

DOCUMENT RESUME

06813 - [B2227259]

Audit of the House Recording Studio Revolving Fund for the Fiscal Year Ended March 31, 1978. GGE-78-90; E-114842. August 8, 1978. 4 pp. + 3 enclosures (4 pp.).

Report to Edmund L. Henshaw, Jr., House of Representatives: Clerk of the House; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes (2802).

Contact: General Government Div.

Budget Function: General Government: Legislative Functions (801).

Organization Concerned: House of Representatives: Recording Studio.

Congressional Relevance: House Committee on House Administration.

Authority: Legislative Branch Appropriation Act [of] 1957 (2 U.S.C. 123b). H. Res. 287 (95th Cong.).

Operations of the House Recording Studio are financed from a revolving fund and from funds appropriated to the Clerk of the House. 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 are paid from appropriated funds. House Resolution 287 prohibited Members from maintaining an unofficial office account to defray expenses incurred in the operation of a congressional office, including expenses for recording studio services. It restructured the allowance for official expenses outside the District of Columbia to provide funds for Members' official expenses and increased the annual allowance for expenses from \$2,000 to \$7,000. Findings/Conclusions: Accounts receivable from Members amounted to \$27,651 at March 31, 1978, a decrease of \$1,572 from the amount receivable at March 31, 1977. There was a total of \$97,744 in equipment additions, \$75,557 in equipment deductions, and a total balance for equipment of \$1,112,365 at the end of the period. The comparative statement of revolving fund operations for the fiscal years (FYs) ended March 31, 1978, and March 31, 1977, showed that revenues exceeded costs by \$45,163 for FY 1978, compared with \$2,154 for FY 1977. The higher Studio earnings during the FY ended March 31, 1978, was primarily attributed to increased sales and lower operating costs as a percentage of sales. The Studio's accounting records, which were maintained on a cash basis, were adjusted to present the financial position and results of the revolving fund operations on an accrual basis. The financial statements presented fairly the financial position of the revolving fund for the periods examined, the results of Studio operations, and the changes in financial positions for these periods on a basis consistent with that of preceding years. (HTW)

7259

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Audit Of The House Recording Studio Revolving Fund For The Fiscal Year Ended March 31, 1978



GGD-78-90
AUGUST 8, 1978



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

B-114842

The Honorable Edmund L. Henshaw, Jr.
Clerk of the House of Representatives

Dear Mr. Henshaw:

We audited the House Recording Studio Revolving Fund for the fiscal year ended March 31, 1978, pursuant to your February 22, 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.

Before the 95th Congress, expenses for recording studio services were not covered by any of the allowances provided Members. 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.

To offset the loss of such funds, House Resolution 287 restructured the 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). This change was retroactive to the beginning of the 95th Congress. The \$2,000 annual allowance for official expenses was increased to \$7,000, effective January 3, 1978.

FINANCIAL POSITION

A comparative statement of assets and liabilities of the revolving fund at March 31, 1978 and 1977, is presented as schedule 1. The following comments relate to items on that statement.

Accounts receivable

Accounts receivable from Members amounted to \$27,652 at March 31, 1978, a decrease of \$1,572 from the amount receivable at March 31, 1977. An analysis of the ages of the accounts receivable at March 31, 1978, and March 31, 1977, follows.

<u>Days outstanding</u>	<u>March 31, 1978</u>		<u>March 31, 1977</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 59	\$25,723	93.02	\$23,970	82.02
60 through 89	1,130	4.09	3,888	13.30
90 through 119	423	1.53	668	2.29
120 or more	<u>376</u>	<u>1.36</u>	<u>698</u>	<u>2.39</u>
Total	<u>\$27,652</u>	<u>100.00</u>	<u>\$29,224</u>	<u>100.00</u>

As of May 31, 1978, \$26,105, or 94.4 percent, of the accounts receivable balance, had been paid.

Equipment

A summary of the changes in the equipment account during the fiscal year follows.

<u>Equipment</u>	<u>Balance March 31, 1977</u>	<u>Addi- tions</u>	<u>Deduc- tions</u>	<u>Balance March 31, 1978</u>
Video	\$845,872	\$87,057	\$69,645	\$863,284
Motion picture	178,756	6,993	3,245	182,504
Radio	59,426	3,694	56	63,064
Office and shop	<u>6,124</u>	<u>-</u>	<u>2,611</u>	<u>3,513</u>
Total	<u>\$1,090,178</u>	<u>\$97,744</u>	<u>\$75,557</u>	<u>\$1,112,365</u>

Equipment additions were:

--Video: two video monitors, one air dryer, one generator, five distribution amplifiers, and one Mark IV Vidifont system.

--Motion picture: one processor, one Kreonite sink, one camera, and one enlarger.

--Radio: one recorder and one digital multimeter.

Deductions included a recorder-reproducer, two zoom lenses, various items of office equipment, and adjustments to the recorded value of donated equipment.

OPERATIONS

As shown in schedule 2, a comparative statement of revolving fund operations for the fiscal years ended March 31, 1978, and March 31, 1977, revenues exceeded costs by \$45,163 for fiscal year 1978, compared with \$2,154 for fiscal year 1977. The higher Studio earnings during the fiscal year ended March 31, 1978, can be primarily attributed to significantly increased sales and lower operating costs as a percentage of sales. For example, depreciation of equipment as a percent of sales was about 77 percent in fiscal year 1977 but decreased to about 56 percent of sales in fiscal year 1978.

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

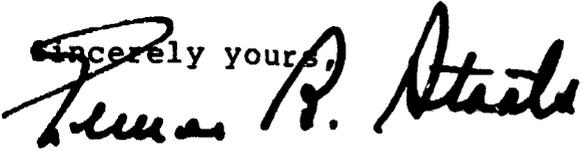
transactions and records, confirmed Members' account balances, and carried out such other auditing procedures as we considered necessary.

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 March 31, 1978, and March 31, 1977; 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

SCHEDULES

SCHEDULE 1

HOUSE RECORDING STUDIO

REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 1978 AND MARCH 31, 1977

A S S E T S

	March 31, <u>1978</u>	March 31, <u>1977</u>
CURRENT ASSETS:		
Cash revolving fund	\$325,497	\$296,837
Petty cash	<u>19</u>	<u>24</u>
Total	325,516	296,861
Accounts receivable - Members	27,652	29,224
Accounts receivable - others	300	-
Inventory of materials and supplies, at cost	<u>25,386</u>	<u>25,386</u>
Total current assets	<u>378,854</u>	<u>351,471</u>
FIXED ASSETS:		
Equipment	<u>a/1,112,365</u>	<u>a/1,090,178</u>
Less accumulated depre- ciation	<u>653,112</u>	<u>581,672</u>
Total fixed assets	<u>459,253</u>	<u>508,506</u>
TOTAL ASSETS	<u><u>\$838,107</u></u>	<u><u>\$859,977</u></u>

a/The current estimated value of excess property acquired from other Federal agencies at no cost is included at \$22,650 and \$25,933 as of March 31, 1978, and March 31, 1977, respectively.

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

	March 31, <u>1978</u>	March 31, <u>1977</u>
CURRENT LIABILITIES:		
Accounts payable	\$ <u>31,857</u>	\$ <u>94,373</u>
CAPITAL AND EXCESS OF REVENUE OVER COSTS:		
Contributed capital	183,410	183,410
Excess property acquired from other Federal agencies	<u>22,550</u>	<u>25,933</u>
Total	<u>206,060</u>	<u>209,343</u>
Excess of revenue over costs:		
Balance prior years	556,261	603,453
Fiscal year additions	45,163	2,154
Fiscal year adjustment	<u>b/-1,234</u>	<u>a/-49,346</u>
Total	<u>600,190</u>	<u>556,261</u>
Total capital and excess of revenue over costs	<u>806,250</u>	<u>765,604</u>
TOTAL LIABILITIES AND CAPITAL	<u><u>\$838,107</u></u>	<u><u>\$859,977</u></u>

a/Adjusted April 1, 1976, in connection with the change in accounting procedures which eliminated equipment salvage value in computing depreciation.

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 FISCAL YEARS ENDED MARCH 31, 1978 AND 1977

	Total		Motion Picture		Radio		Video	
	FY 1978	FY 1977	FY 1978	FY 1977	FY 1978	FY 1977	FY 1978	FY 1977
REVENUE:								
Sales	\$165,815	\$121,525	\$38,085	\$22,939	\$57,862	\$41,468	\$69,868	\$57,118
COSTS:								
Film materials	2,529	3,897	2,529	3,897	-	-	-	-
Supplies used	705	616	38	45	667	571	-	-
Outside processing	838	354	838	354	-	-	-	-
Maintenance and repairs	29,565	18,769	14,614	8,851	1,034	1,885	13,917	8,033
Depreciation of equipment	92,421	93,415	13,668	13,714	3,828	4,767	74,925	74,934
Office supplies and expenses	2,459	3,900	819	1,300	820	1,300	820	1,300
Miscellaneous expenses	1,236	920	412	306	412	307	412	307
Total costs (note a)	129,753	121,871	32,918	28,467	6,761	8,830	90,074	84,574
Excess of revenue over costs or excess of costs over revenue (-) from operations before gain or loss on disposals	36,062	-346	5,167	-5,528	51,101	32,638	-20,206	-27,456
EQUIPMENT AND INVENTORY DISPOSALS:								
Gain or loss (-) on disposal of equipment and inventory	9,101	2,500	269	2,500	-31(b)	-	8,863	-
EXCESS OF REVENUE OVER COSTS OR EXCESS OF COSTS OVER REVENUE (-)	\$ 45,163	\$ 2,154	\$ 5,436	\$ -3,028	\$51,070	\$32,638	\$-11,343	\$-27,456

a/ Salaries of \$368,071 (\$342,217 in 1977), 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 FISCAL YEARS ENDED MARCH 31, 1978 AND 1977

	Fiscal year <u>1978</u>	Fiscal year <u>1977</u>
FUNDS PROVIDED:		
Sales	\$165,815	\$121,525
Gain on trade-in of purchased equipment	9,101	2,500
Trade-in allowance on video equipment	<u>58,000</u>	<u> </u>
Total funds provided	<u>\$232,916</u>	<u>\$124,025</u>
FUNDS APPLIED:		
Costs (excluding depreciation and other items not requiring outlay of funds)	\$ 45,273	\$ 28,458
Equipment additions	97,744	a/ 112,594
Increase or decrease (-) in working capital	<u>89,899</u>	<u>-17,027</u>
Total funds applied	<u>\$232,916</u>	<u>\$124,025</u>

Analysis of Changes in Working Capital

for the Fiscal Years Ended March 31, 1978 and 1977

	<u>Increase or decrease (-) in</u> <u>working capital</u>	
	<u>Fiscal year 1978</u>	<u>Fiscal year 1977</u>
WORKING CAPITAL CHANGES:		
Cash	\$28,655	\$ 39,103
Accounts receivable	-1,272	1,842
Inventory of materials and supplies	-	2,949
Accounts payable	<u>62,516</u>	<u>-60,921</u>
Increase/decrease (-) in working capital	<u>\$89,899</u>	<u>\$-17,027</u>

a/Excludes donated motion picture equipment with an estimated value of \$22,816 acquired in fiscal year 1977.