



STATE AUDITOR'S OFFICE

THE COMMONWEALTH
OF MASSACHUSETTS

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STATE AUDITOR'S
REPORT ON THE ACTIVITIES
OF THE
OFFICE OF LEGISLATIVE POST AUDIT AND
OVERSIGHT BUREAU
OF THE HOUSE OF REPRESENTATIVES
JULY 1, 1983 TO JUNE 30, 1985

JOHN J. FINNEGAN,
AUDITOR

ONE ASHBURTON PLACE
BOSTON, MASSACHUSETTS
02108

MR.

NO. 86-1280-1

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OFFICIAL AUDIT REPORT

MAY 23 1986

ISSUED BY THE
Department of the State Auditor

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THE COMMONWEALTH
OF MASSACHUSETTS

AUDITOR'S REPORT

Mr. Richard F. Tobin, Jr., Director
Office of Legislative Post Audit and
Oversight Bureau of the House of
Representatives
Room 146, State House
Boston, Massachusetts 02133

We have examined the financial statement of the House Post Audit and Oversight Bureau for the two fiscal years ended June 30, 1985, as listed in the Table of Contents. We made our examination in accordance with generally accepted government auditing standards for financial and compliance audits and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with applicable laws and regulations, as we considered necessary in the circumstances.

As described in the Note to Financial Statement (page 6), the bureau's records are maintained on a basis prescribed by the Commonwealth of Massachusetts. This basis differs in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present the bureau's financial activity in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statement presents fairly the House Post Audit and Oversight Bureau's expenditures under appropriations for the two fiscal years ended June 30, 1985, in conformity with the Commonwealth's basis of accounting, which has been applied on a consistent basis.

JOHN J. FINNEGAN,
AUDITOR

STATE HOUSE, ROOM 229
BOSTON, MASSACHUSETTS
02133
617-727-2075

The tested items of the bureau complied with applicable laws and regulations, and our audit procedures revealed nothing that caused us to believe that the untested items did not comply with applicable laws and regulations.

March 21, 1986



JOHN J. FINNEGAN
Auditor of the Commonwealth

REPORT ON ADEQUACY OF INTERNAL CONTROL SYSTEM

As part of our financial and compliance audit examination of the House Post Audit and Oversight Bureau for the two fiscal years ended June 30, 1985, we studied the bureau's internal accounting control system 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 bureau's financial statement. Our study and evaluation were more limited than would be necessary to express an opinion on the internal accounting control system taken as a whole. For the purpose of the report, we have classified the significant internal accounting controls in the following categories:

1. Expenditures
2. Payroll

Our study included all of the control categories listed above.

The Director of the House Post Audit and Oversight Bureau is responsible for establishing and maintaining an internal accounting control system. In fulfilling this responsibility, management's estimates and judgments are required to assess the expected benefits and related costs of control procedures. The objectives of an internal accounting control 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 financial statements in accordance with the Commonwealth's accounting system.

Because of inherent limitations in any internal accounting control system, errors or irregularities may nevertheless occur and not be detected. Further-

more, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because conditions may change or the degree of compliance with the procedures may deteriorate.

Our study and evaluation, conducted for the limited purpose described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the House Post Audit and Oversight Bureau's internal accounting control system taken as a whole, or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness in the bureau's internal accounting control system.

This report is intended solely for the use of management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

FINANCIAL STATEMENT

Comparative Statement of Expenditures
under Appropriations

Two Fiscal Years Ended June 30, 1985

	<u>1985</u>	<u>1984</u>	<u>Increase (Decrease)</u>
Appropriation (Account No. 0169-7103)	\$834,667	\$834,667	-
Balance Forward	-	32,588	(\$32,588)
	<u>\$834,667</u>	<u>\$867,255</u>	<u>(\$32,588)</u>
Disbursements	\$830,423	\$795,311	\$35,112
Encumbrances	-	-	-
Expenditures	<u>\$830,423</u>	<u>\$795,311</u>	<u>\$35,112</u>
Balance Reverted	4,244	71,944	(67,700)
	<u>\$834,667</u>	<u>\$867,255</u>	<u>(\$32,588)</u>
Analysis of Expenditures:			
Salaries, Other	\$719,146	\$608,825	\$110,321
Services - Nonemployees	37,166	37,761	(595)
Travel and Automotive Expenses	3,709	4,095	(386)
Advertising and Printing	692	23,748	(23,056)
Repairs, Replacements, and Al- terations	2,997	4,425	(1,428)
Special Supplies and Expenses	700	1,139	(439)
Office and Administrative Expenses	17,834	17,625	209
Equipment	47,704	95,771	(48,067)
Rentals	475	1,922	(1,447)
	<u>\$830,423</u>	<u>\$795,311</u>	<u>\$35,112</u>

The accompanying note is an integral
part of this financial statement.

NOTE TO FINANCIAL STATEMENT

Summary of Significant Accounting Policies

According to Chapter 7, Sections 16-17, of the General Laws, as amended, the State Comptroller is responsible for the Commonwealth's accounting system. The Comptroller establishes and maintains funds as authorized or mandated by the various provisions of the General Laws. The State Treasurer, a constitutional officer, has custody of and manages the Commonwealth's cash and investments.

The financial statement in this report refers to a specific account within the Commonwealth's fund structure. The House Post Audit and Oversight Bureau is required to follow accounting and financial reporting policies prescribed by the Commonwealth. These policies differ in certain respects from generally accepted accounting principles as applicable to governmental units. The following is a summary of the Commonwealth's significant policies as they pertain to the House Post Audit and Oversight Bureau.

Basis of Accounting: The House Post Audit and Oversight Bureau uses a limited accrual basis of accounting. Expenditures, with the exception of year-end encumbrances, are recorded on a cash basis. At the close of the fiscal year, all encumbrances (expenditure commitments) against lapsing appropriation accounts are recorded as expenditures. The State Comptroller considers these encumbrances as accounts payable, which, if not expended, will revert to the Commonwealth on December 31. Encumbrances on continuing appropriation accounts are recorded as reserve for balances forwarded at the close of the fiscal year.

The Commonwealth's accounting system requires state agencies to expense, rather than capitalize, purchases of fixed assets.

SUPPLEMENTARY INFORMATION

1. Audit Review

At the conclusion of the audit, we reviewed a draft of this report with Mr. Richard F. Tobin, Jr., Director; and Mr. Michael DelVecchio, Deputy Director.

2. Reports Published by the Bureau

During the audit period, the bureau completed and published the following reports:

<u>Report Title</u>	<u>Publication Date</u>
Educational Leave of Absence Program	January 1984
Management Review: Records Management Program	June 1984
Management Review: State Automobile Travel System	March 1985
Management Review: Marine Excise Tax System	April 1985
Massachusetts Dams . . . Are They Safe?	August 1985

ORGANIZATION

March 21, 1986

The Legislative Post Audit and Oversight Bureau was authorized by Chapter 3, Sections 63 and 64, of the General Laws, as amended. The bureau operated under the direction of the General Court's Joint Committee on Post Audit and Oversight. At the end of fiscal year 1981, the bureau was abolished and two separate bureaus, the Office of Legislative Post Audit and Oversight Bureau of the Senate and the Office of Legislative Post Audit and Oversight Bureau of the House of Representatives, were created under Chapter 351 of the Acts of 1981. Since July 1, 1981, each of these bureaus has operated under the direction of its legislative committee.

Office of Legislative Post Audit and Oversight Bureau
of the House of Representatives

As of March 21, 1986, the bureau's committee members, officers, location, and functions were as follows:

Committee Members

Representative Robert A. Cerasoli, Chairman
 Representative Denis Lawrence, Vice-Chairman
 Representative Robert A. Vigneau
 Representative Alfred E. Saggese, Jr.
 Representative William A. Carey
 Representative William P. Nagle, Jr.
 Representative Majorie A. Clapprood
 Representative Albert Herren
 Representative Daniel J. Ranieri
 Representative Bruce N. Freeman
 Representative Mary Jane McKenna

Officers

	<u>Date of Appointment</u>	<u>Annual Salary</u>
Director: Richard F. Tobin, Jr.	March 1, 1978	\$42,000
Deputy Director: Michael DelVecchio	July 1, 1985	35,690

Location

The bureau's office is located in Room 146 of the State House, Boston.

Functions

As directed by the committee, the House Post Audit and Oversight Bureau conducts audits, special studies, and investigations of matters affecting the Commonwealth. The bureau conducts its audits with an emphasis on performance auditing, which is defined by Chapter 3, Section 63, of the General Laws, as amended, as:

An auditing program conducted for the particular purpose of making an appraisal or evaluation of the efficiency of operations, the effectiveness of programs, and the faithfulness of administrative compliance with the intent of legislation and administrative regulations affecting a specified agency of the Commonwealth.

According to Chapter 3, Section 64, of the General Laws, as amended, the bureau has "access to an authority to examine, during regular business hours, any and all records, including, but not limited to books, reports, accounts, vouchers, bank accounts, and money or other property of any agency of the state." The committee also has the power "to summon witnesses, administer oaths, take testimony and compel the production of books, papers, documents and other evidence in connection with any authorized examination and review."