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United States General Accounting Office

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

November 1989

FINANCIAL AUDIT

Senate Recording and Photographic Studios Revolving Fund for 1989 and 1988



**Comptroller General
of the United States**

B-199745

November 8, 1989

The Honorable Henry K. Giugni
Sergeant at Arms
United States Senate

Dear Mr. Giugni:

As requested in your letter of March 2, 1989, we have audited the accompanying balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1989 and 1988, and the related statements of operations and cash flows for the years then ended. We completed our audit work on August 4, 1989. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

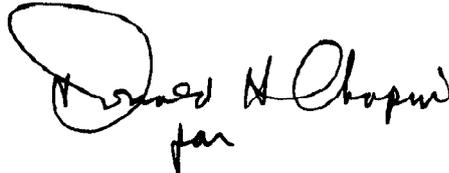
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing both the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1989 and 1988, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and

accompanying notes for the years ended March 31, 1989 and 1988, is included in this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

for
Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the fiscal years ended March 31, 1989 and 1988. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our preliminary review of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended March 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended March 31, 1988, is presented in GAO/AFMD-89-12, dated January 11, 1989.

We did not complete a study and evaluation of the Fund's system of internal accounting controls for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Based on our preliminary review, we concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the fiscal year ended March 31, 1989.

While we did not perform a complete study and evaluation of the Fund's system of internal accounting controls, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness.

As part of our audit, we also tested the Fund's compliance with the terms and provisions of 2 U.S.C. 123b and 123b-1. Section 123b, among other things, authorizes the Senate Committee on Rules and Administration to issue rules and regulations relating to the operation of the Senate Recording and Photographic Studios. Under section 123b-1, the Senate Sergeant at Arms and Doorkeeper are required to promulgate rules and regulations, subject to the approval of the Senate majority and minority leaders, for the provision of photographic services by the Photographic Studio. In our opinion, the Senate Recording and Photographic Studios Revolving Fund complied with the terms and provisions of sections 123b and 123b-1, including rules and regulations issued pursuant to these sections, for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the just mentioned laws and regulations for those transactions not tested.

Balance Sheets

	March 31,	
	1989	1988
Assets		
Current Assets		
Cash in U.S. Treasury	\$556,746	\$693,244
Accounts receivable (note 2)	123,997	118,439
Total current assets	680,743	811,683
Fixed Assets		
Equipment (note 3)	1,631,641	1,774,327
Less accumulated depreciation	797,450	922,321
Total equipment	834,191	852,006
Recording studio facilities	531,896	531,896
Less accumulated depreciation	495,774	469,179
Total facilities	36,122	62,717
Total fixed assets	870,313	914,723
Total Assets	\$1,551,056	\$1,726,406
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$33,936	\$39,085
Government equity		
Contributed capital	183,619	183,619
Revolving fund:		
Balance, beginning of year	1,503,702	1,557,120
Net loss	170,201	53,418
Balance, end of year	1,333,501	1,503,702
Total government equity	1,517,120	1,687,321
Total Liabilities and Government Equity	\$1,551,056	\$1,726,406

The accompanying notes are an integral part of these statements.

Statements of Operations

	Recording Studio				Photographic Studio		Total	
	Radio		Television		FY 1989	FY 1988	FY 1989	FY 1988
	FY 1989	FY 1988	FY 1989	FY 1988				
Revenue								
Sales	\$51,725	\$70,705	\$169,866	\$209,306	\$126,210	\$99,140	\$347,801	\$379,151
Expenses								
Radio, television, and photographic supplies	12,688	32,132	42,323	65,804	84,338	73,294	139,349	171,230
Small equipment purchases	5,943	2,700	36,844	20,771	0	0	42,787	23,471
Satellite transmission	825	180	26,330	19,865	0	0	27,155	20,045
Maintenance and repairs	26	837	35,992	53,048	8,906	6,764	44,924	60,649
Maintenance supplies	0	89	0	90	0	0	0	179
Office supplies and miscellaneous	3,687	4,706	3,687	1,680	1,745	2,148	9,119	8,534
Outside processing of film	0	0	0	0	4,201	1,520	4,201	1,520
Depreciation of equipment	13,194	9,217	133,717	103,753	13,099	12,975	160,010	125,945
Depreciation of recording studio facilities	13,297	13,297	13,297	13,298	0	0	26,594	26,595
Inaugural expenses	0	0	7,717	0	0	0	7,717	0
Total expenses	49,660	63,158	299,907	278,309	112,289	96,701	461,856	438,168
Income (Loss) From Operations	2,065	7,547	(130,041)	(69,003)	13,921	2,439	(114,055)	(59,017)
Other Income (Loss)								
Gain (loss) on disposal of equipment	(6,194)	(375)	(49,633)	6,125	(319)	(151)	(56,146)	5,599
Net Income (Loss)	\$(4,129)	\$7,172	\$(179,674)	\$(62,878)	\$13,602	\$2,288	\$(170,201)	\$(53,418)

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Fiscal years ended March 31,	
	1989	1988
Cash Flows From Operating Activities		
Net loss from operations	\$(114,055)	\$(59,017)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation	186,605	152,540
Gain (loss) on disposal of equipment	(56,146)	6,500
Decrease (increase) in assets:		
Accounts receivable	(5,558)	18,972
Inventory of materials and supplies	0	21,517
Equipment	(142,196)	(432,846)
Increase (decrease) in liabilities:		
Accounts payable	(5,148)	14,241
Net cash used in operating activities	(136,498)	(278,093)
Cash at beginning of year	693,244	971,337
Cash Balance at End of Year	\$556,746	\$693,244

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The Senate Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Senate Photographic Studio was later established pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). This legislation also provided for the Senate Recording Studio to 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 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.

The studios are financed from a revolving fund and from funds appropriated to the Secretary of the Senate. All moneys received from operations are deposited in a revolving fund in the U.S. Treasury and are available for the operation of the studios.

The statement of operations for fiscal year 1989 does not include employee salaries, which were \$1,269,885 for the recording studio (\$1,181,740 for the fiscal year ended March 31, 1988) and \$431,138 for the photographic studio (\$410,701 for the fiscal year ended March 31, 1988), employee benefits, or certain other benefits or services, such as space, building repairs and maintenance, and utilities. These expenses are paid from appropriated funds and are neither recorded in the studios' accounting records nor charged to the revolving fund.

The balances of radio and video materials and supplies, previously stated at cost and charged to operations on a first-in, first-out basis, were written off during fiscal year 1988. This represented a onetime charge to operations for various items, such as light bulbs, projection lamps, and video and audio cassette tapes.

Recording studio equipment is depreciated over a 5-year to 10-year life. Photographic studio equipment and recording studio facilities are depreciated over a 5-year and 20-year life, respectively. Both studios use the straight-line method of depreciation. The minimum dollar amount for items to be capitalized is \$1,000.

Note 2. Accounts Receivable

Accounts receivable amounted to \$123,997 (recording studio, \$ 81,817; photographic studio, \$42,180) on March 31, 1989—an increase of \$5,536 from the amount receivable on March 31, 1988. An analysis of the ages of the accounts receivable on March 31, 1989 and 1988, follows.

Table 1: Aging of Accounts Receivable

	March 31, 1989		March 31, 1988	
	Amount	Percent	Amount	Percent
Recording Studio				
Days outstanding				
1 through 60	\$54,887	67.1	\$35,371	46.2
61 through 90	5,209	6.4	3,293	4.3
91 through 120	2,030	2.5	4,994	6.5
over 120	19,691	24.0	32,831	43.0
Total	81,817	100.0	76,489	100.0
Photographic Studio				
Days outstanding				
1 through 60	30,306	71.9	19,386	46.2
61 through 90	3,184	7.5	1,860	4.4
91 through 120	1,514	3.6	1,117	2.7
over 120	7,176	17.0	19,587	46.7
Total	42,180	100.0	41,950	100.0
Total accounts receivable	\$123,997		\$118,439	

As of June 1, 1989, \$51,333 (about 62 percent) of the recording studio's accounts receivable balance had been paid, and \$32,384 (about 76 percent) of the photographic studio's accounts receivable balance had been paid. The recording studio writes a monthly letter to the Senate Sergeant at Arms listing all senators with outstanding accounts of \$1,000 or more.

Note 3. Equipment

A summary of the changes in the equipment account for the fiscal years ended March 31, 1989 and 1988, follows.

Table 2: Changes in Equipment

	Recording Studio			Photographic Studio	Total
	Television	Radio	Office		
Balance, March 31, 1987	\$1,371,124	\$121,418	\$37,727	\$225,971	\$1,756,240
Additions	414,288	8,070	0	10,488	432,846
Reductions	(414,608)	0	0	(151)	(414,759)
Balance, March 31, 1988	1,370,804	129,488	37,727	236,308	1,774,327
Additions	164,757	30,584	0	3,001	198,342 ^a
Reductions	(321,097)	(16,856)	0	(3,075)	(341,028)
Balance, March 31, 1989	\$1,214,464	\$143,216	\$37,727	\$236,234	\$1,634,641

^aThis figure represents the value of equipment purchased during 1989. When reduced by the undepreciated value of equipment traded in (\$56,146), it corresponds with the cash used for purchases of equipment (\$142,196), as shown in the statement of cash flows for 1989.

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