

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

MEMORANDUM

TO: Scot M. Faulkner
Chief Administrative Officer

FROM: John W. Lainhart IV 
Inspector General

DATE: July 18, 1995

SUBJECT: Audit Report - Changes In Operating Practices Could Save
Publications & Distribution \$5.5 Million Annually
(Report No. 95-CAO-04)

This is our final report on the performance audit of Publications & Distribution. The objective of this audit was to assess opportunities to improve efficiency and service delivery in Publications & Distribution operations. In this report we identified opportunities for saving over \$5.5 million annually in Publications & Distribution, primarily through contracting out and/or improvising various aspects of operations.

In response to our June 8, 1995 draft report, your office fully concurred with our findings and recommendations. The management responses provided by the Director, Internal Controls and Continuous Improvement during discussions with me on June 9 and 13, 1995, were incorporated in this final report. The corrective actions taken and planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations.

We appreciate your office's positive response and concurrence with the recommendations, and the courtesy and cooperation extended by your staff. If you have any questions or require additional information regarding this report, please call me or Craig W. Silverthorne at (202) 226-1250.

cc: Speaker of the House
Majority Leader of the House
Minority Leader of the House
Chairman, Committee on House Oversight
Ranking Minority Member, Committee on House Oversight
Members, Committee on House Oversight

**CHANGES IN OPERATING PRACTICES
COULD SAVE PUBLICATIONS & DISTRIBUTION
\$5.5 MILLION ANNUALLY**

*Report No. 95-CAO-04
July 18, 1995*

RESULTS IN BRIEF

CONCLUSIONS

Publications and Distribution services did not operate efficiently and cost-effectively. Specifically, the House: (1) incurred costs for idle time in the Folding Unit and Mail Operations; (2) when compared to private sector pay scales, overpaid non-supervisory employees in the Folding Unit and Mail Operations; (3) incurred costs for non-value-adding activities in Mail Operations; (4) relinquished revenue from Mail Operations delivery services and rent from House Printer contractors; and (5) incurred costs in Window Operations for services available from vending machines. As a result, opportunities exist to save over \$5.5 million annually, primarily through future contracting for services currently provided by House staff. (See Figure 1.)

Folding Unit	
Labor costs of idle time in low-volume periods	\$1,871,000
High salaries of non-supervisory employees	668,000
Mail Operations	
Labor costs of idle time in low-volume periods	1,354,000
High salaries of non-supervisory employees	372,000
Non-value-adding activities amounting to 127 hours per workday	446,000
Uncollected fees from newspapers and magazines	163,000
Window Operations	
Labor costs to handle cash transactions available from vending machines	632,000
House Printers	
Rent foregone	<u>42,000</u>
Total	\$5,548,000

Figure 1 - Summary of Cost Savings for Publications and Distribution Services.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer (CAO) propose to the Committee on House Oversight that it: (1) close the Folding Unit and competitively procure these services from private lettershops; (2) close Mail Operations and competitively procure these services from private vendors; (3) collect delivery fees for all newspapers, magazines, and other publications delivered; (4) discontinue Window Operations and install a U.S. Postal Service Postal Center in the Longworth Building and stamp vending machines in four other buildings; and (5) cancel existing contracts and competitively procure House Printers, at specified rental rates that are consistent with local rates.

MANAGEMENT RESPONSE

The office of the CAO fully concurred with the findings, conclusions, recommendations, and monetary finding amounts in this report. The Chief Administrative Officer proposed to the Committee on House Oversight at its June 14, 1995 meeting that it: (1) close the Folding Unit and allow Members to procure these services directly from private vendors; (2) close Mail Operations and competitively procure these services from private vendors; (3) discontinue Window Operations and transfer these operations to the U.S. Postal Service (which will also make improvements in Window Operations, including the installation of stamp vending machines in House buildings); and (4) cancel existing House Printers contracts and allow Members to procure these services directly from private vendors. On June 14, 1995, the Committee on House Oversight approved each of the above proposals by the Chief Administrative Officer. In addition, the office of the Chief Administrative Officer stated that it had proposed the collection of delivery fees for all newspapers, magazines, and other publications to the Committee on House Oversight at its May 10, 1995 meeting and is awaiting direction from the Chairman and Ranking Minority Member.

OFFICE OF INSPECTOR GENERAL COMMENTS

We fully concur with the actions taken by the CAO and consider each recommendation contained in this report to be closed. We commend the office of the CAO on its prompt action with respect to the issues raised in this report.

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I. INTRODUCTION

Background

Publications & Distribution (P&D) is part of the Chief Administrative Officer's Information Resources unit that collects and delivers mail, provides postal services, and prints and distributes documents. P&D subunits include the:

- **Folding Room** which processes Members' mass mailings and press releases (Folding Unit), wraps and mails packages, and distributes publications.
- **Mail Operations** which delivers, collects, accounts for, and dispatches mail.
- **Window Operations** which retails postage and postal services such as express and certified mail.
- **Printing Services** which coordinates the printing of legislative documents such as hearings, House Journals, letterhead stationary, and envelopes.
- **House Printers** which fulfill printing requests from Members.

Objectives, Scope, And Methodology

The objective of this audit program was to find opportunities to improve the quality and efficiency of publication and distribution activities and postal operations. The scope of the audit was limited to a review of publication and distribution activities in the Folding Room, Mail Operations, Window Operations, and House Printers from January through December 1994. The audit was conducted during the period of February through May 1995.

We conducted our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Our review included the following steps:

- Evaluated economy, efficiency, and necessity of activities to identify services that could be provided by vendors under contract. We documented House payroll for the Folding Room and Mail Operations. We obtained private sector pay scales and compared them to the comparable House payroll. We compared postage and postal services sold by Window Operations to the cost of providing these services. In all of our calculations for labor costs, we included salary and fringe benefits. A fringe benefit rate of 29.55 percent was used, as prescribed by the Office of Management and Budget Circular A-76 for the Executive Branch cost-benefit calculations. This Circular sets governmentwide standards for comparing government costs to those of private vendors.

- Evaluated the economy and efficiency of Mail Operations to determine opportunities for improvement. We documented and analyzed Mail Operations labor costs. We interviewed management to identify duplication of effort and idle labor. We benchmarked current service levels against those of private contractors and government agencies.
- Obtained price quotes from private contractors for operating the mailroom. We sent Mail Operations parameters to private mail operations contractors as a request for proposals for mail services and received two quotes. We used the private sector quotes to benchmark the actual cost to collect, process and deliver the House mail.
- Identified performance measures needed to ensure customer satisfaction with future service. We surveyed Members, their staff, and other House employees to understand the level of customer satisfaction.

In addition, P&D managers provided tours of the facilities. They described services offered and gave us reports of the number of units collected, delivered, processed, sold, and distributed. We used House payroll data to determine the labor costs to provide services.

Internal Controls

We reviewed Window Operations internal controls and found no material weaknesses. However, we did not evaluate internal controls in other Publications and Distribution activities because this audit focused primarily on opportunities for economic saving. Nevertheless, internal controls in those areas were reviewed as part of our financial statement audit.

Prior Audit Coverage

The General Accounting Office (GAO) conducted a limited review of cash and cash management procedures in effect at the House Post Office in March 1992. The review consisted of an unannounced cash count at the office of the Acting Director of Accountable Papers and the five House Post Office substations. It also examined Post Office documents, made inquiries of employees, and analyzed cash management procedures and practices.

GAO listed ten specific problems and also cited these concerns:

- Current management personnel do not seem to have the skills needed to adequately conduct the financial aspects of daily postal operations.
- Certain management and internal controls that should be in place to minimize the risk of loss are lacking.

- Existing controls are not working properly.

We reviewed Window Operations controls and found no material weaknesses and, therefore, conclude that the above problems identified by GAO have been corrected.

II. FINDINGS AND RECOMMENDATIONS

Finding A: In Calendar Year (CY) 1994 The House Paid \$1,871,000 For Idle Time In The Folding Unit And Overpaid Non-Supervisory Folding Unit Employees By \$668,000

Folding Unit management did not schedule staff cost-efficiently throughout the year because the office staff levels were set to meet peak workloads. As a result, we estimate that the House paid \$1,871,000 in CY 1994 for idle time during low-volume periods. In addition, Folding Unit non-supervisory employees earned salaries higher than those in private industry. As a result, the House overpaid these employees by \$668,000 in CY 1994 because management did not act to minimize labor cost.

In CY 1994 the House paid \$1,871,000 for idle time in the Folding Unit

The Folding Unit processes Members' mass mailings and press releases. The process includes steps to address, fold, insert into envelopes, sort, and package mail. Overall mail volume varied greatly with the House legislative schedule. As an example, volume dropped dramatically during the 60-day moratorium period for mass mailings before elections. Mail volume for any Folding Unit processing step varied according to Member demand. Any mail piece could pass through one or many of the Folding Unit steps to address, fold, insert into envelopes, sort, or package. We aggregated the number of mail pieces by step. Pieces that passed through more than one step were counted once for each step. In the aggregate in August 1994, the Folding Unit processed 73 million pieces. In September 1994, it processed only 2.2 million pieces. On average, the Folding Unit processed 35 million pieces each month in CY 1994.

Although employment declined gradually from 123 employees in January to 109 in December, the number of Folding Unit employees did not vary with mail volume. Employees were salaried, and therefore paid regardless of mail volume. Including direct labor costs and fringe benefits at 29.55 percent¹ of direct labor costs, the House paid \$4,351,000 in salaries and benefits to Folding Unit employees in CY 1994.

¹A fringe benefit rate of 29.55 percent is used, as prescribed by the Office of Management and Budget Circular A-76 for the Executive Branch cost-benefit calculations. This Circular sets governmentwide standards for comparing government costs to those of private vendors. All labor costs and rates in this report include salary and fringe benefits.

The labor cost to process 1,000 pieces varied from \$5.93 in March to \$175.33 in September. The monthly variation in cost is shown in Figure 2. Had the Folding Unit operated the entire year at

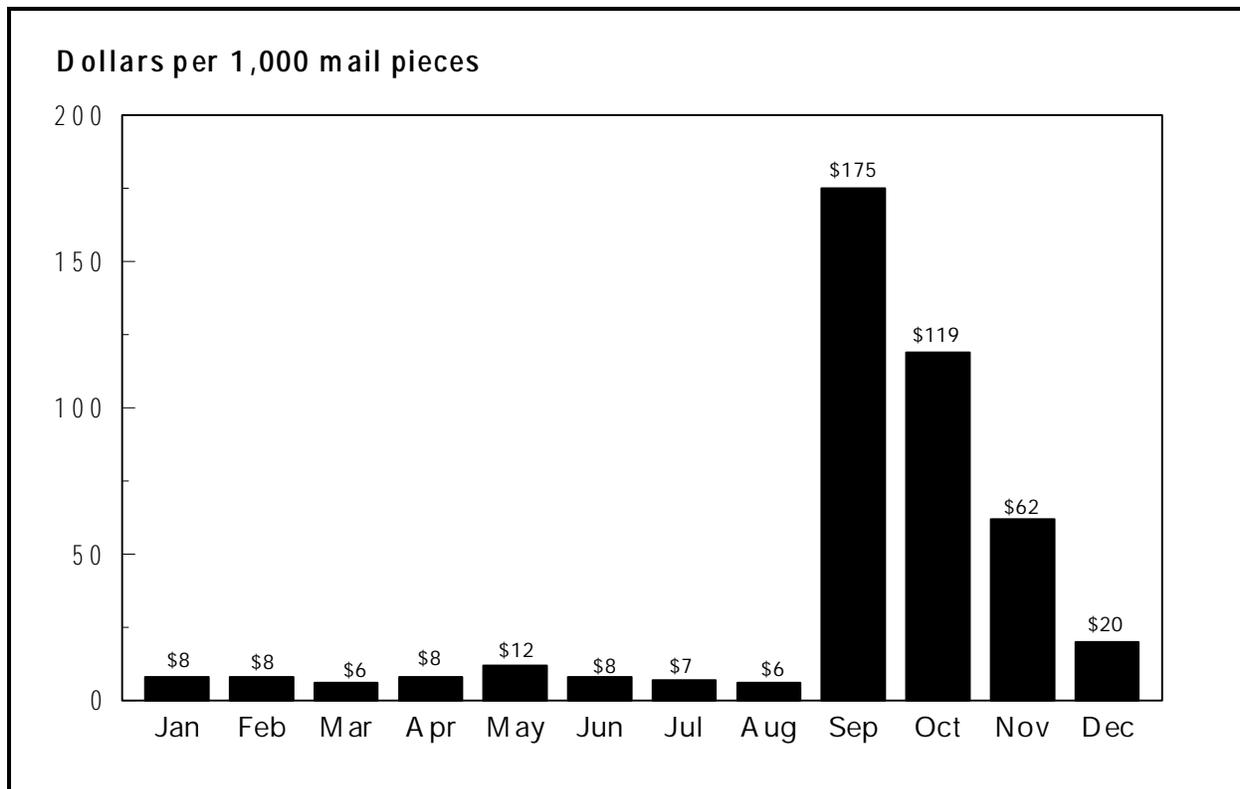


Figure 2 - Monthly Variations Of Labor Cost During CY 1994.

the March unit rate, the salary and fringe benefits to process the CY 1994 volume of 418 million pieces would be \$2,480,000 (418 million pieces x \$5.93 per 1,000 pieces). The actual labor cost exceeded this amount by \$1,871,000.

\$4,351,000	Actual labor cost for the Folding Unit
<u>-2,480,000</u>	Annualized labor cost for the Folding Unit at March rate
\$1,871,000	Excess of actual cost over March rate based cost

Even though mail volume varied greatly from month to month, labor hours were relatively constant during the year. In high-volume periods, staff worked and were paid overtime. In low-volume periods, staff processed a very small amount of mail. Private folding rooms, known as

lettershops, pay employees by the hour. Lettershops schedule work hours to match work volume. They strive to minimize unit labor cost.

Compared to private sector pay scales, the House overpaid non-supervisory Folding Unit employees by \$668,000 in CY 1994

The Mail Advertising Service Association, a group representing private lettershops, conducted a wage survey of its members in 1993. Median hourly wages were published for a number of job types including handworker, folding machine operator, and data processing programmer. The hourly wages for these different job types varies. We computed a comparable private sector average hourly wage by classifying Folding Unit employees working in equivalent private sector job types. As an example, we classified employees in the addressing unit as laser printer operators based on observation of their work.

The average national labor wage with benefits for comparable private sector non-supervisory employees was \$10.21 per hour, and the average House wage with benefits was \$15.40 per hour. Therefore, private sector wages and benefits for non-supervisory employees were 66 percent of comparable House wages and benefits (\$10.21/\$15.40). Higher labor rates would be expected in Washington, D.C., however, no urgent need exists to locate the Folding Unit in the Capitol complex. It could be located in the greater Washington, D.C. area, outside the city and its immediate suburbs, where wage rates would be expected to be lower.

The annualized labor cost for the Folding Unit at the March rate was \$2,480,000. Of this amount, \$1,979,000 was for non-supervisory employees. At the private sector pay scale, non-supervisory employee labor cost would have been \$1,311,000². If Folding Unit non-supervisory employees had been paid at private sector rates, the House would have saved \$668,000.

\$1,979,000	Annualized labor cost for non-supervisory Folding Unit employees using the Folding Unit March rate
<u>-1,311,000</u>	Annualized labor cost for Folding Unit employees at the March rate and private scale
\$668,000	Excess of House pay scale over private pay scale

Folding Unit labor costs exceeded private sector labor costs because Folding Unit management did not minimize labor costs.

²\$10.21/\$15.40 x \$1,978,506.81 = \$1,311,724

Recommendation

We recommend that the Chief Administrative Officer propose to the Committee on House Oversight that it close the Folding Unit and competitively procure these services from private lettershops. As an alternative, Members could contract with lettershops directly, either in Washington, D.C., or in their own districts.

Management Response

The Chief Administrative Officer proposed to the Committee on House Oversight at its June 14, 1995 meeting that the Folding Unit be closed and that Members procure these services directly from private vendors. On June 14, 1995, the Committee on House Oversight approved the Chief Administrative Officer's proposal.

Office of Inspector General Comments

The corrective actions are responsive to our concerns and satisfy the intent of our recommendation. Therefore, we consider this recommendation closed.

Finding B: In CY 1994 House Mail Operations Paid \$1,354,000 For Idle Time, Overpaid Non-Supervisory Employees By \$372,000, And Could Have Saved \$446,000 With Better Use Of Time, Equipment, And Work Space

Mail Operations management did not schedule staff cost-effectively throughout the year because the office was staffed to meet peak workloads. As a result, we estimate that the House paid \$1,354,000 in CY 1994 for idle time during low-volume periods. In addition, non-supervisory employees in Mail Operations earned salaries higher than their private sector counterparts. As a result, the House overpaid Mail Operations employees by \$372,000 in CY 1994. Furthermore, Mail Operations managers identified unproductive practices amounting to 127 hours each workday. As a result, the House could have saved \$446,000 per year by eliminating these practices. This situation was due to Mail Operations not being organized to maximize efficiency.

In CY 1994 the House paid \$1,354,000 for idle time in Mail Operations

Mail Operations is responsible for collecting, processing, and delivering mail to House offices. Mail is collected from House offices, mail chutes, and mail boxes four times each weekday, and once on Saturday. Three scheduled deliveries of mail are made each weekday and once on Saturday. A fourth late-evening delivery is made if incoming volume warrants. Mail Operations is also responsible for collecting information for Member mailing accountability.

Incoming and outgoing mail volume varied greatly depending on whether or not the House was in session. Monthly mail volumes varied from a peak of 5.0 million pieces in March to a low of 1.8 million in November. On average, Mail Operations collected and delivered 3.6 million pieces of mail per month. However, staffing and work schedules were constant throughout the year. During high-volume periods, staff worked and were paid overtime. During low-volume periods, the same number of staff processed fewer mail pieces.

Mail Operations accounted for 124 Full-Time Equivalent positions (FTEs) in CY 1994 and \$4,406,000 in salary and fringe benefit costs. The number of workers employed each month only varied between 122 (August, October, November) and 125 (January, April, May). Mail Operations employees were salaried and worked a fixed schedule. Although daily, weekly, and monthly mail volume fluctuated, the number of workers was stable. Because staffing levels were relatively constant, the cost of processing varied with mail volume. Labor cost was lowest in March 1994 at \$70.64 per 1,000 pieces. Labor cost peaked in November 1994 at \$199.56 per 1,000 pieces. (See Figure 3.) The annual average cost was \$101.98 per 1,000 pieces.

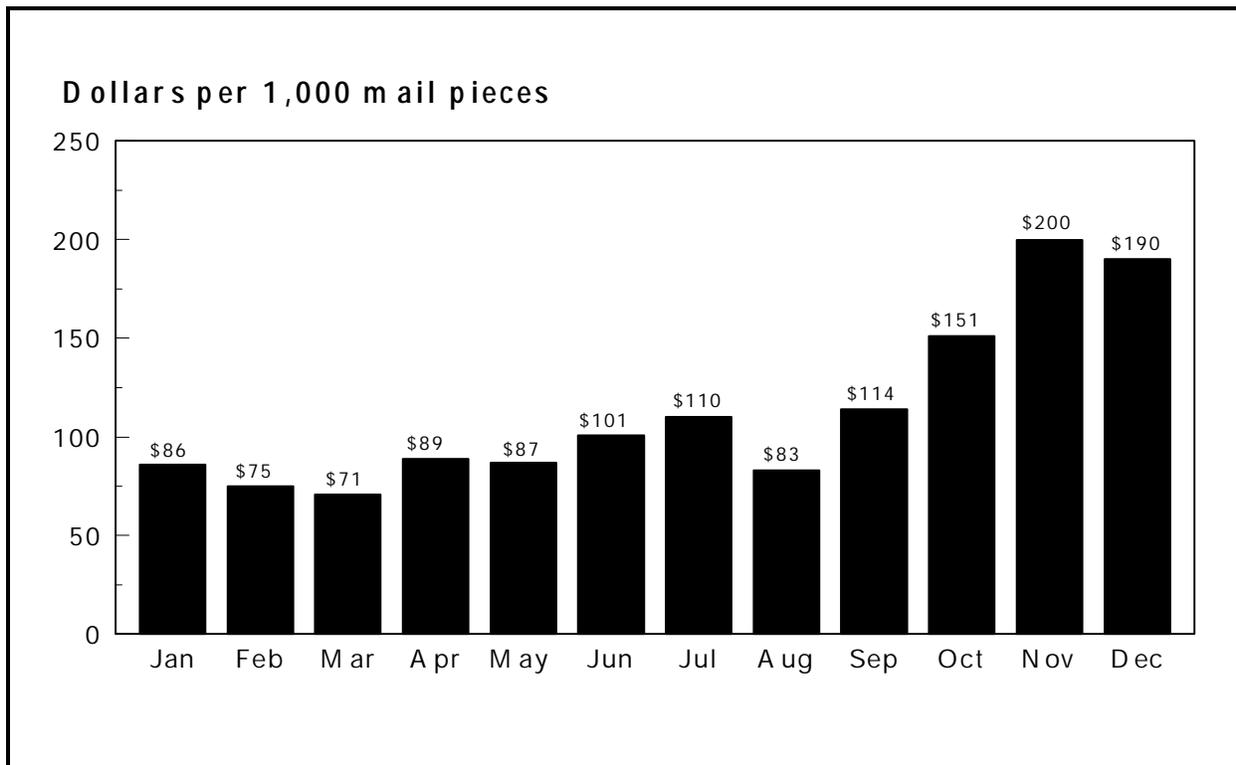


Figure 3 - Variations Of Mail Operations Unit Labor Cost During CY 1994.

If Mail Operations had processed all 43.2 million pieces for the entire year at the March rate of \$70.64 per 1,000 pieces, labor would have cost \$3,052,000³. Therefore, the actual labor cost, \$4,406,000, exceeded the \$3,052,000 by \$1,354,000 in CY 1994.

\$4,406,000	Actual Mail Operations labor cost
<u>- 3,052,000</u>	Estimated Mail Operations labor cost at March rate
\$1,354,000	Excess of actual cost over March rate

³43,205,616 pieces x \$70.64/1000 = \$3,052,044.71

In addition, two private sector mail operations contractors each provided the same price quote of \$2,500,000 to perform Mail Operations activities. Thus, the actual labor cost, \$4,406,000, exceeded the \$2,500,000 by an estimated \$1,906,000 in CY 1994.

\$4,406,000	Actual Mail Operations labor cost
<u>-2,500,000</u>	Private sector mail operations contractors labor cost
\$1,906,000	Excess of actual cost over private sector contractors labor cost

Compared to private sector pay scales, the House overpaid non-supervisory Mail Operations employees by \$372,000 in CY 1994

Mail Operations non-supervisory employees accounted for 105.25 FTEs in CY 1994, with salary and fringe benefits totalling \$3,073,000. Based on a 2,080 hour work year, the House labor rate was \$14.04 per hour. The comparable private industry labor rate for mailroom workers was \$11.66 per hour. The ratio of the private sector labor rate to the House labor rate was 83 percent (\$11.66/\$14.04).

The annualized labor cost for Mail Operations at the March rate was \$3,052,000. Of this, \$2,194,000 was for non-supervisory employees. At the private sector pay scale, non-supervisory employee labor cost would be \$1,822,000.⁴ If Mail Operations non-supervisory employees were paid at private sector rates, the House would save \$372,000.

\$2,194,000	Mail Operations non-supervisory labor cost at March rate
<u>-1,822,000</u>	Non-supervisory labor cost at the March rate and private sector pay scale
\$372,000	Excess of House pay scale over private pay scale

Mail Operations labor costs exceeded private sector labor costs because Mail Operations management did not minimize labor costs.

⁴\$11.66/\$14.04 x \$2,194,072.49 = \$1,822,142.82

Better use of time, equipment, and working space could save \$446,000 per year

We interviewed mailroom managers in other government agencies and private businesses to identify conventional mailroom practices. We found that:

- The General Services Administration (GSA), Department of Health and Human Services (HHS), Virginia State Assembly (VSA), and American Management Association (AMA) pick up and deliver mail simultaneously.
- Other private and public sector mail operations commonly use mail carts with dividers to organize incoming and outgoing mail. VSA, AMA, and a confidential client, put each addressee's mail in a separate folder in the mail carts.
- The U.S. Postal Service lays out its newer facilities on one floor with successive work stations in close physical proximity.

In the House, Mail Operations managers reported the following non-value-adding practices:

Hours/Day	Non-Value-Adding Activities
47	Overlap morning and afternoon shifts
42	Make three pick-ups separate from deliveries
24	Process mail in the Ford Building (two clerks and a supervisor)
10	Pass obsolete franked envelopes through the Champ machine instead of using the Jetstar barcode reader
<u>4</u>	Move mail between main mailroom and level G1 in the Longworth Building
127	Total

At 250 workdays per year, 127 hours per day equates to 31,750 hours per year. At an average labor rate of \$14.04 per hour, we estimate that by eliminating these activities, the House could save \$446,000 per year.

Mail Operations at the House included non-value-adding activities because mail processing locations and processing step sequences were not organized to maximize efficiency. For example:

- Mailroom operations occupied three separate locations in two buildings: the main mailroom is in the basement of the Longworth Building, the barcode sorting machine is on level G1 of the Longworth Building, and another mailroom is in the Ford Building.

- Mail collectors did not deliver mail and mail deliverers did not collect mail.
- Using the freight elevator in the Longworth Building created long waits, especially when a large amount of furniture was being moved.
- Franked envelopes that do not bear Members' barcodes were still being used for outgoing mail.
- Member and staff office address changes were not always communicated to the mailroom.
- Franked envelopes were used for inside mail.
- Mail was delivered and picked up using simple hampers without dividers and organizers.
- Mail sorting in the Ford Building was done separately from the main mailroom.

Recommendation

We recommend that the Chief Administrative Officer propose to the Committee on House Oversight that it close Mail Operations and competitively procure these services from private vendors.

Management Response

The Chief Administrative Officer proposed to the Committee on House Oversight at its June 14, 1995 meeting that Mail Operations be closed and the House competitively procure these services from private vendors. On June 14, 1995, the Committee on House Oversight approved the Chief Administrative Officer's proposal.

Office of Inspector General Comments

The corrective actions are responsive to our concerns and satisfy the intent of our recommendation. Therefore, we consider this recommendation closed.

Finding C: The House Lost \$42,000 In Delivery Fees For Magazines And Newspapers Between October And December 1994

Contrary to the House Rule on collecting postage for all mail delivered to House Offices, Mail Operations did not consistently collect delivery fees for newspapers, magazines, and other publications. As a result, the House lost \$42,000 in revenue during the period between October and December 1994.

On April 21, 1994, the Committee on House Administration notified House Postal Operations that authority for implementation of a delivery fee system in lieu of postage was approved. On May 18, 1994, the U.S. Postal Service was asked if a bulk mail delivery fee for mail on which no postage was paid met U.S. Postal Service legal requirements. The U.S. Postal Service approval was received on July 28, 1994. On October 1, 1994, House Postal Operations offered bulk mailers the option of paying a delivery fee, in lieu of postage, directly to the House for mail brought or sent, in bulk quantities, directly to the House.

Newspaper, magazine, and other publication distributors bring copies of their publications to the Mail Operations loading dock with instructions to deliver copies to each office. Since October 1994, the House collected a fee for mail services from a number of organizations, associations, and embassies for the distribution of newspapers, bulletins and magazines. The delivery fee is \$0.13 for individually addressed mail and \$0.10 for mail not individually addressed. A higher delivery fee applies to mail pieces over 3.5 ounces. By comparison, the lowest rate the U.S. Postal Service charges is \$0.117 for bulk saturation mail. Between October 1994 and April 1995, the House collected delivery fees of \$26,958.26.

The fee was not consistently applied, however, to all newspapers and magazines. Mail Operations management identified 33 publications for which they did not collect a fee. Had the \$0.10 fee been applied to the 33 publications, the House could have collected \$42,000 between October and December 1994. If the fee was authorized and collected during all of CY 1994,

Number	Type of Publication
21	Daily subscription newspapers
6	Weekly non-subscription magazines
3	Bi-weekly non-subscription newspapers
2	Weekly non-subscription newspapers
<u>1</u>	Monthly non-subscription magazines
33	Total

annual revenue would amount to \$163,000 based on actual monthly deliveries data. The types of publications delivered without a fee are listed below and further described in Figure 4.

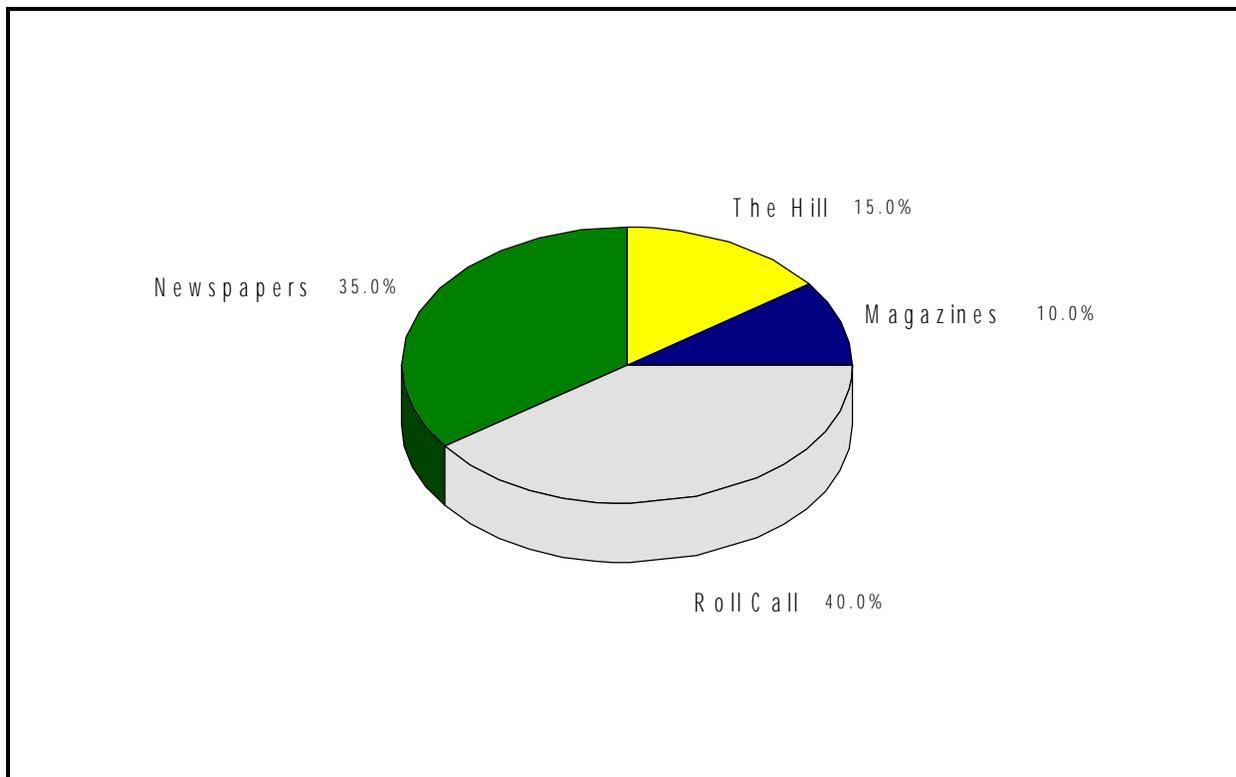


Figure 4 - The Types Of Publications Delivered For No Fee By The House During October, November, And December 1994 (By Percentage Of Total Cost Of Delivery).

Recommendation

We recommend that the Chief Administrative Officer propose to the Committee on House Oversight to collect a uniform \$0.10 fee for delivering all newspapers, magazines, and publications.

Management Response

The Chief Administrative Officer made this proposal to the Committee on House Oversight at its May 10, 1995 meeting and is awaiting direction from the Chairman and Ranking Minority Member.

Office of Inspector General Comments

The actions are responsive to our concerns and satisfy the intent of our recommendation. Therefore, we consider this recommendation closed.

Finding D: The House Paid \$632,000 For Window Operations Services That Could Be Provided By Vending Machines Or Other Postal Facilities

Window Operations were not operated cost-effectively. As a result, the House spent \$632,000 on Window Operations labor costs in CY 1994 to process \$63,460 in purchases using official vouchers. The remaining cash transactions could be purchased from vending machines or other postal facilities.

The purpose of the House Postal Operations is "To serve the U.S. House of Representatives by ensuring the safe and expedient delivery, collection, accounting and dispatch of mail, and by retailing postage and postage services." Members, committees, and administrative offices are allowed to use vouchers to buy stamps and mail services for business-related purposes. Vouchers cannot be used to buy postal money orders.

Window Operations staffs five retail stations that sell stamps, money orders, and a variety of postal services, including Express Mail, Priority Mail, and Certified Mail, to House Members, staff, and the public. The five stations are open from 9 AM to 5 PM, Monday through Friday. The Longworth station is also open from 9 AM to 1 PM on Saturdays. Proceeds from the sale of postal goods and services go to the U.S. Postal Service. The House provides facilities and pays labor costs. In CY 1994, the five stations were staffed with two supervisors and 15 clerks. Labor costs including wages and fringe benefits totalled \$632,000 in CY 1994.

Window Operations' total sales were \$4,531,000 in CY 1994. Money order sales were \$2,842,000--approximately 62 percent of total sales. However, voucher sales were \$63,460--less than two percent of total sales.

Windows Operations are open to the general public and conveniently located for postal consumers who live or work on Capitol Hill. The closest post offices outside the Capitol complex, located at L'Enfant Plaza, Union Station, and Southwest Station, are at least a half mile from the Longworth Building. Several banks and corner stores are located near the House office buildings and offer money orders. Window Operations, however, offers more favorable rates.

Installation of a U.S. Postal Service Self Service Postal Center which vends stamps and express and priority mail would be significantly more cost effective. In addition, stamp vending machines could be installed in a number of locations.

Recommendations

We recommend that the Chief Administrative Officer propose to the Committee on House Oversight to:

1. Discontinue Window Operations.
2. Install a U.S. Postal Service Self Service Postal Center in the Longworth Building to sell stamps and express and priority mail.
3. Install stamp vending machines in the other four buildings with installation and maintenance provided by the U.S. Postal Service.

Management Response

The Chief Administrative Officer proposed to the Committee on House Oversight at its June 14, 1995 meeting that it: (1) transfer Window Operations to the U.S. Postal Service (and the Postal Service has indicated a willingness to assume these responsibilities); (2) have the U.S. Postal Service operate and maintain Window Operations in all House building; and (3) have the U.S. Postal Service implement improvements in Window Operations, including the installation of stamp vending machines in House buildings. On June 14, 1995, the Committee on House Oversight approved the Chief Administrative Officer's proposals.

Office of Inspector General Comments

The corrective actions are responsive to our concerns and satisfy the intent of our recommendation. Therefore, we consider these recommendations closed.

Finding E: The House Will Lose \$42,000 In Rental Revenue During The First Year Of The House Printers Contracts

The House will lose an estimated \$42,000 in rental revenue during the first year of the House Printers contracts. This occurred because the House did not use competitive bidding. Both Printers were appointed and the rental rates were negotiated.

The House Printers are two private contractors who provide printing, copying, labeling, typesetting, and layout services for Members. They are located in the Rayburn Building. Both printers were appointed by the House. In October 1994, each signed a one-year contract with a two-year option for extension.

The Majority Printer pays \$60,000 in rent per year--\$17.84 per square foot for 3,364 square feet in Rayburn Building, rooms WA29, 29A, 30, and 32. The Minority Printer pays \$66,000 in rent per year--\$16.98 per square foot, for 3,887 square feet of space in Rayburn Building, rooms WA23, 24, 26, and 27. However, based on our survey, in ten government owned or leased buildings located near the House, the average rate for light industrial space was \$23.13 per square foot, per year. These rates ranged from a low of \$20.29 per square foot to a high of \$26.73 per square foot. At the average \$23.13 per square foot rate, the Majority Printer would pay \$77,809 and the Minority Printer would pay \$89,906. Therefore, the House is collecting only 75 percent of the prevailing rental rate. The Majority Printer will underpay \$17,809 and the Minority Printer will underpay \$23,906 during the first contract year. Thus, the House will forgo rental revenue of an estimated \$41,715 during the first year of these contracts.

Furthermore, since Members already use services provided by outside printers, it may be unnecessary to have the House Printers located in the Rayburn Building. The bidding process could result in the selection of printers who operate off-site, opening the space for other uses.

The House lost rental revenue because it did not use competitive bidding procedures with specified rental rates consistent with local rental rates, to select its printers. A competitive process could have resulted in a higher rental rate. The Printers and the former Acting Director of the Office of Non-Legislative Affairs negotiated the lower rental rates.

Recommendation

We recommend that the Chief Administrative Officer propose to the Committee on House Oversight that it cancel the existing contracts and competitively procure House Printers, at specified rental rates that are consistent with local rates.

Management Response

The Chief Administrative Officer proposed to the Committee on House Oversight at its June 14, 1995 meeting that it cancel existing House Printers contracts, and that Members procure these services directly from private vendors. On June 14, 1995, the Committee on House Oversight approved the Chief Administrative Officer's proposal.

Office of Inspector General Comments

The corrective actions are responsive to our concerns and satisfy the intent of our recommendation. Therefore, we consider this recommendation closed.