

GAO

Report to the Clerk of the House of
Representatives

August 1991

FINANCIAL AUDIT

House Office Equipment Service Schedules for Fiscal Year 1990



144592

**Comptroller General
of the United States**

B-114865

August 14, 1991

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

Dear Mr. Anderson:

Pursuant to your request of April 2, 1990, 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, 1990. We also audited the schedules of Washington and district office receipts and costs prepared from records maintained by the House Office Equipment Service and the House Finance Office for the fiscal years ended June 30, 1990 and 1989. We completed our audit work on March 15, 1991. 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.

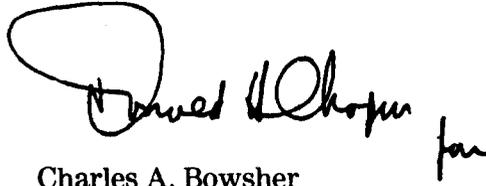
We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence 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.

The accompanying special purpose schedules were prepared on a modified cash basis, as discussed in note 2 to the schedules, and, thus, are not intended to be presented in conformity with generally accepted accounting principles.

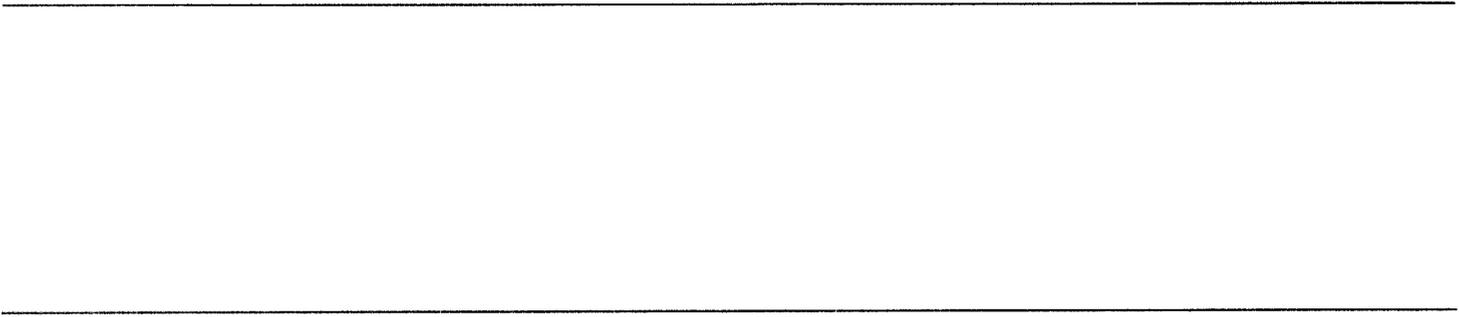
In our opinion, the schedules referred to above present fairly, in all material respects, the Washington office purchased equipment accounts and the district office purchased furnishings and equipment accounts of the House Office Equipment Service for the year ended June 30, 1990, and the Washington and district offices' receipts and costs for the fiscal years ended June 30, 1990 and 1989, on the basis of accounting described in note 2.

Our report on internal control structure and compliance with laws and regulations for the year ended June 30, 1990, together with the Service's schedules and accompanying notes for the years ended June 30, 1990 and 1989, is included in this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher", with a large, stylized initial "C" and a small flourish at the end.

Charles A. Bowsher
Comptroller General
of the United States



Contents

Opinion Letter	1
Report on Internal Control Structure and Compliance With Laws and Regulations	6
Schedule of Washington Office Purchased Equipment Accounts—Fiscal Year Ended June 30, 1990	10
Schedule of District Office Purchased Furnishings and Equipment Accounts—Fiscal Year Ended June 30, 1990	12
Schedules of Washington and District Office Receipts and Costs	14
Notes to Schedules	15

Abbreviations

DOPA	District Office Purchase Account
GSA	General Services Administration

Report on Internal Control Structure 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, 1990. We also audited the schedules of Washington and district office receipts and costs for the fiscal years ended June 30, 1990 and 1989. This report pertains only to our consideration of the Service's internal control structure and our review of compliance with laws and regulations for the fiscal year ended June 30, 1990. Our report on internal accounting controls and compliance with laws and regulations for the year ended June 30, 1989, is presented in GAO/AFMD-90-86, dated July 6, 1990.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the schedules of the Service for the year ended June 30, 1990, we considered its internal control structure in order to determine our auditing procedures. Our purpose was to express an opinion on the Service's schedules, not to provide assurance on its internal control structure.

The Service's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure 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 recorded properly to permit the preparation of schedules in accordance with the accounting policies described in note 2 to the schedules.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the Service's significant internal control structure policies and procedures into the following categories:

- acquisitions,
- disposals,
- inventory, and
- financial reporting.

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk.

Our consideration of the internal control structure would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The management of the Service is also responsible for compliance with laws and regulations applicable to the Service. As part of obtaining reasonable assurance as to whether the schedules are free of material misstatement, we selected and tested transactions and records to determine the Service's compliance with certain provisions of the following laws and regulations which, if not complied with, could have a material effect on the Service's schedules. However, it should be noted that our objective was not to provide an opinion on the overall compliance with such provisions.

We tested for 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.

Because of the limited purpose for which our tests of compliance were made, the laws and regulations tested did not cover all legal requirements with which the Service has to comply.

The results of our tests for fiscal year 1990 indicate that, with respect to the items tested, the Service complied in all material respects with those provisions of laws and regulations referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Service had not complied, in all material respects, with those provisions.

Schedule of Washington Office Purchased Equipment Accounts—Fiscal Year Ended June 30, 1990

Inventory items (note 3)	Inventory—June 30, 1989	
	Units	Cost
Word processors	8,219	\$21,808,008
Computers	9,751	15,664,042
Photocopiers	883	6,425,659
Miscellaneous	2,068	3,551,558
Typewriters	3,680	2,623,724
Television broadcasting equipment	396	2,457,559
Facsimile transceivers	560	1,177,971
Automatic typewriters	892	1,462,430
Dictating machines	1,434	531,362
Television sets	1,605	386,883
Duplicators	117	227,027
Video recording equipment	409	146,033
Telephone accessories	285	173,636
Software	131	178,407
Adding machines and calculators	749	120,693
Microfiche reader/printer	54	71,107
Signature machines	31	52,291
Acoustical hoods	123	44,004
Addressing machines	5	4,056
Total	31,392	\$57,106,450

**Schedule of Washington Office Purchased
Equipment Accounts—Fiscal Year Ended
June 30, 1990**

Acquisitions		Disposals		Inventory— June 30, 1990	
Units	Cost	Units	Cost	Units	Cost
2,908	\$ 6,363,937	1,543	\$4,474,315	9,584	\$23,697,630
2,645	3,896,936	723	1,327,514	11,673	18,233,464
241	2,161,760	208	1,237,878	916	7,349,541
259	230,081	105	144,117	2,222	3,637,522
0	0	441	294,361	3,239	2,329,363
31	298,719	31	629,511	396	2,126,767
215	428,379	75	161,798	700	1,444,552
90	98,656	268	509,245	714	1,051,841
149	64,152	181	69,230	1,402	526,284
232	51,518	32	9,226	1,805	429,175
1	2,977	22	50,671	96	179,333
92	25,745	25	10,457	476	161,321
0	0	54	33,262	231	140,374
0	0	48	52,788	83	125,619
61	6,179	58	10,529	752	116,343
0	0	5	6,400	49	64,707
3	8,985	0	0	34	61,276
9	3,707	41	13,856	91	33,855
0	0	3	3,953	2	103
6,936	\$13,641,731	3,863	\$9,039,111	34,465	\$61,709,070

The accompanying notes are an integral part of these schedules.

Schedule of District Office Purchased Furnishings and Equipment Accounts—Fiscal Year Ended June 30, 1990

Inventory items (note 4)	Inventory—June 30, 1989	
	Units	Cost
Original GSA items	35,659	\$9,328,395
Word processors	1,916	2,634,390
Computers	1,506	2,000,910
Photocopiers	458	1,376,747
Furniture	6,609	1,337,677
Facsimile transceivers	449	846,788
Automatic typewriters	516	439,728
Carpet/drapes/blinds	286	164,704
Miscellaneous	177	83,208
Typewriters	183	133,253
Dictating machines	148	41,440
Television sets	70	15,663
Video recording equipment	40	11,725
Acoustical hoods	13	5,547
Software	10	9,140
Adding machines and calculators	9	986
Telephone accessories	1	598
Duplicators	0	0
Microfiche readers/printers	1	287
Total	48,051	\$18,431,186

**Schedule of District Office Purchased
Furnishings and Equipment Accounts—Fiscal
Year Ended June 30, 1990**

Acquisitions		Disposals		Inventory— June 30, 1990	
Units	Cost	Units	Cost	Units	Cost
133	\$ 20,578	2,318	\$1,253,449	33,474	\$ 8,095,524
1,341	1,790,754	70	123,569	3,187	4,301,575
801	990,294	37	46,053	2,270	2,945,151
159	615,461	13	36,223	604	1,955,985
2,280	466,770	163	25,834	8,726	1,778,613
140	243,410	11	15,173	578	1,075,025
143	110,606	20	23,537	639	526,797
89	59,532	3	1,150	372	223,086
169	100,497	5	9,513	341	174,192
48	37,090	14	10,340	217	160,003
39	15,769	5	1,413	182	55,796
60	12,467	2	545	128	27,585
32	9,535	1	331	71	20,929
6	2,001	2	698	17	6,850
2	200	6	5,860	6	3,480
5	529	0	0	14	1,515
0	0	0	0	1	598
1	549	0	0	1	549
0	0	0	0	1	287
5,448	\$4,476,042	2,670	\$1,553,688	50,829	\$21,353,540

The accompanying notes are an integral part of these schedules.

Schedules of Washington and District Office Receipts and Costs

	Fiscal year ended June 30, 1990			Fiscal year ended June 30, 1989 (Restated)		
	Washington	District	Total	Washington	District	Total
Receipts (note 5)						
Equipment usage fees	\$22,358,689	\$ 0	\$22,358,689	\$20,487,766	\$ 0	\$20,487,766
DOPA reimbursements (note 5)	0	692,006	692,006	0	0	0
Miscellaneous	77,681	0	77,681	159,185	0	159,185
Total Receipts	22,436,370	692,006	23,128,376	20,646,951	0	20,646,951
Disbursements and Other Costs						
Operating disbursements and other costs						
Disbursements						
Vendor services (note 6)	8,902,649	2,248,694	11,151,343	8,418,462	810,382	9,228,844
Equipment leasing (note 7)	1,708,830	0	1,708,830	2,584,370	0	2,584,370
Operating salaries and benefits (note 8)	691,189	0	691,189	641,136	0	641,136
Quarterly payments to GSA	0	408,861	408,861	0	989,173	989,173
Equipment repair parts	120,209	0	120,209	193,222	0	193,222
Total operating disbursements	11,422,877	2,657,555	14,080,432	11,837,190	1,799,555	13,636,745
Other costs						
Depreciation	11,225,769	3,111,370	14,337,139	11,271,274	3,564,789	14,836,063
Book value of disposed equipment (note 9)	827,017	140,419	967,436	772,625	133,183	905,808
Total other operating costs	12,052,786	3,251,789	15,304,575	12,043,899	3,697,972	15,741,871
Total operating disbursements and other costs	23,475,663	5,909,344	29,385,007	23,881,089	5,497,527	29,378,616
Administrative disbursements						
Administrative salaries and benefits (note 8)	539,545	539,545	1,079,090	501,269	501,269	1,002,538
Data processing services	936,641	140,210	1,076,851	600,527	358,564	959,091
Equipment usage	26,946	26,946	53,892	32,328	32,328	64,656
Telephone services	8,042	8,042	16,084	9,035	9,035	18,070
Office supplies	5,262	5,262	10,524	5,926	5,925	11,851
Property supplies	2,313	2,313	4,626	3,331	3,331	6,662
Miscellaneous	6,570	24,927	31,497	17,135	12,883	30,018
Total administrative disbursements	1,525,319	747,245	2,272,564	1,169,551	923,335	2,092,886
Total Disbursements and Other Costs	25,000,982	6,656,589	31,657,571	25,050,640	6,420,862	31,471,502
Excess of Costs Over Receipts	\$ 2,564,612	\$5,964,583	\$ 8,529,195	\$ 4,403,689	\$6,420,862	\$10,824,551

The accompanying notes are an integral part of these schedules.

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, D.C., 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, referred to as the District Office Purchase Account (DOPA), 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 the furniture and equipment inventory of each Member's district office(s). 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. Its operating costs are reported under those appropriations in the quarterly reports of the Clerk. The Service does not operate as a revolving fund, but the disbursements for purchases, leases, and maintenance are accounted for through the Contingent Expenses of the House (Allowances and Expenses) Appropriations. The schedules of equipment accounts and the schedules of receipts and costs are prepared on a modified cash basis as discussed below.

The schedule of Washington office purchased equipment accounts is prepared from the Service's inventory system. Acquisitions are recorded at their purchase price without considering the value of trade-ins or installation and freight charges. The acquisitions are added to the schedules as of their installation dates. Prior to installation, they are tracked by the inventory system. Disposals are shown at acquisition cost (purchase price), and they are removed from the inventory system when the Service relinquishes ownership or completes a transfer. Opening and closing inventories reflect the acquisition costs of the equipment rather than the book value (acquisition cost less accumulated depreciation). For fiscal year 1990, trade-in allowances totaled \$344,247. The charges for installation and freight were not readily determinable because the usage fee billings do not include these charges.

The schedule of district office purchased furnishings and equipment accounts is prepared generally the same as the schedule of Washington office purchased equipment accounts. One exception is that the costs for furnishings includes installation and freight charges. Also, the 1990 acquisitions shown for the original GSA items represent transfers in 1986 that were not correctly recorded until 1990.

The schedules of Washington and district office receipts and costs are compiled from various sources on a modified cash basis. In this regard, receipts are recognized when received rather than when earned, and costs are recognized when paid rather than when incurred. Also included as costs are (1) depreciation and (2) the book value of disposed equipment, based on the acquisition costs. The costs do not include charges for equipment installation and freight. Also, total costs do not include certain expenses paid from appropriated funds of the Clerk of the House or the Architect of the Capitol. These expenses include costs for space, building repairs, utilities, and office furniture, which cannot be readily ascertained. In fiscal year 1990, the schedule was expanded to include district office costs, which had been included in the notes to the schedules. Consequently, the 1989 schedule was restated to present comparable information. Also, the 1989 receipts were restated by \$4,137,823 from \$16,509,128 to \$20,646,951 because of additional receipts not included in the prior year figure.

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 (including computers)—3 years; and
- equipment acquired in the original GSA transfer—5 years.

Committee on House Administration regulations allow the Clerk to dispose of equipment which satisfies certain length of service, condition, and obsolescence criteria. Disposals include sales, trade-ins, missing equipment, and transfers to the accountability of another account (e.g., Washington to district).

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

The schedule of Washington office purchased equipment accounts represents the number of units (34,465) and the acquisition costs of equipment (\$61,709,070) in the Service's inventory on June 30, 1990. In addition, the Service calculates the depreciation and book value of this equipment. At June 30, 1990, the accumulated depreciation and book value of this equipment totaled \$41,641,188 and \$20,067,882, respectively. At June 30, 1989, the accumulated depreciation and book value of this equipment totaled \$38,037,528 and \$19,068,922, respectively. Miscellaneous equipment includes automatic letter openers and sealers, automatic letter folders and inserters, automatic telephone dialers, pagers, time recorders, and other items.

Note 4. Furnishings and Equipment Inventory—Schedule of District Offices Purchased Furnishings and Equipment Accounts

The schedule of district office purchased furnishings and equipment accounts represents the total number of units (50,829) and the acquisition cost of items (\$21,353,540) in the Service's inventory on June 30, 1990. Miscellaneous equipment includes items such as telephone answering machines, mobile telephones, and cellular telephones. In addition, the Service calculates the depreciation and book value of the furnishings and equipment. At June 30, 1990, the accumulated depreciation and book value of the district office purchased furnishings and equipment totaled \$15,650,190 and \$5,703,350, respectively. At June 30, 1989, the accumulated depreciation and book value of the furnishings and equipment totaled \$12,669,511 and \$5,761,675, respectively.

Note 5. Receipts

The House Finance Office assesses Members' and committees' appropriations for equipment usage fees for their Washington offices. 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 (Allowances and Expenses) Appropriation for equipment purposes.

Effective October 1, 1989, the House Finance Office began reimbursing the Service for district office expenditures. This is referred to as DOPA reimbursements (see note 1). The modified cash basis of accounting restricted reporting in 1990 to only 5 months reimbursements (October-February) since the other 4 months (March-June) were paid after June 1990.

Miscellaneous receipts 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 (Allowances and Expenses) Appropriation for equipment purposes.

Note 6. 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 7. 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, 1990, 829 items were being leased. This total was 217 items less than the 1,046 items being leased at June 30, 1989.

Note 8. Salaries and Benefits

Operating salaries cover employees who work in the repair shop and services division. Administrative salaries cover employees who manage the Service's total operations, maintain equipment records, and process vouchers for payment by the House Finance Office. The benefits consist of the Clerk's contributions for employee benefits such as retirement, Medicare, and health and life insurance. During fiscal year 1990, administrative staff expenses were allocated equally to Washington and district office activities based on estimates by the Service that the

administrative staff spent equal time on Washington and district office matters.

**Note 9. 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.

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