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Audit of the House Recording Studio Revolving Fund for the Fiscal Year Ended March 31, 1977. GGD-77-81; B-114842. August 24, 1977. 5 pp. + 3 enclosures (5 pp.).

Report to Edmund L. Henshaw, Jr., House of Representatives: Clerk of the House; by Robert F. Keller, Acting Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Div.

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

Congressional Relevance: House Committee on House Administration.

Authority: Legislative Branch Appropriation Act [of] 1957, sec. 105 (2 U.S.C. 123b). H. Res. 287 (95th Cong.).

The House Recording Studio, operated 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. 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 are paid from appropriated funds. These expenses are not recorded in the Studio's accounting records or included in the results of Studio operations. Before the 95th Congress, expenses for recording studio services were not covered by any of the allowances provided Members. Findings/Conclusions: A comparative statement of the revolving fund operations for fiscal year ended March 31, 1977, and the 9 months ended March 31, 1976, showed that revenues exceeded costs by \$2,154 for fiscal year 1977, compared with \$36,393 for the 9 month period. The lower Studio earnings during the later period can be primarily attributed to a sharp decline in average monthly sales and higher operating costs. The higher operating cost rate primarily resulted from increased depreciation charges due to the change in the accounting procedures and the additional expense pertaining to recent equipment acquisition. (SC)

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**REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES**

**Audit Of The House Recording
Studio Revolving Fund For The
Fiscal Year Ended March 31, 1977**



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, 1977, pursuant to your March 1, 1977, 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. H. Res. 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 funds must be abolished by January 3, 1978.

To offset the loss of such funds, H. Res. 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 is to be increased to \$7,000, effective January 3, 1978.

FINANCIAL POSITION

A comparative statement of assets and liabilities of the revolving fund at March 31, 1977 and 1976, is presented as schedule 1. The following comments relate to items on that statement.

Accounts receivable

Accounts receivable amounted to \$29,224 at March 31, 1977, an increase of \$1,842 from the amount at March 31, 1976. An analysis of the ages of the accounts receivable at March 31, 1977, and March 31, 1976, follows.

<u>Days outstanding</u>	<u>March 31, 1977</u>		<u>March 31, 1976</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
1 through 59	\$23,970	82.02	\$24,624	89.93
60 through 89	3,888	13.30	1,904	6.95
90 through 119	668	2.29	850	3.10
120 or more	<u>698</u>	<u>2.39</u>	<u>4</u>	<u>.02</u>
Total	<u>\$29,224</u>	<u>100.00</u>	<u>\$27,382</u>	<u>100.00</u>

As of May 31, 1977, \$23,220, or 79.5 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, 1976</u>	<u>Addi- tions</u>	<u>Deduc- tions</u>	<u>Balance March 31, 1977</u>
Video	\$740,670	\$105,521	\$ 319	\$845,872
Motion picture	157,838	27,893	6,975	178,756
Radio	57,437	1,998	9	59,426
Office and shop	<u>6,192</u>	<u>-</u>	<u>68</u>	<u>6,124</u>
Total	<u>\$962,137</u>	<u>\$135,412</u>	<u>\$7,371</u>	<u>\$1,090,178</u>

Equipment additions were:

--Video: two color television tape recorder-reproducers, two monitor bridge systems, two waveform monitors, one vectorscope, two audio sinuplay heads, two mode remote control panels, two mode remote control modules, one interface kit, two camera pedestals, two camera heads, and a video switching system.

--Motion picture: one densitometer, one print washer, one patch kit applicator, and the following donated equipment--one keyboard and tape perforator; one film edge numbering machine; one film printer; one static control unit; one tape perforator, control, and duplicator attachment; four constant voltage transformers; three film loops; one tape recorder; one 16mm projector; one camera; one print dryer; and one rectifier.

--Radio: one audio console, one audio distribution amplifier, one cassette audio duplicator, and one frequency counter.

Deductions included a traded 16mm film printer and adjustments to the recorded value of donated equipment.

On April 1, 1976, the Studio began depreciating its equipment at 100 percent of cost over a 10-year useful life. This accounting procedure change required a \$49,346 charge against the retained income account to record the expense relating to salvage value which had not been subject to depreciation in prior periods. Previously, the Studio had depreciated its equipment over a 10-year period using a 90-percent cost basis; salvage value was estimated to be 10 percent.

OPERATIONS

A comparative statement of revolving fund operations for the fiscal year ended March 31, 1977, and the 9 months ended March 31, 1976, is presented as schedule 2. Revenues exceeded costs by \$2,154 for fiscal year 1977, compared with \$36,393 for the 9 months ended March 31, 1976.

The lower Studio earnings during the fiscal year ended March 31, 1977, can be primarily attributed to a sharp decline in average monthly sales and higher operating costs as a percentage of sales. The higher operating cost rate primarily resulted from increased depreciation charges due to (1) the change in accounting procedures (see p. 3) and (2) the additional expense pertaining to recent equipment acquisition.

SCOPE OF AUDIT

We made our audit in accordance with generally accepted auditing standards and included a review of the controls over equipment and inventories, an examination of selected financial transactions, and such other auditing procedures as we considered necessary.

OPINION ON FINANCIAL STATEMENTS

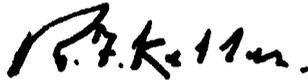
We prepared the financial statements for the Revolving Fund from the Studio's accounting records. We adjusted these records, which were maintained on a cash basis, to present the financial position and results of the revolving fund operations on an accrual basis.

Except for the change in accounting for depreciation expense, 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, 1977, and March 31, 1976; 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.

E-114842

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. F. Keller". The signature is written in a cursive style with a large initial "R".

Acting Comptroller General
of the United States

SCHEDULES

SCHEDULE 1

HOUSE RECORDING STUDIO

REVOLVING FUND

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 1977 AND MARCH 31, 1976

A S S E T S

	<u>March 31,</u> <u>1977</u>	<u>March 31,</u> <u>1976</u>
CURRENT ASSETS:		
Cash revolving fund	\$296,837	\$257,720
Petty cash	<u>24</u>	<u>38</u>
Total	296,861	257,758
Accounts receivable	29,224	27,382
Inventory of materials and supplies, at cost	<u>25,386</u>	<u>22,437</u>
Total current assets	<u>351,471</u>	<u>307,577</u>
FIXED ASSETS:		
Equipment	a/ 1,090,178	a/962,137
Less accumulated depreciation	<u>581,672</u>	<u>444,280</u>
Total fixed assets	<u>508,506</u>	<u>517,857</u>
TOTAL ASSETS	<u><u>\$859,977</u></u>	<u><u>\$825,434</u></u>

a/The current estimated value of excess property acquired from other Federal agencies at no cost is included at \$25,933 and \$5,119 as of March 31, 1977, and March 31, 1976, respectively.

LIABILITIES AND CAPITAL

	March 31, <u>1977</u>	March 31, <u>1976</u>
CURRENT LIABILITIES:		
Accounts payable	\$ <u>94,373</u>	\$ <u>33,452</u>
CAPITAL AND EXCESS OF REVENUE OVER COSTS:		
Contributed capital	183,410	183,410
Excess property acquired from other Federal agencies	<u>25,933</u>	<u>5,119</u>
Total	<u>209,343</u>	<u>188,529</u>
Excess of revenue over costs:		
Balance prior years	603,453	567,060
Fiscal year additions	2,154	36,393
Fiscal year adjustment	<u>a/ -49,346</u>	<u>-</u>
Total	<u>556,261</u>	<u>603,453</u>
Total capital and excess of revenue over costs	<u>765,604</u>	<u>791,982</u>
TOTAL LIABILITIES AND CAPITAL	<u><u>\$859,977</u></u>	<u><u>\$825,434</u></u>

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

HOUSE RECORDING STUDIO
REVOLVING FUND

COMPARATIVE STATEMENT OF OPERATIONS

FOR THE FISCAL YEAR ENDED MARCH 31, 1977,
AND THE 9-MONTH PERIOD ENDED MARCH 31, 1976

	Total		Motion Picture		Radio		Video	
	FY 1977	Period ended March 31, 1976	FY 1977	Period ended March 31, 1976	FY 1977	Period ended March 31, 1976	FY 1977	Period ended March 31, 1976
REVENUE:								
Sales	\$121,525	\$136,413	\$22,939	\$16,086	\$41,468	\$43,625	\$57,118	\$76,702
COSTS:								
Film materials	3,897	7,438	3,897	7,438	-	-	-	-
Supplies used	616	579	65	37	571	542	-	-
Outside processing	354	375	354	375	-	-	-	-
Maintenance and repairs	18,769	28,569	8,851	7,722	1,885	1,372	8,033	19,875
Depreciation of equipment	93,415	58,195	13,714	7,496	4,767	3,470	74,934	47,229
Office supplies and expenses	3,900	1,980	1,300	660	1,300	660	1,300	660
Miscellaneous expenses	920	2,016	306	641	307	641	307	734
Total costs (note a)	121,871	99,552	28,467	24,369	8,830	6,685	84,574	68,498
Excess of revenue over costs or excess of costs over revenue (-) from operations before loss on disposals	-346	36,861	-5,528	-8,283	32,638	36,940	-27,456	8,204
EQUIPMENT AND INVENTORY DISPOSALS:								
Gain or loss (-) on disposal of equipment and inventory	2,500	-468	2,500	-59	-	-409	-	-
EXCESS OF REVENUE OVER COSTS OR EXCESS OF COSTS OVER REVENUE (-)	\$ 2,154	\$ 36,393	\$ -3,028	\$ -8,342	\$ 32,638	\$ 36,521	\$ -27,456	\$ 8,204

a/-salaries of \$342,217 (\$249,901 in 1976), 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.

HOUSE RECORDING STUDIO

REVOLVING FUND

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE FISCAL YEAR ENDED MARCH 31, 1977 AND THE

9-MONTH PERIOD ENDED MARCH 31, 1976

	<u>March 31,</u> <u>1977</u>	<u>March 31,</u> <u>1976</u>
FUNDS PROVIDED:		
Sales	\$121,525	\$136,413
Gain on trade-in of purchased equipment.	<u>2,500</u>	<u>-</u>
Total funds provided	<u>\$124,025</u>	<u>\$136,413</u>
FUNDS APPLIED:		
Costs (excluding depreciation and other items not requiring outlay of funds)	\$ 28,458	\$ 41,324
Equipment additions	<u>a/112,594</u>	<u>a/173,855</u>
Decrease in working capital (-)	<u>-17,027</u>	<u>-78,766</u>
Total funds applied	<u>\$124,025</u>	<u>\$136,413</u>

**Analysis of Changes in Working Capital
for the Fiscal Year Ended March 31, 1977,
and the 9-Month Period Ended March 31, 1976**

	<u>Increase or decrease (-) in</u> <u>working capital</u>	
	<u>March 31, 1977</u>	<u>March 31, 1976</u>
WORKING CAPITAL CHANGES:		
Cash	\$ 39,103	\$-53,134
Accounts receivable	1,842	5,218
Inventory of materials and supplies	2,949	-1,753
Accounts payable	<u>-60,921</u>	<u>-29,097</u>
DECREASE IN WORKING CAPITAL	<u><u>\$-17,027</u></u>	<u><u>\$-78,766</u></u>

a/ Excludes donated motion picture equipment with an estimated value of \$22,816 in 1977 and \$1,732 in 1976.