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Report to the Clerk of the House of
Representatives

September 1987

FINANCIAL AUDIT

**House Recording
Studio Revolving Fund
for 1986 and 1985**



040015

**Comptroller General
of the United States**

B-114842

September 22, 1987

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

Dear Mr. Anderson:

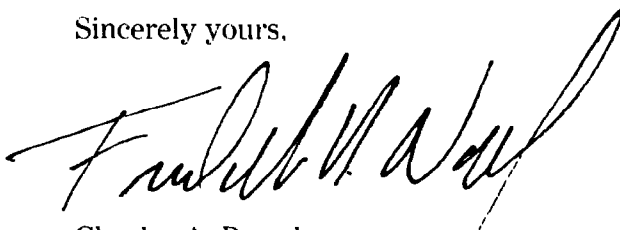
As requested by Mr. Benjamin J. Guthrie, former Clerk of the House of Representatives, in his letter of November 12, 1986, we have examined the balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1986 and 1985, and the related statements of operations and 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. We completed our audit work on May 8, 1987.

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, 1986 and 1985, 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 accounting policies described in note 1 to the financial statements applied on a consistent basis.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1986 and 1985, are included in this report.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,



for Charles A. Bowsher
Comptroller General
of the United States

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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, 1986 and 1985. 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 controls and our review of compliance with laws and regulations for the year ended December 31, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1985, is presented in GAO/AFMD-86-52, July 10, 1986.)

As part of our examination, we made a study and evaluation of the Fund's system of internal accounting controls 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 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 controls 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 into the categories of receipts, disbursements, equipment, inventory, and receivables. Our study included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management makes estimates and judgments 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 the financial accounting policies described in note 1 to the statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may 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, which was 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 controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House Recording Studio Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	December 31,	
	1986	1985
Assets		
Current Assets		
Revolving fund cash (note 1)	\$817,293	\$749,596
Petty cash	100	100
Accounts receivable—Members	22,902	35,491
Inventory of materials and supplies, at cost	21,283	22,667
Total current assets	861,578	807,854
Fixed Assets		
Equipment (note 2)	1,660,539	1,460,261
Less accumulated depreciation (note 1)	937,047	799,715
Total fixed assets	723,492	660,546
Total Assets	\$1,585,070	\$1,468,400
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$105,334	\$18,746
Government Equity		
Contributed capital	183,410	183,410
Revolving fund:		
Balance at beginning of year	1,266,244	1,117,475
Net income	30,082	148,769
Balance at end of year	1,296,326	1,266,244
Total government equity	1,479,736	1,449,654
Total Liabilities and Government Equity	\$1,585,070	\$1,468,400

The accompanying notes are an integral part of this statement.

Statement of Operations

	Total		Radio		Television		Photographic laboratory	
	1986	1985	1986	1985	1986	1985	1986	1985
Revenue								
Sales	\$287,100	\$429,822	\$43,191	\$63,539	\$149,304	\$253,433	\$94,605	\$112,850
Expenses								
Maintenance and repairs	44,899	41,127	4,915	3,159	28,227	22,806	11,757	15,162
Small equipment expense	10,158	34,414	2,850	1,914	3,156	28,326	4,152	4,175
Supplies	35,515	31,890	4,167	2,612	12,303	17,726	19,045	11,552
Film materials	15,235	18,632	0	0	0	0	15,235	18,632
Office supplies and expenses	6,326	4,388	2,109	1,463	2,109	1,463	2,108	1,462
Miscellaneous expenses	2,734	4,961	912	1,654	912	1,654	911	1,653
Outside processing	4,819	179	0	0	4,705	0	114	179
Depreciation of equipment	137,332	130,761	19,629	18,864	90,295	94,842	27,408	17,055
Total expenses (note 1)	257,018	266,352	34,582	29,666	141,707	166,817	80,730	69,870
Income From Operations	30,082	163,470	8,609	33,873	7,597	86,616	13,875	42,980
Other Income								
Net income from silver recovery	0	119	0	0	0	0	0	119
Gain (loss) on disposal of equipment	0	(14,820)	0	(4,436)	0	(4,436)	0	(5,948)
Net Income	\$30,082	\$148,769	\$8,609	\$29,437	\$7,597	\$82,180	\$13,875	\$37,151

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Years ended December 31,	
	1986	1985
Funds Provided		
Net income from operations	\$30,082	\$163,470
Provision for depreciation	137,332	130,761
Income from silver recovery	0	119
Increase in accounts payable	86,588	17,811
Decrease in accounts receivable	12,589	0
Decrease in inventory of materials and supplies	1,384	6,464
Total funds provided	267,975	318,625
Funds Applied		
Increase in accounts receivable	0	21,412
Loss on equipment disposal	0	14,820
Purchase of equipment	200,278	201,235
Total funds applied	200,278	237,467
Increase in Cash	\$67,697	\$81,158

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Recording Studio, managed 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 photographic prints, as well as radio and television tape recordings, for Members and committees of the House. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee. The Congressional Handbook provides a detailed description of the Recording Studio's activities.

Studio operations are financed from the 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 Recording 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 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.

Charges for Recording Studio services provided to committees may be paid (1) by the House Finance Office from committee funds or (2) by a media organization through a committee.

Some 1985 figures were restated due to minor adjustments relating to 1985 transactions subsequently discovered.

The statement of operations does not include the cost of certain expenses paid from appropriated funds of the Clerk of the House or the Architect of the Capitol. Costs for space, building repairs, and utilities cannot be readily ascertained. The cost of other expenses paid from appropriated funds, which could be determined, are shown in the following table. The expenses are separated into two primary categories: (1) regular recording studio operations and (2) televised coverage of proceedings on the floor of the House of Representatives.

Table 1: Expenses Paid With Appropriated Funds—1986

Type of expense	Studio operations	Floor coverage	Total expenses
Salaries and benefits	\$878,812	\$553,009	\$1,431,821
Equipment expenses paid to House Office Equipment Service	0	357,601	357,601
Reimbursement to House Information Systems	109,205	0	109,205
Property supply requisitions	0	110,652	110,652
Telephone	14,654	0	14,654
Office supplies	370	0	370
	\$1,003,041	\$1,021,262	\$2,024,303

Total expenses paid with appropriated funds in 1985 were \$1,926,502.

Film inventory is stated at cost and is charged to operations on a first-in, first-out basis. Maintenance and supply inventory is valued on a weighted-average cost basis.

Equipment is depreciated over a 10-year or a 5-year period using the straight-line method.

Note 2. Equipment

A summary of the changes in the equipment account for the years ended December 31, 1986 and 1985, follows.

Table 2: Changes in Equipment

	Radio	Television	Photographic laboratory	Office	Total
Balance— December 31, 1984	\$187,862	\$990,396	\$102,270	\$32,941	\$1,313,469
Additions	13,464	123,035	94,281	0	230,780 ^a
Reductions	(517)	(18,433)	(32,448)	(32,590)	(83,988)
Balance— December 31, 1985	\$200,809	\$1,094,998	\$164,103	\$351	\$1,460,261
Additions	4,159	149,735	46,384	0	200,278
Balance— December 31, 1986	\$204,968	\$1,244,733	\$210,487	\$351	\$1,660,539

^aThis figure represents the net value of equipment purchased during 1985. When reduced by the undepreciated value of equipment traded-in (\$29,545), it corresponds with the funds applied (\$201,235) for purchase of equipment shown in the statement of changes in financial position.

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