



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

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SEPTEMBER 7, 1984

B-114842

The Honorable Benjamin J. Guthrie
Clerk of the House of Representatives

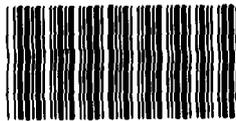
Dear Mr. Guthrie:

Subject: Examination of the House of Representatives
Recording Studio Revolving Fund's Financial
Statements for the Years Ended December 31,
1983 and 1982 (GAO/AFMD-84-52)

Pursuant to your November 30, 1983, request, we have examined the balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1983 and 1982, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1983 and 1982, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosures I and II contain our report on internal accounting controls and compliance with laws and regulations, and comments on the House of Representatives Recording Studio Revolving Fund's operations, respectively. Enclosures III through VI present the Fund's financial statements and accompanying notes for the years ended December 31, 1983 and 1982. Enclosure VII is a copy of a portion of the "Congressional Handbook, House of Representatives Edition" relating to the Recording Studio.



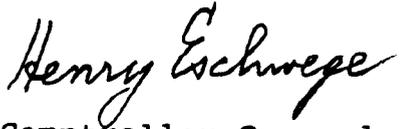
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Copies of this report are being furnished for you to send to members of the Special Committee on the House Recording Studio. A copy is also being sent to the Chairman of the Committee on House Administration.

Sincerely yours,

for 
Comptroller General
of the United States

Enclosures

REPORT ON INTERNAL ACCOUNTING CONTROLS
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House of Representatives Recording Studio Revolving Fund for the years ended December 31, 1983 and 1982. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended December 31, 1983.

As part of our examination, we made a study and evaluation of the House Recording Studio Revolving Fund's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the House Recording Studio Revolving Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- receipts,
- disbursements,
- equipment, and
- supplies.

Our study included all of the control categories listed above.

The management of the House Recording Studio Revolving Fund is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets 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 and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the second paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the House Recording Studio Revolving Fund taken as a whole or on any of the categories of controls identified in the third paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

We reviewed the provisions of applicable laws and regulations to determine the material compliance requirements that may have a financial impact on the House Recording Studio Revolving Fund's financial statements. In our opinion, the House Recording Studio Revolving Fund complied with the provisions of applicable laws and regulations that could have materially affected the financial statements.

COMMENTS ON THE OPERATIONSOF THEHOUSE OF REPRESENTATIVESRECORDING STUDIO REVOLVING FUND

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 Special Committee on the House Recording Studio, makes graphic prints, film, audio 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. The Congressional Handbook provides a detailed description of the Recording Studio's activities. (See encl. VII.)

As described in note 1 to the financial statements, Studio operations are financed from a revolving fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. 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 neither recorded in the Studio's accounting records nor included in determining the results of Studio operations.

Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for Recording Studio services provided to Members may be paid (1) by the House Finance Office from a Member's allowance account, (2) directly by a Member, or (3) by a media organization through a Member.

For the year ended December 31, 1983, the Revolving Fund's net income was \$125,880. The net income for the year ended December 31, 1982, was \$63,280.

The \$62,000 greater operating profit in 1983 can be attributed primarily to the normal increase in Studio sales during nonelection years. Specifically, sales increased 41.1 percent and operating costs as a percentage of sales decreased 6.2 percent. The principal operating cost percentage decrease was in depreciation--from 43.3 percent to 35.4 percent of sales.

HOUSE OF REPRESENTATIVES
RECORDING STUDIO REVOLVING FUND
BALANCE SHEET

	December 31	
	1983	1982
A S S E T S		
CURRENT ASSETS:		
Cash revolving fund (note 1)	\$ 505,128	\$ 557,267
Petty cash	100	33
Total	505,228	557,300
Accounts receivable--Members	16,479	14,319
Inventory of materials and supplies, at cost	29,849	32,117
Total current assets	551,556	603,736
FIXED ASSETS:		
Equipment (notes 2 and 3)	1,263,850	1,280,506
Less accumulated depreciation (note 1)	606,548	789,592
Net fixed assets	657,302	490,914
TOTAL ASSETS	\$1,208,858	\$1,094,650
L I A B I L I T I E S A N D G O V E R N M E N T E Q U I T Y		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,649	\$ 3,890
GOVERNMENT EQUITY:		
Contributed capital	183,410	183,410
Excess property acquired from other federal agencies	-	10,431
Total	183,410	193,841
Excess of revenue over costs:		
Balance at beginning of year	896,919	833,639
Net income	125,880	63,280
Balance at end of year	1,022,799	896,919
Total government equity	1,206,209	1,090,760
TOTAL LIABILITIES AND GOVERNMENT EQUITY	\$1,208,858	\$1,094,650

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES
 RECORDING STUDIO REVOLVING FUND
 STATEMENT OF OPERATIONS
 YEARS ENDED DECEMBER 31

	Total		Film		Radio		Video	
	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>
REVENUE:								
Sales	\$314,050	\$222,525	\$89,234	\$63,039	\$57,000	\$47,744	\$167,816	\$111,742
COSTS:								
Film materials	13,248	10,695	13,248	10,695	-	-	-	-
Supplies	7,300	8,512	6,810	8,431	490	81	-	-
Outside processing	1,298	896	1,298	896	-	-	-	-
Maintenance and repairs	43,227	32,594	4,996	5,864	5,402	3,122	32,829	23,608
Depreciation of equipment	111,255	96,249	12,623	14,689	15,063	14,922	83,569	66,638
Small equipment expense	12,480	2,345	7,516	475	806	1,870	4,158	-
Office supplies and expenses	3,400	2,913	1,134	971	1,133	971	1,133	971
Miscellaneous expenses	<u>20,613</u>	<u>10,356</u>	<u>6,871</u>	<u>3,452</u>	<u>6,871</u>	<u>3,452</u>	<u>6,871</u>	<u>3,452</u>
Total costs (note 1)	<u>212,821</u>	<u>164,560</u>	<u>54,496</u>	<u>45,473</u>	<u>29,765</u>	<u>24,418</u>	<u>128,560</u>	<u>94,669</u>
Income from operations	101,229	57,965	34,738	17,566	27,235	23,326	39,256	17,073
EQUIPMENT AND INVENTORY DISPOSALS:								
Gain or (loss) on disposal of equipment	24,945	5,315	2,784	-	2,099	500	20,062	4,815
Gain or (loss) on disposal of inventory	<u>(294)</u>	<u>-</u>	<u>(294)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$125,880</u>	<u>\$ 63,280</u>	<u>\$37,228</u>	<u>\$17,566</u>	<u>\$29,334</u>	<u>\$23,826</u>	<u>\$59,318</u>	<u>\$ 21,888</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESRECORDING STUDIO REVOLVING FUNDSTATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended December 31</u>	
	<u>1983</u>	<u>1982</u>
FUNDS PROVIDED:		
Net income from operations	\$101,229	\$ 57,965
Depreciation--not requiring outlay of working capital	111,255	96,249
Gain on disposal of equipment	<u>24,945</u>	<u>5,315</u>
Total funds provided	<u>\$237,429</u>	<u>\$159,529</u>
FUNDS APPLIED:		
Net equipment additions	288,074	51,522
Loss on disposal of inventory	<u>294</u>	<u>-</u>
Total funds applied	<u>288,368</u>	<u>51,522</u>
Change in working capital	<u><u>\$(50,939)</u></u>	<u><u>\$108,007</u></u>

ANALYSIS OF INCREASES AND DECREASES IN WORKING CAPITAL

	<u>Years ended December 31</u>	
	<u>1983</u>	<u>1982</u>
WORKING CAPITAL CHANGES:		
Cash	\$(52,072)	\$(11,826)
Accounts receivable	2,160	(7,905)
Inventory of materials and supplies	(2,268)	561
Accounts payable	<u>1,241</u>	<u>127,177</u>
Increase or (decrease) in working capital	<u><u>\$(50,939)</u></u>	<u><u>\$108,007</u></u>

The accompanying notes are an integral part of this statement.

HOUSE RECORDING STUDIO REVOLVING FUNDNOTES TO FINANCIAL STATEMENTSCALENDAR 1983 AND 1982

1. Significant Accounting Policies

Studio operations are financed from a revolving fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. All moneys received from operations are deposited into the revolving fund and are available for the Studio's operations.

The Statement of Operations does not include the cost of (1) salaries, which was \$613,222 in 1983 and \$633,931 in 1982, (2) employee benefits and certain other benefits or services such as space, building repairs, maintenance, and utilities, which are paid directly from the Clerk of the House and the Architect of the Capitol's appropriated funds and are not part of the revolving fund.

Inventories are stated at cost and are charged to operations using the first-in, first-out method of cost flow.

Equipment is depreciated over 10-year and 5-year lives using the straight-line method.

2. The December 31, 1982, equipment account includes \$10,431, representing the estimated value of excess property acquired from other federal agencies at no cost. All of this equipment was disposed of in 1983.

3. A summary of the changes in the equipment account during the 12 months ended December 31, 1983, follows.

<u>Equipment</u>	Balance December 31, <u>1982</u>	Addi- tions	Reduc- tions	Balance December 31, <u>1983</u>
Video	\$ 899,256	\$263,432	\$197,383	\$965,305
Film	191,885	16,926	105,161	103,650
Radio	156,424	11,699	6,169	161,954
Office and shop	<u>32,941</u>	<u>-</u>	<u>-</u>	<u>32,941</u>
Total	<u>\$1,280,506</u>	<u>\$292,057</u>	<u>\$308,713</u>	<u>\$1,263,850</u>

CONGRESSIONAL HANDBOOKHOUSE OF REPRESENTATIVES EDITION**RECORDING STUDIO****USE OF STUDIO**

House Recording Studio
 B-310, Rayburn House Office Building
 Telephone: 53941 or 57114

Radio, Film and Television Programs can be recorded by Members at their request on an appointment basis in House Recording Studio.

Studio services are for the exclusive use of seated Members of the House of Representatives for the purpose of conveying information to their constituencies and the public.

Production Services do not include program design or scriptwriting but preproduction meetings with the Studio Production Manager are strongly encouraged to expedite recording sessions.

CHARGES

Charges for Services are processed through the Studio's centralized payment procedure. While Members receive monthly statements, they are for informational purposes only. The Studio sends the operative copy to the Finance Office so that charges may be assessed directly against a Member's Official Expense Allowance. This does not preclude a Member from sending individual personal checks, cashier's checks, or money orders to the Studio as they will be processed and the Member's Official Expense Allowance balance adjusted accordingly. Third party instruments of payment payable to a Member also will be accepted by the Studio with the Member's endorsement thereon and processed similarly. Payment for Studio charges may not be made by campaign checks or through a Member's Stationery Account.

SERVICES

Production of radio programs—programs are recorded on quarter-inch tape, monaural only, at either 7½ or 15 inches per second (7½ is standard). Recordings made at slower speeds can be re-recorded on a time-available basis. Program duplicates are normally ready for pickup on same day the original is recorded. Extensive editing services are performed on a time-available basis which could change your shipping date depending on existing circumstances. You should keep this in mind when you anticipate such work.

Production of color films for television transmission including in-house color processing—programs requiring in-house laboratory work are

normally ready for pickup in 8 working hours. Certain types of color film, however, require out-of-house laboratory processing with delivery dependent on the time needed to accomplish such work. Black-and-white programs are done by special request only with delivery dependent on time needed for out-of-house laboratory work. All film programs are shot with one camera. Extensive editing services are performed on a time-available basis and may require more than 8 working hours.

When scheduling film following information is needed by Recording Studio:

- Color or black-and-white film;
- To be processed by Studio or not;
- Number of copies needed;
- Sound system desired, optical or magnetic;
- Titling request;
- Film-to-tape transfer;
- Approximate length of program;
- Program participants and their names;
- Radio simulcast needs;
- Teleprompter needs; and
- Any special requests.

Production of color and black-and-white video taped programs for television transmission—Programs are recorded via 2-inch quadruplex commercial broadcast system at 15 inches per second. From such master tape, any combination of high or low band, color, or black-and-white, 2-inch or ¾-inch duplicates may be produced. Video taped duplicates are normally ready for pickup on same day the original is recorded. Extensive editing services are performed on a time-available basis and may require additional time.

When scheduling video taping of program, following information is needed by Studio:

- Total number of tapes in each format (2-inch, high or low band, color or black-and-white, ¾ inch);
- Teleprompter needs;
- Name key slide request;
- Approximate length of program;
- Use of one or two cameras;
- Program participants and their names;
- Radio simulcast needs;
- Film chain requirements; and
- Any special requests.

(All productions are compatible with technical and production standards established by the broadcast industry.)

Production Facilities are also provided for the following:

Color film chain including 16 millimeter silent or sound-on-film and 35 millimeter slides for integration into video taped programs;

Preparation of teleprompter scripts, machines only;

Transcription of recorded materials;

Telephone "beeper" productions for radio and television;

Editing services on a time-available basis;

Graphic print service; and

Television makeup.

Location recording and mailing services are not provided; all equipment is permanently installed.

Audio and video tape may be purchased by Members from the Office Supply Service through their Stationery Accounts. The various types of Motion Picture raw stock are supplied by the Studio.

Appointments for filming, audio and video taping can be made on a regular or "standing" basis. Reservations can be made for a specific time slot each week or each month, whichever Member desires.

Frequently Used Formats for Productions include:

One-minute television report for Member's comments on news events or items of interest in Member's district; report can easily be inserted in local newscast.

Television interview in 5- to 15-minute format for interviewing government officials.

Regular radio or television program, usually a 5-minute production to be sent to local radio or television stations for broadcast on a weekly, bi-weekly or monthly basis. Format provides Member with opportunity to discuss a topic at length.

Radio or television "Beeper" report is a brief format used primarily for commenting on current news events or reporting legislative activity; production is recorded for either radio, film or video tape.

Preproduction meetings with the Chief of Production are strongly recommended to improve quality and expedite the recording session.

Studio orientations for Members and staff may be made by calling the Studio Director, telephone 53941 or 57114.