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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, 1986 TO JUNE 30, 1987

OFFICIAL AUDIT REPORT

JUN - 7 1988

ISSUED BY THE
Department of the State Auditor

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AUDITOR OF THE COMMONWEALTH

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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 statements of the House Post Audit and Oversight Bureau for the fiscal year ended June 30, 1987, 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 other auditing procedures, including tests of compliance with applicable laws and regulations, as we considered necessary in the circumstances.

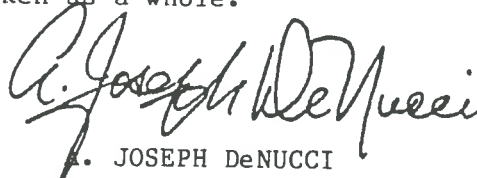
As described in the Notes to Financial Statements, No. 1 (page 7), the House Post Audit and Oversight Bureau records are maintained on a basis prescribed by the Commonwealth of Massachusetts. This basis differs in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present the Bureau's results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements present fairly the House Post Audit and Oversight Bureau's financial activity for the fiscal year ended June 30, 1987, in conformity with the Commonwealth's accounting system. The tested items 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.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule (page 9) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the audit procedures applied in the examination of the financial statements mentioned above and is, in our opinion, fairly stated in all material respects in relation to the financial statements, taken as a whole.

February 26, 1988

A handwritten signature in dark ink, appearing to read "A. Joseph DeNucci". The signature is stylized with a large, looped initial "A" and a long, sweeping underline.

A. JOSEPH DeNUCCI
Auditor of the Commonwealth

REPORT ON ADEQUACY OF INTERNAL CONTROL SYSTEM

We have examined the financial statements of the House Post Audit and Oversight Bureau for the fiscal year ended June 30, 1987 and have issued our report thereon dated February 26, 1988. As part of our examination, we made a study and evaluation of the system of internal accounting controls of the House Post Audit and Oversight Bureau to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. For the purpose of the report, we have classified the significant internal accounting controls in the following categories:

- o Purchasing/disbursements
- o Receiving
- o Payroll
- o Inventory/property and equipment

Our study and evaluation included all of the control categories listed above. 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 House Post Audit and Oversight Bureau's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the House Post Audit and Oversight Bureau 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 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) trans-

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actions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the Commonwealth's accounting system. 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 procedures may deteriorate.

Our study and evaluation, conducted for the limited purpose described in the second paragraph, 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 House Post Audit and Oversight Bureau taken as a whole or on any of the categories identified in the first paragraph. However, our study and evaluation disclosed no conditions that we believed to be a material weakness.

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.

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FINANCIAL STATEMENTS

Statement No. IStatement of Expenditures under Appropriation

Fiscal Year Ended June 30, 1987

Appropriation (Account No. 0169-7103)	<u>\$954,928</u>
Expenditures	\$948,053
Reverted	<u>6,875</u>
	<u>\$954,928</u>
Analysis of Expenditures:	
Salaries, Other	\$696,545
Services, Nonemployees	126,251
Travel and Automotive Expenses	2,314
Advertising and Printing	7,993
Maintenance-Repairs, Replacements, and Alterations	11,567
Office and Administrative Expenses	25,114
Special Supplies and Expenses	19,565
Equipment	58,560
Rentals	144
	<u>\$948,053</u>

The accompanying notes are an integral part of these financial statements.

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Statement No. IIComparative Statement of Budget and Actual Expenditures
under Appropriation

Fiscal Year Ended June 30, 1987

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Actual (Under)/Over Budget</u>
Appropriation (Account No. 0169-7103)	<u>\$954,928</u>	<u>\$948,053</u>	<u>\$(6,875)</u>
Expenditures:			
Salaries, Other	\$696,545	\$696,545	-
Services, Nonemployees	126,251	126,251	-
Travel and Automotive Expenses	2,314	2,314	-
Advertising and Printing	7,993	7,993	-
Maintenance-Repairs, Replace- ments, and Alterations	11,567	11,567	-
Special Supplies and Expenses	19,565	19,565	-
Office and Administrative Expenses	25,114	25,114	-
Equipment	65,435	58,560	\$(6,875)
Rentals	144	144	-
Total Expenditures	<u>\$954,928</u>	<u>\$948,053</u>	<u>\$(6,875)</u>

The accompanying notes are an integral
part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

According to Chapter 7A, Section 7, of the General Laws, as amended, the State Comptroller is responsible for the Commonwealth's accounting system. The State 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 activities in this report refer to specific accounts within the Commonwealth's fund structure. The House Post Audit and Oversight Bureau is required to follow the 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 bureau uses a limited accrual basis of accounting. Receipts are recognized when received, and 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 maintenance 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.

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

2. Fiscal Year 1987 Expenditures

As described in Note No. 1, at fiscal year-end all encumbrances against appropriation accounts for ordinary maintenance that expire at the end of the

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fiscal year are recorded as expenditures. The State Comptroller considers these fiscal year-end encumbrances as accounts payable. In accordance with Chapter 29, Section 13, of the General Laws, these encumbrances are to be paid within four months of fiscal year-end, but are extendable to six months upon request. The unencumbered balance is reverted to the Commonwealth.

Fiscal year 1987 expenditures as indicated on Financial Statement No. I (page 5) have been adjusted to reflect the final disposition of fiscal year-end encumbrances.

SUPPLEMENTARY SCHEDULE

Status of Fiscal Year 1986 Accounts Payable

July 1, 1986 to December 31, 1986

Maintenance Appropriation (Account No. 0169-7103)

<u>Subsidiary Accounts</u>	Accounts Payable Balances <u>July 1, 1986</u>	<u>Expenditures</u>	<u>Reverted</u>
Salaries, Other	\$ 4,035	\$ 4,035	-
Services, Nonemployees	20,206	20,206	-
Travel and Automotive Expenses	53	53	-
Advertising and Printing	7,589	7,589	-
Repairs, Replacements, and Alterations	839	839	-
Office and Administrative Ex- penses	2,826	2,606	\$220
Equipment	27,951	27,951	-
Rentals	32	32	-
Total	<u>\$63,531</u>	<u>\$63,311</u>	<u>\$220</u>

SUPPLEMENTARY INFORMATION

1. Audit Review

At the audit's conclusion, we reviewed a draft of this report with Mary C. Bono, Staff Director of the Bureau.

2. Accounts Payable

As described in the Notes to Financial Statements, No. 1, encumbrances outstanding at year-end for lapsing appropriations are recorded as expenditures at year-end and are reported as accounts payable by the State Comptroller. Chapter 29, Section 13, of the Massachusetts General Laws requires the State Comptroller to encumber (reserve) that portion of appropriated monies representing encumbrances outstanding for ordinary maintenance at the close of the fiscal year. The liquidation or payment of accounts payable shall be in four months immediately succeeding the fiscal year and, if necessary, may be extended, prior to the close of the four months, for an additional two months, provided, however, that a written request and approval is furnished to the Comptroller. The Supplementary Schedule discloses the financial disposition of encumbrances outstanding (accounts payable) for the fiscal year ended 1986.

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ORGANIZATION

February 26, 1988

The Legislative Post Audit and Oversight Bureau is authorized by Chapter 3, Sections 63 and 64, of the General Laws, as amended.

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

As of February 26, 1988, 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 Patrick F. Landers III
Representative Alfred E. Saggese, Jr.
Representative Larry F. Giordano
Representative William P. Nagle, Jr.
Representative Majorie A. Clapprood
Representative Albert Herren
Representative Kevin O'Sullivan
Representative Peter G. Torkildsen
Representative John C. Bradford

Officers

<u>Name</u>	<u>Date of Appointment</u>
Director: Richard F. Tobin, Jr.	March 1, 1978
Deputy Director: Michael J. DelVecchio	July 1, 1985

The bureau's offices are located in Rooms 49 and 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:

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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 and 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."