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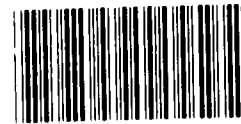
United States General Accounting Office 131920

Report to the Sergeant at Arms  
U. S. Senate

December 1986

# FINANCIAL AUDIT

## Senate Recording and Photographic Studios Revolving Fund—FY 1986 and 1985



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Comptroller General  
of the United States

B-199745

December 30, 1986

The Honorable Ernest E. Garcia  
Sergeant at Arms  
United States Senate

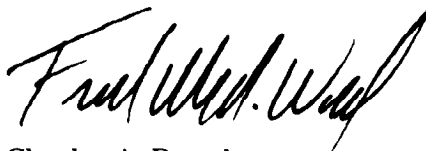
Dear Mr. Garcia:

As requested in your letter of March 11, 1986, we have examined the balance sheets of the Senate Recording and Photographic Studios Revolving Fund as of March 31, 1986 and 1985, 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 8, 1986.

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, 1986 and 1985, 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.

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, 1986 and 1985.

Sincerely yours,

*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

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We have examined the financial statements of the Senate Recording and Photographic Studios Revolving Fund for the fiscal years ended March 31, 1986 and 1985. 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, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended March 31, 1985, is presented in GAO/AFMD-86-1, dated December 18, 1985.)

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, 1986.

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. In audits where we do study and evaluate the internal accounting control system, material weaknesses in the system would not necessarily be disclosed. Accordingly, even in such cases, we would not be able to express an opinion on the system taken as a whole.

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,	
	1986	1985
<b>Assets</b>		
Current Assets		
Cash in U.S. Treasury	\$937,147	\$819,713
Accounts receivable (note 2)	117,913	101,356
Inventory of materials and supplies, at cost	29,167	32,083
<b>Total current assets</b>	<b>1,084,227</b>	<b>953,152</b>
Fixed Assets		
Equipment (note 3)	1,651,166	1,555,785
Less accumulated depreciation	1,132,389	1,021,755
Total equipment	518,777	534,030
Recording studio facilities	531,896	531,896
Less accumulated depreciation	415,989	389,395
Total facilities	115,907	142,501
Tools and minor equipment	750	750
<b>Total fixed assets</b>	<b>635,434</b>	<b>677,281</b>
<b>Total Assets</b>	<b>\$1,719,661</b>	<b>\$1,630,433</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Accounts payable	\$11,888	\$46,858
Government Equity		
Capital contributed	183,619	183,619
Revolving fund:		
Balance, beginning of year	1,399,956	1,421,836
Net income (loss)	124,198	(21,880)
Balance, end of year	1,524,154	1,399,956
<b>Total government equity</b>	<b>1,707,773</b>	<b>1,583,575</b>
<b>Total Liabilities and Government Equity</b>	<b>\$1,719,661</b>	<b>\$1,630,433</b>

The accompanying notes are an integral part of this statement.

# Statement of Operations

	Recording studio				Photographic studio		Total	
	Radio		Television		FY 1986	FY 1985	FY 1986	FY 1985
	FY 1986	FY 1985	FY 1986	FY 1985				
<b>Revenue</b>								
<b>Sales</b>	<b>\$87,430</b>	<b>\$60,893</b>	<b>\$291,549</b>	<b>\$153,031</b>	<b>\$91,803</b>	<b>\$93,881</b>	<b>\$470,782</b>	<b>\$307,805</b>
<b>Expenses</b>								
Radio, television, and photographic materials	36,922	29,060	33,428	23,356	72,906	64,003	143,256	116,419
Satellite transmission	0	0	36,488	6,845	0	0	36,488	6,845
Maintenance and repairs	1,791	1,491	12,786	60,507	5,745	6,434	20,322	68,432
Maintenance supplies	306	259	307	259	0	0	613	518
Office supplies and miscellaneous	934	1,003	934	1,003	1,250	811	3,118	2,817
Outside processing of film	0	0	0	0	4,205	138	4,205	138
Depreciation of equipment	6,453	6,879	73,730	65,596	34,550	35,791	114,733	108,266
Depreciation of recording studio facilities	13,297	13,297	13,298	13,298	0	0	26,595	26,595
<b>Total expenses</b>	<b>59,703</b>	<b>51,989</b>	<b>170,971</b>	<b>170,864</b>	<b>118,656</b>	<b>107,177</b>	<b>349,330</b>	<b>330,030</b>
<b>Income (Loss) From Operations</b>	<b>27,727</b>	<b>8,904</b>	<b>120,578</b>	<b>(17,833)</b>	<b>(26,853)</b>	<b>(13,296)</b>	<b>121,452</b>	<b>(22,225)</b>
<b>Other Income</b>								
Income from silver recovery	0	0	0	0	1,746	345	1,746	345
Gain on disposal of equipment	1,000	0	0	0	0	0	1,000	0
<b>Total other income</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,746</b>	<b>345</b>	<b>2,746</b>	<b>345</b>
<b>Net income (Loss)</b>	<b>\$28,727</b>	<b>\$8,904</b>	<b>\$120,578</b>	<b>\$(17,833)</b>	<b>\$(25,107)</b>	<b>\$(12,951)</b>	<b>\$124,198</b>	<b>\$(21,880)</b>

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Fiscal years ended March 31,	
	1986	1985
<b>Funds Provided</b>		
Net income (loss) from operations	\$124,198	\$(21,880)
Provision for depreciation	141,328	134,861
Increase in accounts payable	0	40,537
Decrease in inventory of materials and supplies	2,916	5,525
<b>Total funds provided</b>	<b>268,442</b>	<b>159,043</b>
<b>Funds Applied</b>		
Increase in accounts receivable	16,557	36,555
Decrease in accounts payable	34,970	0
Equipment purchases	99,481	124,198
<b>Total funds applied</b>	<b>151,008</b>	<b>160,753</b>
<b>Increase (Decrease) in Cash</b>	<b>\$117,434</b>	<b>\$(1,710)</b>

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 studio, operated by the Sergeant at Arms and Doorkeeper of the Senate under the direction and control of the Senate Committee on Rules and Administration, provides radio and television taping services to the Vice President, senators, and Senate committees. The Committee on Rules and Administration sets the charges for these services.

The Senate Photographic Studio was established pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). The studio, operated by the Sergeant at Arms and Doorkeeper of the Senate subject to the approval of the majority and minority leaders, provides photographic services to Senate members and committees. The majority and minority leaders have approved a fee schedule for these services.

The Senate Recording Studio was changed to the Senate Recording and Photographic Studios pursuant to section 108 of the Supplemental Appropriations and Rescission Act, 1980 (2 U.S.C. 123b-1). 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 1986 does not include employee salaries, which were \$638,885 for the recording studio (\$611,410 for the fiscal year ended March 31, 1985) and \$366,979 for the photographic studio (\$338,847 for the fiscal year ended March 31, 1985), 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.

Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.

Equipment in the recording studio is depreciated over a 10-year life, and equipment in the photographic studio is depreciated over a 5-year life. Recording studio facilities are depreciated over a 20-year life. Both studios use the straight-line method.

**Note 2. Accounts Receivable**

Accounts receivable amounted to \$117,913 (recording studio, \$87,570; photographic studio, \$30,343) on March 31, 1986—an increase of \$16,557 from the amount receivable on March 31, 1985. An analysis of the ages of the accounts receivable on March 31, 1986 and 1985, follows.

**Table 1: Aging of Accounts Receivable**

	March 31, 1986		March 31, 1985	
	Amount	Percent	Amount	Percent
<b>Recording studio</b>				
Days outstanding				
1 through 60	\$45,148	51.6	\$61,197	84.9
61 through 90	12,194	13.9	4,361	6.1
91 through 120	9,319	10.6	2,827	3.9
over 120	20,909	23.9	3,656	5.1
<b>Total</b>	<b>87,570</b>	<b>100.0</b>	<b>72,041</b>	<b>100.0</b>
<b>Photographic studio</b>				
Days outstanding				
1 through 60	12,058	39.7	12,902	44.0
61 through 90	2,116	7.0	4,275	14.6
91 through 120	1,482	4.9	2,783	9.5
over 120	14,687	48.4	9,355	31.9
<b>Total</b>	<b>30,343</b>	<b>100.0</b>	<b>29,315</b>	<b>100.0</b>
<b>Total accounts receivable</b>	<b>\$117,913</b>		<b>\$101,356</b>	

As of June 1, 1986, \$50,042, or about 57 percent, of the recording studio's accounts receivable balance had been paid, and \$12,213, or about 40 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. This is in accord with the policy established by the Senate Committee on Rules and Administration.

**Note 3. Equipment**

A summary of the changes in the equipment account for the fiscal years ended March 31, 1986, and March 31, 1985, follows.

**Table 2: Changes in Equipment**

	Recording studio			Photographic studio	Total
	Television	Radio	Office		
Balance, March 31, 1984	\$1,163,766	\$73,331	\$21,455	\$173,346	\$1,431,898
Additions	87,650	266	14,200	22,082	124,198
Reductions	(311)	0	0	0	(311)
Balance, March 31, 1985	1,251,105	73,597	35,655	195,428	1,555,785
Additions	28,183	63,777	12,300	8,793	113,053
Reductions	(348)	(6,624)	(10,470)	(230)	(17,672)
<b>Balance, March 31, 1986</b>	<b>\$1,278,940</b>	<b>\$130,750</b>	<b>\$37,485</b>	<b>\$203,991</b>	<b>\$1,651,166</b>

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