

**GAO**

United States General Accounting Office

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

February 1991

**FINANCIAL AUDIT  
Environmental and  
Energy Study  
Conference Financial  
Statements for 1989  
and 1988**



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

143246

Accounting and Financial  
Management Division

B-216351

February 27, 1991

The Honorable Bob Wise  
Co-Chairman, Environmental and Energy  
Study Conference

Dear Mr. Chairman:

As requested in your February 12, 1990, letter, we have audited the balance sheets of the Environmental and Energy Study Conference as of December 31, 1989 and 1988, and the related statements of operations and fund balance and of cash flows for the years then ended. We completed our audit work on August 10, 1990. These financial statements are the responsibility of the Conference's management. Our responsibility is to express an opinion on these financial statements based on our audits.

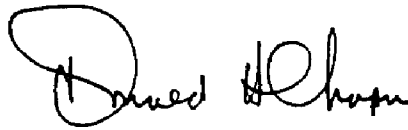
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. An audit also includes 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 Conference as of December 31, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

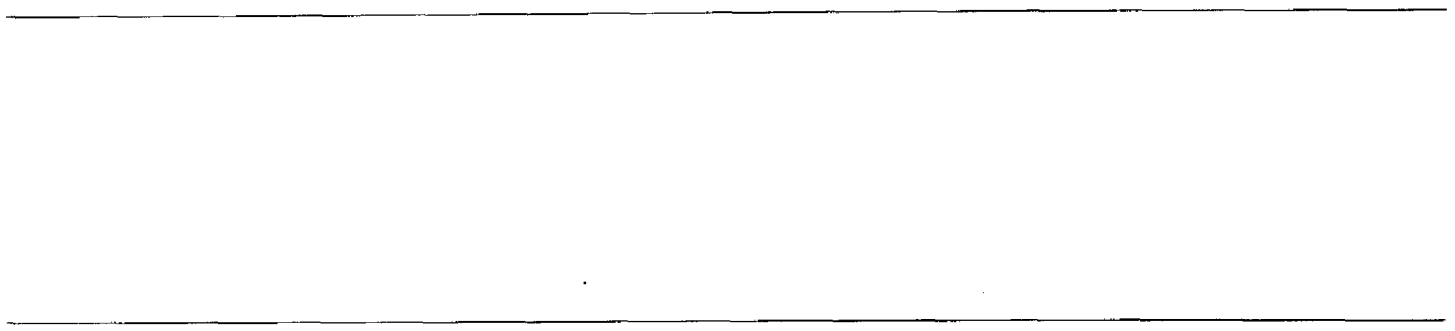
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This report contains our report on the internal control structure and compliance with laws and regulations for the year ended December 31, 1989. It also includes the Conference's financial statements and accompanying notes for the years ended December 31, 1989 and 1988.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Donald H. Chapin". The signature is written in a cursive style with a large initial "D".

Donald H. Chapin  
Assistant Comptroller General



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# Report on Internal Control Structure and Compliance With Laws and Regulations

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We have audited the financial statements of the Environmental and Energy Study Conference for the years ended December 31, 1989 and 1988, and have issued our opinion thereon. This report pertains only to our preliminary review of the internal control structure and our review of compliance with laws and regulations for the year ended December 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1988, is presented in GAO/AFMD-90-2, dated October 13, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Conference for the year ended December 31, 1989, we made a study and evaluation of its internal control structure. That study and evaluation was limited to a preliminary review of the structure to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we concluded that it was more efficient to expand our substantive audit tests, our study and evaluation did not extend beyond this preliminary review phase.

The Conference's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our preliminary review of the internal control structure would not necessarily disclose all matters in the structure that might be material weaknesses. A material weakness is a reportable 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 in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. During our preliminary review, however, we did not identify any matters involving the internal control structure and its operation that we consider to be material weaknesses as just defined.

The management of the Conference is also responsible for compliance with laws and regulations applicable to its operation. As part of obtaining reasonable assurance as to whether the financial statements were free of material misstatement, we selected and tested transactions and records to determine the Conference's compliance with certain terms and provisions of the regulations established by the Committee on House Administration and the federal regulations on the withholding and payment of income and social security taxes. However, it should be noted that our objective was not to provide an opinion on the overall compliance with such provisions.

The results of our tests for fiscal year 1989 indicate that, for the items tested, the Conference complied in all material respects with those provisions of the regulations that could have a material effect on the financial statements. With respect to transactions not tested, nothing came to our attention that caused us to believe that the Conference had not complied, in all material respects, with those provisions.

# Balance Sheets

	December 31,	
	1989	1988
<b>Assets</b>		
Cash in bank	\$333,948	\$190,011
Receivables from employees	700	2,258
Receivables from vendors	3,458	3,062
<b>Total Assets</b>	<b>\$338,106</b>	<b>\$195,331</b>
<b>Liabilities and Fund Balance</b>		
Liabilities		
Accounts payable	\$15,091	\$13,553
Accrued liabilities	11,318	12,984
Prepaid Members' dues	49,400	32,900
<b>Total liabilities</b>	<b>75,809</b>	<b>59,437</b>
Fund balance	262,297	135,894
<b>Total Liabilities and Fund Balance</b>	<b>\$338,106</b>	<b>\$195,331</b>

The accompanying notes are an integral part of these statements.

# Statements of Operations and Fund Balance

	Years ended December 31,	
	1989	1988
<b>Revenues (note 2)</b>		
Members' dues	\$358,300	\$266,050
Clerk-hire funds	54,740	64,555
Special assessments—expenses	24,245	38,794
<b>Total revenues</b>	<b>\$437,285</b>	<b>\$369,399</b>
<b>Expenses (notes 2 and 3)</b>		
Salaries and benefits	262,610	244,033
Payroll taxes	16,621	15,301
Office supplies	13,099	2,428
Equipment rental	9,939	10,915
Printing and supplies	4,923	2,501
Telephones	1,385	2,061
Insurance	1,220	566
Dues and subscriptions	523	864
Postage	337	426
Miscellaneous	225	28
Professional fees	0	320
<b>Total expenses</b>	<b>310,882</b>	<b>279,443</b>
<b>Net income</b>	<b>126,403</b>	<b>89,956</b>
Fund balance, beginning of year	135,894	45,938
<b>Fund Balance, End of Year</b>	<b>\$262,297</b>	<b>\$135,894</b>

The accompanying notes are an integral part of these statements.

# Statements of Cash Flows

	<b>Years ended December 31,</b>	
	<b>1989</b>	<b>1988</b>
<b>Cash Flows From Operating Activities</b>		
Net income	\$126,403	\$89,956
Adjustments to reconcile net income to net cash provided by operating activities		
Increase (decrease) in accounts payable	1,538	(24,822)
Increase (decrease) in accrued liabilities	(1,666)	(11,185)
Increase in prepaid Members' dues	16,500	32,900
Decrease (increase) in receivables	1,162	(5,320)
<b>Net cash provided by operating activities</b>	<b>143,937</b>	<b>81,529</b>
Cash at beginning of year	190,011	108,482
<b>Cash Balance at End of Year</b>	<b>\$333,948</b>	<b>\$190,011</b>

The accompanying notes are an integral part of these statements.

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# Notes to Financial Statements

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## Note 1. Organization

The Environmental and Energy Study Conference is a legislative service organization sponsored by a group of congressional Members who pool their resources to pursue a common legislative goal. It operates as an extension of the participating Members' individual offices and coordinates their efforts for reasons of efficiency and effectiveness. Its purpose is to provide its congressional sponsors with information concerning environmental and energy issues affecting federal legislation.

On October 21, 1981, the Committee on House Administration adopted regulations and rules pertaining to legislative service organizations. These regulations provide the following.

- Effective January 1, 1983, a legislative service organization may not use dues or assessments to generate additional income, including income from interest-bearing accounts or time deposits.
- Effective January 1, 1983, a legislative service organization may not receive income or contributions from any source other than the Congress or its Members.

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## Note 2. Accounting Policies

The Conference has three main sources of revenue from its Members. They are

- dues, which are recognized for the year to which they are applied;
- clerk-hire funds, which are salary funds used to pay Members' staff and are recognized when Conference staff Members receive salary payments from Conference Members; and
- special assessments/expenses, which represent bills sent to Members for payment and are recognized when an expense voucher is sent to a Member for payment.

Expenses are recognized when incurred during the year. At year-end, expenses and revenues are accrued.

For purposes of the statements of cash flows, the Conference did not have investing and financing activities, interest expenses, or cash equivalents, such as short-term highly liquid investments.

**Note 3. Appropriated Funds Support**

Costs for office space and utilities are paid from legislative branch appropriations. Since the Conference's share of expenses for office space and utilities cannot be readily determined nor can the fair value be readily ascertained, these amounts are not shown in the Conference's financial statements.

**Note 4. Restatement of 1988 Financial Statements**

The financial statements for 1988 have been restated. At the end of 1988, three vendors had overbilled the Conference and one employee had been overpaid. Adjustments to the appropriate accounts were made during 1989 and 1990. The effects these adjustments had in restating the 1988 financial statements are shown in table 1.

**Table 1: Effects of Restating 1988 Financial Statements**

	Previously reported amount	Adjustment	Adjusted amount
Equipment rental expense <sup>a</sup>	\$11,550	\$-635	\$10,915
Telephone expense <sup>a</sup>	6,196	-4,135	2,061
Salaries and benefits <sup>a</sup>	246,291	-2,258	244,033
Net income <sup>a</sup>	82,928	+7,028	89,956
Receivables <sup>b</sup>	0	+5,320	5,320
Accounts payable <sup>b</sup>	15,261	-1,708	13,553
Fund balance <sup>a</sup>	128,866	+7,028	135,894

<sup>a</sup>See 1988 Statement of Operations.

<sup>b</sup>See 1988 Balance Sheet.

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