

GAO

Report to the Chief Administrative
Officer of the House of Representatives

March 1995

FINANCIAL AUDIT

House Office Systems Management—Fiscal Year Ended 9/30/93 and Three Months Ended 9/30/92





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

Comptroller General
of the United States

B-259437

March 30, 1995

Mr. Scot M. Faulkner
Chief Administrative Officer
House of Representatives

Dear Mr. Faulkner:

As requested by the Acting Director of the former Office of Non-Legislative and Financial Services, we have audited the House Office Systems Management's Statements of Cash Receipts and Disbursements for the fiscal year ended September 30, 1993, and the 3 months ended September 30, 1992. We found

- the Statements of Cash Receipts and Disbursements to be reliable in all material respects;
- internal controls in effect on September 30, 1993, provided reasonable assurance that losses, noncompliance with laws and regulations, or misstatements material to the financial statements would be prevented or detected; and
- no material noncompliance with laws and regulations we tested.

The following sections outline each of our conclusions in more detail and discuss the scope of our audits.

Opinion on Financial Statements

The House Office Systems Management's financial statements are prepared on a cash basis, which is a comprehensive basis of accounting other than that required by generally accepted accounting principles. The financial statements referred to above and the accompanying notes present fairly, in conformity with the basis of accounting described in note 2, the House Office Systems Management's cash receipts and disbursements.

As discussed in note 2, the Statements of Cash Receipts and Disbursements present only the results of activities financed from funds allocated or reimbursed to the House Office Systems Management. They do not include costs which cannot be readily determined such as space, building repairs, utilities, and office furniture financed from other legislative appropriations.

Opinion on Internal Controls

The internal controls we evaluated were those designed to

- safeguard assets against loss from unauthorized use or disposition;
- assure the execution of transactions in accordance 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 to maintain accountability for assets.

As of September 30, 1993, management corrected an internal control weakness identified in our last report.¹ Specifically, we noted that the House Office Systems Management did not have procedures to prevent or detect all unauthorized changes to its automated data files. Among other things, these automated files are used to maintain and bill equipment usage fees. In response to our concern, management arranged to receive copies of daily reports which list all changes made to data files. Management periodically reviews these reports to ensure that all changes were authorized.

Those controls in effect on September 30, 1993, provided reasonable assurance that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected.

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.

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.

¹Financial Audit: House Office Systems Management—Three Months Ended 9/30/92 and Fiscal Years Ended 6/30/92 and 6/30/91 (GAO/AIMD-94-18 January 14, 1994).

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are reliable (free of material misstatement and presented fairly in conformity with the basis of accounting described in note 2) and (2) relevant internal controls are in place and operating effectively. We are also 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;
- evaluated and tested relevant internal controls, including those over 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.

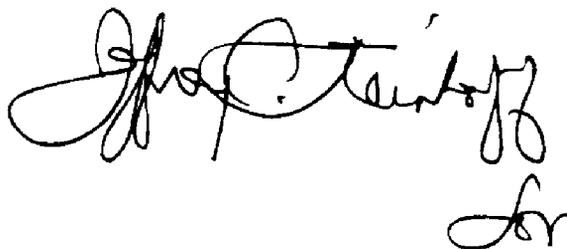
We limited our work to accounting and other controls necessary to achieve the objectives outlined in our opinion on internal controls. Because of inherent limitations in any system of internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our 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 work in accordance with generally accepted government auditing standards. We completed our audit work on January 4, 1995.

As adopted in the Rules of the House of Representatives for the 104th Congress, the Office of Inspector General was directed to coordinate and contract with an independent accounting firm, or firms, for a series of audits that will result in a consolidated report of the financial operations of the House, including the House Office Systems Management. Such a consolidated report should provide valuable information on the overall results of operations and current financial position of the U.S. House of Representatives. We continue to strongly encourage all federal entities to

prepare and have audited comprehensive financial statements as an integral facet of their financial management program.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowshe". The signature is written in a cursive style with a large initial "C" and a long horizontal stroke. Below the main signature, there is a smaller, more compact signature that appears to be "CB".

Charles A. Bowshe
Comptroller General
of the United States

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Financial Statements

Statements of Cash Receipts and Disbursements

	Year ended <u>September 30, 1993</u>	Three months ended <u>September 30, 1992</u>
Receipts (note 2)		
Equipment usage fees	\$27,333,556	\$ 4,289,335
Appropriations received for equipment expenditures	13,317,932	0
Appropriations received for other expenditures	4,583,599	959,560
Miscellaneous	<u>202,997</u>	<u>93,301</u>
Total Receipts	<u>45,438,084</u>	<u>5,342,196</u>
Disbursements (note 2)		
Equipment purchases	18,283,549	4,891,484
Vendor services (note 3)	14,422,145	4,900,492
Salaries and benefits	2,314,670	551,850
Data processing services	1,670,866	388,190
Equipment leasing (note 4)	611,035	166,558
Quarterly payments to the General Services Administration	554,517	0
Equipment repair parts (note 3)	211,964	4,799
Equipment usage	89,266	22,229
Office supplies	21,455	8,353
Telephone services	18,733	4,298
Property supplies	3,358	6,869
Miscellaneous	<u>80,461</u>	<u>8,840</u>
Total Disbursements	<u>38,282,019</u>	<u>10,953,962</u>
Excess of Receipts Over Disbursements (Disbursements Over Receipts)	<u>\$ 7,156,065</u>	<u>\$(5,611,766)</u>

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Description of the Office

Until April 1, 1993, the House of Representatives Office Systems Management operated under the jurisdiction of the Clerk of the House of Representatives in accordance with Committee on House Administration regulations. Effective April 1, 1993, the operational and financial responsibility for the House Office Systems Management was transferred from the Clerk of the House of Representatives to the Director, Non-Legislative and Financial Services. Subsequently, on January 4, 1995, the Director's responsibilities were transferred to the Chief Administrative Officer of the House of Representatives.

Under 2 U.S.C. 112e and 117e and 48 U.S.C. 1715 and 1735, which were applicable during fiscal year 1993, 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 could be furnished with office equipment by the Director, Non-Legislative and Financial Services, subject to legislative limits and regulations prescribed by the Committee on House Administration. Other qualified individuals and organizations could also be provided office equipment either directly by the Director or through their sponsoring Members. The Committee on House Administration approved the list of equipment, services, and usage fees compiled by the Director. The House edition of the Congressional Handbook describes the Office's activities which include purchasing, leasing, servicing, and disposing of House office 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 cash receipts and disbursements are presented on a 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. 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.

Note 3. 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 4. Equipment Leasing

Members, committees, officers, and qualified individuals and organizations have the option of leasing equipment items listed in an authorized users' guide. At September 30, 1993 and September 30, 1992, 324 and 481 items, respectively, were being leased.

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