



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

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119083

B-114842

JULY 22, 1982

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

Dear Mr. Henshaw:

Subject: Audit of the House Recording Studio Revolving  
Fund for Calendar 1981 (GAO/AFMD-82-75)

Pursuant to your November 10, 1981, request, we have examined the balance sheet of the House of Representatives Recording Studio Revolving Fund as of December 31, 1981 and 1980, and the related statements of operations and changes in financial position for the years then ended. Our examination was 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, 1981 and 1980, and the results of its operations and changes in 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 basis consistent with that of the preceding year.

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,

Comptroller General  
of the United States

Enclosures



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HOUSE RECORDING STUDIO REVOLVING FUND  
REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House Recording Studio Revolving Fund for the year ended December 31, 1981. Our opinion on them is in our report to the Clerk. Our examination was 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.

As part of our examination, we made a study and evaluation of the House Recording Studio'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'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.

For the purpose of this report, we have classified, studied, and evaluated the following significant internal accounting controls:

- Receipts
- Disbursements
- Equipment
- Supplies

The management of the House Recording Studio is responsible for establishing and maintaining a system of internal accounting control. 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 statement.

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 carries the risk that (1) procedures may become inadequate because of changes in condition or (2) the degree of compliance with the procedure may deteriorate.

The study and evaluation made for the limited purpose described in our 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 taken as a whole. However, our study and evaluation disclosed no material weaknesses.

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

COMMENTS ON THE OPERATIONS  
OF THE  
HOUSE RECORDING 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, and 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. 7.)

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 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, 1981, the Revolving Fund's net income was \$141,442. The net income for the year ended December 31, 1980, was \$27,392.

The Studio's operating profit in 1981 was about \$114,050 higher than in 1980. This can be attributed to the normal increase in Studio use during nonelection years and to the decreased costs for replacement and repair parts. Specifically, sales increased 32.3 percent and operating costs as a percentage of sales decreased 32.3 percent. The principal operating cost decreases were in (1) depreciation--from about 43.9 percent to 29.4 percent, (2) maintenance and repairs--from 20.5 percent to 12.5 percent, and (3) miscellaneous expenses--from 7.0 percent to 0.5 percent.

HOUSE RECORDING STUDIO REVOLVING FUNDCOMPARATIVE BALANCE SHEETDECEMBER 31, 1981 AND 1980

## A S S E T S

	December 31, <u>1981</u>	December 31, <u>1980</u>
CURRENT ASSETS:		
Cash revolving fund (note 1)	\$ 569,098	\$ 399,900
Petty cash	<u>28</u>	<u>6</u>
Total	569,126	399,906
Accounts receivable--Members (note 2)	22,224	10,304
Inventory of materials and supplies, at cost	<u>31,556</u>	<u>27,794</u>
Total current assets	<u>622,906</u>	<u>438,004</u>
FIXED ASSETS:		
Equipment (notes 3 and 4)	1,250,737	1,283,498
Less accumulated depreciation (note 1)	<u>712,427</u>	<u>808,454</u>
Total fixed assets	<u>538,310</u>	<u>475,044</u>
TOTAL ASSETS	<u>\$1,161,216</u>	<u>\$ 913,048</u>

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	\$ <u>131,067</u>	\$ <u>21,864</u>
GOVERNMENT EQUITY:		
Contributed capital	183,410	183,410
Excess property acquired from other Federal agencies	<u>13,100</u>	<u>15,577</u>
Total	<u>196,510</u>	<u>198,987</u>
Excess of revenue over costs:		
Balance prior years	692,197	664,805
Additions	<u>141,442</u>	<u>27,392</u>
Total	<u>833,639</u>	<u>692,197</u>
Total capital and excess of revenue over costs	<u>1,030,149</u>	<u>891,184</u>
TOTAL LIABILITIES AND GOVERNMENT EQUITY	<u>\$1,161,216</u>	<u>\$ 913,048</u>

The accompanying notes are an integral part of this statement.

## HOUSE RECORDING STUDIO REVOLVING FUND

## COMPARATIVE STATEMENT OF OPERATIONS

CALENDAR YEARS 1981 AND 1980

	Total		Film		Radio		Video	
	1981	1980	1981	1980	1981	1980	1981	1980
<b>REVENUE:</b>								
Sales	\$278,863	\$173,889	\$61,915	\$53,560	\$62,720	\$49,337	\$154,228	\$ 70,992
<b>COSTS:</b>								
Film materials	12,648	9,139	12,648	9,139	-	-	-	-
Supplies	9,704	8,875	9,199	6,032	380	500	125	2,343
Outside processing	1,873	638	1,873	638	-	-	-	-
Maintenance and repairs	34,741	35,729	7,180	7,949	2,751	3,096	24,810	24,684
Depreciation of equipment	81,912	76,265	11,539	10,621	16,050	14,356	54,323	51,288
Office supplies and expenses	1,962	4,334	654	1,444	654	1,445	654	1,445
Miscellaneous expenses	1,506	12,195	502	4,065	502	4,065	502	4,065
Total costs (note 1)	144,346	147,175	43,595	39,888	20,337	23,462	80,414	83,825
Net profit or (loss) from operations	134,517	26,714	18,320	13,672	42,383	25,875	73,814	(12,833)
<b>EQUIPMENT DISPOSALS:</b>								
Gain or (loss) on disposal of equipment	6,925	678	1,950	-	-	691	4,975	(13)
<b>NET PROFIT OR (LOSS)</b>	<u>\$141,442</u>	<u>\$ 27,392</u>	<u>\$20,270</u>	<u>\$13,672</u>	<u>\$42,383</u>	<u>\$25,566</u>	<u>\$ 78,789</u>	<u>\$(12,846)</u>

The accompanying notes are an integral part of this statement.

HOUSE RECORDING STUDIO REVOLVING FUND  
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION  
CALENDAR YEARS 1981 AND 1980

	<u>1981</u>	<u>1980</u>
<b>FUNDS PROVIDED:</b>		
Sales	\$278,863	\$173,889
Gain on disposal of equipment	<u>6,925</u>	<u>678</u>
Total funds provided	<u>\$285,788</u>	<u>\$174,567</u>
<b>FUNDS APPLIED:</b>		
Costs (excluding depreciation and other items not requiring outlay of funds)	\$ 62,434	\$ 70,729
Equipment additions	147,655	5,255
Increase in working capital	<u>75,699</u>	<u>98,583</u>
Total funds applied	<u>\$285,788</u>	<u>\$174,567</u>

Analysis of changes in working capital  
calendar years 1981 and 1980

	<u>Increase or (decrease) in working capital</u>	
	<u>1981</u>	<u>1980</u>
<b>WORKING CAPITAL CHANGES:</b>		
Cash	\$ 169,220	\$ 56,451
Accounts receivable	11,920	(15,278)
Inventory of materials and supplies	3,762	1,855
Accounts payable	<u>(109,203)</u>	<u>55,555</u>
Increase or (decrease) in working capital	<u>\$ 75,699</u>	<u>\$ 98,583</u>

The accompanying notes are an integral part of this statement.

HOUSE RECORDING STUDIO REVOLVING FUNDNOTES TO FINANCIAL STATEMENTSCALENDAR YEAR 1981

## 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 operation.

The Comparative Statement of Operations does not include the cost of salaries, which was \$605,487 (\$481,906 in 1980); employee benefits and certain other benefits or services such as space, building repairs, and maintenance; and utilities, which are paid from appropriated funds and not charged to 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 a 10-year life using the straight-line method.

2. Accounts receivable from Members amounted to \$22,224 at December 31, 1981, an increase of \$11,920 from the amount receivable at December 31, 1980.
3. The current estimated value of excess property acquired from other Federal agencies at no cost is included as \$13,100 and \$15,577, at December 31, 1981, and December 31, 1980, respectively.
4. A summary of the changes in the equipment account during the 12 months ended December 31, 1981, follows.

<u>Equipment</u>	<u>Balance</u> <u>December 31,</u> <u>1980</u>	<u>Addi-</u> <u>tions</u>	<u>Reduc-</u> <u>tions</u>	<u>Balance</u> <u>December 31,</u> <u>1981</u>
Video	\$ 907,741	\$137,102	\$149,423	\$ 895,420
Motion picture	186,252	10,148	27,831	168,569
Radio	153,402	405	-	153,807
Office and shop	<u>36,103</u>	<u>-</u>	<u>3,162</u>	<u>32,941</u>
Total	<u>\$1,283,498</u>	<u>\$147,655</u>	<u>\$180,416</u>	<u>\$1,250,737</u>