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August 1995

# FINANCIAL AUDIT

## Senate Photographic Studio Revolving Fund Financial Statements for the Periods Ended 9/30/93 and 3/31/93





Comptroller General  
of the United States

B-260272

August 15, 1995

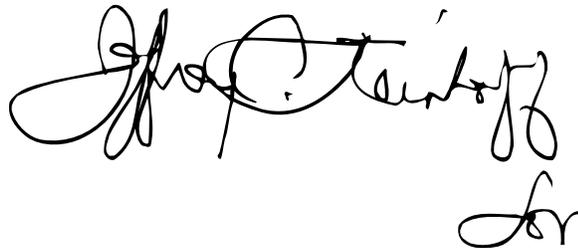
The Honorable Howard O. Greene, Jr.  
Sergeant at Arms  
United States Senate

Dear Mr. Greene:

This report presents our opinion on the financial statements of the Senate Photographic Studio Revolving Fund for the 6 months ended September 30, 1993 and the fiscal year ended March 31, 1993, as well as our opinion on management's assertions regarding the effectiveness of its system of internal controls as of September 30, 1993 and March 31, 1993. This report also discusses our evaluation of the Studio's compliance with laws and regulations for the periods ended September 30, 1993 and March 31, 1993.

We are sending copies of this report to interested congressional committees and other interested parties. Copies will be made available to others on request.

Sincerely yours,



Charles A. Bowshe  
Comptroller General  
of the United States

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**Comptroller General  
of the United States**

B-260272

The Honorable Howard O. Greene, Jr.  
Sergeant at Arms  
United States Senate

Dear Mr. Greene:

As your predecessor requested, we audited the accompanying balance sheets of the Senate Photographic Studio Revolving Fund as of September 30, 1993, and March 31, 1993, and the related statements of operations and cash flows for the periods then ended. We found

- the financial statements were reliable in all material respects;
- management fairly stated that internal controls in place on September 30, 1993, and on March 31, 1993, were effective in safeguarding assets from material loss, assuring material compliance with laws and regulations, and assuring that there were no material misstatements in the financial statements; and
- no reportable noncompliance with laws and regulations we tested for the periods ended September 30, 1993 and March 31, 1993.

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 Photographic Studio Revolving Fund, and are not intended to represent the financial position and results of operations of the Senate Photographic Studio as a whole. Other readily identifiable costs, such as employee salaries and benefits, amounting to nearly \$370,000 in the 6 months ended September 30, 1993 and to nearly \$755,000 in the fiscal year ended March 31, 1993, which are financed by other appropriated funds, are not included in the financial statements. These costs 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 Management's Assertion About the Effectiveness of Internal Controls

We evaluated management's assertion about the effectiveness of its internal controls 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.

The Studio's management fairly stated that those controls in place on September 30, 1993, and on March 31, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected in a timely manner. Management made this assertion based on criteria provided in GAO's Standards for Internal Controls in the Federal Government.

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## Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. We do not express an opinion on overall compliance with such provisions.

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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, maintaining, and assessing the internal control structure to provide reasonable assurance that the 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) management's assertion about the effectiveness of internal controls is fairly stated in all material respects based on criteria mentioned above. We are also responsible for testing compliance with selected provisions of laws and regulations.

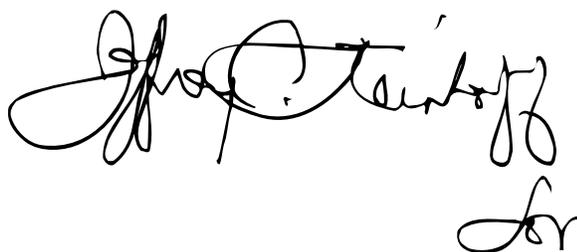
In order to fulfill these responsibilities, we

- 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;
- obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations, and financial reporting;
- tested relevant internal controls over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of internal controls; and
- tested compliance with selected provisions of 2 U.S.C. 123b and 123b-1 and the Department of the Treasury's regulations on cash.

We limited our internal control testing to accounting and other controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control structure, 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.

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" and "B". Below the main signature, there are two smaller, separate handwritten marks that look like "for".

Charles A. Bowsher  
Comptroller General  
of the United States

June 6, 1995

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# Financial Statements

## Balance Sheets

	<u>September 30, 1993</u>	<u>March 31, 1993</u>
<b>Assets</b>		
Current assets		
Cash in U.S. Treasury	\$244,804	\$252,061
Accounts receivable	<u>35,616</u>	<u>36,854</u>
Total current assets	<u>280,420</u>	<u>288,915</u>
Fixed assets		
Equipment	243,004	209,733
Less accumulated depreciation	<u>(130,100)</u>	<u>(147,139)</u>
Total equipment	<u>112,904</u>	<u>62,594</u>
<b>Total Assets</b>	<b><u>\$393,324</u></b>	<b><u>\$351,509</u></b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Accounts payable	\$ <u>14,936</u>	\$ <u>15,107</u>
Government equity		
Invested capital	100,000	100,000
Cumulative results of operations	<u>278,388</u>	<u>236,402</u>
Total government equity	<u>378,388</u>	<u>336,402</u>
<b>Total Liabilities and Government Equity</b>	<b><u>\$393,324</u></b>	<b><u>\$351,509</u></b>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	<u>Six months ended</u> <u>September 30, 1993</u>	<u>Fiscal year ended</u> <u>March 31, 1993</u>
<b>Revenue</b>		
Sales	<u>\$116,953</u>	<u>\$146,634</u>
<b>Expenses</b>		
Photographic supplies	47,749	65,046
Depreciation of equipment	17,482	21,455
Small equipment	6,268	335
Repairs and maintenance	3,011	2,738
Office supplies	1,509	2,161
Other expenses	<u>5,491</u>	<u>7,349</u>
Total expenses (note 3)	<u>81,510</u>	<u>99,084</u>
<b>Income From Operations</b>	<u><b>35,443</b></u>	<u><b>47,550</b></u>
<b>Other Income</b>		
Gain (Loss) on disposal of equipment	6,543	(169)
<b>Results of Operations</b>	<u><b>\$ 41,986</b></u>	<u><b>\$ 47,381</b></u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	<u>Six months ended</u> <u>September 30, 1993</u>	<u>Fiscal year ended</u> <u>March 31, 1993</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from customers	\$118,191	\$142,093
Cash paid to suppliers	<u>(64,199)</u>	<u>(70,197)</u>
<b>Net cash provided by operating activities</b>	<u><b>53,992</b></u>	<u><b>71,896</b></u>
<b>Cash Flows From Investing Activities</b>		
Cash received from sale of equipment	6,543	220
Capital expenditures	<u>(67,792)</u>	<u>(27,673)</u>
<b>Net cash used in investing activities</b>	<u><b>(61,249)</b></u>	<u><b>(27,453)</b></u>
<b>Net Increase (Decrease) in Cash</b>	<u><b>(7,257)</b></u>	<u><b>44,443</b></u>
Cash at beginning of period	<u>252,061</u>	<u>207,618</u>
<b>Cash at End of Period</b>	<u><b>\$244,804</b></u>	<u><b>\$252,061</b></u>
<hr/>		
<b>Reconciliation of Results of Operations to Net Cash Provided by Operating Activities</b>		
Results of operations	\$ <u>41,986</u>	\$ <u>47,381</u>
Adjustments to reconcile results of operations to net cash provided by operating activities		
Depreciation of equipment	17,482	21,455
Decrease (increase) in accounts receivable	1,238	(4,541)
Increase (decrease) in accounts payable	(171)	7,432
Loss (gain) on sale of equipment	<u>(6,543)</u>	<u>169</u>
Total adjustments	<u>12,006</u>	<u>24,515</u>
<b>Net Cash Provided by Operating Activities</b>	<u><b>\$ 53,992</b></u>	<u><b>\$ 71,896</b></u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

**Note 1. Description of the Entity**

Effective April 1, 1991, Public Law No. 101-520, Section 7, 104 Stat. 2258 (1990), 2 U.S.C. 123b, 123b-1 (1994), separated the activities of the Senate Recording and Photographic Studios into the Senate Photographic Studio and the Senate Recording 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 Photographic 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. The Sergeant at Arms of the Senate, subject to the approval of the majority and minority leaders, promulgates rules and regulations, and establishes fees, for the provision of the photographs and photographic services furnished by the Photographic Studio. 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 Photographic Studio's equipment, with an acquisition cost of \$200 or more, is capitalized and depreciated over a 5-year life using the straight-line method of depreciation. Materials and supplies are expensed when purchased.

During 1993, the Senate Photographic Studio changed from a fiscal year ending March 31 to a fiscal year ending September 30.

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

Certain costs of operating the Senate Photographic 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 6 months ended September 30, 1993, and the fiscal year ended March 31, 1993, are shown in the following table. Benefits are estimated based on the average 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, and office furnishings.

**Identifiable Senate Photographic Studio Operating Costs**  
**Paid from Other Appropriated Funds**  
**(Dollars rounded to thousands)**

	<u>Six months ended</u> <u>September 30, 1993</u>	<u>Fiscal year ended</u> <u>March 31, 1993</u>
Salaries	\$290,000	\$592,000
Benefits	78,000	160,000
Telecommunications	<u>1,000</u>	<u>2,000</u>
<b>Total</b>	<b><u>\$369,000</u></b>	<b><u>\$754,000</u></b>

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**Financial Statements**

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