United States General Accounting Office

GAO

Report to the Sergeant at Arms
U.S. Senate

December 1994

FINANCIAL AUDIT

Senate Photographic Studio Revolving Fund Financial Statements for the Fiscal Year Ended March 31, 1992

GAO/AIMD-95-25

GAO

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

Comptroller General
of the United States

B-259267

December 20, 1994

The Honorable Robert L. Benoit
Sergeant at Arms
United States Senate

Dear Mr. Benoit:

As your predecessor requested, we audited the accompanying balance sheet of the Senate Photographic Studio Revolving Fund as of March 31, 1992, and the related statements of operations and cash flows for the year then ended. We found

- the financial statements were reliable in all material respects;
- internal controls in effect on March 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.

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

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 significant identifiable costs, such as employee salaries and benefits, which are financed by other 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 March 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. 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

Studio 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

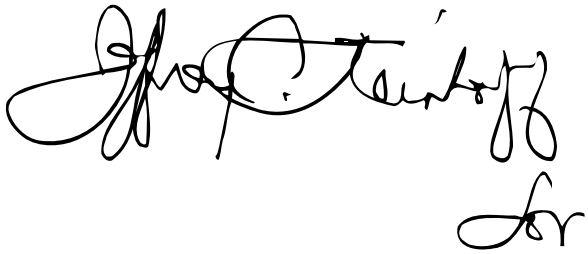
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;

- evaluated the overall presentation of the financial statements;
- evaluated and tested relevant internal controls, including those over treasury, revenues, expenditures, property (equipment), inventory, and financial reporting; and
- tested compliance with selected provisions of 2 U.S.C. 123b and 123b-1 and the Department of Treasury regulations on cash.

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 the generally accepted government auditing standards. We completed our audit work on September 23, 1994.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter 1

Financial Statements 6

Balance Sheet 6

Statement of Operations 7

Statement of Cash Flows 8

Notes to Financial Statements 9

Financial Statements

Balance Sheet

	March 31, 1992
Assets	
Current assets	
Cash in U.S. Treasury	$207,618
Accounts receivable (note 4)	32,313
Total current assets	239,931
Equipment	
Equipment	290,517
Less accumulated depreciation	(241,274)
Total equipment	49,243
Total Assets	**$289,174**
Liabilities and Government Equity	
Liabilities	
Accounts payable	$ 153
Government equity	
Invested capital	100,000
Cumulative results of operations	189,021
Total government equity	289,021
Total Liabilities and Government Equity	**$289,174**

The accompanying notes are an integral part of these statements.

Statement of Operations

	Fiscal year ended March 31, 1992
Revenue	
Sales	$182,560
Expenses	
Photographic supplies	64,392
Depreciation of equipment	23,245
Small equipment	4,531
Repairs and maintenance	4,061
Office supplies	1,775
Other expenses	1,172
Total expenses (note 3)	99,176
Income From Operations	**$ 83,384**

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Fiscal year ended March 31, 1992
Cash Flows From Operating Activities	
Cash received from customers	$192,133
Cash paid to suppliers	(81,658)
Net cash provided by operating activities	**110,475**
Cash Flows From Investing Activities	
Capital expenditures	(2,857)
Net cash (used) in investing activities	**(2,857)**
Net Increase in Cash	**107,618**
Cash at beginning of year	100,000
Cash at End of Year	**$207,618**
Reconciliation of Results of Operations to Net Cash Provided by Operating Activities	
Results of operations	$ 83,384
Adjustments to reconcile results of operations to net cash provided by operating activities	
Depreciation of equipment	23,245
Decrease in accounts receivable	9,574
(Decrease) in accounts payable	(5,728)
Total adjustments	27,091
Net Cash Provided by Operating Activities	**$110,475**

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 101-520, Section 7, 104 Stat. 2258 (1990), 2 U.S.C. 123b, 123b-1 (Supp. V 1993), 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 shall, subject to the approval of the majority and minority leaders, promulgate rules and regulations, and establish fees, for the provision of the photographs and photographic services to be 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 valued at $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.

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 fiscal year ended March 31, 1992, are shown in the following table.

Benefits are estimated based on the average of 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 for Fiscal Year Ended March 31, 1992

Salaries	$526,004
Benefits	142,888
Telephone	1,758
Total	**$670,650**

Note 4. Accounts Receivable

The following table shows the aging of accounts receivable at March 31, 1992.

Aging of Accounts Receivable

	March 31, 1992	
Days outstanding	Amount	Percent
1 through 30	$16,934	52.4
31 through 60	9,307	28.8
61 through 90	1,841	5.7
91 through 120	1,053	3.3
Over 120	3,178	9.8
Total	**$32,313**	**100.0**

All receivables are deemed collectible because any amounts a Senator owes to the Revolving Fund may be deducted from the Senator's salary, mileage, or expense money (2 U.S.C. 40a). As of October 31, 1993, 99.8 percent of these accounts receivable were paid in full.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested