

GAO

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

July 1993

FINANCIAL AUDIT

Environmental and
Energy Study
Conference Financial
Statements for 1990
and 1989





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

Comptroller General
of the United States

B-216351

July 27, 1993

The Honorable Robert E. Wise
Co-Chairman, Environmental and Energy
Study Conference

Dear Mr. Chairman:

As requested, we audited the balance sheets of the Environmental and Energy Study Conference as of December 31, 1990 and 1989, and the related statements of revenues and expenses and cash flows for the years then ended. We found the financial statements were reliable in all material respects.

Further, our audits 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 for 1990 and
- no material noncompliance with the laws and regulations we tested for 1990.

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

Opinion on the Financial Statements

The financial statements and accompanying notes of the Environmental and Energy Study Conference present fairly, in conformity with generally accepted accounting principles, the Conference's

- assets, liabilities, and fund balance;
- revenues and expenses; and
- cash flows.

As discussed in note 4, the financial statements present only the activities financed by Members of the Environmental and Energy Study Conference. Thus, they do not include costs relating to office space and building operations which are financed by appropriations to the U.S. House of Representatives and the Architect of the Capitol.

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 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. We are not expressing an opinion on internal controls because of the limited scope of our work. However, we found no material weaknesses in the internal control structure and its operation for 1990. Our report on internal control structure for 1989 is presented in GAO/AFMD-91-4, dated February 27, 1991.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for 1990. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Our report on compliance with laws and regulations for 1989 is also presented in GAO/AFMD-91-4, dated February 27, 1991.

Objectives, Scope, and Methodology

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 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.

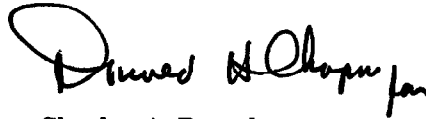
In order to fulfill these responsibilities, we

- 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 internal controls including those over revenues, expenditures, and financial reporting; and
- tested compliance with selected provisions of regulations established by the Committee on House Administration on October 21, 1981, and federal regulations on the withholding and payment of income and social security taxes.

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 work in accordance with generally accepted government auditing standards. We completed our audit work on September 24, 1992.

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".

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Balance Sheets

	December 31,	
	<u>1990</u>	<u>1989</u>
Assets		
Cash in bank	\$451,453	\$333,948
Receivables from employees	1,845	700
Receivables from Members	700	0
Receivables from vendors	<u>0</u>	<u>3,458</u>
Total Assets	<u>\$453,998</u>	<u>\$338,106</u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 14,540	\$ 15,091
Accrued payroll liabilities	3,130	4,690
Prepaid Members' dues and subscriptions	90,100	49,400
Accrued annual leave (note 3)	<u>8,847</u>	<u>6,628</u>
Total liabilities	116,617	75,809
Fund Balance	<u>337,381</u>	<u>262,297</u>
Total Liabilities and Fund Balance	<u>\$453,998</u>	<u>\$338,106</u>

The accompanying notes are an integral part of these statements.

Statements of Revenues and Expenses

	Year ended December 31,	
	<u>1990</u>	<u>1989</u>
Revenues (note 3)		
Members' dues and subscriptions	\$344,900	\$358,300
Clerk-hire funds	57,591	54,740
Government contributions for payroll expenses	31,938	27,003
Special assessments for expenses	<u>25,047</u>	<u>24,245</u>
Total revenues	<u>\$459,476</u>	<u>\$464,288</u>
Expenses (notes 3 and 4)		
Salaries	\$300,607	\$262,610
Benefits	29,720	24,112
Payroll taxes	24,422	20,732
Equipment rental	15,645	9,939
Office supplies	5,554	13,099
Printing supplies	5,210	4,923
Telephones	1,291	1,385
Postage and delivery	1,234	337
Dues and subscriptions	686	523
Miscellaneous	<u>23</u>	<u>225</u>
Total expenses	<u>384,392</u>	<u>337,885</u>
Excess of Revenues Over Expenses	<u>\$ 75,084</u>	<u>\$126,403</u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Year ended December 31,	
	<u>1990</u>	<u>1989</u>
Cash Flows From Operating Activities		
Cash received from Members' dues and subscriptions	\$390,827	\$375,530
Cash paid to employees and service providers	<u>(273,322)</u>	<u>(231,593)</u>
Net cash provided by operating activities	117,505	143,937
Cash at beginning of year	<u>333,948</u>	<u>190,011</u>
Cash at End of Year	<u>\$451,453</u>	<u>\$333,948</u>
Reconciliations of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities		
Excess of revenues over expenses	\$ <u>75,084</u>	\$ <u>126,403</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Decrease (increase) in assets		
Receivables from employees	(1,145)	1,558
Receivables from Members	(700)	0
Receivables from vendors	3,458	(396)
Increase (decrease) in liabilities		
Accounts payable	(551)	1,538
Accrued payroll liabilities	(1,560)	(1,725)
Prepaid Members' dues and subscriptions	40,700	16,500
Accrued annual leave	<u>2,219</u>	<u>59</u>
Total adjustments	<u>42,421</u>	<u>17,534</u>
Net Cash Provided by Operating Activities	<u>\$117,505</u>	<u>\$143,937</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Conference

The Environmental and Energy Study Conference is a legislative service organization sponsored by a group of congressional Representatives and Senators who pool their resources to pursue common legislative goals. Legislative service organizations are unincorporated associations of Members that assist participating Members in carrying out activities of mutual interest and coordinate their efforts for reasons of efficiency and effectiveness. The Conference provides its congressional sponsors with information concerning environmental, energy, and natural resource issues affecting federal legislation.

Note 2. Regulations and Rules Pertaining to the Conference

On October 21, 1981, the Committee on House Administration adopted regulations and rules pertaining to legislative service organizations. Effective January 1, 1983, these regulations require the following.

- A legislative service organization may not use dues or assessments to generate additional income, including income from interest-bearing accounts or time deposits.
- A legislative service organization may not receive income or contributions from any source other than the Congress or its Members.
- Each legislative service organization shall submit a quarterly report of its receipts and disbursements to the Clerk of the House not later than 30 days after the end of the reporting period.
- At establishment and by May 1 of each even-numbered year thereafter, 30 Members of each legislative service organization, or two-thirds of the total membership, whichever is less, shall attest, in a statement filed with the Committee on House Administration, that the organization provides bona fide legislative services or assistance which supports them in the performance of their official duties.

The Committee on House Administration permits legislative service organizations, such as the Conference, to carry over unexpended funds into the following year. The Conference's fund balance represents amounts received in earlier years as Member dues and subscriptions which have not yet been expended and which will remain available to cover operating costs of future periods.

Note 3. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

The Conference receives the following forms of revenues.

- Member dues for Representatives, or subscriptions for Senators, which the Conference recognizes as revenues for the year to which they are applied.
- Payments of expenses on behalf of the Conference. The Conference recognizes the revenues and the expenses in the amount of these payments but does not receive or disburse cash. These include:
 - Clerk-hire funds--salaries paid to Conference staff by the Clerk of the House on behalf of Representatives or by the Secretary of the Senate on behalf of Senators. These revenues and expenses are recognized as the staff earn salary.
 - Government contributions for payroll expenses--benefits and payroll taxes, such as retirement, life and health insurance, and FICA, paid for employees who receive clerk-hire salary payments.
 - Special assessments for expenses--bills paid directly by Conference Members on behalf of the Conference rather than from dues paid to the Conference. These revenues are recognized when an expense voucher is sent to a Member for payment.

The Conference leases equipment through the House Office Systems Management. Equipment usage fees are charged and shown as equipment rental expense.

In 1990, accrued annual leave was separated from accrued liabilities. For comparability purposes, the portion of 1989 accrued liabilities that represents accrued annual leave was also reclassified. Also, government contributions for clerk-hire payroll expenses are included for the first time for 1990 and 1989. As a result, the Statement of Revenues and Expenses was restated for 1989 to reflect the increase of \$27,003 in revenues and in salaries and benefits and payroll taxes expenses. Further, life and disability insurance, reported separately in 1989, was reclassified as part of benefits expense.

Note 4. Appropriated Funds Support

These financial statements include only the costs paid by or on behalf of the Members. Certain other costs of the Conference, related to office space, utilities (except telephone), office furniture, repairs and maintenance, and other services, are paid from legislative branch appropriations to the Architect of the Capitol and to the U.S. House of Representatives and cannot be readily determined.

Note 5. Outside Organizations

The Conference makes its publications available for reprint to outside organizations without charge. Government information is not copyrighted. Anyone is free to reprint the Conference's publications to sell to subscribers. In 1990, the Conference's publications

were reprinted by the National Technical Information Service, part of the U.S. Department of Commerce; the Environmental and Energy Study Institute, a nonprofit organization; and R.R. Bowker, a division of Reed Publishing, Inc. In 1989, the Environmental and Energy Study Institute reprinted the Conference's publications and R.R. Bowker reprinted the year-end issue.

Despite similar names, the Environmental and Energy Study Conference (which does not take positions on issues) is independent of the Environmental and Energy Study Institute (which does take positions on issues). Individuals interacting with both organizations are: (1) one of the 28 Members of the Executive Committee of the Conference who is also one of the 39 members of the Board of Directors of the Environmental and Energy Study Institute and (2) one printer, an employee of the Conference, who is also an employee of the Environmental and Energy Study Institute and other congressional and outside organizations.

No financial transactions occurred between the Conference and the National Technical Information Service, the Environmental and Energy Study Institute, or R.R. Bowker.

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