United States General Accounting Office

GAO

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

May 1995

# FINANCIAL AUDIT

# U.S. Senate Health Promotion Revolving Fund for the Periods Ended 9/30/93 and 12/31/92

GAO/AIMD-95-105

GAO

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

Comptroller General
of the United States

B-259568

May 3, 1995

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

Dear Mr. Greene:

As your predecessor requested, we audited the accompanying statements of financial position of the Senate Health Promotion Revolving Fund as of September 30, 1993, and December 31, 1992, and the related statements of revenues and expenses and cash flows for the 9 months ended September 30, 1993, and for the year ended December 31, 1992. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on September 30, 1993, and December 31, 1992, provided reasonable assurance that losses, noncompliance with laws and regulations, and misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested for the 9 months ended September 30, 1993, and for the year ended December 31, 1992.

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

## Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Revolving Fund's

- assets, liabilities, and government equity;
- revenues and expenses; and
- cash flows.

As discussed in notes 1 and 3, the financial statements present the results of activities financed through the Senate Health Promotion Revolving Fund and are not intended to present the financial position and results of operations of the Office of Senate Health Promotion as a whole. Other significant identifiable costs, such as employee salaries and benefits, which are financed by appropriated funds, are not included in the financial statements, but are disclosed in note 3. Also, the statements do not include such costs as space and utilities, which are not readily identifiable.

## Opinion on Internal Controls

The internal controls we evaluated were those 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.

Those controls in effect on September 30, 1993, and December 31, 1992, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

## Compliance With Laws and Regulations

Our audit tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for the 9 months ended September 30, 1993, and for the year ended December 31, 1992. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred.

## 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 (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. 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;
- evaluated and tested relevant internal controls which encompassed the following areas: treasury, revenues, expenditures, and financial reporting; and
- tested compliance with selected provisions of Section 4 of the Legislative Branch Appropriations Act, 1990, as amended, 2 U.S.C. 121c (Supp. V 1993); 2 U.S.C. 68; and regulations for the Office of Senate Health Promotion.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, 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. We completed our audit work on March 1, 1995.

Sincerely yours,

for

Charles A. Bowsher
Comptroller General
of the United States

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# Financial Statements

## Statements of Financial Position

| | September 30, 1993 | December 31, 1992 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash in U.S. Treasury | $8,241 | $4,577 |
| Fixed Assets | | |
| Equipment (note 2) | 824 | 824 |
| Less accumulated depreciation | (123) | 0 |
| Net fixed assets | 701 | 824 |
| **Total Assets** | **$8,942** | **$5,401** |
| **Liabilities and Government Equity** | | |
| Liabilities | | |
| Accounts payable (note 2) | $1,240 | $3,069 |
| Deferred revenue (note 2) | 3,393 | 0 |
| Total liabilities | $4,633 | $3,069 |
| Government Equity | | |
| Cumulative results of operations (note 4) | 4,309 | 2,332 |
| **Total Liabilities and Government Equity** | **$8,942** | **$5,401** |

The accompanying notes are an integral part of these statements.

## Statements of Revenues and Expenses

| | Nine months ended September 30, 1993 | Year ended December 31, 1992 |
|---|---|---|
| **Revenues** | | |
| Participants' fees | | |
| Aerobics | $12,210 | $18,880 |
| Weight loss | 3,100 | 11,355 |
| Other | 2,050 | 1,915 |
| **Total revenues** | **$17,360** | **$32,150** |
| **Expenses** | | |
| Instructional expenses | | |
| Aerobics | 9,960 | 14,040 |
| Weight loss | 3,100 | 11,355 |
| Other | 2,200 | 3,150 |
| Total instructional expenses | 15,260 | 28,545 |
| Depreciation of equipment (note 2) | 123 | 0 |
| **Total expenses (note 3)** | **15,383** | **28,545** |
| **Excess of Revenues Over Expenses** | **$ 1,977** | **$ 3,605** |

The accompanying notes are an integral part of these statements.

## Statements of Cash Flows

| | Nine months ended September 30, 1993 | Year ended December 31, 1992 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash received from participants | $ 20,753 | $ 31,130 |
| Cash paid to instructors | (17,089) | (32,378) |
| **Net cash provided (used) by operating activities** | **3,664** | **(1,248)** |
| **Cash Flows From Investing Activities** | | |
| Purchase of equipment | 0 | (824) |
| **Net cash (used) by investing activities** | **0** | **(824)** |
| **Net Increase (Decrease) in Cash** | **3,664** | **(2,072)** |
| Cash in U.S. Treasury, beginning of period | 4,577 | 6,649 |
| **Cash in U.S. Treasury, End of Period** | **$ 8,241** | **$ 4,577** |

| | | |
|---|---|---|
| **Reconciliations of Excess of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities** | | |
| Excess of revenues over expenses | $ 1,977 | $ 3,605 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities | | |
| Depreciation of equipment | 123 | 0 |
| (Decrease) in accounts payable | (1,829) | (3,833) |
| Increase (decrease) in deferred revenue | 3,393 | (1,020) |
| Total adjustments | 1,687 | (4,853) |
| **Net Cash Provided (Used) by Operating Activities** | **$ 3,664** | **$ (1,248)** |

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

## Note 1. Description of Entity

The Senate Health Promotion Revolving Fund (the Revolving Fund) was established within the contingent fund of the Senate on November 21, 1989, by the Legislative Branch Appropriations Act, 1990. It is administered by the Office of Senate Health Promotion under the jurisdiction of the Senate Sergeant at Arms, whose rules and regulations are subject to approval of the Senate Committee on Rules and Administration. The Revolving Fund began operation in 1990.

The Office of Senate Health Promotion provides health promotion education, services, classes, and activities for Members, officers, and employees of the Senate. The Revolving Fund sponsors lifestyle change activities which include various regularly held programs, such as aerobics and weight loss classes, on a fee basis. These fees are deposited in the Revolving Fund and are available without fiscal year limitation to defray the cost of these activities. In addition to the Revolving Fund activities, the Office of Senate Health Promotion also offers general health awareness programs at no cost to the participants, which include seminars, a videotape library, and an annual health fair.

## Note 2. Significant Accounting Policies

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

Equipment valued at $200 or more and estimated to have a useful life of at least 2 years is capitalized and depreciated using the straight-line method of depreciation. Equipment placed in service prior to the 15th of each month receives 1 full month's depreciation, whereas equipment placed in service after the 15th of each month receives no depreciation until the following month.

Deferred revenue represents fees collected by the Revolving Fund from participants registered for classes not yet completed as of the end of the accounting period.

Accounts payable consist of instructor fees owed to private vendors for services rendered.

During calendar year 1993, the Revolving Fund changed from a calendar year ending December 31 to a fiscal year ending September 30.

## Note 3. Other Costs of Revolving Fund Activities

Certain costs of Revolving Fund activities are financed with funds appropriated to the Senate or the Architect of the Capitol and, accordingly, are not included in the Revolving Fund's financial statements. Identifiable costs of Revolving Fund activities for the periods ended September 30, 1993, and December 31, 1992, financed with appropriated funds, are shown in the following table. Many of these costs are the result of an allocation of costs between Revolving Fund activities and other activities of the Office of Senate Health Promotion based upon management's estimate of time spent on each activity. Additional costs paid with other appropriated funds of the Senate or the Architect of the Capitol related to occupancy, office furnishing, equipment maintenance and repairs, and office supplies cannot be readily determined.

**Identifiable Costs of Revolving Fund Activities Financed with Appropriated Funds**

(Dollars rounded to thousands)

| | Nine months ended September 30, 1993 | Year ended December 31, 1992 |
|---|---|---|
| Employee salaries | $25,000 | $33,000 |
| Employee benefits | 7,000 | 9,000 |
| Depreciation of equipment | 1,000 | 2,000 |
| Other | 1,000 | 1,000 |
| **Total** | **$34,000** | **$45,000** |

**Note 4. Cumulative Results of Operations**

The Secretary of the Senate is required by 2 U.S.C. 121c (c) (Supp. V 1993) to withdraw from the Revolving Fund and deposit in the U.S. Treasury as miscellaneous receipts, on or before December 31 of each year, all funds exceeding $5,000 as of the preceding September 30. The adjusted fund balances, after meeting outstanding obligations, were determined to be $3,721 and $4,647 as of September 30, 1993 and 1992, respectively. Therefore, no payments to Treasury were required for 1993 and 1992.

The following table summarizes the effect of revenues over expenses on cumulative results of operations.

**Statement of Cumulative Results of Operations**

| | September 30, 1993 | December 31, 1992 |
|---|---|---|
| Cumulative results of operations, beginning of period | $2,332 | $(1,273) |
| Excess of revenues over expenses | 1,977 | 3,605 |
| Due to U.S. Treasury from current operations | 0 | 0 |
| **Cumulative Results of Operations, End of Period** | **$4,309** | **$ 2,332** |

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