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REPORT BY THE

Comptroller General

OF THE UNITED STATES



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Audit Of The House Recording Studio Revolving Fund For The 9-Month Period Ended December 31, 1978

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MAY 18, 1979



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114842

The Honorable Edmund L. Henshaw, Jr. ^A
Clerk of the House of Representatives *G/H300003*

Dear Mr. Henshaw:

We audited the House Recording Studio Revolving Fund for the 9-month period ended December 31, 1978, pursuant to your December 13, 1978, request.

GENERAL COMMENTS

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, operated by a director under the jurisdiction of the Clerk of the House of Representatives and subject to the direction and control of the Committee on the House Recording Studio, makes film and audio-tape and video-tape recordings for Members and committees of the House of Representatives. The prices charged for services are set by the Clerk of the House, subject to the approval of the Committee on the House Recording Studio.

Studio operations are financed from a revolving fund and from funds appropriated to the Clerk of the House. All moneys received from operations are deposited into the revolving fund and are available for the Studio's operation. Employee salaries and benefits and certain other operating expenses, such as utilities, are paid from appropriated funds. These expenses are not recorded in the Studio's accounting records nor included in determining the results of Studio operations.

House Resolution 287, adopted March 2, 1977, prohibits Members from maintaining an unofficial office account to defray expenses incurred in the operation of a congressional office, including expenses for recording studio services. Funds may not be paid into any unofficial office account after March 2, 1977, and any existing accounts were to be abolished by January 3, 1978.

Effective with the start of the 95th Congress, House Resolution 287 restructured the \$2,000 allowance for Official Expenses Outside the District of Columbia to provide funds

for Members' official expenses, including those incurred in connection with official duties in Washington, D.C. (for example, newspaper and magazine subscriptions for the Member's congressional office, legislative research services, and recording studio services). The annual allowance for official expenses was increased to \$7,000, effective January 3, 1978.

The Recording Studio changed its fiscal year to more closely conform to a session of the Congress. Because of the change, this audit covered a 9-month period rather than a 12-month period as in the prior year.

FINANCIAL POSITION

A comparative statement of assets and liabilities of the revolving fund at December 31, 1978, and March 31, 1978, is presented as schedule 1. The following comments relate to items on that statement.

Accounts receivable

Accounts receivable from Members amounted to \$8,902 at December 31, 1978, a decrease of \$18,750 from the amount receivable at March 31, 1978. An analysis of the ages of the accounts receivable at December 31, 1978, and March 31, 1978, follows.

<u>Days outstanding</u>	<u>December 31, 1978</u>		<u>March 31, 1978</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 59	\$8,245	92.62	\$25,723	93.02
60 through 89	337	3.79	1,130	4.09
90 through 119	239	2.68	423	1.53
120 or more	<u>81</u>	<u>.91</u>	<u>376</u>	<u>1.36</u>
Total	<u>\$8,902</u>	<u>100.00</u>	<u>\$27,652</u>	<u>100.00</u>

As of February 28, 1979, \$7,500, or 84 percent, of the accounts receivable balance, had been paid.

Equipment

A summary of the changes in the equipment account during the 9 months ended December 31, 1978, follows.

<u>Equipment</u>	Balance March 31, 1978	Addi- tions	Deduc- tions	Balance December 31, 1978
Video	\$ 863,284	\$ 5,065	\$ 3,289	\$ 865,060
Motion picture	182,504	2,762	4,012	181,254
Radio	63,064	36,057	2,873	96,248
Office and shop	<u>3,513</u>	<u>-</u>	<u>-</u>	<u>3,513</u>
Total	<u>\$1,112,365</u>	<u>\$43,884</u>	<u>\$10,174</u>	<u>\$1,146,075</u>

Equipment additions were:

--Video: one image enhancer, one keyboard, one display module, and one disk transport for a Vidifont character generator system.

--Motion picture: one Kreonite sink and one refrigerator.

--Radio: one audio console.

Deductions included five amplifiers, one TV monitor, one generator, one recorder-reproducer, one audio console, one refrigerator, one film copier and adjustments to the recorded value of donated equipment.

OPERATIONS

Schedule 2, the comparative statement of revolving fund operations for the periods ended December 31, 1978, and March 31, 1978, shows that costs exceeded revenues by \$1,434 for the period ended December 31, 1978; revenues exceeded costs by \$45,163 for the fiscal year 1978. The Studio operating loss during the 9-month period ended December 31, 1978, can be attributed to (1) a 17-percent decrease in average monthly sales and (2) a 23-percent increase in operating costs as a percentage of sales. The principal operating cost increases were for (1) maintenance and repairs--from about 18 percent to about 27 percent (2) office supplies and expenses--from about 1.5 percent to about 10 percent and (3) miscellaneous expenses--from about 1 percent to about 7 percent. Office and miscellaneous expenses were unusually high because they included \$8,843 and \$6,815, respectively, for advertising and travel expenses to recruit new employees for televising House floor proceedings.

SCOPE OF AUDIT

We made our audit in accordance with the Comptroller General's standards for auditing financial transactions, accounts, and reports of governmental activities. These standards include generally accepted auditing standards. We reviewed operations and applicable Federal laws, observed the physical count of stock on hand, examined selected financial transactions and records, confirmed Members' account balances, and carried out such other auditing procedures as we considered necessary.

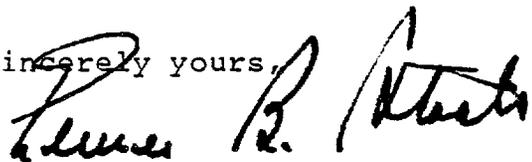
OPINION ON FINANCIAL STATEMENTS

We prepared the financial statements for the Revolving Fund from the Studio's accounting records. We adjusted these records, which were maintained on a cash basis, to present the financial position and results of the revolving fund operations on an accrual basis.

In our opinion, schedules 1, 2, and 3, which were prepared on the basis of the financial arrangements described above, present fairly the financial position of the House Recording Studio Revolving Fund at December 31, 1978, and March 31, 1978; the results of its operations; and the changes in its financial position for the periods then ended on a basis consistent with that of preceding years.

Copies of this report are being furnished for transmittal to Members of the Committee on the House Recording Studio. A copy is also being sent to the Chairman, Committee on House Administration.

Sincerely yours,



Comptroller General
of the United States

SCHEDULE 1

HOUSE RECORDING STUDIO

REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1978, AND MARCH 31, 1978

A S S E T S

	December 31, <u>1978</u>	March 31, <u>1978</u>
CURRENT ASSETS:		
Cash revolving fund	\$329,380	\$325,497
Petty cash	<u>100</u>	<u>19</u>
Total	329,480	325,516
Accounts receivable--Members	8,902	27,652
Accounts receivable--others	300	300
Inventory of materials and supplies, at cost	<u>28,844</u>	<u>25,386</u>
Total current assets	<u>367,526</u>	<u>378,854</u>
FIXED ASSETS:		
Equipment (note a)	1,146,075	1,112,365
Less accumulated depreciation	<u>701,257</u>	<u>653,112</u>
Total fixed assets	<u>444,818</u>	<u>459,253</u>
TOTAL ASSETS	<u>\$ 812,344</u>	<u>\$ 838,107</u>

a/The current estimated value of excess property acquired from other Federal agencies at no cost is included at \$19,193 and \$22,650 as of December 31, 1978, and March 31, 1978, respectively.

L I A B I L I T I E S A N D C A P I T A L

	December 31, <u>1978</u>	March 31, <u>1978</u>
CURRENT LIABILITIES:		
Accounts payable	\$ <u>11,065</u>	\$ <u>31,857</u>
CAPITAL AND EXCESS OF REVENUE OVER COSTS:		
Contributed capital	183,410	183,410
Excess property acquired from other Federal agencies	<u>19,193</u>	<u>22,650</u>
Total	<u>202,603</u>	<u>206,060</u>
Excess of revenue over costs:		
Balance prior years	600,190	556,261
Fiscal year additions	(1,434)	45,163
Fiscal year adjustment	a/ <u>(80)</u>	b/ <u>(1,234)</u>
Total	<u>598,676</u>	<u>600,190</u>
Total capital and excess of revenue over costs	<u>801,279</u>	<u>806,250</u>
TOTAL LIABILITIES AND CAPITAL	<u>\$812,344</u>	<u>\$838,107</u>

a/Write-off of uncollectible receivable from prior year.

b/Adjusted May 31, 1977, to record the expensing of video equipment previously capitalized. Two video recorder/reproducers were found to be worn out after 3 years of use and removed from the 10-year depreciation schedule.

HOUSE RECORDING STUDIO
REVOLVING FUND
COMPARATIVE STATEMENT OF OPERATIONS
FOR THE 9-MONTH PERIOD ENDED DECEMBER 31, 1978,
AND THE FISCAL YEAR ENDED MARCH 31, 1978

	Total		Motion picture		Radio		Video	
	December 31, 1978	FY 1978	December 31, 1978	FY 1978	December 31, 1978	FY 1978	December 31, 1978	FY 1978
REVENUE:								
Sales	\$103,389	\$165,815	\$29,517	\$38,085	\$33,542	\$57,862	\$40,330	\$69,868
COSTS:								
Film materials	2,959	2,529	2,959	2,529	-	-	-	-
Supplies used	1,284	705	877	38	407	667	-	-
Outside processing	765	838	765	838	-	-	-	-
Maintenance and repairs	27,646	29,565	7,588	14,614	2,014	1,034	18,044	13,917
Depreciation of equipment	54,640	92,421	9,721	13,668	3,103	3,828	41,816	74,925
Office supplies and expenses	10,680	2,459	3,560	819	3,560	820	3,560	820
Miscellaneous expenses	6,815	1,236	2,272	412	2,272	412	2,271	412
Total costs (note a)	104,789	129,753	27,742	32,918	11,356	6,761	65,691	90,074
Excess of revenue over costs or (excess of costs over revenue)								
from operations before gain or loss on disposals	(1,400)	36,062	1,775	5,167	22,186	51,101	(25,361)	(20,206)
EQUIPMENT AND INVENTORY DISPOSALS:								
Gain or (loss) on disposal of equipment and inventory	(34)	9,101	-	269	-	2(31)	(34)	8,863
EXCESS OF REVENUE OVER COSTS OR (EXCESS OF COSTS OVER REVENUE)	\$(1,434)	\$45,163	\$1,775	\$5,436	\$22,186	\$51,070	\$(25,395)	\$(11,343)

GAO NOTES:

a/Salaries of \$316,982 (\$368,071 in FY 1978), employee benefits, and certain other operating expenses of the Studio have been paid from appropriated funds and are not included as expenses in determining the excess of Revolving Fund revenue over costs.

b/Radio equipment was not disposed of during the year; however, this loss represents the radio department's share of a \$92 loss in the disposal of office equipment.

HOUSE RECORDING STUDIO

REVOLVING FUND

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE 9-MONTH PERIOD ENDED DECEMBER 31, 1978,

AND THE FISCAL YEAR ENDED MARCH 31, 1978

	December 31, <u>1978</u>	March 31, <u>1978</u>
FUNDS PROVIDED:		
Sales	\$103,389	\$165,815
Gain on trade-in of purchased equipment	-	9,101
Trade-in allowance on video equipment	<u>-</u>	<u>58,000</u>
Total funds provided	<u>\$103,389</u>	<u>\$232,916</u>
FUNDS APPLIED:		
Costs (excluding depreciation and other items not requiring outlay of funds)	\$ 50,041	\$ 45,273
Equipment additions	43,884	97,744
Increase in working capital	<u>9,464</u>	<u>89,899</u>
Total funds applied	<u>\$103,389</u>	<u>\$232,916</u>

Analysis of Changes in Working Capital for the 9-Month Period
Ended December 31, 1978, and the Fiscal Year Ended March 31, 1978

<u>Increase or (decrease) in</u>	
<u>working capital</u>	
<u>December 31, 1978</u>	<u>Fiscal year 1978</u>

WORKING CAPITAL CHANGES:		
Cash	\$ 3,964	\$28,655
Accounts receivable	(18,750)	(1,272)
Inventory of materials and supplies	3,458	-
Accounts payable	<u>20,792</u>	<u>62,516</u>
Increase in working capital	<u>\$ 9,464</u>	<u>\$89,899</u>

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