



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
LEGISLATIVE COUNSEL BUREAU
General Fund and General Fixed Assets
Account Group
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

012

FINANCIAL AUDIT REPORT
LEGISLATIVE COUNSEL BUREAU
GENERAL FUND AND GENERAL FIXED ASSETS
ACCOUNT GROUP
YEAR ENDED JUNE 30, 1979

JUNE 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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CHAIRMAN

June 16, 1980

012

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Legislative Counsel Bureau, year ended June 30, 1979.

The auditors are Richard I. LaRock, CPA, Audit Manager; Jeffrey A. Winston; and Nancy L. Campbell.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Legislative Counsel Bureau. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Legislative Counsel Bureau provides legal assistance to the Legislature, its members and committees. The bureau renders legal opinions, drafts bills, provides legal counsel, supplies attorney support for legislative committee hearings and represents the Legislature in litigation. It also prepares necessary indices and tables to identify legislative measures, and compiles and indexes statutes and codes. The bureau is developing a data processing system for assisting in the drafting of bills and other functions of the office.

The bureau's programs are supported by appropriations from the State's General Fund.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the financial statements of the General Fund and the General Fixed Assets Account Group of the Legislative Counsel Bureau as of June 30, 1979. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 2, the bureau has not reported the cost of all general fixed assets purchased in the current or prior periods. The unreported amounts are in excess of \$743,783, which is substantial in comparison to reported amounts. The total unreported amount, however, could not be reasonably determined from the bureau records.

In our opinion, the aforementioned financial statements present fairly the financial position of the General Fund of the Legislative Counsel Bureau as of June 30, 1979 and the results of operations and changes in operating clearing for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Because of the effect of matters discussed in the preceding paragraph, the balance sheet of the General Fixed Assets Account Group does not present fairly, in conformity with generally accepted accounting principles, the financial position of the General Fixed Assets Account Group of the Legislative Counsel Bureau as of June 30, 1979.

The accompanying supplemental information is not necessary for a fair presentation of the financial statements but is presented as additional analytical data and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


WESLEY E. VOSS
Assistant Auditor General

Date: February 5, 1980

Staff: Richard I. LaRock, CPA
Jeffrey A. Winston
Nancy L. Campbell

LEGISLATIVE COUNSEL BUREAU
BALANCE SHEET
GENERAL FUND AND GENERAL FIXED
ASSETS ACCOUNT GROUP

JUNE 30, 1979

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>General Fixed Assets</u>
Cash	\$ 20,720	\$ --
Accounts receivable	55,170	--
Expense advances to employees	4,207	--
Equipment (Note 2)	<u> --</u>	<u>104,421</u>
Total Assets	<u>\$ 80,097</u>	<u>\$104,421</u>
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$ 342,287	\$ --
Due to other funds	<u>16,384</u>	<u> --</u>
Total Liabilities	<u>358,671</u>	<u> --</u>
Encumbrances Outstanding	<u>197,412</u>	<u> --</u>
Fund Equity:		
Investment in General Fixed Assets (Note 2)	--	104,421
Operating clearing (Note 6)	<u>(475,986)</u>	<u> --</u>
Total Fund Equity	<u>(475,986)</u>	<u>104,421</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$ 80,097</u>	<u>\$104,421</u>

The notes to the financial statements are an integral part of this statement.

LEGISLATIVE COUNSEL BUREAU

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN OPERATING CLEARING - BUDGET AND ACTUAL
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Sources:			
Appropriations (Note 3)	<u>\$6,923,509</u>	<u>\$6,578,396</u>	<u>\$(345,113)</u>
Expenditures:			
Current:			
Support (Note 4)	\$6,331,504	6,468,330	\$(136,826)
Miscellaneous (Note 5)	12,441	12,441	--
Reimbursements	<u>--</u>	<u>(136,826)</u>	<u>136,826</u>
Total Expenditures	<u>\$6,343,945</u>	6,343,945	<u>\$ --</u>
Other Uses:			
Intrafund transfers (Note 6)		<u>133,438</u>	
Total Expenditures and Other Uses		<u>6,477,383</u>	
Excess of Sources over Expenditures and Other Uses		101,013	
Operating Clearing - July 1 (Note 6)		<u>(576,999)</u>	
Operating Clearing - June 30 (Note 6)		<u>\$ (475,986)</u>	

The notes to the financial statements are an integral part of this statement.

LEGISLATIVE COUNSEL BUREAU
GENERAL FUND AND GENERAL FIXED
ASSETS ACCOUNT GROUP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the General Fund and the General Fixed Assets Account Group of the Legislative Counsel Bureau. The statements for the General Fund have been prepared in conformity with generally accepted accounting principles applicable to state and local government as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting. Note 2 relates to the accounting policies of the General Fixed Assets Account Group.

The accompanying financial statements are structured into the Governmental Fund Type and an Account Group. The Legislative Counsel Bureau accounts for only its portion of the fund type category. The State Controller maintains central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The General Fund is the only Governmental Fund Type used by the bureau.

General Fund

The General Fund includes all financial resources not accounted for in another fund.

The Governmental Fund Type is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Income from reimbursements is recognized in the accounting period in which it is measurable and available to pay liabilities of the period.

Expenditures

Expenditures are recognized, if measurable, in the accounting period in which the liability is incurred. Expenditures also include encumbrances for goods or services not received at June 30.

Liabilities

Retirement Plan - Regular employees of the bureau are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the bureau and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. The bureau's share of retirement contributions for the year totaled \$630,689.

Vacation and Sick Leave - Costs of vacation and sick leave are charged at the time these benefits are used rather than when they are earned.

2. GENERAL FIXED ASSETS ACCOUNT GROUP ACCOUNTING POLICIES AND PRACTICES

The General Fixed Assets Account Group is used to account for equipment. Assets purchased, except for those acquired under an installment purchase contract as explained in Note 7, are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance.

The bureau has not reported the cost of some equipment. The unreported amounts are in excess of \$743,783, which is substantial in comparison to the reported amounts. The total unreported amount, however, could not be reasonably determined from the bureau's records.

Reported equipment is valued at cost or fair market value at the time of acquisition if cost cannot be determined.

3. APPROPRIATIONS

Funds provided from appropriations consist of cash disbursed by the State Controller from the bureau's appropriations for the year ended June 30, 1979 and liquidation of expenditures accrued against appropriations for prior periods.

4. SUPPORT EXPENDITURES

The legislative budget for support expenditures of the bureau is in total only.

5. MISCELLANEOUS EXPENDITURES

Miscellaneous expenditures consist of the difference between expenditures, abatements, and reimbursements accrued as of June 30, 1978 and the actual amounts received, incurred or accrued in the year ended June 30, 1979 applicable to appropriations for prior periods.

6. OPERATING CLEARING AND INTRAFUND TRANSFERS

Operating Clearing is the connecting link between the records of the bureau and the central fund accounts of the State Controller for the General Fund. The balance at June 30, represents the net assets and liabilities for which the bureau is accountable.

Intrafund transfers are cash receipts representing reimbursements which the bureau remitted to the State Treasury during the year.

7. INSTALLMENT PURCHASE CONTRACT

A portion of the unrecorded General Fixed Assets, representing data processing equipment, was purchased under an installment purchase contract. At June 30, 1979 the unpaid balance was \$148,235 which is payable in the next fiscal year together with interest of 7 percent on the unpaid principal.

8. LEASES

The following is a yearly schedule of the future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms exceeding one year as of June 30, 1979:

Year Ending June 30:

1980	\$219,082
1981	272,906
1982	281,827
1983	<u>117,428</u>
Total Minimum Payments Required	<u>\$891,243</u>

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	<u>Year Ending June 30</u>	
	<u>1979</u>	<u>1978</u>
Minimum Rentals	<u>\$416,596</u>	<u>\$374,607</u>

SUPPLEMENTAL INFORMATION

The annual legislative budget for support expenditures of the Legislative Counsel Bureau is in total only. The following schedule shows the nature of expenditures for the period as kept by the bureau for management purposes.

LEGISLATIVE COUNSEL BUREAU
SCHEDULE OF SUPPORT EXPENDITURES
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Personal services	\$4,784,178
General	356,922
Printing	7,293
Communications	40,150
Travel-in-state	21,890
Travel-out-of-state	9,534
Data processing	962,570
Facilities operations	276,889
Equipment	<u>8,904</u>
Total Support Expenditures	<u><u>\$6,468,330</u></u>

OTHER COMMENTS

As an integral part of our examination, we reviewed the Legislative Counsel Bureau's accounting procedures and its related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the bureau's financial statements present its financial position and the results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A separate management letter describing the suggested operating improvements was issued to the bureau in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The bureau generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps