Invested capital	183,619
Cumulative results of operations	<u>1,224,778</u>
Total government equity	<u>1,408,397</u>
<b>Total Liabilities and Government Equity</b>	<b><u>\$1,413,647</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

Statement of Operations

	Fiscal year ended <u>March 31, 1992</u>
<b>Revenue</b>	
Sales	<u>\$339,938</u>
<b>Expenses</b>	
Depreciation of equipment	157,919
Materials	55,299
Satellite transmission	65,497
Small equipment and fixtures	23,922
Maintenance and repairs	9,159
Miscellaneous	<u>9,114</u>
Total expenses (note 3)	<u>320,910</u>
<b>Income From Operations</b>	<b><u>\$ 19,028</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

**Statement of Cash Flows**

	Fiscal year ended <u>March 31, 1992</u>
<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$360,428
Cash paid to suppliers	<u>(179,638)</u>
<b>Net cash provided by operating activities</b>	<b><u>180,790</u></b>
<b>Cash Flows From Investing Activities</b>	
Capital expenditures	<u>(43,628)</u>
<b>Net cash (used) in investing activities</b>	<b><u>(43,628)</u></b>
<b>Net Increase in Cash</b>	<b><u>137,162</u></b>
Cash at beginning of year	<u>687,042</u>
<b>Cash at End of Year</b>	<b><u>\$824,204</u></b>
<hr/>	
<b>Reconciliation of Results of Operations to Net Cash Provided by Operating Activities</b>	
Results of operations	\$ <u>19,028</u>
Adjustments to reconcile results of operations to net cash provided by operating activities	
Depreciation of equipment	157,919
Decrease in accounts receivable	9,905
(Decrease) in accounts payable	<u>(6,062)</u>
<b>Total adjustments</b>	<b><u>161,762</u></b>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$180,790</u></b>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

**Note 1. Description of the Entity**

Effective April 1, 1991, Pub. L. No. 101-520, Sec. 7, 104 Stat. 2258 (1990), 2 U.S.C. 123b, 123b-1 (Supp. V 1993), separated the activities of the Senate Recording and Photographic Studios into the Senate Recording Studio and the Senate Photographic Studio. The law also distributed the Senate Recording and Photographic Studios Revolving Fund's balance as of March 31, 1991 (\$787,042), by providing \$100,000 to the newly established Senate Photographic Studio Revolving Fund and \$687,042 to the newly established Senate Recording Studio Revolving Fund.

The recording studio is 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 studio is 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. Such charges and fees are generally paid from the appropriation for the "Senators Official Personnel and Office Expense Account" and defray some of the studio's operating costs (see note 3). All moneys from the studio's operations are deposited into the Revolving Fund in the U.S. Treasury and are available for the operation of the studio.

**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.

The Senate Recording Studio's equipment valued at \$1,000 or more is capitalized and depreciated over a 5- or 10-year life using the straight-line method of depreciation. Materials and supplies are expensed when purchased. In 1992, the basis for calculating depreciation was changed, resulting in a \$1,908 increase in accumulated depreciation and a related decrease to results of operations. The current policy calculates depreciation from the actual date of acquisition.

**Note 3. Costs Paid Directly From Other Appropriated Funds**

Certain costs of operating the Senate Recording Studio 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 studio for the fiscal year ended March 31, 1992, 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, salaries and benefits are allocated 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 Senate Recording Studio Operating Costs  
Paid From Other Appropriated Funds for  
Fiscal Year Ended March 31, 1992**

Salaries	\$1,048,142
Benefits	284,637
Telephone	4,699
Depreciation on equipment purchases since FY 1991	38,463
Materials	18,026
Maintenance & Repairs	16,240
Miscellaneous	<u>7,628</u>
<b>Total</b>	<b><u>\$1,417,835</u></b>

**Note 4. Accounts Receivable**

The following table shows the aging of accounts receivable at March 31, 1992.

**Aging of Accounts Receivable**

	<u>March 31, 1992</u>	
	Amount	Percent
Days outstanding		
1 through 30	\$31,825	35.1
31 through 60	30,441	33.5
61 through 90	8,533	9.4
91 through 120	4,793	5.3
Over 120	<u>15,176</u>	<u>16.7</u>
<b>Total</b>	<b><u>\$90,768</u></b>	<b><u>100.0</u></b>

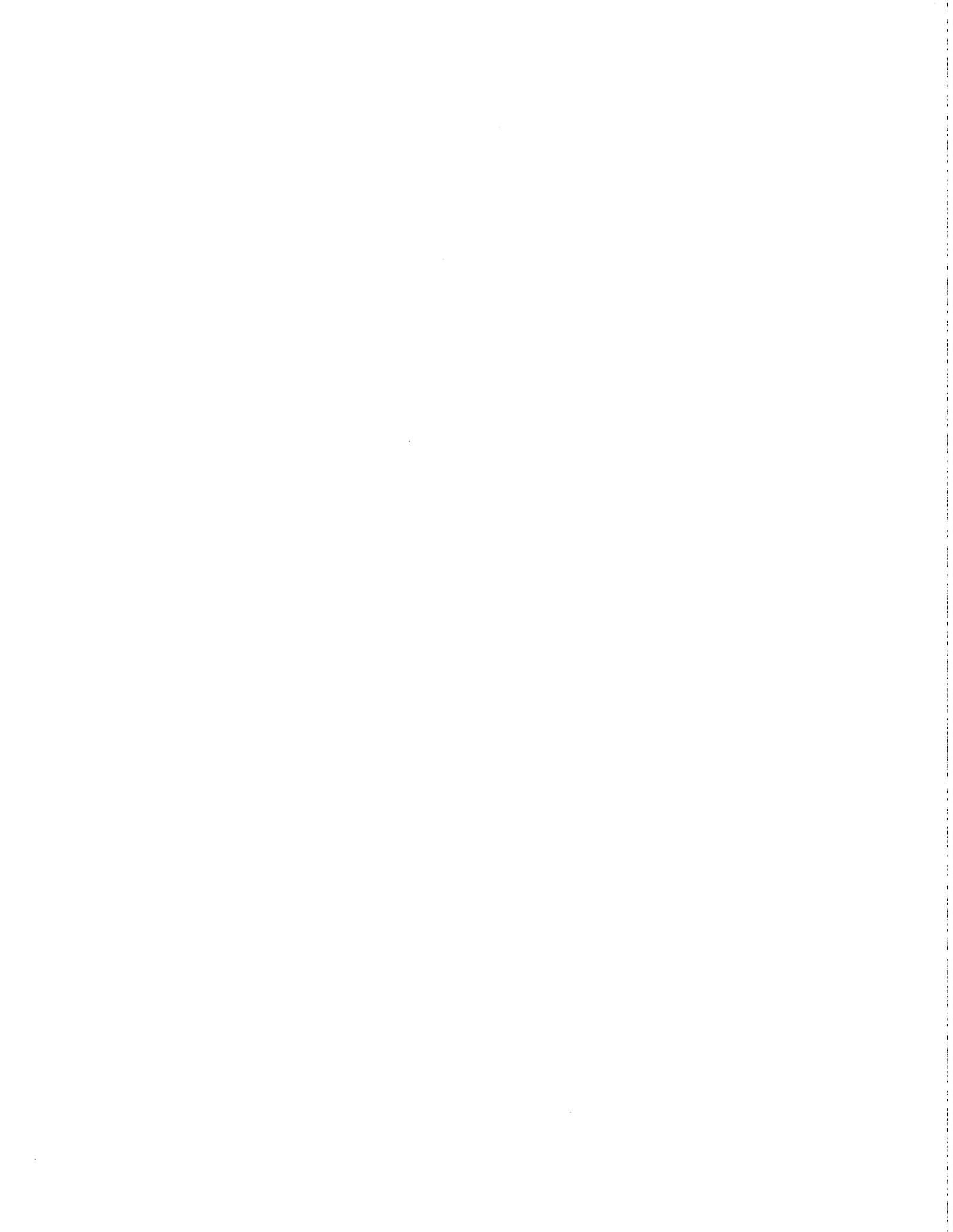
All receivables are deemed collectible because any amount a Senator owes to the Revolving Fund may be deducted from the Senator's salary, mileage, or expense money (2 U.S.C. 40a). By the end of October 1993, 99 percent of these accounts receivable were paid in full.

**Note 5. Equipment**

The following summarizes the changes in the equipment account during the year ended March 31, 1992.

**Changes in equipment**

Balance—April 1, 1991	\$1,437,510
Acquisitions	43,628
Disposal	<u>0</u>
Balance—March 31, 1992	<u>\$1,481,138</u>



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