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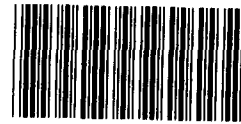
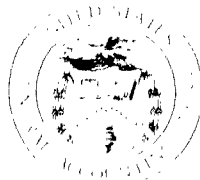
United States General Accounting Office

Report to the Clerk of the House of
Representatives

July 1990

FINANCIAL AUDIT

House Office Equipment Service Schedules for Fiscal Year 1989



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

**Comptroller General
of the United States**

B-114865

July 6, 1990

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

Dear Mr. Anderson:

Pursuant to your request of April 3, 1989, we have audited the schedule of Washington office purchased equipment accounts and the schedule of district office purchased furnishings and equipment accounts of the House Office Equipment Service for the fiscal year ended June 30, 1989. We also audited the schedules of Washington office revenues and costs prepared from records maintained by the House Office Equipment Service and the House Finance Office for the fiscal years ended June 30, 1989 and 1988. We completed our audit work on February 6, 1990. These schedules are the responsibility of the House Office Equipment Service's management. Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

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 recognized when received and paid, respectively, rather than when revenues are earned or when 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 shows the House Office Equipment Service's accountability for furnishings and equipment used in the Members' district offices. Costs pertaining to the furnishings and equipment used in the district offices are shown in table 1 at the end of note 12.

In our opinion, the schedules referred to above present fairly, in all material respects, the Washington office purchased equipment accounts and the district office purchased furnishings and equipment accounts of the House Office Equipment Service for the year ended June 30, 1989, and the schedules of Washington office revenues and costs for the fiscal years ended June 30, 1989 and 1988, on the basis of accounting described in note 2.

As discussed in note 10, the depreciation expense computation method was changed in 1989.

Our report on internal accounting controls and compliance with laws and regulations for the year ended June 30, 1989, together with the Service's schedules and accompanying notes for the years ended June 30, 1989 and 1988, is included in this report.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

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Abbreviation

GSA General Services Administration

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the schedule of Washington office purchased equipment accounts and the schedule of district office purchased furnishings and equipment accounts of the House Office Equipment Service for the fiscal year ended June 30, 1989. We also audited the schedules of Washington office revenues and costs for the fiscal years ended June 30, 1989 and 1988. Our audits 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 fiscal year ended June 30, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended June 30, 1988, is presented in GAO/AFMD-89-55, dated May 18, 1989.

As part of our audit, 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. 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 categorized the significant internal accounting controls as acquisitions, disposals, inventory, and financial reporting. Our study and evaluation included all of these categories.

The Service's management 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 (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and are 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, made for the limited purpose described in the second paragraph of this report, 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 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 audit, we also tested the Service's compliance with terms and provisions of 2 U.S.C. 112e, 48 U.S.C. 1715 and 1735 and regulations on the Service's operations in the House of Representatives edition of the Congressional Handbook. In our opinion, the United States House of Representatives Office Equipment Service complied with the terms and provisions of the aforementioned laws and regulations for the transactions tested that could have materially affected its schedules. Nothing came to our attention, in connection with our audit, that caused us to believe that the Service was not in compliance with the terms and provisions of these laws and regulations for those transactions not tested.

Schedule of Washington Office Purchased Equipment Accounts—Fiscal Year Ended June 30, 1989

Inventory items (note 3)	Inventory-July 1, 1988	
	Units	Cost
Word processors	7,366	\$20,672,483
Computers	8,383	13,611,311
Photocopiers	924	6,169,530
Miscellaneous	1,925	3,400,067
Typewriters	4,051	2,862,173
Television broadcasting equipment	356	1,506,655
Automatic typewriters	1,027	1,851,819
Facsimile transceivers	421	888,375
Dictating machines	1,498	550,651
Television sets	1,429	353,470
Duplicators	152	247,355
Software	157	190,615
Telephone accessories	429	260,806
Video recording equipment	345	128,375
Adding machines and calculators	792	134,843
Microfiche reader/printers	58	70,062
Signature machines	33	50,426
Acoustical hoods	175	59,619
Addressing machines	6	5,292
Total	29,527	\$53,013,927

**Schedule of Washington Office Purchased
Equipment Accounts—Fiscal Year Ended
June 30, 1989**

Acquisitions		Disposals		Inventory-June 30, 1989	
Units	Cost	Units	Cost	Units	Cost
2,050	\$4,894,882	1,197	\$3,759,357	8,219	\$21,808,008
2,266	3,365,006	898	1,312,275	9,751	15,664,042
180	1,654,563	221	1,398,434	883	6,425,659
356	239,862	213	88,371	2,068	3,551,558
5	1,211	376	239,660	3,680	2,623,724
41	952,906	1	2,002	396	2,457,559
96	86,276	231	475,665	892	1,462,430
215	462,136	76	172,540	560	1,177,971
179	75,802	243	95,091	1,434	531,362
227	47,806	51	14,393	1,605	386,883
1	19,375	36	39,703	117	227,027
0	0	26	12,208	131	178,407
0	0	144	87,170	285	173,636
67	18,657	3	999	409	146,033
41	4,387	84	18,537	749	120,693
2	4,562	6	3,517	54	71,107
3	8,985	5	7,120	31	52,291
12	4,242	64	19,857	123	44,004
0	0	1	1,236	5	4,056
5,741	\$11,840,658	3,876	\$7,748,135	31,392	\$57,106,450

The accompanying notes are an integral part of this schedule.

Schedules of Washington Office Purchased Equipment Revenues and Costs

	Fiscal years ended June 30,	
	1989	1988
Revenues (note 4)		
Equipment usage fees	\$16,349,943	\$18,041,793
Miscellaneous	159,185	107,901
Total revenues	16,509,128	18,149,694
Costs		
Operating Costs		
Equipment leasing (note 6)	2,584,370	4,366,520
Vendor services (note 7)	8,418,462	6,269,725
Equipment repair parts	193,222	159,491
Depreciation (note 2)	11,271,274	11,638,821
Book value of disposed equipment (note 8)	772,625	988,381
Operating salaries and benefits (note 9)	641,136	607,429
Total operating costs	23,881,089	24,030,367
Administrative Costs		
Administrative salaries and benefits (note 9)	501,269	419,498
Data processing services	600,527	950,878
Equipment usage	32,328	45,237
Telephone services	9,035	13,836
Office supplies	5,926	7,096
Property supplies	3,331	9,381
Miscellaneous	17,135	27,966
Total administrative costs	1,169,551	1,473,892
Total costs (note 5)	25,050,640	25,504,259
Excess of Costs Over Revenues	\$8,541,512	\$7,354,565

The accompanying notes are an integral part of these schedules.

Schedule of District Office Purchased Furnishings and Equipment Accounts—Fiscal Year Ended June 30, 1989

Inventory items (Note 11)	Inventory-July 1, 1988	
	Units	Cost
Original GSA items	39,712	\$10,923,833
Word processors	917	1,160,358
Computers	783	962,119
Photocopiers	269	711,363
Furniture	3,165	590,905
Facsimile transceivers	260	486,196
Automatic typewriters	304	256,081
Carpet/drapes/blinds	140	76,309
Typewriters	148	108,225
Miscellaneous	77	40,572
Dictating machines	108	27,657
Television sets	40	9,618
Video recording equipment	16	5,051
Software	9	8,790
Acoustical hoods	8	3,025
Adding machine and calculators	7	1,042
Telephone accessories	1	598
Microfiche readers/printers	1	287
Total	45,965	\$15,372,029

**Schedule of District Office Purchased
Furnishings and Equipment Accounts—Fiscal
Year Ended June 30, 1989**

Acquisitions		Disposals		Inventory-June 30, 1989	
Units	Cost	Units	Cost	Units	Cost
58	\$18,226	4,111	\$1,613,664	35,659	\$9,328,395
1,046	1,528,154	47	54,122	1,916	2,634,390
742	1,061,294	19	22,503	1,506	2,000,910
199	694,748	10	29,364	458	1,376,747
3,576	770,743	132	23,971	6,609	1,337,677
192	365,853	3	5,261	449	846,788
220	189,190	8	5,543	516	439,728
152	95,094	6	6,699	286	164,704
42	30,234	7	5,206	183	133,253
103	50,130	3	7,494	177	83,208
41	13,946	1	163	148	41,440
30	6,045	0	0	70	15,663
24	6,674	0	0	40	11,725
1	350	0	0	10	9,140
7	3,130	2	608	13	5,547
3	87	1	143	9	986
0	0	0	0	1	598
0	0	0	0	1	287
6,436	\$4,833,898	4,350	\$1,774,741	48,051	\$18,431,186

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 for their Washington offices 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 each Member's 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.

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 Washington office purchased equipment accounts is prepared by recording acquisitions at purchase price without considering discounts taken, trade-ins offered, or installation and freight

charges. Disposals are shown at acquisition cost. This schedule also contains cost adjustments totaling about \$237,000, which are included in both the acquisitions and disposal amounts. Opening and closing inventories reflect the acquisition cost of the equipment rather than book value. For fiscal year 1989, the acquisition cost of acquired equipment was \$11,840,658, as shown in the schedule of Washington office purchased equipment accounts. However, trade-in allowances totaling \$252,331 resulted in an adjusted equipment acquisition cost of \$11,588,327. Installation and freight charges for equipment purchased during fiscal year 1989 were not determinable and, therefore, not included in the above figures.

The schedules of Washington office purchased equipment revenues and costs include 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 purchase price which may be net of discounts taken, trade-ins offered, or installation and freight charges. However, the 1989 acquisitions shown for the original GSA items represent items transferred in 1986, but not recorded or correctly recorded until 1989. Disposals are shown at acquisition cost. This schedule also contains cost adjustments totaling about \$14,500 for changes to equipment similar to the changes discussed above for the Washington office. Opening and closing inventories reflect the acquisition cost of the furnishings and equipment rather than book value. The Service charges acquisition costs against the Members' district office furnishings and equipment inventory accounts.

Equipment in the Members' Washington 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, drapes, and blinds—5 years;
- equipment—3 years; and
- equipment acquired in the original GSA transfer—5 years.

Depreciation expense for fiscal year 1988 was recalculated, and the accompanying schedules of revenues and costs have been restated to reflect the proper amount of depreciation. See note 10 for the effects of this restatement.

Note 3. Equipment Inventory - Schedule of Washington Office Purchased Equipment Accounts

The schedule of Washington office purchased equipment accounts represents the number of units (31,392) and the acquisition cost of equipment (\$57,106,450) in the Service's inventory on June 30, 1989. The accumulated depreciation and book value of this equipment totaled \$38,037,528 and \$19,068,922, respectively.

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 1989, the Clerk disposed of 2,241 items as returns, software deletions, sales to vendors or Members, or through GSA. The Clerk also disposed of 469 items as trade-ins, classified 132 items as missing, sold 482 items through surplus equipment sales, and transferred 552 to the Members' district offices.

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 House 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 House 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 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.

Note 6. 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, 1989, 1,046 items were being leased. This total was 542 items less than the 1,588 items being leased at June 30, 1988.

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 acquisition cost of the equipment less the accumulated depreciation on the item up to the time of disposal.

Note 9. Salaries and Benefits

Operating salaries and benefits cover employees who work in the repair shop and services division. Administrative salaries and benefits cover employees who manage the Service's total operations, maintain equipment records, and process vouchers for payment by the House Finance Office. During fiscal year 1989, administrative staff expenses were allocated half to Washington purchased equipment accounts and half to Members' district office purchased furnishings and equipment accounts.

Note 10. Restatement of Depreciation Expense

The fiscal year 1988 depreciation expense is restated by \$4,927,886, from \$6,710,935 to \$11,638,821, because of a change in the method for computing depreciation expense. By restating this expense, the excess of costs over revenues increased from \$2,426,679 to \$7,354,565.

Note 11. 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 (48,051) and the acquisition cost of items (\$18,431,186) in the Service's inventory on June 30, 1989. Miscellaneous equipment includes items such as telephone answering machines, mobile telephones, and cellular telephones. The accumulated depreciation and book value of the district office purchased furnishings and equipment accounts totaled \$12,669,511 and \$5,761,675, respectively.

Note 12. Identifiable Costs - Members' District Office Furnishings and Equipment

Costs attributable to maintaining the Members' district office purchased furnishings and equipment totaling over \$6 million are shown in the following table. The fiscal year 1988 quarterly payments to GSA are restated by \$335,374 to show the amount of cash payments made in fiscal year 1988 instead of the amounts due for that fiscal year. The previously reported amount was \$903,780. Also, the fiscal year 1988 depreciation expense is restated by \$563,753, from \$1,854,815 to \$2,418,568, because of a change in the method for computing depreciation expense.

Table 1: Costs for Maintaining Members' District Office Purchased Furnishings and Equipment

	Fiscal years ended June 30,	
	1989	1988
Costs		
Depreciation	\$3,564,789	\$2,418,568
Quarterly payments to GSA	989,173	1,239,154
Administrative salaries and benefits	501,269	419,498
Vendor services	810,382	130,829
Book value of disposed equipment	133,183	118,704
Data processing services	358,564	111,286
Equipment usage	32,328	45,236
Property supplies	3,331	9,381
Telephone services	9,035	7,752
Office supplies	5,925	7,095
Miscellaneous	12,883	6,121
Total	\$6,420,862	\$4,513,624

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