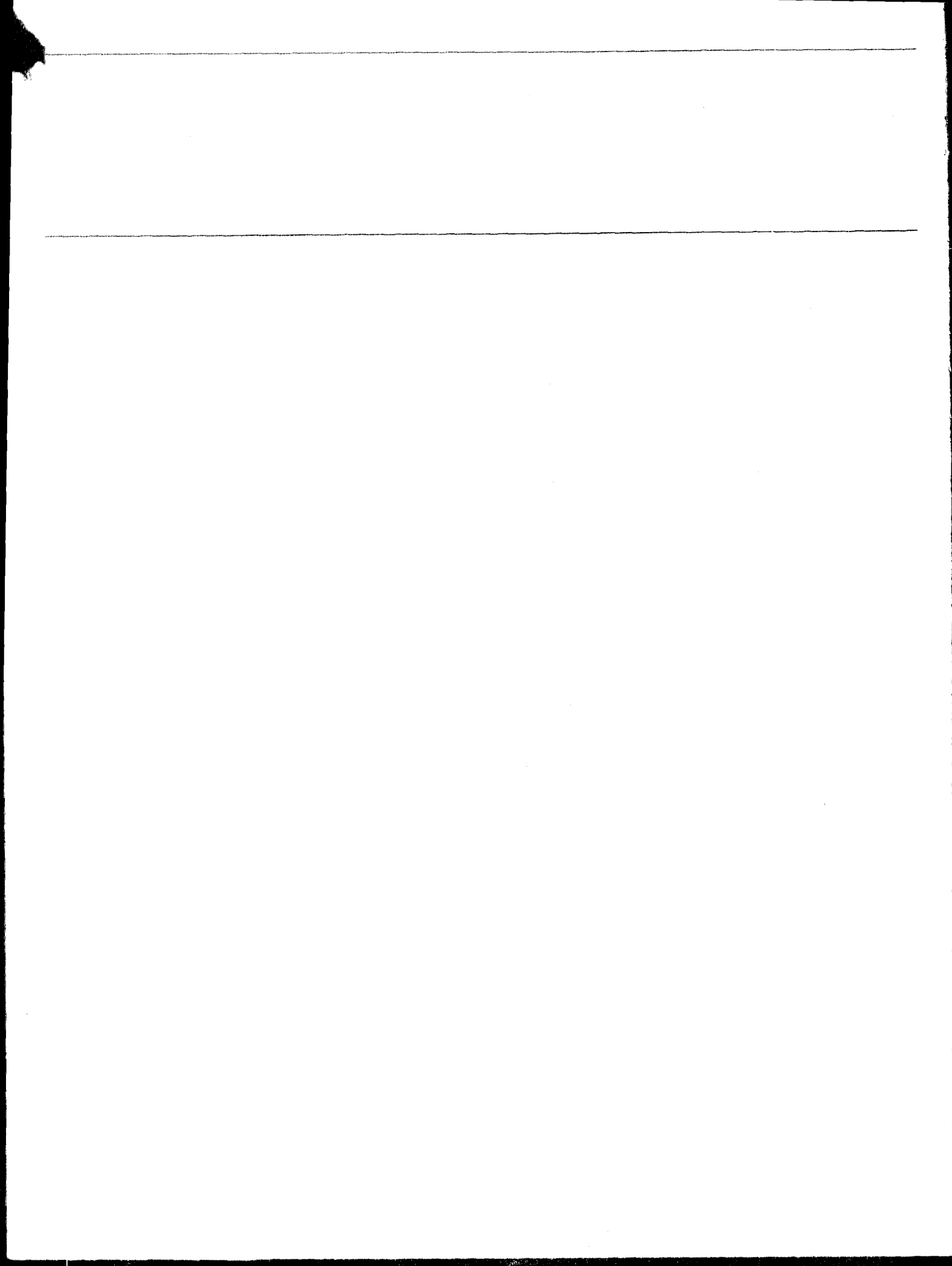


May 1989

FINANCIAL AUDIT

House Office Equipment Service Schedules for Fiscal Year 1988





**Comptroller General
of the United States**

B-114865

May 18, 1989

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

Dear Mr. Anderson:

As requested in your letter of April 25, 1988, we have examined the schedule of purchased equipment accounts and the related schedule of revenues and costs prepared from records maintained by the House Office Equipment Service and the House Finance Office for the fiscal year ended June 30, 1988. We have also examined the schedule of district office purchased furnishings and equipment accounts for the same period. 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 December 22, 1988.

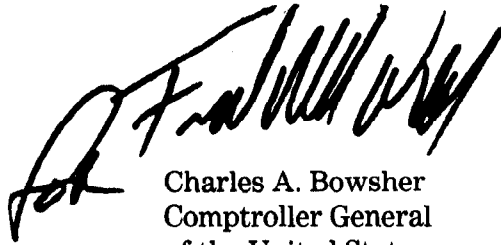
As described in note 2 to the schedules, the House Finance Office maintains House Office Equipment Service records on a cash basis. Consequently, revenues and costs are respectively recognized when received and paid rather than when revenues are earned or when the costs are incurred. For this reason, the accompanying schedules are not intended to present results of operations in conformity with generally accepted accounting principles.

The schedule of district office purchased furnishings and equipment accounts, which is provided for the first time, shows the House Office Equipment Service's accountability for furnishings and equipment used in the Members' district offices, including that which was transferred from the accounts of the General Services Administration on October 1, 1986. Costs pertaining to the furnishings and equipment used in the district offices are shown in table 1 at the end of note 11.

In our opinion, the schedules previously mentioned present fairly the purchased furnishings and equipment accounts and revenues and costs of the House Office Equipment Service for the year ended June 30, 1988, on the cash basis of accounting described in note 2 to the schedules, applied in a manner consistent with that of the preceding fiscal year.

Our report on internal accounting controls and compliance with laws and regulations, together with the Service's schedules and accompanying notes for the year ended June 30, 1988, is included in this report.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

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Abbreviations

GSA General Services Administration

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the schedule of purchased equipment accounts and the related schedule of revenues and costs as well as the schedule of district office purchased furnishings and equipment accounts of the House Office Equipment Service for the fiscal year ended June 30, 1988. 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, 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 fiscal year ended June 30, 1988.

As part of our examination, we made a study and evaluation of the system of internal accounting controls for the Service 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 Service's schedules.

For the purpose of this report, we have classified the significant internal accounting controls into the following categories: (1) accountability for equipment in the Members' Washington, D.C., offices, (2) accountability for furnishings and equipment in the Members' district offices, (3) depreciation, (4) assessments to authorized users' accounts, (5) maintenance of the Members' district office purchase accounts, (6) revenue, and (7) disbursements.

The Service's management is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control 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 schedules in compliance with the accounting policies described in note 2 to the schedules.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless 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 of internal accounting controls was made for the purpose described in the second paragraph. It 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 categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Service taken as a whole or on any of the categories of controls we 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 Service's schedules.

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

Schedule of Purchased Equipment Accounts— Fiscal Year Ended June 30, 1988

Inventory Items (note 3)	Inventory - July 1, 1987	
	Units	Cost
Word processors	5,851	\$17,839,464
Computers	6,219	10,379,684
Photocopiers	864	6,050,018
Miscellaneous	1,731	3,352,301
Typewriters	4,600	3,180,153
Automatic typewriters	967	1,960,555
Television broadcasting equipment	324	1,441,884
Facsimile transceivers	338	731,740
Dictating machines	1,415	518,041
Television sets	1,260	323,070
Telephone accessories	438	266,134
Duplicators	198	282,821
Software	166	199,405
Adding machines and calculators	796	144,877
Video recording equipment	260	103,795
Microfiche reader/printers	66	71,502
Acoustical hoods	180	58,142
Signature machines	33	43,646
Addressing machines	7	6,196
Total	25,713	\$46,953,428

Acquisitions		Disposals		Inventory - June 30, 1988	
Units	Cost	Units	Cost	Units	Cost
2,464	\$6,008,784	949	\$3,175,765	7,366	\$20,672,483
2,730	3,856,707	566	625,080	8,383	13,611,311
231	1,584,702	171	1,465,190	924	6,169,530
308	309,365	114	261,599	1,925	3,400,067
6	1,640	555	319,620	4,051	2,862,173
144	119,300	84	228,036	1,027	1,851,819
71	282,722	39	217,951	356	1,506,655
137	263,723	54	107,088	421	888,375
217	84,341	134	51,731	1,498	550,651
200	39,142	31	8,742	1,429	353,470
2	1,196	11	6,524	429	260,806
3	3,734	49	39,200	152	247,355
0	0	9	8,790	157	190,615
67	11,340	71	21,374	792	134,843
90	27,015	5	2,435	345	128,375
0	0	8	1,440	58	70,062
40	16,453	45	14,976	175	59,619
2	8,880	2	2,100	33	50,426
0	0	1	904	6	5,292
6,712	\$12,619,044	2,898	\$6,558,545	29,527	\$53,013,927

The accompanying notes are an integral part of this schedule.

Schedule of Revenues and Costs

	Fiscal years ended June 30,	
	1988	1987
Revenues (note 4)		
Equipment usage fees	\$18,041,793	\$18,265,287
Miscellaneous	107,901	185,114
Total revenues	18,149,694	18,450,401
Costs		
Operating Costs		
Equipment leasing (note 6)	4,366,520	5,311,923
Vendor services (note 7)	6,269,725	5,377,434
Equipment repair parts	159,491	126,684
Depreciation	6,710,935	6,978,800
Book value of disposed equipment (note 8)	988,381	587,719
Operating salaries and benefits (note 9)	607,429	563,210
Total operating costs	19,102,481	18,945,770
Administrative Costs		
Administrative salaries and benefits (note 9)	419,498	549,645
Data processing services	950,878	866,247
Equipment usage	45,237	89,998
Telephone services	13,836	29,842
Office supplies	7,096	12,303
Property supplies	9,381	16,414
Miscellaneous	27,966	14,653
Total administrative costs	1,473,892	1,579,102
Total costs (note 5)	20,576,373	20,524,872
Excess of Costs over Revenues	\$2,426,679	\$2,074,471

The accompanying notes are an integral part of this schedule.

Schedule of District Office Purchased Furnishings and Equipment Accounts— Fiscal Year Ended June 30, 1988

Inventory items (note 10)	Inventory - July 1, 1987	
	Units	Cost
Original GSA items	41,125	\$11,599,052
Word processors	175	205,214
Computers	92	92,465
Photocopiers	50	119,224
Furniture	0	0
Facsimile transceivers	76	140,169
Automatic typewriters	12	12,206
Typewriters	3	1,862
Carpet/drapes/blinds	0	0
Miscellaneous	4	1,360
Dictating machines	12	3,317
Television sets	15	4,143
Software	0	0
Video recording equipment	4	1,324
Acoustical hoods	2	608
Adding machines and calculators	0	0
Telephone accessories	0	0
Microfiche reader/printers	0	0
Total	41,570	\$12,180,944

Acquisitions		Disposals		Inventory - June 30, 1988	
Units	Cost	Units	Cost	Units	Cost
128	\$48,658	1,541	\$723,877	39,712	\$10,923,833
746	957,763	4	2,619	917	1,160,358
691	869,654	0	0	783	962,119
221	594,372	2	2,233	269	711,363
3,187	595,126	22	4,221	3,165	590,905
186	349,497	2	3,470	260	486,196
298	249,471	6	5,596	304	256,081
148	109,004	3	2,641	148	108,225
142	80,356	2	4,047	140	76,309
73	39,212	0	0	77	40,572
99	25,501	3	1,161	108	27,657
27	5,980	2	505	40	9,618
9	8,790	0	0	9	8,790
12	3,727	0	0	16	5,051
6	2,417	0	0	8	3,025
7	1,042	0	0	7	1,042
1	598	0	0	1	598
1	287	0	0	1	287
5,982	\$3,941,455	1,587	\$750,370	45,965	\$15,372,029

The accompanying notes are an integral part of this schedule.

Notes to Schedules

Note 1. Description of the Service's Operations

The House of Representatives 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 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 Service's activities which, in general, include purchasing, leasing, and servicing House office equipment.

Effective October 1, 1986, the Committee on House Administration transferred the responsibility for administering each Member's \$35,000 district office furnishings and equipment inventory account from the General Services Administration (GSA) to the Clerk of the House of Representatives. The Clerk purchases office equipment for the district offices. The \$35,000 represents a ceiling for furnishing and equipping each Member's district offices. The Committee on House Administration develops and the Service applies policies pertaining to the Members' district office furnishings and equipment. During fiscal year 1988, the Committee on House Administration agreed to compensate GSA \$4.6 million for the undepreciated balance of the district office items it purchased and transferred to the Clerk of the House.

Note 2. Significant Accounting Policies

The Service's activities are financed through various appropriations available to the House of Representatives, and its operating costs are reported under those appropriations in the quarterly reports of the Clerk. The Service does not operate as a revolving fund or prepare financial statements. The House Finance Office prepares the necessary financial transactions for the Service and maintains its accounting records on a cash basis.

The schedule of purchased equipment accounts is prepared by recording acquisitions at full cost without considering discounts taken or trade-ins offered. Disposals are shown at acquisition cost. Opening and closing inventories reflect the full cost of the equipment rather than book value.

For fiscal year 1988, the full cost of acquired equipment was \$12,619,044, as shown in the schedule of purchased equipment accounts. However, trade-in allowances, purchase discounts, and vendor credits totaling \$400,958 resulted in a net equipment cost of \$12,218,086.

The schedule of revenues and costs includes those revenues and costs related only to equipment. It is compiled from various sources on a modified cash basis. In this regard, revenues 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 and are based on the acquisition costs.

The schedule of district office purchased furnishings and equipment accounts is prepared by recording acquisitions at their actual cost which may be net of discounts taken or trade-ins offered. Disposals are shown at acquisition cost. Opening and closing inventories reflect the full cost of the furnishings and equipment rather than book value. The Service charges acquisition costs against the Members' accounts.

Equipment in the Members' Washington, D.C., offices is depreciated using a straight-line method with no salvage value. Noncomputer items are depreciated over a 5-year life and computer items are depreciated over a 3-year life.

Items used in the Members' district offices are depreciated using a straight-line method with no salvage value over the following useful lives:

- furniture - 10 years prior to January 1, 1988, and 5 years thereafter,
- carpets and drapes - 5 years,
- equipment - 3 years, and
- equipment acquired in the original GSA transfer - 5 years.

Note 3. Equipment Inventory - Schedule of Purchased Equipment Accounts

The schedule of purchased equipment accounts represents the number of units and the full cost of equipment in the Service's inventory on June 30, 1988.

The Committee on House Administration regulations allow the Clerk to dispose of equipment which satisfies certain length of service, condition, and obsolescence criteria. They also prescribe specific procedures for reporting damaged and missing equipment. During fiscal year 1988, the

Clerk disposed of 668 items as trade-ins, returns, donations to the White House, and so forth. The Clerk also transferred 1,395 items to GSA, classified 70 as missing, sold 476 through surplus equipment sales, and transferred 289 to the Members' district offices.

Acquisitions and disposals include intercategory transfers of 13 units of equipment with acquisition costs totaling \$230,257. Therefore, net acquisitions and disposals are \$12,388,787 and \$6,328,288, respectively.

Specific types of equipment listed on the schedule require further definition. Automatic typewriters have enhancements that regular typewriters do not have such as memory capacity or line screen display. Miscellaneous equipment includes automatic letter openers and sealers, automatic letter folders and inserters, automatic telephone dialers, pagers, time recorders, and other items.

Note 4. Revenues

The Service does not directly realize revenues from its operations. The Finance Office assesses Members' and committees' appropriations for monthly equipment usage. Legislative service organizations, vendors, and others make checks payable to the U.S. Treasury for equipment usage fees or equipment-related transactions. The Finance Office credits these checks to the Contingent Expenses of the House (Allowance and Expenses) Appropriation for equipment purposes.

Miscellaneous revenues primarily include proceeds from the sale of surplus equipment items by the Service, equipment transferred to and sold by GSA, and items sold to retiring Members. Public Law 99-591, passed on October 30, 1986, allows the House of Representatives to retain these funds for its own use. These proceeds are also credited to the Contingent Expenses of the House (Allowance and Expenses) Appropriation for equipment purposes.

Note 5. Costs Not Included

Total costs do not include certain expenses paid from appropriated funds of the Clerk of the House or of the Architect of the Capitol. Cost for space, building repairs, utilities, office furniture, and forms obtained from the Government Printing Office cannot be readily ascertained.

Administrative costs for fiscal year 1987 include, to an unknown extent, some costs which were incurred during the last 9 months of the fiscal year and were related to furnishing and equipping Members' district offices. At that time, no attempt was made to allocate costs between

Washington and district office operations. For fiscal year 1988, these costs represented less than 3 percent of total costs.

Note 6. Equipment Leasing Members, committees, officers, and qualified individuals and organizations have the option of leasing equipment items listed in the authorized users' guide. During fiscal year 1988, the Service leased and placed in use as many as 1,494 equipment items.

Note 7. Vendor Services 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.

Note 8. Book Value of Disposed Equipment The book value of disposed equipment represents the full cost of the equipment less the total depreciation taken on it up to the time of disposal.

Note 9. Salaries and Benefits Operating salaries and benefits cover 21 persons who work in the repair shop and services division. Administrative salaries and benefits cover 30 persons who manage the Service's total operations, maintain equipment records, and process vouchers for payment by the House Finance Office. During fiscal year 1988, the administrative staff expenses were allocated half to Washington purchased equipment accounts and half to Members' district office purchased furnishings and equipment accounts.

Note 10. Furnishings and Equipment Inventory - Schedule of District Office Purchased Furnishings and Equipment Accounts The schedule of district office purchased furnishings and equipment accounts represents the number of units and the full cost of items in the Service's inventory on June 30, 1988.

Acquisitions and disposals include intercategory transfers of 63 original GSA equipment items and 2 original GSA furniture items totaling \$941. Therefore, net acquisitions and disposals are \$3,940,514 and \$749,429, respectively.

Note 11. Identifiable Costs - Members' District Office Furnishings and Equipment

Costs attributable to maintaining the Members' district office purchased furnishings and equipment accounts totaling about \$3.6 million are shown in the following table.

Table 1: Costs Identified With Maintaining Members' District Office Purchased Furnishings and Equipment Accounts

Costs	
Depreciation	\$1,854,815
Quarterly payments to GSA	903,780
Administrative salaries and benefits	419,498
Vendor services	130,829
Book value of disposed equipment	118,704
Data processing services	111,286
Equipment usage	45,236
Property supplies	9,381
Telephone services	7,752
Office supplies	7,095
Miscellaneous	6,121
Total	\$3,614,479

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