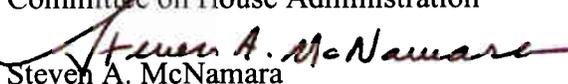


Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: The Honorable Bill Thomas, Chairman
Committee on House Administration

The Honorable Steny Hoyer, Ranking Minority Member
Committee on House Administration

FROM: 
Steven A. McNamara
Inspector General

DATE: September 8, 2000

SUBJECT: Final Report - Audit Of The Financial Statements For The Year Ended
December 31, 1999 (Report No. 00-HOC-05)

Attached is our final report on the audit of the House of Representatives' (House) consolidating financial statements for the year ended December 31, 1999. The report includes the House's *Financial Statements, Notes to the Financial Statements, Supplemental Schedules, Management Report on Internal Controls, and Chief Administrative Officer (CAO) Response to the 1999 Financial Statement Audit Report*. Also included is the *Report of Independent Accountants* encompassing PricewaterhouseCoopers' opinions on the Financial Statements, *Report of Independent Accountants on Compliance with Laws and Regulations*, and *Report of Independent Accountants on Management's Assertions About Internal Controls*.

In accordance with applicable auditing standards, PricewaterhouseCoopers took into consideration in this report any events, which would have required an adjustment to the House's *Financial Statements, Notes to the Financial Statement, or Supplemental Schedules*, up to the issuance date of this report. In addition, the report discloses problems associated with the House's financial management activities and includes recommendations to improve those activities.

Objectives And Scope Of Audit

The objectives of this audit were to assess whether the House's consolidating financial statements present fairly, as of December 31, 1999, the overall financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. This report also presents opinions on the House's compliance with applicable laws and regulations, and the fairness of management's assertion on whether the House's internal control structure provides reasonable assurance of achieving generally accepted control objectives. As part of this audit, we followed up on the status of the House's efforts to implement prior audit recommendations reported for the year ended December 31, 1998.

This audit was part of our 2000 Annual Audit Plan that was approved by the Committee on House Administration on March 8, 2000. We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. These procedures included the payroll audit work, which was conducted by Office of Inspector General staff, in conjunction with the financial statement audit effort. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Results Of Audit

The House continued to make progress during the past year in improving its financial management and operations. For the first time, the House was able to use the automated features of the accounting system to successfully “close” its books. The trial balance that was produced as part of this closure served as the foundation for the House to compile its consolidating financial statements. For the second year, PricewaterhouseCoopers expressed an “unqualified opinion” on the House’s financial statements. In addition, this year’s *Report of Independent Accountants on Compliance with Laws and Regulations* identifies no instances of noncompliance.

The *Report of Independent Accountants on Management’s Assertions About Internal Controls* identifies three internal control weaknesses--all of which are reportable conditions. During calendar year 1999, the House implemented or initiated corrective actions to address the 16 prior audit recommendations contained in last year’s report. These positive efforts greatly contributed to reducing the House’s five weaknesses cited in last year’s report to three in this year’s report. Due to the House’s progress towards improving financial-related activities, we were able to close (i.e., fully implemented or otherwise resolved) 7 of the 16 prior recommendations.

Prior Audit Coverage

The follow-up work performed on the 16 prior recommendations related to six previously issued audit reports. A brief description of each of these reports is provided below. The status of the remaining nine open recommendations is addressed in the *Report of Independent Accountants on Management’s Assertions About Internal Controls*.

- *Audit Of The Financial Statements For The Year Ended December 31, 1998* (Report No. 99-HOC-07, dated September 24, 1999) identified five reportable conditions that could adversely affect the House’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Two recommendations remain open.
- *Audit Of The Financial Statements For The Year Ended December 31, 1997* (Report No. 98-HOC-11, dated November 4, 1998) identified three material weaknesses and five reportable conditions that could adversely affect the House’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Two recommendations remain open.
- *Audit Of Financial Statements For The Year Ended December 31, 1996* (Report No. 97-HOC-14, dated December 1, 1997) identified 5 material weaknesses and 8 reportable conditions that could adversely affect the House’s ability to record, process, summarize,

and report financial data consistent with the assertions of management in the financial statements. One recommendation remains open.

- *Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer* (Report No. 96-CAO-15, dated December 31, 1996) identified management weaknesses adversely affecting system development and Year 2000 projects related to financial operations. No recommendations remain open.
- *Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994* (Report No. 95-HOC-22, dated July 18, 1995) identified 14 material weaknesses that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Four recommendations remain open.
- *House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction* (Report No. 95-CAO-18, dated July 18, 1995) identified internal control weaknesses related to the integrity, confidentiality, and availability of information and systems. No recommendations remain open.

Recommendations

The *Report of Independent Accountants on Management's Assertions About Internal Controls* contains the three remaining internal control weaknesses and the nine remaining open prior recommendations, for which corrective actions are in varying stages of implementation.

Management Response

The CAO responded to the draft *Report of Independent Accountants on Management's Assertions About Internal Controls* on June 15, 2000. In his response, which is included in its entirety as an appendix to this report, the CAO fully concurred with the reported internal control weakness and recommendations for corrective action.

Office of Inspector General Comments

The actions taken and planned by the CAO are responsive to the issues identified and, when fully implemented, should satisfy the intent of the recommendations. Further, the milestone dates provided for completing actions on the open recommendations appear reasonable.

Attachments

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Members, Committee on House Administration

Table of Contents

Transmittal Memorandum

Report of Independent Accountants 1

Financial Statements..... 5

Statement of Financial Position 6

Statement of Operations 8

Statement of Cash Flows 10

Notes to the Financial Statements 13

Supplemental Schedules 27

Organization and Composition of Financial Statements 29

Officers and Legislative Offices 33

Chief Administrative Officer 41

Capitol Police and Other Joint Functions 49

Report of Independent Accountants on Compliance with Laws and Regulations 53

Report of Independent Accountants on Management's Assertion

About Internal Control 57

Management Comments..... 75

Management Report on Internal Controls

CAO Response to the 1999 Financial Statement Audit Report

This Page Intentionally Left Blank

Report of Independent Accountants

This Page Intentionally Left Blank

Report of Independent Accountants

To the Inspector General,
U.S. House of Representatives

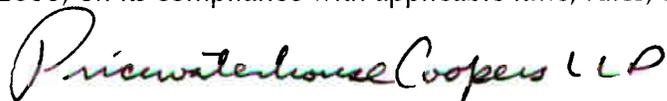
We have audited the accompanying consolidating statement of financial position of the U.S. House of Representatives (House) as of December 31, 1999, the related consolidating statements of operations and cash flows for the year then ended, the consolidated statement of financial position as of December 31, 1998 and the consolidated statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Members and administrative management of the House. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidating and consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. House of Representatives as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the consolidating and consolidated financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis of the consolidating financial statements rather than to present the financial position, results of operations, and cash flows of individual entities within the House. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the consolidating financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the consolidating financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2000 on our consideration of the House's internal control and a report dated June 27, 2000, on its compliance with applicable laws, rules, and regulations.



June 27, 2000
Arlington, Virginia

This Page Intentionally Left Blank

Financial Statements

U.S. House of Representatives
Consolidating Statement of Financial Position as of December 31, 1999 and
Consolidated Statement of Financial Position as of December 31, 1998

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
ASSETS			
Fund Balance with the U.S. Treasury (Note 4)	\$ 0	\$ 0	\$ 0
Cash (Note 4)	0	0	0
Fund Balance with U.S. Treasury and Cash	<u>0</u>	<u>0</u>	<u>0</u>
Accounts Receivable	171,773	30,760	5,397
Interoffice Receivable	0	0	0
Appropriations Receivable	22,669,108	1,772,009	556,726
Advances and Prepayments	1,842,287	333,539	40,662
Inventory	0	0	0
Property and Equipment, Net (Note 5)	<u>4,454,014</u>	<u>3,185,082</u>	<u>378,717</u>
Total Assets	<u>\$ 29,137,182</u>	<u>\$ 5,321,390</u>	<u>\$ 981,502</u>
LIABILITIES AND NET POSITION			
Accounts Payable (Note 7)	\$ 11,529,797	\$ 1,525,821	\$ 323,657
Interoffice Payable	6,773,150	610,488	279,128
Appropriations Payable	0	0	0
Capital Lease Liabilities (Note 6)	0	0	0
Accrued Funded Payroll and Benefits (Note 8)	6,380,221	0	0
Accrued Unfunded Annual Leave and Workers' Compensation (Note 8)	1,164,824	311,543	41,184
Unfunded Workers' Compensation Actuarial Liability (Note 9)	<u>9,989,674</u>	<u>2,671,827</u>	<u>353,200</u>
Total Liabilities	<u>35,837,666</u>	<u>5,119,679</u>	<u>997,169</u>
Unexpended Appropriations	0	0	0
Cumulative Results of Operations	<u>(6,700,484)</u>	<u>201,711</u>	<u>(15,667)</u>
Total Net Position (Note 10)	<u>(6,700,484)</u>	<u>201,711</u>	<u>(15,667)</u>
Total Liabilities and Net Position	<u>\$ 29,137,182</u>	<u>\$ 5,321,390</u>	<u>\$ 981,502</u>

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

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Eliminations	1999 Consolidated	1998 Consolidated
\$ 723,930,142	\$ 140,440,313	\$ 0	\$ 864,370,455	\$ 850,007,690
0	29,200	0	29,200	186,597
<u>723,930,142</u>	<u>140,469,513</u>	<u>0</u>	<u>864,399,655</u>	<u>850,194,287</u>
250,393	4,400	0	462,723	496,173
7,785,097	0	(7,785,097)	0	0
3,209,217	0	(28,207,060)	0	0
3,354,346	84,320	0	5,655,154	4,857,975
1,353,778	0	0	1,353,778	1,252,734
<u>14,476,321</u>	<u>9,020,317</u>	<u>0</u>	<u>31,514,451</u>	<u>31,087,146</u>
<u>\$ 754,359,294</u>	<u>\$ 149,578,550</u>	<u>\$ (35,992,157)</u>	<u>\$ 903,385,761</u>	<u>\$ 887,888,315</u>
\$ 9,387,290	\$ 3,708,458	\$ 0	\$ 26,475,023	\$ 19,319,520
73,061	49,270	(7,785,097)	0	0
28,207,060	0	(28,207,060)	0	0
346,283	0	0	346,283	966,017
0	1,588,511	0	7,968,732	7,629,347
4,119,974	1,553,767	0	7,191,292	6,659,030
<u>1,611,735</u>	<u>1,221,615</u>	<u>0</u>	<u>15,848,051</u>	<u>17,561,799</u>
<u>43,745,403</u>	<u>8,121,621</u>	<u>(35,992,157)</u>	<u>57,829,381</u>	<u>52,135,713</u>
700,861,784	135,211,994	0	836,073,778	869,146,727
<u>9,752,107</u>	<u>6,244,935</u>	<u>0</u>	<u>9,482,602</u>	<u>(33,394,125)</u>
<u>710,613,891</u>	<u>141,456,929</u>	<u>0</u>	<u>845,556,380</u>	<u>835,752,602</u>
<u>\$ 754,359,294</u>	<u>\$ 149,578,550</u>	<u>\$ (35,992,157)</u>	<u>\$ 903,385,761</u>	<u>\$ 887,888,315</u>

U.S. House of Representatives
Consolidating Statement of Operations for the Year Ended December 31, 1999 and
Consolidated Statement of Operations for the Year Ended December 31, 1998

	Members	Committees	Leadership Offices
REVENUE AND FINANCING SOURCES			
Revenue from Operations			
Sales of Goods	\$ 0	\$ 0	\$ 0
Sales of Services to Federal Agencies	0	0	0
Sales of Services to the Public	0	0	0
Interoffice Sales (Note 11)	0	0	0
Other Revenue	0	0	0
Revenue from Operations	0	0	0
 Financing Sources			
Appropriations to Cover Expenses	553,110,761	131,992,353	19,584,404
Imputed Financing Source (Note 12)	22,666,119	6,543,592	865,026
Total Revenue and Financing Sources	\$ 575,776,880	\$ 138,535,945	\$ 20,449,430
EXPENSES			
Personnel Compensation	\$ 334,561,429	\$ 89,425,025	\$ 11,821,482
Benefits (Note 12)	114,190,515	31,584,278	4,232,523
Postage and Delivery	20,588,873	97,209	28,136
Repairs and Maintenance	31,482,874	5,151,808	2,324,426
Depreciation and Amortization (Note 5)	6,290,046	2,200,586	163,704
Rent, Utilities, and Communications	17,481,606	73,483	12,972
Telecommunications	12,905,458	580,659	332,765
Supplies and Materials	5,951,844	748,435	455,425
Travel and Transportation	13,464,087	2,773,387	519,936
Contract, Consulting, and Other Services	3,662,493	5,055,001	262,242
Printing and Reproduction	10,265,759	140,232	72,766
Subscriptions and Publications	4,569,994	649,465	171,314
Cost of Goods Sold	0	0	0
Loss on Disposal of Assets	361,902	56,377	51,739
Interest on Capital Leases	0	0	0
Total Expenses	\$ 575,776,880	\$ 138,535,945	\$ 20,449,430
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0

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

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Eliminations	1999 Consolidated	1998 Consolidated
\$ 2,985,129	\$ 0	\$ 0	\$ 2,985,129	\$ 3,203,015
1,323,882	0	0	1,323,882	2,414,897
505,831	50,858	0	556,689	574,895
45,195,945	0	(45,195,945)	0	0
586,421	0	0	586,421	244,939
<u>50,597,208</u>	<u>50,858</u>	<u>(45,195,945)</u>	<u>5,452,121</u>	<u>6,437,746</u>
98,706,711	59,865,934	0	863,260,163	842,480,106
<u>3,947,305</u>	<u>3,307,541</u>	<u>0</u>	<u>37,329,583</u>	<u>(32,007,344)</u>
<u>\$ 153,251,224</u>	<u>\$ 63,224,333</u>	<u>\$ (45,195,945)</u>	<u>\$ 906,041,867</u>	<u>\$ 816,910,508</u>
\$ 53,944,075	\$ 40,887,015	\$ 0	\$ 530,639,026	509,554,297
19,318,570	14,902,222	0	184,228,108	109,441,939
429,118	7,699	0	21,151,035	22,567,034
34,610,155	2,754,107	(28,472,561)	47,850,809	54,828,742
5,892,455	1,028,105	0	15,574,896	22,473,191
745,881	1,026	0	18,314,968	15,111,333
17,283,589	90,428	(12,421,254)	18,771,645	12,978,865
5,074,734	983,327	(3,588,696)	9,625,069	10,101,446
232,996	762,911	0	17,753,317	18,395,190
13,124,118	1,618,084	(341,985)	23,379,953	24,553,560
44,751	24,702	(371,449)	10,176,761	9,285,733
278,329	142,894	0	5,811,996	5,459,811
2,206,364	0	0	2,206,364	1,806,639
38,800	21,813	0	530,631	307,468
27,289	0	0	27,289	45,260
<u>\$ 153,251,224</u>	<u>\$ 63,224,333</u>	<u>\$ (45,195,945)</u>	<u>\$ 906,041,867</u>	<u>\$ 816,910,508</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

U.S. House of Representatives
Consolidating Statement of Cash Flows for the Year Ended December 31, 1999 and
Consolidated Statement of Cash Flows for the Year Ended December 31, 1998

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess/(Deficiency) of Revenue and Financing Sources over Expenses	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow			
Appropriations to Cover Expenses	(553,110,761)	(131,992,353)	(19,584,404)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(12,916,499)	1,438,736	(389,825)
(Increase)/Decrease in Advances and Prepayments	(418,634)	(51,939)	2,143
(Increase)/Decrease in Inventory	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	6,954,912	(1,387,196)	387,682
Increase/(Decrease) in Other Accrued Liabilities	11,165,293	2,983,370	394,384
Loss on Disposal of Assets	361,902	56,377	51,739
Depreciation and Amortization	6,290,046	2,200,586	163,704
Net Cash Provided/(Used) by Operating Activities	<u>(541,673,741)</u>	<u>(126,752,419)</u>	<u>(18,974,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property and Equipment	<u>(827,781)</u>	<u>(901,088)</u>	<u>(71,113)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(827,781)</u>	<u>(901,088)</u>	<u>(71,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Appropriations Received (Note 10)	0	0	0
Funds Returned to the U.S. Treasury (Note 10)	0	0	0
Appropriated Funds Allocated (Note 10)	542,501,522	127,653,107	19,045,690
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided/(Used) by Financing Activities	<u>542,501,522</u>	<u>127,653,107</u>	<u>19,045,690</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	(400)	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>0</u>	<u>400</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Eliminations	1999 Consolidated	1998 Consolidated
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(98,706,711)	(59,865,934)	0	(863,260,163)	(842,480,106)
(260,701)	(4,400)	12,166,139	33,450	192,231
(335,059)	6,310	0	(797,179)	(2,868,748)
(101,044)	0	0	(101,044)	(82,166)
6,766,245	3,156,807	(12,166,139)	3,712,311	(6,364,892)
(13,875,164)	1,933,206	0	2,601,089	2,561,427
38,800	21,813	0	530,631	307,468
5,892,455	1,028,105	0	15,574,896	22,473,191
<u>(100,581,179)</u>	<u>(53,724,093)</u>	<u>0</u>	<u>(841,706,009)</u>	<u>(826,261,595)</u>
<u>(7,442,384)</u>	<u>(7,575,384)</u>	<u>0</u>	<u>(16,817,750)</u>	<u>(5,072,349)</u>
<u>(7,442,384)</u>	<u>(7,575,384)</u>	<u>0</u>	<u>(16,817,750)</u>	<u>(5,072,349)</u>
833,956,325	52,653,000	0	886,609,325	971,898,119
(13,153,050)	(392,334)	0	(13,545,384)	(15,332,346)
(686,189,325)	(3,010,994)	0	0	0
(334,814)	0	0	(334,814)	(596,720)
<u>134,279,136</u>	<u>49,249,672</u>	<u>0</u>	<u>872,729,127</u>	<u>955,969,053</u>
26,255,573	(12,049,805)	0	14,205,368	124,635,109
<u>697,674,569</u>	<u>152,519,318</u>	<u>0</u>	<u>850,194,287</u>	<u>725,559,178</u>
<u>\$ 723,930,142</u>	<u>\$ 140,469,513</u>	<u>\$ 0</u>	<u>\$ 864,399,655</u>	<u>\$ 850,194,287</u>

This Page Intentionally Left Blank

Notes to the Financial Statements

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The U.S. House of Representatives (House) is one of two separate legislative chambers that comprise the Congress of the United States. The other is the U.S. Senate (Senate). All lawmaking powers of the Federal government are given to the Congress under Article I of the Constitution of the United States. The House and Senate jointly agree on a budget for the Legislative Branch and submit it to the President of the United States. The Members of the House serve two-year terms of office, which coincide with the sequential numbering of the entire Congress. These financial statements cover the years ended December 31, 1999 and 1998, and reflect the financial activities of the first session of the 106th Congress and the second session of the 105th Congress.

To help carry out its constitutional duties, the House creates committees of Members and assigns them responsibility for gathering information, identifying policy problems, proposing solutions, and reporting bills to the full chamber for consideration. The House Membership elects officers to administer both legislative and non-legislative functions, which support the institution and its Members in carrying out its legislative duties. The consolidating comparative financial statements of the House provide financial information on the activities of all entities which are subject to the authority vested in the House by the U.S. Constitution, public laws, and rules and regulations adopted by the membership of the House.

These financial statements reflect the organizational structure of the House under the 106th Congress. The following is a summary of the entity groupings as they appear in the 1999 consolidating financial statements:

House **Members** are elected from congressional districts of approximately equal population. The financial information in columns entitled "Members" aggregates the accounts and financial transactions of the Members' district and Washington, D.C. offices, and includes 435 Representatives; 4 Delegates, one each, from the District of Columbia, Guam, Virgin Islands, and American Samoa; and one Resident Commissioner from Puerto Rico. Member transactions primarily comprise expenses for employee and Member salaries, district office space rental, travel, telecommunications, and postage costs, including Franking costs.

The **Committees** column aggregates accounts and financial transactions of the Standing, Select, or Special Committees of the House's 106th Congress. Committees are organized at the beginning of each Congress according to their jurisdictional boundaries incorporated in the Rules of the House. The Standing and Select Committees of the House, under the 106th Congress are listed below.

Committee on Agriculture
Committee on Appropriations
Committee on Armed Services
Committee on Banking and Financial
Services
Committee on the Budget
Committee on Commerce
Committee on Education and the
Workforce
Committee on Government Reform
Committee on House Administration
Committee on International Relations
Committee on the Judiciary
Committee on Resources
Committee on Rules
Committee on Science
Committee on Small Business
Committee on Standards of Official
Conduct
Committee on Transportation and
Infrastructure
Committee on Veterans' Affairs
Committee on Ways and Means
Select Committee on Intelligence
Select Committee on U.S. National
Security and Military/Commercial
Concerns with the People's
Republic of China

The House **Leadership Offices** column includes the financial activity of the:

Speaker of the House
Majority and Minority Leaders
Majority and Minority Whips
Chief Deputy Majority and Minority Whips
Speaker's Office for Legislative Floor
Activities
Party Steering Committees, Caucus or
Conference, which consist of
Representatives of the same political
party

The **Officers and Legislative Offices** column aggregates the financial information of all legislative support and administrative functions provided to Members, Committees, and Leadership offices, including:

Clerk of the House
Sergeant at Arms
Chief Administrative Officer
Chaplain
Parliamentarian
Office of the Legislative Counsel
Corrections Calendar Office
Office of the General Counsel
Office of the Law Revision Counsel
Office of Inspector General

The **Capitol Police and Other Joint Functions** column includes joint activities of the House and

the Senate to the extent that the House funds these functions in whole or in part. House administrative management does not exert direct control over the expenditures of these functions. The joint functions in these financial statements include:

Attending Physician
Capitol Police
Joint Committee on Taxation, which has members from both the House and the Senate

The **Eliminations** column on the consolidating financial statements is used to negate the effect of financial transactions between House entities. Consolidated House financial information would be misleading if inter-entity transactions were not eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Consolidation

The financial statements include the accounts and significant activities of the House. The consolidating financial statements do not include legislative agencies that support the House and that receive separate appropriations. These Agencies include the:

Library of Congress
Congressional Budget Office
General Accounting Office
Government Printing Office
U.S. Botanic Garden
Architect of the Capitol

Functions jointly shared between the House and the Senate are included in the consolidating financial statements to the extent their operations are funded by House appropriations. These consist of the:

Attending Physician
Capitol Police
Joint Committee on Taxation, which has members from both the House and the Senate

All significant interoffice balances and transactions have been eliminated to arrive at consolidated financial information.

B. Basis of Accounting

The financial statements have been prepared from House records that are largely based on cash transactions. However, adjustments have been made to apply the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting provides for the recognition of events as they occur, as opposed to when cash is received or disbursed. Therefore, revenues are recorded when earned and expenses are recorded when a liability is incurred, without regard to receipt or payment of cash. The accrual basis of accounting contributes significantly to the development of accurate cost information needed to report the financial position and results of operations.

C. Fund Balance with the U.S. Treasury and Cash

Funds available to the House to pay current liabilities and finance authorized purchases are on deposit principally with the U.S. Treasury.

- Fund Balance with the U.S. Treasury includes House accounts, as well as the Congressional Use of Foreign Currency account, which is held at the U.S. Treasury and is maintained and administered by the Department of State on behalf of the House. Members and Committees do not pay bills or have separate U.S. Treasury accounts.

The Office of Finance processes all payments except payroll. Member and employee payroll payments are processed by the Office of Human Resources. Therefore, the House accounts held at the U.S. Treasury are reported under the Office of Finance within Officers and Legislative Offices.

- The Capitol Police and Other Joint Functions have separate U.S. Treasury accounts. Therefore, fund balances for these accounts are reported separately on the House financial statements.
- Cash represents a petty cash fund and two Office of Finance deposit accounts with commercial financial institutions.
- For purposes of the Consolidating Statement of Cash Flows, funds with the U.S. Treasury are considered cash.

D. Accounts Receivable

Accounts Receivable consists of money owed the House by employee and/or vendors, and stop payment requests. No allowances for doubtful collections are recorded because the identified receivables were either collected before preparation of the financial statements or because the collection is not in doubt.

E. Advances and Prepayments

Advances and prepayments primarily consist of prepaid subscriptions for publications, data communication services, and advances to other government agencies for services contracted and for mailings that require address corrections or additional postage.

F. Inventory

The *Gift Shop* and the *Supply Store* maintain an inventory of goods for sale. These entities are included in the Officers and Legislative Offices column of the financial statements. Inventories for sale are valued at the moving weighted average method.

The *Furniture Resource Center*, also included in the Officers and Legislative Offices column, maintains inventories of such items as hardwood, carpet, leather, fabric, furniture components, and repair materials. These items are not for sale but are reflected in the financial statements at an estimated value based on the first in/first out inventory valuation method. Furniture Resource Center inventories will be valued by the moving

weighted average method beginning in calendar year 2000.

G. Property and Equipment

Expenditures for property and equipment that will benefit more than one year are considered capital expenditures. The costs of such items are recognized as assets when acquired. An appropriate portion of the asset's value is reduced and an expense recognized over the accounting periods benefited by the asset's use. Property and equipment purchases, including computers, are capitalized if the unit acquisition cost is equal to or greater than \$25,000 and the item has a useful life greater than one year. Software is capitalized if the unit acquisition cost is equal to or greater than \$10,000 and the item has a useful life greater than one year. See Note 5, Property and Equipment, for additional information on property and equipment held by the House.

The House has possession of numerous assets that may be of significant historical and artistic value. The House does not include these assets in the financial statements of the House. These assets may be maintained on the records of the Architect of the Capitol. The land and buildings occupied and used by Members, officers, and employees in Washington, D.C. are under the custody of the Architect of the Capitol and are not included in the financial statements of the House.

H. Leases

The House leases temporary usage of office space, vehicles, computers, and other equipment. These leases are generally classified as operating leases. House regulations require that leases entered into by Members for space and vehicles be no longer than the elected term of the Member. The House also enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the minimum lease payments at lease inception. The portion of capital lease payments representing imputed interest is expensed as interest on capital leases. See Note 6, Lease Commitments, for additional lease information.

I. Revenue from Operations

Revenue is recognized when goods have been delivered or services rendered.

- Sales of goods consist of *Gift Shop* and *Supply Store* sales as well as Clerk transcript sales.
- Sales of services to Federal agencies are comprised of the House Information Resources (HIR) computer services provided to the General Accounting Office and the Congressional Budget Office, and House recording and photography sales.
- Sales of services to the public are comprised of House publication and photography sales, child care fees, Attending Physician user fees, and HIR refunds due from vendors for telecommunications charges.
- Interoffice sales between House entities are eliminated on the consolidating financial statements.
- Other revenue consists of donated revenue, interest and penalty revenue, Page School room and board, and vendor commissions.

J. Appropriations to Cover Expenses, Appropriations Receivable, and Appropriations Payable

Like other government organizations, the House finances most of its operations with appropriations. The expenses of Members, Committees, and Leadership offices are entirely financed with appropriations. Other House entities require appropriations to the extent the revenue they generate does not cover their expenses. Appropriations are referred to as a financing source instead of revenue, since they do not result from an earnings process.

As discussed in Note 2C, Fund Balance with the U.S. Treasury and Cash, the Office of Finance maintains most of the House's accounts with the U.S. Treasury. The Office of Finance is responsible for allocating appropriations to the other House entities to cover expenses. Appropriations Receivable are amounts allocated to the various House entities by the Office of Finance in order to pay each entity's liabilities. A corresponding Appropriations Payable arises in the Office of Finance.

Office Systems Management (OSM) also has an Appropriations Payable. OSM includes in its

Interoffice Receivable amounts owed by Members, Committees, and Leadership offices for installment plan purchases of equipment and district office furniture. Any interoffice receivables due to OSM exceeding liabilities are represented in Appropriations Payable.

K. Postage and Delivery

Postage and delivery consists of Franked mail and miscellaneous postage expenses. Members' postage includes their use of the Frank, which is charged to the Members' Representational Allowances. Miscellaneous postage expenses include courier charges, stamps, and rental of post office boxes.

L. Repairs and Maintenance

Repairs and maintenance include all expenses related to the maintenance and upkeep of House equipment in both Washington, D.C. and in Members' district offices, as well as related operating lease payments on various types of equipment. In addition, property and equipment purchases below the capitalization thresholds discussed in Note 2G, Property and Equipment are classified as repairs and maintenance.

M. Depreciation and Amortization

The cost of capital assets is allocated ratably over the asset's useful life as depreciation or amortization expense. The House calculates depreciation and amortization expense based on the straight-line method over an asset's estimated useful life. Depreciation expense is applicable to tangible assets such as furniture, equipment, and vehicles, while amortization expense is applicable to intangible assets such as software and capital leases. Assets acquired under capital leases are generally amortized over the lease term. However, if a lease agreement contains a bargain purchase option or otherwise transfers title of the asset to the House, the asset is depreciated on the same basis as similar categories of owned assets.

N. Rent, Utilities, and Communications

Rent and utilities consist primarily of the rental of district offices by Members and any related utility payments. Communications costs consist of charges for news wire services, satellite fees, and external network access services.

O. Telecommunications

Telecommunications expense includes local and long distance telephone service in Washington, D.C. and Members' district offices.

P. Supplies and Materials

Supplies and materials are expenses by Members, Committees, and other House offices for paper and other office supplies. Supplies and materials also include uniforms for the Capitol Police and medical supplies purchased by the Attending Physician. Supplies and materials do not include inventories held for sale by retail entities such as the *Gift Shop* and the *Supply Store*.

Q. Travel and Transportation

Travel and transportation expenses include official travel by Members, Committees, and Leadership offices; travel by other House officers and employees and congressional delegations; freight and shipping costs; and expenses related to the lease and maintenance of automobiles.

R. Contract, Consulting, and Other Services

Contract, consulting, and other services include the cost of management services in House Postal Operations, annual audit fees, the cost of studies and analyses requested by Committees, as well as computer, recording, janitorial, and catering services.

S. Printing and Reproduction

This category primarily includes printing and reproduction of constituent communications. Also included are photography services, as well as printing and reproduction of items such as informational publications and reference materials.

T. Subscriptions and Publications

Subscriptions and publications include the cost of periodicals and news services.

U. Cost of Goods Sold

Cost of goods sold includes the cost of products sold in the retail operations of the *Gift Shop* and the *Supply Store*.

V. Loss on Disposal of Assets

Losses on the disposal of assets are recognized as the difference between the net book value of the assets at the time of disposal and proceeds received on the sale, if applicable.

W. Annual, Sick, and Other Leave

Annual leave for House Officers and their employees is accrued as earned, and the liability is reduced as leave is taken. The accrued annual leave balance as of December 31, 1999, is calculated according to Public Law 104-53, November 19, 1995, 109 Stat. 514.

X. Federal Employee and Veterans Benefits

This benefit expense includes the current cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. Also included is the current period expense for the future cost of providing retirement benefits and life insurance to House employees. See Note 12, Benefits, for additional information.

Y. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

Z. Reclassifications

Certain calendar year 1998 balances have been reclassified to conform to the calendar year 1999 financial statement presentations, the effect of which is immaterial.

NOTE 3 - INTRA GOVERNMENTAL FINANCIAL ACTIVITIES

The House has significant intra governmental financial activities with Executive and Legislative Branch agencies. These financial activities include transactions and agreements to purchase goods and services.

Transactions with Executive Branch Agencies

The House's most significant interagency transactions are with the:

- U.S. Treasury for processing the House's cash receipts and disbursements and U.S. Department of State for maintaining and

administering the Congressional Use of Foreign Currency account

- U.S. Postal Service for postage
- U.S. Department of Labor (DOL) for unemployment and workers' compensation
- General Services Administration for the use and upkeep of office space in certain Members' district offices
- Federal Bureau of Investigation for investigative and protective services
- U.S. Department of Interior, U.S. Geological Survey, Enterprise Data Services Center for financial system services
- U.S. Department of Transportation for security equipment and the transit benefits program
- Other Executive Branch agencies for special studies as requested by House Committees

Significant cash disbursements to Executive Branch agencies during the years ended December 31, 1999 and 1998, were:

Disbursements to Executive Branch Agencies	<u>1999</u>	<u>1998</u>
U.S. Postal Service	\$17,187,232	\$26,125,840
U.S. Department of Labor	2,915,071	2,755,202
General Services Administration	4,798,240	3,771,265
Federal Bureau of Investigation	218,760	188,060
U.S. Department of the Interior	718,197	4,049,385
U.S. Department of Transportation	867,673	0
Other Executive Branch Agencies	309,875	447,509

Payments made to the U.S. Department of the Interior were advance payments for contract and consulting services.

The U.S. Department of State maintains and administers the Congressional Use of Foreign Currency account on behalf of Congress. This account, which was established in 1948 and made permanent in 1981, is authorized by legislation codified in Title 22, Sec. 1754 of the United States

Code. The funds are available to Congressional Committees and delegations to cover local currency expenses incurred while traveling abroad. The fund balance related to the account is included in the Office of Finance's Fund Balance with U.S. Treasury under the Officers and Legislative Offices heading.

Use of the foreign currency account for Congressional delegations and other official foreign travel of the House is authorized by either the Speaker of the House or the chairman of a Standing, Select, or Joint Committee. Therefore, all foreign currency account expense activity is included in the travel expenses of the Committee and Leadership offices.

Foreign Currency Balance with the U.S. Department of State	<u>1999</u>	<u>1998</u>
Beginning Balance	\$3,215,776	\$3,612,103
Appropriation Received	2,500,000	3,000,000
Travel Expenses:		
Leadership	(430,026)	(1,289,046)
Committees	<u>(1,575,677)</u>	<u>(2,107,281)</u>
Ending Balance	<u>\$3,710,073</u>	<u>\$3,215,776</u>

Transactions with Legislative Branch Organizations

The House has significant transactions with other Legislative Branch organizations, some of which are shared with the Senate. These organizations receive their own appropriations and operate autonomously from the House's administrative functions. The Architect of the Capitol provides building-related services for the U.S. Capitol and House office buildings, including power, landscaping, janitorial services, and maintenance. The House also receives support services from the General Accounting Office, Library of Congress, Congressional Budget Office, Government Printing Office, and U.S. Botanic Garden. Significant cash disbursements to Legislative Branch entities during the years ended December 31, 1999 and 1998, were:

Cash Disbursements to Legislative Branch Entities	<u>1999</u>	<u>1998</u>
General Accounting Office	\$ 1,448,333	\$ 2,967,620
Government Printing Office	410,798	279,334

The House provides computer services to Federal government agencies for a user fee. Cash receipts for services provided by House Information Resources to other Federal Agencies were \$2,337,685 and

\$2,590,391 for the years ended December 31, 1999 and 1998, respectively. The following were the most significant users.

Cash Receipts from Legislative Branch Entities	1999	1998
General Accounting Office	\$936,567	\$1,440,225
Congressional Budget Office	747,029	775,932

NOTE 4 - FUND BALANCE WITH THE U.S. TREASURY AND CASH

The House's appropriated and revolving fund balances with the U.S. Treasury and cash balances, as of December 31, 1999 and 1998, are shown in the table below.

Accounts Maintained by the House	1999	1998
Fund Balance with Treasury	\$860,660,382	\$846,791,914
Congressional Use of Foreign Currency	<u>3,710,073</u>	<u>3,215,776</u>
Subtotal	864,370,455	850,007,690
Cash and Commercial Bank Accounts	<u>29,200</u>	<u>186,597</u>
Total	<u>\$864,399,655</u>	<u>\$850,194,287</u>

Unlike Executive Branch departments and agencies, the House's appropriation is not apportioned by quarter. The House receives its entire annual

appropriation in October, causing the fund balance with the U.S. Treasury to be relatively large at December 31, 1999 and 1998.

Cash and Commercial Bank Accounts

Cash balances represent petty cash on hand at the U.S. Capitol Police. The Office of Finance also maintains funds in deposit accounts at two banking institutions for cash receipts and credit card sales. Petty cash and funds in commercial bank accounts as of December 31, 1999 and 1998, were:

Cash	1999	1998
Petty Cash	\$ 29,200	\$ 30,050
Commercial Bank Account	<u>0</u>	<u>156,547</u>
Total	<u>\$ 29,200</u>	<u>\$ 186,597</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Effective January 1, 1998, software and equipment, including computers, are capitalized if their acquisition cost equals or exceeds \$10,000 and \$25,000, respectively. Depreciation and amortization expense is based on the straight-line method over an

asset's estimated useful life. Property and equipment as of December 31, 1999, and the related depreciation and amortization expense are shown in the following table.

1999 Classes of Property and Equipment	Service Life (Years)	Estimated Acquisition Value	Accumulated Amortization/ Depreciation	Estimated Net Book Value	Amortization/ Depreciation Expense
Work in Process		\$ 9,269,126	\$ 0	\$ 9,269,126	\$ 0
Computer Software, Hardware, and Patrol Vehicles	3	96,339,730	88,962,550	7,377,180	10,158,793
Computer Software and Hardware Equipment and Motor Vehicles	5	1,116,756	1,022,123	94,633	34,389
Heavy Duty Equipment	5	55,480,859	42,007,149	13,473,710	4,857,035
Furnishings and Other Equipment	7	31,936	24,541	7,395	3,959
Assets Under Capital Lease	10	3,904,566	3,081,027	823,539	186,659
	5	1,482,585	1,013,717	468,868	334,061
Total		<u>\$167,625,558</u>	<u>\$136,111,107</u>	<u>\$31,514,451</u>	<u>\$ 15,574,896</u>

Property and equipment as of December 31, 1998, and depreciation and amortization expense for the year then ended is shown in the following table.

1998 Classes of Property and Equipment	Service Life (Years)	Estimated Acquisition Value	Accumulated Amortization/ Depreciation	Estimated Net Book Value	Amortization/ Depreciation Expense
Work in Process		\$ 2,831,773	\$ 0	\$ 2,831,773	\$ 0
Computer Software, Hardware, and Patrol Vehicles	3	105,102,506	93,291,789	11,810,717	16,776,432
Computer Software and Hardware Equipment and Motor Vehicles	5	1,116,756	987,734	129,022	83,011
Heavy Duty Equipment	5	55,383,479	40,860,536	14,522,943	5,122,273
Furnishings and Other Equipment	7	115,807	104,453	11,354	3,959
Assets Under Capital Lease	10	3,872,776	2,894,368	978,408	193,851
	5	1,482,585	679,656	802,929	293,665
Total		<u>\$169,905,682</u>	<u>\$138,818,536</u>	<u>\$31,087,146</u>	<u>\$ 22,473,191</u>

NOTE 6 - LEASE COMMITMENTS

The House leases temporary usage of office space, vehicles, computers, and other equipment. These leases are generally classified as operating leases. House regulations require that leases entered into by Members for space and vehicles be no longer than the elected term of the Member. The House also enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the minimum lease payments at lease inception. Assets under capital leases consist solely of computer hardware.

Capital Leases

Future Capital Lease Payments Due

Year Ending December 31, 1999

2000	\$ 318,189
2001	42,871
2002	0
2003	0
2004	0
Thereafter	<u>0</u>
Total Future Capital Lease Payments	\$ 361,060
Less: Imputed Interest	<u>(14,777)</u>
Total Capital Lease Liabilities	<u>\$ 346,283</u>
Unfunded Liability	<u>\$ 346,283</u>

Operating Leases

The House has entered into various operating leases for temporary usage of office space, vehicles, and software. Operating lease payments are recorded as expenses. Future operating lease payments are not accrued as liabilities.

Members may lease office space in their districts through the General Services Administration, an Executive Branch agency that operates Federal buildings and leases space from the private sector, or Members may directly lease space from the private sector. The Members' Congressional Handbook states that a Member cannot enter into a lease for office space beyond his/her elected term. Members and officers also can enter into leases to rent vehicles for official business purposes. While Members may lease a vehicle for a period that exceeds the current congressional term, the Member remains personally responsible for the lease liability if the Member's service to the House concludes prior to the lease termination.

The future minimum lease payments due under operating leases as of December 31, 1999 are:

Year	Software	Vehicles	Office Space	Total
2000	\$ 47,889	\$ 800,610	\$ 16,731,123	\$ 17,579,622
2001	10,000	0	0	10,000
2002	0	0	0	0
2003	0	0	0	0
2004	0	0	0	0
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 57,889</u>	<u>\$ 800,610</u>	<u>\$ 16,731,123</u>	<u>\$ 17,589,622</u>

Software represents software leased by the House administration, while Vehicles and Office Space represent leases by Members. Lease expense for office space was \$16,647,043 and \$15,542,653 for the years ended December 31, 1999 and 1998, respectively. Lease expense for vehicles was \$927,989 and \$824,331 for the years ended December 31, 1999 and 1998, respectively.

NOTE 7 - ACCOUNTS PAYABLE

The House does not maintain full accrual-based accounting records. Therefore, the accounts payable balances as of December 31, 1999 and 1998, have been estimated based on the sum of all payments made through March 15, 2000, and March 12, 1999, respectively, for goods and services received prior to

December 31, 1999 and 1998. Accounts Payable also includes Unemployment Compensation.

Accounts Payable	<u>1999</u>	<u>1998</u>
Vendor Payables	\$ 26,348,029	\$ 19,203,887
Unemployment Compensation	<u>126,994</u>	<u>115,633</u>
Total	<u>\$ 26,475,023</u>	<u>\$ 19,319,520</u>

NOTE 8 - ACCRUED LEAVE AND PAYROLL

The accrued annual leave balances were calculated for all House entities, except for Capitol Police, according to Public Law 104-53, November 19, 1995, 109 Stat. 514 (i.e., the lesser of the employee's monthly pay or the monthly pay divided by 30 days and multiplied by the number of days of accrued leave). The accrued annual leave balance for the Capitol Police was calculated by first dividing the annual rate of basic pay by 2,080 hours to get the hourly rate and then multiplying the result by the number of days of accrued leave, not to exceed 240 hours. Sick and other types of paid leave are expensed as taken. Accrued payroll and benefits included salaries and associated benefits earned in December 1999 and payable in January 2000.

similar policies. While leave is tracked from one pay period to the next, a consistent policy has not been formally adopted by these entities regarding the accrual and payment of leave time. As a result, an accrued leave liability for Members, Committees, and Leadership offices cannot be reasonably estimated and is not recorded on the financial statements.

Accrued payroll and benefits, annual leave, and Workers' Compensation as of December 31, 1999 and 1998 were:

Accrued Payroll and Benefits, Leave, and Workers' Compensation	<u>1999</u>	<u>1998</u>
Accrued Payroll and Benefits	\$ 7,968,732	\$ 7,629,347
Accrued Annual Leave	3,967,960	3,215,840
Workers' Compensation	3,223,332	3,443,190

The Members' and Committees' Congressional Handbooks allow offices to adopt personnel policies which provide for the accrual of annual leave and use of such leave. Leadership offices have also adopted

NOTE 9 - UNFUNDED WORKERS' COMPENSATION ACTUARIAL LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for the benefit of House employees under FECA are administered by DOL, which pays the initial claim and obtains reimbursement from the House. The unfunded

workers' compensation liability is an estimate based on actuarial calculations using historical payment patterns to predict what costs will be incurred over the next two years. The liability is adjusted annually by applying actuarial procedures. The upward or downward adjustment is recorded as an increase or decrease to benefits expense. The projected Unfunded Workers' Compensation Actuarial Liabilities were \$15,848,051 and \$17,561,799 as of December 31, 1999 and 1998, respectively.

NOTE 10 - NET POSITION

The components of Net Position are:

- Unexpended Appropriations - Appropriations are not considered expended until goods have been received or services have been rendered. Unlike Executive Branch departments and agencies, the House's appropriations are not apportioned by quarter. The House receives its entire annual appropriations in October, causing the unexpended appropriations balance to be relatively large at December 31.
- Cumulative Results of Operations:

- * Invested Capital - Funds used to finance capital assets such as property, equipment, and inventory.
- * Future Funding Requirements - Known liabilities to be funded by future appropriations.

The Net Position as of December 31, 1999 for the Appropriated Funds and the Revolving Funds, including the House Recording Studio, Page School, Special Events and Services, and Office Supply Service, is shown in the following table.

Net Position December 31, 1999	Appropriated Funds	Revolving Funds	Net Position Dec. 31, 1999 Totals
Unexpended Appropriations	\$825,345,293	\$ 10,728,485	\$836,073,778
Cumulative Results of Operation			
Invested Capital	31,494,845	1,373,383	32,868,228
Future Funding Requirements	<u>(23,287,837)</u>	<u>(97,789)</u>	<u>(23,385,626)</u>
Total Net Position	<u>\$833,552,301</u>	<u>\$ 12,004,079</u>	<u>\$845,556,380</u>

The changes in Net Position during the year ended December 31, 1999, were:

Organization	Net Position Dec. 31, 1998	Appropriations Received	Funds Returned to U.S. Treasury	Appropriated Funds Allocated	Appropriations to Cover Expenses	Net Position Dec. 31, 1999
Members	\$ 3,908,755	\$ 0	\$ 0	\$542,501,522	\$(553,110,761)	\$ (6,700,484)
Committees	4,540,957	0	0	127,653,107	(131,992,353)	201,711
Leadership Offices	523,047	0	0	19,045,690	(19,584,404)	(15,667)
Officers and Legislative Offices	674,706,652	833,956,325	(13,153,050)	(686,189,325)	(98,706,711)	710,613,891
Capitol Police and Other Joint Functions	<u>152,073,191</u>	<u>52,653,000</u>	<u>(392,334)</u>	<u>(3,010,994)</u>	<u>(59,865,934)</u>	<u>141,456,929</u>
Total	<u>\$ 835,752,602</u>	<u>\$ 886,609,325</u>	<u>\$ (13,545,384)</u>	<u>\$ 0</u>	<u>\$ (863,260,163)</u>	<u>\$ 845,556,380</u>

Appropriations received are funds that have been made available to the House through the U.S. Treasury. For all House entities, appropriations received are maintained by the Office of Finance, which is reported in the financial statements under Officers and Legislative Offices. Appropriations received have been disclosed separately for Capitol

Police and Other Joint Functions, which are not under the direct control of the House.

Appropriated funds that are unexpended at the end of a specified term are required by law to be transferred to the U.S. Treasury general account. They are:

	1999	1998
1997 House Funds	\$12,560,028	\$ 0
1996 House Funds	<u>0</u>	<u>15,052,856</u>
Total	<u>\$12,560,028</u>	<u>\$15,052,856</u>
1997 Capitol Police	\$ 325,899	\$ 0
1996 Capitol Police	<u>0</u>	<u>279,490</u>
Total	<u>\$ 325,899</u>	<u>\$ 279,490</u>

NOTE 11 - REVOLVING FUNDS, INTEROFFICE SALES, AND TRANSFERS

Some entities of the House transfer costs to Members, Committees, and other offices for goods and services provided. These entities are primarily:

- Office Systems Management, which transfers costs of equipment to the Members and Committees,
- House Information Resources, which transfers phone charges, and
- Office Supply Service, which accounts for office supply purchases and flag sales.

However, many expenses are incurred by House entities that are not fully charged to Members or Committees, including certain telecommunication services, Washington D.C. office furnishings, and computer services.

Some House business-like activities operate as revolving funds. A revolving fund is a budgetary structure set by statute, which authorizes Executive Branch agencies to collect user fees or revenue to finance operating expenses. In 1999, the House operated revolving fund type activities for the House Recording Studio, House Page School, Office Supply Service, and Special Events and Services.

NOTE 12 – BENEFITS

House Members and employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both Members and employees are eligible for retirement benefits under CSRS or FERS. A CSRS basic annuity, unreduced for age, debts to the fund, or survivor's benefits, is the product of the highest three consecutive years' average salary and a percentage factor which is based on the length of Federal service. However, Members' benefits are different from those of employees. For example, a Member covered by CSRS can be eligible to receive unreduced retirement benefits at age 60 if he or she has 10 years of Member service. An employee is eligible to receive reduced benefits at age 50 with 20 years of service or at any age with 25 years of service. The FERS basic benefit plan for Members and employees are the same.

CSRS employees contribute a portion of their earnings to the Civil Service Retirement Fund. The House also contributes an amount to this fund. FERS employees, in addition to Social Security withholdings, contribute a portion of their base earnings to the FERS retirement fund. The House also contributes an amount toward the FERS retirement and Social Security funds.

Both FERS and CSRS employees are eligible to contribute to the Thrift Savings Plan (TSP). FERS employees can contribute to TSP a maximum of ten percent of their basic pay not to exceed the IRS limit. FERS employees also receive an automatic one percent agency contribution as well as an additional agency matching contribution, up to five percent of

their basic pay. CSRS employees may contribute up to five percent of their basic pay but do not receive matching agency contributions. FERS employees could receive benefits from FERS, the Social Security System, and TSP. CSRS employees could receive benefits from CSRS and TSP. Some CSRS employees may also be eligible for Social Security benefits.

Member and Employee Expenses	1999	1998
Retirement Plan Contributions	\$ 88,212,079	\$ 84,165,127
Social Security	33,063,757	30,845,268
Health Insurance	22,331,659	19,919,628
Unemployment and Workers' Compensation	2,495,758	2,543,761
Workers' Compensation Actuarial Adjustment	(1,713,751)	2,613,135
Life Insurance	820,877	818,039
Federal Employee and Veterans' Benefits	37,329,585	(32,007,344)
Transit Benefits	155,137	0
Death Benefits	768,387	495,219
Annual Leave	752,119	22,755
Federal Tort Claims	<u>12,501</u>	<u>26,351</u>
Total	<u>\$184,228,108</u>	<u>\$109,441,939</u>

Benefits costs for the past three years have averaged \$177 million per year. The 1998 cost was less than the average due to a formula adjustment to Federal Employees and Veterans' Benefits expense.

Effective in 1997, Federal-employing entities began recognizing their share of the cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. This cost is included in Federal Employees and Veterans' Benefits expense. The pension expense recognized

in the Statement of Operations is the current service cost for House employees less the amount contributed by the employee. The measurement of the service cost requires the use of an actuarial cost method and assumptions, with the factors applied by the House provided by the Office of Personnel Management (OPM), the agency that administers the plan. The excess of the recognized pension expense over the amount contributed by the House represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM.

The House does not receive an appropriation to fund this expense. Therefore, a portion of the pension expense is considered an imputed financing source to the House, and is included in the Imputed Financing Sources on the Statement of Operations. This amount was \$14,361,983 in 1999 and (\$53,464,134) in 1998.

Also, effective in 1997, Federal-employing entities began recognizing a current period expense for the future cost of post-retirement health benefits and life

insurance for its employees while they are still working. This cost is included in Federal Employees and Veterans' Benefits expense in the Statement of Operations. Employees and the House do not currently make contributions to fund these future benefits, and the House does not receive an appropriation to fund this expense. Therefore, a portion of the post-retirement health benefits and life insurance are considered an imputed financing source to the House, and are included in the Imputed Financing Sources on the Statement of Operations. This amount was \$22,967,600 in 1999 and \$21,456,790 in 1998.

Federal Employee and Veterans' Benefits	<u>1999</u>	<u>1998</u>
Current Service Cost - Federal Pensions	\$ 14,361,983	\$(53,464,134)
Current Service Cost - Federal Employees Health Benefits	22,891,925	21,382,061
Current Service Cost - Federal Employees Group Life Insurance	<u>75,675</u>	<u>74,729</u>
Total	<u>\$ 37,329,583</u>	<u>\$(32,007,344)</u>

NOTE 13 - SUPPLEMENTAL FINANCIAL SCHEDULES

To provide additional financial information about smaller components of the House, supplemental financial schedules are presented as follows:

Financial information has been provided for each of the entities comprising **Officers and Legislative Offices**, as reported in the consolidating financial statements. These include the:

- Clerk of the House
- Sergeant at Arms
- Chief Administrative Officer
- Chaplain
- Parliamentarian
- Legislative Counsel
- Corrections Calendar
- General Counsel
- Law Revision Counsel
- Inspector General

Additional financial information with respect to areas under the **Chief Administrative Officer** has also been provided. These include the:

- CAO Immediate Office
- Child Care Center

- House Postal Operations
- Special Events and Services
- Office of Finance
- Furniture Resource Center
- Office Supply Service
- Office Systems Management
- Human Resources
- House Information Resources
- Office of Photography
- House Recording Studio

Capitol Police and Other Joint Functions include joint activities of the House and Senate. The House's financial statements report only that portion of these functions accounted for by the House. The joint functions include the:

- Attending Physician
- Capitol Police
- Joint Committee on Taxation

The House's management does not exert direct control over the expenditures of these functions.

This Page Intentionally Left Blank

Supplemental Schedules

This Page Intentionally Left Blank

Organization and Composition of Financial Statements

This Page Intentionally Left Blank

**U.S. House of Representatives
Organization and Composition of
Consolidating Financial Statements**

Members

Representatives, Delegates, and
Resident Commissioner
Members' Allowances and Expenses

Speaker's Office for Legislative
Floor Activities
Republican Conference
Republican Steering Committee
Democratic Caucus
Democratic Steering Committee

Committees

Committee on Agriculture
Committee on Appropriations
Committee on Armed Services
Committee on Banking and
Financial Services
Committee on the Budget
Committee on Commerce
Committee on Education and the
Workforce
Committee on Government Reform
Committee on House Administration
Committee on International
Relations
Committee on the Judiciary
Committee on Resources
Committee on Rules
Committee on Science
Committee on Small Business
Committee on Standards of Official
Conduct
Committee on Transportation and
Infrastructure
Committee on Veterans' Affairs
Committee on Ways and Means
Select Committee on Intelligence
Select Committee on U.S. National
Security and Military/Commercial
Concerns with the People's
Republic of China

Leadership Offices

Office of the Speaker
Office of the Majority Leader
Office of the Majority Whip
Office of the Chief Deputy Majority
Whip
Office of the Minority Leader
Office of the Minority Whip
Offices of the Chief Deputy
Minority Whip

Officers and Legislative Offices**Clerk**

Immediate Office
Office of Official Reporters
Office of Legislative Operations
Legislative Resource Center
Service Group
Legislative Computer Systems
Office of the House Employment
Counsel
Page Program, including Revolving
Fund
Office of Printing Services

Sergeant at Arms

Immediate Office
Office of Chamber Security
Office of House Garages and
Parking Security

Chief Administrative Officer (CAO)

CAO
Immediate Office
Office of Americans with
Disabilities Act Services
House Press Gallery
Periodical Press Gallery
Radio/TV Correspondents'
Gallery

Child Care Center

House Postal Operations

Special Events and Services	Chaplain
Media and Support Services -	Office of the Chaplain
Immediate Office	
Food Services	
House Restaurant Revolving	Parliamentarian
Fund	Office of the Parliamentarian
First Call	Compilation of Precedents
Office of Finance	Legislative Counsel
Immediate Office	Office of the Legislative Counsel
Budget and Planning	
Financial Counseling	
Accounting	
Financial Systems	Correction Calendar
House Beauty Shop & Barber	Office of Correction Calendar
Shop Revolving Funds	
Furniture Resource Center	General Counsel
Office Supply Service	Office of the General Counsel
Supply Store	
Gift Shop	Law Revision Counsel
Stationery Revolving Fund	Office of the Law Revision Counsel
Office Systems Management	
Human Resources	Inspector General
Human Resources – Immediate	Office of Inspector General
Office	
Office of Member Services	Capitol Police and Other Joint Functions
Office of Employee	Office of the Attending Physician
Assistance	Attending Physician User Fees
Office of Personnel and	Technical Assistants to Attending
Benefits	Physicians
Office of Training	Capitol Police – Security
Office of Payroll	Capitol Police – General Expenses
Placement Office	Capitol Police – Salaries
Office of Policy and	Joint Committee on Taxation
Administration	
Office of Fair Employment	
Office of Procurement	
House Information Resources	
Immediate Office	
Communications	
Client Services	
Information Management	
Office of Photography	
House Recording Studio	
Communications Media	
House Recording Studio	
Revolving Fund	

Officers and Legislative Offices

U.S. House of Representatives
Combining Statement of Financial Position
Of Officers and Legislative Offices
As of December 31, 1999

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chief Administrative Officer</u>	<u>Chaplain</u>
ASSETS				
Fund Balance with the U.S. Treasury	\$ 1,596,372	\$ 0	\$ 722,333,770	\$ 0
Cash	0	0	0	0
Fund Balance with U.S. Treasury and Cash	<u>1,596,372</u>	<u>0</u>	<u>722,333,770</u>	<u>0</u>
Accounts Receivable	0	0	212,693	0
Interoffice Receivable	0	0	7,785,097	0
Appropriations Receivable	0	74,171	3,054,094	55
Advances and Prepayments	61,302	0	3,279,270	0
Inventory	0	0	1,353,778	0
Property and Equipment, Net	<u>1,169,076</u>	<u>50,860</u>	<u>13,206,596</u>	<u>0</u>
Total Assets	<u>\$ 2,826,750</u>	<u>\$ 125,031</u>	<u>\$ 751,225,298</u>	<u>\$ 55</u>
LIABILITIES AND NET POSITION				
Accounts Payable	\$ 706,801	\$ 65,274	\$ 8,503,054	\$ 55
Interoffice Payable	8,990	8,897	34,909	0
Appropriations Payable	0	0	28,207,060	0
Capital Lease Liabilities	0	0	346,283	0
Accrued Funded Payroll and Benefits	0	0	0	0
Accrued Unfunded Annual Leave and Workers' Compensation	21,265	10,894	4,034,911	470
Unfunded Workers' Compensation Actuarial Liability	<u>310,244</u>	<u>93,452</u>	<u>897,204</u>	<u>4,032</u>
Total Liabilities	<u>1,047,300</u>	<u>178,517</u>	<u>42,023,421</u>	<u>4,557</u>
Unexpended Appropriations	941,883	0	699,919,901	0
Cumulative Results of Operations	<u>837,567</u>	<u>(53,486)</u>	<u>9,281,976</u>	<u>(4,502)</u>
Total Net Position	<u>1,779,450</u>	<u>(53,486)</u>	<u>709,201,877</u>	<u>(4,502)</u>
Total Liabilities and Net Position	<u>\$ 2,826,750</u>	<u>\$ 125,031</u>	<u>\$ 751,225,298</u>	<u>\$ 55</u>

Parliamentarian	Legislative Counsel	Correction Calendar	General Counsel	Law Revision Counsel	Inspector General	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 723,930,142
0	0	0	0	0	0	0
0	0	0	0	0	0	723,930,142
0	0	0	0	37,700	0	250,393
0	0	0	0	0	0	7,785,097
26,441	837	186	4,792	27,376	21,265	3,209,217
0	7,060	0	3,585	1,547	1,582	3,354,346
0	0	0	0	0	0	1,353,778
13,925	281	0	0	26,369	9,214	14,476,321
<u>\$ 40,366</u>	<u>\$ 8,178</u>	<u>\$ 186</u>	<u>\$ 8,377</u>	<u>\$ 92,992</u>	<u>\$ 32,061</u>	<u>\$ 754,359,294</u>
\$ 24,548	\$ 6,589	\$ 186	\$ 7,710	\$ 50,916	\$ 22,157	\$ 9,387,290
1,893	1,308	0	667	15,707	690	73,061
0	0	0	0	0	0	28,207,060
0	0	0	0	0	0	346,283
0	0	0	0	0	0	0
3,279	16,102	2,714	2,168	5,624	22,547	4,119,974
28,118	138,088	23,272	18,589	48,231	50,505	1,611,735
57,838	162,087	26,172	29,134	120,478	95,899	43,745,403
0	0	0	0	0	0	700,861,784
(17,472)	(153,909)	(25,986)	(20,757)	(27,486)	(63,838)	9,752,107
(17,472)	(153,909)	(25,986)	(20,757)	(27,486)	(63,838)	710,613,891
<u>\$ 40,366</u>	<u>\$ 8,178</u>	<u>\$ 186</u>	<u>\$ 8,377</u>	<u>\$ 92,992</u>	<u>\$ 32,061</u>	<u>\$ 754,359,294</u>

U.S. House of Representatives
Combining Statement of Operations
Of Officers and Legislative Offices
For the Year Ended December 31, 1999

	Clerk	Sergeant at Arms	Chief Administrative Officer	Chaplain
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Goods	\$ 28,396	\$ 0	\$ 2,956,733	\$ 0
Sales of Services to Federal Agencies	0	0	1,323,882	0
Sales of Services to the Public	0	0	505,831	0
Interoffice Sales	0	0	45,195,945	0
Other Revenue	255,004	0	331,417	0
Revenue from Operations	<u>283,400</u>	<u>0</u>	<u>50,313,808</u>	<u>0</u>
Financing Sources				
Appropriations to Cover Expenses	17,077,536	4,375,177	61,728,295	173,928
Imputed Financing Source	759,822	228,874	2,197,347	9,874
Total Revenue and Financing Sources	<u>\$ 18,120,758</u>	<u>\$ 4,604,051</u>	<u>\$ 114,239,450</u>	<u>\$ 183,802</u>
EXPENSES				
Personnel Compensation	\$ 10,383,766	\$ 3,127,802	\$ 30,029,063	\$ 134,942
Benefits	3,653,267	1,105,571	10,905,810	47,643
Postage and Delivery	35,840	460	387,426	206
Repairs and Maintenance	1,167,028	87,554	32,851,607	0
Depreciation and Amortization	513,857	57,167	5,235,063	1,011
Rent, Utilities, and Communications	300	0	745,310	0
Telecommunications	88,719	86,435	17,074,388	0
Supplies and Materials	289,518	55,737	4,681,112	0
Travel and Transportation	121,834	22,629	82,491	0
Contract, Consulting, and Other Services	1,690,195	59,664	9,881,479	0
Printing and Reproduction	24,940	228	19,313	0
Subscriptions and Publications	138,110	804	88,284	0
Cost of Goods Sold	0	0	2,206,364	0
Loss on Disposal of Assets	13,384	0	24,451	0
Interest on Capital Leases	0	0	27,289	0
Total Expenses	<u>\$ 18,120,758</u>	<u>\$ 4,604,051</u>	<u>\$ 114,239,450</u>	<u>\$ 183,802</u>
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Parliamentarian	Legislative Counsel	Correction Calendar	General Counsel	Law Revision Counsel	Inspector General	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,985,129
0	0	0	0	0	0	1,323,882
0	0	0	0	0	0	505,831
0	0	0	0	0	0	45,195,945
0	0	0	0	0	0	586,421
0	0	0	0	0	0	50,597,208
1,273,553	6,179,181	996,879	893,392	2,305,736	3,703,034	98,706,711
68,865	338,191	56,994	45,526	118,121	123,691	3,947,305
\$ 1,342,418	\$ 6,517,372	\$ 1,053,873	\$ 938,918	\$ 2,423,857	\$ 3,826,725	\$ 153,251,224
\$ 941,108	\$ 4,621,739	\$ 778,878	\$ 622,155	\$ 1,614,251	\$ 1,690,371	\$ 53,944,075
292,272	1,633,267	274,995	219,975	570,671	615,099	19,318,570
0	223	0	1,459	3,488	16	429,118
33,274	180,931	0	63,054	103,237	123,470	34,610,155
5,856	4,127	0	0	57,985	17,389	5,892,455
136	0	0	135	0	0	745,881
5,977	10,656	0	4,513	3,936	8,965	17,283,589
3,207	20,450	0	2,394	16,065	6,251	5,074,734
0	1,877	0	1,913	525	1,727	232,996
57,786	21,096	0	8,242	43,062	1,362,594	13,124,118
0	62	0	172	0	36	44,751
1,883	22,898	0	14,906	10,637	807	278,329
0	0	0	0	0	0	2,206,364
919	46	0	0	0	0	38,800
0	0	0	0	0	0	27,289
\$ 1,342,418	\$ 6,517,372	\$ 1,053,873	\$ 938,918	\$ 2,423,857	\$ 3,826,725	\$ 153,251,224
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of Officers and Legislative Offices
For the Year Ended December 31, 1999

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chief Administrative Officer</u>	<u>Chaplain</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(17,077,536)	(4,375,177)	(61,728,295)	(173,928)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	350	(47,700)	(220,782)	(47)
(Increase)/Decrease in Advances and Prepayments	(7,556)	125	(398,654)	0
(Increase)/Decrease in Inventory	0	0	(101,044)	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	254,957	47,575	6,542,170	47
Increase/(Decrease) in Other Accrued Liabilities	(120,298)	(29,437)	(13,995,202)	4,502
Loss on Disposal of Assets	13,384	0	24,451	0
Depreciation and Amortization	513,857	57,167	5,235,063	1,011
Net Cash Provided/(Used) by Operating Activities	<u>(16,422,842)</u>	<u>(4,347,447)</u>	<u>(64,642,293)</u>	<u>(168,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	<u>(899,641)</u>	<u>0</u>	<u>(6,541,646)</u>	<u>0</u>
Net Cash Provided/(Used) by Investing Activities	<u>(899,641)</u>	<u>0</u>	<u>(6,541,646)</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	0	0	833,956,325	0
Funds Returned to the U.S. Treasury	0	0	(13,153,050)	0
Appropriated Funds Allocated	17,363,791	4,347,447	(723,070,257)	168,415
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>0</u>	<u>(334,814)</u>	<u>0</u>
Net Cash Provided/(Used) by Financing Activities	<u>17,363,791</u>	<u>4,347,447</u>	<u>97,398,204</u>	<u>168,415</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	41,308	0	26,214,265	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,555,064</u>	<u>0</u>	<u>696,119,505</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,596,372</u>	<u>\$ 0</u>	<u>\$ 722,333,770</u>	<u>\$ 0</u>

<u>Parliamentarian</u>	<u>Legislative Counsel</u>	<u>Correction Calendar</u>	<u>General Counsel</u>	<u>Law Revision Counsel</u>	<u>Inspector General</u>	<u>Combined</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(1,273,553)	(6,179,181)	(996,879)	(893,392)	(2,305,736)	(3,703,034)	(98,706,711)
(11,776)	11,739	(186)	11,048	(12,961)	9,614	(260,701)
0	(2,914)	0	(422)	4,237	70,125	(335,059)
0	0	0	0	0	0	(101,044)
11,776	(8,825)	186	(10,626)	8,724	(79,739)	6,766,245
31,397	154,190	25,986	20,757	53,855	(20,914)	(13,875,164)
919	46	0	0	0	0	38,800
5,856	4,127	0	0	57,985	17,389	5,892,455
<u>(1,235,381)</u>	<u>(6,020,818)</u>	<u>(970,893)</u>	<u>(872,635)</u>	<u>(2,193,896)</u>	<u>(3,706,559)</u>	<u>(100,581,179)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,097)</u>	<u>0</u>	<u>(7,442,384)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,097)</u>	<u>0</u>	<u>(7,442,384)</u>
0	0	0	0	0	0	833,956,325
0	0	0	0	0	0	(13,153,050)
1,235,381	6,020,818	970,893	872,635	2,194,993	3,706,559	(686,189,325)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(334,814)</u>
<u>1,235,381</u>	<u>6,020,818</u>	<u>970,893</u>	<u>872,635</u>	<u>2,194,993</u>	<u>3,706,559</u>	<u>134,279,136</u>
0	0	0	0	0	0	26,255,573
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>697,674,569</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 723,930,142</u>

This Page Intentionally Left Blank

Chief Administrative Officer

U.S. House of Representatives
Combining Statement of Financial Position
Of the Chief Administrative Officer
As of December 31, 1999

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
ASSETS					
Fund Balance with the U.S. Treasury	\$ 0	\$ 0	\$ 0	\$ 1,043,734	\$ 712,934,365
Cash	0	0	0	0	0
Fund Balance with U.S. Treasury and Cash	0	0	0	1,043,734	712,934,365
Accounts Receivable	0	0	0	35,130	76,911
Interoffice Receivable	0	0	0	0	0
Appropriations Receivable	22,498	674	566,153	0	0
Advances and Prepayments	1,028	0	24,975	0	2,406,198
Inventory	0	0	0	0	0
Property and Equipment, Net	41,314	0	70,215	29,936	256,818
Total Assets	<u>\$ 64,840</u>	<u>\$ 674</u>	<u>\$ 661,343</u>	<u>\$ 1,108,800</u>	<u>\$ 715,674,292</u>
LIABILITIES AND NET POSITION					
Accounts Payable	\$ 20,924	\$ 617	\$ 590,845	\$ 52,252	\$ 847,972
Interoffice Payable	2,602	57	283	844	3,599
Appropriations Payable	0	0	0	0	23,795,110
Capital Lease Liabilities	0	0	0	0	0
Accrued Funded Payroll and Benefits	0	0	0	0	0
Accrued Unfunded Annual Leave and Workers' Compensation	18,118	2,737	132	10,615	3,878,000
Unfunded Workers' Compensation Actuarial Liability	55,841	13,516	14,269	20,936	87,470
Total Liabilities	<u>97,485</u>	<u>16,927</u>	<u>605,529</u>	<u>84,647</u>	<u>28,612,151</u>
Unexpended Appropriations	0	0	0	1,025,768	690,770,793
Cumulative Results of Operations	(32,645)	(16,253)	55,814	(1,615)	(3,708,652)
Total Net Position	<u>(32,645)</u>	<u>(16,253)</u>	<u>55,814</u>	<u>1,024,153</u>	<u>687,062,141</u>
Total Liabilities and Net Position	<u>\$ 64,840</u>	<u>\$ 674</u>	<u>\$ 661,343</u>	<u>\$ 1,108,800</u>	<u>\$ 715,674,292</u>

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 4,995,476	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,360,195	\$ 722,333,770
0	0	0	0	0	0	0	0
0	4,995,476	0	0	0	0	3,360,195	722,333,770
0	8,770	1,966	0	89,916	0	0	212,693
0	131,435	6,310,333	0	1,335,172	0	8,157	7,785,097
32,841	0	0	289,621	2,127,776	14,531	0	3,054,094
0	14,822	211,342	1,922	618,782	73	128	3,279,270
291,458	1,047,994	0	0	14,326	0	0	1,353,778
273,962	45,683	3,923,304	63,815	8,217,750	45,815	237,984	13,206,596
<u>\$ 598,261</u>	<u>\$ 6,244,180</u>	<u>\$ 10,446,945</u>	<u>\$ 355,358</u>	<u>\$ 12,403,722</u>	<u>\$ 60,419</u>	<u>\$ 3,606,464</u>	<u>\$ 751,225,298</u>
\$ 31,190	\$ 387,808	\$ 2,110,287	\$ 286,553	\$ 4,154,168	\$ 14,165	\$ 6,273	\$ 8,503,054
1,651	609	1,404	4,990	17,478	439	953	34,909
0	0	4,411,950	0	0	0	0	28,207,060
0	0	0	0	346,283	0	0	346,283
0	0	0	0	0	0	0	0
3,299	1,178	13,289	20,624	78,600	1,805	6,514	4,034,911
113,032	25,222	49,154	99,200	373,187	12,053	33,324	897,204
149,172	414,817	6,586,084	411,367	4,969,716	28,462	47,064	42,023,421
0	4,762,086	0	0	0	0	3,361,254	699,919,901
449,089	1,067,277	3,860,861	(56,009)	7,434,006	31,957	198,146	9,281,976
449,089	5,829,363	3,860,861	(56,009)	7,434,006	31,957	3,559,400	709,201,877
<u>\$ 598,261</u>	<u>\$ 6,244,180</u>	<u>\$ 10,446,945</u>	<u>\$ 355,358</u>	<u>\$ 12,403,722</u>	<u>\$ 60,419</u>	<u>\$ 3,606,464</u>	<u>\$ 751,225,298</u>

U.S. House of Representatives
Combining Statement of Operations
Of the Chief Administrative Officer
For the Year Ended December 31, 1999

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
REVENUE AND FINANCING SOURCES					
Revenue from Operations					
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sales of Services to Federal Agencies	0	0	0	0	0
Sales of Services to the Public	0	491,869	0	0	0
Interoffice Sales	0	0	0	0	0
Other Revenue	0	0	0	291,912	30,735
Revenue from Operations	0	491,869	0	291,912	30,735
Financing Sources					
Appropriations to Cover Expenses	2,775,689	109,451	4,007,815	786,157	5,007,646
Imputed Finance Source	136,762	33,103	34,946	51,275	214,225
Total Revenue and Financing Sources	\$ 2,912,451	\$ 634,423	\$ 4,042,761	\$ 1,129,344	\$ 5,252,606
EXPENSES					
Personnel Compensation	\$ 1,868,998	\$ 452,393	\$ 477,568	\$ 700,727	\$ 2,927,619
Benefits	671,509	162,897	167,080	255,674	1,257,136
Postage and Delivery	125,016	0	17,809	0	40,755
Repairs and Maintenance	110,468	299	98,824	41,156	194,350
Depreciation and Amortization	68,558	0	34,803	1,854	80,664
Rent, Utilities, and Communications	0	0	0	1,789	0
Telecommunications	27,479	645	3,103	13,131	16,106
Supplies and Materials	16,368	15,344	8,314	5,741	22,279
Travel and Transportation	652	0	2,263	3,659	8,781
Contract, Consulting, and Other Services	7,499	2,845	3,220,241	105,487	693,948
Printing and Reproduction	207	0	1,923	84	9,150
Subscriptions and Publications	14,838	0	0	42	914
Cost of Goods Sold	0	0	0	0	0
Loss on Disposal of Assets	859	0	10,833	0	904
Interest on Capital Leases	0	0	0	0	0
Total Expenses	\$ 2,912,451	\$ 634,423	\$ 4,042,761	\$ 1,129,344	\$ 5,252,606
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 2,956,733	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,956,733
0	0	0	0	1,296,922	20,351	6,609	1,323,882
0	0	0	0	6,728	0	7,234	505,831
24,281	3,588,696	26,078,493	0	14,849,072	371,449	283,954	45,195,945
0	8,770	0	0	0	0	0	331,417
24,281	6,554,199	26,078,493	0	16,152,722	391,800	297,797	50,313,808
6,795,481	623,956	1,775,377	5,371,620	32,663,583	325,226	1,486,294	61,728,295
276,827	61,769	120,382	242,951	913,975	29,518	81,614	2,197,347
\$ 7,096,589	\$ 7,239,924	\$ 27,974,252	\$ 5,614,571	\$ 49,730,280	\$ 746,544	\$ 1,865,705	\$ 114,239,450
\$ 3,783,129	\$ 844,144	\$ 1,645,143	\$ 3,320,184	\$ 12,490,423	\$ 403,394	\$ 1,115,341	\$ 30,029,063
1,329,396	297,118	590,088	1,184,449	4,450,902	142,824	396,737	10,905,810
829	188,050	8,888	2,522	3,554	3	0	387,426
1,128,874	49,223	24,485,657	260,989	6,368,057	31,510	82,200	32,851,607
45,717	30,532	372,811	89,656	4,314,713	54,496	141,259	5,235,063
0	0	183	0	722,098	0	21,240	745,310
10,139	5,098	58,637	24,188	16,900,504	4,889	10,469	17,074,388
701,365	3,519,254	17,518	42,341	131,428	108,490	92,670	4,681,112
20,296	1,048	1,144	9,999	31,884	0	2,765	82,491
76,629	164,257	788,133	648,659	4,170,482	428	2,871	9,881,479
0	20	0	2,441	4,978	510	0	19,313
215	0	6,050	17,288	48,784	0	153	88,284
0	2,141,180	0	0	65,184	0	0	2,206,364
0	0	0	11,855	0	0	0	24,451
0	0	0	0	27,289	0	0	27,289
\$ 7,096,589	\$ 7,239,924	\$ 27,974,252	\$ 5,614,571	\$ 49,730,280	\$ 746,544	\$ 1,865,705	\$ 114,239,450
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of the Chief Administrative Officer
For the Year Ended December 31, 1999

	CAO	Child Care Center	House Postal Operations	Special Events and Services	Office of Finance
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow					
Appropriations to Cover Expenses	(2,775,689)	(109,451)	(4,007,815)	(786,157)	(5,007,646)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	11,648	341	(316,035)	(13,043)	(76,911)
(Increase)/Decrease in Advances and Prepayments	10	0	0	0	(155,135)
(Increase)/Decrease in Inventory	0	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(11,658)	(441)	316,035	10,813	6,344,212
Increase/(Decrease) in Other Accrued Liabilities	(10,618)	13,070	(19,480)	4,041	(13,704,643)
Loss on Disposal of Assets	859	0	10,833	0	904
Depreciation and Amortization	68,558	0	34,803	1,854	80,664
Net Cash Provided/(Used) by Operating Activities	<u>(2,716,890)</u>	<u>(96,481)</u>	<u>(3,981,659)</u>	<u>(782,492)</u>	<u>(12,518,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment	0	0	(10,833)	(29,288)	(215,049)
Net Cash Provided/(Used) by Investing Activities	<u>0</u>	<u>0</u>	<u>(10,833)</u>	<u>(29,288)</u>	<u>(215,049)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Appropriations Received	0	0	0	0	833,956,325
Funds Returned to the U.S. Treasury	0	0	0	0	(13,153,050)
Appropriated Funds Allocated	2,716,890	96,381	3,992,492	1,040,817	(783,171,492)
Principal Payment on Capital Lease Liabilities	0	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>2,716,890</u>	<u>96,381</u>	<u>3,992,492</u>	<u>1,040,817</u>	<u>37,631,783</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	(100)	0	229,037	24,898,179
Fund Balance with U.S. Treasury and Cash, Beginning	0	100	0	814,697	688,036,186
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,043,734</u>	<u>\$712,934,365</u>

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(6,795,481)	(623,956)	(1,775,377)	(5,371,620)	(32,663,583)	(325,226)	(1,486,294)	(61,728,295)
14,729	(72,269)	(1,370,757)	(98,894)	1,709,884	(14,265)	4,790	(220,782)
0	16,487	(2,466)	1,758	(259,187)	(73)	(48)	(398,654)
(52,893)	(33,825)	0	0	(14,326)	0	0	(101,044)
(14,730)	(50,622)	1,373,223	97,136	(1,450,697)	14,339	(85,440)	6,542,170
(83,602)	(27,794)	(8,855)	(70,806)	(76,672)	(8,443)	(1,400)	(13,995,202)
0	0	0	11,855	0	0	0	24,451
45,717	30,532	372,811	89,656	4,314,713	54,496	141,259	5,235,063
(6,886,260)	(761,447)	(1,411,421)	(5,340,915)	(28,439,868)	(279,172)	(1,427,133)	(64,642,293)
0	(16,475)	(3,337,395)	(28,592)	(2,904,014)	0	0	(6,541,646)
0	(16,475)	(3,337,395)	(28,592)	(2,904,014)	0	0	(6,541,646)
0	0	0	0	0	0	0	833,956,325
0	0	0	0	0	0	0	(13,153,050)
6,886,260	1,171,916	4,748,816	5,369,507	31,678,696	279,172	2,120,288	(723,070,257)
0	0	0	0	(334,814)	0	0	(334,814)
6,886,260	1,171,916	4,748,816	5,369,507	31,343,882	279,172	2,120,288	97,398,204
0	393,994	0	0	0	0	693,155	26,214,265
0	4,601,482	0	0	0	0	2,667,040	696,119,505
<u>\$ 0</u>	<u>\$ 4,995,476</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,360,195</u>	<u>\$ 722,333,770</u>

This Page Intentionally Left Blank

Capitol Police and Other Joint Functions

U.S. House of Representatives
Combining Statement of Financial Position
Of the Capitol Police and Other Joint Functions
As of December 31, 1999

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
ASSETS				
Fund Balance with the U.S. Treasury	\$ 1,777,367	\$ 133,513,956	\$ 5,148,990	\$ 140,440,313
Cash	0	29,200	0	29,200
Fund Balance with U.S. Treasury and Cash	1,777,367	133,543,156	5,148,990	140,469,513
Accounts Receivable	485	3,885	30	4,400
Interoffice Receivable	0	0	0	0
Appropriations Receivable	0	0	0	0
Advances and Prepayments	0	28,786	55,534	84,320
Inventory	0	0	0	0
Property and Equipment, Net	181,417	8,654,802	184,098	9,020,317
Total Assets	<u>\$ 1,959,269</u>	<u>\$ 142,230,629</u>	<u>\$ 5,388,652</u>	<u>\$ 149,578,550</u>
LIABILITIES AND NET POSITION				
Accounts Payable	\$ 39,491	\$ 3,648,994	\$ 19,973	\$ 3,708,458
Interoffice Payable	46,214	88	2,968	49,270
Appropriations Payable	0	0	0	0
Capital Lease Liabilities	0	0	0	0
Accrued Funded Payroll and Benefits	0	1,588,511	0	1,588,511
Accrued Unfunded Annual Leave and Workers' Compensation	681	1,534,166	18,920	1,553,767
Unfunded Workers' Compensation Actuarial Liability	5,841	1,053,511	162,263	1,221,615
Total Liabilities	<u>92,227</u>	<u>7,825,270</u>	<u>204,124</u>	<u>8,121,621</u>
Unexpended Appropriations	1,692,147	128,338,234	5,181,613	135,211,994
Cumulative Results of Operations	174,895	6,067,125	2,915	6,244,935
Total Net Position	<u>1,867,042</u>	<u>134,405,359</u>	<u>5,184,528</u>	<u>141,456,929</u>
Total Liabilities and Net Position	<u>\$ 1,959,269</u>	<u>\$ 142,230,629</u>	<u>\$ 5,388,652</u>	<u>\$ 149,578,550</u>

U.S. House of Representatives
Combining Statement of Operations
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1999

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 0
Sales of Services to Federal Agencies	0	0	0	0
Sales of Services to the Public	50,858	0	0	50,858
Interoffice Sales	0	0	0	0
Other Revenue	0	0	0	0
Total Revenue from Operations	<u>50,858</u>	<u>0</u>	<u>0</u>	<u>50,858</u>
Financing Sources				
Appropriations to Cover Expenses	1,609,049	50,638,990	7,617,895	59,865,934
Imputed Financing Source	<u>14,306</u>	<u>2,895,837</u>	<u>397,398</u>	<u>3,307,541</u>
Total Revenue and Financing Sources	<u>\$ 1,674,213</u>	<u>\$ 53,534,827</u>	<u>\$ 8,015,293</u>	<u>\$ 63,224,333</u>
EXPENSES				
Personnel Compensation	\$ 195,503	\$ 35,260,659	\$ 5,430,853	\$ 40,887,015
Benefits	152,125	12,830,840	1,919,257	14,902,222
Postage and Delivery	961	4,219	2,519	7,699
Repairs and Maintenance	172,896	2,313,533	267,678	2,754,107
Depreciation and Amortization	20,867	931,313	75,925	1,028,105
Rent, Utilities, and Communications	0	1,026	0	1,026
Telecommunications	12,615	57,671	20,142	90,428
Supplies and Materials	245,482	708,870	28,975	983,327
Travel and Transportation	4,558	753,642	4,711	762,911
Contract, Consulting, and Other Services	864,292	620,619	133,173	1,618,084
Printing and Reproduction	0	24,288	414	24,702
Subscriptions and Publications	4,914	6,334	131,646	142,894
Cost of Goods Sold	0	0	0	0
Loss on Disposal of Assets	0	21,813	0	21,813
Interest on Capital Leases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	<u>\$ 1,674,213</u>	<u>\$ 53,534,827</u>	<u>\$ 8,015,293</u>	<u>\$ 63,224,333</u>
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

U.S. House of Representatives
Combining Statement of Cash Flows
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1999

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(1,609,049)	(50,638,990)	(7,617,895)	(59,865,934)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(485)	(3,885)	(30)	(4,400)
(Increase)/Decrease in Advances and Prepayments	86	6,945	(721)	6,310
(Increase)/Decrease in Inventory	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	23,377	3,137,813	(4,383)	3,156,807
Increase/(Decrease) in Other Accrued Liabilities	6,522	1,745,501	181,183	1,933,206
Loss on Disposal of Assets	0	21,813	0	21,813
Depreciation and Amortization	20,867	931,313	75,925	1,028,105
Net Cash Provided/(Used) by Operating Activities	<u>(1,558,682)</u>	<u>(44,799,490)</u>	<u>(7,365,921)</u>	<u>(53,724,093)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	<u>(169,327)</u>	<u>(7,355,330)</u>	<u>(50,727)</u>	<u>(7,575,384)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(169,327)</u>	<u>(7,355,330)</u>	<u>(50,727)</u>	<u>(7,575,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	1,898,000	44,299,000	6,456,000	52,653,000
Funds Returned to the U.S. Treasury	(58,074)	(325,899)	(8,361)	(392,334)
Appropriated Funds Allocated	184,209	(4,555,563)	1,360,360	(3,010,994)
Principal Payment on Capital Lease Liabilities	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>2,024,135</u>	<u>39,417,538</u>	<u>7,807,999</u>	<u>49,249,672</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	296,126	(12,737,282)	391,351	(12,049,805)
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,481,241</u>	<u>146,280,438</u>	<u>4,757,639</u>	<u>152,519,318</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,777,367</u>	<u>\$ 133,543,156</u>	<u>\$ 5,148,990</u>	<u>\$ 140,469,513</u>

Report of Independent Accountants on Compliance with Laws and Regulations

This Page Intentionally Left Blank

**Report of Independent Accountants
on Compliance with Laws and Regulations**

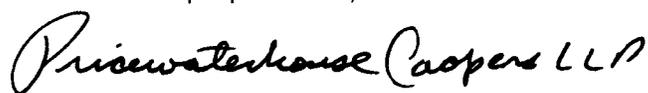
To the Inspector General,
U.S. House of Representatives

We have audited the consolidating financial statements of the U.S. House of Representatives (House) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, rules, and regulations is the responsibility of the Members and administrative management of the House. As part of obtaining reasonable assurance about whether the consolidating financial statements are free of material misstatement, we performed tests of the House's compliance with certain provisions of laws and House rules and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Compliance with laws, rules, and regulations at the House is significantly different than it is for Executive Branch departments and agencies. First, many of the laws that apply to the Executive Branch, such as the Federal Managers' Financial Integrity Act of 1982, the Government Management Reform Act, and the Chief Financial Officers Act of 1990, do not apply to the House. Second, while Executive Branch departments and agencies are subject to regulations that implement their authorizing statutes and to regulations imposed by other agencies, such as the Office of Management and Budget and the Office of Personnel Management, the House is subject to specific laws, its own rules, and to regulations contained in its *Members' Congressional Handbook and Committees' Congressional Handbook*.

This report's sole official purpose is for the information and use of Members of the U.S. House of Representatives, the Office of the Chief Administrative Officer, and the Office of the Inspector General, and is not intended to be, and should not be, used by anyone other than these specified parties in an official capacity. However, this report is available to the public for information purposes only.



June 27, 2000
Arlington, Virginia

This Page Intentionally Left Blank

**Report of Independent Accountants
on Management's Assertion
About Internal Control**

This Page Intentionally Left Blank

**Report of Independent Accountants
on Management's Assertion About Internal Control**

We have examined management's assertion included in the accompanying House of Representatives Management Report on Internal Control, that the United States House of Representatives maintained effective internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting as of December 31, 1999 based on the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. Management is responsible for maintaining effective internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of the internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting; testing and evaluating the design and operating effectiveness of the internal control; and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the House has maintained effective internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting as of December 31, 1999 is fairly stated, in all material respects, based upon the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the AICPA. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- The staff payroll system is obsolete and needs to be replaced.
- The House lacked sufficient information with which to manage and maintain accountability over its property and equipment.

- Financial management continues to be hampered by inadequate systems, resources, and procedures.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, none of the reportable conditions described above is believed to be a material weakness.

Additional details on each of these reportable conditions are included in the attachment to this report.

This report's sole official purpose is for the information and use of Members of the U.S. House of Representatives, the Office of the Chief Administrative Officer, and the Office of the Inspector General, and is not intended to be, and should not be, used by anyone other than these specified parties in an official capacity. However, this report is available to the public for information purposes only.

PricewaterhouseCoopers LLP

June 27, 2000
Arlington, Virginia

The remainder of this report presents an overview of the criteria used in our examination of the design or operation of internal controls at the House as of December 31, 1999, a summary of the current status of the weaknesses in internal controls, and a detailed discussion of each of the existing weaknesses.

Criteria

In determining the current status of these internal control weaknesses, we applied the following criteria:

Substantial Progress	New financial system and/or new policies and procedures put in place <i>substantially</i> address the <i>more significant</i> recommendations made in the prior audit.
Some Progress	New financial system and/or new policies and procedures put in place <i>partially</i> address <i>the more significant</i> recommendations made in the prior audit.
Limited Progress	Steps taken to address <i>less significant</i> recommendations; more significant recommendations addressed only with <i>proposals</i> or <i>remain open</i> .

Our assessment of the status of prior recommendations was based on a review of the House's progress toward implementing the recommendations. The following criteria were used to assess that progress:

Closed	The House fully implemented the recommended corrective actions, or changes in the House operations remedied or eliminated the need for recommended corrective action.
Substantial Progress	The House has <i>substantially</i> addressed the <i>more significant</i> aspects of the recommendation.
Some Progress	The House has <i>partially</i> addressed the <i>more significant</i> aspects of the recommendation.
Limited Progress	The House has made progress on the <i>less significant</i> aspects of the recommendation.
Not Started	The House has taken <i>no action</i> to implement the recommendation.

Current Status of Internal Controls

- We assessed the current status of the five internal control weaknesses we identified in our 1998 *Report of Independent Accountants on Management's Assertion About Internal Control*. Of the five weaknesses, two remain reportable conditions, and three have been combined into one reportable condition.

Figure 1 presents a summary status of the three weaknesses, and is followed by a detailed discussion of each of the weaknesses.

Figure 1 – Summary Status of Internal Control Weaknesses			
Weakness	Status as of June 27, 2000		
	Substantial Progress	Some Progress	Limited Progress
1. The Staff Payroll System Is Obsolete And Needs To Be Replaced <i>(Reportable Condition)</i>	X		
2. The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment <i>(Reportable Condition)</i>	X		
3. Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures <i>(Reportable Condition)</i>	X		

The House has made substantial progress towards correcting the conditions underlying two other weaknesses that we reported on in last year's audit. The issues related to the following two weaknesses have been combined with and addressed in reportable condition 3 above:

- Poor controls over computers and data exposed the House to the risk of unauthorized transactions, incorrect data, misuse of assets, and loss of data and programs.
- The House did not properly track the goods and services it ordered, made erroneous duplicate payments, and paid vendors late.

Weakness 1: The Staff Payroll System Is Obsolete And Needs To Be Replaced**Summary Status:**

- **Reportable Condition**
- **Prior Condition**
- **Substantial Progress**

During 1999, the House implemented a new Members payroll system and accepted proposals to replace the staff payroll system. The staff payroll system is inefficient and technologically obsolete. This system requires the Office of Human Resources (Human Resources) staff to regularly make manual calculations and adjustments to process the House's staff payroll. Furthermore, numerous supplemental payments and overpayments made throughout the year are attributable to inadequacies in the staff payroll system.

We identified the following inefficiencies with the House's staff payroll system:

- If an employee changes from non-permanent to permanent status in a given month, the staff payroll system automatically calculates the Federal Employees' Retirement System (FERS) deduction for the entire month, including the portion of the month in which the individual was a non-permanent employee. This necessitates a manual adjustment to the system to reverse the incorrect FERS deduction.
- The staff payroll system does not perform all necessary payroll calculations; therefore, manual calculations are needed for certain actions such as earned income credits, garnishments, deductions for retroactive adjustments, multiple annuitants, part-time child care employees, Government portion of Civil Service Retirement System - Offset once the employee's maximum Federal Insurance Contribution Act level has been reached, and Government portion of FERS.
- Once adjustments to the staff payroll system have been made (i.e., handwritten checks, voids, adjustments, and suspense items), a second report is run. Payroll Counselors manually compare the report to an Excel spreadsheet and make adjustments before the payroll summary is provided to Finance.
- The staff payroll system does not have the ability to control and account for time and leave data. As a result, overtime, compensatory time, and annual and sick leave benefits to which employees are entitled have to be manually calculated.

Legislation requires House payroll to be paid on the last workday of the month except for the month of December, which is paid on December 20th. In order to pay the staff on the last workday of the month, Human Resources personnel must prepare staff payroll checks requests before the end of the month for work completed during that month. As a result, payroll changes due to salary changes or the appointment of new employees are often submitted to Human Resources after the published payroll deadline.

In 1999, supplemental payroll changes resulted in approximately 3,700 supplemental paychecks for underpayments to staff, totaling \$2.43 million and refunds requested from the staff of approximated \$421,000, of which \$7,751 was outstanding as of May 26, 2000.

The weaknesses described underscore the need for the House to expeditiously replace the staff payroll system.

Recommendation

The following audit recommendation was made in a previous Office of Inspector General audit report. Based on test results from this audit, we have determined that the weakness, which underlies this recommendation, still exists and the Chief Administrative Officer should continue to acquire the new staff payroll system to resolve this weakness:

Recommendation	Current Status of Recommendation	Management's Response
<p>Report No. 99-HOC-07, 1.1</p> <p>Replace current staff payroll and human resources systems ensuring that (1) system inefficiencies are addressed and (2) adequate controls are established, to manage and account for annual and sick leave for applicable employees.</p>	<p>Status: Some Progress</p> <p>The House has received and reviewed proposals for the new staff payroll system. The CAO is submitting the selected proposal to the Committee on House Administration for review and approval.</p>	<p>CONCUR</p> <p>The Office of the CAO is in the process of evaluating the options available to replace the current staff payroll system and plans to make a final recommendation for contract award to the Committee on House Administration by July 2000. The current list of system requirements will address the system inefficiencies and will also allow for controls to be put into place to manage and account for annual and sick leave for applicable employees. A final schedule for the staff payroll replacement effort will be completed once a replacement system has been identified and approved by the appropriate House decision makers.</p>

Weakness 2: The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property and Equipment

- Summary Status:**
- **Reportable Condition**
 - **Prior Condition**
 - **Substantial Progress**

During 1999, the House continued its efforts toward resolving the weaknesses related to net property and equipment that as of December 31, 1999, had a balance in excess of \$31.5 million. One of the improvements relates to how the House identifies and tracks asset acquisitions. During 1998 the House established a policy to perform a monthly review of supporting documentation for Federal Financial System (FFS) disbursements that appear to be asset acquisitions based on the amount, Budget Object Class (BOC) and/or FFS line item description. The House refined the search criteria, during calendar year 1999, used to identify capitalizable property and equipment by reviewing purchases with a lower dollar value than reviewed in previous years.

However, the most significant action required to resolve this weakness, the implementation of the new Fixed Asset and Inventory Management System (FAIMS), is scheduled for September 2000. Until FAIMS is fully operational, the House's efforts to effectively maintain control over its capitalized and non-capitalized property and equipment are hindered. Specifically, the House does not maintain centralized accounting control over its capitalized property and equipment; instead, the responsibility for accounting for such property and equipment is dispersed among several entities within the CAO. The House offices that account for most of the property and equipment are:

- Office Systems Management (OSM), which is responsible for computers, copiers, and other office equipment used by Members, Committees, and House Officers, and
- House Information Resources (HIR), which is responsible for computer equipment that supports the House's central electronic data processing environment and telecommunications equipment used by Members (both in their Washington, DC and district offices), Committees, and House Officers.

Currently, neither of these offices maintains property ledgers that comply with all of the applicable requirements of the Joint Financial Management Improvement Program¹, such as fully integrating their subsidiary systems with the House general ledger system. Rather, OSM maintains property information in a database, which is separate from FFS, while HIR maintains its property information on electronic spreadsheets. This information, along with property information from other House entities, is provided to the Office of Finance (Finance) and tracked by Finance on electronic spreadsheets.

¹ A joint cooperative undertaking of OMB, GAO, U.S. Treasury, and OPM, working in coordination with each other and with other operating agencies to improve financial management practices throughout the Federal Government, which the House has committed to adopt.

Despite the House's efforts to identify and track its capitalized property and equipment, we found several instances where property and equipment items either were not capitalized or were capitalized incorrectly. Based on the results of our testing, a net audit adjustment of \$2.6 million was made to increase the total net value of property and equipment on the House's financial statements. Generally these adjustments were needed because:

- Property Custodians, and by extension Finance, often do not receive timely information from vendors and Members' offices about the delivery and installation of property and equipment; therefore, the financial records of the House are not updated timely to accurately reflect the acquisition of property and equipment which meet the capitalization thresholds. As a result, we conducted an analysis of payments made during the beginning of 2000 and identified items that were held by the House at December 31, 1999, but not yet recorded in the financial records. Based on the results of our work, the House posted an adjustment of \$3.1 million to the financial statements for this property and equipment.
- Formula errors were noted in the electronic spreadsheets used by the House to track capitalized property and equipment. During the audit, we obtained all of the spreadsheets used by the House to track capitalized property and equipment and reviewed them to ensure that the House properly accumulated the information on these spreadsheets and to test the accuracy of the spreadsheet computations. Based on the results of our work, the House posted an adjustment of \$293,000 to increase the net property and equipment.
- Purchases, which meet the House's capitalization threshold, were not always identified as capitalizable property and equipment. During our testing, we randomly selected 45 items, with a total value of \$1.4 million that were expensed as purchases during the year. We tested these transactions to determine if the items met the capitalization thresholds. From our testing, we determined that the House should have capitalized 4 items, with an acquisition value of \$48,900, which were expensed. Based on the results of our work, the House posted an adjustment to accurately reflect these transactions as capitalized property and equipment.
- The House has not developed and consistently implemented policies and procedures to reconcile information from the physical inventories of property and equipment to the legacy property systems and electronic spreadsheets used to account for property and equipment. While the House has informally conducted these reconciliations, we believe that this key control should be formalized to provide a definitive trail evidencing changes made to the electronic spreadsheets or to the physical inventory listings.

Recommendations

The following two audit recommendations were made in previous Office of Inspector General audit reports. Based on the test results from this audit, we have determined that the weaknesses, which underlie these recommendations, still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management Response
<p>Report No. 95-HOC-22, 4.1</p> <p>Ensure that the new financial management system and subsidiary systems are capable of accumulating and providing information with respect to property and equipment, including:</p> <ul style="list-style-type: none"> • Cost or value information • Description and acquisition date • Useful life and depreciation method and amount • Scheduled replacement • Location • Disposal date 	<p>Status: Substantial Progress</p> <p>The House continues to work with its contractor toward the implementation of FAIMS. The House's requirements for the new system include the need to capture cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, scheduled replacement, and location. The current implementation date for FAIMS is September 2000.</p>	<p>CONCUR</p> <p>FAIMS will be capable of maintaining detailed information with respect to property and equipment including: cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, and location. Summary information on the acquisition cost and accumulated depreciation of assets and inventory acquired by House organizations shall be maintained in FFS, the House's accounting system. The contract award for a new fixed asset management system was signed on August 10, 1998, by the CAO. Included in the contract were requirements that ensured the CAO would be able to track each of the items outlined in this audit recommendation. With the system implementation scheduled for early 2001, the CAO anticipates closing this recommendation on September 1, 2001.</p>
<p>Report No. 98-HOC-11, 1.1</p> <p>In accordance with the property and lease policies recently approved by the Committee on House Administration, and until a new fixed asset and inventory management system is implemented, a comprehensive inventory should be completed of all capitalized assets, operating leases with terms in excess of one year, and capital leases. This inventory should be reconciled to amounts recorded in FFS and the financial statements.</p>	<p>Status: Substantial Progress</p> <p>During 1999, OSM and HIR completed physical inventories. This information was used to update the electronic spreadsheets used to track capitalized property and equipment for financial statement preparation. However, OSM, HIR, and Finance do not have formal procedures to clearly document the reconciliation of the physical inventories to the legacy property systems and to the electronic spreadsheets. The procedures used to reconcile the physical inventories to legacy property systems and to the electronic spreadsheets should be formalized to ensure that all identified changes are appropriately updated on the spreadsheets or physical inventory listings, and that evidence of these changes is maintained.</p>	<p>CONCUR</p> <p>In December 1998, Media and Support Services (MSS) and HIR completed an inventory of all assets meeting the CAO's new capitalization threshold that became effective in 1998. In addition, as of December 31, 1998, OSM completed a physical inventory of all capital items acquired under the previous capitalization threshold, as well as all accountable property located in Washington, D.C. HIR completed an additional inventory of all capitalized non-communications assets in December 1999 and an inventory of communications assets in February 2000. MSS and HIR will modify existing physical inventory procedures to ensure that results of physical inventory counts are reconciled on a timely basis with property records maintained in</p>

Recommendation	Current Status of Recommendation	Management Response
		<p>current property systems and FAIMS, when implemented. Additionally, the modification will address procedures, including timeframes, for informing Finance of any reconciliation adjustments to capital asset items. This will enable Finance to adjust their manual capital asset spreadsheets accordingly. Finance shall continue to maintain the manual spreadsheets for a minimum of one year subsequent to the FAIMS implementation. These procedural modifications shall be completed by October 1, 2000.</p> <p>Finance will modify existing capital asset procedures to ensure capital asset items tracked on manual spreadsheets are adjusted timely for physical inventory counts and the necessary adjusting entries are recorded timely in the correct FFS general ledger accounts. These procedures shall be completed by October 1, 2000, and shall continue for a minimum of one year subsequent to the FAIMS implementation.</p>

The following recommendation, made during a previous audit, has been closed because changes in House operations remedied the associated weakness underlying the recommendation.

Recommendation
<p>Report No. 97-HOC-14, 10.9</p> <p>Ensure that transactions relating to a) purchase of equipment; b) lease of equipment; c) maintenance of equipment; and d) purchase of non-equipment items such as supplies, training, and other services, are properly processed in the correct Budget Object Classes (BOCs), i.e., the correct expense accounts, in FFS.</p>

Weakness 3: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures

- Summary Status:**
- **Reportable Condition**
 - **Prior Condition**
 - **Substantial Progress**

The House took several steps during 1999 toward improving its financial management. For the first time since the implementation of FFS, the House utilized the automated features of FFS to “close” its books. The trial balance that was produced as part of this closure served as the foundation for this year’s financial statements. In addition, the House updated the logic used to post various transactions to FFS. As a result, the House records its financial transactions in a manner that is consistent with the Federal Standard General Ledger.

Furthermore, the House made progress on the six Office of Inspector General (OIG) recommendations that remain open. However, based on the test results from this audit, we have determined that the weaknesses, which underlie these recommendations, still exist. Collectively, the weaknesses affect the House’s ability to prepare accurate financial statements. For continued improvement to the financial management of the House, the CAO needs to continue to implement the corrective actions necessary to resolve these weaknesses. Our testing indicated the following:

- As a matter of policy, the House does not recognize liabilities for goods or services provided until these items have been fully accepted by the end-user. Instead, the House recognizes the associated liability for the goods or services after a vendor invoice has been submitted to Finance for payment. Liquidation of the associated liability occurs when the House submits payment to the vendor. Because of this process, the House is unable to accurately identify its total trade liabilities at any given point in time. These liabilities can be determined only after a significant amount of manual calculations by House employees, which increases the risk of misstating the House’s liabilities.
- The Begin and End Service Date fields within FFS are not used consistently by the various service-providing entities of the House. These fields are used by Finance to calculate prepaid expenses and accounts payable, and to determine the acquisition date of property and equipment. For example, we noted that one of the CAO organizations entered the purchase order date to the FFS Begin Service Date field, while other CAO organizations entered the vendor invoice date to the FFS Begin Service Date field. Inconsistent use of these date fields could compromise the integrity of the data stored in FFS, and could hamper the efforts of the House to compile accurate and reliable financial reports. Specifically, inconsistent use of these date fields could impact the accuracy of the House’s property and equipment, prepaid assets, and overall liabilities.
- The House staff must spend an inordinate amount of time preparing the annual financial statements. The compilation of the financial statements depends heavily on information maintained on either computer-generated spreadsheets or non-integrated financial systems. As a result, a significant number of calculations and adjustments, which occur outside of

FFS, must be completed in order to compile the annual financial statements. Moreover, the preparation of the House’s financial statements is dependent on the knowledge of a small number of employees within Finance using procedures that have not been fully documented. Because the preparation of the financial statements requires a significant amount of manual intervention, the House faces an increased risk of incorrectly compiling its financial statements. Furthermore, staff turnover within Finance could add to the risk of misstatement since the compilation procedures have not been fully documented.

- BOCs were not used consistently by the House. Transactions entered in FFS have a corresponding general ledger (GL) account number and BOC. In order for the House to be able to rely on the financial information in FFS, it is critical that the GL and BOC are accurate and recorded consistently. During 1999, the House implemented procedures to “self-audit” the accuracy of the BOC information for items in excess of \$500. We noted evidence of the House posting entries in FFS to correct items that were initially posted to the wrong BOC and discovered by the House through the self-audits. However, we noted some BOC codes were used inconsistently and went uncorrected by the House, partially due to the \$500 threshold. For example, our testing revealed that charges for pager rentals at times were posted to BOCs reserved for telecommunications activity while at other times these charges were posted to BOCs reserved for lease activity. We also noted several instances in which BOCs for lease-related activity were used inconsistently within the House. Inconsistent use of the BOCs could impair the integrity of the financial data recorded in FFS.

Recommendations

The following six audit recommendations were made in previous Office of Inspector General audit reports. Based on the test results from this audit, we have determined that the weaknesses, which underlie these recommendations, still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management’s Response
<p>Report No. 95-HOC-22, 2.1</p> <p>Initiate a system of accounting and control that captures data, and tracks transactions by vendor and by ordering office when goods and services are ordered, received, and paid.</p>	<p>Status: Some Progress</p> <p>Currently, FFS is used to capture expense data at the point of obligation. Several classes of transactions are currently obligated when the order is placed. However, the House continues to obligate other classes of transactions at the time of receipt. When fully implemented, Procurement Desktop (PD) and FAIMS will have the ability to capture contract, purchase order, and receipt of goods data. Combined with the functionalities of FFS, these systems will have the ability to determine which items</p>	<p>CONCUR</p> <p>PD will be used to initiate all CAO-processed purchases using standard forms for requisitions (purchase requests) and purchase orders (awards). PD will also be used for recording receipt of goods data that will then allow PD purchase order information to be transferred to the receiving document and posted to both FAIMS and FFS. PD also will allow users the capability to determine what items have been procured, but not yet received. Further, as mentioned above, FAIMS will submit payment</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>have been ordered but not received and which items have been received, or received and invoiced, but not paid.</p>	<p>requests for asset related purchases and FFS will provide confirmation of payment processing to FAIMS. This will allow users to determine whether items have been received, but have not yet been invoiced or have been received and invoiced, but not yet paid. Fully approved PD receiver documents will serve as vouchers authorizing payment upon receipt of the invoice from the vendor for all obligations. All but the FAIMS portion of this concurrence will be implemented by July 1, 2000. The FAIMS portion will be implemented in early 2001`.</p> <p>In addition, the CAO will develop a CAO-wide obligation policy, by September 2000, to ensure all CAO units obligate the same type of acquisitions consistently. Obligating and subsequently recording received and accepted items and services will effectively be implementing accrual accounting.</p>
<p>Report No. 95-HOC-22, 2.2</p> <p>In conjunction with acquiring a new financial management system, ensure it has the capability to:</p> <ul style="list-style-type: none"> • compare orders against the available budget by office. • prompt offices when orders have not been received or when bills have not been paid after a specified period of time. 	<p>Status: Substantial Progress</p> <p>The House continues to move toward the full implementation of PD and FAIMS. Contract, purchase order and receiving information captured in PD, combined with payment information recorded in FAIMS and passed through to FFS, will allow the users to identify orders which have been received, or when bills have not been paid in a timely manner.</p>	<p>CONCUR</p> <p>FFS verifies funds availability any time a document is processed through the system. PD also utilizes this functionality to check funds availability when processing requisitions, obligations or receivers. Full implementation of PD in CAO offices, the OIG and Sergeant at Arms was completed by May 2000. PD will also capture receipt of goods data and pass this information to FAIMS and FFS.</p> <p>The House currently has a process to manage open obligations. Specifically, the Office of Finance uses extracts from FFS to identify open obligations, and the resulting report is distributed to offices for review. The House is also implementing accrual accounting that will allow the House to manage items received but not yet paid. To augment management of this</p>

Recommendation	Current Status of Recommendation	Management's Response
		<p>process, the Office of Finance is developing aging reports for open obligations and receivers for distribution to offices. These reports will allow offices to identify and manage un-liquidated obligations and un-liquidated receipts on an aging/exception basis. Expected completion of this effort is July 31, 2000.</p>
<p>Report No. 95-HOC-22, 8.9</p> <p>In conjunction with the overall action plan for systems update and integration, improve data entry controls with respect to weaknesses in entering data for purchasing equipment and a lack of approved vendor codes.</p>	<p>Status: Substantial Progress</p> <p>Finance has included controls within FFS to require the entry, and ensure the validity, of beginning and ending service dates to ensure the recognition of expenses in the proper period. In addition, the number of individuals authorized to modify the vendor table in FFS was reduced by 40% to 6 individuals. The House is currently working on an initiative to implement additional controls over the maintenance of the vendor table. The initiative included a review by a contractor to identify duplicate vendors and the development of new vendor maintenance policies and procedures. The initiative also includes an effort to enhance controls by centralizing vendor maintenance capability into one process, determining the need for revising vendor identification/naming standards, and determining the cost benefit of extending the contract with a vendor to periodically assess the vendor table. The efforts taken by Finance to implement system controls and update system documentation improve the accuracy of data entry, thus lessening the need for extensive training. The House needs to continue its efforts to complete and implement these initiatives, so that a review can be made to determine whether the controls put into operation are sufficient to fully resolve this issue.</p>	<p>CONCUR</p> <p>The Office of Finance contracted with a vendor to perform a complete review of the FFS vendor file to identify potential duplicate vendors for analysis. This initial assessment and subsequent analysis of the potential duplicates was completed in March 2000 and resulted in a review of all 88,000 vendor records and the deactivation of approximately 13,000 vendors in FFS. The CAO has also drafted revised procedures for vendor table maintenance and control to reduce the possibility of erroneous entry of duplicate vendors in the system. Also, the CAO is continuing to coordinate with the vendor to perform remaining reviews of the vendor table to address potential duplicate vendor issues, since the prior analysis was completed in March. CAO will then determine whether there is a benefit to performing the process in the future. In addition, the CAO have consolidated and limited vendor table maintenance functions to a restricted number of individuals within the CAO. A review is ongoing to further restrict the points of entry for modifying the vendor table in FFS. The CAO expects completion of the review and receipt of the resulting recommendation by September 30, 2000.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>Report No. 97-HOC-14, 1.6</p> <p>Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by FFS to the U.S. Treasury on a monthly basis.</p>	<p>Status: Substantial Progress</p> <p>Some core components of FFS have not been implemented. Currently the House plans to implement accrual accounting starting on July 1, 2000. Until these components are fully operational, it will be necessary for the House to spend an inordinate amount of time preparing the annual financial statements. In addition, numerous calculations and adjustments made outside of FFS will be needed to compile the annual financial statements.</p>	<p>CONCUR</p> <p>The House is implementing accrual accounting effective July 1, 2000. Refer to the above response to Weakness 3, Recommendation 1 (95-HOC-22, 02.01). Additionally, the Finance Office will by December 31, 2000, complete more thorough and detailed financial statement procedures concerning the complex compilation procedures for accounts payable, prepaid expenses and property, plant and equipment.</p>
<p>Report No. 98-HOC-11, 6.1</p> <p>Establish and implement policies and procedures to:</p> <ul style="list-style-type: none"> • take advantage of FFS functions to ensure duplicate payments are not being erroneously disbursed. • include analytical procedures to sort, match, and test for potential duplicate payments transactions in FFS. • ensure that FFS data fields are used consistently. 	<p>Status: Substantial Progress</p> <p>During 1999, the House implemented several manual and automated controls to detect duplicate payments and, when appropriate, obtain repayments from vendors or employees. However, our testing indicated that the FFS date fields are not used consistently by all service providers.</p>	<p>CONCUR</p> <p>An enhancement to FFS was also implemented in 1999 that mandates the use of beginning and ending service dates, and does not allow the use of erroneous dates, i.e., June 32, or the entry of end dates that are earlier than begin dates. Implementation of accrual accounting, in July 2000, will ensure a further consistency among service providers in the dates used to describe specific events.</p>
<p>Report No. 99-HOC-07, 4.3</p> <p>Ensure that management within each CAO organization develops and implements: (1) internal procedures to ensure that staff responsible for assigning BOCs to documents and entering BOC data into the financial systems are adequately trained on correct BOC usage; and (2) performance measures to ensure staff accurately enter BOC and other invoice data into FFS.</p>	<p>Status: Substantial Progress</p> <p>The House took significant steps during the year to identify and correct entries that were initially charged to the wrong BOC. However, the process for incorporating performance measure use in staff evaluations has not been completed. Furthermore, our testing indicated that additional guidance is needed to ensure the consistent use of BOCs.</p>	<p>CONCUR</p> <p>During December 1999 and January 2000, Finance conducted eight two-hour BOC training sessions for approximately 170 CAO staff assigned responsibility for BOC usage. In addition, staff were provided, during the training sessions, with specific points of contact from whom to receive clarification should any ambiguities arise regarding BOC usage. As a result, Finance staff have responded, in writing, to numerous inquiries. Finance also receives, on a monthly basis, BOC usage and communications of on potential BOC issues/recommendations for adjustment with the office(s) responsible for initiating</p>

Recommendation	Current Status of Recommendation	Management's Response
		<p>transactions. The CAO will address BOC issues related to incorporating performance measures into the individual performance plans and evaluations (IPPE) process, re-iterate the avenues for resolving BOC questions, and include BOC usage issues during the June, September and December 2000 CAO-wide Quarterly Financial Management Meetings.</p> <p>Further, each CAO organization will be instructed to include in the IPPE of appropriate staff a consistent element requiring them to verify the accuracy of funding strip information, which includes BOCs, presented on financial transaction documents. This information will be included in the IPPE process that begins July 1, 2000 and ends December 31, 2000.</p>

The following recommendations, made during previous audits, have been closed because changes in House operations remedied the associated weaknesses or changes in the nature of House operations eliminated the significant concerns underlying the recommendations.

Recommendations
<p>Report No. 95-CAO-18, B.4 Implement procedures for the ongoing maintenance of the Business Impact Analysis and Business Recovery Plan as well as a comprehensive, routine testing of the plan.</p>
<p>Report No. 95-HOC-22, 8.10 Update user manuals for all the House's significant systems in any action plan for systems improvement.</p>
<p>Report No. 96-CAO-15, E.2 Adopt an implementation plan that balances the need for an aggressive timeline with user needs, as well as hardware, software, personnel and budget requirements.</p>
<p>Report No. 97-HOC-14, 1.7 Eliminate the practice of holding accounting periods open for indefinite periods of time. Work plans and procedures should be developed to close out each month in a timely manner.</p>
<p>Report No. 99-HOC-07, 4.1 Ensure that the FFS general ledger accounts are established and used in conformity with the Federal Standard General Ledger.</p>
<p>Report No. 99-HOC-07, 4.2 Post budgetary and proprietary entries for collections in accordance with the Federal Standard General Ledger.</p>

Management Comments

This Page Intentionally Left Blank

Management Report on Internal Controls

This Page Intentionally Left Blank

The House of Representatives Management Report on Internal Control

Internal Control has been established in the complex and diversified financial management system of the U.S. House of Representatives (House). This system includes a central system and six subsidiary systems. The controls implemented are in accordance with standards prescribed by the General Accounting Office in *Standards for Internal Control in the Federal Government*, dated November 1999.

Accordingly, as of December 31, 1999, House internal control provides reasonable assurance that the following objectives, as defined in the standards, are being achieved:

Effectiveness and efficiency of operations,

Reliability of financial reporting,

Compliance with applicable laws and regulations

Specifically, the controls include procedures to ensure:

Assets are safeguarded from waste, loss, unauthorized use, and misappropriation;

Transactions are executed in accordance with management authority and with the laws and regulations that have a direct and material effect on the consolidating financial statements; and

Transactions are recorded, processed, and summarized properly and timely to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles (GAAP) and to maintain accountability for assets.

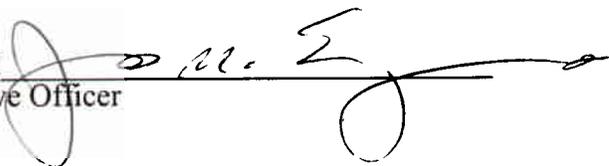
Management believes that the House has made significant improvements in the internal control over the past year. During the year, the House underwent a concerted effort to address the five weaknesses reported in the 1998 audit report. The House is in the process of selecting a replacement payroll system and anticipates implementation to occur within 24 months from the date of selection. The new fixed asset and inventory management system (FAIMS) is currently being tested and is scheduled to be implemented early in year 2001. House property custodians continue cyclical inventory counts to validate and ensure accountability of fixed assets. The results of such physical inventories are reconciled with record amounts to ensure accurate reporting of House assets. Additionally, the House will implement accrual accounting at the transaction level effective July 1, 2000, to ensure compliance with GAAP and enable the House

to fully track the acquisition, receipt and payment process. Research methodologies and system modifications to mitigate duplicate payments have also been implemented during 1999.

It must be recognized that the cost of internal control should not exceed the benefits expected to be derived therefrom, and errors or fraud may occur and not be detected because of inherent limitations in any system of internal control.

The House continues to identify additional ways to improve the overall financial reporting process. During 1999, all budget fiscal year accounting periods were closed in accordance with GAAP. This process, which should be accomplished at the end of each fiscal year, had never been completed since the accounting system was implemented in 1996. Properly closed accounting periods enable the House to produce meaningful monthly trial balance reports which are used to ensure the accuracy and reliability of House financial information. As a result of these continuing improvements, the independent external auditors were able to express an unqualified opinion on the House's financial statements as of December 31, 1999.

James M. Eagen III
Chief Administrative Officer

A handwritten signature in black ink, appearing to read 'J. M. Eagen III', written over a horizontal line.

Janet Hale
Associate Administrator, Office of Finance

A handwritten signature in red ink, appearing to read 'Janet Hale', written over a horizontal line.

**CAO Response To The 1999 Financial
Statement Audit Report**

This Page Intentionally Left Blank

Office of the
Chief Administrative Officer
U.S. House of Representatives
Washington, DC 20515-6860

MEMORANDUM

To: Steve McNamara
Inspector General

From: Jay Eagen
Chief Administrative Officer

Subject: Response to the 1999 Financial Statement Audit Report

Date: **JUN 15 2000**

Thank you for the opportunity to comment on the 1999 Financial Statements Audit Report. We have carefully reviewed the report's findings and recommendations and concur with each of them.

Below, please find a brief response for each of the audit recommendations made in the audit report:

Weakness 1: The Staff Payroll System Is Obsolete And Needs To Be Replaced

Recommendation 1: Replace current staff payroll and human resources systems ensuring that (1) system inefficiencies are addressed and (2) adequate controls are established, to manage and account for annual and sick leave for applicable employees.

CONCUR.

The Office of the CAO is in the process of evaluating the options available to replace the current staff payroll system and plans to make a final recommendation for contract award to the Committee on House Administration by July 2000. The current list of system requirements will address the system inefficiencies and will also allow for controls to be put into place to manage and account for annual and sick leave for applicable employees. A final schedule for the staff payroll replacement effort will be completed once a replacement system has been identified and approved by the appropriate House decision makers.

Weakness 2: The House Lacked Sufficient Information With Which To Manage and Maintain Accountability Over Its Property and Equipment

Recommendation 1: *(95-HOC-22, 04.01)* Ensure the new financial management system is capable of accumulating and providing information with respect to property and equipment including:

- cost or value information
- description and acquisition date
- useful life and depreciation method and amount
- scheduled replacement
- location

CONCUR.

The new Fixed Assets and Inventory Management system (FAIMS) will be capable of maintaining detailed information with respect to property and equipment including: cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, and location. Summary information on the acquisition cost and accumulated depreciation of assets and inventory acquired by House organizations shall be maintained in the Federal Financial System (FFS), the House's accounting system. The contract award for a new fixed asset management system was signed on August 10, 1998, by the CAO. Included in the contract were requirements that ensured we would be able to track each of the items outlined in this audit recommendation. With the system implementation scheduled for early 2001, we anticipate closing this recommendation by September 1, 2001.

Recommendation 2: *(98-HOC-11, 01.01)* In accordance with the property and lease policies recently approved by the Committee on House Oversight, and until the new fixed asset and inventory management system is implemented, a comprehensive inventory should be completed during 1998 of all capitalized assets, operating leases with terms in excess of one year, and capital leases. In addition, ensure compliance with the new procedures by recording property and lease transactions to the proper Budget Object Class codes and by capitalizing assets as of the date the asset is placed in service.

CONCUR.

In December 1998, Media and Support Services (MSS) and House Information Resources (HIR) completed an inventory of all assets meeting the Office of the Chief Administrative Officer's (CAO) new capitalization threshold that became effective in 1998. In addition, OSM completed, by December 31, 1998, a physical inventory of all capital items acquired under the previous capitalization threshold, as well as all accountable property located in Washington, D.C. HIR completed an additional inventory of all capitalized non-Communications assets in December 1999 and an inventory of Communications assets in February 2000. MSS and HIR will modify

existing physical inventory procedures to ensure that results of physical inventory counts are reconciled on a timely basis with property records maintained in current property systems and FAIMS, when implemented. Additionally, the modification will address procedures, including timeframes, for informing the Finance Office of any reconciliation adjustments to capital asset items. This will enable the Finance Office to adjust their manual capital asset spreadsheets accordingly. The Finance Office shall continue to maintain the manual spreadsheets for a minimum of one year subsequent to the FAIMS implementation. These procedural modifications shall be completed by October 1, 2000.

The Office of Finance will modify exiting capital asset procedures to ensure capital asset items tracked on manual spreadsheets are adjusted timely for physical inventory counts and the necessary adjusting entries are recorded timely in the correct FFS general ledger accounts. These procedures shall be completed by October 1, 2000, and shall continue for a minimum of one year subsequent to the FAIMS implementation.

Weakness 3: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures

Recommendation 1: *(95-HOC-22, 02.01)* Initiate a system of accounting and control that captures data and tracks transactions by vendor and by ordering office when goods and services are ordered, received, and paid.

CONCUR.

Procurement Desktop (PD) will be used to initiate all CAO-processed purchases using standard forms for requisitions (purchase requests) and purchase orders (awards). PD will also be used for recording receipt of goods data that will then allow PD purchase order information to be transferred to the receiving document and posted to both FAIMS and FFS and will allow users the capability to determine what items have been procured, but not yet received. Further, as mentioned above, FAIMS will submit payment requests for asset related purchases and FFS will provide confirmation of payment processing to FAIMS. This will allow users to determine whether items have been received, but have not yet been invoiced or have been received and invoiced, but not yet paid. Fully approved PD receiver documents will serve as vouchers authorizing payment upon receipt of the invoice from the vendor for all obligations. All but the FAIMS portion of this concurrence will be implemented by July 2000. The FAIMS portion will be implemented in early 2001.

In addition, we will develop a CAO-wide obligation policy, by September 2000, to ensure all CAO units obligate the same type of acquisitions consistently. Obligating and subsequently recording received and accepted items and services will effectively be implementing accrual accounting.

Recommendation 2: (95-HOC-22, 02.02) In conjunction with acquiring a new financial management system, ensure it has the capability to:

- compare orders against the available budget by office
- prompt offices when orders have not been received or when bills have not been paid after a specified period of time.

CONCUR.

FFS verifies funds availability any time a document is processed through the system. PD also utilizes this functionality to check funds availability when processing requisitions, obligations or receivers. Full implementation of PD in CAO offices, the OIG and Sergeant at Arms was completed by May 2000. PD will also capture receipt of goods data and pass this information to FAIMS and FFS.

The House currently has a process to manage open obligations. Specifically, the Office of Finance uses extracts from FFS to identify open obligations, and the resulting report is distributed to offices for review. The House is also implementing accrual accounting that will allow the House to manage items received but not yet paid. To augment management of this process, the Office of Finance is developing aging reports for open obligations and receivers for distribution to offices. These reports will allow offices to identify and manage un-liquidated obligations and un-liquidated receipts on an aging/exception basis. Expected completion of this effort is July 31, 2000.

Recommendation 3: (95-HOC-22, 08.09) In conjunction with the overall action plan for systems update and integration, improve data entry controls with respect to weaknesses in entering data such as incomplete data for purchasing equipment and a lack of approved vendor codes.

CONCUR.

The Office of Finance contracted with a vendor to perform a complete review of the FFS vendor file to identify potential duplicate vendors for analysis. This initial assessment and subsequent analysis of the potential duplicates was completed in March 2000 and resulted in a review of all 88,000 vendor records and the deactivation of approximately 13,000 vendors in FFS. We have also drafted revised procedures for vendor table maintenance and control to reduce the possibility of erroneous entry of duplicate vendors in the system. Also, we are continuing to coordinate with the vendor to perform remaining reviews of the vendor table to address potential duplicate vendor issues, since the prior analysis was completed in March. We will then determine whether there is a benefit to performing the process in the future. In addition, we have consolidated and limited vendor table maintenance functions to a restricted number of individuals within the CAO. A review is ongoing to further restrict the points of entry for vendorizing and expect completion of the review and resulting recommendation by September 30, 2000.

Recommendation 4: (97-HOC-14, 01.06) Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by FFS to the U.S. Treasury on a monthly basis.

CONCUR.

The House is implementing accrual accounting effective July 1, 2000. Refer to the above response to Weakness 3, Recommendation 1 (95-HOC-22, 02.01). Additionally, the Finance Office will by December 31, 2000, complete more thorough and detailed financial statement procedures concerning the complex compilation procedures for accounts payable, prepaid expenses and property, plant and equipment.

Recommendation 5: (98-HOC-11, 06.01) Establish and implement policies and procedures to take advantage of FFS functions to ensure duplicate payments are not being erroneously disbursed, include analytical procedures to sort, match, and test for potential duplicate payment transactions in FFS, and ensure that FFS date fields are used consistently.

CONCUR.

An Enhancement to FFS was also implemented in 1999 that mandates the use of beginning and ending service dates, and does not allow the use of erroneous dates, i.e., June 32, or the entry of end dates that are earlier than begin dates. Implementation of accrual accounting, in July 2000, will ensure a further consistency among service providers in the dates used to describe specific events.

Recommendation 6: (99-HOC-07, 04.03) Ensure that management within each CAO organization develops and implements: (1) internal procedures to ensure that staff responsible for assigning BOCs to documents and entering BOC data into the financial systems are adequately trained on correct BOC usage; and (2) performance measures to ensure staff accurately enter BOC and other invoice data into FFS.

CONCUR.

During December 1999 and January 2000, the Office of Finance conducted eight two-hour BOC training sessions for approximately 170 CAO staff assigned responsibility for BOC usage. In addition, staffs were provided, during the training sessions, with specific points of contact from whom to receive clarification should any ambiguities arise regarding BOC usage, and as a result Office of Finance staff have responded, in writing, to numerous inquiries. The Office of Finance also receives, on a monthly basis, BOC usage and communications potential BOC issues / recommendations for adjustment with the office(s) responsible for initiating transactions. We

will address BOC issues related to incorporating performance measures into the IPPE process, re-iterate the avenues for resolving BOC questions, and include BOC usage issues during the June, September and December 2000 CAO-wide Quarterly Financial Management Meetings.

Further, each CAO organization will be instructed to include in the individual performance plans and evaluations of appropriate staff a consistent element requiring them to verify the accuracy of funding strip information, which includes BOCs, presented on financial transaction documents. This information will be included in the IPPE process that begins July 1, 2000 and ends December 31, 2000.