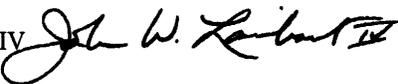


**Office of Inspector General**  
**U.S. House of Representatives**  
**Washington, DC 20515-9990**

**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 Media Services  
\$1.7 Million Annually (Report No. 95-CAO-06)

This is our final report on the performance audit of Media Services. The objective of the audit was to assess opportunities to improve efficiency and effectiveness of service delivery in operations. In this report, we identified problems associated with the operational practices of the House Recording Studio and Office of Photography and made recommendations for corrective actions.

In response to our June 8, 1995 draft report, your office fully concurred with our findings and recommendations. The July 6, 1995 formal management response provided by the Director, Internal Controls and Continuous Improvement, is incorporated in this final report and included in its entirety as an appendix. 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 to us 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  
MEDIA SERVICES \$1.7 MILLION ANNUALLY**

*Report No. 95-CAO-06  
July 18, 1995*

**RESULTS IN BRIEF**

**CONCLUSIONS**

Recording and photography services were not operated in an efficient and cost effective manner. Specifically, the House: (1) overpaid for radio and television (TV) production and duplication services compared to services available from the private sector; (2) incurred costs for idle time in both the Recording and Photography Studios; and (3) maintained a photo lab in the Recording Studio that duplicated facilities in the Photography Studio. As a result, opportunities exist to save over \$1.7 million annually, as summarized in Figure 1.

<b>Recording Studio</b>	
Overpayment for radio and TV services	\$1,000,000
Labor costs of idle time of House floor coverage staff	190,000
Duplication of photo lab services	290,000
<b>Photography Studio</b>	
Labor costs of idle time in low-volume periods	<u>250,000</u>
<b>Total</b>	<u>\$1,730,000</u>

**Figure 1** - Summary of Cost Savings for Media Services

**RECOMMENDATIONS**

We recommend that the Chief Administrative Officer (CAO) prepare proposals, for approval by the Committee on House Oversight, to: (1) contract out or take steps to reduce the cost of radio and TV production services; (2) consolidate the Recording Studio photo lab within the Photography Studio; (3) improve in-house photography services; and (4) improve or contract out in-house photo lab services.

**MANAGEMENT RESPONSE**

On July 6, 1995, the Director of Internal Controls and Continuous Improvement on behalf of the CAO formally concurred with the findings, conclusions, and recommendations in this report. According to his response, the Committee on House Oversight, on June 14, 1995, approved corrective actions proposed by the CAO for improving the efficiency and effectiveness of the radio and TV production services and floor coverage. The actions included: (1) instituting a new pricing schedule to recover full costs; (2) implementing flexible personnel scheduling and shift work, including part-time temporary employees; (3) closing of the Recording Studio photography operations and transferring Member identification photographs to the Sergeant at Arms; (4) instituting full recovery pricing to provide more efficient and effective in-house photography services; and (5) implementing improvements in efficiency and effectiveness of photo lab services. The savings from these actions are estimated to total over \$1.5 million annually.

**OFFICE OF INSPECTOR GENERAL COMMENTS**

We fully concur with the actions taken by the CAO and consider each recommendation 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

The House Recording Studio and Office of Photography provide low-priced radio, television (TV), and photography services to House Members, staff, and committees. The 104th Congress consolidated these organizations within the newly created Media Services office under the Chief Administrative Officer (CAO).

The **House Recording Studio** (Recording Studio) records and produces radio and TV shows, duplicates tapes, and processes photographic film. The Recording Studio also provides TV and audio coverage of House floor proceedings. All services are performed in-house, except for satellite services. Under the 103rd Congress, the Recording Studio was subject to the direction and control of the Office of the Clerk. The Recording Studio operated from a Revolving Fund established at the U.S. Treasury, and through funds appropriated to the Architect of the Capitol and the Clerk of the House (Clerk).

The **Office of Photography** (Photography Studio) takes pictures and processes photographic film for House Members, staff, and committees. All services are performed in-house. Under the 103rd Congress, the Photography Studio was subject to direction and control of the Doorkeeper. The Photography Studio operated from funds appropriated to the Doorkeeper.

### Objective, Scope, And Methodology

The objectives of this audit were to: (1) evaluate current operations to identify opportunities to improve efficiency and effectiveness of service delivery; and (2) determine the feasibility of contracting out non-essential activities.

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 current operations of the Recording Studio to identify opportunities to improve efficiency and effectiveness of service delivery.
- Evaluated current operations of the Photography Studio to identify opportunities to improve efficiency and effectiveness of service delivery.
- Evaluated activities of Media Services to determine feasibility of contracting out non-essential activities.
- Assessed consolidation opportunities within Media Services to improve efficiency.

The Media Services audit was conducted for the period of October 1993 through December 1994. Our work was performed during April through June 1995.

We interviewed management to determine how personnel were allocated within the Recording and Photography studios. We collected accounting, management, and budget reports to assess costs, revenues, and volume of services delivered. We used House payroll data to determine labor costs. We used a fringe benefit rate of 29.55 percent, as prescribed by the Office of Management and Budget Circular A-76 for Executive Branch calculations. This Circular sets government-wide standards for comparing government costs to those of private vendors.

We conducted market analyses to evaluate in-house services and identify contracting out opportunities. We met with vendors and discussed their capacity to handle these services and obtained quotes on comparable services. We also reviewed the operations of the Senate Recording and Photography Studios for comparative purposes.

### **Internal Controls**

This audit examined inventory controls over photography studio resources. We found material weaknesses in these controls as discussed in Finding B. This audit focused on improving the economy and efficiency of Media operations.

### **Prior Audit Coverage**

The Recording Studio and Photography Studio operating practices, as discussed in this report, have never been audited.

## II. FINDINGS AND RECOMMENDATIONS

### **Finding A: Operational Changes To House Radio And TV Production Services Could Result In \$1.48 Million Of Annual Savings**

Maintained on a full-time, year-round basis for the exclusive use of Members, radio and TV production services were used less than 10 percent and 30 percent of the time available, respectively. As a result, the House paid \$2.2 million in Calendar Year (CY) 1994 to deliver services that were available commercially for \$1.2 million. Recording Studio management did not take steps to keep costs in line with demand for services.

In addition, the Recording Studio employed a full-time, permanent staff to televise House floor proceedings although the House was in session for only 123 days during CY 1994. However, qualified personnel were available from commercial vendors on an as-needed basis for \$190,000 less than the salary and benefit costs paid by the House. Recording Studio management did not use part-time, temporary, or contract workers to minimize idle time.

Also, the House maintained a photo lab in the Recording Studio which duplicated services of the Photography Studio. The House paid \$290,000 in additional salary and benefit costs as a result of this duplication. This situation occurred because the two labs reported to different House officers, thereby minimizing incentives to consolidate services.

Furthermore, Recording Studio financial reports presented the operating performance of the Recording Studio revolving fund, yet excluded \$2.6 million in salaries and benefits. Without complete information, the Recording Studio Director was unable to determine the unit cost of services or evaluate the cost-effectiveness of the Studio's services compared to commercial alternatives. The Clerk did not require that operations be managed and reported on a full-cost basis.

### **The House overpaid for radio and TV services by \$1 million in CY 1994 in comparison to private sector prices**

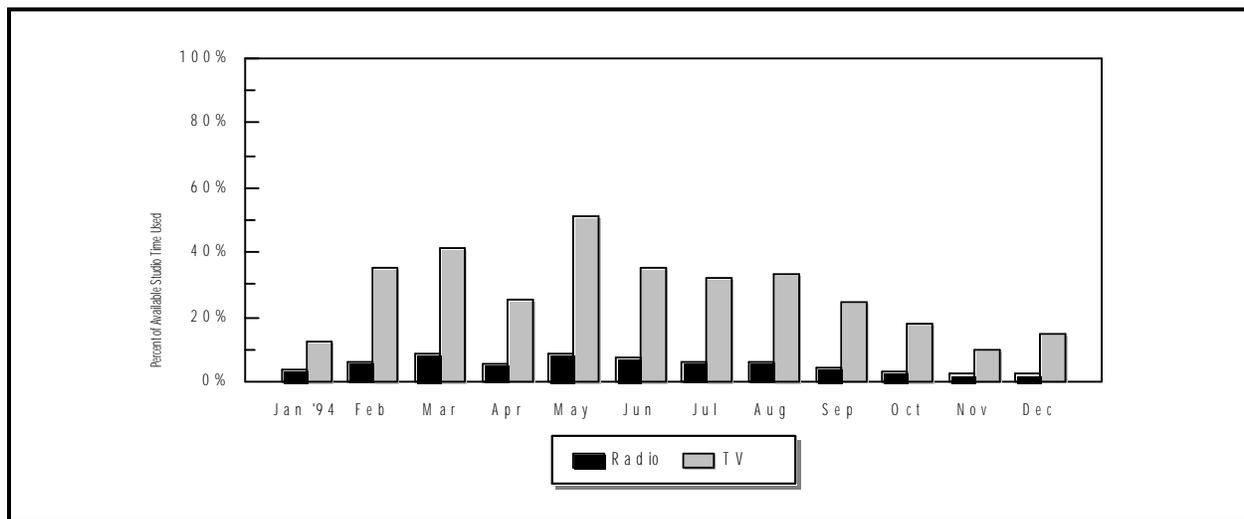
Facilities for radio and TV production and tape duplication services are available from private vendors within a short distance of the Capitol. We conducted interviews, toured facilities, and obtained price quotes from two radio production suppliers and two TV production suppliers. We determined that the current volume of radio production and tape duplication services is available for about \$200,000 from private vendors. The current volume of TV production and tape duplication services is available for about \$1 million.

The House maintained four radio studios and two TV studios for the exclusive use of Members. These studios were staffed on a full-time basis and available for use at least eight hours each work day, excluding weekends. Based on these conditions, radio studios were available an

average of 660 hours per month and TV studios were available an average of 330 hours per month during CY 1994.<sup>1</sup>

Members used radio and TV studios on an average of 40 and 100 hours per month, respectively. Members also requested 30,000 radio and TV tape duplications. Despite low usage, 98 percent of the costs to maintain radio and TV facilities were fixed. Resources were idle when not used by House Members.

As Figure 2 shows, Member usage of radio and TV studios did not fluctuate widely during CY 1994. Members used radio studios at less than 10 percent of capacity during every month of the year. Members' demand for TV studios was lower than average during the months of January, October, November, and December. The strongest demand for TV studios occurred in May when Members used the studios about 50 percent of the time they were available.



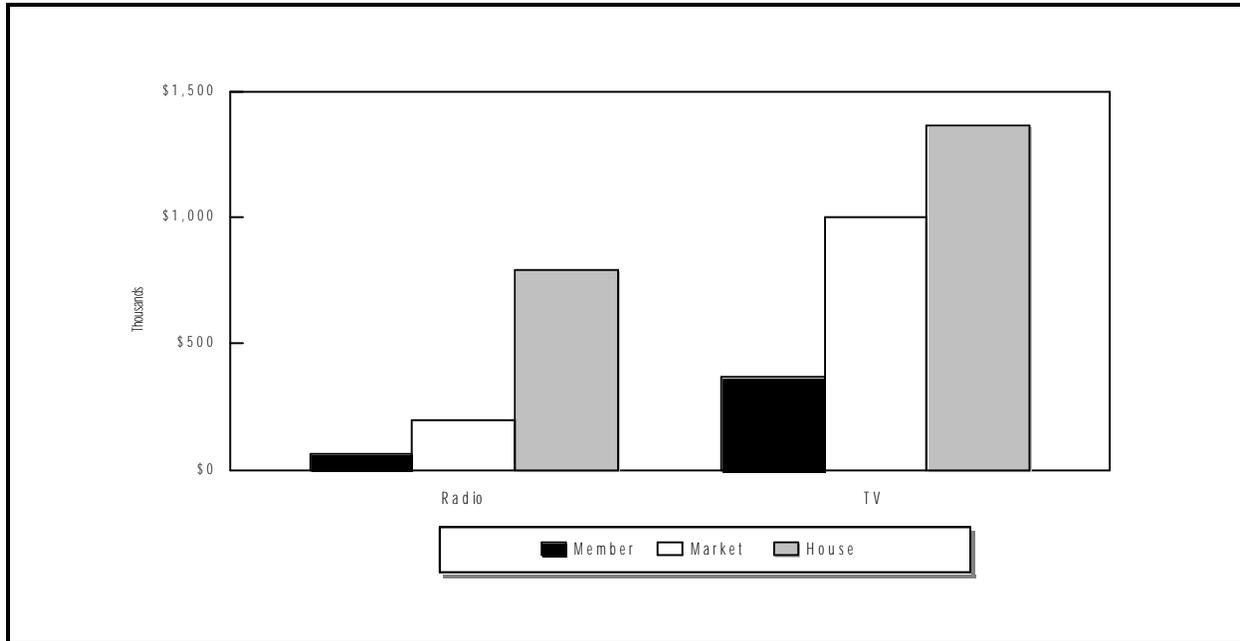
**Figure 2** -Usage of Radio and TV Studios by Members in CY 1994

House practices required that Members pay for radio and TV production services, as well as tape duplication services. In CY 1994, Members paid a total of \$432,000 in fees for these services. However, the House paid \$2.2 million in total costs to provide these services.

A comparison of Member charges, House costs, and market prices is provided in Figure 3. It shows that Members paid less than market value for these services while the House paid more than market value to produce them. If Members paid market value, the Recording Studio would

<sup>1</sup>We calculated hours of studio availability by multiplying the number of radio and TV studios by the number of workdays each month.

still incur excess costs of \$1 million. Resources were not used enough to recover the costs required to maintain them.



**Figure 3** -Comparison of Member and House Costs Against Market Prices for Radio and TV Services for CY 1994

This situation occurred because the Recording Studio maintained more radio and TV studio capacity than Members required, however, Recording Studio management did not take steps to minimize operating costs by using part-time personnel, or closing some studios. Resources were reserved for the exclusive use of Members. Prices charged to Members did not reflect the full cost to deliver these services.

**The House overpaid for House floor coverage by \$190,000 in CY 1994 in comparison to private sector quotes**

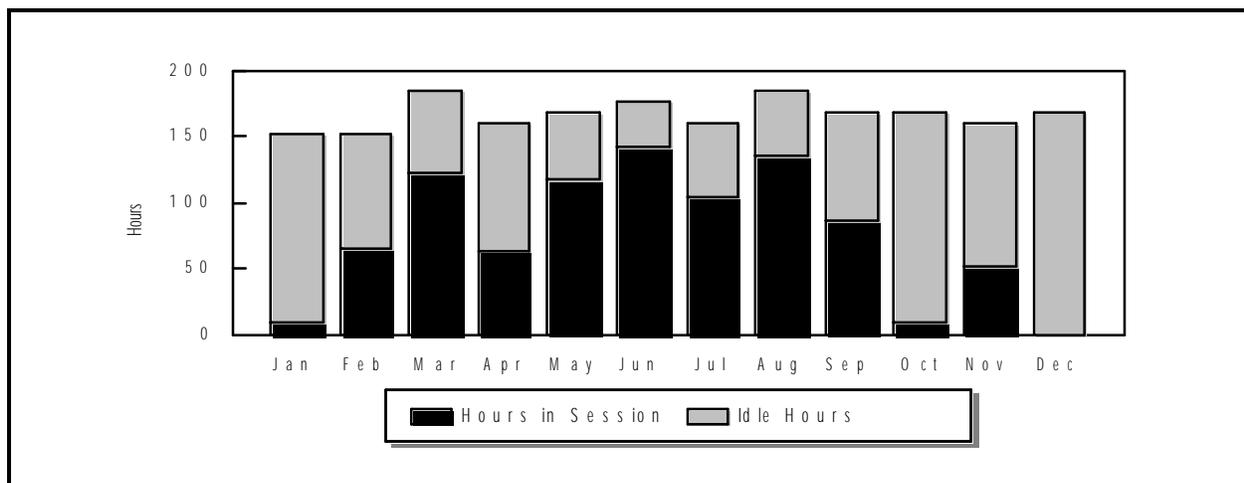
Standard management practices require that management evaluate opportunities to provide services in a cost effective manner. Our evaluation of opportunities indicated that the House can hire part-time, contract personnel by the day, half-day, or hour as needed. In addition, we estimated that the House can replace existing in-house personnel at a cost of \$3,000 per day, or about \$370,000 annually. This estimate was based on 123 days for nine contractor personnel.

The House employed a full-time, permanent staff of nine to televise House floor proceedings. This floor coverage staff included four camera operators, three directors, one audio specialist,

and one character generator. The House paid these employees a total of \$560,000 in salaries and benefits in CY 1994.

The House floor staff performed their job when the House was in session, which was 123 days in CY 1994. On average, House sessions lasted about eight hours, including recess time. Recording Studio management indicated that floor coverage staff were available to assist in other duties when the House was not in session. However, the Recording Studio had a sufficient number of other full-time staff to meet Member needs for radio and television production services.

As a result, floor coverage staff was idle for significant periods during the year. The idle time of floor coverage staff is illustrated in Figure 4. We estimate idle time among the House floor coverage staff was equivalent to four full-time equivalents (FTEs) in CY 1994. The House paid \$560,000 in total salary and fringe benefit costs to provide House floor coverage services. Contract personnel were available for an annual cost of about \$370,000. The House floor coverage staff was idle for periods throughout the year for two reasons. First, the House met for only 123 days during the year. Second, when the House did meet, the staff's work schedule was not aligned with the House's session schedule.



**Figure 4** -Idle Time Among House Floor Coverage Staff in CY 1994

House sessions never began before 10 a.m. and sometimes did not begin until 2 p.m. Sessions lasted from an hour or less to sixteen hours. The Recording Studio did not use split shifts, part-time or temporary employees, or flexible work schedules to minimize idle time and overtime. Employees reported to work each morning and worked late whenever the House session extended beyond normal business hours.

This situation occurred because management did not implement flexible staffing arrangements or work schedules to minimize idle time during periods of low workload. In addition, the Recording Studio's management used a full-time, permanent staff to meet a part-time requirement.

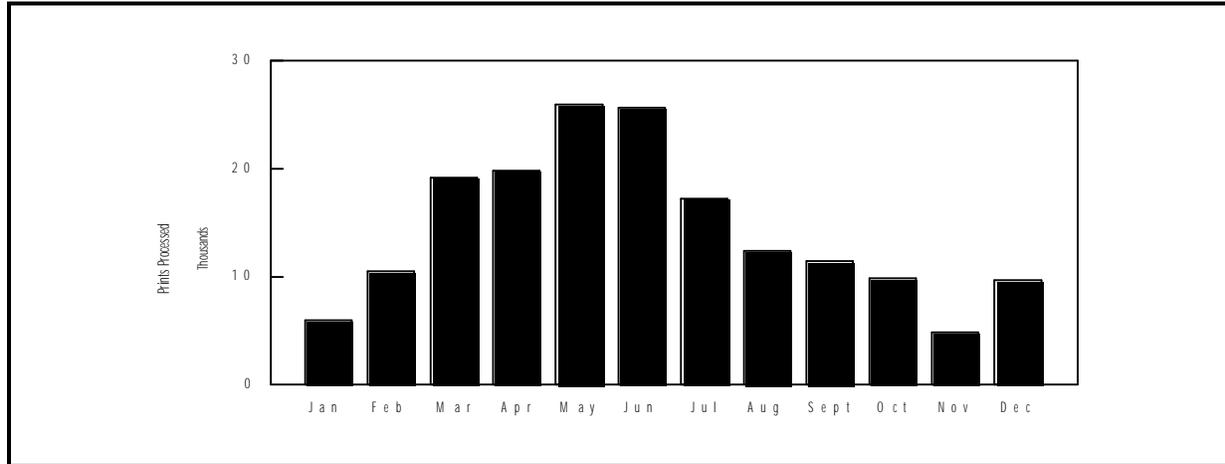
**The Recording Studio's photo lab duplicates capabilities in the Photography Studio resulting in \$290,000 in additional annual labor costs**

Sound business practices dictate management minimize costs. Our evaluation of the Recording Studio and the Photography Studio indicate that salaries and benefits, which accounted for 88 percent of the Recording Studio's film processing costs were duplicative.

The House paid to maintain two separate film processing labs in CY 1994 when it only needed one. The Recording Studio operated a photography lab to process film for Members. The lab accounted for 4.5 FTEs in CY 1994 at a cost of \$290,000 in salaries and benefits. The Recording Studio photo lab incurred \$40,000 in supplies and expenses and produced about 30,000 prints. On the other hand, the Photography Studio photo lab had 8.5 FTEs and produced about 160,000 prints in CY 1994.

The Recording Studio's total output of prints would have added 20 percent to the Photography Studio's annual workload. As shown in Figure 5, the Photography Studio had sufficient capacity in CY 1994 to handle 20 percent more workload. Processing output for peak months of May and June was accomplished with little overtime. Output was 20 percent or more below peak for 10 of 12 months during the year. Therefore, salaries and benefits, which accounted for 88 percent of the Recording Studio's film processing costs were duplicative. As a result, the House overpaid for film processing by \$290,000 in CY 1994.

This situation occurred because the Recording Studio and Photography Studio reported to different House officers during the audit period. The Recording Studio was under the direction of the Clerk and the Photography Studio was under the direction of the Doorkeeper. This organizational structure did not provide for central coordination, thereby minimizing incentives to consolidate services.



**Figure 5 - Prints Processed by the Photography Studio in CY 1994**

### **Financial management and reporting practices did not present the Recording Studio's true operating performance**

Sound business practices dictate that management have complete and accurate performance and financial information to manage costs effectively. However, the House's financial statements and annual reports focused on the performance of the revolving fund, not on the operations of the Recording Studio as a whole. By comparison, the Senate Recording Studio included salaries and benefit costs in monthly summary reports.

The Recording Studio's CY 1994 annual report noted total sales to Members of \$564,799. The report documented the volume of services delivered across the major service categories. It reported a net income for Fiscal Year (FY) 1994 of \$137,969 which represented the revolving fund performance but did not reflect the Recording Studio's operating performance. It also presented FY 1995 budgets for equipment, cost of goods sold, professional development, and maintenance and repair.

On a full-cost basis, total operating costs exceeded Member reimbursements by \$2.6 million. The discrepancy occurred because salary and benefit costs were paid from appropriations, not the revolving fund. The reports we reviewed did not account for the costs of labor.

We were unable to determine the full cost of operations from existing management reports. We assembled data from several sources to construct a full-cost summary of operating performance to estimate total operating costs and unit costs and evaluate Recording Studio operations. Without complete information, the Recording Studio Director was not able to evaluate the full cost of Recording Studio operations from existing reports.

This situation occurred because the Clerk did not require that policies be established to ensure full-cost operating information was provided. The Recording Studio reported to the Clerk during the audit period. The Recording Studio Director prepared annual reports and financial summaries which excluded 80 percent or more of total operating costs.

### **Recommendations**

We recommend that the Chief Administrative Officer prepare proposals, for approval by the Committee on House Oversight, to:

1. Reduce the cost of House radio and TV production services, duplication services, and floor coverage by selecting and implementing one of the following options:

**Option 1:** Contract out for House radio and TV production, duplication services, and floor coverage. (The House could establish a contract with one or more commercial vendors in the Washington, D.C. area. A help desk could be established to assist Members in scheduling appointments, or Members could purchase required services directly on an as-needed basis.)

**Option 2:** Close two to three radio studios and one TV studio and reduce staffing to reflect Member demand for radio and TV production, duplication services, and floor coverage. (The House could reduce in-house costs by eliminating excess studio capacity and reducing staffing. It would be more cost-effective to maintain a minimum level of resources necessary to satisfy routine demand. Unusual or peak demand could be contracted for from local commercial vendors.)

**Option 3:** Continue to provide in-house radio and TV production, duplication services, and floor coverage, and take steps to align in-house costs, user charges, and market value, through a combination of cost reductions and price increases. (Staff scheduling could be improved using split shifts and part-time workers to reduce idle time.)

2. Consolidate all photo lab services within the Photography Studio.

### **Management Response**

In his July 6, 1995 formal response to our draft report, the Director of Internal Controls and Continuous Improvement, on behalf of the CAO, fully concurred with this finding and the associated recommendations (see Appendix). According to his response, the Committee on House Oversight, on June 14, 1995, approved corrective actions proposed by the CAO for improving the efficiency and effectiveness of the radio and TV production services, duplication services, and floor coverage. The actions included: (1) implementing options 2 and 3;

(2) instituting a new pricing schedule to recover full costs; and (3) implementing the use of flexible personnel scheduling and shift work, including part-time temporary employees. Annual operating costs are estimated to be reduced by \$1.2 million. In addition, the Committee on House Oversight approved the closing of the Recording Studio photography operations and the transfer of Member identification photographs to the Sergeant at Arms no later than August 1, 1995.

**Office of Inspector General Comments**

The CAO's actions are responsive and fully satisfy the intent of our recommendations. Therefore, we consider this recommendation closed.

**Finding B: Operational Changes To The Photography Studio Could Improve Services And Save At Least \$250,000 Annually**

The Photography Studio takes pictures for free and processes film at prices below cost. As a result, the House paid \$855,000 in CY 1994 to operate the Photography Studio while Members only reimbursed the House \$90,000 for these services. This situation occurred because pricing policies established by the Committee on House Administration were not sufficient to recover costs.

Also, Photography Studio employees were idle during periods of low workload. As a result, the House incurred unnecessary costs of \$250,000 for salary and benefits. Photography Studio management relied exclusively on full-time employees throughout periods of low workload.

In addition, Photography Studio management produced year-end and customized reports that provided limited information on operational performance. As a result, Photography Studio management, the Doorkeeper, and House committees did not have accurate information to evaluate the efficiency and effectiveness of photography services. This occurred because Photography Studio management did not establish guidelines for the frequency or content of management reports.

Furthermore, Photography supplies were not stored in a secure environment or monitored for usage. As a result, these supplies were not adequately protected and accounted for by the Photography Studio. This occurred because the Photography Studio management did not establish inventory controls to protect or monitor usage of photography resources.

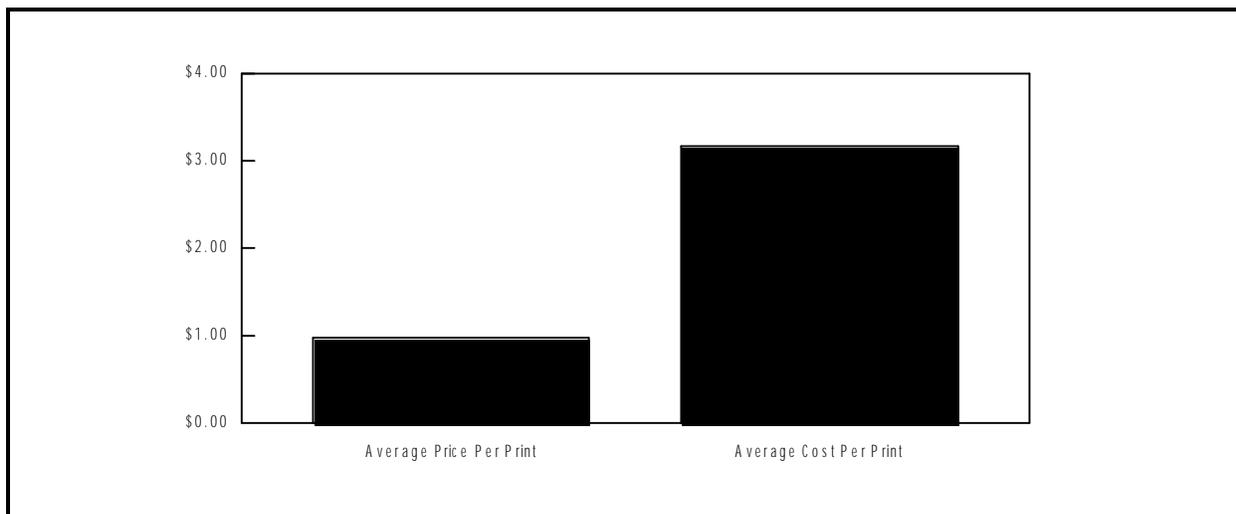
**Operating costs of the Photography Studio exceeded Member reimbursements by \$765,000 in CY 1994**

The benefit of charging user fees is to distribute the costs of services based on usage. House photographers take pictures for Members and committees on appointments. The Photography Studio does not charge for appointments, although the House paid \$350,000 in CY 1994 to provide the services of six photographers to Members. House photographers completed about 15,000 appointments in CY 1994. We estimated each appointment cost the House about \$23.

The House employs seven lab technicians to process film and develop prints. In CY 1994, we estimated that the Photography Studio produced about 160,000 prints. Members get three to five free prints after each photography appointment and the Members reimburse the House for any additional prints. Members reimbursed the House for \$90,000 in prints in CY 1994. We estimate that about 60,000 prints were distributed to Members at no charge during CY 1994.

Members are charged \$0.65 for black and white prints and \$1.30 for color for an average price of about \$1 per print. Based on 160,000 prints and total lab costs of \$510,000 in CY 1994, we

estimated that the average cost per print was about \$3. Thus, the Photography Studio lost about \$2 for every print provided to Members. In Figure 6, we present a comparison of print prices to print costs.



**Figure 6** -Summary of Print Prices

We obtained price quotes from three photo lab vendors that process film and develop prints on a high volume basis. Based on an annual volume of 6,500 rolls of film and 160,000 prints, the vendors would charge an annual price of \$490,000 compared to the \$510,000 that it costs the House to provide these services in-house. This price included daily pick up of film and delivery of prints to a single location at the House.

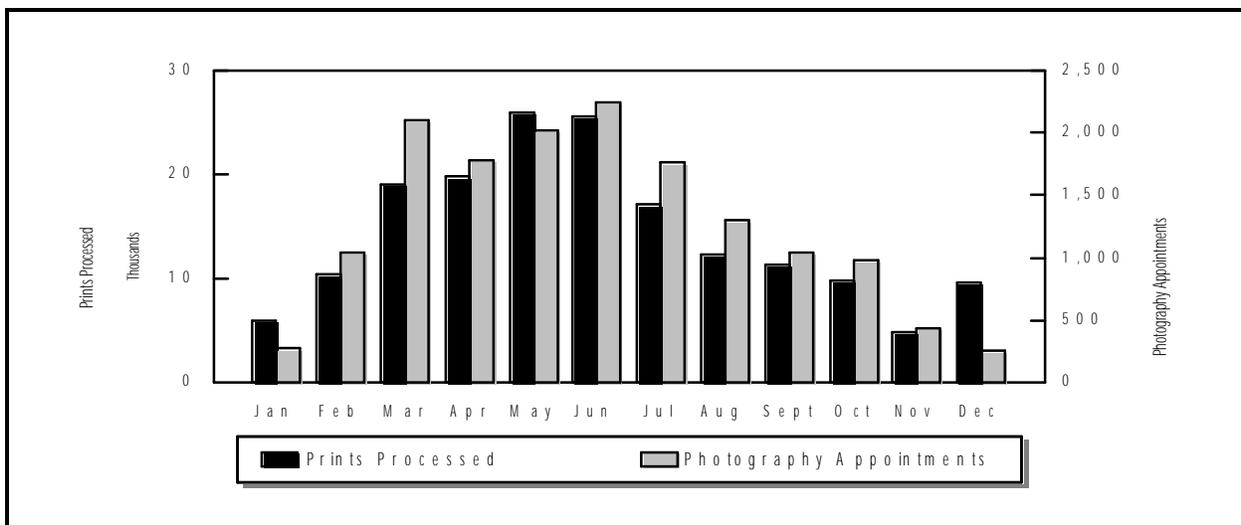
The Photography Studio absorbed most of the costs for photography appointments and film processing. For example, for a typical appointment a House photographer would take pictures of a Member with a group of constituents. The photography studio processes the film and delivers five free prints to the Member. The Photography Studio incurs costs of \$23 for the photographer's time and \$15 for five free pictures. The Member is not charged unless additional prints are ordered.

Members reimbursed the House \$90,000 in CY 1994 for \$855,000 of actual costs. In pricing services below market value, the House encouraged two adverse effects. First, few constraints were placed on user demand for services. Second, prices were too low to ensure that Members valued services enough to justify what the House paid for them. As a result, demand remained high and Photography Studio operating costs were \$765,000 higher than Member reimbursements in CY 1994.

This situation occurred because the Doorkeeper did not develop or communicate clear goals and policies for pricing photography services. In addition, the Committee on House Administration decided against price increases in recent years. Furthermore, Photography Studio management did not track or report operating costs, therefore, they did not know what prices were required to recover operating costs.

### **The House paid \$250,000 for idle time in the Photography Studio in CY 1994**

The Photography Studio employed six photographers to take pictures and seven lab technicians to process film. One Photographer's Apprentice was also on staff to help with scheduling and general administrative duties. As shown in Figure 7, the workload was cyclical in CY 1994. Lab technicians' workload is measured in prints processed. Photographers' workload is measured by photography appointments. Both of their workloads in 5 out of 12 months in CY 1994 were less than 50 percent of peak monthly workload.



**Figure 7** -Monthly Distribution of Workload for Photographers and Lab Technicians in CY 1994

Total salaries and fringe benefits for Photography Studio employees in CY 1994 amounted to \$750,000. We determined the cost of idle time by comparing output per employee during each month to output per employee during the month of peak workload. We estimated that in CY 1994 the Photography Studio overpaid employees \$250,000 in salary and fringe benefits for idle time during periods of low workload. Photographers accounted for \$100,000 and lab technicians accounted for \$150,000. This situation occurred because Photography Studio management relied exclusively on full-time employees to meet the cyclical workload in CY 1994.

### **Customized reports contain limited information to evaluate efficiency and effectiveness of photography services**

Sound business practices dictate that management have complete and accurate information to adequately evaluate the efficiency and effectiveness of photography services. For example, the Senate Photography Studio, which provides similar services to the House Photography Studio, produces monthly reports that summarize costs, revenues, and services delivered. In addition, the Senate reports are produced in a standard format and provide for year-to-year comparisons.

The House Photography Studio does not produce regular management reports. In addition, the Photography Studio produced reports that provided limited information on operational performance. The reports produced were:

- **Infrequent.** A year-end report was produced but additional reports were only produced when requested by the Doorkeeper or other outside parties.
- **Inconsistent.** The formats and methods for presenting data varied making interpretation confusing.
- **Inaccurate.** Mathematical corrections had to be made to the reports.
- **Incomplete.** Information on the volume of different types of services such as portrait and passport photos was not identified. The number of free prints distributed to Members was not recorded.

Consequently, Photography Studio management, the Doorkeeper, and House committees did not have timely and accurate information to evaluate the efficiency and effectiveness of photography services. In addition, Photography Studio management had insufficient information to evaluate idle time or determine unit costs and prices required to recover costs.

This occurred because the Doorkeeper did not specify the frequency or content of management reports. Additionally, Photography Studio management indicated that these reports were produced to satisfy specific requests for information at different intervals throughout the year. Also, Photography Studio management did not establish recordkeeping standards.

### **Inadequate inventory controls limit ability to protect and monitor Photography Studio resources**

The General Accounting Office's *Standards for Internal Controls in the Federal Government* states that access to resources and records is to be limited to authorized individuals, and accountability for the custody of resources is to be assigned and maintained. For example, the Senate Photography Studio keeps film, chemical, and paper supplies stored in a locked storage closet. Senate Photography has management controls and monitors use of supplies. In addition, the Senate measures supplies wasted and performs an inventory count each month.

Cameras, film, paper, and chemicals were not stored in a secure location in the Photography Studio. We observed open boxes of film stored on file cabinets and cameras left out in the open. Therefore, the House incurred significant risks from inadequate protection of photography resources. In addition, Photography Studio management did not have the ability to monitor inventory usage or waste on a daily, weekly, or monthly basis. Although, we did not identify any specific costs that resulted from a lack of inventory controls, the potential costs from overstocking, waste, and misuse could be significant.

There were no procedures for controlling or recording the distribution of photographic supplies. House photographers and lab technicians did not have guidelines on the amount of materials used in performing their work. In addition, Photography Studio management did not monitor film that photographers used. Lab technicians are not monitored for daily usage of paper and chemicals during the processing of film. Furthermore, we did not find evidence of performance measures used by management to determine supply usage or waste. Also, a formal inventory count was performed only twice a year.

### **Recommendations**

We recommend that the Chief Administrative Officer develop proposals, for approval by the Committee on House Oversight, to:

1. Implement improvements in efficiency and effectiveness of in-house photography services by: (1) charging Members and committees to take pictures based on an hourly basis; (2) utilizing part-time photographers; (3) establishing inventory controls for keeping cameras and film locked, monitoring photographer's film usage, and counting inventory each month; and (4) establishing an accounting and management reporting system to provide accurate and timely management information.
2. Implement improvements in efficiency and effectiveness of photo lab services by selecting and implementing one of the following options:

**Option 1:** Improve in-house photo lab services by: (1) eliminating the distribution of free prints and set prices to process film based on unit production costs; (2) using part-time lab technicians; (3) establishing performance measures to monitor and control lab supply waste; and (4) establishing inventory controls for film processing supplies.

**Option 2:** Contract with a vendor for photo lab services.

**Management Response**

In his July 6, 1995 formal response to our draft report, the Director of Internal Controls and Continuous Improvement, on behalf of the CAO, fully concurred with this finding, and the associated recommendations (see Appendix). According to his response, the Committee on House Oversight, on June 14, 1995, approved corrective actions proposed by the CAO for: (1) instituting full recovery pricing and flexible personnel practices to more efficiently and effectively provide in-house photography services; and (2) implementing improvements in efficiency and effectiveness of photo lab services consistent with Option 1. In addition, he stated that a review of the procedures for maintaining and accounting for supplies will be performed by October 1, 1995 and informed us that performance indicators were currently under development. The response further indicated that they expect the corrective actions to result in an annualized savings in excess of \$325,000.

**Office of Inspector General Comments**

The CAO's actions are responsive and fully satisfy the intent of our recommendations. Therefore, we consider this recommendation closed.

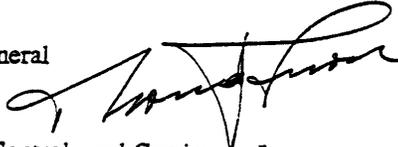
***APPENDIX***

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

APPENDIX

# MEMORANDUM

**TO:** Robert B. Frey III  
Deputy Inspector General

**FROM:** Thomas J. Simon   
Director of Internal Controls and Continuous Improvement

**DATE:** July 6, 1995

**SUBJECT:** Draft Audit Report - Media Services

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We appreciate the opportunity to comment on your draft report. We deeply appreciate your efforts and are in general agreement with the findings and recommendations. Specific comments on each recommendation follow. If there are any questions or additional information required regarding this reply, please contact me at (202) 226-1854.

## Finding A

**Recommendation 1:** By action of the Committee on House Oversight on June 14, 1995 we are implementing Options 2 & 3. Annual operating costs will be reduced by \$1.2 million and a new pricing schedule instituted to recover full costs. To assist in accomplishing this the Committee authorized flexible personnel scheduling and shift work, including part-time temporary employee positions.

**Recommendation 2:** The Committee on House Oversight on June 14, 1995 ordered the closing of the Recording Studio photography operations and the transfer of Member identification photographs to the Sergeant at Arms no later than August 1, 1995.

## Finding B

**Recommendation 1:** The Committee on House Oversight on June 14, 1995 ordered the institution of pricing for full cost recovery and authorized flexible personnel practices as

described above. A review will be done of the procedures for maintaining and accounting for supplies will be completed by October 1, 1995. Performance indicators are under development.

**Recommendation 2:** The Committee on House Oversight on June 14, 1995 approved actions consistent with Option 1. The annualized savings in operating costs from these actions and those taken in response to Recommendation 1 will exceed \$325,000.