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

January 1989

FINANCIAL AUDIT

Senate Recording and Photographic Studios Revolving Fund for 1988 and 1987



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Comptroller General
of the United States

B-199745

January 11, 1989

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

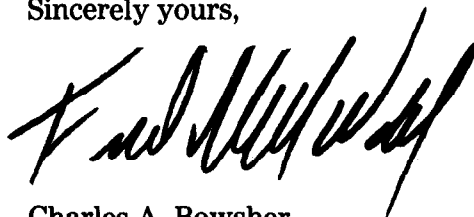
Dear Mr. Giugni:

As requested in your letter of March 10, 1988, we have examined the balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1988 and 1987, and the related statements of operations and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on August 5, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1988 and 1987, and the results of its operations and the changes in its financial position for the fiscal years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis except for the change, with which we concur, in the method of recording purchases of supplies as described in note 1 to the financial statements.

This report contains our report on internal accounting controls and compliance with laws and regulations. It also includes the Fund's financial statements and accompanying notes for the fiscal years ended March 31, 1988 and 1987.

Sincerely yours,

for 

Charles A. Bowshe
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the fiscal years ended March 31, 1988 and 1987. Our examinations 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, 1988. Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended March 31, 1987, is presented in GAO/AFMD-88-1, dated December 16, 1987.

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, 1988.

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 examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the Senate Recording and Photographic Studios Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	March 31,	
	1988	1987
Assets		
Current Assets		
Cash in U.S. Treasury	\$693,244	\$971,337
Accounts receivable (note 2)	118,439	137,411
Inventory of materials and supplies, at cost (note 1)	0	21,517
Total current assets	811,683	1,130,265
Fixed Assets		
Equipment (note 3)	1,774,327	1,756,240
Less accumulated depreciation	922,321	1,210,983
Total equipment	852,006	545,257
Recording studio facilities	531,896	531,896
Less accumulated depreciation	469,179	442,585
Total facilities	62,717	89,311
Tools and Minor Equipment	0	750
Total fixed assets	914,723	635,318
Total Assets	\$1,726,406	\$1,765,583
Liabilities And Government Equity		
Liabilities		
Accounts payable	\$39,085	\$24,844
Government equity		
Contributed capital	183,619	183,619
Revolving fund:		
Balance, beginning of year	1,557,120	1,524,133
Net income (loss)	(53,418)	32,987
Balance, end of year	1,503,702	1,557,120
Total government equity	1,687,321	1,740,739
Total Liabilities and Government Equity	\$1,726,406	\$1,765,583

The accompanying notes are an integral part of this statement.

Statement of Operations

	Recording Studio				Photographic Studio		Total	
	Radio		Television		FY 1988	FY 1987	FY 1988	FY 1987
	FY 1988	FY 1987	FY 1988	FY 1987				
Revenue								
Sales	\$70,705	\$53,983	\$209,306	\$193,899	\$99,140	\$84,294	\$379,151	\$332,176
Expenses								
Radio, television, and photographic supplies	32,132	22,318	65,804	32,863	73,294	64,485	171,230	119,666
Small equipment purchases	2,700	0	20,771	0	0	0	23,471	0
Satellite transmission	180	0	19,865	17,081	0	0	20,045	17,081
Maintenance and repairs	837	195	53,048	11,178	6,764	6,431	60,649	17,804
Maintenance supplies	89	73	90	73	0	0	179	146
Office supplies and miscellaneous	4,706	1,802	1,680	1,803	2,148	1,415	8,534	5,020
Outside processing of film	0	0	0	0	1,520	3,228	1,520	3,228
Depreciation of equipment	9,217	9,093	103,753	79,588	12,975	15,398	125,945	104,079
Depreciation of recording studio facilities	13,297	13,297	13,298	13,298	0	0	26,595	26,595
Total expenses	63,158	46,778	278,309	155,884	96,701	90,957	438,168	293,619
Income (Loss) from Operations	7,547	7,205	(69,003)	38,015	2,439	(6,663)	(59,017)	38,557
Other Income								
Unrecorded receipts	0	9	0	10	0	0	0	19
Reimbursement claim	0	0	0	0	0	151	0	151
Gain (loss) on disposal of equipment	(375)	0	6,125	(5,696)	(151)	(44)	5,599	(5,740)
Total other income (loss)	(375)	9	6,125	(5,686)	(151)	107	5,599	(5,570)
Net Income (Loss)	\$7,172	\$7,214	\$(62,878)	\$32,329	\$2,288	\$(6,556)	\$(53,418)	\$32,987

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Fiscal years ended March 31,	
	1988	1987
Funds Provided		
Net income	\$0	\$38,557
Provision for depreciation	152,540	130,674
Increase in accounts payable	14,241	12,956
Decrease in inventory of materials and supplies	21,517	7,650
Decrease in accounts receivable	18,972	0
Proceeds from sale of equipment	6,500	4,800
Other income	0	170
Total funds provided	213,770	194,807
Funds Applied		
Net loss	59,017	0
Increase in accounts receivable	0	19,491
Equipment purchases	432,846	141,126
Total funds applied	491,863	160,617
Increase (Decrease) in Cash	\$(278,093)	\$34,190

The accompanying notes are an integral part of this statement.

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 and Doorkeeper of the Senate 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 1988 does not include employee salaries, which were \$1,181,740 for the recording studio (\$848,649 for the fiscal year ended March 31, 1987) and \$410,701 for the photographic studio (\$371,944 for the fiscal year ended March 31, 1987), 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 increase in employee salaries is attributable mainly to the increase in positions associated with the televising of Senate proceedings.

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 represents a onetime charge to operations for various items, such as light bulbs, projection lamps, and video and audio cassette tapes.

During fiscal year 1988, the Senate Committee on Rules and Administration approved a new depreciation policy which recognizes the different useful lives and technological obsolescence unique to recording industry

equipment. This new policy allows recording studio equipment to be depreciated over a 5-year to 10-year life. In addition, the minimum dollar amount for these items to be capitalized has been increased from \$500 to \$1,000. Photographic studio equipment and recording studio facilities continue to be depreciated over a 5-year and 20-year life, respectively. Both studios use the straight-line method of depreciation.

Note 2. Accounts Receivable

Accounts receivable amounted to \$118,439 (recording studio, \$76,489; photographic studio, \$41,950) on March 31, 1988—a decrease of \$18,972 from the amount receivable on March 31, 1987. An analysis of the ages of the accounts receivable on March 31, 1988 and 1987, follows.

Table 1: Aging of Accounts Receivable

	March 31, 1988		March 31, 1987	
	Amount	Percent	Amount	Percent
Recording studio				
Days outstanding				
1 through 60	\$35,371	46.2	\$56,818	54.0
61 through 90	3,293	4.3	8,452	8.0
91 through 120	4,994	6.5	2,883	2.7
over 120	32,831	43.0	37,191	35.3
Total	76,489	100.0	105,344	100.0
Photographic studio				
Days outstanding				
1 through 60	19,386	46.2	13,697	42.7
61 through 90	1,860	4.4	1,683	5.2
91 through 120	1,117	2.7	1,433	4.5
over 120	19,587	46.7	15,254	47.6
Total	41,950	100.0	32,067	100.0
Total accounts receivable	\$118,439		\$137,411	

As of June 1, 1988, \$36,657 (about 48 percent) of the recording studio's accounts receivable balance had been paid, and \$25,241 (about 60 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, 1988, and March 31, 1987, follows.

Table 2: Changes in Equipment

	Recording Studio			Photographic Studio	Total
	Television	Radio	Office		
Balance, March 31, 1986	\$1,278,940	\$130,750	\$37,485	\$203,991	\$1,651,166
Additions	114,400	1,772	242	24,991	141,405
Reductions	(22,216)	(11,104)	0	(3,011)	(36,331)
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

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