

GAO

Report to the Clerk of the
House of Representatives

August 1993

FINANCIAL AUDIT

House Recording
Studio Revolving Fund
for 1991 and 1990



**Comptroller General
of the United States**

B-114842

August 10, 1993

The Honorable Donald K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

As you requested, we audited the accompanying statements of financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1991 and 1990, and the related statements of operations and cash flows for the years then ended. We found

- the financial statements were reliable in all material respects;
- internal controls were effective in protecting assets, assuring material compliance with laws and regulations, and assuring that there were no material misstatements in the financial statements as of December 31, 1991; and
- no material noncompliance with laws and regulations we tested for 1991.

The following sections outline each conclusion in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in conformity with generally accepted accounting principles, the Fund's

- assets, liabilities, and government equity;
- revenues and expenses; and
- cash flows.

As discussed in note 3, the financial statements present the activities of the House of Representatives Recording Studio Revolving Fund and are not intended to present the financial position and results of operations of the House Recording Studio as a whole.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with laws and regulations; and

- properly record, process, and summarize transactions to permit the preparation of financial statements and to maintain accountability for assets.

Those controls in effect on December 31, 1991, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected. Our report on the internal control structure for 1990 is presented in GAO/AFMD-92-18, dated May 20, 1992.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance for 1991. Also, nothing came to our attention in the course of our other work to indicate that material noncompliance with such provisions occurred. Our report on compliance with laws and regulations for 1990 is also presented in GAO/AFMD-92-18, dated May 20, 1992.

Objectives, Scope, and Methodology

Studio Management is responsible for

- preparing annual financial statements in conformity with generally accepted accounting principles;
- establishing and maintaining internal controls and systems to provide reasonable assurance that the objectives outlined in our opinion on internal controls are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with generally accepted accounting principles) and (2) relevant internal controls are in place and operating effectively. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

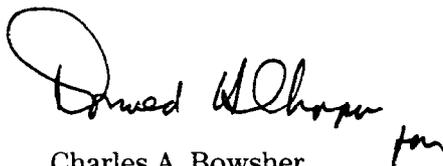
- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall presentation of the financial statements;

- evaluated and tested relevant internal controls which encompassed the following areas: (1) treasury, (2) revenues, (3) expenditures, (4) property (equipment), (5) inventory, and (6) financial reporting; and
- tested compliance with selected provisions of section 105 of the Legislative Branch Appropriations Act, 1957, as amended (2 U.S.C. 123b) and of the rules and regulations of the Special Committee on the House Recording Studio and of the Committee on House Administration.

We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We performed our work in accordance with generally accepted government auditing standards. We completed our audit work on March 1, 1993.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is written in a cursive style with a large initial "C".

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Financial Position

	December 31,	
	<u>1991</u>	<u>1990</u>
Assets		
Current Assets		
Fund balance with Treasury	\$ 750,382	\$ 853,302
Petty cash	200	200
Accounts receivable	16,607	9,223
Inventory of repair materials supplies, at cost	<u>16,354</u>	<u>16,111</u>
Total current assets	<u>783,543</u>	<u>878,836</u>
Fixed Assets		
Equipment (note 4)	\$2,610,115	\$2,490,072
Less accumulated depreciation	<u>1,554,049</u>	<u>1,339,362</u>
Total fixed assets	<u>1,056,066</u>	<u>1,150,710</u>
Total Assets	<u>\$1,839,609</u>	<u>\$2,029,546</u>
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$ 40,973	\$ 305,313
Advance from House Finance Office	<u>200</u>	<u>200</u>
Total liabilities	<u>41,173</u>	<u>305,513</u>
Government Equity		
Appropriated capital	183,410	183,410
Cumulative results of operations	<u>1,615,026</u>	<u>1,540,623</u>
Total government equity	<u>1,798,436</u>	<u>1,724,033</u>
Total Liabilities and Government Equity	<u>\$1,839,609</u>	<u>\$2,029,546</u>

The accompanying notes are an integral part of these statements.

Financial Statements

Statements of Operations

	<u>Year ended December 31,</u>	
	<u>1991</u>	<u>1990</u>
Revenues		
Sales (note 5)	<u>\$512,821</u>	<u>\$406,598</u>
Expenses		
Depreciation of equipment	214,687	189,650
Outside processing	94,846	56,584
Supplies	59,741	59,247
Maintenance and repairs	30,896	27,816
Small equipment	26,448	10,690
Office supplies and expenses	8,012	7,732
Miscellaneous	<u>3,788</u>	<u>5,232</u>
Total expenses (note 3)	<u>438,418</u>	<u>356,951</u>
Results of Operations	<u>\$ 74,403</u>	<u>\$ 49,647</u>

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	<u>Year ended December 31,</u>	
	<u>1991</u>	<u>1990</u>
Cash Flows From Operating Activities		
Cash received from customers	\$505,343	\$417,707
Cash paid to suppliers	(488,220)	(23,664)
Net cash provided by operating activities	<u>17,123</u>	<u>394,043</u>
Cash Flows From Investing Activities		
Capital expenditures	(120,043)	(412,165)
Net cash used in investing activities	<u>(120,043)</u>	<u>(412,165)</u>
Net Decrease in Cash	<u>(102,920)</u>	<u>(18,122)</u>
Cash at beginning of year	853,502	871,624
Cash at End of Year	<u>\$750,582</u>	<u>\$853,502</u>

**Reconciliations of Results of Operations to
Net Cash Provided by Operating Activities**

Results of operations	\$ <u>74,403</u>	\$ <u>49,647</u>
Adjustments to reconcile results of operations to net cash provided by operating activities		
Depreciation	214,687	189,650
Decrease (increase) in assets		
Accounts receivable	(7,384)	11,109
Inventory of repair materials and supplies	(243)	(188)
Increase (decrease) in liabilities		
Accounts payable	(264,340)	143,825
Total adjustments	<u>(57,280)</u>	<u>344,396</u>
Net Cash Provided by Operating Activities	<u>\$ 17,123</u>	<u>\$394,043</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Entity

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriations Act, 1957, as amended (2 U.S.C. 123b). The Studio is managed by a director under the jurisdiction of the Clerk of the House of Representatives and is subject to the direction and control of the Special Committee on the House Recording Studio. The Studio makes photographic prints, as well as radio and television tape recordings, for Members and committees of the House for official business purposes. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee on the House Recording Studio.

All moneys received from the Revolving Fund's operations are deposited into the Revolving Fund and are available for the Studio's operations. Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for 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) on a reimbursement basis from a media organization to a Member. Charges for Studio services provided to committees may be paid by the House Finance Office from committee funds or on a reimbursement basis from a media organization to a committee.

Note 2. Significant Accounting Policies

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting following generally accepted accounting principles.

All inventory items are valued on a weighted-average cost basis. Various supply items, such as audio and video tape, photo paper, and light bulbs are charged directly to an expense account when purchased.

Equipment is stated at historical cost. Depreciation is computed under the straight-line method using a 10-year or a 5-year life. The equipment capitalization minimum is \$1,000.

Note 3. Other Costs

Certain costs of operating the House Recording Studio are financed through funds appropriated to the Architect of the Capitol or the Clerk of the House of Representatives rather than through the Revolving Fund and, accordingly, are not included in the Revolving Fund's financial statements. Some of those costs cannot be readily determined, such as Studio space occupancy, building maintenance, office furnishings, and utilities. Identifiable costs paid from appropriated funds of the Clerk of

the House or the Architect of the Capitol on behalf of the Studio for the years ended December 31, 1991 and 1990, are shown in the following table.

**Identifiable Studio Operating Costs Paid From
Appropriated Funds**

<u>Costs Paid</u>	<u>1991</u>	<u>1990</u>
Salaries and benefits	\$1,298,331	\$1,119,000
Reimbursement to House		
Information Systems	111,922	139,691
Equipment expenses paid to House		
Office Equipment Service	70,508	67,190
Telephone	23,203	19,072
Office supplies and expenses	48	3,389
Travel	0	6,282
Training	0	3,200
Studio renovations	<u>568</u>	<u>30,756</u>
Total	<u>\$1,504,580</u>	<u>\$1,388,580</u>

Most House Recording Studio Revolving Fund employees also work on televising House Floor proceedings, thus salaries and benefits are allocated based on management's estimate of time worked on each activity.

Note 4. Equipment

The following table summarizes the changes in the equipment account for each component for the years ended December 31, 1991 and 1990.

Changes in Equipment by Component

	<u>Radio</u>	<u>Television</u>	<u>Photographic laboratory</u>	<u>Office</u>	<u>Total</u>
Balance --					
December 31, 1989	\$217,268	\$1,617,114	\$251,434	\$351	\$2,086,167
Additions	81,298	327,242	3,625	0	412,165
(Reductions)	<u>(595)</u>	<u>(736)</u>	<u>(6,929)</u>	<u>0</u>	<u>(8,260)</u>
Balance --					
December 31, 1990	\$297,971	\$1,943,620	\$248,130	351	\$2,490,072
Additions	6,259	112,434	1,350	0	120,043
(Reductions)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance --					
December 31, 1991	<u>\$304,230</u>	<u>\$2,056,054</u>	<u>\$249,480</u>	<u>\$351</u>	<u>\$2,610,115</u>

Note 5. Sales and Operating Income by Component

The following table presents sales and operating income by component.

Sales and Operating Income by Component

	Total		Radio		Television		Photographic laboratory	
	1991	1990	1991	1990	1991	1990	1991	1990
Revenues								
Sales	\$512,821	\$406,598	\$73,620	\$60,059	\$366,282	\$265,428	\$72,919	\$81,111
Expenses								
Depreciation of equipment	214,687	189,650	16,258	11,468	175,630	140,999	22,799	37,183
Outside processing	94,846	56,584	0	0	94,650	56,135	196	449
Supplies	59,741	59,247	14,556	12,175	22,714	21,019	22,471	26,053
Maintenance and repairs	30,896	27,816	3,575	5,331	23,171	16,533	4,150	5,952
Small equipment	26,448	10,690	3,594	2,537	21,676	4,273	1,178	3,880
Office supplies and expenses	8,012	7,732	2,671	2,577	2,671	2,578	2,670	2,577
Miscellaneous	3,788	5,232	1,263	1,744	1,263	1,744	1,262	1,744
Total expenses	438,418	356,951	41,917	35,832	341,775	243,281	54,726	77,838
Results of Operations	\$ 74,403	\$ 49,647	\$31,703	\$24,227	\$ 24,507	\$ 22,147	\$18,193	\$ 3,273



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