

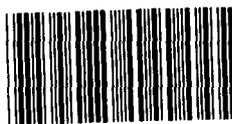
GAO

Report to the Chairman, Committee on
Foreign Affairs, House of
Representatives

April 1991

FINANCIAL AUDIT

House
Interparliamentary
Groups' Financial
Statements for 1989
and 1988



143652

**Accounting and Financial
Management Division**

B-231290

April 18, 1991

The Honorable Dante B. Fascell
Chairman, Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

As requested in your letter of June 18, 1990, we have audited the accompanying balance sheets of the House of Representatives Mexico-United States Interparliamentary Group, Canada-United States Interparliamentary Group, United States-European Community Interparliamentary Group, and the United States Group of the North Atlantic Treaty Parliamentary Conference, all of which your Committee administers, as of December 31, 1989 and 1988, and the related statements of operations and changes in fund balance and of cash flows for the years then ended. We completed our audit work on September 14, 1990. These financial statements are the responsibility of the groups' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in note 2, the financial statements present only the funds appropriated to the Department of State for annual obligations of membership in the four previously mentioned interparliamentary groups. The financial statements are not intended to present the financial position and results of operations associated with other appropriated funds from the Department of State and Department of Defense used to pay costs of the groups' operations.

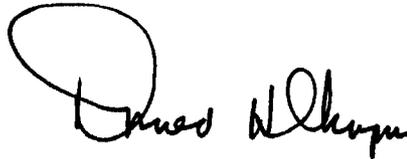
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the four interparliamentary groups as of December 31, 1989 and 1988, and the results of

their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the funds appropriated to the Department of State for annual obligations of membership in the four previously mentioned interparliamentary groups taken as a whole. For purposes of additional analysis, this report presents supplemental schedules of costs paid from other sources. The schedules are not part of the basic financial statements and have not been subjected to the auditing procedures applied in the audits of the basic financial statements. Accordingly, we express no opinion on the schedules.

Our report on the four interparliamentary groups' internal control structure and compliance with laws and regulations, together with the four interparliamentary groups' financial statements and accompanying notes for the years ended December 31, 1989 and 1988, and the supplemental schedules are included in this report.

Sincerely yours,



Donald H. Chapin
Assistant Comptroller General

Contents

Opinion Letter		1
Report on Internal Control Structure and Compliance With Laws and Regulations		6
House of Representatives Mexico-United States Interparliamentary Group	Balance Sheets	9
	Statements of Operations and Changes in Fund Balance	9
	Statements of Cash Flows	10
		11
House of Representatives Canada-United States Interparliamentary Group	Balance Sheets	12
	Statements of Operations and Changes in Fund Balance	12
	Statements of Cash Flows	13
		14
House of Representatives United States-European Community Interparliamentary Group	Balance Sheets	15
	Statements of Operations and Changes in Fund Balance	15
	Statements of Cash Flows	16
		17
House of Representatives United States Group of the North Atlantic Treaty Parliamentary Conference	Balance Sheets	18
	Statements of Operations and Changes in Fund Balance	18
	Statements of Cash Flows	19
		20

Contents

Notes to Financial Statements	21
--------------------------------------	-----------

Supplemental Schedules of Costs Paid From Other Sources	23
--	-----------

Table	Table 1: Funds Appropriated to the Department of State and Used for Interparliamentary Groups	22
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Report on Internal Control Structure and Compliance With Laws and Regulations

We have audited the financial statements of the four House of Representatives interparliamentary groups for the years ended December 31, 1989 and 1988, and have issued our opinion thereon. This report pertains only to our consideration of the interparliamentary groups' internal control structure for the year ended December 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1988, is presented in GAO/AFMD-90-3, dated December 18, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the House interparliamentary groups for the year ended December 31, 1989, we considered their internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The groups' management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that appropriations are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the groups' significant internal control structure policies and procedures into the following categories:

- receipts,
- expenditures, and
- financial reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk. We performed limited tests of control procedures for all the categories. In addition, we performed audit tests to substantiate account balances associated with each control category. Such tests can serve to identify weaknesses in the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable 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 in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. During our tests, however, we did not identify any matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The management of the groups is also responsible for compliance with laws and regulations applicable to their operation. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatement, we selected and tested transactions and records to determine the groups' compliance with certain provisions of the following laws and regulations which, if not complied with, could have a material effect on the groups' financial statements. However, it should be noted that our objective was not to provide an opinion on the overall compliance with such provisions.

We tested for compliance with

- Public Law 86-420, as amended, 22 U.S.C. 276h-276k (1988);
- Public Law 86-42, as amended, 22 U.S.C. 276d-276g (1988);
- Public Law 84-689, as amended, 22 U.S.C. 1928a-1928d (1988);
- Public Law 98-164, section 109(c), 97 Stat. 1019 (1983), as amended by Public Law 99-415, section 7, 100 Stat. 949 (1986), and Public Law 100-459, section 303(b), 102 Stat. 2207 (1988); and
- memorandums from the Committee on Foreign Affairs which contain guidance for each group to follow in carrying out terms and provisions of the above-mentioned laws.

Because of the limited purpose for which our tests of compliance were made, the laws and regulations tested did not cover all legal requirements with which the groups have to comply.

The results of our tests for fiscal year 1989 indicate that, with respect to the items tested, the groups complied in all material respects with those provisions of laws and regulations that could have a material effect on the financial statements. With respect to transactions not tested, nothing came to our attention that caused us to believe that the groups had not complied, in all material respects, with those provisions.

House of Representatives Mexico-United States Interparliamentary Group

Balance Sheets	December 31,	
	1989	1988
Assets		
Cash	\$12,288	\$12,424
Accounts Receivable	71	0
Total Assets	\$12,359	\$12,424
Liabilities and Fund Balance		
Accounts Payable	\$3,778	\$12,264
Total Liabilities	3,778	12,264
Fund Balance	8,581	160
Total Liabilities and Fund Balance	\$12,359	\$12,424

The accompanying notes are an integral part of these statements.

**House of Representatives Mexico-United
States Interparliamentary Group**

Statements of Operations and Changes in Fund Balance	Year ended December 31,	
	1989	1988
Receipts		
Funds received from the Department of State (note 3)	\$25,000	\$25,000
Miscellaneous	0	48
Total receipts	25,000	25,048
Expenses		
Conference planning expense	1,466	961
Official conference expense	15,113	38,387
Miscellaneous	0	41
Total expenses	16,579	39,389
Excess of receipts over expenses	8,421	(14,341)
Fund balance, beginning of year	160	14,501
Fund Balance, End of Year	\$8,581	\$160

The accompanying notes are an integral part of these statements.

House of Representatives Mexico-United
States Interparliamentary Group

Statements of Cash Flows

	Year ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Excess of receipts over expenses	\$8,421	\$(14,341)
Adjustments to reconcile to net cash used by operating activities		
(Increase) decrease in accounts receivable	(71)	63
Increase (decrease) in accounts payable	(8,486)	10,547
Net cash used in operating activities	(136)	(3,731)
Cash at beginning of year	12,424	16,155
Cash Balance at End of Year	\$12,288	\$12,424

The accompanying notes are an integral part of these statements.

House of Representatives Canada-United States Interparliamentary Group

Balance Sheets

	December 31,	
	1989	1988
Assets		
Cash	\$23,306	\$22,429
Accounts Receivable	142	0
Total Assets	\$23,448	\$22,429
Liabilities and Fund Balance		
Accounts Payable	\$400	\$15,839
Total Liabilities	400	15,839
Fund Balance	23,048	6,590
Total Liabilities and Fund Balance	\$23,448	\$22,429

The accompanying notes are an integral part of these statements.

**House of Representatives Canada-United
States Interparliamentary Group**

Statements of Operations and Changes in Fund Balance

	Year ended December 31,	
	1989	1988
Receipts		
Funds received from the Department of State (note 3)	\$25,000	\$25,000
Total receipts	25,000	25,000
Expenses		
Conference planning expense	1,148	2,226
Official conference expense	7,394	31,606
Miscellaneous	0	923
Total expenses	8,542	34,755
Excess of receipts over expenses	16,458	(9,755)
Fund balance, beginning of year	6,590	16,345
Fund Balance, End of Year	\$23,048	\$6,590

The accompanying notes are an integral part of these statements.

House of Representatives Canada-United
States Interparliamentary Group

Statements of Cash Flows

	Year ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Excess of receipts over expenses	\$16,458	\$(9,755)
Adjustment to reconcile to net cash provided by operating activities		
Increase in accounts receivable	(142)	0
Increase (decrease) in accounts payable	(15,439)	15,839
Net cash provided by operating activities	877	6,084
Cash at beginning of year	22,429	16,345
Cash Balance at End of Year	\$23,306	\$22,429

The accompanying notes are an integral part of these statements.

House of Representatives United States-European Community Interparliamentary Group

Balance Sheets

	December 31,	
	1989	1988
Assets		
Cash	\$25,749	\$7,252
Accounts receivable	32	138
Total Assets	\$25,781	\$7,390
Liabilities and Fund Balance		
Accounts Payable	\$18,035	\$0
Total Liabilities	18,035	0
Fund Balance	7,746	7,390
Total Liabilities and Fund Balance	\$25,781	\$7,390

The accompanying notes are an integral part of these statements.

House of Representatives
 United States-European Community
 Interparliamentary Group

Statements of Operations and Changes in Fund Balance

	Year ended December 31,	
	1989	1988
Receipts		
Funds received from the Department of State (note 3)	\$50,000	\$0
Total receipts	50,000	0
Expenses		
Conference planning expense	1,431	456
Official conference expense	48,213	11,822
Total expenses	49,644	12,278
Excess of receipts over expenses	356	(12,278)
Fund balance, beginning of year	7,390	19,668
Fund Balance, End of Year	\$7,746	\$7,390

The accompanying notes are an integral part of these statements.

House of Representatives
United States-European Community
Interparliamentary Group

Statements of Cash Flows

	Year ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Excess of receipts over expenses	\$356	\$(12,278)
Adjustment to reconcile to net cash provided by (used in) operating activities		
Decrease (increase) in accounts receivable	106	(138)
Increase in accounts payable	18,035	0
Net cash provided by (used in) operating activities	18,497	(12,416)
Cash at beginning of year	7,252	19,668
Cash Balance at End of Year	\$25,749	\$7,252

The accompanying notes are an integral part of these statements.

House of Representatives United States Group of the North Atlantic Treaty Parliamentary Conference

Balance Sheets

	December 31,	
	1989	1988
Assets		
Cash	\$31,460	\$13,503
Total Assets	\$31,460	\$13,503
Liabilities and Fund Balance		
Accounts Payable	\$6,604	\$0
Total Liabilities	6,604	0
Fund Balance	24,856	13,503
Total Liabilities and Fund Balance	\$31,460	\$13,503

The accompanying notes are an integral part of these statements.

**House of Representatives United States
Group of the North Atlantic Treaty
Parliamentary Conference**

Statements of Operations and Changes in Fund Balance

	Year ended December 31,	
	1989	1988
Receipts		
Funds received from the Department of State (note 3)	\$50,000	\$50,000
Miscellaneous income	847	0
Total receipts	50,847	50,000
Expenses		
Official conference expense	28,584	24,500
U.S.-hosted meeting expense	10,513	13,282
Miscellaneous	397	173
Total expenses	39,494	37,955
Excess of receipts over expenses	11,353	12,045
Fund balance, beginning of year	13,503	1,458
Fund Balance, End of Year	\$24,856	\$13,503

The accompanying notes are an integral part of these statements.

House of Representatives United States
Group of the North Atlantic Treaty
Parliamentary Conference

Statements of Cash Flows

	Year ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Excess of receipts over expenses	\$11,353	\$12,045
Adjustment to reconcile to net cash provided by operating activities		
Increase (decrease) in accounts payable	6,604	(1,595)
Net cash provided by operating activities	17,957	10,450
Cash at beginning of year	13,503	3,053
Cash Balance at End of Year	\$31,460	\$13,503

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Authorizing Legislation

Legislation authorizing United States interparliamentary groups provides for Members of the Congress to meet annually with (1) other representative parliamentary groups to discuss common problems in the interest of relations between the United States and Mexico and between the United States and Canada and (2) other North Atlantic Treaty Organization members in the interest of maintaining peace and security in the North Atlantic area.

The Mexico-United States Interparliamentary Group was authorized by Public Law 86-420, as amended, 22 U.S.C. 276h-276k (1988); the Canada-United States Interparliamentary Group was authorized by Public Law 86-42, as amended, 22 U.S.C. 276d-276g (1988); the United States-European Community Interparliamentary Group was authorized by Public Law 98-164, section 109(c), 97 Stat. 1019 (1983), as amended by Public Law 99-415, section 7, 100 Stat. 949 (1986), and Public Law 100-459, section 303(b), 102 Stat. 2207 (1988); and the United States Group of the North Atlantic Treaty Parliamentary Conference was authorized by Public Law 84-689, as amended, 22 U.S.C. 1928a-1928d (1988). In the House of Representatives, these four groups are administered by the Committee on Foreign Affairs.

Note 2. Significant Accounting Policies

Designated staff of the Committee on Foreign Affairs perform the financial accounting for the four interparliamentary groups administered by the Committee. Each group's designated treasurer is responsible for preparing vouchers, certifying that goods and services have been received, maintaining the general journal, and compiling the consolidated financial report to the Committee on House Administration. Accounting records are maintained on a cash basis. For financial reporting purposes, adjustments for the accrual of receivables and payables were made and are reflected on the balance sheet.

The statements of operations and changes in fund balance do not include costs paid from other sources for transportation, per diem, and other expenses relating to conferences and meetings. They were paid from other Department of Defense and Department of State appropriated funds.

Note 3. Funds Received From the Department of State

The expenses of Members' participation in interparliamentary groups and conferences are paid from funds provided by a permanent, definite appropriation established for the Department of State by Public Law 100-202, section 303 (1987), as amended, 22 U.S.C. 276 note (1988).

Table 1 lists the funds the four interparliamentary groups received from these appropriations for calendar years 1989 and 1988.

Table 1: Funds Appropriated to the Department of State and Used for Interparliamentary Groups

Group	1989	1988
Mexico-United States Group	\$25,000	\$25,000
Canada-United States Group	25,000	25,000
United States-European Community Group	50,000	0
United States Group of the North Atlantic Treaty Parliamentary Conference	50,000	50,000
Total	\$150,000	\$100,000

Supplemental Schedules of Costs Paid From Other Sources

(Unaudited)

Group	Calendar year	
	1989	1988
Mexico-United States Group	\$8,709	\$3,850
Canada-United States Group	5,152	11,192
United States-European Community Group	15,228	9,969
United States Group of the North Atlantic Treaty Parliamentary Conference	350,944	346,261
Total	\$380,033	\$371,272

Note: These schedules summarize the four interparliamentary groups' costs paid from other Department of Defense and Department of State appropriated funds and are not part of the financial statements. The information was obtained from calendar year 1989 and 1988 reports to the Committee on House Administration.

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