

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

TO: Scot M. Faulkner
Chief Administrative Officer

Robin H. Carle
Clerk of the House

Wilson L. Livingood
Sergeant at Arms

FROM: John W. Lainhart IV 
Inspector General

DATE: July 18, 1995

SUBJECT: Audit Report - Lack Of Sound Personnel Policies And Procedures Could Cost
The House Millions (Report No. 95-CCS-10)

This is our final report on the performance audit of personnel policies and procedures within the House. The objective of the audit was to assess opportunities for improving these policies and procedures. In this report, we identified problems associated with House personnel policies and procedures and made recommendations for corrective actions.

In response to our June 14, 1995 draft report, your offices generally concurred with our findings and recommendations. The formal management responses provided by your offices are incorporated in this final report and included in their entirety as appendices. While the Chief Administrative Officer and Sergeant at Arms fully concurred with our recommendations, the Clerk had some concerns with respect to periodically auditing personnel records and centralizing personnel records. However, we believe that the three House Officers working together will be able to present to the Committee personnel policies that will address the recommendations contained in this report.

We commend your commitment on jointly working together on issues to improve House personnel policies and procedures. Collaborative efforts are not only beneficial to each office but also are in the best interest of the House, and we encourage you to make every effort to work collectively together on key issues, such as establishing a Housewide human resources policy.

We appreciate your offices' positive responses and concurrences with the recommendations, and the courtesy and cooperation extended to us by your staffs. 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

LACK OF SOUND PERSONNEL POLICIES AND PROCEDURES COULD COST THE HOUSE MILLIONS

Report No: 95-CCS-10

July 18, 1995

RESULTS IN BRIEF

CONCLUSIONS

House of Representatives (House) employees with unused leave days remained active on the payroll system after their employment ended. House Officers kept the employees on the payroll system until their leave balances were fully depleted. In doing this, the House continued to pay benefits for employees who had stopped working for the House.

The House Placement Office (HPO) was able to successfully refer only two percent of new House employees during the audit period. As a result, the House allocated a \$241,000 budget for an in-house referral service it rarely used. Instead of using the HPO, House offices relied on political and personal referrals.

Official Personnel Files contained inadequate documentation to indicate the basis for pay increases. Without this documentation, the reasons for \$563,000 of pay increases to non-legislative employees were unclear. The payroll authorization process did not include procedures to keep supporting documents on file.

Leave records of employee work hours and time off were often missing or incomplete. With unreliable leave card information, the House spent excess resources to manually reconstruct benefits to which employees were entitled based on the time they worked. Instead of relying on leave card information, House Officers used informal methods to calculate overtime, compensatory time, and annual leave due to employees.

Personnel files contained limited and random information. The absence of basic personnel file documentation created a workplace where fair employment and job performance were de-emphasized. The Committee on House Administration did not develop uniform policy direction and guidance for the employing House Officers or require that personnel documentation be kept in a centralized location.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and the Sergeant at Arms develop proposals, for approval by the Committee on House Oversight, to: (1) pay terminating employees for unused leave in a lump-sum payment; (2) require all House offices to request assistance from the House Placement Office for all job openings, or use it to refer applicants for non-legislative positions only, or eliminate it; (3) revise the payroll authorization process to include adequate documentation procedures; (4) redesign time and leave tracking procedures to capture work hour information necessary to calculate employee leave benefits; (5) require periodic independent audits of personnel files and time and leave records; and (6) develop a manual of uniform human resource policies and procedures to ensure fair practices and adequate documentation across House offices.

MANAGEMENT RESPONSES

On July 5, 1995, the Office of the Chief Administrative Officer (CAO) fully concurred with the findings and recommendations in this report. As indicated in the response, the Committee on House Oversight, on June 14, 1995, approved a policy for authorizing the payment of accrued leave for separating employees and a reorganization proposal which eliminated the House Placement Office. The CAO also agreed to take actions to develop procedures for documenting pay increases and promotions as well as instituting periodic reviews of personnel files and time and leave records. In addition, the CAO is developing a proposal, for approval by the Committee on House Oversight at the July 1995 meeting, to implement a new payroll/personnel system. Personnel policies are also being implemented for all House Officers and will be submitted to the Committee on House Oversight in time for approval and implementation by January 1, 1996.

The Office of the Clerk (Clerk) generally concurred with the findings and recommendations in this report. As indicated in the response, the Clerk agreed to: (1) jointly recommend with the CAO and the Office of the Sergeant at Arms (SAA), a policy on lump-sum leave payments for approval by the Committee on House Oversight; (2) establish a single set of personnel policies and procedures for House Officers' employees with respect to payroll actions; (3) track all leave, compensatory time, overtime, and annual leave due individual employees; and (4) work with the other House Officers to develop a comprehensive human resources policy manual. However, the Clerk stated that she would be opposed to independent audits of personnel files citing the threat of potential grievances.

On June 28, 1995, the SAA generally concurred with the findings and recommendations in this report. According to the response, the SAA agreed to: (1) develop legislation and policies jointly with the CAO and the Clerk on payment of unused annual leave; (2) require documentation to support pay increases; (3) establish time and leave recording and tracking procedures for employee time benefits and leave data; (4) require periodic independent audits of

personnel files and time and leave records; and (5) develop an inhouse human resource policies and procedures manual.

In addition, both the Clerk and SAA recommended keeping the House Placement Office (HPO). The Clerk acknowledges that the HPO provided limited use to current and future Clerk operations, but maintained that the office was of greater use to Members' personal and committee offices. Similarly, the SAA stated that the office was the most workable in an atmosphere such as Capitol Hill.

OFFICE OF INSPECTOR GENERAL COMMENTS

The CAO's, Clerk's, and SAA's actions are generally responsive and satisfy the intent of our recommendations.

With respect to the Clerk's management response regarding the independent audits of personnel files, we believe that the Clerk interpreted our third recommendation as requesting that an audit by personnel outside of the office be performed, but this is not necessarily what we intended. We would expect that at a minimum, the independent audit should be performed by personnel within the Clerk's organization, but not by an individual working in the office being audited. We believe that the three House Officers working together will be able to resolve these issues regarding documentation of pay increases, the revision of the Payroll Authorization Form, and periodic independent audits of personnel files.

With respect to the Clerk's and SAA's responses regarding the HPO, the Committee on House Oversight eliminated HPO on June 14, 1995. We believe the HPO did not provide a significant or realizable benefit for the House to justify continuing a separate operation. Therefore, suggestions for preserving the HPO as a separate entity are no longer applicable.

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I. INTRODUCTION

Background

While the majority of the 12,000 House of Representatives (House) employees worked in legislative capacities (for Members and committees), about 1,200 employees worked for Officers of the House. Prior to the 104th Congress, the four predominant employing Officers were the Clerk of the House (Clerk), Director of Non-legislative and Financial Services, Doorkeeper, and Sergeant at Arms (SAA).

Non-legislative employees provided administrative services required for day-to-day House operations. Collectively, these positions commanded approximately \$52 million in payroll and benefit expenditures. The Committee on House Administration was responsible for ensuring that this sum produced administrative services necessary for the House to legislate. This responsibility included overseeing human resource functions.

In January 1995, the House eliminated the Offices of the Director of Non-legislative and Financial Services and the Doorkeeper. It created the Office of the Chief Administrative Officer (CAO) and reorganized administrative offices along functional lines. Non-legislative personnel worked in the offices of the CAO, Clerk, or SAA. Within the CAO office is a newly created Human Resources Department. The Human Resources Department consists of the House Placement Office, Benefits Office, Office of Fair Employment Practices, and Employee Assistance Program. The Committee on House Oversight replaced the Committee on House Administration as the governing body to non-legislative offices.

The Congressional Accountability Act of 1995 (Public Law 104-1), which takes effect on January 1, 1996, requires the House to comply with 11 private sector workplace laws, including the Fair Labor Standards Act, Family & Medical Leave Act, Occupational Safety & Health Act, Civil Rights Act, and Federal Service Labor-Management Relations Act. Accordingly, Congress plans to create an Office of Compliance to establish policy guidance and enforce regulations governing House employment practices.

Objectives, Scope, And Methodology

This audit examined the adequacy of the House's human resource functions for the 15-month period during October 1993 through December 1994. An initial pre-audit survey revealed the high-risk issues requiring a detailed audit.

The objectives of this audit were to:

- Assess the procedures used to compensate employees for unused annual leave. We interviewed personnel familiar with leave procedures and payroll functions, reviewed the 1978 Leave Regulations, extracted salary data from the payroll database, and estimated cost impact.
- Evaluate the effectiveness of the House Placement Office. We interviewed personnel familiar with its purpose and operations, reviewed its annual reports, and extracted employment data from the payroll database.
- Examine the relationship between pay and performance. We interviewed personnel familiar with supervisory and payroll functions, reviewed the 1979 Classification Guidelines, and sampled personnel files on the FileNet computer system.¹
- Determine the adequacy of time and leave tracking procedures. We interviewed personnel familiar with office policies and procedures, reviewed the 1978 Leave Regulations, and sampled personnel files on the FileNet computer system.
- Assess the adequacy of hiring, performance evaluation, and termination policies. We interviewed personnel familiar with office policies and procedures, reviewed the 1979 Classification Guidelines, sampled personnel files for relevant documentation, and obtained information on standard practices in these areas.

The audit's personnel file testing focused on non-legislative employees who worked in the offices of the Clerk of the House, Director of Non-legislative and Financial Services, Doorkeeper, and Sergeant at Arms. This was a conservative testing approach because the non-legislative employees have a lower turnover rate and are more likely to have documentation in their personnel files than legislative employees. House pages were excluded from this audit because they are temporary interns, rather than benefit-receiving employees. Also, a separate audit report on House Information System (HIS) operations covers human resource functions for HIS employees, and this was excluded as well.

We conducted our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted fieldwork in the House's Washington, D.C. offices during the 3-month period from March 1995 through May 1995. Since House personnel turnover occurred during the audit period, we interviewed and requested documents from current as well as separated personnel.

¹The FileNet computer system is an imaging system used in the Office of Finance. It contains the Official Personnel Files, including benefit enrollment forms and disclosure of relationships, for all House employees.

Internal Controls

This review evaluated internal controls related to human resource functions. We found significant weaknesses in controls over benefit contributions, payroll authorizations, time and leave tracking, and personnel practices, as described in Findings A, C, D, and E. Relevant internal controls associated with salaries and benefits were also reviewed as part of a separate financial statement audit.

Prior Audit Findings

In December 1993, the General Accounting Office (GAO) issued an audit report on the Office of Fair Employment Practices' (OFEP) procedures. GAO recommended that OFEP:

- Expand educational and promotional activities.
- Maintain more specific data on the nature of inquiries received.
- Strengthen hearing procedures.
- Make services available to Architect of the Capitol employees.

In response to the GAO report, OFEP:

- Sent out pamphlets and flyers to inform employees of their rights.
- Installed a new computer system to track the types of inquiries received.
- Included a service fact sheet in the orientation package given to each new hire.

OFEP disagreed with the recommendation to use external hearing officers. OFEP believed that a board of peers was more appropriate. We excluded OFEP from our audit scope since the office was initiating efforts to address the GAO findings.

II. FINDINGS AND RECOMMENDATIONS

Finding A: The House Paid Excess Benefit Contributions Due To Inadequate Leave Compensation Procedures

House employees with unused leave days remained active on the payroll system after their employment ended. House Officers kept the employees on the payroll system until their leave balances were fully depleted. In doing this, the House continued to pay benefits for employees who had stopped working for the House.

According to the *Congressional Handbook*, employees are eligible to receive payment for unused annual leave after their employment ends. The *Congressional Handbook* makes no provision, however, to continue providing these employees with full benefits such as retirement and health and life insurance.

About 2,900 employees left their House jobs during the audit period. Instead of removing them from the payroll and paying them for their unused leave days, the House left these employees on the payroll system until their unused leave balance was exhausted. Furthermore, even though these employees did not continue to accumulate leave while their leave balances were being depleted, the House continued to contribute towards their benefits program.

We estimated that the House may have paid \$63,000 to \$3.4 million in excess benefit contributions during the audit period depending on the number of unused leave days terminating employees had accumulated (see Figure 1). We could not reliably determine the number of unused leave days because of missing and incomplete leave records (see Finding D). Our estimate was based on a \$19,000 average salary of the 2,900 employees who left their jobs. We used a benefit rate of 29.55 percent, as prescribed by the Office of Management and Budget Circular A-76 for the Executive Branch cost-benefit calculations. Annual leave accumulated at a rate of one, one and a half, or two days per month, depending on employees' length of service.

If all employees who left their jobs had this unused leave balance (days)...	Then the House's estimated excess benefits contributions would be...
1	\$63,000
5	\$315,000
15	\$945,000
30	\$1.9 million
54	\$3.4 million

Figure 1 - Range Of Excess Benefit Contributions Based On The Number Of Unused Leave Days Separating Employees Had Accumulated

Leave regulations allowed 30 days to be carried over from the previous year, so the maximum any employee could accumulate was 54 days..

Two additional effects could not be as easily quantified. First, House offices cannot fill job vacancies until dismissed employees are removed from the payroll. The payroll system relied on position-specific numbers and these numbers could not be assigned to more than one person. Second, if House employees left their jobs to work for the Executive Branch before their leave days expired, they risked losing compensation for unused leave. Both employers used the Federal Financial Management System, which prevented employees from appearing on two payrolls at the same time.

Separating employees remained on the payroll because this was the only provision, outlined in the *Congressional Handbook*, that House Officers had to pay employees for their unused annual leave. When the November 1994 elections created high staff turnover, the House passed House Rule 3 to pay separating employees for unused annual leave. This rule allowed lump-sum payments for employees who left House jobs between December 31, 1994 and June 30, 1995 to receive compensation for up to 30 days of annual leave.

Recommendation

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and Sergeant at Arms, develop legislation and guidelines for approval by the Committee on House Oversight on lump-sum payments for unused annual leave. This legislation can be similar to existing House Rule 3. The proposed guidelines should ensure consistent application

of the Rule across House offices. For instance, the guidelines may include a definition of whether leave days are based on calendar or work days.

Management Response

On July 5, 1995, the Office of the CAO fully concurred with this finding and the associated recommendation (see Appendix A). As indicated in the response, the Committee on House Oversight, on June 14, 1995, approved a policy for authorizing the payment of accrued leave up to one calendar month for employees leaving involuntarily. The CAO plans to take similar actions to address employees leaving voluntarily.

Both the Clerk and SAA fully concurred with this finding and recommendation (see Appendices B and C respectively). As indicated in their responses, the Clerk and SAA agreed to work with the other House Officers to develop legislation on lump-sum payments of unused annual leave for approval by the Committee on House Oversight.

Office of Inspector General Comments

The CAO's, Clerk's, and SAA's actions are responsive to the issue we identified and, when fully implemented, should satisfy the intent of our recommendation.

Finding B: The House Budgeted \$241,000 For The House Placement Office, Which Was Only Used To Place Two Percent Of All House Hires

The House Placement Office (HPO) was able to successfully refer only two percent of new House employees during the audit period. As a result, the House allocated a \$241,000 budget for an in-house referral service it rarely used. Instead of using the HPO, House offices relied on political and personal referrals.

According to its 1994 Annual Report, the HPO's purpose was "to assist Members, Committees, and Administrative offices in their staffing needs by acting as a referral service." The HPO interviewed walk-in applicants and kept their resumes on file for two years. When House offices had hiring needs, they had the option to request the HPO's assistance. The HPO provided House offices with applicant resumes on file which matched their particular requests.

Although this referral service was available for all House offices, they rarely used it. House offices hired nearly all new employees without HPO's assistance. During the audit period reviewed, only 95, or 2 percent, of the new hires were successful HPO referrals. In fact, the HPO received requests for assistance for one in nine open positions (see Figure 2).

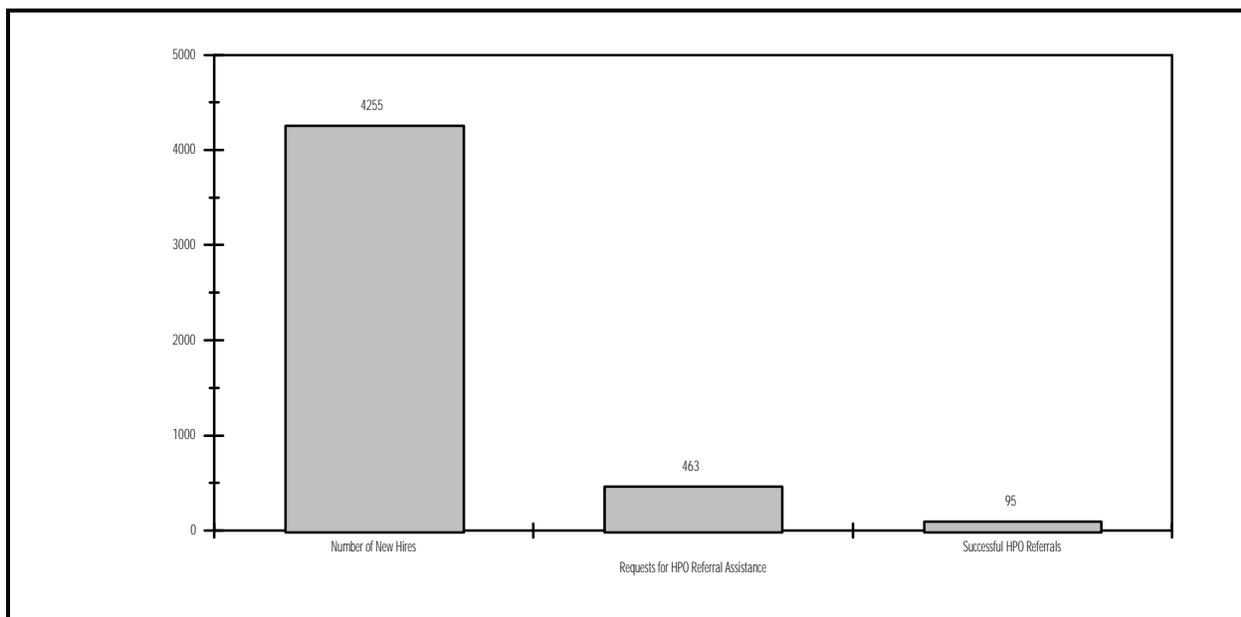


Figure 2 - The Number Of House New Hires, Requests For HPO Referral Assistance, And Referred Applicants Who Were Ultimately Hired During The Audit Period

In effect, the House allocated a \$241,000 budget in the audit period reviewed for an in-house referral service it rarely used. Instead of using the HPO, House offices relied on other sources to

fill open positions. Interviews revealed that new employees were often political or personal referrals from Members, a procedure that was not unexpected for a political body such as the House.

Recommendation

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and Sergeant at Arms, prepare a proposal, for approval by the Committee on House Oversight, to implement one of the following options:

Option 1: Require all House offices to request assistance from HPO for all job openings.

Option 2: Use the HPO to refer applicants for non-legislative House positions only.

Option 3: Eliminate the HPO.

Management Response

On July 5, 1995, the Office of the CAO fully concurred with this finding and recommendation (see Appendix A). As indicated in the response, the Committee on House Oversight, on June 14, 1995, approved a reorganization which eliminated the HPO effective August 1, 1995. On June 30, 1995, the Office of the Clerk partially concurred with this finding and recommendation (see Appendix B). The Clerk acknowledges that the HPO provided limited use to current and future Clerk operations, but maintained that the office was of greater use to Members' personal and committee offices. However, the Clerk also stated that if current service for Members' personal and committee offices is eliminated, she would encourage the abolishment of the office.

On June 28, 1995, the Office of the SAA did not concur with this finding and recommendation (see Appendix C). As indicated in the response, the SAA strongly recommends keeping the HPO citing its need in an atmosphere such as Capitol Hill. The SAA further stated that his office is using the HPO during its reorganizational period.

Office of Inspector General Comments

The Committee on House Oversight eliminated HPO on June 14, 1995. We believe the HPO did not provide a significant or realizable benefit for the House to justify continuing a separate operation. Therefore, suggestions for preserving the HPO as a separate entity are no longer applicable. We consider this recommendation closed.

Finding C: Reasons For Pay Increases Of \$563,000 To Non-Legislative Employees Are Undocumented In Official Personnel Files

Official Personnel Files contained inadequate documentation to indicate the basis for pay increases. Without this documentation, the reasons for \$563,000 of pay increases to non-legislative employees are unclear. The payroll authorization process did not include procedures to keep supporting documents on file.

Pay increases should be based on employees' performance and job contributions. The 1979 Classification Guidelines require House Officers to submit recommended pay increases and supporting documentation to the Committee on House Administration for review. Supporting documentation includes:

- The basis for the recommendation;
- The position description (for new, reestablished, or redescribed positions);
- A statement as to prevailing rates (for new positions); and
- A payroll authorization form.

The Committee on House Administration was required to review House Officers' recommendations and supporting documentation prior to approving pay increases. (Longevity pay increases for employees' length of service were excluded from this review process.)

We tested the Official Personnel Files of 181 randomly selected non-legislative employees. About a quarter of the employees received pay increases that were not based on longevity. The Official Personnel Files for these employees contained Payroll Authorization Forms, although supporting documentation explaining the basis for the approved pay increases was missing.

We estimated that the House approved over \$563,000 of pay increases for non-legislative employees without keeping supporting documentation in the Official Personnel Files. Our estimate was based on the results of our sample, where the average non-longevity pay increase was \$2,340 per employee for the 25 percent of employees who received pay raises during the audit period. Without adequate documentation in Official Personnel Files, it may be impossible to determine if employees received pay increases with proper authorization.

While the Classification Guidelines required House Officers to submit supporting documentation for recommended pay increases and the Committee to review it, no provision was made to keep this documentation in the Official Personnel Files. The Payroll Authorization Form did not distinguish between promotions, reclassification, merit-based increases, or other reasons for pay increases. The form was designed for capturing data required for input, rather than record keeping. The payroll authorization process lacked adequate documentation procedures to ensure that the Classification Guidelines were followed.

Recommendations

We recommend that the Chief Administrative Office, in conjunction with the Clerk of the House and the Sergeant at Arms, develop a proposal, for approval by the Committee on House Oversight, to amend the Classification Guidelines to:

1. Require that documentation supporting pay increases, other than longevity increases, be kept in Official Personnel Files;
2. Revise the Payroll Authorization Form to include such information as the type of pay increase (e.g., promotion, reclassification); and
3. Require periodic independent audits of personnel files.

Management Response

On July 5, 1995, the Office of the CAO fully concurred with this finding and recommendations (see Appendix A). As indicated in the response, efforts are underway to develop recommendations, including forms, for documenting pay increases and promotions. Additionally, they plan to institute periodic independent audits of personnel files.

The Office of the Clerk generally concurred with this finding and two of the three recommendations (see Appendix B). As indicated in the response, the Clerk stated that she would support House Officers in jointly recommending procedural changes that would require detailed documentation of payroll actions. However, the Clerk stated that she would be opposed to any requirement for independent audits of personnel files citing the threat of potential grievances.

On June 28, 1995, the Office of the SAA fully concurred with this finding and recommendations (see Appendix C). As indicated in the response, the SAA agreed to: (1) require documentation to support pay increases; (2) revise the payroll authorization form to include type of pay increase information; and (3) require periodic independent audits of personnel files.

Office of Inspector General Comments

Recommendations 1 and 2 received full concurrence by the CAO, Clerk, and SAA. Recommendation 3 received full concurrence only by the CAO and SAA. We believe that the Clerk interpreted our third recommendation as requesting that an audit by personnel outside of the office be performed, but this is not necessarily what we intended. We would expect that at a minimum, the independent audit should be performed by personnel within the Clerk's organization, but not by an individual working in the office being audited. We believe that the

three House Officers working together will be able to resolve these issues regarding documentation of pay increases, the revision of the Payroll Authorization Form, and periodic independent audits of personnel files.

Finding D: The House Is Unable To Determine Employee Time Benefits Accurately Due To Missing Or Incomplete Leave Records

Leave records of employee work hours and time off were often missing or incomplete. With unreliable leave card information, the House spent excess resources to manually reconstruct benefits to which employees were entitled based on the time they worked. Instead of relying on leave card information, House Officers used informal methods to calculate overtime, compensatory time, and annual leave due to employees.

Employers need to document how many hours employees worked to accurately determine how much overtime pay, compensatory time, or paid vacation days employees earned. The House's 1978 Leave Regulations specify that: (1) employees must initial their leave cards at the end of every month; (2) House Officers must approve leave cards at year end; and (3) the Office of Finance must keep employee leave cards in the employee Official Personnel Files. For the 181 non-legislative employees previously described in Finding C, we tested whether each of these employees' Calendar Year (CY) 1993 and CY 1994 leave cards were present and complete in their respective Official Personnel Files. Nearly half of the leave cards were missing. In addition, a quarter of the leave cards on file were incomplete because they did not have the employee's initials or the House Officer's signature on them (see Figure 3).

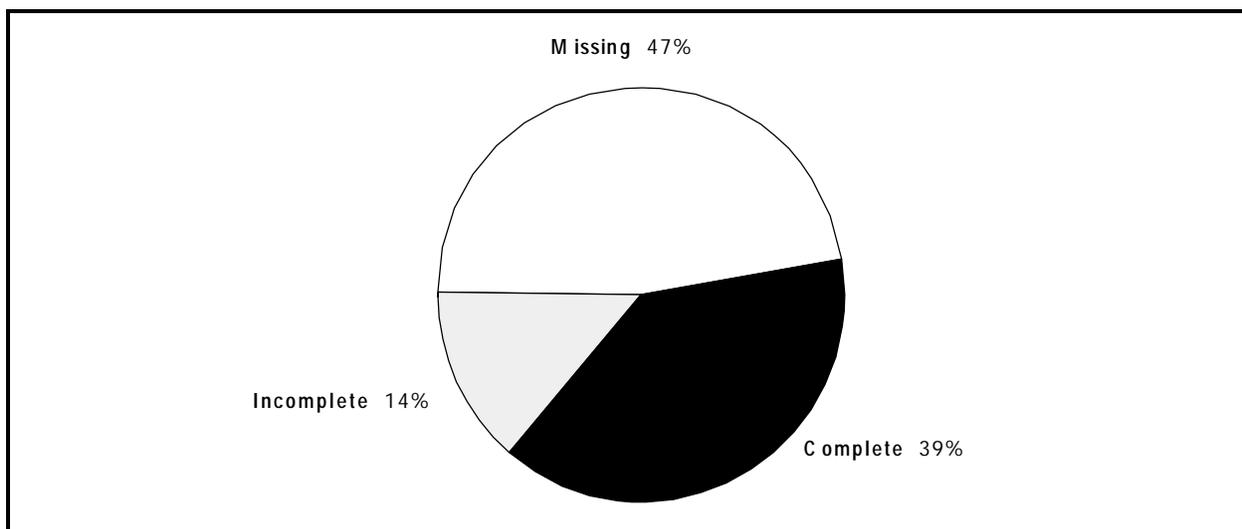


Figure 3 -Percentages Of Missing, Complete, And Incomplete Leave Cards For CY 1993 And CY 1994

In our sample, Official Personnel Files of employees in the Director of Non-legislative and Financial Services had 70 percent of leave cards missing, the Doorkeeper had 49 percent missing, and the Clerk had 17 percent missing (see Figure 4).

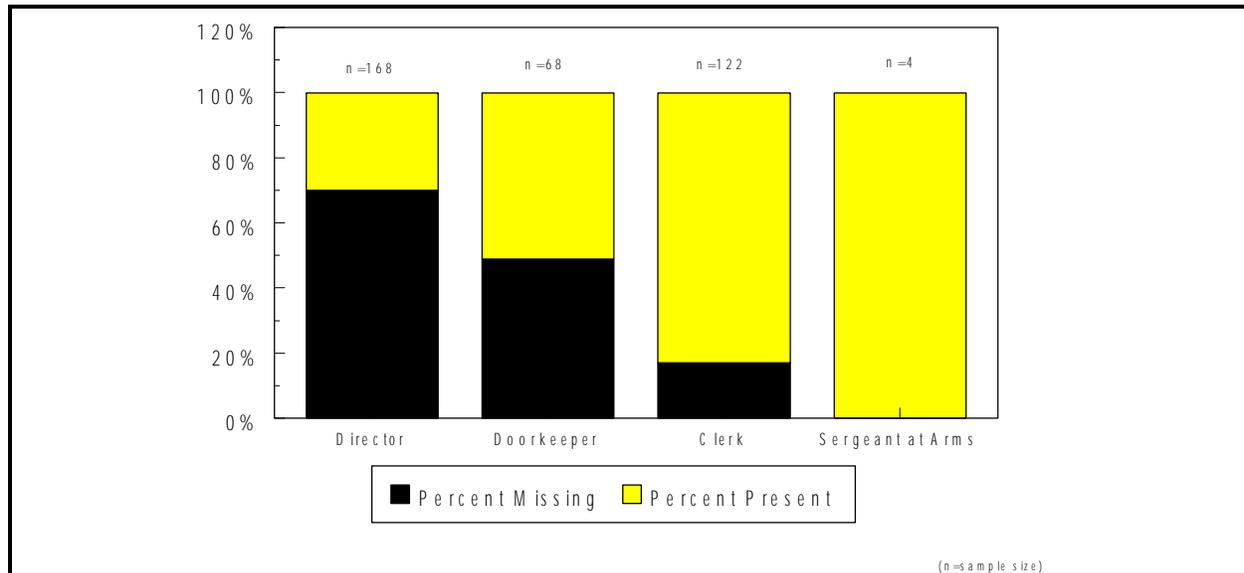


Figure 4 - Percentages Of CY 1993 And CY 1994 Leave Cards Missing From Official Personnel Files By House Officer

With a majority of leave records missing or incomplete, the House spent excess resources to determine employee leave benefits. The Office of Finance continued to keep existing leave cards on the FileNet computer system, though it never used them for any purpose. Meanwhile, House offices may have duplicated each others' efforts in developing and using informal time and attendance systems. For example, some House offices used punch clocks or spreadsheets to track employee work hours.

Missing leave records can be attributed to two factors. First, the Office of Finance, on behalf on the Committee on House Administration, did not monitor the receipt of completed leave records from House Officers. Interviews revealed that the Office of Finance did not conduct periodic reviews of whether or not House Officers submitted complete leave cards. Second, the design of the leave card did not capture the kind of information Officers needed to determine the amount of overtime, compensatory time, or annual leave to which employees were entitled.

Recommendations

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and Sergeant at Arms, develop proposals, for approval by the Committee on House Oversight, amending the House Leave Regulations to:

1. Establish new time and leave tracking procedures that capture information needed to accurately compute overtime, compensatory time, and annual leave due to employees. This may include eliminating leave cards as they now exist, and replacing them with timesheets.
2. Require each work location to establish one designee to collect and verify time and leave data.
3. Require periodic independent audits of time and leave records.

Management Response

On July 5, 1995, the Office of the CAO fully concurred with this finding and recommendations (see Appendix A). As indicated in the response, the CAO was in the process of sending a reminder to all his offices to utilize manual leave cards and designate an individual to collect and verify time and leave data. Furthermore, the CAO intends to present options for a new payroll/personnel system at the Committee on House Oversight's July meeting. In addition, the CAO also agreed to institute periodic independent audits of time and leave records.

The Office of the Clerk generally concurred with this finding and recommendations (see Appendix B). As indicated in the response, the Clerk agreed to track all leave, compensatory time, overtime, and annual leave for individual employees.

On June 28, 1995, the Office of the SAA fully concurred with this finding and recommendations (see Appendix C). As indicated in the response, they have already implemented procedures for tracking and verifying employee time and leave.

Office of Inspector General Comments

The CAO's, Clerk's, and SAA's actions are responsive to the issues we identified and, when fully implemented, should satisfy the intent of our recommendations.

Finding E: The Lack Of Basic Personnel Records Exposes The House To Legal Risks

Personnel files contained limited and random information. The absence of basic personnel file documentation created a workplace where fair employment and job performance were de-emphasized. The Committee on House Administration did not develop uniform policy direction and guidance for the employing House Officers or require that personnel documentation be kept in a centralized location.

Personnel decisions such as hiring and firing should: (1) follow policy; (2) be based on job performance; and (3) be documented. Uniform, performance-based documentation helps to promote fair employment practices for job applicants and ensures that employers have qualified people for the job. Organizations also typically keep confidential personnel documentation in a central location.

Each House employee had an Official Personnel File in the Benefits Office which was required to contain benefit forms, payroll authorizations, and leave cards. However, these files did not contain other important personnel records such as promotion, hiring, and termination documentation, performance appraisals, etc. Some offices under the CAO, Clerk, and SAA maintained employee personnel files at their work locations. Contents in these files were at the discretion of House Officers and work location supervisors. To identify how House offices documented hiring and firing decisions, we examined the personnel files kept at non-legislative work locations.

From the payroll database, we identified 64 new non-legislative employees and 172 terminated non-legislative employees from the audit period. (Note that the House payroll database included employees who retired, left voluntarily, or were otherwise terminated.) We sampled 30 personnel files from each of the two populations. About 30 percent of the personnel files requested in each sample population were missing. Of the 43 personnel files that were available, we found limited and random information.

In the new hires sample, we looked for job descriptions and job applications. Only half of the new hires had completed job applications in their personnel files. In the terminated employees sample, we looked for formal performance evaluations and letters from supervisors documenting employee performance. Only one of the 22 personnel files located from the sample of separated employees contained a formal performance evaluation. Two of nine offices interviewed had a graduated process for disciplining employees for poor performance. These offices verbally warned poor-performing employees and took less stringent disciplinary measures before firing employees. The Employee Assistance Program (EAP) was one exception where the office supervisor maintained records of personnel actions and conducted performance evaluations.

The lack of basic personnel file documentation makes the House vulnerable to charges of unfair employment practices. Effective January 1, 1996, the Congressional Accountability Act will

provide House employees access to judicial review. Thus, the House may face substantial legal risks without adequate records to show the justification for personnel decisions. For example, the largest employment suit against the Federal government, currently in negotiations, could cost the Library of Congress \$8.5 million dollars of back pay, 40 promotions, and 10 reassignments for 2,137 affected employees. Furthermore, the government's legal costs in this class action suit were estimated to be around \$2.5 million for a 13-year trial. According to the Civil Rights Act of 1991, an employer with the same number of employees as the House may be liable for up to \$300,000 in compensatory damages per employee.

Undocumented personnel decisions downplay the importance of job performance. When employee performance goes unreviewed and undocumented, supervisors lose a sound basis for commendatory or disciplinary actions.

The lack of basic personnel records occurred because the Committee on House Administration did not develop uniform policy direction and guidance for the employing House Officers. Instead, it required House Officers to submit personnel decisions to the Committee for approval. In addition, the House did not require all personnel documentation to be maintained in a centralized location under the control of the Benefits Office, which would facilitate better control and standardization of contents in personnel files.

Recommendation

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and the Sergeant at Arms, develop a manual of uniform human resources policies and procedures, for approval by the Committee on House Oversight, addressing: (a) employee hiring procedures to include public job announcements, application closing dates, current position descriptions with job responsibilities, and candidate evaluation criteria; (b) an employee performance appraisal system to include objective evaluation criteria, periodic review, confidentiality, and employee access to review own file; (c) employee dismissal procedures to include documented performance, verbal warnings of unacceptable performance, written warning of unacceptable performance, and probation period; (d) descriptions and instructions on documentation requirements; (e) centralization of all personnel records in the Benefits Office; and (f) periodic independent audits of personnel files.

Management Response

On July 5, 1995, the Office of the CAO fully concurred with this finding and recommendation (see Appendix A). As indicated in the response, efforts are already underway to develop personnel policies for all House Officers. These policies will then be submitted for approval by the Committee on House Oversight and implemented on January 1, 1996.

The Clerk of the House generally concurred with this finding and recommendation (see Appendix B). As indicated in the response, the Clerk agreed to work with the House Officers to establish a comprehensive human resource policy manual to address specific issues cited in the report recommendation for approval by the Committee on House Oversight . The Clerk did take exception to centralization of all personnel records and periodic independent audits of personnel files.

On June 28, 1995, the Office of the SAA fully concurred with this finding and recommendation (see Appendix C). As indicated in the response, they have been developing and drafting human resource policies and procedures for internal use since January 4, 1995.

Office of Inspector General Comments

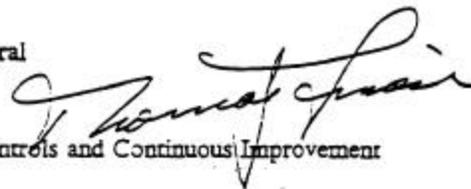
The CAO's, Clerk's, and Sergeant at Arms' current and planned actions are generally responsive to the issues we identified and, when fully implemented, should satisfy the intent of this recommendation. However, the Clerk disagreed with centralizing of all personnel records and periodic audits of personnel files. We believe that the issue of centralizing personnel records and periodic audits needs to be resolved by these House Offices working together in developing this manual of human resources policies and procedures.

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

APPENDIX A

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 - Human Resources

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: The Committee on House Oversight at its June 14, 1995 meeting authorized the payment of accrued leave up to one calendar month for involuntarily separated employees. The CAO will submit an option for employees leaving voluntarily.

Finding B

Recommendation: The Committee on House Oversight at its June 14, 1995 meeting approved a reorganization which eliminated the House Placement Office. Implementation should occur August 1, 1995.

Finding C

Recommendations 1 & 2: There is currently a freeze on longevity step increases within the CAO. Recommendations including forms are underdevelopment for documenting pay increases

and promotions.

Recommendation 3: Periodic independent audits of personnel files will be instituted.

Finding D

Recommendations 1 & 2: A reminder is being sent to all CAO office to utilize the current manual leave cards and to designate one individual to collect and verify time and leave data. Options for a new payroll/personnel system will be presented to the Committee on House Oversight at the July meeting. A new system will allow for automation and the institution of time sheets.

Recommendation 3: Periodic independent audits of time and leave records will be instituted.

Finding E

Recommendation: Personnel policies for all House Officers are currently under development and will be submitted to the Committee On House Oversight in time for approval and implementation January 1, 1996. Interim procedures have been implemented in all CAO offices addressing the elements of this recommendation.

Robin H. Carle
Clerk of the House

Response to the Price Waterhouse Draft Audit Report Entitled:
"Lack of Sound Personnel Policies and Procedures
Could Cost the House Millions"

Finding A: Recommendation regarding Lump-Sum Payment Authority

I believe it is critical that consistency and continuity in various policies and procedures be established among the House Officers regarding various personnel management activities. In particular, I am supportive of the establishment of a clear procedure to provide lumpsum payment for accrued leave for separated employees.

I would recommend that the House Officers' jointly recommend to the Committee on House Oversight a policy that: 1) House Officers be required to certify, with supporting documentation, to the House Finance Office the number of annual leave days accrued by a separating employee; and 2) the payment's calculation be based upon a calendar days.

Finding B: House Placement Office

Interaction between the House Placement Office and the Offices of the Clerk has been very limited. The HPO was previously an office of the Clerk, later an office of the Director of Non-Legislative Affairs and now an office of the Chief Administrative Officer. While the office is of limited use to current and future Clerk's operations, other benefits for the entire House community are not mentioned in the Price Waterhouse assessment. It is my contention that it is of greatest utility to Members' personal and committee offices.

While the actual placement or appointment of candidates to Hill positions is an alarmingly low rate, the initial guidance and information provided by the office does assist candidates in their alternate job seeking activities on Capitol Hill. The office provides every job seeker with an opportunity of a one-on-one interview with an individual familiar with House organizations, individual general position descriptions and other basic information.

If current services regarding Members' personal and committee offices are eliminated, I would encourage the entire abolishment of the office.

Finding C: Personnel Files with Undocumented Activity

I would support actions by the House Officers to jointly recommend procedural changes that require detailed documentation of payroll actions, such as detailing the type of pay increase, etc.

Further, it is my expectation, and I would expect the expectation of every House Officer, that all employee personnel files be complete. It is prudent to have all necessary documentation to avoid any confusion, concern or discrepancies that may even result in employee grievances. With the further implementation of the Congressional Compliance Act, adherence to these general management principles is even more critical. However, I would be opposed to any requirements for independent auditing of such files to determine adherence to this policy and believe internal review would develop in light the threat of potential grievances.

Finding D: Missing and Incomplete Leave Records

I agree with the general principles put forward by the Price Waterhouse review on the need to fully track all leave, compensatory time, overtime and annual leave due individual employees. Already procedures within the Clerk's offices have been implemented to track individual employees, certify the status of existing records and employees' leave. Policies have been implemented to require the monthly verification of timesheets and their inclusion in personnel files.

Finding E: Human Resource Manual

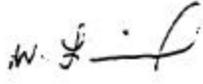
I generally agree with the objective to establish a single set of personnel policies and procedures for House officers' employees. Already my office, in concert with the Sgt At Arms, CAO and CHO, has created a consistent interim policy manual. A more comprehensive version, including provisions reflecting the enactment of Congressional Compliance Act, is anticipated in early 1996, pending review of the Committee on House Oversight. While supportive of the separate recommendations of the Price Waterhouse review in this regard, I have difficulty accepting any recommendation to centralize personnel records beyond the individual House officer's control and believe auditing would be unnecessary in light of my response to Finding C.

Office of the Sergeant at Arms
U.S. House of Representatives
Washington, DC 20515-6634

APPENDIX C

MEMORANDUM

TO: Inspector General

FROM: Wilson Livingood 

DATE: June 28, 1995

SUBJECT: Draft Audit Report - Lack of Sound Personnel Policies and Procedures Could Cost the House Millions

Having reviewed your memorandum of June 13, 1995 entitled *Lack of Sound Personnel Policies and Procedures Could Cost the House Millions*, I am forwarding my responses to your findings and recommendations.

Finding A: The House paid excess benefit contributions due to inadequate leave compensation procedures. On page 5, the report recommends that legislation be developed regarding payment for unused annual leave in a lump-sum, one time manner. The office of the Sergeant at Arms concurs with the recommendation and believes such policy should be formulated jointly by the Chief Administrative Officer, the Clerk, and the Sergeant at Arms to be consistent with other government agencies.

Finding B: The House budgeted \$241,000 for the House Placement Office, which was only used to place two percent of all House hires. On page 7, the report offers the following three options: 1) requiring all House offices to submit job orders to the office; 2) using the office for non-legislative House positions only; or 3) eliminating the office. The Office of the Sergeant at Arms strongly recommends keeping the House Placement Office operating and feels option two is the most workable in an atmosphere such as Capitol Hill. During the current ongoing reorganization of the Sergeant at Arms' office, we are using the House Placement Office for the posting, as well as a receptor of resumes and applications, for newly created positions within our organization.

Finding C: Reasons for pay increases of \$536,000 to non-legislative employees are undocumented in official personnel files. On page 9, the report recommends that amendments to the Classification Guidelines be developed and proposed to the Committee on House Oversight. Suggestions included: 1) the requirement that documentation supporting pay increases be kept in official personnel files. The Sergeant at Arms concurs with this and since January 4, 1995 has been acting in accordance with such policy. 2) the revision of the payroll authorization form to include such information as the type of pay increase. Again, the Sergeant at Arms concurs. and 3) the requirement of periodic independent audits of personnel files. The Sergeant at Arms concurs with this recommendation.

Office of Inspector General
U.S. House of Representatives

Finding D: The House is unable to determine employee time benefits accurately due to missing or incomplete leave records. On page 12, the report recommends that amendments to the House Leave regulations be developed and proposed to the Committee on House Oversight. Suggestions included: 1) establishing new time and leave tracking procedures. The office of the Sergeant at Arms has established a system that combines the compilation of time benefits to include both annual leave and hours worked; 2) Designating one employee in each work location to collect and verify time and leave data. Again the Office of the Sergeant at Arms has already designated such individuals; and 3) conducting periodic independent audits of such records. The Office of the Sergeant at Arms fully concurs.

Finding E: The lack of basic personnel records exposes the House to legal risks. On page 14 of the report, it is recommended that a manual of uniform human resource policies and procedures be developed. The Office of the Sergeant at Arms concurs with this recommendation, and since January 4, 1995 has been developing and drafting such a manual for use by the office.