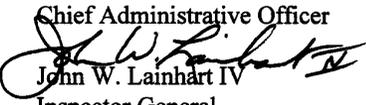


**Office of Inspector General**  
**U.S. House of Representatives**  
**Washington, DC 20515-9990**  
**MEMORANDUM**

TO: Scot M. Faulkner  
Chief Administrative Officer

FROM:   
John W. Lainhart IV  
Inspector General

DATE: July 18, 1995

SUBJECT: Memorandum Report - Storage Space Occupied By Old, Outdated Items Costs  
The House \$170,000 Annually (Report No. 95-CAO-09)

This is our final memorandum report on the use of storage space leased by the House at the Star Warehouse. The objective of the audit was to review the efficient and effective use of storage space at the Star Warehouse. In this report, we identified problems associated with the operational practices of Office Furnishings and Publications and Distribution and made recommendations for corrective actions.

In response to our June 13, 1995 draft report, your office fully concurred with our findings and recommendations. The July 5, 1995 formal management response provided by the Director, Internal Controls and Continuous Improvement, is incorporated in this final memorandum report and included in its entirety as an attachment. 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 memorandum 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

## **Storage Space Occupied By Old, Outdated Items Costs The House \$170,000 Annually**

### **I. INTRODUCTION**

House of Representatives (House) administrative offices stored large quantities of obsolete, unused furnishings, overstocked office supplies, and outdated publications in the Star Warehouse. Keeping these items in storage cost approximately \$210,800 for the 15-month period ending December 31, 1994, or \$170,000 annually. The Architect of the Capitol (AoC) provided the storage space to the House administrative offices without charge, thus reducing incentives to minimize storage requirements.

### **Background**

Office Furnishings (Furnishings) and Publications and Distribution (P&D) occupied a total of 44,860 square feet of long-term storage space at the Star Warehouse. The warehouse has been leased from the Washington Post since 1989 by the AoC. The current lease was signed in October 1989 and continues through September 1997; however, the lease can be terminated before 1997 without penalty.

### **Objective, Scope, And Methodology**

The objective of this audit was to review the efficiency and effectiveness of leased House storage space allocation and management. We limited the scope of the audit to the Star Warehouse because it was the only leased storage facility used solely by the House.

This analysis was conducted for the period of October 1, 1993 through December 31, 1994. We extended the period of our review to May 31, 1995, to include the beginning of the 104th Congress to examine storage requirements during a term change. We conducted our audit work during the period of March 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 the economy, efficiency, and effectiveness of storage operations.
- Assessed the economic value of storage space.

We toured House administrative office storage facilities to identify other storage areas and contents. We compared House inventory turnover rates to industry standards to measure efficient use of space. We also determined the amount of excess storage space and the potential savings which could be realized through elimination or reassignment of this space.

## **II. RESULTS OF REVIEW**

Furnishings and P&D stored large quantities of obsolete, unused furnishings; overstocked office supplies; and outdated publications at the Star Warehouse. Keeping these items in storage cost approximately \$210,800 for the 15-month period ending December 31, 1994, or \$170,000 annually. The AoC provided the storage space to the House administrative offices without charge, thus reducing incentives to minimize storage requirements.

In 1993, the Warehousing Education and Research Council (WERC), a 3,000 member society of warehousing professionals, conducted a survey to document trends in warehousing costs, management, and strategy of its members. According to WERC, industry trends indicated a reduction in business use of warehouse facilities as a result of faster and more efficient transportation and enhanced product tracking systems. Furthermore, the report indicated that businesses, in order to eliminate unnecessary expenses, were not storing unused assets in warehouse facilities.

Beginning in October 1989, the House leased 44,860 square feet of storage space at the Star Warehouse. Furnishings occupied 27,500 square feet and P&D used the remaining 17,360 square feet. Furnishings maintained space at the Star Warehouse for surplus, unique furnishings, and items awaiting shop work. Approximately 72 percent of the furnishings at the warehouse had not been removed for six or more months. In addition, 60 percent of the furnishings in the warehouse were acquired before 1970. The items acquired before 1970 were fully depreciated and had no salvage value. According to the House Assistant Historian, they also had no recognized historic value.

Approximately 90 percent of the space allocated to P&D was occupied by outdated excess publications and packing materials. According to House officials, packing materials were rarely removed from the warehouse. P&D publications currently in circulation occupy the remaining 10 percent of storage space.

Inventory acquisition data indicated that furnishings stored over six months, outdated publications, and packing materials occupied approximately 34,000 square feet or 76 percent of the Star Warehouse used by the House. Keeping these items in storage cost approximately \$210,800. We calculated this figure by multiplying storage space occupied by the unused and obsolete items by lease rates during the audit period (\$4.80 per square foot per year for October through December 1993 and \$5.00 per square foot per year for January through December 1994):

$$(\$4.80 \times 34,000/4) + (\$5.00 \times 34,000) = \$210,800$$

House administrative offices were allotted storage space at the Star Warehouse by the House Office Building Commission. No requirements existed for the allocation of space. The AoC paid the Star Warehouse lease and provided the space upon request and at no charge. As a

result, incentives for House administrative offices to limit storage space were reduced. Furthermore, the lack of clear disposal guidelines prevented House administrative office managers from promptly removing obsolete and outdated items from storage.

### **Recommendations**

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

1. Establish storage space fees.
2. Approve a formal, written policy to establish guidelines for the removal of obsolete and outdated items.
3. Modify the Star Warehouse lease by initiating one of the following options:
  - Option 1:** Discontinue the lease of three floors (33,000 square feet). (Approximately 11,000 square feet of storage space will remain available for carpet storage and furnishings in circulation. Disposal of outdated publications and excess, obsolete furnishings will be required.)
  - Option 2:** Terminate the lease. (Transfer current publications and furnishings in circulation to House Office building storage facilities. Disposal of outdated publications and excess, obsolete furnishings will be required.)

### **Management Response**

On July 5, 1995, the Director of Internal Controls and Continuous Improvement on behalf of the CAO generally concurred with the findings, conclusions, and recommendations in this advisory memorandum. According to his response, the actions to be undertaken include (1) vacating the Star Warehouse and utilizing space at Fort Meade at no cost to the House, (2) developing and submitting to the Committee on House Oversight for approval, formal written policies addressing storage and disposal of obsolete and outdated items, and (3) returning the Star Warehouse to the Architect of the Capitol and vacating the space by September 30, 1995. In addition, the issue concerning the assessment of storage space charges will be readdressed in September after the establishment of policies and identification of future needs.

### **Office of Inspector General Comments**

The CAO's actions are responsive and should, when fully implemented, satisfy the intent of our recommendations.

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

# MEMORANDUM

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

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

**DATE:** July 5, 1995

**SUBJECT:** Draft Audit Report - Warehousing

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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.

**Recommendation 1:** The Office of the CAO is in the process of vacating the Star Warehouse. It is likely that space at Ft. Meade will be used for storage at no cost to the House. While there are currently no plans to charge for storage space, this issue will be revisited in September after policies and future needs are more clearly established.

**Recommendation 2:** As the obsolete and outdated items are disposed of, formal written policies on storage and disposal will be developed and submitted to the Committee on House Oversight for approval.

**Recommendation 3:** The Star Warehouse is being returned to the Architect of the Capitol who has the lease. It will be vacated by September 30, 1995.