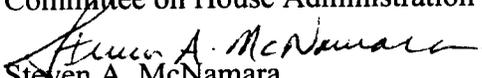


Office of Inspector General  
U.S. House of Representatives  
Washington, DC 20515-9990

MEMORANDUM

TO: The Honorable Bob Ney, Chairman  
Committee on House Administration

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

FROM:   
Steven A. McNamara  
Inspector General

DATE: November 19, 2001

SUBJECT: Final Report - Audit Of The Financial Statements For The Year Ended  
December 31, 2000 (Report No. 01-HOC-06)

Attached is our final report on the audit of the House of Representatives' (House) consolidating financial statements for the year ended December 31, 2000. The report includes the House's *Financial Statements, Notes to the Financial Statements, Supplemental Schedules, Management Report on Internal Control, and Chief Administrative Officer (CAO) Response to the 2000 Financial Statement Audit Report*. Also included is the *Report of Independent Accountants* encompassing Cotton & Company LLP's opinion on the Financial Statements, *Independent Auditors' Report on Compliance with Laws and Regulations, and Independent Auditors' Report on Internal Control*.

In accordance with applicable auditing standards, Cotton & Company LLP 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, 2000, 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, 1999.

We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. 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 third year, the independent auditors expressed an “unqualified opinion” on the House’s financial statements. In addition, this year’s *Independent Auditors’ Report on Compliance with Laws and Regulations* identifies no instances of noncompliance.

The *Independent Auditors’ Report on Internal Control* identifies four internal control weaknesses--all of which are reportable conditions. Three of the internal control weaknesses were previously reported for the year ended December 31, 1999. The new weakness Cotton & Company LLP identified in this report addressed issues with the financial information systems that reduce the integrity of the financial data and reporting. Cotton & Company LLP made recommendations for corrective actions.

During calendar year 2000, the House implemented or initiated corrective actions to address the nine prior audit recommendations contained in last 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) five of the nine prior recommendations.

### **Prior Audit Coverage**

The follow-up work performed on the nine prior recommendations related to four previously issued audit reports. A brief description of each of these reports is provided below. The status of these prior recommendations is addressed in the *Independent Auditors’ Report on Internal Control*.

- *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. One recommendation remains 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. No 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. 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. Three recommendations remain open.

### **Recommendations**

The *Independent Auditors' Report on Internal Control* contains the three remaining internal control weaknesses and one new internal control weakness. This report contains 14 recommendations consisting of 4 prior recommendations, for which corrective actions are in varying stages of implementation, and 10 new recommendations.

### **Management Response**

The CAO responded to the draft *Independent Auditors' Report on Internal Control* on July 10, 2001. 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

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# **Independent Auditor's Report**

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# COTTON & COMPANY LLP

auditors ♦ advisors

DAVID L. COTTON, CPA, CFE, CCFM ♦ CHARLES HAYWARD, CPA, CFE, CISA ♦ MICHAEL W. GILLESPIE, CPA, CFE ♦ CATHERINE L. NUCERA, CPA  
MATTHEW H. JOHNSON, CPA, CCFM ♦ SAM HADLEY, CPA, CCFM ♦ COLLETTE Y. WILSON, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Inspector General  
U.S. House of Representatives

Cotton & Company LLP has audited the accompanying Consolidating Statement of Financial Position of the U.S. House of Representatives (House) as of December 31, 2000, the related Consolidating Statements of Operations and Cash Flows for the year then ended, the Consolidated Statement of Financial Position as of December 31, 1999, 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 consolidating 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 House as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was 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.

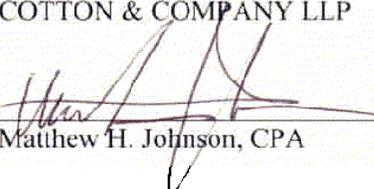
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*established 1981*

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703/836-6701 ♦ FAX 703/836-0941 ♦ WWW.COTTONCPA.COM ♦ DCOTTON@COTTONCPA.COM

In accordance with *Government Auditing Standards*, we have also issued reports dated June 8, 2001, on our consideration of the House's internal control and its compliance with applicable laws, rules, and regulations.

COTTON & COMPANY LLP

By: 

Matthew H. Johnson, CPA

June 8, 2001  
Alexandria, Virginia

# Financial Statements

U.S. House of Representatives  
Consolidating Statement of Financial Position as of December 31, 2000 and  
Consolidated Statement of Financial Position as of December 31, 1999

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>ASSETS</b>			
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	0	0	0
Accounts Receivable	127,263	32,637	14,822
Interoffice Receivable	0	0	0
Appropriations Receivable	14,047,118	1,004,386	69,068
Advances and Prepayments	2,016,247	248,522	51,766
Inventory	0	0	0
Property and Equipment, Net (Note 5)	1,890,632	2,150,743	474,437
Total Assets	<u>\$ 18,081,260</u>	<u>\$ 3,436,288</u>	<u>\$ 610,093</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts Payable (Note 7)	\$ 4,725,526	\$ 930,924	\$ 94,970
Interoffice Payable	4,875,325	354,620	40,687
Appropriations Payable	0	0	0
Capital Lease Liabilities (Note 6)	0	0	0
Accrued Funded Payroll and Benefits (Note 8)	6,589,777	0	0
Accrued Unfunded Annual Leave and Workers' Compensation (Note 8)	1,344,746	359,744	48,739
Unfunded Workers' Compensation Actuarial Liability (Note 9)	0	0	0
Other Liabilities	0	0	0
Total Liabilities	<u>17,535,374</u>	<u>1,645,288</u>	<u>184,396</u>
Unexpended Appropriations	0	0	0
Cumulative Results of Operations	545,886	1,791,000	425,697
Total Net Position (Note 10)	<u>545,886</u>	<u>1,791,000</u>	<u>425,697</u>
Total Liabilities and Net Position	<u>\$ 18,081,260</u>	<u>\$ 3,436,288</u>	<u>\$ 610,093</u>

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

<b>Officers and Legislative Offices</b>	<b>Capitol Police and Other Joint Functions</b>	<b>Eliminations</b>	<b>2000 Consolidated</b>	<b>Restated 1999 Consolidated</b>
\$ 727,100,775	\$ 6,993,459	\$ 0	\$ 734,094,234	\$ 864,370,455
0	0	0	0	29,200
<u>727,100,775</u>	<u>6,993,459</u>	<u>0</u>	<u>734,094,234</u>	<u>864,399,655</u>
283,754	485	0	458,961	462,723
5,485,105	0	(5,485,105)	0	0
2,461,274	0	(17,581,846)	0	0
797,914	57,060	0	3,171,509	5,655,154
1,058,661	0	0	1,058,661	1,353,778
13,430,900	468,863	0	18,415,575	31,514,451
<u>\$ 750,618,383</u>	<u>\$ 7,519,867</u>	<u>\$ (23,066,951)</u>	<u>\$ 757,198,940</u>	<u>\$ 903,385,761</u>
\$ 7,140,722	\$ 65,053	\$ 0	\$ 12,957,195	\$ 25,923,788
193,314	21,159	(5,485,105)	0	0
17,581,846	0	(17,581,846)	0	0
119,777	0	0	119,777	346,283
0	0	0	6,589,777	7,968,732
2,529,911	22,298	0	4,305,438	7,191,292
10,379,743	0	0	10,379,743	15,848,051
66,115	0	0	66,115	551,235
<u>38,011,428</u>	<u>108,510</u>	<u>(23,066,951)</u>	<u>34,418,045</u>	<u>57,829,381</u>
721,955,809	6,905,419	0	728,861,228	835,117,075
(9,348,854)	505,938	0	(6,080,333)	10,439,305
<u>712,606,955</u>	<u>7,411,357</u>	<u>0</u>	<u>722,780,895</u>	<u>845,556,380</u>
<u>\$ 750,618,383</u>	<u>\$ 7,519,867</u>	<u>\$ (23,066,951)</u>	<u>\$ 757,198,940</u>	<u>\$ 903,385,761</u>

U.S. House of Representatives  
Consolidating Statement of Operations for the Year Ended December 31, 2000 and  
Consolidated Statement of Operations for the Year Ended December 31, 1999

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>REVENUE AND FINANCING SOURCES</b>			
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
Total Revenue from Operations	<u>0</u>	<u>0</u>	<u>0</u>
Financing Sources			
Appropriations to Cover Expenses			
Appropriations Received (Note 12)	567,028,079	136,044,355	19,792,311
Appropriations Yet to be Received (Note 12)	952,936	254,928	34,539
Imputed Financing Source (Note 12)	21,999,026	6,445,282	873,229
Total Revenue and Financing Sources	<u>\$ 589,980,041</u>	<u>\$ 142,744,565</u>	<u>\$ 20,700,079</u>
<b>EXPENSES</b>			
Personnel Compensation	\$ 349,000,280	\$ 93,293,574	\$ 12,637,636
Benefits (Note 12)	119,951,325	33,206,005	4,591,775
Postage and Delivery	20,741,596	77,258	21,853
Repairs and Maintenance	26,542,189	3,938,873	1,601,447
Depreciation and Amortization (Note 5)	2,789,728	1,064,752	200,285
Rent, Utilities, and Communications	17,987,862	28,450	17,814
Telecommunications	13,703,397	616,966	395,507
Supplies and Materials	6,513,302	853,699	440,965
Travel and Transportation	14,172,333	3,846,970	278,426
Contract, Consulting, and Other Services	2,730,058	4,949,188	192,696
Printing and Reproduction	11,204,660	151,920	160,283
Subscriptions and Publications	4,502,619	701,509	156,879
Cost of Goods Sold	0	0	0
Loss on Disposal of Assets	140,692	15,401	4,513
Interest on Capital Leases	0	0	0
Total Expenses	<u>\$ 589,980,041</u>	<u>\$ 142,744,565</u>	<u>\$ 20,700,079</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>CHANGE IN NET POSITION (Note 10)</b>			
Net Position, Beginning Balance	\$ (6,700,484)	\$ 201,711	\$ (15,667)
Adjustments	9,989,674	2,671,827	353,200
Net Position, Beginning Balance, As Restated	3,289,190	2,873,538	337,533
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	0	0	0
Plus (Minus) Non-Operating Changes	<u>(2,743,304)</u>	<u>(1,082,538)</u>	<u>88,164</u>
Net Position, Ending Balance	<u>\$ 545,886</u>	<u>\$ 1,791,000</u>	<u>\$ 425,697</u>

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

<b>Officers and Legislative Offices</b>	<b>Capitol Police and Other Joint Functions</b>	<b>Eliminations</b>	<b>2000 Consolidated</b>	<b>Restated 1999 Consolidated</b>
\$ 2,893,650	\$ 0	\$ 0	\$ 2,893,650	\$ 2,985,129
606,604	0	0	606,604	1,323,882
567,473	59,373	0	626,846	556,689
41,983,306	0	(41,983,306)	0	0
545,364	0	0	545,364	586,421
<u>46,596,397</u>	<u>59,373</u>	<u>(41,983,306)</u>	<u>4,672,464</u>	<u>5,452,121</u>
105,237,251	51,287,537	0	879,389,533	863,208,374
(2,920,237)	1,437,377	0	(240,457)	1,008,492
3,943,006	3,074,237	0	36,334,780	37,329,583
<u>\$ 152,856,417</u>	<u>\$ 55,858,524</u>	<u>(41,983,306)</u>	<u>\$ 920,156,320</u>	<u>\$ 906,998,570</u>
\$ 57,075,962	\$ 32,346,691	\$ 0	\$ 544,354,143	\$ 530,639,026
19,514,678	13,329,040	0	190,592,823	184,228,108
400,127	5,327	0	21,246,161	21,151,035
28,590,534	5,049,874	(24,627,886)	41,095,031	47,850,809
4,702,247	1,353,776	0	10,110,788	15,574,896
632,668	200	0	18,666,994	18,314,968
17,527,032	90,701	(13,510,376)	18,823,227	18,771,645
4,405,662	768,897	(3,312,917)	9,669,608	9,625,069
314,361	883,606	0	19,495,696	17,753,317
14,254,869	1,771,130	(200,788)	23,697,153	23,379,953
7,804	13,574	(331,339)	11,206,902	10,176,761
401,401	168,951	0	5,931,359	5,811,996
2,302,935	0	0	2,302,935	2,206,364
1,117,532	17,384	0	1,295,522	530,631
11,082	0	0	11,082	27,289
<u>\$ 151,258,894</u>	<u>\$ 55,799,151</u>	<u>(41,983,306)</u>	<u>\$ 918,499,424</u>	<u>\$ 906,041,867</u>
<u>\$ 1,597,523</u>	<u>\$ 59,373</u>	<u>\$ 0</u>	<u>\$ 1,656,896</u>	<u>\$ 956,703</u>
\$ 710,613,891	\$ 141,456,929	\$ 0	\$ 845,556,380	\$ 835,752,602
(14,236,316)	1,221,615	0	0	0
696,377,575	142,678,544	0	845,556,380	835,752,602
1,597,523	59,373	0	1,656,896	956,703
<u>14,631,857</u>	<u>(135,326,560)</u>	<u>0</u>	<u>(124,432,381)</u>	<u>8,847,075</u>
<u>\$ 712,606,955</u>	<u>\$ 7,411,357</u>	<u>\$ 0</u>	<u>\$ 722,780,895</u>	<u>\$ 845,556,380</u>

U.S. House of Representatives  
Consolidating Statement of Cash Flows for the Year Ended December 31, 2000 and  
Consolidated Statement of Cash Flows for the Year Ended December 31, 1999

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess/(Deficiency) of Revenue and			
Financing Sources over Expenses	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow			
Appropriations to Cover Expenses	(567,981,015)	(136,299,283)	(19,826,850)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	8,666,500	765,746	478,233
(Increase)/Decrease in Advances and Prepayments	(173,960)	85,017	(11,104)
(Increase)/Decrease in Inventory	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(8,702,096)	(850,765)	(467,128)
Increase/(Decrease) in Other Accrued Liabilities	389,478	48,201	7,555
Loss on Disposal of Assets	140,692	15,401	4,513
Depreciation and Amortization	2,789,728	1,064,752	200,285
Net Cash Provided/(Used) by Operating Activities	<u>(564,870,673)</u>	<u>(135,170,931)</u>	<u>(19,614,496)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment	<u>(367,038)</u>	<u>(45,814)</u>	<u>(300,518)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(367,038)</u>	<u>(45,814)</u>	<u>(300,518)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Appropriations Received (Note 10)	0	0	0
Funds Returned to the U.S. Treasury (Note 10)	0	0	0
Appropriated Funds Allocated (Note 10)	565,237,711	135,216,745	19,915,014
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided/(Used) by Financing Activities	<u>565,237,711</u>	<u>135,216,745</u>	<u>19,915,014</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	0	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>0</u>	<u>0</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.*

<u>Officers and Legislative Offices</u>	<u>Capitol Police and Other Joint Functions</u>	<u>Eliminations</u>	<u>2000 Consolidated</u>	<u>Restated 1999 Consolidated</u>
\$ 1,597,523	\$ 59,373	\$ 0	\$ 1,656,896	\$ 956,703
(102,317,014)	(52,724,914)	0	(879,149,076)	(863,260,163)
3,014,574	3,915	(12,925,206)	3,762	33,450
2,556,432	27,260	0	2,483,645	(797,179)
295,117	0	0	295,117	(101,044)
(12,751,529)	(3,671,516)	12,925,206	(13,517,828)	3,712,311
(7,218,762)	(3,119,980)	0	(9,893,508)	2,601,089
1,117,532	17,384	0	1,295,522	530,631
<u>4,702,247</u>	<u>1,353,776</u>	<u>0</u>	<u>10,110,788</u>	<u>15,574,896</u>
<u>(109,003,880)</u>	<u>(58,054,702)</u>	<u>0</u>	<u>(886,714,682)</u>	<u>(840,749,306)</u>
<u>(4,562,088)</u>	<u>7,180,294</u>	<u>0</u>	<u>1,904,836</u>	<u>(16,817,750)</u>
<u>(4,562,088)</u>	<u>7,180,294</u>	<u>0</u>	<u>1,904,836</u>	<u>(16,817,750)</u>
793,168,395	55,196,300	0	848,364,695	886,609,325
(8,120,708)	(182,941)	0	(8,303,649)	(13,545,384)
(668,098,816)	(137,615,005)	0	(85,344,351)	(956,703)
<u>(212,270)</u>	<u>0</u>	<u>0</u>	<u>(212,270)</u>	<u>(334,814)</u>
<u>116,736,601</u>	<u>(82,601,646)</u>	<u>0</u>	<u>754,504,425</u>	<u>871,772,424</u>
3,170,633	(133,476,054)	0	(130,305,421)	14,205,368
<u>723,930,142</u>	<u>140,469,513</u>	<u>0</u>	<u>864,399,655</u>	<u>850,194,287</u>
<u>\$ 727,100,775</u>	<u>\$ 6,993,459</u>	<u>\$ 0</u>	<u>\$ 734,094,234</u>	<u>\$ 864,399,655</u>

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## **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, 2000 and 1999 and reflect the financial activities of the first and second sessions of the 106th 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 appoints unelected 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 calendar year 2000 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, 1 each, from the District of Columbia, Guam, Virgin Islands, and American Samoa; and 1 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 and Special Committees of the 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

The House **Leadership Offices** column includes the financial transactions 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 transactions 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 statements include:

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

The Capitol Police information reported herein represents financial activity for the period January 1, 2000 through September 30, 2000 only. Effective in late 2001, the Capitol Police shall issue independent financial statements for fiscal year 2001 (period October 1, 2000 through September 30, 2001).

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 Senate

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

### B. Basis of Accounting

Effective July 1, 2000, the House implemented accrual accounting. The accrual basis of accounting, in accordance with generally accepted accounting principles, 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 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

- ? 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. House accounts held at the U.S. Treasury are reported under the Office of Finance and the Clerk 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 employees 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 Prepayment**

Advances consists of payments to Federal government agencies for contracted services and for mailings that require address corrections or additional postage. Prepayments primarily consist of prepaid subscriptions for publications and data communication services.

#### **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 and are reflected in the financial statements at an estimated value based on the first in/first out inventory valuation method.

#### **G. Property and Equipment**

Expenditures for property and equipment that will benefit more than one accounting period 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. 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 office space, vehicles, computers and other equipment for temporary use. 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, if the net present value of the minimum lease payments due at lease inception meets House capitalization criteria. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the future 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. Revenue is also recognized for the sale of transcripts by the Office of the Clerk.
- ? Sales of services to Federal agencies are comprised of House Information Resources (HIR) computer services provided to the General Accounting Office.
- ? Sales of products and services to the public are comprised of House publication and photography sales, child care fees, and Attending Physician user fees.
- ? Interoffice sales between House entities are eliminated on the consolidating financial statements.
- ? Other revenue consists of donated 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 considered a financing source, not a revenue, since they do not result from an earnings process.

The Office of Finance maintains most House accounts with the U.S. Treasury and is responsible for allocating appropriations to the other House entities to cover expenses. Therefore, an Appropriations Payable arises in the Office of Finance. A corresponding Appropriations Receivable arises in each House entity for the amount due from the Office of Finance to pay the entity's liabilities.

Office Systems Management (OSM) also has an Appropriations Payable. OSM includes in Interoffice Receivables amounts owed by Members, Committees, and Leadership offices for installment plan purchases of equipment and district office furniture. The amount by

which OSM's interoffice receivables exceeds its liabilities represents an Appropriations Payable.

## K. Postage and Delivery

Postage and delivery consists of Franked mail expenses 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. 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 amortized 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 or Gain on Disposal of Assets**

A loss is recognized when the net book value of the asset at the time of disposal exceeds any proceeds received. A gain is recognized when the net book value of the asset at the time of disposal is less than any proceeds received.

**W. Annual Leave**

Annual leave for the 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, 2000 is calculated according to Public Law 104-53, November 19, 1995, 109 Stat. 514.

**X. Federal Employee and Veterans' Benefits**

This benefits 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 13, 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 revenue and expense reported during the period. Actual results could differ from those estimates.

**Z. Reclassifications**

Certain calendar year 1999 balances have been reclassified and restated to conform to the calendar year 2000 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.
- ? U.S. Department of the Interior, U.S. Geological Survey, National Business Center for financial system contract and consulting 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, 2000 and 1999 were approximately:

<b>Disbursements to Executive Branch Agencies</b>	<b>2000</b>	<b>1999</b>
U.S. Postal Service	\$20,800,000	\$17,200,000
U.S. Department of Labor	2,800,000	2,900,000
General Services Administration	4,800,000	4,800,000
U.S. Department of the Interior	1,200,000	700,000
U.S. Department of Transportation	12,100,000	900,000
Other Executive Branch Agencies	500,000	500,000

The House also reports significant financial transactions with the U.S. Department of State, which 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 Officers and Legislative Offices.

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 financial activity is reported as Committee and Leadership office travel expense.

<b>Foreign Currency Balance with the U.S. Department of State</b>	<b>2000</b>	<b>1999</b>
Beginning Balance	\$3,710,073	\$3,215,776
Appropriations Received	2,500,000	2,500,000
Travel Expenses:		
Leadership	(200,472)	(430,026)
Committees	(2,526,727)	(1,575,677)
Ending Balance	<u>\$3,482,874</u>	<u>\$3,710,073</u>

#### Transactions with Legislative Branch Entities

The House pays for support services provided by other Legislative Branch entities. Some of these services are shared with the Senate. These entities receive their own appropriations and operate autonomously from the House's administrative functions. The House also receives support services from the General Accounting Office, Government Printing Office Library of Congress, Congressional Budget Office, and U.S. Botanic Garden.

Significant cash disbursements to Legislative Branch entities during the years ended December 31, 2000 and 1999, were approximately:

<b>Cash Disbursements to Legislative Branch Entities</b>	<b>2000</b>	<b>1999</b>
General Accounting Office	\$ 100,000	\$ 1,500,000
Government Printing Office	100,000	400,000

The House also receives payment for services provided to other Federal government agencies, such as computer services provided to Federal government agencies for a user fee. Cash receipts for services provided by House Information Resources to other Federal agencies were \$2,992,344 and \$2,337,685 for the years ended December 31, 2000 and 1999, respectively.

Receipts from the Legislative Branch Entities were approximately \$736,000. The following were the most significant users of House services:

<b>Cash Receipts from Legislative Branch Entities</b>		
	<b>2000</b>	<b>1999</b>
General Accounting Office	\$ 100,000	\$ 937,000
Congressional Budget Office	636,000	747,000

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

The House has appropriated and revolving fund balances with the U.S. Treasury. The revolving funds include the Child Care Center, Page Residence within the Clerk’s Office, and purchases of inventory for Office Supply Service. The cash balances, as of December 31, 2000 and 1999 were:

<b>Fund/Cash Accounts</b>	<b>2000</b>	<b>1999</b>
Fund Balance with Treasury	\$ 730,611,360	\$ 860,660,382
Congressional Use of Foreign Currency	<u>3,482,874</u>	<u>3,710,073</u>
Subtotal	734,094,234	864,370,455
Cash and Commercial Bank Accounts	<u>-</u>	<u>29,200</u>
Total	<u>\$ 734,094,234</u>	<u>\$ 864,399,655</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, 2000 and 1999.

**Cash and Commercial Bank Accounts**

Cash balances represent petty cash on hand. The U.S. Capitol Police petty cash account was closed as of September 30, 2000. Petty cash as of December 31, 2000 and 1999 was:

<b>Cash</b>	<b>2000</b>	<b>1999</b>
Petty Cash	\$ -	\$ 29,200
Commercial Bank Account	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 29,200</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, 2000 and the related depreciation and amortization expense are shown in the following table:

<b>2000 Classes of Property and Equipment</b>	<b>Service Life (Years)</b>	<b>Estimated Acquisition Value</b>	<b>Accumulated Amortization/ Depreciation</b>	<b>Estimated Net Book Value</b>	<b>Amortization/ Depreciation Expense</b>
Work in Process	N/A	\$ 4,126,948	\$ -	\$ 4,126,949	\$ -
Computer Software, Hardware, and Patrol Vehicles	3	61,350,306	56,020,702	5,329,604	4,660,710
Computer Software and Hardware	5	1,204,364	1,204,364	-	38,922
Equipment and Motor Vehicles	5	32,569,586	24,375,868	8,193,718	4,979,396
Heavy Duty Vehicle	7	15,172	13,739	1,433	1,173
Furnishings and Other Equipment	10	2,918,966	2,220,326	698,640	169,662
Assets Under Capital Lease	5	<u>968,217</u>	<u>902,986</u>	<u>65,231</u>	<u>260,925</u>
Total		<u>\$ 103,153,559</u>	<u>\$ 84,737,985</u>	<u>\$ 18,415,575</u>	<u>\$ 10,110,788</u>

Property and equipment as of December 31, 1999, and depreciation and amortization expense for the year ended 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	N/A	\$ 9,269,126	\$ -	\$ 9,269,126	\$ -
Computer Software, Hardware, and Patrol Vehicles	3	96,339,730	88,962,550	7,377,180	10,158,793
Computer Software and Hardware	5	1,116,756	1,022,123	94,633	34,389
Equipment and Motor Vehicles	5	55,480,859	42,007,149	13,473,710	4,857,035
Heavy Duty Vehicle	7	31,936	24,541	7,395	3,959
Furnishings and Other Equipment	10	3,904,566	3,081,027	823,539	186,659
Assets Under Capital Lease	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>

## NOTE 6 - LEASE COMMITMENTS

### Capital Leases

The House 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, if the net present value of the future minimum lease payments due at lease inception meets House capitalization criteria. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the future minimum lease payments due at lease inception. Assets under capital leases consist solely of computer hardware.

Future Capital Lease Payments Due as of December 31, 2000:

Year	
2001	\$ 122,118
2002	-
2003	-
2004	-
2005	-
Thereafter	-
Total Future Capital Lease Payments	<u>\$ 122,118</u>
Less: Imputed Interest	<u>(2,341)</u>
Total Capital Lease Liabilities	<u>\$ 119,777</u>
Unfunded Liability	<u>\$ 119,777</u>

### Operating Leases

The House enters into various operating leases for temporary usage of office space, vehicles, and software. Leases that convey the benefits and risks of ownership, but do not meet House capitalization criteria are also recognized as operating leases. 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 enter into leases to rent vehicles for official business purposes. A Member may lease a vehicle for a period that exceeds the current congressional term, but the Member remains personally responsible for the lease liability if their service to the House concludes prior to lease termination. House administration leases software.

Future Operating Lease Payments Due as of December 31, 2000:

Year	Software and Hardware	Vehicles	Office Space	Total
2001	\$ 42,969	\$ 644,091	\$ 17,463,124	\$ 18,150,184
2002	-	542,406	17,343,734	17,886,140
2003	-	-	-	-
2004	-	-	-	-
2005	-	-	-	-
Thereafter	-	-	-	-
Total	<u>\$ 42,969</u>	<u>\$ 1,186,497</u>	<u>\$ 34,806,858</u>	<u>\$ 36,036,324</u>

Lease expense for office space was \$17,067,856 and \$16,647,043 for the years ended December 31, 2000 and 1999, respectively. Lease expense for vehicles was \$1,066,380 and \$927,989 for the years ended December 31, 2000 and 1999, respectively.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts Payable balances represent amounts owed for the cost of goods and services received but not yet paid as of December 31, 2000 and 1999. Accounts Payable also includes amounts owed to DOL for unemployment compensation. The significant decrease between 1999 and 2000 relates to Capitol Police liabilities no longer reported by the House, as well as nonrecurring mail, printing, repair and consulting expenses.

Accounts Payable	2000	1999
Vendor Payables	\$ 12,779,426	\$ 25,796,794
Unemployment Compensation	177,769	126,994
Total	<u>\$ 12,957,195</u>	<u>\$ 25,923,788</u>

**NOTE 8 - ACCRUED LEAVE AND PAYROLL**

The accrued annual leave balances are calculated 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). Sick and other types of paid leave are expenses as they are taken. Accrued payroll and benefits included salaries and associated benefits earned in December 2000 and payable in January 2001.

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 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 reported on the financial statements.

Accrued annual leave and accrued payroll and benefits as of December 31, 2000 and 1999 were:

Accrued Leave, Payroll and Benefits, and Workers' Compensation	2000	1999
<b>Funded</b>		
Accrued Payroll and Benefits	\$ 6,589,777	\$ 7,968,732
<b>Unfunded</b>		
Accrued Annual Leave	2,309,819	3,967,960
Workers' Compensation	1,995,619	3,223,332
Total	<u>\$ 4,305,438</u>	<u>\$ 7,191,292</u>

**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 23 years. The liability is adjusted annually by applying actuarial procedures. Any upward or downward adjustment to the liability is recorded as an annual increase or decrease to benefits expense. The projected Unfunded Workers' Compensation Actuarial Liabilities were

\$10,379,743 and \$15,848,051 as of December 31, 2000 and 1999, respectively.

In 1999 this liability was distributed between the House entities. The 1999 liability was restated in 2000 however, to show actuarial liabilities under the Office of Finance. This restatement correctly matches cash payment of the liability by the Office of Finance. As a result, this restatement is reflected in the change in other accrued liabilities under the Office of Finance presented in the Combining Statement of Cash Flows for the Year Ended December 31, 2000.

**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.

The House receives the entire amount of its annual appropriations in October, causing the unexpended appropriations balance to be relatively large at December 31. Unexpended appropriations cancel at the end of the second fiscal year after the year in which appropriated. As required by law, these funds must be returned to the U.S. Treasury general account. Funds that were canceled and were returned to the U.S. Treasury during calendar year 2000 are as follows:

Total Cumulative Results of Operations:

\*Cumulative Results of Operations - The net difference between expenses and revenue and financing sources including appropriations, revenues from operations and imputed financing sources.

\*Invested Capital - Funds used to finance capital assets such as computer hardware and software, vehicles, equipment, and inventory.

\*Future Funding Requirements - Known liabilities to be funded by future appropriations for accrued Annual Leave, and Workers' Compensation.

<u>Appropriations</u>	<u>2000</u>	<u>1999</u>
1998 House Funds	\$ 8,185,981	\$ -
1997 House Funds	-	12,560,028
Total	<u>\$ 8,185,981</u>	<u>\$ 12,560,028</u>

**Net Position** as of December 31, 2000 and 1999, for Appropriated Funds and Revolving Funds including the House Recording Studio, Page School, Special Events and Services, and Office Supply Service is shown in the following table:

<b>Net Position</b>	<b>Net Position</b>	<b>Restated</b>
	<b>December 31, 2000</b>	<b>December 31, 1999</b>
	<b>Totals</b>	<b>Totals</b>
Unexpended Appropriations	\$ 728,861,228	\$ 835,117,075
Total Cumulative Results of Operations		
Cumulative Results of Operations	(10,749,611)	956,702
Invested Capital	19,354,459	32,521,946
Future Funding Requirements	(14,685,181)	(23,039,343)
Total Net Position	<u>\$ 722,780,895</u>	<u>\$ 845,556,380</u>

Changes in net position may include prior period adjustments, excesses or shortages of revenue and financing sources over expenses, and non-operating changes, such as investments in capital assets and inventory. Increases (or decreases) in non-operating changes result when amounts invested in capital assets and inventory exceeds (or are less than) the amounts of liabilities to be funded by future appropriations.

In 2000, net position significantly decreased primarily due to the change in a House reporting entity. As of September 30, 2000, Capitol Police was no longer reported as part of the House. As such, Capitol Police assets and liabilities were removed from the Statement of Financial Position, thereby decreasing ending equity balances by approximately \$92.2 million.

The 1999 Net Position is adjusted to report the Unfunded Workers' Compensation actuarial liability under the Office of Finance. In 1999, the liability was distributed between House entities. Distribution of the Workers' Compensation actuarial liability adversely impacts net position of each entity in 1999 and 2000. This restatement correctly matches cash payment of the liability by the Office of Finance.

The Net Position table above reflects an additional cumulative results of operations line which further disaggregates activity other than invested capital or future funding requirements.

**NOTE 11 - REVOLVING FUNDS, INTEROFFICE SALES, AND TRANSFERS**

Some House entities 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.

Many expenses incurred by House entities 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 2000, the House operated revolving fund type activities for the House Recording Studio, Page School, Office Supply Service, and Special Events and Services.

**NOTE 12 - APPROPRIATIONS TO COVER EXPENSES**

**Appropriations Received** includes current and prior year funds necessary to finance House operating expenses such as personnel and benefits costs, contract services, and travel expenses. The House recognizes the receipt of appropriations in the same period in which the associated expense is incurred. Therefore, Appropriations Received to fund investments in capital assets and inventory are not recognized as received until the period in which the capital asset is depreciated or the inventory is consumed.

**Appropriations Yet To Be Received** consists of expenses that are incurred in the current period, but will be funded by future appropriations. Such amounts include accrued annual leave and workers' compensation expenses. The Officers and Legislative Offices column reflects an abnormal balance in Appropriations Yet To Be Received because the workers' compensation actuarial liability was adjusted downward by an amount that exceeded the amount for annual leave and workers' compensation.

**NOTE 13 - 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 3 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 is 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 is 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 10 percent of their basic pay not to exceed the IRS limit. FERS employees also receive an automatic 1 percent agency contribution, as well as an additional agency matching contribution up to 5 percent of their basic pay. CSRS employees may contribute up to 5 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.

<b>Member and Employee Expenses</b>	<b>2000</b>	<b>1999</b>
Retirement Plan Contributions	\$ 92,179,096	\$ 88,212,079
Social Security	34,115,842	33,063,757
Health Insurance	24,102,013	22,331,659
Unemployment and Workers' Compensation	1,925,587	2,495,758
Workers' Compensation and Actuarial Adjustment	(403,897)	(1,713,751)
Life Insurance	830,792	820,877
Federal Employee and Veteran's Benefits	36,334,780	37,329,585
Transit Benefits	179,338	155,137
Death Benefits	955,051	768,387
Annual Leave	341,068	752,119
Federal Tort Claims	33,153	12,501
Total	<u>\$ 190,592,823</u>	<u>\$ 184,228,108</u>

Benefits costs for the past 3 years have averaged \$161 million per year.

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 Employee 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 \$12,967,979 in 2000 and \$14,361,983 in 1999.

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 Employee 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 is considered an imputed financing source to the House, and is included in Imputed Financing Sources on the Statement of Operations. This amount was \$23,366,801 in 2000 and \$22,967,600 in 1999.

<b>Federal Employee and Veterans' Benefits</b>	<b>2000</b>	<b>1999</b>
Current Service Cost - Federal Positions	\$12,967,979	\$14,361,983
Current Service Cost - Federal Employees Health Benefits	23,280,377	22,891,925
Current Service Cost - Federal Employees Group Life Insurance	<u>86,424</u>	<u>75,675</u>
Total	<u>\$36,334,780</u>	<u>\$37,329,583</u>

**NOTE 14 - SUPPLEMENTAL FINANCIAL SCHEDULES**

Supplemental financial schedules provide additional financial information about smaller components of the House.

Financial information is provided for each of the following entities comprising **Officers and Legislative Offices**, as reported in the consolidating financial statements:

- 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 is provided for components of the **Chief Administrative Officer**. 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.

As previously stated in Note 1, only Capitol Police financial activity for the period January 1, 2000 through September 30, 2000 is reported and disclosed in the House's annual 2000 financial statements and accompanying notes.

## **Supplemental Financial Schedules**

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# **Organization and Composition of Financial Statements**

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

**Members**

Representatives, Delegates and Resident  
Commissioner  
Members' Allowances and Expenses

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

**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  
Office of the Chief Deputy Minority  
Whip  
Speaker's Office for Legislative Floor  
Activities

**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

Media Support Services - Immediate  
Office  
Food Services

House Restaurant Revolving Fund  
First Call

Office of Finance  
Immediate Office  
Budget and Planning  
Financial Counseling  
Accounting  
Financial Systems  
House Beauty Shop & Barber Shop  
Revolving Funds

Furniture Resource Center

Office Supply Service  
Supply Store  
Gift Shop  
Stationery Revolving Fund

Office Systems Management

Human Resources  
Human Resources - Immediate Office  
Office of Member Services  
Office of Employee Assistance  
Office of Personnel and Benefits  
Office of Training  
Office of Payroll  
Placement Office  
Office of Policy and 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

**Chaplain**  
Office of the Chaplain

**Parliamentarian**  
Office of the Parliamentarian  
Compilation of Precedents

**Legislative Counsel**  
Office of the Legislative Counsel

**Correction Calendar**  
Office of Correction Calendar

**General Counsel**  
Office of the General Counsel

**Law Revision Counsel**  
Office of the Law Revision Counsel

**Inspector General**  
Office of Inspector General

**Capitol Police and Other Joint Functions**  
Office of the Attending Physician  
Attending Physician User Fees  
Technical Assistants to Attending  
Physician  
Capitol Police - Security  
Capitol Police - General Expenses  
Capitol Police - Salaries  
Joint Committee on Taxation

## **Officers and Legislative Offices**

U.S. House of Representatives  
Combining Statement of Financial Position  
of Officers and Legislative Offices  
as of December 31, 2000

	Clerk	Sergeant at Arms	Chief Administrative Officer	Chaplain
<b>ASSETS</b>				
Fund Balance with the U.S. Treasury	\$ 1,685,252	\$ 0	\$ 725,415,523	\$ 0
Cash	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash	1,685,252	0	725,415,523	0
Accounts Receivable	1,133	0	282,621	0
Interoffice Receivable	0	0	5,485,105	0
Appropriations Receivable	0	41,301	2,359,291	59
Advances and Prepayments	14,741	0	763,967	0
Inventory	0	0	1,058,661	0
Property and Equipment, Net	932,592	4,744	12,430,743	0
Total Assets	<u>\$ 2,633,718</u>	<u>\$ 46,045</u>	<u>\$ 747,795,911</u>	<u>\$ 59</u>
<b>LIABILITIES AND NET POSITION</b>				
Accounts Payable	\$ 287,730	\$ 34,636	\$ 6,748,730	\$ 59
Interoffice Payable	11,983	6,665	170,760	0
Appropriations Payable	0	0	17,581,846	0
Capital Lease Liabilities	0	0	119,777	0
Accrued Funded Payroll and Benefits	0	0	0	0
Accrued Unfunded Annual Leave and Workers' Compensation	523,187	139,133	1,731,297	540
Unfunded Workers' Compensation Actuarial Liability	0	0	10,379,743	0
Other Liabilities	6,500	0	59,615	0
Total Liabilities	<u>829,400</u>	<u>180,434</u>	<u>36,791,768</u>	<u>599</u>
Unexpended Appropriations	1,305,950	0	720,630,653	0
Cumulative Results of Operations	<u>498,368</u>	<u>(134,389)</u>	<u>(9,626,510)</u>	<u>(540)</u>
Total Net Position	<u>1,804,318</u>	<u>(134,389)</u>	<u>711,004,143</u>	<u>(540)</u>
Total Liabilities and Net Position	<u>\$ 2,633,718</u>	<u>\$ 46,045</u>	<u>\$ 747,795,911</u>	<u>\$ 59</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	\$ 727,100,775
0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>727,100,775</u>
0	0	0	0	0	0	283,754
0	0	0	0	0	0	5,485,105
5,039	0	271	0	0	55,313	2,461,274
0	10,696	0	3,823	4,427	260	797,914
0	0	0	0	0	0	1,058,661
0	35,000	0	0	26,499	1,322	13,430,900
<u>\$ 5,039</u>	<u>\$ 45,696</u>	<u>\$ 271</u>	<u>\$ 3,823</u>	<u>\$ 30,926</u>	<u>\$ 56,895</u>	<u>\$ 750,618,383</u>
\$ 4,005	\$ 6,642	\$ 271	\$ 3,012	\$ 693	\$ 54,944	\$ 7,140,722
1,034	1,570	0	419	255	628	193,314
0	0	0	0	0	0	17,581,846
0	0	0	0	0	0	119,777
0	0	0	0	0	0	0
3,730	18,587	3,036	2,582	6,455	101,364	2,529,911
0	0	0	0	0	0	10,379,743
0	0	0	0	0	0	66,115
<u>8,769</u>	<u>26,799</u>	<u>3,307</u>	<u>6,013</u>	<u>7,403</u>	<u>156,936</u>	<u>38,011,428</u>
0	10,697	0	3,823	4,427	259	721,955,809
<u>(3,730)</u>	<u>8,200</u>	<u>(3,036)</u>	<u>(6,013)</u>	<u>19,096</u>	<u>(100,300)</u>	<u>(9,348,854)</u>
<u>(3,730)</u>	<u>18,897</u>	<u>(3,036)</u>	<u>(2,190)</u>	<u>23,523</u>	<u>(100,041)</u>	<u>712,606,955</u>
<u>\$ 5,039</u>	<u>\$ 45,696</u>	<u>\$ 271</u>	<u>\$ 3,823</u>	<u>\$ 30,926</u>	<u>\$ 56,895</u>	<u>\$ 750,618,383</u>

U.S. House of Representatives  
Combining Statement of Operations  
of Officers and Legislative Offices  
for the Year Ended December 31, 2000

	Clerk	Sergeant at Arms	Chief Administrative Officer
<b>REVENUE AND FINANCING SOURCES</b>			
Revenue from Operations			
Sales of Goods	\$ 0	\$ 0	\$ 2,893,650
Sales of Services to Federal Agencies	0	0	606,604
Sales of Services to the Public	0	0	567,473
Interoffice Sales	950	0	41,982,356
Other Revenue	296,960	0	248,404
Total Revenue from Operations	<u>297,910</u>	<u>0</u>	<u>46,298,487</u>
Financing Sources			
Appropriations to Cover Expenses			
Appropriations Received (Note 12)	17,504,497	4,537,513	68,199,440
Appropriations Yet to be Received (Note 12)	73,810	1,753	(3,009,393)
Imputed Financing Source	767,424	221,371	2,211,703
Total Revenue and Financing Sources	<u>\$ 18,643,641</u>	<u>\$ 4,760,637</u>	<u>\$ 113,700,237</u>
<b>EXPENSES</b>			
Personnel Compensation	\$ 11,108,243	\$ 3,204,287	\$ 32,015,841
Benefits	3,998,954	1,134,305	10,568,359
Postage and Delivery	34,172	4,890	356,154
Repairs and Maintenance	741,849	128,792	27,312,394
Depreciation and Amortization	360,415	10,438	4,249,262
Rent, Utilities, and Communications	300	300	632,068
Telecommunications	100,225	86,896	17,308,086
Supplies and Materials	335,272	48,093	3,963,650
Travel and Transportation	128,760	58,299	118,867
Contract, Consulting, and Other Services	1,575,617	79,316	12,101,117
Printing and Reproduction	2,305	109	4,888
Subscriptions and Publications	165,014	436	138,441
Cost of Goods Sold	0	0	2,302,935
Loss on Disposal of Assets	3,552	4,476	1,108,533
Interest on Capital Leases	0	0	11,082
Total Expenses	<u>\$ 18,554,678</u>	<u>\$ 4,760,637</u>	<u>\$ 112,191,677</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 88,963</u>	<u>\$ 0</u>	<u>\$ 1,508,560</u>
<b>CHANGE IN NET POSITION</b>			
Net Position, Beginning Balance	\$ 1,779,450	\$ (53,486)	\$ 709,201,877
Adjustments	310,244	93,452	(14,950,847)
Net Position, Beginning Balance, As Restated	2,089,694	39,966	694,251,030
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	88,963	0	1,508,560
Plus (Minus) Non-Operating Changes	(374,339)	(174,355)	15,244,553
Net Position, Ending Balance	<u>\$ 1,804,318</u>	<u>\$ (134,389)</u>	<u>\$ 711,004,143</u>

Chaplain	Parliamentarian	Legislative Counsel	Correction Calendar	General Counsel	Law Revision Counsel	Inspector General	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,893,650
0	0	0	0	0	0	0	606,604
0	0	0	0	0	0	0	567,473
0	0	0	0	0	0	0	41,983,306
0	0	0	0	0	0	0	545,364
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,596,397</u>
180,328	1,342,492	6,476,558	1,010,701	909,094	2,401,200	2,675,428	105,237,251
383	2,643	13,171	2,151	1,829	4,574	(11,158)	(2,920,237)
9,685	66,831	333,009	54,385	46,253	115,635	116,710	3,943,006
<u>\$ 190,396</u>	<u>\$ 1,411,966</u>	<u>\$ 6,822,738</u>	<u>\$ 1,067,237</u>	<u>\$ 957,176</u>	<u>\$ 2,521,409</u>	<u>\$ 2,780,980</u>	<u>\$ 152,856,417</u>
\$ 140,188	\$ 967,362	\$ 4,820,216	\$ 787,204	\$ 669,492	\$ 1,673,788	\$ 1,689,341	\$ 57,075,962
49,869	344,121	1,716,759	280,033	238,878	596,885	586,515	19,514,678
339	0	254	0	1,717	2,597	4	400,127
0	35,051	179,547	0	19,113	119,166	54,622	28,590,534
0	2,583	31,768	0	0	38,553	9,228	4,702,247
0	0	0	0	0	0	0	632,668
0	6,231	10,691	0	4,262	4,160	6,481	17,527,032
0	5,753	15,494	0	3,662	23,664	10,074	4,405,662
0	0	497	0	1,869	0	6,069	314,361
0	48,514	18,638	0	2,223	15,120	414,324	14,254,869
0	40	114	0	121	0	227	7,804
0	2,311	28,760	0	15,839	46,747	3,853	401,401
0	0	0	0	0	0	0	2,302,935
0	0	0	0	0	729	242	1,117,532
0	0	0	0	0	0	0	11,082
<u>\$ 190,396</u>	<u>\$ 1,411,966</u>	<u>\$ 6,822,738</u>	<u>\$ 1,067,237</u>	<u>\$ 957,176</u>	<u>\$ 2,521,409</u>	<u>\$ 2,780,980</u>	<u>\$ 151,258,894</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,597,523</u>
\$ (4,502)	\$ (17,472)	\$ (153,909)	\$ (25,986)	\$ (20,757)	\$ (27,486)	\$ (63,838)	\$ 710,613,891
4,032	28,118	138,088	23,272	18,589	48,231	50,505	(14,236,316)
(470)	10,646	(15,821)	(2,714)	(2,168)	20,745	(13,333)	696,377,575
0	0	0	0	0	0	0	1,597,523
(70)	(14,376)	34,718	(322)	(22)	2,778	(86,708)	14,631,857
<u>\$ (540)</u>	<u>\$ (3,730)</u>	<u>\$ 18,897</u>	<u>\$ (3,036)</u>	<u>\$ (2,190)</u>	<u>\$ 23,523</u>	<u>\$ (100,041)</u>	<u>\$ 712,606,955</u>

U.S. House of Representatives  
Combining Statement of Cash Flows  
of Officers and Legislative Offices  
for the Year Ended December 31, 2000

	Clerk	Sergeant at Arms	Chief Administrative Officer	Chaplain
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 88,963	\$ 0	\$ 1,508,560	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(17,578,307)	(4,539,266)	(65,190,047)	(180,711)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(1,133)	32,870	2,924,867	(4)
(Increase)/Decrease in Advances and Prepayments	46,561	0	2,515,303	0
(Increase)/Decrease in Inventory	0	0	295,117	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(416,078)	(32,870)	(12,243,687)	4
Increase/(Decrease) in Other Accrued Liabilities	508,422	128,239	(7,938,813)	70
Loss on Disposal of Assets	3,552	4,476	1,108,533	0
Depreciation and Amortization	360,415	10,438	4,249,262	0
Net Cash Provided/(Used) by Operating Activities	<u>(16,987,605)</u>	<u>(4,396,113)</u>	<u>(72,770,905)</u>	<u>(180,641)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property and Equipment	<u>(127,483)</u>	<u>31,202</u>	<u>(4,369,672)</u>	<u>0</u>
Net Cash Provided/(Used) by Investing Activities	<u>(127,483)</u>	<u>31,202</u>	<u>(4,369,672)</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Appropriations Received	0	0	793,168,395	0
Funds Returned to the U.S. Treasury	0	0	(8,120,708)	0
Appropriated Funds Allocated	17,203,968	4,364,911	(704,613,087)	180,641
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>0</u>	<u>(212,270)</u>	<u>0</u>
Net Cash Provided/(Used) by Financing Activities	<u>17,203,968</u>	<u>4,364,911</u>	<u>80,222,330</u>	<u>180,641</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	88,880	0	3,081,753	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,596,372</u>	<u>0</u>	<u>722,333,770</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,685,252</u>	<u>\$ 0</u>	<u>\$ 725,415,523</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	\$ 1,597,523
(1,345,135)	(6,489,729)	(1,012,852)	(910,923)	(2,405,774)	(2,664,270)	(102,317,014)
21,402	837	(85)	4,792	65,076	(34,048)	3,014,574
0	(3,636)	0	(238)	(2,880)	1,322	2,556,432
0	0	0	0	0	0	295,117
(21,402)	315	85	(4,946)	(65,675)	32,725	(12,751,529)
451	2,485	322	414	831	78,817	(7,218,762)
0	0	0	0	729	242	1,117,532
2,583	31,768	0	0	38,553	9,228	4,702,247
<u>(1,342,101)</u>	<u>(6,457,960)</u>	<u>(1,012,530)</u>	<u>(910,901)</u>	<u>(2,369,140)</u>	<u>(2,575,984)</u>	<u>(109,003,880)</u>
11,342	(66,487)	0	0	(39,412)	(1,578)	(4,562,088)
<u>11,342</u>	<u>(66,487)</u>	<u>0</u>	<u>0</u>	<u>(39,412)</u>	<u>(1,578)</u>	<u>(4,562,088)</u>
0	0	0	0	0	0	793,168,395
0	0	0	0	0	0	(8,120,708)
1,330,759	6,524,447	1,012,530	910,901	2,408,552	2,577,562	(668,098,816)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(212,270)</u>
<u>1,330,759</u>	<u>6,524,447</u>	<u>1,012,530</u>	<u>910,901</u>	<u>2,408,552</u>	<u>2,577,562</u>	<u>116,736,601</u>
0	0	0	0	0	0	3,170,633
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>723,930,142</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 727,100,775</u>

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## **Chief Administrative Officer**

U.S. House of Representatives  
Combining Statement of Financial Position  
of the Chief Administrative Officer  
as of December 31, 2000

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
<b>ASSETS</b>					
Fund Balance with the U.S. Treasury	\$ 0	\$ 0	\$ 0	\$ 1,056,369	\$ 714,957,577
Cash	0	0	0	0	0
Fund Balance with U.S. Treasury and Cash	0	0	0	1,056,369	714,957,577
Accounts Receivable	0	0	600	19,470	36,953
Interoffice Receivable	0	0	0	0	3,029
Appropriations Receivable	15,280	803	246,403	0	0
Advances and Prepayments	0	0	22,772	0	721,461
Inventory	0	0	0	0	0
Property and Equipment, Net	2,559	0	66,836	30,890	400,649
Total Assets	<u>\$ 17,839</u>	<u>\$ 803</u>	<u>\$ 336,611</u>	<u>\$ 1,106,729</u>	<u>\$ 716,119,669</u>
<b>LIABILITIES AND NET POSITION</b>					
Accounts Payable	\$ 12,446	\$ 659	\$ 269,289	\$ 614	\$ 573,007
Interoffice Payable	2,834	144	486	2,087	3,850
Appropriations Payable	0	0	0	0	15,618,698
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	108,107	8,471	35,199	52,282	174,665
Unfunded Workers' Compensation Actuarial Liability	0	0	0	0	10,379,743
Other Liabilities	0	0	0	0	59,615
Total Liabilities	<u>123,387</u>	<u>9,274</u>	<u>304,974</u>	<u>54,983</u>	<u>26,809,578</u>
Unexpended Appropriations	0	0	0	843,171	711,200,488
Cumulative Results of Operations	(105,548)	(8,471)	31,637	208,575	(21,890,397)
Total Net Position	<u>(105,548)</u>	<u>(8,471)</u>	<u>31,637</u>	<u>1,051,746</u>	<u>689,310,091</u>
Total Liabilities and Net Position	<u>\$ 17,839</u>	<u>\$ 803</u>	<u>\$ 336,611</u>	<u>\$ 1,106,729</u>	<u>\$ 716,119,669</u>

Office of Finance	Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 714,957,577	\$ 0	\$ 5,668,892	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,732,685	\$ 725,415,523
0	0	0	0	0	0	0	0	0
<u>714,957,577</u>	<u>0</u>	<u>5,668,892</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,732,685</u>	<u>725,415,523</u>
36,953	277	7,450	1,974	124	215,718	55	0	282,621
3,029	0	110,573	3,946,615	0	1,417,795	0	7,093	5,485,105
0	71,802	0	0	28,754	1,991,716	4,533	0	2,359,291
721,461	0	991	2,346	0	16,234	17	146	763,967
0	114,450	941,684	0	0	2,527	0	0	1,058,661
400,649	293,371	7,178	906,709	17,798	10,605,211	3,074	96,468	12,430,743
<u>\$ 716,119,669</u>	<u>\$ 479,900</u>	<u>\$ 6,736,768</u>	<u>\$ 4,857,644</u>	<u>\$ 46,676</u>	<u>\$ 14,249,201</u>	<u>\$ 7,679</u>	<u>\$ 3,836,392</u>	<u>\$ 747,795,911</u>
\$ 573,007	\$ 69,958	\$ 55,261	\$ 1,986,586	\$ 25,996	\$ 3,641,462	\$ 4,237	\$ 109,215	\$ 6,748,730
3,850	2,121	551	1,200	2,882	0	368	154,237	170,760
15,618,698	0	0	1,963,148	0	0	0	0	17,581,846
0	0	0	0	0	119,777	0	0	119,777
0	0	0	0	0	0	0	0	0
174,665	210,149	56,864	94,679	217,387	694,138	23,448	55,908	1,731,297
10,379,743	0	0	0	0	0	0	0	10,379,743
59,615	0	0	0	0	0	0	0	59,615
<u>26,809,578</u>	<u>282,228</u>	<u>112,676</u>	<u>4,045,613</u>	<u>246,265</u>	<u>4,455,377</u>	<u>28,053</u>	<u>319,360</u>	<u>36,791,768</u>
711,200,488	0	5,560,103	0	0	0	0	3,026,891	720,630,653
(21,890,397)	197,672	1,063,989	812,031	(199,589)	9,793,824	(20,374)	490,141	(9,626,510)
<u>689,310,091</u>	<u>197,672</u>	<u>6,624,092</u>	<u>812,031</u>	<u>(199,589)</u>	<u>9,793,824</u>	<u>(20,374)</u>	<u>3,517,032</u>	<u>711,004,143</u>
<u>\$ 716,119,669</u>	<u>\$ 479,900</u>	<u>\$ 6,736,768</u>	<u>\$ 4,857,644</u>	<u>\$ 46,676</u>	<u>\$ 14,249,201</u>	<u>\$ 7,679</u>	<u>\$ 3,836,392</u>	<u>\$ 747,795,911</u>

U.S. House of Representatives  
Combining Statement of Operations  
of the Chief Administrative Officer  
for the Year Ended December 31, 2000

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
<b>REVENUE AND FINANCING SOURCES</b>					
Revenue from Operations					
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,331
Sales of Services to Federal Agencies	0	0	0	0	0
Sales of Services to the Public	0	535,412	0	0	1,890
Interoffice Sales	0	0	0	0	3,029
Other Revenue	0	0	0	229,966	16,263
Total Revenue from Operations	<u>0</u>	<u>535,412</u>	<u>0</u>	<u>229,966</u>	<u>24,513</u>
Financing Sources					
Appropriations to Cover Expenses					
Appropriations Received (Note 12)	2,705,303	143,840	4,029,819	1,229,705	8,425,647
Appropriations Yet to be Received (Note 12)	9,779	3,569	2,283	16,051	(3,214,016)
Imputed Finance Source	131,764	34,371	34,817	33,570	224,896
Total Revenue and Financing Sources	<u>\$ 2,846,846</u>	<u>\$ 717,192</u>	<u>\$ 4,066,919</u>	<u>\$ 1,509,292</u>	<u>\$ 5,461,040</u>
<b>EXPENSES</b>					
Personnel Compensation	\$ 1,907,249	\$ 497,515	\$ 503,960	\$ 865,070	\$ 3,257,400
Benefits	683,336	181,781	180,180	187,755	193,704
Postage and Delivery	107,834	6	23,559	56	42,480
Repairs and Maintenance	76,108	3,896	67,321	63,256	110,548
Depreciation and Amortization	4,916	0	52,927	5,659	66,451
Rent, Utilities, and Communications	300	0	3,331	0	0
Telecommunications	30,030	676	3,460	13,905	17,686
Supplies and Materials	19,277	25,334	14,545	14,132	27,425
Travel and Transportation	1,656	23	645	2,011	8,022
Contract, Consulting, and Other Services	5,626	1,640	3,215,827	127,448	1,548,567
Printing and Reproduction	615	0	1,164	0	428
Subscriptions and Publications	9,899	0	0	33	1,697
Cost of Goods Sold	0	0	0	0	0
Loss on Disposal of Assets	0	0	0	0	20,932
Interest on Capital Leases	0	0	0	0	0
Total Expenses	<u>\$ 2,846,846</u>	<u>\$ 710,871</u>	<u>\$ 4,066,919</u>	<u>\$ 1,279,325</u>	<u>\$ 5,295,340</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses					
	<u>\$ 0</u>	<u>\$ 6,321</u>	<u>\$ 0</u>	<u>\$ 229,967</u>	<u>\$ 165,700</u>
<b>CHANGE IN NET POSITION</b>					
Net Position, Beginning Balance	\$ (32,645)	\$ (16,253)	\$ 55,814	\$ 1,024,153	\$ 687,062,141
Adjustments	55,841	13,516	14,269	20,936	(15,760,581)
Net Position, Beginning Balance, As Restated	23,196	(2,737)	70,083	1,045,089	671,301,560
Excess (Deficiency) of Revenue and Financing Sources Over Expenses					
	0	6,321	0	229,967	165,700
Plus (Minus) Non-Operating Changes	<u>(128,744)</u>	<u>(12,055)</u>	<u>(38,446)</u>	<u>(223,310)</u>	<u>17,842,831</u>
Net Position, Ending Balance	<u>\$ (105,548)</u>	<u>\$ (8,471)</u>	<u>\$ 31,637</u>	<u>\$ 1,051,746</u>	<u>\$ 689,310,091</u>

<b>Furniture Resource Center</b>	<b>Office Supply Service</b>	<b>Office Systems Management</b>	<b>Human Resources</b>	<b>House Information Resources</b>	<b>Office of Photography</b>	<b>House Recording Studio</b>	<b>Combined</b>
\$ 0	\$ 2,889,411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 908	\$ 2,893,650
0	0	354	0	606,250	0	0	606,604
0	0	48	0	0	0	30,123	567,473
22,226	3,312,917	22,958,064	0	15,190,155	330,389	165,576	41,982,356
0	2,175	0	0	0	0	0	248,404
<u>22,226</u>	<u>6,204,503</u>	<u>22,958,466</u>	<u>0</u>	<u>15,796,405</u>	<u>330,389</u>	<u>196,607</u>	<u>46,298,487</u>
7,600,522	959,585	73,938	5,804,654	34,491,983	422,713	2,311,731	68,199,440
15,654	3,397	13,460	13,782	115,672	262	10,714	(3,009,393)
273,180	63,667	145,343	240,905	917,596	29,923	81,671	2,211,703
<u>\$ 7,911,582</u>	<u>\$ 7,231,152</u>	<u>\$ 23,191,207</u>	<u>\$ 6,059,341</u>	<u>\$ 51,321,656</u>	<u>\$ 783,287</u>	<u>\$ 2,600,723</u>	<u>\$ 113,700,237</u>
\$ 3,954,196	\$ 921,568	\$ 1,724,645	\$ 3,487,028	\$ 13,281,929	\$ 433,122	\$ 1,182,159	\$ 32,015,841
1,415,564	330,021	757,497	1,245,362	4,811,690	153,154	428,315	10,568,359
540	162,489	4,326	2,696	8,430	2,622	1,116	356,154
1,832,642	45,405	19,561,726	544,316	4,803,585	34,663	168,928	27,312,394
80,663	6,464	45,289	37,065	3,833,435	36,949	79,444	4,249,262
0	0	0	0	603,207	0	25,230	632,068
13,721	6,474	14,107	26,444	17,105,437	5,219	70,927	17,308,086
457,121	3,003,767	52,325	53,729	148,105	110,986	36,904	3,963,650
41,478	590	5,242	13,909	41,749	0	3,542	118,867
114,781	279,376	1,001,897	631,074	5,014,341	6,462	154,078	12,101,117
0	0	1,349	1,332	0	0	0	4,888
77	72	14,659	8,160	103,341	110	393	138,441
0	2,302,935	0	0	0	0	0	2,302,935
799	0	8,145	8,226	1,070,325	0	106	1,108,533
0	0	0	0	11,082	0	0	11,082
<u>\$ 7,911,582</u>	<u>\$ 7,059,161</u>	<u>\$ 23,191,207</u>	<u>\$ 6,059,341</u>	<u>\$ 50,836,656</u>	<u>\$ 783,287</u>	<u>\$ 2,151,142</u>	<u>\$ 112,191,677</u>
<u>\$ 0</u>	<u>\$ 171,991</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 485,000</u>	<u>\$ 0</u>	<u>\$ 449,581</u>	<u>\$ 1,508,560</u>
\$ 449,089	\$ 5,829,363	\$ 3,860,861	\$ (56,009)	\$ 7,434,006	\$ 31,957	\$ 3,559,400	\$ 709,201,877
113,032	25,222	49,154	99,200	373,187	12,053	33,324	(14,950,847)
562,121	5,854,585	3,910,015	43,191	7,807,193	44,010	3,592,724	694,251,030
0	171,991	0	0	485,000	0	449,581	1,508,560
<u>(364,449)</u>	<u>597,516</u>	<u>(3,097,984)</u>	<u>(242,780)</u>	<u>1,501,631</u>	<u>(64,384)</u>	<u>(525,273)</u>	<u>15,244,553</u>
<u>\$ 197,672</u>	<u>\$ 6,624,092</u>	<u>\$ 812,031</u>	<u>\$ (199,589)</u>	<u>\$ 9,793,824</u>	<u>\$ (20,374)</u>	<u>\$ 3,517,032</u>	<u>\$ 711,004,143</u>

U.S. House of Representatives  
Combining Statement of Cash Flows  
of the Chief Administrative Officer  
for the Year Ended December 31, 2000

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 6,321	\$ 0	\$ 229,967	\$ 165,700
Adjustments affecting Cash Flow					
Appropriations to Cover Expenses	(2,715,082)	(147,409)	(4,032,102)	(1,245,756)	(5,211,631)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	7,218	(129)	319,150	15,660	36,929
(Increase)/Decrease in Advances and Prepayments	1,028	0	2,203	0	1,684,737
(Increase)/Decrease in Inventory	0	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(8,246)	129	(321,353)	(50,395)	(8,451,126)
Increase/(Decrease) in Other Accrued Liabilities	89,989	5,734	35,067	41,667	(9,112,028)
Loss on Disposal of Assets	0	0	0	0	20,932
Depreciation and Amortization	4,916	0	52,927	5,659	66,451
Net Cash Provided/(Used) by Operating Activities	<u>(2,620,177)</u>	<u>(135,354)</u>	<u>(3,944,108)</u>	<u>(1,003,198)</u>	<u>(20,800,036)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Property and Equipment	33,839	0	(49,548)	(6,613)	(231,214)
Net Cash Provided/(Used) by Investing Activities	<u>33,839</u>	<u>0</u>	<u>(49,548)</u>	<u>(6,613)</u>	<u>(231,214)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Appropriations Received	0	0	0	0	793,168,395
Funds Returned to the U.S. Treasury	0	0	0	0	(8,120,708)
Appropriated Funds Allocated	2,586,338	135,354	3,993,656	1,022,446	(761,993,225)
Principal Payment on Capital Lease Liabilities	0	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>2,586,338</u>	<u>135,354</u>	<u>3,993,656</u>	<u>1,022,446</u>	<u>23,054,462</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	0	0	12,635	2,023,212
Fund Balance with U.S. Treasury and Cash, Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,043,734</u>	<u>712,934,365</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,056,369</u>	<u>\$ 714,957,577</u>

<u>Furniture Resource Center</u>	<u>Office Supply Service</u>	<u>Office Systems Management</u>	<u>Human Resources</u>	<u>House Information Resources</u>	<u>Office of Photography</u>	<u>House Recording Studio</u>	<u>Combined</u>
\$ 0	\$ 171,991	\$ 0	\$ 0	\$ 485,000	\$ 0	\$ 449,581	\$ 1,508,560
(7,616,176)	(962,982)	(87,398)	(5,818,436)	(34,607,655)	(422,975)	(2,322,445)	(65,190,047)
(39,238)	22,182	2,363,710	260,743	(72,365)	9,943	1,064	2,924,867
0	13,831	208,996	1,922	602,548	56	(18)	2,515,303
177,008	106,310	0	0	11,799	0	0	295,117
39,238	(332,605)	(2,572,707)	(262,665)	(530,184)	(9,999)	256,226	(12,243,687)
206,850	55,686	81,390	196,763	389,032	21,643	49,394	(7,938,813)
799	0	8,145	8,226	1,070,325	0	106	1,108,533
80,663	6,464	45,289	37,065	3,833,435	36,949	79,444	4,249,262
<u>(7,150,856)</u>	<u>(919,123)</u>	<u>47,425</u>	<u>(5,576,382)</u>	<u>(28,818,065)</u>	<u>(364,383)</u>	<u>(1,486,648)</u>	<u>(72,770,905)</u>
<u>(100,871)</u>	<u>32,041</u>	<u>2,963,161</u>	<u>726</u>	<u>(7,078,951)</u>	<u>5,792</u>	<u>61,966</u>	<u>(4,369,672)</u>
<u>(100,871)</u>	<u>32,041</u>	<u>2,963,161</u>	<u>726</u>	<u>(7,078,951)</u>	<u>5,792</u>	<u>61,966</u>	<u>(4,369,672)</u>
0	0	0	0	0	0	0	793,168,395
0	0	0	0	0	0	0	(8,120,708)
7,251,727	1,560,498	(3,010,586)	5,575,656	36,109,286	358,591	1,797,172	(704,613,087)
0	0	0	0	(212,270)	0	0	(212,270)
<u>7,251,727</u>	<u>1,560,498</u>	<u>(3,010,586)</u>	<u>5,575,656</u>	<u>35,897,016</u>	<u>358,591</u>	<u>1,797,172</u>	<u>80,222,330</u>
0	673,416	0	0	0	0	372,490	3,081,753
0	4,995,476	0	0	0	0	3,360,195	722,333,770
<u>\$ 0</u>	<u>\$ 5,668,892</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,732,685</u>	<u>\$ 725,415,523</u>

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## **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, 2000

	<b>Attending Physician</b>	<b>Joint Committee on Taxation</b>	<b>Combined</b>
<b>ASSETS</b>			
Fund Balance with the U.S. Treasury	\$ 1,895,746	\$ 5,097,713	\$ 6,993,459
Cash	0	0	0
Fund Balance with U.S. Treasury and Cash	<u>1,895,746</u>	<u>5,097,713</u>	<u>6,993,459</u>
Accounts Receivable	485	0	485
Interoffice Receivable	0	0	0
Appropriations Receivable	0	0	0
Advances and Prepayments	0	57,060	57,060
Inventory	0	0	0
Property and Equipment, Net	289,506	179,357	468,863
Total Assets	<u>\$ 2,185,737</u>	<u>\$ 5,334,130</u>	<u>\$ 7,519,867</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts Payable	\$ 13,722	\$ 51,331	\$ 65,053
Interoffice Payable	19,275	1,884	21,159
Appropriations Payable	0	0	0
Capital Lease Liabilities	0	0	0
Accrued Funded Payroll and Benefits	0	0	0
Accrued Unfunded Annual Leave and Workers' Compensation	806	21,492	22,298
Unfunded Workers' Compensation Actuarial Liability	0	0	0
Other Liabilities	0	0	0
Total Liabilities	<u>33,803</u>	<u>74,707</u>	<u>108,510</u>
Unexpended Appropriations	1,803,861	5,101,558	6,905,419
Cumulative Results of Operations	<u>348,073</u>	<u>157,865</u>	<u>505,938</u>
Total Net Position	<u>2,151,934</u>	<u>5,259,423</u>	<u>7,411,357</u>
Total Liabilities and Net Position	<u>\$ 2,185,737</u>	<u>\$ 5,334,130</u>	<u>\$ 7,519,867</u>

U.S. House of Representatives  
Combining Statement of Operations  
of the Capitol Police and Other Joint Functions  
for the Year Ended December 31, 2000

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
<b>REVENUE AND FINANCING SOURCES</b>				
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	59,373	0	0	59,373
Interoffice Sales	0	0	0	0
Other Revenue	0	0	0	0
Total Revenue from Operations	<u>\$ 59,373</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,373</u>
Financing Sources				
Appropriations to Cover Expenses				
Appropriations Received (Note 12)	1,871,729	41,427,775	7,988,033	51,287,537
Appropriations Yet to be Received (Note 12)	571	1,421,576	15,230	1,437,377
Imputed Financing Source	14,446	2,674,744	385,047	3,074,237
Total Revenue and Financing Sources	<u>\$ 1,946,119</u>	<u>\$ 45,524,095</u>	<u>\$ 8,388,310</u>	<u>\$ 55,858,524</u>
<b>EXPENSES</b>				
Personnel Compensation	\$ 209,096	\$ 26,564,148	\$ 5,573,447	\$ 32,346,691
Benefits	169,514	11,174,554	1,984,972	13,329,040
Postage and Delivery	1,728	1,430	2,169	5,327
Repairs and Maintenance	184,331	4,490,780	374,763	5,049,874
Depreciation and Amortization	51,894	1,214,760	87,122	1,353,776
Rent, Utilities, and Communications	0	200	0	200
Telecommunications	14,684	55,785	20,232	90,701
Supplies and Materials	205,423	534,835	28,639	768,897
Travel and Transportation	9,422	862,529	11,655	883,606
Contract, Consulting, and Other Services	1,035,466	592,979	142,685	1,771,130
Printing and Reproduction	74	8,637	4,863	13,574
Subscriptions and Publications	5,114	6,074	157,763	168,951
Cost of Goods Sold	0	0	0	0
Loss on Disposal of Assets	0	17,384	0	17,384
Interest on Capital Leases	0	0	0	0
Total Expenses	<u>\$ 1,886,746</u>	<u>\$ 45,524,095</u>	<u>\$ 8,388,310</u>	<u>\$ 55,799,151</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 59,373</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,373</u>
<b>CHANGE IN NET POSITION</b>				
Net Position, Beginning Balance	1,867,042	134,405,359	5,184,528	141,456,929
Adjustments	5,841	1,053,511	162,263	1,221,615
Net Position, Beginning Balance, As Restated	1,872,883	135,458,870	5,346,791	142,678,544
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	59,373	0	0	59,373
Plus (Minus) Non-Operating Changes	219,678	(135,458,870)	(87,368)	(135,326,560)
Net Position, Ending Balance	<u>\$ 2,151,934</u>	<u>\$ 0</u>	<u>\$ 5,259,423</u>	<u>\$ 7,411,357</u>

U.S. House of Representatives  
Combining Statement of Cash Flows  
of the Capitol Police and Other Joint Functions  
as of December 31, 2000

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 59,373	\$ 0	\$ 0	\$ 59,373
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(1,872,300)	(42,849,351)	(8,003,263)	(52,724,914)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	0	3,885	30	3,915
(Increase)/Decrease in Advances and Prepayments	0	28,786	(1,526)	27,260
(Increase)/Decrease in Inventory	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(52,708)	(3,649,082)	30,274	(3,671,516)
Increase/(Decrease) in Other Accrued Liabilities	125	(3,122,677)	2,572	(3,119,980)
Loss on Disposal of Assets	0	17,384	0	17,384
Depreciation and Amortization	51,894	1,214,760	87,122	1,353,776
Net Cash Provided/(Used) by Operating Activities	<u>(1,813,616)</u>	<u>(48,356,295)</u>	<u>(7,884,791)</u>	<u>(58,054,702)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property and Equipment	<u>(159,983)</u>	<u>7,422,658</u>	<u>(82,381)</u>	<u>7,180,294</u>
Net Cash Provided/(Used) by Investing Activities	<u>(159,983)</u>	<u>7,422,658</u>	<u>(82,381)</u>	<u>7,180,294</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Appropriations Received	1,830,963	46,949,483	6,415,854	55,196,300
Funds Returned to the U.S. Treasury	(17,426)	(117,669)	(47,846)	(182,941)
Appropriated Funds Allocated	278,441	(139,441,333)	1,547,887	(137,615,005)
Principal Payment on Capital Lease Liabilities	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>2,091,978</u>	<u>(92,609,519)</u>	<u>7,915,895</u>	<u>(82,601,646)</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	118,379	(133,543,156)	(51,277)	(133,476,054)
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,777,367</u>	<u>133,543,156</u>	<u>5,148,990</u>	<u>140,469,513</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,895,746</u>	<u>\$ 0</u>	<u>\$ 5,097,713</u>	<u>\$ 6,993,459</u>

**Independent Auditor's  
Report on Compliance with  
Laws and Regulations**

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# COTTON & COMPANY LLP

auditors • advisors

DAVID L. COTTON, CPA, CFE, CGFM • CHARLES HAYWARD, CPA, CFE, CISA • MICHAEL W. GILLESPIE, CPA, CFE • CATHERINE L. NUCKER, CPA  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

To the Inspector General  
U.S. House of Representatives

Cotton & Company LLP has audited the Consolidating Statement of Financial Position of the U.S. House of Representatives (House) as of December 31, 2000, and 1999, and the related Consolidating Statements of Operations and Cash Flows for the years then ended. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 House 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. Providing an opinion on compliance with those provisions was not, however, an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Compliance with laws, rules, and regulations for 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 of 1994, and the Chief Financial Officers Act of 1990, do not apply to the House. Second, 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 and its own rules and to regulations contained in its *Members' Congressional Handbook and Committees' Congressional Handbook*.

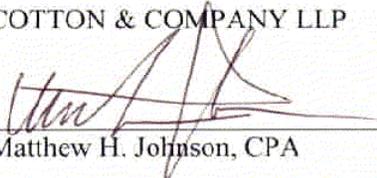
established 1981

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

COTTON & COMPANY LLP

By:

  
Matthew H. Johnson, CPA

June 8, 2001  
Alexandria, Virginia

# **Independent Auditor's Report On Internal Control**

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# COTTON & COMPANY LLP

auditors ♦ advisors

DAVID L. COTTON, CPA, CFE, CCGFM ♦ CHARLES HAYWARD, CPA, CFE, CISA ♦ MICHAEL W. GILLESPIE, CPA, CFE ♦ CATHERINE L. NOCERA, CPA  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Inspector General  
U.S. House of Representatives

Cotton & Company LLP has examined management's assertion included in the accompanying House of Representatives Management Report on Internal Control. In that report, management asserted that the U.S. House of Representatives (House) maintained effective internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting as of December 31, 2000, 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.

We conducted our examination 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, obtained an understanding of internal control over safeguarding of assets, compliance with laws and regulations, and financial reporting; tested and evaluated the design and operating effectiveness of internal control; and performed other procedures considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that internal control may become inadequate as the result 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, 2000, is fairly stated, in all material respects, based on *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

established 1981

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We noted, however, certain matters involving internal control and its operations that we consider reportable conditions under standards issued by AICPA. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect an agency's ability to record, process, summarize, and report financial data consistent with management assertions in the financial statements. Those conditions are:

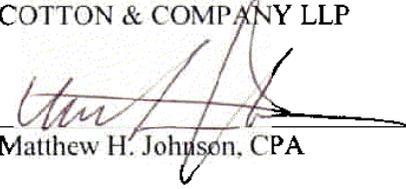
- The staff payroll system is obsolete and needs to be replaced.
- The House lacks sufficient information with which to manage and maintain accountability over its property and equipment.
- Financial management continues to be hampered by inadequate systems, resources, and procedures.
- Weaknesses over financial information systems reduce the integrity of financial data and reporting.

Material weaknesses are reportable conditions 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, in an amount that would be material in relation to the financial statement being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider none of these reportable conditions to be material weaknesses.

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

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

COTTON & COMPANY LLP

By:   
Matthew H. Johnson, CPA

June 8, 2001  
Alexandria, Virginia

**STATUS OF INTERNAL CONTROL WEAKNESSES  
CALENDAR YEAR 2000 FINANCIAL STATEMENT AUDIT**

Cotton & Company LLP assessed the current status of weaknesses identified in the 1999 Report of Independent Accountants On Management's Assertion About Internal Control. The House continues to make progress toward implementing recommendations for each condition. Certain weaknesses still exist; therefore, we recommend that the Chief Administrative Officer (CAO) continue to implement past recommendations. The remainder of this report presents a summary of the status of internal control weaknesses and detailed discussions and recommendations for each.

**Criteria**

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

<b>Substantial Progress</b>	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.
<b>Some Progress</b>	New financial system and/or new policies and procedures put in place <i>partially</i> address the <i>more significant</i> recommendations made in the prior audit.
<b>Limited Progress</b>	Steps taken to address <i>less significant</i> recommendations; more significant recommendations addressed only with <i>proposals</i> or <i>remain open</i> .
<b>New Condition</b>	No action has been taken; newly identified weakness.

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:

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

The status of the three existing weaknesses and one new weakness is shown on Figure 1; a detailed discussion of each follows.

Figure 1 - Summary Of Status Of Internal Control Weaknesses				
Weakness	Status as of June 8			
	Substantial Progress	Some Progress	Limited Progress	New Condition
1. The staff payroll system is obsolete and needs to be replaced. (Reportable Condition)			X	
2. The House lacks sufficient information with which to manage and maintain accountability over its property and equipment. (Reportable Condition)	X			
3. Financial management continues to be hampered by inadequate systems (Reportable Condition)	X			
4. Weaknesses over financial information systems reduce the integrity of financial data and reporting. (Reportable Condition)				X

**DISCUSSION OF INTERNAL CONTROL WEAKNESSES****Weakness 1: The Staff Payroll System Is Obsolete And Needs To Be Replaced**

**Summary Status: Reportable Condition  
Prior Condition  
Limited Progress**

During 1999, the House implemented a new Members' payroll system and accepted proposals to replace its staff payroll system. In Calendar Year (CY) 2000, the CAO submitted the selected proposal to the Committee on House Administration (CHA) for review and approval. CHA approved the proposal on June 5, 2001.

The staff payroll system remains inefficient and technologically obsolete. This system requires Office of Human Resources' (Human Resources) staff to regularly make manual calculations and adjustments to process the staff payroll. Furthermore, inadequacies in this system result in numerous supplemental payments and overpayments made throughout the year.

The following inefficiencies in the staff payroll system continue to exist:

- ? When an employee changes from non-permanent to permanent status in any 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, retirement contributions, and the government portion of FERS.
- ? When adjustments to the staff payroll system have been made (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 Office of Finance (Finance).
- ? Legislation requires the House payroll to be paid on the last working day of the month, except for December, which is paid on December 20<sup>th</sup>. To pay the staff on the last working day of the month, Human Resources' personnel must prepare staff payroll check requests before the end of the month for work completed during that month. As a result, salary changes and notice of new employees are often submitted to Human Resources after the published payroll deadline.

In CY 2000, supplemental payroll changes resulted in 3,858 supplemental paychecks for \$2,456,979 in underpayments to staff. In addition, refunds from staff resulting from overpayments totaled \$25,786. Of this amount, \$6,445 remained outstanding as of April 25, 2001.

**Recommendation**

This audit recommendation was made in a past Office of Inspector General (OIG) audit report. Based on test results from our audit, we agree that the weakness underlying this recommendation still exists, and CAO should continue to implement policies and procedures necessary to resolve it.

Recommendation	Status of Recommendation	Management Response
<p>Report No. 99-HOC-07 1.1</p> <p>Replace the 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. CHA approved the proposal on June 5</p>	<p><b>CONCUR</b></p> <p>The House has received and reviewed proposals for the new staff payroll system. The CAO submitted the selected proposal and recommendation for award to CHA for their review and approval. The CHA approved the recommendation on June 5, 2001. The CAO received approval to release the funding for the system implementation from the Committee on Appropriations, Subcommittee on Legislative on June 27, 2001. The CAO anticipates awarding the payroll/HR implementation contract by July 31, 2001.</p> <p>The current list of 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. Once the contract is awarded, Phase 1 of the implementation will begin and completion is anticipated within approximately 6 months. Upon completion of Phase 1, and determinations regarding system configuration have been decided, Phase 2 will begin and completion is anticipated within approximately 18-24 months. Once Phase 2 is completed, the House will 'go live' with a fully implemented payroll/ human resources system.</p>

**Weakness 2: The House Lacks Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment****Summary Status: Reportable Condition  
Prior Condition  
Substantial Progress**

During CY 2000, the House made substantial progress in its efforts to resolve weaknesses related to accountability over property and equipment. Finance developed formal policies and procedures for accounting for capitalized equipment using the legacy systems. These policies and procedures resulted in correctly identifying the proper Budget Object Codes (BOCs) for capitalized equipment and ensured all equipment was properly recorded with the proper in-service dates and estimated life. Furthermore, reconciliation of physical inventories to the legacy property systems and to electronic spreadsheets provided complete detail records of capitalized equipment. The detail records also contained accurate depreciation calculations, disposal information, and recognition of losses on disposals.

Even with implementation of these significant improvements, the House's ability to efficiently manage and adequately account for its property and equipment continues to be hampered by its lack of a centralized and integrated property system. The implementation of the new Fixed Asset and Inventory Management System (FAIMS) is scheduled for September 2001. Until FAIMS is fully operational, the House's efforts to effectively maintain control over its capitalized and non-capitalized property and equipment will be hindered by the lack of centralized accounting control over its capitalized property and equipment. Responsibility to account for such items is dispersed among several offices within the CAO. In addition, manually adjusted electronic spreadsheets are used to track property and equipment balances for financial reporting, which is a labor-intensive process.

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.
- ? 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, D.C., and district offices), Committees, and House Officers.

Neither of these offices maintains property ledgers that comply with all applicable requirements of the Joint Financial Management Improvement Program, such as the requirement to fully integrate their subsidiary systems with House general ledger system. OSM maintains property information in a database separate from the Federal Financial System (FFS), and HIR maintains its property information on electronic spreadsheets. This information, along with property information from other House offices, is provided to and tracked by Finance on electronic

spreadsheets. Finance summarizes these spreadsheets to develop the amounts to be recorded in the financial statements.

The detailed electronic subsidiary spreadsheets used by Finance to track property and equipment are accurate, but are not reconciled to the summary schedules used to record amounts on the financial statements. We obtained detail and summary spreadsheets used to track capitalized property and equipment, and reviewed them to ensure that adjustments made at the detail level were carried forward to the summary, summary totals tied to detail totals, and formulas were properly calculated.

Our review noted errors in the summary schedules for 10 of 24 offices, which, when consolidated, represents errors in all five reporting entities shown on the principal consolidating financial statements. Adjustments of \$1,159,851 and \$179,949 were made to decrease capitalized property and equipment, and increase depreciation expense, respectively. Once FAIMS is operational and property accounting records are centralized and integrated, there will be no need to maintain the electronic spreadsheets. Until that time we have recommended that Finance reconcile the detailed spreadsheets with the summary schedules to assure their accuracy.

We noted the following deficiencies with the accounting treatment of certain assets, or individual transactions, which required adjustments:

- ? **Capitalized assets do not meet the capitalization threshold or criteria.** The House capitalized a detailed security plan acquisition as a bulk purchase without regard to estimated useful life and the nature of items purchased. In CY 1999, the Capitol Police began to implement a security enhancement program through several task orders for a variety of purchases ranging from computer equipment, weapons, and soft-body armor to employee uniforms and canines. Finance considers these purchases and classifies all costs under this program as capitalized work-in-process (WIP) and later reclassifies them as fixed assets once they are placed into service. This treatment causes capitalized assets to be overstated and expenses to be understated. Fixed assets are placed in the 5-year asset category, without regard for the actual or estimated life of each item. As a result, we analyzed all items included in WIP and identified those not conforming with policy and meeting the capitalization threshold. An adjustment for \$3,796,811 was made to decrease capitalized property and equipment, and increase expenses.
- ? **Some property in service is identified as disposed.** We reviewed Finance's list of disposed property and noted that some property recorded and reported as disposed was still in service. Finance had been advised that these items had been disposed of and recorded their disposal accurately. However, we selected 20 items reported as disposed, and found that 6 reported by HIR as disposed of were actually still in service, although fully depreciated. As a result, the notes to the financial statement were adjusted to reflect a \$2.3 million increase to the cost and accumulated depreciation amounts.
- ? **Capitalized asset amounts were incorrectly calculated.** We sampled 45 capital acquisitions to determine if purchases met the capitalization threshold, were properly

supported, and were correctly recorded in the subsidiary records. Our test results showed that one item did not include the cost of installation, which was required for the item to function as intended and another item was improperly recorded at net cost as a result of a trade-in allowance. A net adjustment of \$32,466 was made to increase property and equipment for these items.

- ? **Gains were not properly recognized.** During our sample testing of 45 capital acquisitions, we noted 5 transactions in which trade-in allowances resulted in gains. The House considers these amounts immaterial and thus does not record gains at the transaction level related to capitalized assets traded in for new property and equipment. When the purchase of a capitalized asset involves a trade-in allowance, a gain should be recognized when the allowance is greater than the net book value of the traded asset. As a result a \$35,980 adjustment to recognize gain on disposal of assets was made.

**Recommendations**

This audit recommendation was made in a past OIG audit report. Based on test results from our audit, we agree that the weakness underlying this recommendation still exists, and CAO should continue efforts to implement a new property system:

Recommendation	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 property and equipment information</p> <ul style="list-style-type: none"> <li>? Cost or value.</li> <li>? Description and acquisition date.</li> <li>? Useful life and depreciation method and amount.</li> <li>? Scheduled replacement date.</li> <li>? Location.</li> <li>? Disposal date.</li> </ul>	<p>Status: Some Progress</p> <p>The House continues to work with its contractor toward the implementation of FAIMS. The current implementation date for FAIMS is September 2001.</p>	<p><b>CONCUR</b></p> <p>The House's new Fixed Asset and Inventory Management System is scheduled to be implemented on September 30, 2001. This system will maintain detailed information on property and equipment, including the requirements listed above. The system will not track assets by scheduled replacement date, but will instead notify users when an asset is nearing the end of its useful life. Summary information on property and equipment shall be maintained in FFS, the House's official accounting system of record. The House has successfully performed a preliminary conversion of all OSM and HIR legacy system data into FAIMS. The converted data has been reconciled with the acquisition cost data maintained in the legacy systems and the manual spreadsheets maintained in Finance. Additionally, accumulated depreciation was calculated on all capital assets</p>

		<p>converted into FAIMS. This data was then reconciled with accumulated depreciation data maintained on Finance's spreadsheets. Preliminary end-to-end testing with FFS and Procurement Desktop (PD) demonstrated the recording of accurate and consistent cost information from obligation of the funds to receipt of the asset. Additionally, end-to-end testing demonstrated the successful transmission of asset disposal and transfer information from FAIMS to FFS. Testing is currently being conducted on formatted inventory and asset reports that provide detailed asset information by House entity.</p>
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To assist in correcting the deficiencies management should also revise its current policies and procedures to ensure accurate treatment of property and equipment transactions beyond implementation of the new system. We recommend that the Chief Administrative Officer: Until FAIMS is fully implemented, we recommend that Chief Administrative Officer implement the following to ensure proper recording and reporting of property and equipment:

Recommendation	Status of Recommendation	Management Response
<p>1. Strengthen and enforce its policies for properly determining, calculating, and recording all costs associated with the purchase trade-in, or disposal of capitalized assets.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR</b></p> <p>Finance will develop by September 1, 2001, an instructional guide for use by property custodians in determining asset acquisition and disposal costs and the treatment of trade-in values. Finance will conduct training on this guide concurrently with the FAIMS user training that is scheduled prior to system implementation on September 30, 2001. The training will also include a review of BOCs used for capital and non-capital purchases, FAIMS general ledger accounts, and House asset policy and procedures.</p>

Until FAIMS is fully implemented, we recommend that Chief Administrative Officer implement the following to ensure proper recording and reporting of property and equipment:

Recommendation	Status of Recommendation	Management Response
<p>2. Establish quality control procedures over electronic spreadsheets used for property and equipment that will include</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR</b></p> <p>Finance will modify existing spreadsheets used to track capital</p>

<p>reconciliation of all supporting documentation to summary schedules used for financial reporting. Finance should be able to clearly show the components of property and equipment (additions, deletions, and other adjustments) and provide accurate, detailed schedules to support each of the totals and show how they tie to general ledger accounts.</p>		<p>property and equipment by linking each House reporting entity's detailed general ledger property spreadsheet to the corresponding summary general ledger spreadsheet. This modification will be completed by November 30, 2001. This link will automatically update the summary spreadsheet for all additions deletions, and other adjustments to ensure agreement between detailed and summary schedules. Additionally, Finance management will ensure compliance with existing procedures requiring monthly reconciliations of detailed and summary property schedules to House property systems and FFS.</p>
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The following prior-year recommendation was closed when changes in House operations remedied the associated underlying weakness:

<b>Recommendation</b>
<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>

**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 CY 2000 toward improving its financial management:

- ? Procurement Desktop (PD) was fully implemented, allowing the House to capture contract, purchase order, and receipt of goods data and to compare orders against available budgets within various offices.
- ? Financial Counseling within Finance developed and provided extensive training on the "BOC Style Guide." This document was distributed to all House offices entering transactions into FFS and required use of BOCs to ensure consistency.
- ? The House improved the consistency of beginning and end data fields in FFS to facilitate more accurate financial analysis of transactions.
- ? Finance developed Annual Financial Statement Compilation Procedures.

These improvements closed four prior-year audit recommendations. Weaknesses that affect the House's ability to prepare accurate financial statements, however, still exist. For continued improvement to House financial management, we recommend that CAO continue to implement corrective actions necessary to resolve the two remaining weaknesses. Our testing indicated that the following inefficiency still exists:

- ? House personnel spend considerable time preparing annual financial statements. Financial statement compilation 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 to compile annual financial statements. For CY 2000, 139 adjustments and reclassifications were needed to prepare draft financial statements for audit.

**Recommendations**

These audit recommendations were made in past OIG audit reports. Based on test results from our audit, we agree that the weakness underlying these recommendations still exists, and to resolve it, CAO should continue to implement policies and procedures as necessary.

Recommendations	Status of Recommendation	Management Response
Report No. 95-HOC-22, 2.1	Status: Substantial Progress	<b>CONCUR</b>
Initiate a system of accounting and control that captures data and tracks	The House fully implemented the PD system and continues to move	The House has fully implemented the PD system and accrual accounting,

<p>transactions by vendor and ordering office when goods and services are ordered, received, and paid.</p>	<p>toward implementation of FAIMS. When fully implemented, the House will have the ability to capture contract, purchase order, and receipt-of-goods data. Combined with FFS functions, these systems will have the ability to determine which items have been ordered but not received and which items have been received but not invoiced, or received and invoiced, but not paid.</p>	<p>and full implementation of FAIMS is scheduled for September 30, 2001. PD is currently used to initiate all CAO processed purchases using standard forms for requisition and purchase orders. In addition, PD is used to record the receipt of goods and services and allows the user to identify items that have been procured but not yet received. A PD receiver document is created when goods and services are received and accepted. Approved PD receiver documents are used to record accrued expenses and/or assets and the associated liability in FFS, and also serve as vouchers authorizing payment upon receipt of the invoice from the vendor for all obligated items. FAIMS, when implemented, will submit payment requests for asset related purchases to FFS and FFS will provide confirmation of payment information to FAIMS. This will allow users to determine whether items have been received, but not yet invoiced; or have been received and invoiced, but not yet paid.</p>
<p>Report No. 95-HOC-22, 2.2</p> <p>Ensure that the new financial management system has the capability to:</p> <ul style="list-style-type: none"> <li>? Compare orders against available budget by office.</li> <li>? Prompt offices when orders have not been received or when bills have not been paid after a specified period of time.</li> </ul>	<p>Status: Substantial Progress</p> <p>The House fully implemented the PD system and continues to move toward the implementation of FAIMS. Contract, purchase order, and receiving information captured in PD, combined with payment information recorded in FAIMS and passed through to FFS, will allow users to identify orders that have been received and identify bills not paid in a timely manner.</p>	<p><b>CONCUR</b></p> <p>The Federal Financial System verifies funds availability any time an obligating or payment document is processed through the system. The House has fully implemented PD, which also utilizes this functionality to check funds availability when processing requisitions, obligations or receivers. PD currently passes the receipt of goods and services data to FFS. PD will also pass information for assets and inventory to FAIMS when implemented on September 30, 2001. The House has also implemented accrual accounting that allows it to manage items received but not yet paid. Finance generates unliquidated obligation reports from FFS to identify open obligations. These reports are distributed to all CAO units monthly for review and follow up. Additionally, accounts payable aging reports are generated from FFS and distributed to all CAO</p>

		units monthly. These reports help units to identify and track accounts payable that have been outstanding for more than 60 days.
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The CAO is currently in the process to replace the existing financial management system. To ensure the new financial management system corrects the identified deficiency, we recommend that the Chief Administrative Officer:

Recommendation	Status of Recommendation	Management Response
<p>1. Ensure that the new financial management system has the capability to:</p> <ul style="list-style-type: none"> <li>⌘ Generate annual financial statements.</li> <li>⌘ Integrate information for other House financial systems.</li> </ul>	Status: New Recommendation	<p><b>CONCUR</b></p> <p>The House has developed requirements for a replacement financial management system that include the capability to generate annual financial statements and maximize integration. The House will complete a market analysis of viable systems by December 2001. Prior to the implementation of a replacement system, numerous manual calculations currently performed by Finance will be eliminated with the implementation of FAIMS and the new payroll system, mentioned above in our response to Weakness No. 1. The FAIMS system, scheduled to be implemented September 30, 2001, will interface with FFS and eliminate the need for Finance to manually enter asset depreciation, transfers and disposals into FFS. FAIMS will also eliminate the requirement for Finance to track capital assets and cumulative depreciation on manual spreadsheets. The new payroll system will have the capability to accrue personnel benefits currently calculated manually by Finance.</p>

The following prior-year recommendations were closed when changes in House operations remedied the associated underlying weaknesses:

Recommendations
<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>

Report No. 97-HOC-14, 1.6

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.

Report No. 98-HOC-11, 6.1

Establish and implement policies and procedures to:

- ? Take advantage of FFS functions to ensure that 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.

Report No. 99-HOC-07, 4.3

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 financial systems are adequately trained on correct BOC usage, and (2) performance measures to ensure that staff accurately enter BOC and other invoice data into FFS.

**Weakness 4: Weaknesses Over Financial Information Systems Reduce The Integrity Of Financial Data And Reporting****Summary Status: Reportable Condition  
New Condition  
Not Started**

As part of the CY 2000 audit, we reviewed controls over information systems that either process or report information on the House's annual financial statements. We relied upon Control Objectives for Information and Related Technology (COBIT) for review criteria. COBIT provides a framework to help meet multiple needs of management by bridging gaps between business risks, control needs, and technical issues. It provides good practices across a domain and process framework and presents activities in a manageable and logical structure. The COBIT mission is to research, develop, publicize, and promote an authoritative, up-to-date, international set of generally accepted information technology (IT) control objectives for daily use by business managers and auditors. The House's CAO has accepted COBIT as an authoritative source of IT control and guidance.

In conducting our review of internal control over IT, we reviewed controls in the following categories:

- ? **Entity-wide security program planning and management** to provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of computer-related controls.
- ? **Access controls** to limit or detect access to computer resources (data, program, equipment, and facilities), thereby protecting these resources against unauthorized modification, loss, and disclosure.
- ? **Application software development and program change controls** to prevent implementation of unauthorized programs or modifications to existing programs.
- ? **System software controls** to limit and monitor access to powerful programs and sensitive files that control computer hardware and secure applications supported by the system.
- ? **Segregation-of-duty controls** to provide policies, procedures, and an organizational structure to prevent one individual from controlling key aspects of computer-related operations and thereby conducting unauthorized actions or gaining unauthorized access to assets or records.
- ? **Service continuity controls** to ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed, and critical and sensitive data are protected from destruction.

We noted six weaknesses, two each in access and segregation-of-duties controls and one each in two of the other four categories. Although none of the six weaknesses by itself represents a reportable condition, these weaknesses collectively comprise a reportable condition.

The following is a discussion of the weaknesses in each of the categories.

***Entity-Wide Security Program Planning and Management***

We did not find any significant deficiencies in this area.

***Access Controls***

We have identified two weaknesses over access controls, which are discussed below.

A. Financial data files created from the Financial Management System (FMS), PIX (a data base to track orders and billing), and MONIES (a telecommunications cost accounting and billing system) systems are vulnerable to data alteration, destruction, and corruption while temporarily residing on the HIR mainframe computer before being transferred to FFS. These files are stored in clear text and may be copied, downloaded, and modified by individuals who then may use the modified file to update the original file for unauthorized purposes. This action would not be detected with the current security procedures.

COBIT suggests establishing logical and physical controls over assets being transferred from one system to another to ensure data integrity, reliability, accuracy, and completeness. Further, these controls should ensure that data cannot be altered, lost, or destroyed during transmission and that alterations can be detected.

HIR did not enforce the use of existing security controls to minimize the risks of data alteration or destruction before Finance retrieves files for transmission to the Department of the Interior's National Business Center mainframe computer in Denver, Colorado. During CY 2000, HIR had not adequately enforced logical security controls that would preclude the unauthorized opening of files and altering of data.

Without establishing suitable controls over files, the following risks exist:

- ? Data alteration, corruption, and destruction.
- ? Intentional or unintentional release of information.
- ? Loss of funds.

We recommend that the Chief Administrative Officer:

Recommendation	Status of Recommendation	Management Response
1. Implement improved logical controls to secure data files containing sensitive and financial data from unauthorized activities;	Status: New Recommendation	<b>CONCUR</b>  The CAO has taken steps to improve logical controls to better secure

<p>require protection of files being transmitted into unsecured areas; and develop monitoring and detection controls such as software to identify and record unauthorized access attempts and actual alterations of data residing in the files.</p>		<p>financial files residing on the mainframe prior to being transferred to FFS. HIR is implementing unique user accounts and more restrictive security rules for users uploading data to the mainframe to be transferred to FFS. All changes will be implemented by July 31, 2001. HIR Information Systems Security Office has re-instituted the process of reviewing the ACF2 logs to detect unauthorized access attempts to financial data residing on the mainframe. The CAO believes that these improved logical, monitoring and detection controls adequately mitigate potential material losses of financial data and therefore do not necessitate additional software to validate data against alteration.</p>
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B. HIR's Information System Security Office (ISSO) developed and issued policies and standards for system and security administrative activities. Individual offices are, however, responsible for establishing procedures to comply with the policies. We found that for the financial systems and network components used to access the financial systems, the following procedures were not being performed properly, uniformly, and consistently:

- ? Establishing and removing user accounts.
- ? Creating user accounts with standard naming conventions.
- ? Monitoring security activities.

During our review, we tested user accounts for the network components used to access the financial systems. Based on our review of accounts tested against an employee roster and a listing of contractor employees, we noted 128 accounts with exceptions. These exceptions included accounts that were or had:

- ????Expired passwords.
- ????Terminated employees or contractors.
- ????Disabled or deactivated during testing.
- ????Inactive.
- ????Users with two accounts.
- ????Assigned to incorrect office.
- ????Account locked out.

We were able to resolve apparent discrepancies for 29 of the 45 accounts with expired passwords. We also identified two authorized but inappropriate system accounts, which HIR deleted during our review.

These conditions existed because of inconsistent application of security maintenance activities, such as periodic monitoring of user accounts by network administrators and security personnel, and inconsistent monitoring of network administration activities to ensure that standards are consistently and uniformly applied.

COBIT recommends control over the IT process of ensuring that system security satisfies the business requirement to safeguard information against unauthorized use, disclosure, modification, damage, and loss. Further, it states that this is achieved through logical access controls, which ensure that access to systems, data, and programs is restricted to authorized users. This takes into consideration user identification and authorization profiles; security administration; and software and hardware tools for monitoring compliance, intrusion testing, and reporting.

Part of the security management process and procedures is the establishment and enforcement of the day-to-day security maintenance activities. Security maintenance activities may include periodic reviews of (1) all CAO network user accounts to ensure that user accounts of recently terminated contractor personnel and employees have been de-activated and removed, and (2) security logs to identify unauthorized attempts to access the network, applications, and accounts.

Proper management of network user accounts is critical to maintaining a safe and secure network. Active user accounts for terminated employees and contractor personnel increases the potential for unauthorized activities and creates the opportunity to conceal these activities if an individual masquerades as another. These accounts provide opportunities for personnel to circumvent management and logical controls.

We recommend that the Chief Administrative Officer:

Recommendation	Status of Recommendation	Management Response
2. Implement policy and procedures for network and security administrative activities as they relate to user account management to ensure proper, uniform, and consistent application of controls for financial systems and related network components.	Status: New Recommendation	<p><b>CONCUR</b></p> <p>The CAO resolved all outstanding financial systems related user account discrepancies identified during the course of this audit. The CAO will improve financial systems related user account management by implementing necessary policy and corresponding procedures to effectively manage financial systems and related network component user accounts. This policy and corresponding procedures will be completed by December 31, 2001.</p>

***Application Software Development and Program Change Controls***

CAO Policy for System Development Life Cycle (SDLC) and HIR's program change procedures and processes are inconsistently applied. Documentation of program changes for the payroll system and programs that interface with FFS are not consistently maintained. Programmers for

payroll and system that interfaces with FFS do not always follow testing procedures. Programmers are permitted to judgmentally determine the extent of program testing and documentation.

COBIT suggests developing sufficient quality assurance controls and procedures to provide assurance that program changes and enhancements are suitably tested before being placed into production.

Although the CAO has developed and implemented SDLC methodology for new systems such as FAIMS, program change control procedures are not being fully and consistently applied to the legacy systems such as payroll and finance programs interfacing to FFS. CAO has scheduled the payroll system to be replaced; thus, HIR has restricted programming efforts to only those necessary to run the monthly payroll or to update the system for new laws or House-mandated requirements. The payroll programmer does not, however, keep records of all program changes, because resources are limited, and new payroll requirements must be implemented quickly. In June 2001, HIR provided a listing of Staff Payroll program changes, which contained a discussion of the testing methodology but stated that documentation of tests were not maintained. Finance uses National Business Center's program change management procedures for FFS, however, applications programmers may circumvent program change controls with the privileges extended as the alternate security administrator. Additionally, Finance does not have procedures to constantly monitor programmer activities.

Without adequate controls over program changes, management increases the risks of intentional and unintentional processing of errors and functions being introduced into an application. Risks increase that unauthorized activities may be programmed into an application.

We recommend that the Chief Administrative Officer:

Recommendation	Status of Recommendation	Management Response
3. Develop and implement change control monitoring procedures appropriate for legacy financial systems to ensure compliance with standards.	Status: New Recommendation	<b>CONCUR</b>  Finance and HIR will establish procedures to ensure that House management effectively monitors changes to FFS and staff payroll application programs, respectively. These actions will be completed by December 31, 2001.

*System Software Controls*

The CAO domain server and the CAO15 server were not properly configured and not compliant with HIR's security checklists. We identified 12 specific weaknesses with the domain server and 5 weaknesses with the CAO15 server. HIR took action to correct all noted weaknesses.

HIR has established procedures and standards for security settings for the Windows NT servers residing on the BUDNet network based on security recommendations from Microsoft, the National Security Agency, and National Institute of Standards and Technology.

HIR has not, however, developed and implemented adequate procedures to identify the installation of new servers on the network and to ensure that new servers have been certified for operations. Certification ensures that required security settings are properly installed. Additionally, HIR's current security procedures are not adequate to ensure that all existing network servers are re-certified in accordance with House Information Security Policy (HISPOL) for Internet and Intranet Policy.

Improperly installed security settings on any server exposes the entire network to unauthorized activities that could lead to alteration, corruption, or destruction of financial data and records and ultimately to undisclosed financial losses.

We recommend that the Chief Administrative Officer:

Recommendations	Status of Recommendation	Management Response
<p>4. Through more effective monitoring, ensure that established procedures and practices are followed for newly installed network components of the financial systems.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR</b></p> <p>HIR's ISSO will ensure that existing security procedures are expanded to include the process by which the ISSO will monitor HISPOL and appropriate security checklist compliance during the installation of new financial system servers. Additionally, the ISSO will develop a living CAO server audit certification schedule that is updated as new servers and related components are placed on the House network. All actions will be completed by September 17, 2001.</p>
<p>5. Through more effective monitoring, ensure that network servers supporting the financial systems are re-certified in accordance with HISPOL guidance.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR</b></p> <p>HIR's ISSO will ensure that existing security procedures are expanded to include monitoring requirements for financial system re-certifications. These updated security procedures will include a living CAO server audit certification schedule. This schedule will include a listing of those servers that need to be re-certified in accordance with HISPOL guidance. All actions will be completed by September 17, 2001.</p>

*Segregation-of-Duty Controls*

We identified two areas in which segregation of duty could be improved:

1. FFS, FMS, and Payroll module programmers have unrestricted access to financial data, limited access to application software, and output files for the applications for which they support.
2. The FFS programmer also serves as the alternate security officer for FFS, and these duties are incompatible. Programmer duties include developing and implementing program changes that work directly with FFS for processing and reporting financial information, creating files, and transferring data to and from FFS. Security officer duties include changing user account privileges, adding and removing user accounts, and having unlimited access to production data, files, and tables within FFS.

COBIT recommends establishing logical, physical, and management controls to restrict an individual's privileges and duties that would enable the individual to perform all activities for completing a financial transaction. Additionally, controls should ensure that incompatible duties and privileges are separated and disbursed among several individuals.

Without effective controls, management has reduced assurance on the integrity, reliability, and completeness of data supporting the financial statements. In addition, without effective monitoring controls and configuration detection and checking mechanisms, the likelihood of unauthorized activities exists.

Further, the combined privileges of the programmer and security officer would permit concealment of unauthorized activities through the creation of illegitimate transactions that appear legitimate; masquerading as other FFS users to circumvent logical controls, thus reducing the possibility of disclosure; and the destruction or alteration of audit trails or substantially reducing the effectiveness of audit trails.

We recommend that the Chief Administrative Officer:

Recommendations	Status of Recommendation	Management Response
6. Establish compensating controls to validate production data and files and establish and implement controls to enable detection of unauthorized alteration of data in the financial systems and related components.	Status: New Recommendation	<p><b>CONCUR</b></p> Finance will review access rights for FFS system users and reassign rights and responsibilities as required to eliminate any cases where staff who update application programs also have access to update security profiles and/or do password resets, both on the mainframe and in the FFS application. This will be completed by December 31, 2001.

		<p>The FMS system, excluding the existing legacy staff payroll, will be retired with the implementation of FAIMS in September 2001. Appropriate controls have been incorporated into the FAIMS implementation.</p> <p>The CAO acknowledges and accepts the risks associated with the unrestricted access necessary to maintain the existing legacy staff payroll system while it is in transition to the new Human Resources system. Compensating controls exist to mitigate the risk. Limited resources and the planned retirement of the staff payroll system have resulted in one HIR programmer with requisite knowledge to maintain the staff payroll system. A contractor is also engaged to provide backup support; however, the contractor does not have in-depth knowledge of the payroll system. Due to the complexity of the system, multiple records and reports would need to be altered to cause material damage to financial data. Additionally, Human Resources and Finance manually reconcile monthly totals to ensure accuracy of the data. Upon implementation of the replacement staff payroll system, CAO will ensure controls are implemented to ensure the integrity, reliability, and completeness of data supporting the financial statements.</p>
<p>7. Assign security officer duties to individuals other than programmers.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR</b></p> <p>The alternate signature authority has been removed from the current FFS programmer to mitigate any incompatible duties. The alternate signature authority was assigned July 12, 2001 to a staff person who does not have access to FFS to modify programs or perform any other FFS-related duties. Appropriate staff have been notified of this change via email.</p>

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# **Management Comments**

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## The U.S. House of Representatives Management Report on Internal Control

In connection with your examination of our assertion that the U.S. House of Representatives (House) maintained effective internal control over financial reporting as of December 31, 2000, for the purpose of expressing an opinion as to whether the assertion is fairly stated, in all material respects in accordance with standards prescribed by the General Accounting Office in *Standards for Internal Control in the Federal Government*, dated November 1999, we confirm to the best of our knowledge and belief, the following representations made to you during your examination:

- We are responsible for establishing and maintaining effective internal control over financial reporting.
- We have performed an evaluation of the effectiveness of the House's internal control over financial reporting in accordance with standards prescribed by the General Accounting Office in *Standards for Internal Control in the Federal Government*, dated November 1999, the objectives of which include:
  - Effectiveness and efficiency of operations,
  - Reliability of financial reporting, and
  - Compliance with applicable laws and regulations.
- Based on our evaluation, we assert that the House maintained effective internal control over financial reporting as of December 31, 2000, based on the above-specified control criteria.
- We have disclosed to you all significant deficiencies in the design or operation of internal control that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with our assertions in the financial statements.
- We have identified all deficiencies in internal control we believe to be material weaknesses.
- We have disclosed to you all material fraud and any other fraud that, although not material, involving:
  - Management or employees who have significant roles in internal control, and
  - Other employees that could have a material effect on the financial statements.
- Subsequent to the date of our management report, there have been no significant changes to internal control and no other factors have arisen that might significantly affect internal control, including any corrective action taken by the House with regard to significant deficiencies and material weaknesses.

James M. Eagen III  
Chief Administrative Officer

Bernice Brosious  
Acting Associate Administrator, Office of Finance

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**CAO Response To The 2000 Financial  
Statement Audit Report**

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James M. Eagen III  
Chief Administrative Officer

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 2000 Financial Statement Audit Report

**Date:** July 10, 2001

Thank you for the opportunity to comment on the 2000 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:** *(99-HOC-07,1.1)* Replace the 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 House has received and reviewed proposals for the new staff payroll system. The CAO submitted the selected proposal and recommendation for award to the Committee on House Administration (CHA) for their review and approval. The CHA approved the recommendation on June 5, 2001. The CAO received approval to release the funding for the system implementation from the Subcommittee on Legislative on June 27, 2001. The CAO anticipates awarding the payroll/HR implementation contract by July 31, 2001.

The current list of 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. Once the contract is awarded, Phase 1 of the implementation will begin and completion is anticipated within approximately 6 months. Upon completion of Phase 1, and determinations regarding system configuration have been decided, Phase 2 will begin and completion is anticipated within approximately 18-24 months. Once Phase 2 is completed, the House will 'go live' with a fully implemented payroll/human resources system.

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

**Recommendation:** *(95-HOC-22, 4.1)* Ensure that the new financial management system and subsidiary systems are capable of accumulating and providing property and equipment information, including:

- Cost or value
- Description and acquisition date
- Useful life and depreciation method and amount
- Scheduled replacement date
- Location
- Disposal date

**CONCUR.**

The House's new Fixed Asset and Inventory Management System (FAIMS) is scheduled to be implemented on September 30, 2001. This system will maintain detailed information on property and equipment, including the requirements listed above. The system will not track assets by scheduled replacement date, but will instead notify users when an asset is nearing the end of its useful life. Summary information on property and equipment shall be maintained in the Federal Financial System (FFS), the House's official accounting system of record. The House has successfully performed a preliminary conversion of all Office Systems Management (OSM) and House Information Resources (HIR) legacy system data into FAIMS. The converted data has been reconciled with the acquisition cost data maintained in the legacy systems and the manual spreadsheets maintained in the Office of Finance. Additionally, accumulated depreciation was calculated on all capital assets converted into FAIMS. This data was then reconciled with accumulated depreciation data maintained on the Office of Finance spreadsheets. Preliminary end-to-end testing with FFS and Procurement Desk (PD) demonstrated the recording of accurate and consistent cost information from obligation of the funds to receipt of the asset. Additionally, end-to-end testing demonstrated the successful transmission of asset disposal and transfer information from FAIMS to FFS. Testing is currently being conducted on formatted inventory and asset reports that provide detailed asset information by House entity.

**Recommendation 1:** Strengthen and enforce its policies for properly determining, calculating, and recording all costs associated with the purchase, trade in, or disposal of capitalized assets.

**CONCUR.**

The Office of Finance will develop by September 1, 2001, an instructional guide for use by property custodians in determining asset acquisition and disposal costs and the treatment of trade-in values. The Office of Finance will conduct training on this guide concurrently with the FAIMS user training that is scheduled prior to system implementation on September 30, 2001. The training will also include a review of Budget Object Class codes used for capital and non-capital purchases, FAIMS general ledger accounts, and House asset policy and procedures.

**Recommendation 2:** Establish quality control procedures over electronic spreadsheets used for property and equipment that will include reconciliation of all supporting documentation to summary schedules used for financial reporting. Finance should be able to clearly show the components of property and equipment (additions, deletions, and other adjustments) and provide accurate, detailed schedules to support each of the totals and show how they tie to general ledger accounts.

**CONCUR.**

The Office of Finance will modify existing spreadsheets used to track capital property and equipment by linking each House reporting entity's detailed general ledger property spreadsheet to the corresponding summary general ledger spreadsheet. This modification will be completed by November 30, 2001. This link will automatically update the summary spreadsheet for all additions, deletions, and other adjustments to ensure agreement between detailed and summary schedules. Additionally, Office of Finance management will ensure compliance with existing procedures requiring monthly reconciliations of detailed and summary property schedules to House property systems and FFS.

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

**Recommendation:** *(95-HOC-22, 2.1)* Initiate a system of accounting and control that captures data and tracks transactions by vendor and ordering office when goods and services are ordered, received, and paid.

**CONCUR.**

The House has fully implemented the PD system and accrual accounting, and full implementation of FAIMS is scheduled for September 30, 2001. PD is currently used to initiate all CAO processed purchases using standard forms for requisition and purchase orders. In addition, PD is used to record the receipt of goods and services and allows the user to identify items that have been procured but not yet received. A PD receiver document is created when goods and services are received and accepted. Approved PD receiver documents are used to record accrued expenses and/or assets and the associated liability in FFS, and also serve as vouchers authorizing payment upon receipt of the invoice from the vendor for all obligated

items. FAIMS, when implemented, will submit payment requests for asset related purchases to FFS and FFS will provide confirmation of payment information to FAIMS. This will allow users to determine whether items have been received, but not yet invoiced; or have been received and invoiced, but not yet paid.

**Recommendation:** (95-HOC-22, 2.2) Ensure that the new financial management system 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 an obligating or payment document is processed through the system. The House has fully implemented Procurement Desktop (PD), which also utilizes this functionality to check funds availability when processing requisitions, obligations or receivers. PD currently passes the receipt of goods and services data to FFS. PD will also pass information for assets and inventory to FAIMS when implemented on September 30, 2001. The House has also implemented accrual accounting that allows it to manage items received but not yet paid. The Office of Finance generates unliquidated obligation reports from FFS to identify open obligations. These reports are distributed to all CAO units monthly for review and follow up. Additionally, accounts payable aging reports are generated from FFS and distributed to all CAO units monthly. These reports help units to identify and track accounts payable that have been outstanding for more than 60 days.

**Recommendation 1:** Ensure that the new financial management system has the capability to:

- Generate annual financial statements
- Integrate information for other House financial systems

**CONCUR.**

The House has developed requirements for a replacement financial management system that include the capability to generate annual financial statements and maximize integration. The House will complete a market analysis of viable systems by December 2001. Prior to the implementation of a replacement system, numerous manual calculations currently performed by the Office of Finance will be eliminated with the implementation of FAIMS and the new payroll system, mentioned above in our response to Weakness No. 1. The FAIMS system, scheduled to be implemented September 30, 2001, will interface with FFS and eliminate the need for the Office of Finance to manually enter asset depreciation, transfers and disposals into FFS. FAIMS will also eliminate the requirement for the Office of Finance to track capital assets and cumulative depreciation on manual spreadsheets. The new payroll system will have the capability to accrue personnel benefits currently calculated manually by the Office of Finance.

**Weakness 4: Weaknesses Over Financial Information Systems Reduce The Integrity Of Financial Data and Reporting**

**Recommendation 1:** Implement improved logical controls to secure data files containing sensitive and financial data from unauthorized activities; require protection of files being transmitted into unsecured areas; and develop monitoring and detection controls such as software to identify and record unauthorized access attempts and actual alterations of data residing in the files.

**CONCUR.**

The Office of the CAO has taken steps to improve logical controls to better secure financial files residing on the mainframe prior to being transferred to FFS. House Information Resources (HIR) is implementing unique user accounts and more restrictive security rules for users uploading data to the mainframe to be transferred to FFS. All changes will be implemented by July 31, 2001. HIR Information Systems Security Office has re-instituted the process of reviewing the ACF2 logs to detect unauthorized access attempts to financial data residing on the mainframe. The CAO believes that these improved logical, monitoring and detection controls adequately mitigate potential material losses of financial data and therefore do not necessitate additional software to validate data against alteration.

**Recommendation 2:** Implement policy and procedures for network and security administrative activities as they relate to user account management to ensure proper, uniform and consistent application of controls for financial systems and related network components.

**CONCUR.**

Prior to the conclusion of this audit, the CAO resolved all outstanding financial systems related user account discrepancies identified during the course of this audit. The CAO will improve financial systems related user account management by implementing necessary policy and corresponding procedures to effectively manage financial systems and related network component user accounts. This policy and corresponding procedures will be completed by December 31, 2001.

**Recommendation 3:** Develop and implement change control monitoring procedures appropriate for legacy financial systems to ensure compliance with standards.

**CONCUR.**

The Finance Office and HIR will establish procedures to ensure that House management effectively monitors changes to FFS and staff payroll application programs, respectively. These actions will be completed by December 31, 2001.

**Recommendation 4:** Through more effective monitoring, ensure that established procedures and practices are followed for newly installed network components of the financial systems.

**CONCUR.**

HIR's Information Systems Security Office (ISSO) will ensure that existing security procedures are expanded to include the process by which the ISSO will monitor House Information Security Policy (HISPOL) and appropriate security checklist compliance during the installation of new financial system servers. Additionally, the ISSO will develop a living CAO server audit certification schedule that is updated as new servers and related components are placed on the House network. All actions will be completed by September 17, 2001.

**Recommendation 5:** Through more effective monitoring, ensure that network servers supporting the financial systems are re-certified in accordance with HISPOL guidance.

**CONCUR.**

HIR's Information Systems Security Office will ensure that existing security procedures are expanded to include monitoring requirements for financial system re-certifications. These updated security procedures will include a living CAO server audit certification schedule. This schedule will include a listing of those servers that need to be re-certified in accordance with HISPOL guidance. All actions will be completed by September 17, 2001.

**Recommendation 6:** Establish compensating controls to validate production data and files and establish and implement controls to enable detection of unauthorized alteration of data in the financial systems and related components.

**CONCUR.**

The Finance Office will review access rights for FFS system users and reassign rights and responsibilities as required to eliminate any cases where staff who update application programs also have access to update security profiles and/or do password resets, both on the mainframe and in the FFS application. This will be completed by December 31, 2001.

The FMS system, excluding the existing legacy staff payroll, will be retired with the implementation of FAIMS in September 2001. Appropriate controls have been incorporated into the FAIMS implementation.

The CAO acknowledges and accepts the risks associated with the unrestricted access necessary to maintain the existing legacy staff payroll system while it is in transition to the new Human Resources system. Compensating controls exist to mitigate the risk. Limited resources and the planned retirement of the staff payroll system have resulted in one HIR programmer with requisite knowledge to maintain the staff payroll system. A contractor is also engaged to provide backup support; however, the contractor does not have in-depth knowledge of the payroll

system. Due to the complexity of the system, multiple records and reports would need to be altered to cause material damage to financial data. Additionally, the Offices of Human Resources and Finance manually reconcile monthly totals to ensure accuracy of the data. Upon implementation of the replacement staff payroll system, CAO will ensure controls are implemented to ensure the integrity, reliability, and completeness of data supporting the financial statements.

**Recommendation 7:** Assign security officer duties to individuals other than programmers.

**CONCUR.**

The alternate signature authority has been removed from the current FFS programmer to mitigate any incompatible duties. The alternate signature authority was assigned July 12, 2001 to a staff person who does not have access to FFS to modify programs or perform any other FFS-related duties. Appropriate staff have been notified of this change via email. We believe we have taken appropriate action to close this recommendation.