

GAO

United States General Accounting Office 133265

Report to the Clerk of the House of  
Representatives

June 1987

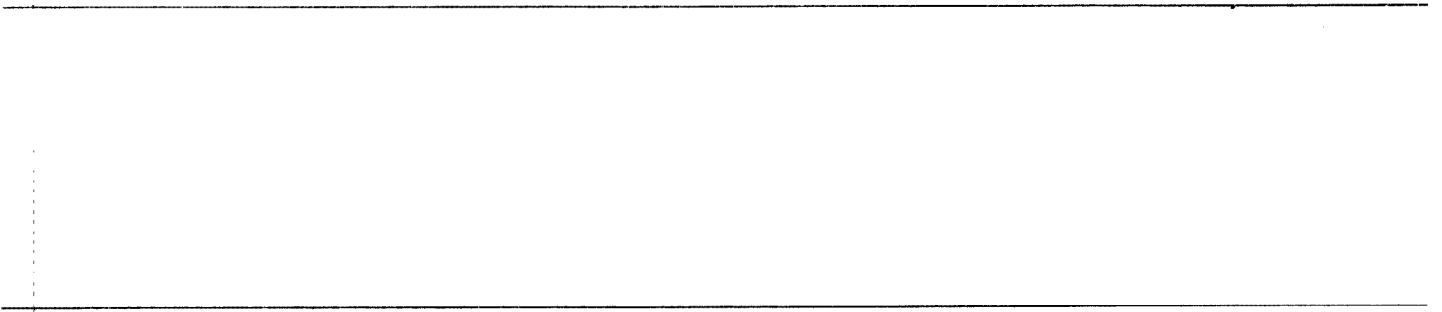
# FINANCIAL AUDIT

## House Office Equipment Service Schedules for Fiscal Year 1986



133265

039245





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

Comptroller General  
of the United States

B-114865

June 23, 1987

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

Dear Mr. Anderson:

Pursuant to an April 15, 1986, letter from the former Clerk of the House, Benjamin Guthrie, we have examined the schedule of purchased equipment accounts and the 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, 1986. 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 as we considered necessary in the circumstances. We completed our audit work on October 10, 1986.

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.

In our opinion, the schedules referred to above present fairly the purchased equipment accounts and revenues and costs of the House Office Equipment Service for the year ended June 30, 1986, on the cash basis of accounting described in note 2 to the schedules, which basis has been 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, 1986, are included in this report.

Sincerely yours,

A large, stylized handwritten signature in black ink, which appears to read "Charles A. Bowsher".

*for*  
Charles A. Bowsher  
Comptroller General  
of the United States

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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the schedule of purchased equipment accounts and the schedule of revenues and costs of the House Office Equipment Service for the fiscal year ended June 30, 1986. 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, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended June 30, 1985, is presented in GAO/AFMD-86-18, dated March 20, 1986.)

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: accountability for equipment, depreciation, assessments to authorized users' accounts, income, and 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 a 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 and 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 the 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 believe 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, 1986

Inventory Items (note 3)	Inventory July 1, 1985		Acquisitions		Disposals		June 30, 1986	
	Units	Cost	Units	Cost	Units	Cost	Units	Cost
Word processors	2,119	\$8,040,176	2,505	\$7,496,563	178	\$1,023,389	4,446	\$14,513,350
Computers	2,137	4,362,426	2,427	3,493,177	64	78,279	4,500	7,777,324
Photocopiers	692	4,818,642	206	1,579,468	164	1,078,690	734	5,319,420
Typewriters	5,351	3,623,203	48	28,458	547	303,893	4,852	3,347,768
Miscellaneous	1,561	1,822,302	219	1,300,783	105	60,959	1,675	3,062,126
Automatic typewriters	1,082	2,358,975	107	224,664	213	471,308	976	2,112,331
Television broadcasting equipment	331	1,457,834	0	0	0	0	331	1,457,834
Facsimile transceivers	182	407,023	121	255,844	36	74,212	267	588,655
Dictating machines	1,599	596,092	157	60,210	324	123,746	1,432	532,556
Software	571	401,450	103	103,015	139	84,496	535	419,969
Duplicators	303	347,659	6	12,415	79	60,867	230	299,207
Television sets	992	261,587	117	26,703	1	282	1,108	288,008
Telephone accessories	430	260,770	6	3,932	10	5,882	426	258,820
Adding machines and calculators	785	145,345	58	10,111	66	12,112	777	143,344
Microfiche reader/printers	71	77,900	2	1,507	6	7,652	67	71,755
Video recording equipment	61	29,173	101	41,166	2	798	160	69,541
Signature machines	43	52,516	3	7,790	3	3,210	43	57,096
Acoustical hoods	121	33,975	80	23,159	28	5,036	173	52,098
Addressing machines	22	21,723	1	2,095	14	14,140	9	9,678
<b>Total</b>	<b>18,453</b>	<b>\$29,118,771</b>	<b>6,267</b>	<b>\$14,671,060</b>	<b>1,979</b>	<b>\$3,408,951</b>	<b>22,741</b>	<b>\$40,380,880</b>

The accompanying notes are an integral part of this schedule.

# Schedule of Revenues and Costs

		Fiscal year ended June 30, 1986
<b>Revenues (note 4)</b>		
Equipment usage fees		\$19,671,226
Miscellaneous		30,937
<b>Total revenues</b>		<b>19,702,163</b>
<b>Costs</b>		
<b>Operating Costs</b>		
Equipment leasing (note 6)		9,366,810
Vendor services (note 7)		3,875,994
Equipment repair parts		141,698
Depreciation		4,614,263
Book value of disposed equipment (note 8)		809,896
Operating salaries and benefits (note 9)		558,829
<b>Total operating costs</b>		<b>19,367,490</b>
<b>Administrative Costs</b>		
Administrative salaries and benefits (note 9)		380,358
Data processing services		772,528
Equipment usage		69,578
Telephone services		16,589
Office supplies		4,856
Property supplies		3,184
Miscellaneous		2,449
<b>Total administrative costs</b>		<b>1,249,542</b>
<b>Total costs (note 5)</b>		<b>20,617,032</b>
<b>Excess of Costs over Revenues</b>		<b>\$914,869</b>

The accompanying notes are an integral part of this schedule.

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# Notes to Schedules

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## 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 Congressional Handbook describes the Service's activities which, in general, include purchasing, leasing, and servicing House office equipment.

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## 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 1986, the full cost of acquired equipment was \$14,671,060, as shown in the schedule of purchased equipment accounts. However, trade-in allowances, purchase discounts, and vendor credits totaling \$226,427 resulted in a net equipment cost of \$14,444,633.

The schedule of revenues and costs is prepared 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 as described in the preceding paragraph.

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Equipment 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.

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**Note 3: Equipment Inventory**

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, 1986.

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 1986, the Clerk disposed of 404 items as trade-ins, returns, cancellations, and donations to the White House. The Clerk also transferred 1,471 items to the General Services Administration and classified 104 items as missing.

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.

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**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.

Revenues do not include \$11,485 for used equipment transferred to and sold by the General Services Administration. The Finance Office collected these funds and returned them to the U.S. Treasury since the House of Representatives could not retain them for its own use.

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**Note 5: Costs Not Included**

Total costs do not include certain expenses paid from appropriated funds of the Clerk 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.

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<b>Note 6: Equipment Leasing</b>	Members, committees, officers, and qualified individuals and organizations have the option of leasing equipment items listed in the authorized users' guide. During fiscal year 1986, the Service leased and placed in use as many as 3,400 equipment items.
<b>Note 7: Vendor Services</b>	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.
<b>Note 8: Book Value of Disposed Equipment</b>	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.
<b>Note 9: Salaries and Benefits</b>	Operating salaries and benefits cover 18 persons who work in the repair shop and services division. Administrative salaries and benefits cover 14 persons who manage the Service's total operations, maintain equipment records, and process vouchers for payment by the Finance Office.

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