

GAO

Report to the Clerk of the
House of Representatives

August 1993

FINANCIAL AUDIT

House Office Systems
Management Financial
Statements for Fiscal
Years 1991 and 1990





United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114865

August 6, 1993

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

Dear Mr. Anderson:

As you requested, we audited the House Office Systems Management's Statements of Equipment as of June 30, 1991 and 1990, and the related Statements of Receipts and Costs for the fiscal years ended June 30, 1991 and 1990. We found the statements were reliable in all material respects.

Further, our audit included limited tests of internal controls and compliance with laws and regulations that disclosed

- no material weaknesses in the internal control structure and its operations for fiscal year 1991 and
- no material noncompliance with laws and regulations we tested for fiscal year 1991.

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

Opinion on Financial Statements

The House Office Systems Management's financial statements were prepared on a modified cash basis of accounting (described in note 2 to the statements) and are not intended to be a presentation in conformity with generally accepted accounting principles. The statements referred to in the first paragraph present fairly, in conformity with the basis of accounting described in note 2, the House Office Systems Management's

- equipment and
- receipts and costs.

As discussed in note 2, the statements of receipts and costs present only the results of activities financed from funds allocated or reimbursed to the House Office Systems Management. They do not include costs of space, building repairs, utilities, and office furniture financed from other legislative appropriations.

Consideration of Internal Control Structure

The internal controls we considered were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance with management authority and with laws and regulations; and
- properly record, process, and summarize transactions to permit the preparation of financial statements in accordance with the basis of accounting described in note 2 and maintain accountability for assets.

Our consideration of the internal control structure would not necessarily disclose all material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We are not expressing an opinion on internal controls because of the limited scope of our work. However, we found no material weaknesses in the House Office Systems Management's internal control structure and its operation for fiscal year 1991. Our report on internal control structure for fiscal year 1990 is presented in GAO/AFMD-91-75, dated August 14, 1991.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no material instances of noncompliance. 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 fiscal year 1990 is also presented in GAO/AFMD-91-75, dated August 14, 1991.

Objectives, Scope, and Methodology

The Office's management is responsible for

- preparing the financial statements in conformity with the basis of accounting described in note 2,
- establishing and maintaining internal controls to provide reasonable assurance that the internal control objectives mentioned above are met, and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are reliable (free of material misstatement and

presented fairly in conformity with the basis of accounting described in note 2). We are also responsible for considering the internal control structure in order to determine our auditing procedures for expressing an opinion on the financial statements, not to provide assurance on the internal control structure. In addition, we are responsible for testing compliance with selected provisions of laws and regulations.

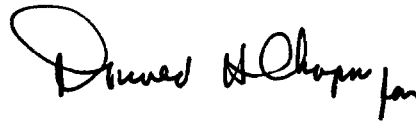
In order to fulfill these responsibilities, we

- 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;
- obtained an understanding of the design of relevant internal control structure policies and procedures, determined whether they had been placed in operation, assessed the associated control risk, and conducted limited tests of relevant internal controls, including those over equipment inventory, receipts, disbursements, and financial reporting; and
- tested compliance with selected provisions of 2 U.S.C. 112e and 117e, 48 U.S.C. 1715 and 1735, and regulations on the Office's operations contained in the House of Representatives edition of the Congressional Handbook.

It is important to note that because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. Also, projecting any 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 audits in accordance with generally accepted government auditing standards. We completed our audit work on November 13, 1992.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher". The signature is stylized with a large initial "C" and a long, sweeping underline.

Charles A. Bowsher
Comptroller General
of the United States

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Financial Statements

Statements of Equipment

	<u>June 30,</u>	
	<u>1991</u>	<u>1990</u>
Washington offices' equipment at cost (note 3)	\$65,586,372	\$61,709,070
Less accumulated depreciation	<u>46,550,233</u>	<u>41,641,188</u>
Net Washington offices' equipment	<u>19,036,139</u>	<u>20,067,882</u>
 District offices' equipment at cost (note 3)	 22,973,218	 21,353,540
Less accumulated depreciation	<u>17,753,145</u>	<u>15,650,190</u>
Net district offices' equipment	<u>5,220,073</u>	<u>5,703,350</u>
 Net Equipment	 <u>\$24,256,212</u>	 <u>\$25,771,232</u>

The accompanying notes are an integral part of these statements.

Statements of Receipts and Costs

	Fiscal year ended June 30,	
	1991	1990
Receipts		
Equipment usage fees	\$27,387,248	\$23,050,695
Miscellaneous	236,757	77,681
Total Receipts	<u>27,624,005</u>	<u>23,128,376</u>
Disbursements and Other Costs		
Operating disbursements and other costs		
Disbursements		
Vendor services (note 4)	12,701,685	11,151,343
Equipment leasing (note 5)	1,219,582	1,708,830
Operating salaries and benefits (note 6)	704,123	691,189
Quarterly payments to GSA	289,614	408,861
Equipment repair parts (note 4)	144,763	120,209
Total operating disbursements	<u>15,059,767</u>	<u>14,080,432</u>
Other costs		
Depreciation (note 2)	13,419,647	14,337,139
Book value of disposed equipment	502,413	967,436
Total other operating costs	<u>13,922,060</u>	<u>15,304,575</u>
Total operating disbursements and other costs	<u>28,981,827</u>	<u>29,385,007</u>
Administrative disbursements		
Data processing services	1,256,547	1,076,851
Administrative salaries and benefits (note 6)	1,103,774	1,079,090
Equipment usage	64,200	53,892
Telephone services	15,382	16,084
Property supplies	12,820	4,626
Office supplies	10,874	10,524
Miscellaneous	39,656	31,497
Total administrative disbursements	<u>2,503,253</u>	<u>2,272,564</u>
Total Disbursements and Other Costs (note 2)	<u>31,485,080</u>	<u>31,657,571</u>
Excess of (Costs Over Receipts)	<u>\$ (3,861,075)</u>	<u>\$ (8,529,195)</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Office

The House of Representatives Office Systems Management (formerly known as the House Office Equipment Service) operates under the jurisdiction of the Clerk of the House of Representatives in accordance with Committee on House Administration regulations. Under 2 U.S.C. 112e and 117e and 48 U.S.C. 1715 and 1735, Members (including the resident commissioner from Puerto Rico and delegates from the District of Columbia, Guam, the Virgin Islands, and American Samoa), officers, or committees of the House of Representatives may be furnished with office equipment by the Clerk, subject to legislative limits and regulations prescribed by the Committee on House Administration. Other qualified individuals and organizations may also be provided office equipment either directly by the Clerk or through their sponsoring Members. The Committee on House Administration approves the list of equipment, services, and usage fees compiled by the Clerk. The House edition of the Congressional Handbook describes the Office's activities which, in general, include purchasing, leasing, servicing, and disposing of House office equipment.

The Statements of Equipment for fiscal years 1991 and 1990 replace the Schedules of Washington and District Offices Purchased Equipment Accounts previously prepared. However, note 3 to the statements presents a detailed breakdown of the acquisition cost of equipment items on hand, which was previously presented in the schedules, as well as changes in equipment.

Note 2. Significant Accounting Policies

The Office's activities are financed through various appropriations available to the House of Representatives, and operating costs are reported under those appropriations in the quarterly reports of the Clerk. The Office's receipts and disbursements are accounted for through the appropriation account for Contingent Expenses of the House (Allowances and Expenses).

The statements of receipts and costs are presented on a modified cash basis. Under this basis of accounting, receipts are recognized when received rather than when earned, and costs are recognized when paid rather than when incurred. Depreciation and the book value of disposed equipment are also included as costs. Also, total costs do not include certain expenses paid from appropriated funds of the Clerk or the Architect of the Capitol. These expenses include costs for space, building repairs, utilities, office furniture, and equipment installation and freight, which cannot be readily determined.

Equipment is depreciated using a straight-line method with no salvage value. Computer items are depreciated over a 3-year life and other equipment, and furniture, carpets, drapes, and blinds are depreciated over a 5-year life.

Note 3. Equipment

The following table shows the changes in equipment at acquisition cost.

Equipment Changes at Acquisition Cost

<u>Balances, June 30, 1990</u>	<u>Washington Offices</u>	<u>District Offices</u>	<u>Total</u>
Computer equipment	\$42,090,568	\$ 7,257,056	\$49,347,624
Copiers	7,528,874	1,956,534	9,485,408
Original GSA items		8,095,524	8,095,524
Other office equipment	5,734,740	1,820,021	7,554,761
TV and video equipment	2,717,263	48,514	2,765,777
Furnishings		2,001,699	2,001,699
Miscellaneous	<u>3,637,625</u>	<u>174,192</u>	<u>3,811,817</u>
Balances, June 30, 1990	<u>\$61,709,070</u>	<u>\$21,353,540</u>	<u>\$83,062,610</u>
Acquisitions	10,598,134	2,648,040	13,246,174
Disposals	(5,681,442)	(2,067,752)	(7,749,194)
Transfers	<u>(1,039,390)</u>	<u>1,039,390</u>	<u>0</u>
Subtotal	<u>3,877,302</u>	<u>1,619,678</u>	<u>5,496,980</u>
<u>Balances, June 30, 1991</u>			
Computer equipment	45,237,547	8,651,805	53,889,352
Copiers	8,271,854	2,286,864	10,558,718
Original GSA items		7,068,202	7,068,202
Other office equipment	5,467,432	2,067,374	7,534,806
TV and video equipment	2,951,658	72,998	3,024,656
Furnishings		2,617,373	2,617,373
Miscellaneous	<u>3,657,881</u>	<u>208,602</u>	<u>3,866,483</u>
Balances, June 30, 1991	<u>\$65,586,372</u>	<u>\$22,973,218</u>	<u>\$88,559,590</u>

Note 4. Vendor Services and Equipment Repair Parts

Vendor services are payments (usually service contract payments) made for servicing and repairing equipment. Parts used by the in-house repair shop are charged to the equipment repair parts account when purchased.

Note 5. Equipment Leasing

Members, committees, officers, and qualified individuals and organizations have the option of leasing equipment items listed in an authorized users' guide. At June 30, 1991 and 1990, 631 and 829 items, respectively, were being leased.

Note 6. Salaries and Benefits

Operating salaries cover employees who work in the repair shop and services division. Administrative salaries cover employees who manage the Office's total operations, maintain equipment records, and process vouchers for payment by the House Finance Office. The benefits consist of contributions for employee benefits, such as retirement, Medicare, and health and life insurance.

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