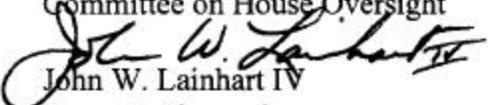


Office of Inspector General  
U.S. House of Representatives  
Washington, DC 20515-9990  
MEMORANDUM

TO: The Honorable Bill Thomas, Chairman  
Committee on House Oversight

The Honorable Sam Gejdenson, Ranking Minority Member  
Committee on House Oversight

FROM:   
John W. Lainhart IV  
Inspector General

DATE: December 1, 1997

SUBJECT: Final Report - Audit of the Financial Statements for the Year Ended  
December 31, 1996 (Report No. 97-HOC-14)

Attached is our final report presenting the results of Price Waterhouse LLP's (Price Waterhouse) audit of the House of Representatives' (House) consolidating financial statements for the year ended December 31, 1996. The report includes the House's financial statements and the *Report of Independent Accountants* encompassing Price Waterhouse's opinion on the financial statements. Also included is the *Report of Independent Accountants on Compliance with Laws and Regulations* and *Report of Independent Accountants on Management's Assertions about Internal Controls*.

It should be noted that the date of the audit report, August 8, 1997, is significantly different from the issuance date of the report—December 1, 1997. The later issuance date was necessary to allow the new Chief Administrative Officer (CAO), who was appointed on July 31, 1997, adequate time to review and familiarize himself with House operations, controls, and the audit issues so that a reliable *Management Report on Financial and Internal Controls* and response to the audit recommendations could be provided. On October 3, 1997, the CAO provided us these documents, which are included as an Appendix to this report. In accordance with applicable auditing standards, Price Waterhouse took into consideration in this report any events, which would have required an adjustment to the financial statements or note disclosures, up to the issuance date of this report.

**Objectives and Scope of Audit**

The objectives of this audit were to assess whether the House's consolidating financial statements present fairly, as of December 31, 1996, the overall financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. This report also presents findings on the House's compliance with applicable laws and regulations, and the fairness of management's assertion on whether the House's internal control structure provides

reasonable assurance of achieving generally accepted control objectives. In addition, the report discloses problems associated with the House's financial management activities and includes recommendations to improve those activities.

This audit was part of our 1997 Annual Audit Plan that was approved by the Committee on House Oversight on February 11, 1997. We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, except for the qualifications as discussed in the *Report of Independent Accountants*.

### **Results of Price Waterhouse's Audit**

The House implemented the core functions of a new accounting system in June 1996. However, many of the features of a complete accounting system have not been put in place. As a result, the system is not being used to provide all the information needed to prepare financial statements, and to control and account for all financial activity. Price Waterhouse qualified its opinion on the financial statements as a result of material internal control weaknesses over financial information, addressed in the *Report of Independent Accountants on Management's Assertions about Internal Controls*, which impacted the financial statements in the following ways:

- During 1996, the House was unable to agree its receipts and disbursements to U.S. Treasury reports. A net difference of \$3.9 million in funds reported by the House, which was not in the account at Treasury, remained unresolved;
- The House's records of its liabilities and related costs at any given time are incomplete. The House used information after the yearend to reconstruct the amounts it owed at the yearend. As a result, the House may understate its liabilities for bills received more than four months late, which is not uncommon. This weakness also resulted in the House being unable to determine the complete and accurate usage of the Members' Representational Allowance (MRA) until long after the end of the legislative year when the funds were to be used; and
- The House did not have a complete record of its property and equipment to support the amount of assets recorded in the financial statements.

*In the Report of Independent Accountants on Compliance With Laws and Regulations*, Price Waterhouse identifies only one instance of significant noncompliance. Specifically, the report discloses instances where certain Members overspent their MRAs. The MRA is used to pay for staff salaries, official expenses, and official mail. The *Members' Congressional Handbook* states that Members are personally responsible for the amounts by which they overspend their MRAs.

The *Report of Independent Accountants on Management's Assertions about Internal Controls* identifies 13 internal control weaknesses—5 material weaknesses and 8 reportable conditions.

This report includes 11 of the 14 weaknesses previously reported for the year ended December 31, 1995 and 2 new weaknesses. Of the five material weaknesses, four were identified in last year's report and are still considered material weaknesses, because steps taken to correct them are only partially complete. The five material weaknesses in this year's *Report of Independent Accountants on Management's Assertions about Internal Controls* relate to the following areas:

- Financial management continues to be hampered by inadequate systems, resources, and procedures (current and prior material weakness).
- Reconciliations of fund balance with the U.S. Treasury to the Federal Financial System balances are not routinely performed or adequately documented and House funds held by the Department of State are not tracked (current material weakness).
- The House lacked sufficient information with which to manage and maintain accountability over its property and equipment (current and prior material weakness).
- Deficiencies in budgeting, monitoring, and accounting for Member allowances increased the risk of overspending and impaired accountability (current and prior material weakness).
- Poor controls over computers and data expose the House to the risk of unauthorized transactions, incorrect data, misuse of assets, and loss of data and programs (current and prior material weakness).

These weaknesses and other deficiencies are discussed in greater detail in sections of this audit report entitled *Report of Independent Accountants*, *Report of Independent Accountants on Compliance with Laws and Regulations*, and *Report of Independent Accountants on Management's Assertions about Internal Controls*.

### **Prior Audit Coverage**

*Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer* (Report No. 96-CAO-15, dated December 31, 1996) identified management weaknesses adversely affecting system development and Year 2000 projects related to financial operations. The status of the recommendations in Report No. 96-CAO-15 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Audit Of Financial Statements For The Year Ended December 31, 1995* (Report No. 96-HOC-05, dated July 30, 1996) identified 4 material weaknesses and 10 reportable conditions that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The status of the recommendations in Report No. 95-HOC-22 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Followup On Outstanding Issues From The Comprehensive House Audit* (Report No. 96-HOC-01, dated January 2, 1996) identified internal control weaknesses related to deficiencies found in the comprehensive House audit, such as duplicate travel-related payments, uncollected catering receivables, overdue accounts and personal usage related to charge card activity, Member overspending, and salary overpayments. The status of the recommendations affecting financial operations in Report No. 96-HOC-01 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994* (Report No. 95-HOC-22, dated July 18, 1995) identified 14 material weaknesses that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The status of the recommendations in Report No. 95-HOC-22 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems* (Report No. 95-CAO-20, dated July 18, 1995) identified internal control weaknesses related to the House's system development and maintenance activities. The status of the recommendations affecting financial operations in Report No. 95-CAO-20 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs* (Report No. 95-CAO-19, dated July 18, 1995) identified internal control weaknesses concerning top management oversight, organization structure, training, and technology management related to the House's information systems operations. The status of the recommendations affecting financial operations in Report No. 95-CAO-19 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction* (Report No. 95-CAO-18, dated July 18, 1995) identified internal control weaknesses related to the integrity, confidentiality, and availability of information and systems. The status of the recommendations affecting financial operations in Report No. 95-CAO-18 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost \$2.0 Million Annually In Payments For Outdated Equipment* (Report No. 95-CAO-17, dated July 18, 1995) identified internal control weaknesses related to the management, maintenance, and inventory of leases of office and computer equipment. The status of the recommendations affecting financial operations in Report No. 95-CAO-17 is addressed in the section entitled

*Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Problems Plagued The House's Financial Operations* (Report No. 95-CAO-16, dated July 18, 1995) identified internal control weaknesses related to accounting policies, methods, and financial management systems. The status of the recommendations in Report No. 95-CAO-16 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

*Lack Of Sound Personnel Policies And Procedures Could Cost The House Millions* (Report No. 95-CCS-10, dated July 18, 1995) identified internal control weaknesses related to personnel and payroll files and records. The status of the recommendations affecting financial operations in Report No. 95-CCS-10 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

### **Recommendations**

This report contains 24 new recommendations. In addition, the audit followed up on 83 prior audit recommendations. The status of the prior audit recommendations is listed below:

• Closed	18
• Otherwise resolved	1
• Substantial Progress	17
• Some Progress	23
• Limited Progress	11
• Open	<u>13</u>
Total	83

### **House Management Comments**

The Chief Administrative Officer (CAO) formally responded to our draft report on October 3, 1997. In his response, which is included in its entirety as an appendix to this report, the CAO fully concurred with the findings, conclusions, and recommendations contained herein.

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

Management's completed, ongoing, and planned actions are thus responsive and, when fully implemented, should satisfy the intent of our recommendations. In accordance with the

*Government Auditing Standards*, we will continue to track the implementation of these corrective actions.

Attachments

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

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## Table of Contents

### Transmittal Memorandum

**Report of Independent Accountants..... 3**

**Financial Statements ..... 7**

Consolidating Statement of Financial Position

Consolidating Statement of Operations

Consolidating Statement of Cash Flows

**Notes to the Financial Statements ..... 15**

### Supplemental Schedules

Organization and Composition of Consolidating Financial Statements ..... 37

Officers and Legislative Offices..... 45

Chief Administrative Officer ..... 53

Capitol Police and Other Joint Functions..... 61

Consolidating Statement of Budget and Actual Expenditures (Unaudited)..... 65

**Report of Independent Accountants on Compliance with Laws and Regulations ..... 69**

**Report of Independent Accountants on Management’s Assertion About Internal  
Controls ..... 73**

**Attachments: Management Comments..... Error! Bookmark not defined.**

Attachment 1: Management Report on Internal Controls

Attachment 2: Management Response to Audit Reports



# **Report of Independent Accountants**



## Report of Independent Accountants

To the Inspector General  
U.S. House of Representatives

We have audited the accompanying consolidating statement of financial position of the U.S. House of Representatives (House) as of December 31, 1996 and 1995, and the related consolidating statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Members and administrative management of the House. Our responsibility is to express an opinion on these financial statements based on our audits. As part of our audits, we have issued separate reports dated August 8, 1997, on the internal controls of the House and on the House's compliance with applicable laws, rules, and regulations.

Except as discussed in the following paragraph, we conducted our audits in accordance with generally accepted auditing standards and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We were unable to obtain sufficient evidence that all of the House's assets, liabilities, and costs are fairly stated in the House's 1996 and 1995 financial statements. The House implemented the core functions of a new accounting system in June 1996. However, many of the features of a complete accounting system have not yet been put in place. As a result, the system is not being used to provide all the information needed to prepare financial statements, and to control and account for all financial activity. This resulted in material weaknesses in controls over financial information, which impacted the financial statements in several ways:

- During 1996, the House was unable to agree its receipts and disbursements to U.S. Treasury reports. A net difference of \$3.9 million in funds reported by the House which is not in the account at Treasury, remains unresolved;
- The House's records of its liabilities and related costs at any given time are incomplete. The House uses information after the year end to reconstruct the amounts it owed at the year end. As a result, the House may understate its liabilities for bills received more than four months late, which is not uncommon. This weakness also results in the House being unable to determine the complete and accurate usage of the Members' Representational Allowance (MRA) until long after the end of the legislative year when the funds were to be used; and

- The House does not have a complete record of its property and equipment to support the amount of assets recorded in the financial statements.

In our opinion, except for the effects of adjustments to the consolidating financial statements, if any, that might have been determined to be necessary had we been able to examine sufficient evidence regarding the House's accounts for Treasury, Accounts Payable, and Property and Equipment as of December 31, 1996 and 1995, and related expenses for the years then ended, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of the U. S. House of Representatives as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis of the consolidating financial statements rather than to present the financial position, results of operations, and cash flows of individual entities within the House. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the consolidating financial statements and, in our opinion, except for the reasons stated in the preceding paragraph, such information is fairly stated in all material respects, in relation to the consolidating financial statements taken as a whole.

Arlington, Virginia  
August 8, 1997

# Financial Statements

**U.S. House of Representatives**  
**Consolidating Statement of Financial Position**  
**As of December 31, 1996**

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>ASSETS</b>			
Fund Balance with the U.S. Treasury (Note 4)	\$ 0	\$ 0	\$ 0
Cash (Note 4)	0	500	0
Fund Balance with U.S. Treasury and Cash	<u>0</u>	<u>500</u>	<u>0</u>
Accounts Receivable	0	0	0
Interoffice Receivable	0	0	0
Appropriations Receivable (Note 2J)	25,611,702	4,375,756	936,111
Advances and Prepayments	1,297,682	211,351	43,026
Inventory	0	0	0
Property and Equipment, Net (Note 5)	<u>19,333,655</u>	<u>4,765,697</u>	<u>1,526,734</u>
Total Assets	<u>\$ 46,243,039</u>	<u>\$ 9,353,304</u>	<u>\$ 2,505,871</u>
<b>LIABILITIES AND NET POSITION</b>			
Accounts Payable (Note 6)	\$ 12,918,918	\$ 4,005,817	\$ 583,831
Interoffice Payable	7,742,473	561,850	395,306
Appropriations Payable (Note 2J)	0	0	0
Capital Lease Liabilities (Note 7)	0	19,440	0
Intragovernmental Liabilities (Note 2C)	0	0	0
Accrued Leave and Payroll (Note 8)	6,247,993	0	0
Unfunded Workers' Compensation Liability (Note 8)	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>26,909,384</u>	<u>4,587,107</u>	<u>979,137</u>
Unexpended Appropriations	0	500	0
Invested Capital	19,333,655	4,765,697	1,526,734
Future Funding Requirements	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Position (Note 9)	<u>19,333,655</u>	<u>4,766,197</u>	<u>1,526,734</u>
Total Liabilities and Net Position	<u>\$ 46,243,039</u>	<u>\$ 9,353,304</u>	<u>\$ 2,505,871</u>

*The accompanying notes are an integral part of these financial statements*

<b>Officers and Legislative Offices</b>	<b>Capitol Police and Other Joint Functions</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>1995 Restated</b>
\$ 723,374,156	\$ 46,890,632	\$ 0	\$ 770,264,788	\$ 769,700,885
22,839	29,500	0	52,839	56,603
<u>723,396,995</u>	<u>46,920,132</u>	<u>0</u>	<u>770,317,627</u>	<u>769,757,488</u>
675,319	0	0	675,319	1,570,563
8,874,381	0	(8,874,381)	0	0
17,272,025	0	(48,195,594)	0	0
295,551	78,046	0	1,925,656	4,284,498
1,148,552	0	0	1,148,552	994,577
16,005,483	1,329,070	0	42,960,639	37,027,450
<u>\$ 767,668,306</u>	<u>\$ 48,327,248</u>	<u>\$ (57,069,975)</u>	<u>\$ 817,027,793</u>	<u>\$ 813,634,576</u>
\$ 30,824,643	\$ 1,009,708	\$ 0	\$ 49,342,917	\$ 64,022,639
142,360	32,392	(8,874,381)	0	0
48,195,594	0	(48,195,594)	0	0
1,443,058	0	0	1,462,498	1,899,467
22,560	0	0	22,560	1,354,366
2,769,255	1,092,831	0	10,110,079	9,984,514
18,092,302	0	0	18,092,302	17,421,321
<u>101,489,772</u>	<u>2,134,931</u>	<u>(57,069,975)</u>	<u>79,030,356</u>	<u>94,682,307</u>
677,596,547	45,956,078	0	723,553,125	711,589,910
17,154,035	1,329,070	0	44,109,191	38,022,027
(28,572,048)	(1,092,831)	0	(29,664,879)	(30,659,668)
<u>666,178,534</u>	<u>46,192,317</u>	<u>0</u>	<u>737,997,437</u>	<u>718,952,269</u>
<u>\$ 767,668,306</u>	<u>\$ 48,327,248</u>	<u>\$ (57,069,975)</u>	<u>\$ 817,027,793</u>	<u>\$ 813,634,576</u>

**U.S. House of Representatives  
Consolidating Statement of Operations  
For the Year Ended December 31, 1996**

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>REVENUE AND FINANCING SOURCES</b>			
Revenue from Operations			
Sales of Goods	\$ 0	\$ 0	\$ 0
Sales of Services to Federal Agencies	0	0	0
Sales of Services to the Public	0	0	0
Interoffice Sales (Note 10)	<u>0</u>	<u>0</u>	<u>0</u>
Revenue from Operations	0	0	0
Financing Sources			
Appropriations to Cover Expenses	<u>499,567,711</u>	<u>111,570,964</u>	<u>15,076,915</u>
Total Revenue and Financing Sources	<u>499,567,711</u>	<u>111,570,964</u>	<u>15,076,915</u>
<b>EXPENSES</b>			
Personnel Compensation	310,308,286	77,352,191	9,907,635
Benefits (Note 8)	81,910,757	18,317,909	2,657,423
Postage and Delivery	27,292,338	171,612	24,530
Repairs and Maintenance	13,795,058	2,592,681	470,476
Depreciation and Amortization (Note 5)	9,756,332	2,528,309	801,814
Rent, Utilities, and Communications	16,224,714	40,232	86,978
Telecommunications	11,067,345	560,314	277,260
Supplies and Materials	5,038,292	683,484	311,845
Travel and Transportation	10,989,790	2,930,652	362,847
Contract, Consulting, and Other Services	1,104,788	5,918,027	8,383
Printing and Reproduction	8,278,289	44,267	33,955
Subscriptions and Publications	3,801,722	431,178	133,769
Cost of Goods Sold	0	0	0
Interest on Capital Leases (Note 7)	<u>0</u>	<u>108</u>	<u>0</u>
Total Expenses	<u>499,567,711</u>	<u>111,570,964</u>	<u>15,076,915</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

*The accompanying notes are an integral part of these financial statements*

<b>Officers and Legislative Offices</b>	<b>Capitol Police and Other Joint Functions</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>1995 Restated</b>
\$ 2,876,633	\$ 0	\$ 0	\$ 2,876,633	\$ 3,107,534
3,899,343	0	0	3,899,343	4,611,544
676,158	54,127	0	730,285	1,648,047
<u>46,071,257</u>	<u>0</u>	<u>(46,071,257)</u>	<u>0</u>	<u>0</u>
53,523,391	54,127	(46,071,257)	7,506,261	9,367,125
<u>105,401,914</u>	<u>43,101,778</u>	<u>0</u>	<u>774,719,282</u>	<u>772,204,213</u>
<u>158,925,305</u>	<u>43,155,905</u>	<u>(46,071,257)</u>	<u>782,225,543</u>	<u>781,571,338</u>
48,821,289	30,367,662	0	476,757,063	470,427,224
23,304,807	8,212,650	0	134,403,546	137,364,406
329,514	14,254	0	27,832,248	28,412,625
45,229,140	654,245	(30,112,065)	32,629,535	36,887,727
7,968,539	743,421	0	21,798,415	19,442,044
845,254	51,614	(615,658)	16,633,134	17,372,346
10,502,642	64,831	(11,133,434)	11,338,958	17,374,337
7,835,261	1,420,383	(3,961,304)	11,327,961	11,394,857
212,309	688,467	0	15,184,065	14,115,435
10,888,230	762,941	(13,183)	18,669,186	14,852,649
45,758	31,480	(235,613)	8,198,136	7,149,014
317,983	143,957	0	4,828,609	4,531,004
2,456,323	0	0	2,456,323	2,083,638
<u>168,256</u>	<u>0</u>	<u>0</u>	<u>168,364</u>	<u>164,032</u>
<u>158,925,305</u>	<u>43,155,905</u>	<u>(46,071,257)</u>	<u>782,225,543</u>	<u>781,571,338</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**U.S. House of Representatives  
Consolidating Statement of Cash Flows  
For the Year Ended December 31, 1996**

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (Deficiency) of Revenue and Financing Sources over Expenses	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow			
Appropriations to Cover Expenses	(499,567,711)	(111,570,964)	(15,076,915)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	12,702,300	(553,393)	(231,895)
(Increase)/Decrease in Advances and Prepayments	418,042	(22,402)	(4,070)
(Increase)/Decrease in Inventory	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(8,706,368)	(1,372,154)	229,641
Increase/(Decrease) in Other Accrued Liabilities	33,095	0	0
Depreciation and Amortization	9,756,332	2,528,309	801,814
Net Cash Provided (Used) by Operating Activities	<u>(485,364,310)</u>	<u>(110,990,604)</u>	<u>(14,281,425)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment, Net	<u>(15,407,753)</u>	<u>(3,299,543)</u>	<u>(925,531)</u>
Net Cash Provided (Used) by Investing Activities	<u>(15,407,753)</u>	<u>(3,299,543)</u>	<u>(925,531)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Appropriations Received (Note 9)	0	0	0
Funds Returned to the U.S. Treasury (Note 9)	0	0	0
Appropriated Funds Allocated (Note 9)	500,772,063	114,294,613	15,206,956
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>(4,566)</u>	<u>0</u>
Net Cash Provided (Used) by Financing Activities	<u>500,772,063</u>	<u>114,290,047</u>	<u>15,206,956</u>
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	0	(100)	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>0</u>	<u>600</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 500</u>	<u>\$ 0</u>

*The accompanying notes are an integral part of these financial statements*

<u>Officers and Legislative Offices</u>	<u>Capitol Police and Other Joint Functions</u>	<u>Eliminations</u>	<u>Consolidated</u>	<u>1995 Restated</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(105,401,914)	(43,101,778)	0	(774,719,282)	(772,204,213)
1,644,083	2,269	(12,668,120)	895,244	(493,646)
1,933,093	34,179	0	2,358,842	(2,683,264)
(153,975)	0	0	(153,975)	773,450
(16,886,254)	(612,707)	12,668,120	(14,679,722)	25,907,677
(557,789)	67,445	0	(457,249)	6,719,375
7,968,539	743,421	0	21,798,415	19,442,044
<u>(111,454,217)</u>	<u>(42,867,171)</u>	<u>0</u>	<u>(764,957,727)</u>	<u>(722,538,577)</u>
<u>(7,942,963)</u>	<u>(155,814)</u>	<u>0</u>	<u>(27,731,604)</u>	<u>(25,009,831)</u>
<u>(7,942,963)</u>	<u>(155,814)</u>	<u>0</u>	<u>(27,731,604)</u>	<u>(25,009,831)</u>
760,579,600	46,164,000	0	806,743,600	793,767,795
(11,967,067)	(1,012,083)	0	(12,979,150)	(23,088,868)
(632,384,457)	2,110,825	0	0	0
(510,414)	0	0	(514,980)	(286,027)
<u>115,717,662</u>	<u>47,262,742</u>	<u>0</u>	<u>793,249,470</u>	<u>770,392,900</u>
(3,679,518)	4,239,757	0	560,139	22,844,492
<u>727,076,513</u>	<u>42,680,375</u>	<u>0</u>	<u>769,757,488</u>	<u>746,912,996</u>
<u>\$ 723,396,995</u>	<u>\$ 46,920,132</u>	<u>\$ 0</u>	<u>\$ 770,317,627</u>	<u>\$ 769,757,488</u>



## Notes to the Financial Statements



**Note 1 - Description of the Reporting Entity**

The U.S. House of Representatives (House) is one of two separate legislative chambers that comprise the Congress of the United States. The other is the U.S. Senate (Senate). All lawmaking powers of the Federal government are given to the Congress under Article I of the Constitution of the United States. The House and Senate jointly agree on a budget for the Legislative Branch and submit it to the President of the United States. The Members of the House serve two-year terms of office, which coincide with the sequential numbering of the entire Congress. These financial statements cover the years ended December 31, 1996 and 1995, as restated, and reflect the financial activities of the first and second sessions of the 104th Congress.

To help carry out its constitutional duties, the House creates committees of Members and assigns them responsibility for gathering information, identifying policy problems, proposing solutions, and reporting bills to the full chamber for consideration. The House appoints officers to administer both legislative and non-legislative functions which support the institution and its Members in carrying out its legislative duties. The consolidating comparative financial statements of the House provide financial information on the activities of all entities which are subject to the authority vested in the House by the U.S. Constitution, public laws, and rules and regulations adopted by the membership of the House.

The financial statements reflect the organizational structure of the House under the 104th Congress. The following is a summary of the entity groupings as they appear in the 1996 consolidating financial statements:

House **Members**, or Representatives, are elected from congressional districts of about equal population within each State. The financial information in columns labeled "Members" aggregates the accounts and financial transactions of the representatives' district and Washington, D.C. offices, and includes 435 Members; 4 delegates from the District of Columbia, Guam, Virgin Islands, and American Samoa; and one resident commissioner from Puerto Rico. Member transactions primarily comprise expenses for employee and Member salaries, district office space rental and travel, and telecommunication, and postage costs, including franking costs.

The **Committees** column aggregates accounts and financial transactions of the standing, select or special committees of the House's 104th Congress. Committees are organized at the beginning of each Congress according to their jurisdictional boundaries incorporated in the Rules of the House. The standing and select committees of the House, under the 104th Congress, are as listed in the following table.

<b>104th Congress</b>	
Committee on Agriculture	Committee on National Security
Committee on Appropriations	Committee on Resources
Committee on Banking and Financial Services	Committee on Rules
Committee on Budget	Committee on Science
Committee on Commerce	Committee on Small Business
Committee on Economic and Educational Opportunities	Committee on Standards of Official Conduct
Committee on Government Reform and Oversight	Committee on Transportation and Infrastructure
Committee on House Oversight	Committee on Veterans' Affairs
Committee on International Relations	Committee on Ways and Means
Committee on Judiciary	Permanent Select Committee on Intelligence

House **Leadership Offices** include the financial activity of the Speaker, Majority and Minority Leaders, Majority and Minority Whips, and the party caucus or conference, which consist of representatives of the same political party.

**Officers and Legislative Offices** aggregates financial information with regard to the Clerk of the House, Sergeant at Arms, Chaplain, Chief Administrative Officer (CAO), Parliamentarian, Office of the Legislative Counsel, Office of the Law Revision Counsel, and Office of Inspector General. The Officers and Legislative Offices column on the face of the consolidating financial statements reports financial information with respect to all the legislative support and administrative functions provided to Members, committees, and leadership offices.

**Capitol Police and Other Joint Functions** include joint activities of the House and Senate. The joint functions include the Capitol Police, the Attending Physician, and the Joint Committee on Taxation, which has members from both the House and the Senate. The House's financial statements report only that portion of these functions funded by House appropriations or revolving fund activities. The House's administrative management does not exert direct control over the expenditures of these functions.

The **Eliminations** column on the face of the consolidating financial statements is used to negate the effect of transactions between the House entities when reporting total consolidating financial information. For example, when one House entity sells something to another House entity, the sale is simply an exchange between two internal parties and is, thus, not meaningful when reporting consolidating financial information.

For the year ended December 31, 1995, activity for Legislative Service Organizations (LSOs) was shown in the consolidating financial statements. Since LSOs were disbanded as a result of House Resolution No. 6 dated January 4, 1995, a column for LSO is no longer shown in the 1996 consolidating financial statements.

## **Note 2 - Summary of Significant Accounting Policies**

### **A. Basis of Consolidation**

The financial statements include the accounts and significant activities of the House. The consolidating financial statements do not include other legislative agencies that support the House and that receive

separate appropriations. These agencies include the Library of Congress, Congressional Budget Office (CBO), General Accounting Office (GAO), Government Printing Office (GPO), U.S. Botanic Garden, Congressional Research Service (CRS), and the Architect of the Capitol (AOC). Functions jointly shared between the House and the Senate are included in the consolidating financial statements to the extent their operations are funded by House appropriations. These consist of the Capitol Police, the Attending Physician, and the Joint Committee on Taxation. All significant interoffice balances and transactions have been eliminated to arrive at consolidating financial information.

#### **B. Basis of Accounting**

The financial statements have been prepared from records of the House that are largely based on cash transactions. However, adjustments have been made to apply the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting has been used to present these financial statements because it is a widely accepted way of reporting financial position and results of operations. Under the accrual method, expenses are recorded in the period liabilities are incurred regardless of when cash payments are made. Similarly, revenues are recorded in the period earned, rather than at the time cash is received. Also, property and equipment and inventories are reported in the financial statements as assets. Capital lease liabilities are recorded when the structure of leases is such that they more closely resemble a means of financing the purchase of fixed assets, rather than a charge for temporarily using property and equipment.

#### **C. Fund Balance with the U.S. Treasury, Cash, and Intragovernmental Liabilities**

Funds available to the House to pay current liabilities and finance authorized purchase commitments are on deposit principally with the U.S. Treasury. Fund Balance with the U.S. Treasury includes House accounts maintained by the Office of Finance as well as the Congressional Use of Foreign Currency account which is held at the U.S. Treasury, but maintained and administered by the Department of State on behalf of the House. House accounts held at the U.S. Treasury are reported in the financial statements under the Office of Finance within Officers and Legislative Offices since neither Members nor committees pay their own bills or have separate U.S. Treasury accounts. Instead, Member's staff and committee payroll and purchases are paid by the Office of Finance. Because the Capitol Police and Other Joint Functions entity has separate U.S. Treasury accounts, this reporting entity separately reports fund balances. Cash represents petty cash as well as an Office of Finance deposit account with a commercial banking institution, and an account for mailings that require address corrections or additional postage. For the purposes of the Consolidating Statement of Cash Flows, funds with the U.S. Treasury are considered cash. Intragovernmental Liabilities represent funds which have been identified in the Legislative Branch Appropriations Act, 1996 to be transferred from the House account at the U.S. Treasury to the U.S. Treasury general fund. Intragovernmental liabilities consist of miscellaneous receipts from the Charge Card Travel Rebate Program of \$22,560 collected during fiscal year 1995.

#### **D. Accounts Receivable**

Receivables have been reconstructed from receipts information and from records maintained by various entities within the Officers and Legislative Offices and by contractors. No allowances for doubtful collections are recorded because the identified receivables were either collected before the preparation of these financial statements or because the collection is not in doubt.

**E. Advances and Prepayments**

Advances and prepayments consist mostly of prepaid subscriptions for publications and for data communication services.

**F. Inventory**

House Restaurant System, Gift Shop, and Supply Store all maintain an inventory of goods for sale. These entities are included in the Officers and Legislative Offices column of the financial statements. Inventories for sale are valued at the lower of average cost or net realizable value. The Furniture Resource Center, also included in the Officers and Legislative Offices column, maintains inventories of such items as hard wood, carpet, leather, fabric, furniture components and repair materials. These items are not for sale but are reflected on the Statement of Financial Position at an estimate of their value on the first in/first out basis. Finished items of furniture and furniture under repair which meet the capitalization threshold are included in property and equipment. Those items which do not meet the capitalization threshold are classified as repairs and maintenance.

**G. Property and Equipment**

The House's accounting records are maintained on a cash basis and the House has no systematic means of accounting for the value of property and equipment held for more than one year. However, for the purposes of presenting accrual-based financial statements, property and equipment amounts have been estimated and adjustments have been made based on information maintained in various systems. Because of the estimation methods used to compile the property and equipment amounts, many items older than five years are not reported as assets in these financial statements, although they may still have value. Equipment purchases (except computer equipment) were capitalized, based on Office of Finance policy, if their original acquisition cost exceeded \$5,000. Computer equipment and software were capitalized if their original cost exceeded \$500.

The House has possession of numerous assets that may be of significant historical and artistic value that are not accounted for in the financial books and records of the House. Many of these assets may be maintained on the records of the Architect of the Capital. These financial statements do not reflect the existence or value of such assets.

The land and buildings occupied and used by Members, officers, and employees of the House in Washington, D.C. are also in the custody of the Architect of the Capital and are not included in these financial statements.

Accumulated depreciation and depreciation expense have been estimated based on available records. Depreciation expense is a periodic charge for property and equipment based on their estimated useful lives. It was calculated by applying the straight-line method over the estimated useful life of the asset. Estimated useful lives ranged from three to ten years. See Note 5 for the composition of property and equipment held by the House.

**H. Leases**

Members and Officers enter into leases for office space and vehicles, and the House enters into leases for computers and other equipment. Most of these leases are for temporary usage. These types of transactions are referred to as operating leases. Rent expense for operating leases is recorded over the period the leased item is used, which generally closely corresponds to the periodic rent payments. The House has other leases which are structured such that their terms effectively finance the purchase of the

item and convey its ownership. They are referred to as capital leases, and the leased item is accounted for as if it were purchased and the lease agreement as if it were a debt instrument. The House's leasing arrangements are further described in Note 7.

#### **I. Revenue From Operations**

Revenues are the result of an earnings process — selling goods or services. Sales of goods to customers take place at the Gift Shop, Supply Store, and House Restaurant. Sales of services to Federal agencies are comprised of HIR computer services which are charged to users such as the GAO and CBO. Sales of services to the public are comprised of such items as House publications sold to the public and sales of photographs. Interoffice sales are entirely eliminated upon consolidation because they reflect internal sales by one House entity to another.

#### **J. Appropriations to Cover Expenses, Appropriations Receivable, and Appropriations Payable**

Like most governmental organizations, the House finances most of its expenses with appropriations. For example, as shown in the Consolidating Statement of Operations, the expenses of Members, Committees, and Leadership Offices are entirely financed with appropriations. Other House entities require appropriations to the extent the revenue they generate does not cover their expenses. Appropriations are referred to as a financing source instead of revenue, since they do not result from an earnings process. In all but the most unusual circumstances, the House will show no excess or deficiency of revenues over expenses, because appropriations will exactly cover any excess expenses.

As discussed in Note 2C, the Office of Finance maintains most of the House's accounts with the U.S. Treasury. The Office of Finance is the entity responsible for allocating appropriations to the other House entities to cover expenses. Appropriations receivable are amounts allocated to the various House entities by the Office of Finance in order to pay each entity's liabilities. A corresponding appropriations payable arises in the Office of Finance. For 1996, an additional appropriations payable is included within OSM. This payable is a result of the Interoffice Receivable, which includes amounts owed by Members, Committees, and Leadership Offices for installment plan purchases of equipment and district office furniture, causing the interoffice receivable to exceed the OSM accounts payable liability. Any excess of funds collected by OSM over liabilities would be paid to the Office of Finance. The appropriations receivable and payable eliminate upon consolidation.

#### **K. Postage and Delivery**

Postage and delivery principally consists of Members' postage, including their use of the frank, which is charged to the Members' Representational Allowances.

#### **L. Repairs and Maintenance**

The repairs and maintenance caption includes all expenses related to the maintenance and upkeep of House equipment in both Washington, D.C. and in Members' district offices, as well as related operating lease payments on various types of equipment. In addition, equipment purchases below the capitalization thresholds discussed in Note 2G above, such as office furniture, are classified as repairs and maintenance.

#### **M. Depreciation and Amortization**

Depreciation and amortization are periodic expenses to allocate the cost of certain assets, such as furniture, equipment, and automobiles, over the time period the assets are used. In other words, instead of recording the full cost of these capital assets as an expense in the period purchased, their cost is recorded periodically as depreciation over the productive life of the assets.

**N. Supplies and Materials**

Supplies and materials are expenses by Members, committees, and other House offices for paper and other office supplies. Supplies and materials also include uniforms for the Capitol Police, as well as medical supplies purchased by the Attending Physician. Supplies and materials do not include inventories held for sale by retail entities, such as the Gift Shop, Supply Store, and the House Restaurant System.

**O. Rent, Utilities, and Communications**

Rent and utilities primarily consist of the rental of district offices by Members and any related utility payments. This caption also includes communications costs which consist of charges for news wire services, satellite fees, and external network access services.

**P. Telecommunications**

Telecommunications expense includes local and long distance telephone service in Washington, D.C. and Members' district offices.

**Q. Travel and Transportation**

Travel and transportation expenses include official travel by Members, Committees, and Leadership Offices; travel by other House officers, employees, and Congressional delegations; freight and shipping costs; and expenses related to the lease and maintenance of automobiles.

**R. Contract, Consulting, and Other Services**

Contract, consulting, and other services include data entry services, management services in House Postal Operations, annual audit fees, the cost of studies and analyses requested by committees, as well as computer, recording, janitorial, and catering services.

**S. Printing and Reproduction**

This category principally includes printing and reproduction of constituent communications. Also included are photography services, as well as printing and reproduction of items, such as informational publications and reference materials.

**T. Subscriptions and Publications**

Subscriptions and publications include the cost of periodicals and news services.

**U. Cost of Goods Sold**

Cost of goods sold refers to the cost of products sold in House managed retail operations, such as the Gift Shop, Supply Store, and House Restaurant System.

**V. Annual, Sick and Other Leave**

For House Officers and their staff, annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken. The liabilities recorded at December 31, 1996 and 1995, as restated, reflect cumulative leave earned but not taken, priced at current wage rates. Sick and other types of paid leave are expensed as taken. See Note 8 for specific rules and laws governing accruals for annual leave and other benefits.

**Note 3 - Intragovernmental Financial Activities**

The House has significant intragovernmental financial activities with Executive and Legislative Branch agencies. These financial activities include transactions and agreements to purchase goods and services.

**Transactions with Executive Branch Agencies**

The House's most significant interagency transactions with the Executive Branch involve the U.S. Treasury for processing the House's receipts and disbursements; the Department of State for maintaining and administering the House's Congressional Use of Foreign Currency account; the U.S. Postal Service for postage; the U.S. Department of Labor (DOL) for unemployment and workers' compensation; the General Services Administration for the use and upkeep of office space in certain Members' district offices; the Federal Bureau of Investigation for investigative and protective services; and several other Executive Branch agencies for detailed staff, for example, for the services of medical personnel and special studies requested by House committees.

**Significant Cash Disbursements**

Significant cash disbursements to the Executive Branch during the years ended December 31, 1996 and 1995, were:

	1996	1995
U.S. Postal Service	\$32,281,547	\$26,582,723
U.S. Department of Labor	4,490,391	4,330,958
General Services Administration	3,593,876	4,169,390
Federal Bureau of Investigation	280,475	428,747
Other Executive Branch agencies	546,923	313,365

**State Department Managed Funds**

The State Department maintains and administers the Congressional Use of Foreign Currency (Foreign Currency) account on behalf of Congress. The Foreign Currency account, which was established in 1948 and made permanent in 1981, is authorized by the legislation codified in Title 22, Sec. 1754 of the United States Code. These funds are available to Congressional committees and delegations to cover local currency expenses incurred while traveling abroad. The balance of the House's portion of the Foreign Currency account was \$6,340,517 and \$5,909,664 as of December 31, 1996 and 1995, as restated, respectively. During the year ended December 31, 1996, the State Department requested and received a replenishment of \$2.6 million for the account from the U.S. Treasury. The fund balance related to the account can be found within the Office of Finance's Fund Balance with U.S. Treasury under the Officers and Legislative Offices heading. Prior to 1996, the Office of Finance did not have access to the information maintained by the State Department. As such, activity related to the Foreign Currency account was not included in prior year consolidated financial statements.

Use of the Foreign Currency account for Congressional delegations and other official foreign travel of the House is authorized by either the Speaker of the House or the chairman of a standing, select, or joint committee. The entirety of the Foreign Currency account expense activity is therefore included with the Committee and Leadership Offices travel expenses. Travel expenses for Committees were \$1,852,447 in 1996 and \$1,212,778 in 1995, as restated. Travel expenses for Leadership Offices were \$316,700 in 1996 and \$514,826 in 1995, as restated.

**Transactions with Legislative Branch Organizations**

The House has significant transactions with other Legislative Branch organizations, some of which are shared with the Senate. These organizations receive their own appropriations, and operate autonomously from the House's administrative functions. The Architect of the Capitol provides building-related services for the U.S. Capitol and House office buildings, including power, landscaping, janitorial services, and maintenance. The House also receives support services from the General Accounting Office, Library of Congress, Congressional Budget Office, Government Printing Office, and U.S. Botanic Garden. Significant cash disbursements to Legislative Branch entities during the years ended December 31, 1996 and 1995, were:

	<b>1996</b>	<b>1995</b>
General Accounting Office	\$1,188,380	\$5,047,350
Government Printing Office	324,959	577,684

The House provides computer services to government agencies for a user fee. Total HIR services provided to Federal agencies were \$3,899,343 and \$4,611,544 for the years ended December 31, 1996 and 1995, respectively. Significant user fees charged to Legislative Branch entities for the years ended December 31, 1996 and 1995, were:

	<b>1996</b>	<b>1995</b>
General Accounting Office	\$2,300,000	\$2,672,000
Congressional Budget Office	\$1,146,000	\$1,318,000

**Note 4 - Fund Balance with the U.S. Treasury and Cash**

The House's appropriated and revolving fund balances with the U.S. Treasury, and cash balances, as of December 31, 1996 and 1995, as restated, are shown in the table below. Fund Balance with the U.S. Treasury, as presented below, is separated into two categories: (1) Fund Balance with U.S. Treasury accounts which are maintained by the Office of Finance, and (2) the House's Congressional Use of Foreign Currency account which is held at the U.S. Treasury, but is maintained and administered by the Department of State.

	<b>1996</b>	<b>1995</b> <b>(Restated)</b>
Fund Balance Accounts Maintained by the House	763,924,271	763,791,221
Congressional Use of Foreign Currency	6,340,517	5,909,664
Subtotal: Fund Balance with U.S. Treasury	<u>770,264,788</u>	<u>769,700,885</u>
Cash and Commercial Bank Accounts	52,839	56,603
Total Fund Balance with the U.S. Treasury and Cash	<u><u>\$770,317,627</u></u>	<u><u>\$769,757,488</u></u>

The House's Fund balance with the U.S. Treasury was not adjusted to conform with balances reported by the U.S. Treasury. At December 31, 1996, the U.S. Treasury reported the House's fund balance as \$763,637,507. The difference of approximately \$6.6 million can be attributed to two items. The first relates to an identified difference of approximately \$2.7 million in a Budget Clearing Account, resulting from a reporting error by the House. This reporting error caused the U.S. Treasury's fund balance to be reduced by \$2.7 as a Members' Salary expenditure. However, this difference does not represent an actual cash expenditure of the House. The second issue involves a net unidentified difference of approximately \$3.9 million, which represents unreconciled differences between the House's financial management system and the U.S. Treasury's record.

Unlike Executive Branch departments and agencies, the House's appropriation is not apportioned by quarter. Rather, the House receives its entire appropriation in October, causing the fund balance with the U.S. Treasury to be relatively large at December 31, 1996 and 1995, as restated.

Cash balances represent petty cash on hand at various House offices and committees. The Office of Finance also maintains funds in a deposit account at a commercial bank and an account for mailings that require address corrections or additional postage. In addition, funds remain in a commercial bank account that was established for use by the House Restaurant during the period in which it was operated by the House. Petty cash and funds in commercial bank accounts as of December 31, 1996 and 1995, as restated, were:

	<b>1996</b>	<b>1995</b>
Petty Cash	\$ 42,047	\$ 45,260
Commercial bank accounts:		
Office of Finance	10,664	11,215
House Restaurant	128	128
Total cash and commercial bank accounts	<u>\$ 52,839</u>	<u>\$ 56,603</u>

#### **Note 5 - Property and Equipment**

At present, the House's accounting records do not systemically accumulate or summarize financial information with respect to property and equipment. Property and equipment balances have been reconstructed predominantly from disbursement records based on purchasing patterns during the last five years. An estimate of property and equipment as of December 31, 1996, and depreciation expense for the year then ended is shown in the following table.

Classes of Property and Equipment	Service Life (years)	Estimated Acquisition Value	Accumulated Amortization Depreciation	Estimated Net Book Value	1996 Amortization/Depreciation Expense
Office Equipment	3, 5, or 10	120,536,140	82,260,218	38,275,922	19,513,247
Telecommunications Equipment	7	21,453,466	18,591,294	2,862,172	1,369,918
Office Furnishings	5	56,700	47,100	9,600	1,755
Media Equipment	5 or 10	2,190,995	1,695,815	495,180	154,935
Software	3 or 5	4,852,279	4,181,748	670,531	383,533
Motor Vehicles	3, 5, or 7	1,686,521	1,177,508	509,013	234,600
Medical Equipment	5 or 10	1,218,405	1,080,184	138,221	140,427
Totals		<u>151,994,506</u>	<u>109,033,867</u>	<u>42,960,639</u>	<u>21,798,415</u>

An estimate of property and equipment as of December 31, 1995, and depreciation expense for the year then ended is shown in the following table.

Classes of Property and Equipment	Service Life (years)	Estimated Acquisition Value	Accumulated Amortization Depreciation	Estimated Net Book Value	1995 Amortization/Depreciation Expense
Office Equipment	3, 5, or 10	112,880,374	81,259,767	31,620,607	17,487,879
Telecommunications Equipment	7	20,308,195	17,106,931	3,201,264	994,325
Office Furnishings	5	56,700	45,345	11,355	3,718
Media Equipment	5 or 10	2,190,995	1,540,880	650,115	161,866
Software	3 or 5	4,350,816	3,793,358	557,458	406,036
Motor Vehicles	3, 5, or 7	1,656,717	942,909	713,808	247,173
Medical Equipment	5 or 10	1,212,596	939,753	272,843	141,047
Totals		<u>142,656,393</u>	<u>105,628,943</u>	<u>37,027,450</u>	<u>19,442,044</u>

Included in office equipment are assets acquired under lease agreements that effectively finance the purchase of equipment and convey ownership to the House. These are referred to as capital leases and are for computers and other equipment. The acquisition value of equipment acquired under capital lease is estimated to be \$3,747,005 and \$3,687,320 for 1996 and 1995, respectively, against which \$2,226,858 and \$1,730,056 of depreciation has been incurred at December 31, 1996 and 1995, respectively. These are estimated amounts since the House does not maintain a centralized means of accumulating and accounting for all leases in effect.

**Note 6 - Accounts Payable**

Since the House does not maintain accrual-based records, an estimation process was used to determine the accounts payable value as of December 31, 1996 and 1995. To estimate the accounts payable at December 31, 1996 and 1995, as restated, all payments through May 2, 1997 for goods and services received before December 31, 1996 and 1995, have been accrued as accounts payable totaling \$49,342,917 as of December 31, 1996 and \$64,022,639 as of December 31, 1995, as restated. These amounts also include DOL billings received for unemployment compensation and workers' compensation. The accounts payable does not include amounts related to the Congressional Use of Foreign Currency account, as the House did not have records that would enable them to summarize the amount owed related to foreign travel expenses. See Note 9 for further discussion of restatement of the 1995 accounts payable balance.

The House pays a significant number of bills three months or more after goods and services are received. Also, expenses can be charged against appropriations up to two years after the close of the fiscal year. In the absence of a systematic means to accumulate these liabilities, no estimate of them has been recorded in the financial statements as of December 31, 1996 and 1995. However, the House has recorded those calendar year 1996 expenses which were paid through the beginning of May 1997 as accounts payable for 1996, and those calendar year 1995 expenses which were paid during calendar year 1996 through the beginning of May 1997, as accounts payable for 1995, as restated.

**Note 7 - Lease Commitments**

The House enters into various leasing arrangements for computers and other equipment, and for office space, primarily for Members' district offices. The leases for temporary usage are referred to as operating leases. Rent expense for operating leases is recorded over the period the leased item is used, which generally closely corresponds to the periodic rent payment. Other leases are structured such that their terms effectively finance the purchase of an item and convey its ownership. This type of lease agreement closely resembles a loan and is referred to as a capital lease. The leased item is accounted for as if it were purchased, and the lease agreement as if it were a debt instrument.

Future lease payments for capital leases at December 31, 1996 and 1995, and the associated capital lease liabilities are as follows:

	<b>1996</b>	<b>1995</b>
Future Lease Payments:		
Within one year	\$ 1,232,041	\$ 1,282,196
two years	210,206	386,814
three years	20,251	210,206
four years	0	20,251
Capital lease liabilities	<u>\$ 1,462,498</u>	<u>\$ 1,899,467</u>

Interest paid on capital leases during the years ended December 31, 1996 and 1995, was \$168,364 and \$164,032, respectively.

Future operating lease payments at December 31, 1996 and 1995, and the associated operating lease obligations are as follows:

	<b>1996</b>	<b>1995</b>
Future Lease Payments:		
Within one year	\$ 558,408	\$ 814,467
two years	556,513	551,789
three years	553,860	509,401
four years	553,860	506,748
five years	323,085	0
Operating lease obligations	<u>\$ 2,545,726</u>	<u>\$ 2,382,405</u>

The records of the House do not accumulate all leases for space. The Members may lease space in their districts through GSA, an Executive Branch agency that operates Federal buildings and leases space from the private sector, or the Member may directly lease space from the private sector. The *Members' Congressional Handbook* states that Members cannot enter into a lease for longer than two years, and in no case may a lease period exceed the current Constitutional term of the Congress to which the Member is elected. Lease expense for office space for the years ended December 31, 1996 and 1995, was \$14,942,177 and \$14,548,736, respectively.

Members and Officers have entered into leases to rent vehicles for official business purposes. Since the House does not accumulate all leases for vehicles, an estimation process was used to determine lease commitments. Assuming a two-year or Congressional term limitation as the lease term, the House's commitment to make future lease payments on rental vehicles has been estimated as \$678,000 and \$614,000, as of December 31, 1996 and 1995, respectively.

#### **Note 8 - Benefits**

##### **A. Member and Employee Benefits**

Member and employee benefit expenses for the years ended December 31, 1996 and 1995, as restated, included:

	<b>1996</b>	<b>1995</b> <b>(Restated)</b>
Retirement Savings	\$ 79,364,681	\$ 76,690,613
Social Security	27,928,996	27,175,488
Health Insurance	18,312,171	19,215,466
Unemployment and Worker's Compensation	4,935,638	9,558,408
Accrued Annual Leave	2,836,700	3,769,616
Life Insurance	774,250	594,336
Death Benefits	251,110	360,479
Total	<u>\$ 134,403,546</u>	<u>\$ 137,364,406</u>

Approximately \$1,036,000 in 1996 and \$1,048,000 in 1995 of Unemployment and Workers' Compensation expenses, as listed above, are included in Accounts Payable as of December 31, 1996 and 1995, as restated. These amounts represent funds owed by the House Restaurant Revolving Fund to DOL for unemployment compensation benefits. DOL paid these benefits on the Fund's behalf to the District of Columbia. The House Restaurant Revolving Fund does not currently have the means to pay this liability. Legislative action by the House may be necessary to provide funds to the House Restaurant Revolving Fund to repay DOL.

## **B. Member and Employee Pensions**

House Members and employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both Members and employees are eligible for retirement benefits under CSRS or FERS. However, Members' benefits are different from those of employees. A basic annuity under CSRS or FERS is the product of the average salary received during the highest 36 consecutive month period and a percentage factor which is based on the length of Federal service. Members can also receive retirement benefits after fewer years of service. For example, a Member can be eligible to receive retirement benefits at the age of 60 if he or she has 10 years of service, but an employee must have 20 years of service to be eligible to receive benefits at age 60.

For CSRS employees, the House withholds a portion of their earnings. Employees' contributions are then matched by the House and the sum is transferred to the Civil Service Retirement Fund, from which the CSRS employees will receive retirement benefits. For FERS employees, the House withholds, in addition to social security withholdings, a portion of base earnings. The House contributes an amount proportional to the employees' base earnings toward retirement, and an additional scaled amount toward each individual FERS employee's Thrift Savings Plan, depending upon the employee's level of savings. The FERS employees will receive retirement benefits from the Federal Employees Retirement System, the Social Security System, and Thrift Savings Plan deposits that have accumulated in their accounts.

Total House (employer) contributions to the Thrift Savings Plan, Civil Service Retirement System, and Federal Employees Retirement System for all Members and employees were \$79,364,681 and \$76,690,613 for the years ended December 31, 1996 and 1995, as restated, respectively.

Although the House funds a portion of pension benefits under CSRS and FERS relating to its employees and deducts the necessary payroll withholdings, it has no liability for future payments to employees under these programs. The House does not account for the assets of CSRS and FERS nor does it have actuarial data with respect to accumulated plan benefits of Members or any unfunded pension liability relative to its employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement Systems as a whole and are not allocated to the individual employers. OPM also accounts for health and life insurance programs for current and retired Members and employees. Similar to the accounting treatment afforded to the retirement programs, the actuarial data related to the health and life insurance programs are maintained by OPM and are not available on an individual employer basis.

## **C. Member, Committee, and Leadership Offices Accrued Leave**

Currently, annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken for House Officers only. However, the *Members' Congressional Handbook*, effective September 1, 1995, allows Members to adopt personnel policies which provide for accrual of annual leave and use of such leave. Similar policies have also been adopted by committees and leadership

offices. While leave is tracked from one pay period to the next, a consistent policy has not been formally adopted by these entities regarding the accrual and payment of leave time. As a result, an accrued leave liability for Members, committees, and leadership offices cannot be reasonably estimated and is not recorded on the financial statements.

#### D. Accrued Unfunded Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and beneficiaries of employees whose death is attributable to a job-related injury. Claims incurred for benefits for House employees under FECA are administered by the DOL and later billed to the House. The House accrued its workers' compensation costs that were unbilled or unpaid as of December 31, 1996 and 1995, and established unfunded liabilities for future costs totaling \$18,092,302 and \$17,421,321, respectively.

#### Note 9 - Net Position

Net Position is the difference between assets and liabilities, but its components normally are comprised of (1) appropriated, but unspent funds, referred to as unexpended appropriations; (2) funds used to finance property, equipment, inventory and other capital assets, are referred to as invested capital; and (3) balances retained in revolving funds as a result of their operating activities. Unexpended Appropriations totaled nearly \$724 million as of December 31, 1996. The fund balance at the U.S. Treasury was at a similar level on that date, because a 12 month appropriation was received in October 1996. Net Position in the Statement of Financial Position at December 31, 1996, has been reconstructed based on estimates of certain assets and liabilities. Therefore, the balances comprising Net Position are also estimates.

The Net Position for the Appropriated Funds and the Revolving Funds, including the House Recording Studio, Page School, Barber Shop, Beauty Salon, House Restaurant, Office of Supply Service, and the Child Care Center (which is not a revolving fund but is authorized to act as one), are as shown in the following table as of December 31, 1996.

Net Position	Revolving Funds	Appropriated Funds	Totals
Unexpended Appropriations	\$ 7,229,130	\$ 716,323,995	\$ 723,553,125
Cumulative Invested Capital	1,781,247	42,327,944	44,109,191
Future Funding Requirements	(157,054)	(29,507,825)	(29,664,879)
Total Net Position	\$ 8,853,323	\$ 729,144,114	\$ 737,997,437

The following adjustments, as discussed below, were made to properly restate the December 31, 1995, Net Position:

Organization	Net Position Dec. 31, 1995 Previously Reported	Net Adjusting Entries	Net Position Dec. 31, 1995 Restated
Members	\$	\$	\$

	18,399,511	(270,208)	18,129,303
Committees	2,520,428	\$ (477,880)	2,042,548
Leadership Offices	1,441,973	\$ (45,280)	1,396,693
Offices and Legislative Offices	663,127,506	\$ (7,775,134)	655,352,372
Capitol Police and Other Joint Functions	43,063,226	\$ (1,031,873)	42,031,353
Legislative Service Organizations (LSOs)*	(207,211)	\$ 207,211	0
Consolidated	\$ 728,345,433	\$ (9,393,164)	\$ 718,952,269

\* LSOs were disbanded as a result of House Resolution No. 6 dated January 4, 1995.

Prior period adjustments were recorded to capture additional information which resulted primarily from corrections of errors or omissions. As a result of these adjustments, several financial statement balances were restated. Corrections of errors and omissions in the previously issued financial statements primarily resulted from a lack of accrual based record keeping by the House. For example, additional accounts payable in existence as of December 31, 1995, were identified by House management as paid during calendar years 1996 or 1997 that were not previously recognized in the December 31, 1995, accounts payable balance. Additionally, prior period adjustments were made to include the 1995 Congressional Use of Foreign Currency account fund balance and related expenses.

The changes in Net Position during the year ended December 31, 1996, were:

Organization	Net Position Dec. 31, 1995, as Restated	Appropriations Received	Funds Returned to the U.S. Treasury	Appropriated Funds Allocated	Appropriations to Cover Expenses	Net Position Dec. 31, 1996
Members	\$ 18,129,303	0	\$ 0	\$ 500,772,063	\$ (499,567,711)	\$ 19,333,655
Committees	2,042,548	0	0	114,294,613	(111,570,964)	4,766,197
Leadership	1,396,693	0	0	15,206,956	(15,076,915)	1,526,734
Officers	655,352,372	760,579,600	(11,967,067)	(632,384,457)	(105,401,914)	666,178,534
Capitol Police and Other Joint Functions	42,031,353	46,164,000	(1,012,083)	2,110,825	(43,101,778)	46,192,317
Consolidated	\$ 718,952,269	\$ 806,743,600	\$ (12,979,150)	\$ 0	\$ (774,719,282)	\$ 737,997,437

Appropriations received are funds which have been made available to the House through the U.S. Treasury. For all House entities, appropriations received are maintained by the Office of Finance, which is reported in the financial statements under Officers and Legislative Offices. Appropriations received

have been disclosed separately for Capitol Police and Other Joint Functions, which are not under the direct control of the House.

Funds withdrawn by the U.S. Treasury consist of appropriated funds, which were unexpended at the end of a specified term, and thus are required by law to be transferred to the U.S. Treasury general account. House funds totaling \$11,967,067, representing 1994 funds, were withdrawn during 1996 and funds totaling \$22,547,992, representing 1993 funds, were withdrawn during 1995. Similarly, funds transferred to the U.S. Treasury by the Capitol Police and Other Joint Functions totaled \$1,012,083 and \$540,876 during 1996 and 1995, respectively.

#### **Note 10 - Revolving Funds, Interoffice Sales, and Transfers**

Some entities of the House transfer costs to Members and committees for goods and services provided. These entities are primarily OSM, which transfers costs of equipment to the Members and committees, Office of Telecommunications, which transfers phone charges, and OSS, which accounts for office supply purchases and flag sales. However, many expenses are incurred by House entities that are not fully charged to Members or committees, including certain telecommunication services, Washington D.C. office furnishings, and computer services.

Some of the House's business-like activities have operated in a revolving fund structure. A revolving fund is a budgetary structure set by statute that is frequently used by components of Executive Branch agencies to collect user fees or revenue from which they finance operating expenses. In 1995 the House operated revolving fund type activities for the House Recording Studio, House Page School, House Barber Shop, House Beauty Shop, House Restaurant, Office Supply and Child Care Center. At the end of 1995, the use of collections for the Barber and Beauty Shop as well as Recording Studio Revolving Funds were suspended subject to future appropriations. The operations of the Barber and Beauty Shop were privatized at the end of 1995. The House Restaurant is currently managed and operated by external contractors; however, vending machine sales are still managed by the House.

#### **Note 11 - Supplemental Financial Schedules**

To provide additional financial information about smaller components of the House, supplemental financial schedules are presented as follows:

Financial information has been provided for each of the entities comprising **Officers and Legislative Offices**, as reported in the principal financial statements. These include the Clerk of the House, Sergeant at Arms, Chaplain, Chief Administrative Officer, Parliamentarian, Legislative Counsel, Law Revision Counsel, and Inspector General.

Additional financial information with respect to areas under the **Chief Administrative Officer** has also been provided. These include the House Child Care Center, Postal Operations, House Restaurant, Office of Finance, Furniture Resource Center, OSM, OSS, Office of Human Resources, HIR, Office of Telecommunications, Office of Photography, House Recording Studio, and the immediate Office of the CAO. The legislative support and administrative functions provided by these entities include daycare services for children of Members and employees, as well as non-House employees on a space-available basis; postal services; vending services; accounting services; construction and refurbishing of furniture

for Members and staff; purchasing services for office and computer equipment as well as office supplies.

**Capitol Police and Other Joint Functions** include joint activities of the House and Senate. The House's financial statements report only that portion of these functions accounted for by the House. The joint functions include the Capitol Police, the Attending Physician, and the Joint Committee on Taxation, which has members from both the House and the Senate. The House's management does not exert direct control over the expenditures of these functions.

**Note 12 - Supplemental Schedule: Statement of Budget And Actual Expenditures (Unaudited)**

The budget of the House is prepared on the government fiscal year ending September 30, as opposed to a calendar year basis, which coincides closely with the legislative year. As a result, the consolidating Statement of Budget and Actual Expenditures can only be shown for the fiscal years ended September 30, 1996 and 1995. Expenditures are shown net of earned revenues. The fiscal year 1996 statement reflects expenditures that were disbursed through May 1997 that related to purchases made or services delivered in fiscal year 1996. The fiscal year 1995 statement reflects expenditures that were disbursed through April 1996 that related to purchases made or services delivered in fiscal year 1995. The \$18.5 million remaining at September 30, 1996, and \$101.4 million remaining at September 30, 1995 is available to pay for additional future disbursements with respect to these commitments.

The column entitled "Benefits and Other" includes the House's budgetary resources and expenditures for its contributions toward Member and employee benefits, as well as other less significant amounts related to gratuities and interparliamentary receptions. Because the House's budgetary records aggregate these amounts, they can not be aligned with the individual House entities to which they relate.



## **Supplemental Schedules**



# Organization and Composition of Consolidating Financial Statements



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

**Members**

Members, Delegates, and Resident Commissioner  
Members' Allowances and Expenses

**Committees**

Committee on Agriculture  
Committee on Appropriations  
Committee on Banking and Financial Services  
Committee on the Budget  
Committee on Commerce  
Committee on Economic and Educational Opportunities  
Committee on Government Reform and Oversight  
Committee on House Oversight  
Committee on International Relations  
Committee on Judiciary  
Committee on National Security  
Committee on Resources  
Committee on Rules  
Committee on Science  
Committee on Small Business  
Committee on Standards of Official Conduct  
Committee on Transportation and Infrastructure  
Committee on Veterans' Affairs  
Committee on Ways and Means  
Permanent Select Committee on Intelligence

**Leadership Offices**

Office of the Speaker  
Office of the Majority Leader  
Office of the Majority Whip  
Office of the Chief Deputy Majority Whip  
Office of the Minority Leader  
Office of the Minority Whip

Offices of the Chief Deputy Minority Whips  
Office of the Former Speaker - Albert  
Office of the Former Speaker - Wright  
Office of the Former Speaker - Foley  
Republican Conference  
Democratic Steering Committee  
Democratic Caucus  
Republican Steering Committee

## **Officers and Legislative Offices**

### **Clerk**

Office of the Clerk  
General Counsel  
Legislative Operations  
Legislative Information  
Legislative Resource Center  
Office of Official Reporters  
Service Group  
Legislative Computers  
Stenographic Reporting  
Office of the House Employment Counsel  
Closed Captioning  
Page Program, including Revolving Fund

### **Sergeant at Arms**

Office of the Sergeant at Arms

### **Chaplain**

Office of the Chaplain

### **Chief Administrative Officer (CAO)**

#### **Child Care Center**

House of Representatives - Child Care Center

#### **CAO**

Chief Administrative Officer of the House  
Internal Controls & Continuous Improvement  
Legal  
Radio TV Gallery  
Periodic Press Gallery  
House Press Gallery  
ADA Services

**House Postal Operations**

House Postal Operations

**House Restaurant Services**

House Restaurant, including Revolving Fund

**Office of Finance**

Office of Finance  
Budget  
Operations  
Financial Oversight and Review  
Payroll  
Accounting  
Member Services  
Allowance and Expenses / Supplies & Materials  
Allowance and Expenses / Government Contributions  
Allowance and Expenses / Re - employed Annuitants

**Furniture Resource Center**

Furniture Resource Center  
Furniture and Furnishings

**Office Supply Services**

Office of Supply Services  
Stationery Revolving Fund

**Office Systems Management**

Property Asset Management  
Office Equipment

**Human Resources and Other**

Human Resources  
Publications and Distributions - Immediate Office  
Printing Services  
Office of Employment Assistance  
Personnel and Benefits  
Office of Training  
Office of Payroll  
Placement Office  
Policy and Administration  
Office of Fair Employment Practices  
Outplacement Services  
Facilities Management - Immediate Office  
Support Services - Immediate Office  
One Call  
Procurement and Purchasing - Immediate Office  
Office of Employee Assistance

**House Information Resources**

House Information Resources - Immediate Office  
Integration  
Communications  
Client Services  
Operations

**Telecommunications**

Telecommunications

**Photography**

Office of Photography

**Recording Studio**

Communications Media  
House Recording Studio, including Revolving Fund

**Parliamentarian**

Office of the Parliamentarian  
Compilation of the Precedents

**Legislative Counsel**

Office of the Legislative Counsel

**Law Revision Counsel**

Office of the Law Revision Counsel

**Inspector General**

Office of Inspector General

**Capitol Police and Other Joint Functions**

Capitol Police - Security  
Capitol Police - General Expenses  
Office of the Attending Physician  
Attending Physician User Fees  
Technical Assistants to Attending Physicians  
Joint Committee on Taxation



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# Officers and Legislative Offices

**U.S. House of Representatives**  
**Combining Statement of Financial Position**  
**Of Officers and Legislative Offices**  
**As of December 31, 1996**

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chaplain</u>	<u>Chief Administrative Officer</u>
<b>ASSETS</b>				
Fund Balance with the U.S. Treasury	\$ 1,431,658	\$ 0	\$ 0	\$ 721,942,498
Cash	0	0	0	22,839
Fund Balance with U.S. Treasury and Cash	<u>1,431,658</u>	<u>0</u>	<u>0</u>	<u>721,965,337</u>
Accounts Receivable	0	0	0	675,319
Interoffice Receivable	0	0	0	8,874,381
Appropriations Receivable	1,752,956	304,952	131	14,329,739
Advances and Prepayments	31,078	0	0	260,202
Inventory	0	0	0	1,148,552
Property and Equipment, Net	<u>1,570,182</u>	<u>403,163</u>	<u>4,044</u>	<u>13,439,532</u>
Total Assets	<u>\$ 4,785,874</u>	<u>\$ 708,115</u>	<u>\$ 4,175</u>	<u>\$ 760,693,062</u>
<b>LIABILITIES AND NET POSITION</b>				
Accounts Payable	\$ 1,354,524	\$ 145,365	\$ 131	\$ 28,547,356
Interoffice Payable	17,726	7,199	0	105,384
Appropriations Payable	0	0	0	48,195,594
Capital Lease Liabilities	0	0	0	1,443,058
Intragovernmental Liabilities	0	0	0	22,560
Accrued Leave and Payroll	582,839	152,388	0	1,934,828
Unfunded Workers' Compensation Liability	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,092,302</u>
Total Liabilities	<u>1,955,089</u>	<u>304,952</u>	<u>131</u>	<u>98,341,082</u>
Unexpended Appropriations	1,268,632	0	0	676,327,915
Invested Capital	1,570,182	403,163	4,044	14,588,084
Future Funding Requirements	<u>(8,029)</u>	<u>0</u>	<u>0</u>	<u>(28,564,019)</u>
Total Net Position	<u>2,830,785</u>	<u>403,163</u>	<u>4,044</u>	<u>662,351,980</u>
Total Liabilities and Net Position	<u>\$ 4,785,874</u>	<u>\$ 708,115</u>	<u>\$ 4,175</u>	<u>\$ 760,693,062</u>

<u>Parliamentarian</u>	<u>Legislative Counsel</u>	<u>Law Revision Counsel</u>	<u>Inspector General</u>	<u>Combined</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$
0	0	0	0	723,374,156
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,839</u>
				723,396,995
0	0	0	0	675,319
0	0	0	0	8,874,381
42,375	189,507	381,514	270,851	17,272,025
0	2,248	63	1,960	295,551
0	0	0	0	1,148,552
<u>32,630</u>	<u>49,911</u>	<u>422,986</u>	<u>83,035</u>	<u>16,005,483</u>
\$	\$	\$	\$	\$
<u>75,005</u>	<u>241,666</u>	<u>804,563</u>	<u>355,846</u>	<u>767,668,306</u>
\$	\$	\$	\$	\$
42,047	190,487	371,122	173,611	30,824,643
328	1,268	10,455	0	142,360
0	0	0	0	48,195,594
0	0	0	0	1,443,058
0	0	0	0	22,560
0	0	0	99,200	2,769,255
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,092,302</u>
<u>42,375</u>	<u>191,755</u>	<u>381,577</u>	<u>272,811</u>	<u>101,489,772</u>
0	0	0	0	677,596,547
32,630	49,911	422,986	83,035	17,154,035
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(28,572,048)</u>
<u>32,630</u>	<u>49,911</u>	<u>422,986</u>	<u>83,035</u>	<u>666,178,534</u>
\$	\$	\$	\$	\$
<u>75,005</u>	<u>241,666</u>	<u>804,563</u>	<u>355,846</u>	<u>767,668,306</u>

**U.S. House of Representatives  
Combining Statement of Operations  
Of Officers and Legislative Offices  
For the Year Ended December 31, 1996**

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chaplain</u>	<u>Chief Administrative Officer</u>
<b>REVENUE AND FINANCING SOURCES</b>				
Revenue from Operations				
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 2,876,633
Sales of Services to Federal Agencies	0	0	0	3,899,343
Sales of Services to the Public	216,121	0	0	460,037
Interoffice Sales	0	0	0	46,071,257
	<u>216,121</u>	<u>0</u>	<u>0</u>	<u>53,307,270</u>
Financing Sources				
Appropriations to Cover Expenses	<u>15,914,500</u>	<u>4,248,824</u>	<u>156,680</u>	<u>70,984,688</u>
Total Revenue and Financing Sources	<u>16,130,621</u>	<u>4,248,824</u>	<u>156,680</u>	<u>124,291,958</u>
<b>EXPENSES</b>				
Personnel Compensation	9,747,860	2,873,253	122,931	28,129,377
Benefits	2,808,948	923,051	32,973	17,309,889
Postage and Delivery	12,426	78	38	315,380
Repairs and Maintenance	711,594	117,428	738	44,006,227
Depreciation and Amortization	852,295	142,296	0	6,699,134
Rent, Utilities, and Communications	24,947	0	0	820,307
Telecommunications	94,816	71,080	0	10,292,960
Supplies and Materials	615,463	47,993	0	7,119,897
Travel and Transportation	50,716	67,489	0	93,619
Contract, Consulting, and Other Services	1,096,905	5,858	0	6,659,293
Printing and Reproduction	26,616	298	0	16,392
Subscriptions and Publications	88,035	0	0	204,904
Cost of Goods Sold	0	0	0	2,456,323
Interest on Capital Leases	0	0	0	168,256
	<u>16,130,621</u>	<u>4,248,824</u>	<u>156,680</u>	<u>124,291,958</u>
Total Expenses	<u>16,130,621</u>	<u>4,248,824</u>	<u>156,680</u>	<u>124,291,958</u>
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>Parliamentarian</u>	<u>Legislative Counsel</u>	<u>Law Revision Counsel</u>	<u>Inspector General</u>	<u>Combined</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$
0	0	0	0	2,876,633
0	0	0	0	3,899,343
0	0	0	0	676,158
0	0	0	0	46,071,257
0	0	0	0	53,523,391
<u>1,183,322</u>	<u>5,803,897</u>	<u>2,145,450</u>	<u>4,964,553</u>	<u>105,401,914</u>
<u>1,183,322</u>	<u>5,803,897</u>	<u>2,145,450</u>	<u>4,964,553</u>	<u>158,925,305</u>
865,709	4,262,410	1,470,744	1,349,005	48,821,289
231,172	1,143,262	394,482	461,030	23,304,807
0	35	1,107	450	329,514
11,101	241,170	102,523	38,359	45,229,140
19,849	102,519	96,685	55,761	7,968,539
0	0	0	0	845,254
5,283	18,723	4,544	15,236	10,502,642
5,254	18,479	12,316	15,859	7,835,261
0	0	0	485	212,309
44,559	50	55,950	3,025,615	10,888,230
0	2,027	0	425	45,758
395	15,222	7,099	2,328	317,983
0	0	0	0	2,456,323
0	0	0	0	168,256
<u>1,183,322</u>	<u>5,803,897</u>	<u>2,145,450</u>	<u>4,964,553</u>	<u>158,925,305</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**U.S. House of Representatives  
Combining Statement of Cash Flows  
Of Officers and Legislative Offices  
For the Year Ended December 31, 1996**

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chaplain</u>	<u>Chief Administrative Officer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses (Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(15,914,500)	(4,248,824)	(156,680)	(70,984,688)
(Increase)/Decrease in Advances and Prepayments	(1,262,449)	(206,304)	137	3,798,021
(Increase)/Decrease in Inventory	(14,404)	0	0	1,948,567
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	0	0	0	(153,975)
Increase/(Decrease) in Other Accrued Liabilities	646,890	128,063	(264)	(18,419,497)
Depreciation and Amortization	(37,217)	51,481	0	(597,388)
	<u>852,295</u>	<u>142,296</u>	<u>0</u>	<u>6,699,134</u>
Net Cash Provided (Used) by Operating Activities	<u>(15,729,385)</u>	<u>(4,133,288)</u>	<u>(156,807)</u>	<u>(77,709,826)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property and Equipment, Net	<u>(959,351)</u>	<u>(87,153)</u>	<u>(4,044)</u>	<u>(6,415,521)</u>
Net Cash (Used) by Investing Activities	<u>(959,351)</u>	<u>(87,153)</u>	<u>(4,044)</u>	<u>(6,415,521)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Appropriations Received	0	0	0	760,579,600
Funds Returned to the U.S. Treasury	0	0	0	(11,967,067)
Appropriated Funds Allocated	16,583,821	4,220,441	160,851	(667,551,375)
Principal Payment on Capital Lease Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(510,414)</u>
Net Cash Provided by Financing Activities	<u>16,583,821</u>	<u>4,220,441</u>	<u>160,851</u>	<u>80,550,744</u>
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	(104,915)	0	0	(3,574,603)
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,536,573</u>	<u>0</u>	<u>0</u>	<u>725,539,940</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,431,658</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 721,965,337</u>

<u>Parliamentarian</u>	<u>Legislative Counsel</u>	<u>Law Revision Counsel</u>	<u>Inspector General</u>	<u>Combined</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(1,183,322)	(5,803,897)	(2,145,450)	(4,964,553)	(105,401,914)
(42,871)	(183,119)	(188,274)	(271,058)	1,644,083
0	920	(63)	(1,927)	1,933,093
0	0	0	0	(153,975)
38,345	173,659	373,917	172,633	(16,886,254)
0	0	0	25,335	(557,789)
<u>19,849</u>	<u>102,519</u>	<u>96,685</u>	<u>55,761</u>	<u>7,968,539</u>
<u>(1,167,999)</u>	<u>(5,709,918)</u>	<u>(1,863,185)</u>	<u>(4,983,809)</u>	<u>(111,454,217)</u>
<u>(45,495)</u>	<u>(24,278)</u>	<u>(364,268)</u>	<u>(42,853)</u>	<u>(7,942,963)</u>
<u>(45,495)</u>	<u>(24,278)</u>	<u>(364,268)</u>	<u>(42,853)</u>	<u>(7,942,963)</u>
0	0	0	0	760,579,600
0	0	0	0	(11,967,067)
1,213,494	5,734,196	2,227,453	5,026,662	(632,384,457)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(510,414)</u>
<u>1,213,494</u>	<u>5,734,196</u>	<u>2,227,453</u>	<u>5,026,662</u>	<u>115,717,662</u>
0	0	0	0	(3,679,518)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>727,076,513</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 723,396,995</u>



# Chief Administrative Officer

**U.S. House of Representatives**  
**Combining Statement of Financial Position**  
**Of the Chief Administrative Officer**  
**As of December 31, 1996**

ASSETS	Child Care Center	CAO	House Postal Operations	House Restaurant	Office of Finance
Fund Balance with the U.S. Treasury	\$ 0	\$ 0	\$ 0	\$ 431,422	\$ 715,456,656
Cash	100	0	8,034	1,241	10,764
Fund Balance with U.S. Treasury and Cash	100	0	8,034	432,663	715,467,420
Accounts Receivable	0	0	0	20,143	0
Interoffice Receivable	0	0	0	0	0
Appropriations Receivable	21,446	245,629	577,332	752,218	0
Advances and Prepayments	0	0	61	0	130
Inventory	0	0	0	44,053	0
Property and Equipment, Net	0	668,580	294,997	1,297	171,820
<b>Total Assets</b>	<b>\$ 21,546</b>	<b>\$ 914,209</b>	<b>\$ 880,424</b>	<b>\$ 1,250,374</b>	<b>\$ 715,639,370</b>
<b>LIABILITIES AND NET POSITION</b>					
Accounts Payable	\$ 9,671	\$ 122,508	\$ 533,276	\$ 1,188,113	\$ 8,551,996
Interoffice Payable	40	20,013	956	1,458	0
Appropriations Payable	0	0	0	0	46,703,043
Capital Lease Liabilities	0	0	0	0	0
Intragovernmental Liabilities	0	0	0	0	22,560
Accrued Leave and Payroll	11,735	103,108	43,161	15,453	153,260
Unfunded Workers' Compensation Liability	0	0	0	0	18,092,302
<b>Total Liabilities</b>	<b>21,446</b>	<b>245,629</b>	<b>577,393</b>	<b>1,205,024</b>	<b>73,523,161</b>
Unexpended Appropriations	100	0	8,034	0	670,359,383
Invested Capital	0	668,580	294,997	45,350	171,820
Future Funding Requirements	0	0	0	0	(28,414,994)
<b>Total Net Position</b>	<b>100</b>	<b>668,580</b>	<b>303,031</b>	<b>45,350</b>	<b>642,116,209</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 21,546</b>	<b>\$ 914,209</b>	<b>\$ 880,424</b>	<b>\$ 1,250,374</b>	<b>\$ 715,639,370</b>

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecommunications	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 4,321,091	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,733,329	\$ 721,942,498
0	2,500	0	0	0	0	0	200	22,839
0	4,323,591	0	0	0	0	0	1,733,529	721,965,337
0	21,118	0	0	634,058	0	0	0	675,319
0	54,802	7,718,664	0	15,144	1,085,771	0	0	8,874,381
361,899	0	184,404	1,120,331	6,584,117	4,421,355	61,008	0	14,329,739
47	539	451	1,498	232,065	24,707	681	23	260,202
304,309	800,190	0	0	0	0	0	0	1,148,552
129,132	80,018	589,591	661,428	7,017,128	2,862,172	196,656	766,713	13,439,532
\$ 795,387	\$ 5,280,258	\$ 8,493,110	\$ 1,783,257	\$ 14,482,512	\$ 8,394,005	\$ 258,345	\$ 2,500,265	\$ 760,693,062
\$ 90,723	\$ 120,659	\$ 6,222,141	\$ 866,558	\$ 5,282,289	\$ 5,475,180	\$ 37,224	\$ 47,018	\$ 28,547,356
7,716	1,394	4,423	50,194	11,914	3,066	77	4,133	105,384
0	0	1,492,551	0	0	0	0	0	48,195,594
0	0	78,011	0	1,365,047	0	0	0	1,443,058
0	0	0	0	0	0	0	0	22,560
263,507	73,740	106,393	205,077	806,134	53,587	24,388	75,285	1,934,828
0	0	0	0	0	0	0	0	18,092,302
361,946	195,793	7,903,519	1,121,829	7,465,384	5,531,833	61,689	126,436	98,341,082
0	4,277,997	0	0	0	0	0	1,682,401	676,327,915
433,441	880,208	589,591	661,428	7,017,128	2,862,172	196,656	766,713	14,588,084
0	(73,740)	0	0	0	0	0	(75,285)	(28,564,019)
433,441	5,084,465	589,591	661,428	7,017,128	2,862,172	196,656	2,373,829	662,351,980
\$ 795,387	\$ 5,280,258	\$ 8,493,110	\$ 1,783,257	\$ 14,482,512	\$ 8,394,005	\$ 258,345	\$ 2,500,265	\$ 760,693,062

**U.S. House of Representatives  
Combining Statement of Operations  
Of the Chief Administrative Officer  
For the Year Ended December 31, 1996**

	<b>Child Care Center</b>	<b>CAO</b>	<b>House Postal Operations</b>	<b>House Restaurant</b>	<b>Office of Finance</b>
<b>REVENUE AND FINANCING SOURCES</b>					
Revenue from Operations					
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 301,899	\$ 0
Sales of Services to Federal Agencies	0	0	0	0	0
Sales of Services to the Public	440,672	0	0	0	0
Interoffice Sales	0	0	0	0	0
Revenue from Operations	440,672	0	0	301,899	0
Financing Sources					
Appropriations to Cover Expenses	154,997	3,244,722	3,752,909	320,942	14,519,678
Total Revenue and Financing Sources	595,669	3,244,722	3,752,909	622,841	14,519,678
<b>EXPENSES</b>					
Personnel Compensation	444,031	1,787,461	717,263	282,455	1,986,608
Benefits	130,832	582,540	235,546	60,858	8,545,613
Postage and Delivery	76	236,780	929	0	0
Repairs and Maintenance	0	238,392	157,044	6,891	530,233
Depreciation and Amortization	0	275,880	185,566	8,178	135,109
Rent, Utilities, and Communications	0	28,892	0	0	15,342
Telecommunications	483	47,894	16,599	3,774	25,787
Supplies and Materials	19,798	22,541	8,652	9,179	75,734
Travel and Transportation	0	2,602	5,986	5,892	3,413
Contract, Consulting, and Other Services	351	3,911	2,421,499	13,428	3,199,596
Printing and Reproduction	98	3,204	2,951	62	2,243
Subscriptions and Publications	0	14,625	874	0	0
Cost of Goods Sold	0	0	0	232,124	0
Interest on Capital Leases	0	0	0	0	0
Total Expenses	595,669	3,244,722	3,752,909	622,841	14,519,678
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecommunications	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 2,574,734	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,876,633
0	0	0	0	3,899,343	0	0	0	3,899,343
0	0	0	0	0	0	19,365	0	460,037
13,183	3,961,304	30,112,065	0	329,552	11,133,434	235,613	286,106	46,071,257
13,183	6,536,038	30,112,065	0	4,228,895	11,133,434	254,978	286,106	53,307,270
6,458,325	1,516,705	2,506,535	5,356,917	23,031,733	8,009,273	441,115	1,670,837	70,984,688
6,471,508	8,052,743	32,618,600	5,356,917	27,260,628	19,142,707	696,093	1,956,943	124,291,958
3,543,276	828,847	1,481,567	3,228,047	11,328,368	1,179,490	340,910	981,054	28,129,377
1,103,636	296,053	499,668	1,188,414	3,844,626	367,853	115,827	338,423	17,309,889
298	758	0	67,467	6,581	2,491	0	0	315,380
120,207	3,033	29,843,695	254,841	6,310,996	6,307,888	59,749	173,258	44,006,227
54,617	83,724	671,010	278,190	3,313,250	1,369,918	45,450	278,242	6,699,134
0	0	0	0	733,805	38,078	0	4,190	820,307
13,709	6,219	0	44,224	242,950	9,876,370	3,996	10,955	10,292,960
1,599,611	4,607,100	99,156	77,171	317,947	524	130,161	152,323	7,119,897
21,387	471	4,093	8,588	37,896	25	0	3,266	93,619
11,126	2,305	18,960	191,801	794,133	0	0	2,183	6,659,293
0	34	0	7,800	0	0	0	0	16,392
3,641	0	0	10,374	162,271	70	0	13,049	204,904
0	2,224,199	0	0	0	0	0	0	2,456,323
0	0	451	0	167,805	0	0	0	168,256
6,471,508	8,052,743	32,618,600	5,356,917	27,260,628	19,142,707	696,093	1,956,943	124,291,958
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0

**U.S. House of Representatives  
Combining Statement of Cash Flows  
of the Chief Administrative Officer  
For the Year Ended December 31, 1996**

	Child Care Center	CAO	House Postal Operations	House Restaurant	Office of Finance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow					
Appropriations to Cover Expenses	(154,997)	(3,244,722)	(3,752,909)	(320,942)	(14,519,678)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(13,258)	144,329	(539,929)	451,157	19,897
(Increase)/Decrease in Advances and Prepayments	0	0	301	0	58
(Increase)/Decrease in Inventory	0	0	0	124	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	858	(47,340)	486,919	137,319	(9,766,721)
Increase/(Decrease) in Other Accrued Liabilities	8,313	(76,403)	(194,312)	5,771	(564,991)
Depreciation and Amortization	0	275,880	185,566	8,178	135,109
Net Cash Provided (Used) by Operating Activities	(159,084)	(2,948,256)	(3,814,364)	281,607	(24,696,326)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of Property and Equipment, Net	0	(421,136)	72,949	(6,256)	(16,718)
Net Cash Provided (Used) by Investing Activities	0	(421,136)	72,949	(6,256)	(16,718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Appropriations Received	0	0	0	0	760,579,600
Funds Returned to the U.S. Treasury	0	0	0	0	(11,967,067)
Appropriated Funds Allocated	159,084	3,369,392	3,749,349	(215,162)	(727,517,864)
Principal Payment on Capital Lease Liabilities	0	0	0	0	0
Net Cash Provided (Used) by Financing Activities	159,084	3,369,392	3,749,349	(215,162)	21,094,669
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	0	0	7,934	60,189	(3,618,375)
Fund Balance with U.S. Treasury and Cash, Beginning	100	0	100	372,474	719,085,795
Fund Balance with U.S. Treasury and Cash, Ending	\$ 100	\$ 0	\$ 8,034	\$ 432,663	\$ 715,467,420

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecom- munications	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(6,458,325)	(1,516,705)	(2,506,535)	(5,356,917)	(23,031,733)	(8,009,273)	(441,115)	(1,670,837)	(70,984,688)
6,211	625,984	6,025,809	(999,281)	(2,978,534)	1,054,875	(54,286)	55,047	3,798,021
(47)	(539)	483	(1,316)	(59,147)	2,009,396	(681)	59	1,948,567
(34,518)	(119,581)	0	0	0	0	0	0	(153,975)
(330,379)	(36,204)	(3,509,421)	753,833	(1,509,194)	(4,656,643)	24,979	32,497	(18,419,497)
(6,824)	9,974	82,115	64,930	182,519	(112,184)	4,760	(1,056)	(597,388)
54,617	83,724	671,010	278,190	3,313,250	1,369,918	45,450	278,242	6,699,134
(6,769,265)	(953,347)	763,461	(5,260,561)	(24,082,839)	(8,343,911)	(420,893)	(1,306,048)	(77,709,826)
(62,031)	(40,900)	(322,864)	(850,010)	(4,160,843)	(335,061)	(35,454)	(237,197)	(6,415,521)
(62,031)	(40,900)	(322,864)	(850,010)	(4,160,843)	(335,061)	(35,454)	(237,197)	(6,415,521)
0	0	0	0	0	0	0	0	760,579,600
0	0	0	0	0	0	0	0	(11,967,067)
6,831,296	643,528	(440,597)	6,110,571	28,754,096	8,678,972	456,347	1,869,613	(667,551,375)
0	0	0	0	(510,414)	0	0	0	(510,414)
6,831,296	643,528	(440,597)	6,110,571	28,243,682	8,678,972	456,347	1,869,613	80,550,744
0	(350,719)	0	0	0	0	0	326,368	(3,574,603)
0	4,674,310	0	0	0	0	0	1,407,161	725,539,940
\$ 0	\$ 4,323,591	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,733,529	\$ 721,965,337



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# Capitol Police and Other Joint Functions

**U.S. House of Representatives**  
**Combining Statement of Financial Position**  
**Of the Capitol Police and Other Joint Functions**  
**As of December 31, 1996**

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
<b>ASSETS</b>				
Fund Balance with the U.S. Treasury	\$ 1,423,618	\$ 40,901,689	\$ 4,565,325	\$ 46,890,632
Cash	200	29,200	100	29,500
Fund Balance with U.S. Treasury and Cash	<u>1,423,818</u>	<u>40,930,889</u>	<u>4,565,425</u>	<u>46,920,132</u>
Advances and Prepayments	11,098	12,332	54,616	78,046
Inventory	0	0	0	0
Property and Equipment, Net	<u>189,889</u>	<u>763,128</u>	<u>376,053</u>	<u>1,329,070</u>
Total Assets	<u>\$ 1,624,805</u>	<u>\$ 41,706,349</u>	<u>\$ 4,996,094</u>	<u>\$ 48,327,248</u>
<b>LIABILITIES AND NET POSITION</b>				
Accounts Payable	\$ 44,709	\$ 913,949	\$ 51,050	\$ 1,009,708
Interoffice Payable	25,839	1,216	5,337	32,392
Accrued Leave and Payroll	0	1,092,831	0	1,092,831
Total Liabilities	<u>70,548</u>	<u>2,007,996</u>	<u>56,387</u>	<u>2,134,931</u>
Unexpended Appropriations	1,364,368	40,028,056	4,563,654	45,956,078
Invested Capital	189,889	763,128	376,053	1,329,070
Future Funding Requirements	<u>0</u>	<u>(1,092,831)</u>	<u>0</u>	<u>(1,092,831)</u>
Total Net Position	<u>1,554,257</u>	<u>39,698,353</u>	<u>4,939,707</u>	<u>46,192,317</u>
Total Liabilities and Net Position	<u>\$ 1,624,805</u>	<u>\$ 41,706,349</u>	<u>\$ 4,996,094</u>	<u>\$ 48,327,248</u>

**U.S. House of Representatives  
Combining Statement of Operations  
Of the Capitol Police and Other Joint Functions  
For the Year Ended December 31, 1996**

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
<b>REVENUE AND FINANCING SOURCES</b>				
Revenue from Operations				
Sales of Services to the Public	54,127	0	0	54,127
Total Revenue from Operations	54,127	0	0	54,127
Financing Sources				
Appropriations to Cover Expenses	1,320,351	35,319,668	6,461,759	43,101,778
Total Revenue and Financing Sources	1,374,478	35,319,668	6,461,759	43,155,905
<b>EXPENSES</b>				
Personnel Compensation	243,296	25,603,244	4,521,122	30,367,662
Benefits	65,257	6,934,739	1,212,654	8,212,650
Postage and Delivery	552	6,236	7,466	14,254
Repairs and Maintenance	60,113	441,149	152,983	654,245
Depreciation and Amortization	165,518	312,547	265,356	743,421
Rent, Utilities, and Communications	402	133	51,079	51,614
Telecommunications	10,233	24,819	29,779	64,831
Supplies and Materials	177,716	1,187,964	54,703	1,420,383
Travel and Transportation	7,597	671,043	9,827	688,467
Contract, Consulting, and Other Services	637,350	90,363	35,228	762,941
Printing and Reproduction	788	30,410	282	31,480
Subscriptions and Publications	5,656	17,021	121,280	143,957
Total Expenses	1,374,478	35,319,668	6,461,759	43,155,905
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0

**U.S. House of Representatives  
Combining Statement of Cash Flows  
Of the Capitol Police and Other Joint Functions  
For the Year Ended December 31, 1996**

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (Deficiency) of Revenue and				
Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(1,320,351)	(35,319,668)	(6,461,759)	(43,101,778)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	2,269	0	0	2,269
(Increase)/Decrease in Advances and Prepayments	(1,972)	(6,696)	42,847	34,179
(Increase)/Decrease in Inventory	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(159,138)	(422,928)	(30,641)	(612,707)
Increase/(Decrease) in Other Accrued Liabilities	0	67,445	0	67,445
Depreciation and Amortization	165,518	312,547	265,356	743,421
Net Cash Provided (Used) by Operating Activities	<u>(1,313,674)</u>	<u>(35,369,300)</u>	<u>(6,184,197)</u>	<u>(42,867,171)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property and Equipment, Net	<u>(43,800)</u>	<u>(89,751)</u>	<u>(22,263)</u>	<u>(155,814)</u>
Net Cash Provided (Used) by Investing Activities	<u>(43,800)</u>	<u>(89,751)</u>	<u>(22,263)</u>	<u>(155,814)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Appropriations Received	1,225,000	39,469,000	5,470,000	46,164,000
Funds Returned to the U.S. Treasury	(312,310)	(604,880)	(94,893)	(1,012,083)
Appropriated Funds Allocated	183,680	745,143	1,182,002	2,110,825
Principal Payment on Capital Lease Liabilities	0	0	0	0
Net Cash Provided (Used) by Financing Activities	<u>1,096,370</u>	<u>39,609,263</u>	<u>6,557,109</u>	<u>47,262,742</u>
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	(261,104)	4,150,212	350,649	4,239,757
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,684,922</u>	<u>36,780,677</u>	<u>4,214,776</u>	<u>42,680,375</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,423,818</u>	<u>\$ 40,930,889</u>	<u>\$ 4,565,425</u>	<u>\$ 46,920,132</u>

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# Consolidating Statement of Budget and Actual Expenditures (Unaudited)

**U.S. House of Representatives**  
**Consolidating Statement of Budget and Actual Expenditures**  
**For the Fiscal Year Ended September 30, 1996**  
**(Unaudited)**

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
<b>BUDGETARY RESOURCES</b>			
Net Fiscal Year 1996 House Appropriations	\$ 364,973,000	\$ 92,104,000	\$ 11,271,000
Fiscal Year 1996 Members Appropriations	<u>73,811,600</u>	<u>0</u>	<u>0</u>
Total Budgetary Resources	<u>438,784,600</u>	<u>92,104,000</u>	<u>11,271,000</u>
 <b>EXPENDITURES</b>			
Expenditures, Net of Earned Revenue	363,130,326	90,854,755	9,941,188
Members Salaries and Benefits	<u>72,995,247</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>436,125,573</u>	<u>90,854,755</u>	<u>9,941,188</u>
Fiscal Year 1996 Resources Remaining Available	<u><u>\$ 2,659,027</u></u>	<u><u>\$ 1,249,245</u></u>	<u><u>\$ 1,329,812</u></u>

<u>Officers and Legislative Offices</u>	<u>Capitol Police And Other Joint Functions</u>	<u>Benefits and Other</u>	<u>1996 Consolidated</u>	<u>1995 Consolidated</u>
\$ 88,210,529	\$ 40,964,000	\$ 118,980,000	\$ 716,502,529	\$ 771,250,067
0	0	0	73,811,600	78,318,000
<u>88,210,529</u>	<u>40,964,000</u>	<u>118,980,000</u>	<u>790,314,129</u>	<u>849,568,067</u>
82,265,167	40,616,648	112,008,638	698,816,722	675,232,562
0	0	0	72,995,247	72,858,548
<u>82,265,167</u>	<u>40,616,648</u>	<u>112,008,638</u>	<u>771,811,969</u>	<u>748,091,110</u>
<u>\$ 5,945,362</u>	<u>\$ 347,352</u>	<u>\$ 6,971,362</u>	<u>\$ 18,502,160</u>	<u>\$ 101,476,957</u>



# **Report of Independent Accountants on Compliance with Laws and Regulations**



**Report of Independent Accountants  
on Compliance With Laws and Regulations**

To the Inspector General  
U.S. House of Representatives

We have audited the consolidating financial statements of the U.S. House of Representatives (House) as of and for the year ended December 31, 1996, and have issued our report thereon dated August 8, 1997. In that report, we qualified our opinion with respect to the effects of adjustments to the consolidating financial statements, if any, that might have been determined to be necessary had we been able to examine evidence regarding all of the House's assets, liabilities, and costs that may have been incurred by the House during the year ended December 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, rules and regulations is the responsibility of the Members and administrative management of the House. As part of obtaining reasonable assurance about whether the consolidating financial statements are free of material misstatement, we performed tests of the House's compliance with certain provisions of laws and House rules and procedures. However, the objective of our tests was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Compliance with laws, rules, and regulations at the House is significantly different than it is for Executive Branch departments and agencies. First, many of the laws that apply to the Executive Branch, such as the Federal Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990, do not apply to the House. Second, while Executive Branch departments and agencies are subject to regulations that implement their authorizing statutes and to regulations imposed by other agencies, such as the Office of Management and Budget and the Office of Personnel Management, the House is subject to specific laws, its own rules, and to procedures contained in its *Members' Congressional Handbook* and *Committees' Congressional Handbook*.

During our audit we noted ten instances where Office of Finance records indicate that certain Members overspent their Members' Representational Allowance (MRA). The MRA is used to pay for staff salaries, official expenses, and official mail. The *Members' Congressional Handbook* states that Members are personally responsible for the amounts by which they overspend their MRAs.

Except as noted in the preceding paragraph, our tests for compliance with selected provisions of applicable laws, rules, and regulations disclosed no other instances of non-compliance that are required to

be reported herein under *Government Auditing Standards* or the U.S. General Accounting Office's *Financial Audit Manual*.

This report is intended for the information of the Inspector General and the Members of the U.S. House of Representatives. However, this report is a public document and its distribution is not limited.

Arlington, Virginia  
August 8, 1997

# **Report of Independent Accountants on Management's Assertion About Internal Controls**



## **Report of Independent Accountants on Management's Assertion About Internal Controls**

**To the Inspector General  
U.S. House of Representatives**

**In its Management Report on Financial and Internal Controls (Management Report), which is presented at Attachment 1, the office of the Chief Administrative Officer (CAO) of the U.S. House of Representatives (House) has asserted that, except for the material weaknesses in internal controls<sup>1</sup> described in the Management Report and below, the House's internal controls provided reasonable assurance that, as of December 31, 1996, the following objectives were being met:**

- **Safeguarding assets against loss from unauthorized acquisition, use, or disposition;**
- **Assuring the execution of transactions in accordance with management authority and with laws and regulations that have a direct and material effect on the consolidating financial statements; and,**
- **Properly recording, processing, and summarizing transactions to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.**

We have examined the CAO's assertion included in the Management Report. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States, and, accordingly, included obtaining an understanding of internal controls over financial reporting, testing, and evaluating the design and operating effectiveness of internal controls, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of internal controls to future periods are subject to the risk that

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<sup>1</sup> A material weakness is a condition that precludes the internal controls from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. Material misstatements are those that, in the judgment of independent accountants, might cause a large dollar impact in the financial statements being audited, or might be qualitatively important to a reasonable person relying on those financial statements. Certain less severe deficiencies in internal controls are considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, the CAO's assertion that, except for the material weaknesses in internal controls, described in its report, the House's internal controls provided reasonable assurance that, as of December 31, 1996, the three objectives referred to in the first paragraph were being met, is fairly stated, in all material respects, in accordance with the criteria for controls in the Federal government contained in Office of Management and Budget Circular A-123, *Management Accountability and Control*.

The CAO's Management Report identified five material weaknesses in internal controls relating to (1) financial management; (2) reconciliations between the House's data and the U.S. Treasury, (3) accountability for property and equipment; (4) monitoring and accounting for Members' Representational Allowances; and (5) security over the House's computers and data.

### **Status of material weaknesses in internal controls**

All four of the material weaknesses identified in our report on internal controls for the year ended December 31, 1995, are still considered to be material weaknesses, because steps taken to correct them are only partially complete.

- Financial Management continues to be hampered by inadequate systems, resources, and procedures.
- The House lacked sufficient information with which to manage and maintain accountability over its property and equipment.
- Deficiencies in budgeting, monitoring and accounting for Member allowances increased the risk of overspending and impaired accountability.
- Poor controls over computers and data exposed the House to the risk of unauthorized transactions, incorrect data, misuse of assets, and loss of data and programs.

In our report on the year ended December 31, 1995, we included a reportable weakness related to the fact that the House was unable to fully reconcile its financial data with the U.S. Treasury. Because of increasing discrepancies in this area, and the fact that some of the differences may become untraceable with the passing of time and the termination of the House's old financial management system, we consider that this weakness has become one of material proportions.

Since last year's audit, the House's principal efforts in improving its financial management have been directed towards implementing the core components of a new financial management system, which became operational June 4, 1996. However, the components of the system that have been implemented and the records as of December 31, 1996, do not constitute a full accrual-basis system of accounting. Specifically, the system implementation efforts completed so far have not:

- Implemented major components of the new system, including components for fixed assets, accounts receivable, and executive reporting;
- Provided for full accounting of obligations and accruals; and
- Fully implemented the reporting and information requirements of all House offices.

**Criteria for assessing progress in correcting material weaknesses**

The remainder of this report presents the current status of the 14 weaknesses in internal controls we identified in our prior report on internal controls. Of the 4 material weaknesses identified in 1995, all 4 remain material weaknesses; of the 10 reportable conditions, one has become a material weakness, three have been closed or otherwise resolved, and six remain reportable conditions. In addition, two new reportable conditions are reported for 1996. In determining the current status of these weaknesses we applied the following criteria:

Closed	Changes in House operations remedied this weakness or eliminated the operations affected by the weakness.
Otherwise resolved	Changes in nature of House operations eliminated the significant concerns underlying the recommendation.
Substantial progress	New financial system and/or new policies and procedures put in place <i>substantially</i> address the <i>more significant</i> recommendations made in the prior audit.
Some progress	New financial system and/or new policies and procedures put in place <i>partially</i> address the <i>more significant</i> recommendations made in the prior audit.
Limited Progress	Steps taken to address <i>less significant</i> recommendations; more significant recommendations addressed only with <i>proposals</i> or remain open.
Open	<i>No actions</i> taken on the <i>more significant</i> recommendations made in the prior audit, or only initial plans to address these recommendations have been made.

Arlington, Virginia  
August 8, 1997

<b>Exhibit 1 - Summary of Status of Internal Control Findings</b>					
<b>Weakness</b>	<b>Status as of August 8, 1997</b>				
	<b>Substantial Progress</b>	<b>Some Progress</b>	<b>Limited Progress</b>	<b>Open</b>	<b>New Finding</b>
1. Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures (Material Weakness)		X			
2. Reconciliations Of Fund Balance With The U.S. Treasury To The Federal Financial System Balances Are Not Routinely Performed Or Adequately Documented And House Funds Held By The Department Of State Are Not Tracked (Material Weakness)				X	
3. The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment (Material Weakness)			X		
4. Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased The Risk Of Overspending And Impaired Accountability (Material Weakness)			X		
5. Poor Controls Over Computers And Data Exposed The House To The Risk Of Unauthorized Transactions, Incorrect Data, Misuse Of Assets, And Loss Of Data And Programs (Material Weakness)		X			
6. The House Did Not Properly Track The Goods And Services It Ordered, And Frequently Paid Vendors Late (Reportable Condition)		X			
7. Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices (Reportable Condition)		X			

<b>Exhibit 1 - Summary of Status of Internal Control Findings</b>					
<b>Weakness</b>	<b>Status as of August 8, 1997</b>				
	<b>Substantial Progress</b>	<b>Some Progress</b>	<b>Limited Progress</b>	<b>Open</b>	<b>New Finding</b>
8. Poor Funds Control Put The House At Risk Of Overspending Its Appropriation (Reportable Condition)		<b>X</b>			
9. Late Submissions And Inadequacies In The Payroll System Added To Manual Processing And Led To Approximately \$200,000 In Overpayments To Employees (Reportable Condition)				<b>X</b>	
10. Lack Of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements (Reportable Condition)		<b>X</b>			
11. The House Was Unable To Accurately Determine Employee Benefits Due To Incomplete Leave Records (Reportable Condition)	<b>X</b>				
12. Reconciliations Of Total Obligations Generated By Each Entity To Those Recorded In FFS Are Not Performed (Reportable Condition)					<b>X</b>
13. Access Controls Over The House's New Federal Financial System (FFS) Need Improvement To Provide Effective Security (Reportable Condition)					<b>X</b>

The following findings were closed or otherwise resolved as reportable conditions during 1996:

- Ineffective Controls And Policies Existed Relating To Travel Reimbursement And Government-Furnished Charge Cards
- Controls Over Purchasing And Procurement Were Weak And Inconsistent
- Inconsistent Record Keeping Hampered Efforts to Assure That Mass Mailings Complied with the Rules (Otherwise Resolved), and Franked Mail from District Offices Was Not Well Controlled (Incorporated into Weakness 4)

**Weakness 1: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, and Procedures**

- Summary Status:**
- **Material Weakness**
  - **Prior Condition**
  - **Some Progress Towards Correction**

We have found over the past three years that the financial management of the House needs improvement. While the House's transactions are not complex, the pressure to process the volume of transactions that the House generates on a daily basis, keep the Members, committees and Officers informed of their spending and remaining allowances or budgets, and meanwhile bring up a new system for financial management, have served to overwhelm the resources available to the House for financial management.

When implemented completely and properly, the House's new financial management system, the Federal Financial System (FFS), will meet its needs for accurate and timely processing of transactions, useful financial reports for management decision making, and sufficient support for auditable annual financial statements. However, as reported regularly by the House's Office of Inspector General (OIG), the House has had difficulties realizing the promise of this new system. In particular, the OIG has reported that:

- Key elements of the core system implementation were not completed.
- Plans have not been set for migration to full implementation of the new system.
- Resources in the Office of Finance have been inadequate to both implement the new system and meet daily demands.

The following discussion addresses how these shortcomings contributed, in large part, to the House's weaknesses in the House's financial management.

**Conversion from the Financial Management System (FMS) to the Federal Financial System (FFS)**

The Financial Management System (FMS) used by the House prior to June 1996, was inadequate to meet the House's needs for accurate, useful, and timely financial information. On June 4, 1996 the Committee on House Oversight (CHO) approved the Chief Administrative Officer's request to implement the core components of the Federal Financial System (FFS). When fully implemented, FFS will replace the accounting functions of FMS. FMS could be likened to a large checkbook, keeping only a running balance of receipts and disbursements as opposed to a fully functional, accrual based financial management system.

A fully implemented FFS system will provide decision makers with more relevant, understandable, and useable financial information, consistent with information used by public and private sector organizations. When the implementation of FFS is complete, it should meet the House's requirements to effectively manage and report on its financial transactions. Implicit in adopting this new system is the need to train financial personnel in using the new system.

Once the full implementation of FFS is complete, and the Office of Finance personnel have been adequately trained in the operation of this system, the House will for the first time be able to follow accrual accounting when processing its financial records. This is the standard used by most Federal agencies and private organizations to measure the financial results of their operations. In addition, by using accrual or obligation-based accounting and cost accounting, decision makers are provided with more timely and relevant information concerning financial resources and costs of operations. This type of

accounting enables organizations to record and track everything they own, everything they are owed, all that they earned, and all that they spent.

### **Implementation of the Core Components**

By the end of May 1996 the FFS Implementation Team had completed a number of tasks toward the transition to the FFS. These completed tasks allowed the Implementation Team to set up FFS in a manner that mirrored the critical functions of FMS. However, this initial set up took advantage of only a small piece of the full capability of FFS and continued to be a cash basis system, rather than an accrual basis system. After this basic implementation, work was planned to continue to migrate the core FFS components toward an accrual based accounting system.

The OIG issued a report on June 3, 1996, *The House Is Ready To Implement The Core Federal Financial System*, agreeing that the implementation of the core FFS could go forward, provided that the FFS Implementation Team would be able to finish the following tasks by the end of July 1996: (1) conversion and verification of the remaining months (January - May, 1996) of data originally entered into FMS; (2) modification and testing of custom interface programs to resolve outstanding program editing deficiencies; (3) resolution of problems with the custom reports identified during the unit testing of the custom report programs; (4) enhancements to custom reports and associated testing; and (5) development and documentation of policies and procedures. The CAO's office accepted the recommendations of the OIG, and steps were taken to incorporate them into the existing implementation plans.

However, due to persistent staffing shortages and former management inaction, the House was not able to continue with the planned migration toward a fully implemented, accrual based system, past June 1996. The resources that had been used for the implementation to this point were now needed to support the daily operation of FFS. By the end of October 1996, a number of the original recommendations had not been implemented, and several of the items that should have been completed by July 1996 were not even started. These items included: (1) conversion and verification of remaining months of FMS data; (2) modification and associated testing of custom interface programs; (3) development of operating policies and procedures for interface programs and reports, and (4) execution of system acceptance testing for year-end closing processes. As of the date of this report, items (2), (3), and (4) are still not complete, and a task force is still working on resolving data conversion anomalies.

### **Limitations of the Partially Implemented System**

Because FFS was not fully implemented during 1996, the House was unable to reap the full benefits that this system is capable of providing. Therefore, the system was used primarily to process vouchers and make disbursements, and in a limited capacity to obligate funds for the purchase of goods and services. Although the new financial management system employed a comprehensive chart of accounts and established budget object classes (BOCs) consistent with Federal accounting standards, the House did not use the full capability of this system or its general ledger function. Furthermore, several weaknesses noted with the prior system, FMS, have been noted in the FFS modules implemented. This is because FFS has been installed by the House to mirror the way the Office of Finance had used FMS, instead of taking advantage of FFS strengths. For example, The FFS accounts payable module was not used within the capacity of its intended purpose. After individual offices received materials ordered from a vendor, Office of Finance would establish a liability for the money owed that vendor only after the office submitted the invoice for payment. This liability was liquidated the next day when payment was made.

We also found that the House did not record service dates for each cash transaction. This practice precludes the House from recording expenses and revenues in the period incurred because the relevant period of activity was not recorded. As a result, Office of Finance did not always have assurance that sufficient funds would be available to pay liabilities that had been incurred but not yet paid. Thus, by understating expenditures, Office of Finance risked a deficiency in funds.

Furthermore, Office of Finance could not readily or easily identify its debtors or creditors, nor did it know amounts owed to or by the House. For example, information on amounts due to the House, or within entities in the House, was maintained in manual systems by individual offices. Such information was not summarized and given to Office of Finance. This lack of integration of financial information meant the Office of Finance could not determine who was owed money from the House, how much money was owed by the House, who owed money to the House, and how much was owed to the House. Similarly, Office of Finance did not summarize financial resource data, and financial reports lacked complete information on property, equipment, and inventory. Consequently, managers responsible for making decisions about purchasing, leasing, repairing or warehousing such items did not have available the information necessary to understand the full implication of their decisions. Also, officials were not alerted to necessary policy or vendor contract changes that may have been evident through review of customary financial exception and summary reports pertaining to property and equipment.

Other issues noted include the fact that the system was not used properly to report the receipts and disbursements of cash to the U.S. Treasury, resulting in more than \$3 million in unexplained differences between Office of Finance's cash records and the balances reported by Treasury. In addition, the system is not being used to make payroll disbursements, to maintain balance sheet accounts, to produce trial balances, or to easily produce management reports to identify, monitor, or reconcile activity in the general ledger accounts. Because of these weaknesses, it is difficult to place reliance on the internal financial reports provided to the Members.

In addition, the House frequently "back-dated" transactions within FFS. This means that if the House processed a transaction in March 1997 that related to December 1996, it instructed FFS to accept the transaction as if it was processed during December 1996. Processing transactions in this manner is not an acceptable accounting practice, and complicates the reconciliation process between the House and the U.S. Treasury.

### **Resources available to the Office of Finance are insufficient to meet demands**

As reported in the House OIG Audit Report No. 96-CAO-12, *The House Struggles With The Management Of The New Financial Management System*, dated December 23, 1996, [Office of] "Finance has experienced problems with the day-to-day operations of the new system. These problems include (1) untimely and incomplete financial reports, (2) backlogs of unprocessed payments, and (3) errors in processing transactions. As a result of these problems, the user community believes that the new system is the source of the problems, when in fact the problems are a result of the weaknesses in the management of the new system and not in the new system itself. It is normal for organizations that have recently implemented a new financial management system to experience problems in the day-to-day operations of the new system. However, these organizations typically respond to the problems by ensuring that adequate resources with the necessary skills are available to resolve the problems."

Office of Finance's resources were swamped with the daily responsibility of processing transactions in the new system. For example, issuance of the September through December 1996, Statement of

Disbursements was delayed through July 1997, because of processing and report production problems. In such an environment, two primary functions have suffered: further systems development, including customization, issue resolution, and new applications introductions; and annual, accrual-based consolidating financial statement production.

In May 1997, a new project director for the FFS system was appointed, and in July 1997, a new Associate Administrator for Office of Finance was appointed, seven months after the departure of the prior Associate Administrator. During this seven month period, a consultant provided assistance to the CAO regarding financial affairs. Both the new project director for the FFS system and the new Associate Administrator for Office of Finance are working to stabilize daily production and have plans to complete Phase II, the phase in which FFS completely replaces the old system. Phase III, implementation of core functions not previously performed by the old system, many of which are essential functions and the absence of which represent weaknesses in this report, has not been scheduled to begin. Notwithstanding the addition of these key management officials, the House's resources to stabilize daily production and monthly and quarterly reporting are not sufficient, nor are its resources sufficient to continue with FFS implementation.

The production of the annual consolidating financial statement remains a function that Office of Finance does not have the capability to perform. In 1995 and 1996, preparation of the annual consolidating financial statement was contracted out. However, in preparing the 1996 consolidating statement, the contractor's efforts were hampered by poor controls over data extracted from FFS and FMS; the House's lack of reconciliations of FFS to Treasury; a lack of adequate procedures in the changing information systems environment of the House; and a lack of staff in many CAO offices to answer questions about the financial data. As a result, accounting differences recurring from years past have not been resolved, year-end adjustments to convert disbursements and receipts data into consolidating financial statements are not fully supported, and the evidence to support balances such as the balance with Treasury and the property and equipment of the House is less adequate than in the prior year. Furthermore, the House is no closer to taking on this responsibility itself because no procedures, spreadsheet models, instructions for consolidation, or other software for data analysis, extraction, and summarization have been developed or obtained to repeat the consolidating financial statement process.

**House spending reports could provide additional accountability and information for management decision making**

With the implementation of FFS in June 1996, Office of Finance began issuing more detailed monthly statements that take into account spending obligations, such as for office supplies and one-year purchases of equipment. The reports also include a detailed listing of obligations and expenditures. However, as discussed in Weakness 4, major spending obligations such as for mass mailings, district office rent, or equipment purchased using the three year plan are not taken into account. As a result, the monthly financial statements did not provide sufficient information for making spending decisions.

The Quarterly Statement of Disbursements of the House detailed and summarized all disbursements and receipts by Member, committee, and Officer. This report replaced the Report of the Clerk of the House, and improved upon that report by adding summaries of each office's expenses by category, presenting year-to-date information for each office, and organizing spending detail by type of expenditure. However, as discussed in Weakness 2, this report is produced from the FFS system, which is not reconciled with the disbursement and receipt information recorded at the U.S. Treasury, and therefore may not include complete and accurate data for the time period covered.

These financial reports did not provide the House with sufficient relevant information to make prudent decisions about resource planning, or to assess the financial performance of the individual House offices.

### Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Ensure that the integrated financial management system, which the Chief Administrative Officer already committed to implement, complies with JFMIP requirements and is coordinated with the efforts and needs of other House offices. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Substantial progress</p> <p>Discussion: On June 4, 1996, the House implemented core components of FFS. However, components of the system have not been implemented, and the corresponding Office of Finance records do not yet constitute a full accrual-basis system and do not fully comply with JFMIP requirements. Specifically, the system implementation efforts completed so far have not:</p> <ul style="list-style-type: none"> <li>• Implemented major components of the new system, including components for fixed assets, accounts receivable, and executive reporting.</li> <li>• Provided for full accounting of obligations and accruals fully considered and documented.</li> <li>• Fully implemented the reporting and information requirements of all House offices.</li> </ul>	<p><b>CONCUR.</b> The Office of Finance is carrying out a plan, to which the Federal Financial System (FFS) Steering Committee and Committee on House Oversight (CHO) concurred, to complete and stabilize FFS. The steps and priorities were developed jointly by the Office of Finance and the Office of Inspector General. The plan includes a Task which addresses "future initiatives" of FFS. The list includes Member Access, Enhanced Financial Reporting, and Improved Fixed Assets Management. These issues will be addressed after the completion and stabilization of FFS.</p>
<p>2. Implement an accrual basis of accounting and principles and standards generally accepted in the Federal government and the private sector. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Some progress</p> <p>Discussion: See status of Recommendation 1.</p>	<p><b>CONCUR with EXPLANATION.</b> The FFS system and its subsidiary components, as currently implemented, do not provide for full accounting of House obligations. The Office of Finance will attempt to take several steps to ensure that financial information is appropriately recorded for inclusion in the year-end financial statements. However, it should be noted that until full obligation accounting is available, there is no systematic method of determining the obligation value of many purchases.</p>
<p>3. Implement a system or systems</p>	<p>Status: Open</p>	<p><b>CONCUR.</b> A cost accounting system</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>that properly allocate or attribute costs to end users. (OIG Report No. 95-CAO-16.)</p>	<p>Discussion: This functionality for allocating direct operating costs to end users is targeted for future implementation of subsidiary systems and/or additional FFS modules. However, the CAO has not yet established a formal implementation plan for these subsidiary systems/FFS modules.</p>	<p>that attributes direct operating costs to end users would provide a means to allocate cost of goods to user offices. When the FFS system is stabilized, the general ledger is operating appropriately, and the critical subsidiary systems have been developed and installed, we will be in a position to address a subsidiary cost accounting system for the House.</p>
<p>4. Provide staff with training on the new financial management system and standard accounting methods. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Some progress</p> <p>Discussion: Staff have been trained on core components of the new financial system implemented to date.</p>	<p><b>CONCUR.</b> Additional training requirements are being analyzed in order to identify and determine current and future FFS and other system training needs for the House. The analysis process is expected to be completed by the end of September 1997. After acceptance of the analysis document, the Office of Finance will issue follow-on tasks to develop training materials and perform FFS training. The time frame for accomplishing the initial training will be based upon the priority for training versus other actions being undertaken by the Office of Finance.</p>
<p>5. Redesign internal and external management reports based on user requirements. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Some progress</p> <p>Discussion: From January through May of 1996, Office of Finance issued Members' Monthly Financial Statements produced from FMS, which provided information about actual and projected spending and available amounts of Members' Representational Allowances (MRAs). However, the projections in this report were extrapolations of past spending and did not take into account major spending commitments, such as for mass mailings, district office rent, and equipment purchased under the three-year plan. From June through the end of 1996, Office of Finance issued Members' Monthly Financial Statements produced from FFS, which provide information about actual expenditures and existing obligations for certain transactions between the Member and such entities as OSM</p>	<p><b>CONCUR.</b> The Office of Finance plans to initiate the development process to establish FFS user groups for Members, committees and House Officers. This process involves developing a charter for the user groups, a scope of activities, and other items that will guide the actions and recommendations of these groups. Once the groups are established, schedules and time frames can be established for developing requirements.</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>and OSS. However, these reports do not include projected spending—neither past spending extrapolations nor future spending commitments. The Quarterly Statement of Disbursements of the House replaced the Report of the Clerk of the House in 1995, and improved upon that report by adding summaries of each office's expenses by category, presenting year to date information for each office, and organizing spending detail by type of expenditure. However, the following steps need to be taken to ensure this recommendation is fully addressed:</p> <ul style="list-style-type: none"> <li>• User information requirements, particularly those of Members, need to be further assessed to ensure reports will meet their financial information needs.</li> <li>• The Final Phase of the new system implementation project needs to be completed to assure all JFMIP requirements are met.</li> </ul>	
<p>6. Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by the FFS to the U.S. Treasury on a monthly basis.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> A process is being developed to perform the reconciliation utilizing the capabilities in FFS. A report has been put into production to support this process until an alternative process can be defined and established including standard and/or custom reports. In July 1997, the Office of Finance issued a delivery order to our contractor for the FFS system for custom report enhancements. This will include reports and related procedures to address the reconciliation of FFS transactions processed to the U.S. Treasury on a monthly basis. In the interim, the Finance Office began reconciling all sources of financial activity to the reported Treasury balances in June 1997 and will continue to reconcile current activity. We will also address prior months' reconciliations on an ongoing basis until resolved.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>7. Eliminate the practice of holding accounting periods open for indefinite periods of time. Work plans and procedures should be developed to close out each month in a timely manner.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Office of Finance has established procedures that accomplish the monthly close each month. The procedures permit reopening the third month in a quarter (after initial closing) only to allow posting of approved adjustments and corrections to the quarterly period resulting from reviews of a preliminary Statement of Disbursement (SOD). As quarterly SOD reports are completed, the third month covering that quarterly period is permanently closed. In addition, the Office of Finance has instituted a procedure that requires disbursement transactions that affect prior periods be entered as a current month cash transaction with few exceptions. A formal policy on monthly closing will be developed and proposed to the Committee on House Oversight for approval.</p>
<p>8. Review existing system requirements to ensure that all required fields within FFS are completed and edited by the system or FFS users whenever possible, before the transactions are accepted by FFS. This would include the use of service dates and legislative year information.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> In July 1997, the Office of Finance issued a delivery order to our FFS contractors to address issues related to acceptable and required codes for critical data elements and controls on input that can be used to develop overall system and reporting controls. An estimate of the costs and time to perform an analysis of these issues, to propose actions to be taken in FFS, and to develop procedures for the House has been received from our contractors. The CAO is undertaking a strategic review of priority projects and work assignments. A plan to address the proposed solutions to the issues will be developed in concert with the results of that review.</p>
<p>9. Until FFS is fully implemented and supported by subsidiary systems, establish work plans and procedures to, on an interim basis, calculate and maintain balances such as interoffice receivables and payables, inventory, property,</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> Implementation of work plans and procedures to maintain various account balances would assist in determining the House's financial position. The long-term generation and maintenance of these balances is dependent upon the full implementation of all planned subsidiary systems.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>capital leases, accrued annual leave, unfunded workers' compensation, and depreciation expense in subsidiary ledgers. In addition, identify interim software solutions needed to prepare the annual consolidated financial statements.</p>		<p>The Finance Office has relied upon contractor support to generate the year-end financial statements. However in an effort to "own" the financial statement process, the Office of Finance initiated the task to develop the FFS annual closing and report process. A part of the effort will be to work with the Inspector General's Office to review the methods and actions required to compile data that is required to prepare the Annual Financial Statements outside of FFS. Performance of the analysis and development of a plan to address proposed solutions is based upon the completion of the CAO's strategic review of priority projects and work assignments.</p>
<p>10. Perform a resource needs assessment in the Office of Finance, obtain staffing level approvals, and fill needed positions with qualified employees.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The CAO is undertaking a strategic review and assessment of priority projects, work assignments and required staffing. Upon completion of the review, appropriate actions can be taken to address any staffing issues in the Finance Office.</p>

**Weakness 2: Reconciliations Of Fund Balance With The U.S. Treasury To The Federal Financial System Balances Are Not Routinely Performed Or Adequately Documented And House Funds Held By The Department of State Are Not Tracked**

**Summary Status:**

- **Material Weakness**
- **Prior Condition**
- **Open**

Office of Finance does not properly reconcile cash payment and receipt information from the financial system with information processed in its accounts at the U.S. Treasury. Absent such a reconciliation, the House financial system may not include all financial activity that occurred, or there may have been activity that occurred and was not reported to Treasury. Without such a reconciliation, the House has a weakness in assuring that the data in FFS is accurate; and thus, the lack of reconciliation could impact the accuracy of reporting Members spending and increase the risk of exceeding budgetary restrictions, as discussed in Weakness 8. Additionally, since the system is used to prepare the Statement of Disbursements (formerly the "Clerk's Report") the House cannot be assured that disbursement information included in this publicly disseminated report is consistent with disbursements from its U.S. Treasury account.

Lack of a formal reconciliation between records used to prepare external reports and the U.S. Treasury resulted in a difference between the House's and the U.S. Treasury's reported fund balance. At December 31, 1996, the U.S. Treasury reported the House's fund balance as \$763,637,507 while the House's records reported a fund balance of \$770,264,788. Based on work performed, this difference of approximately \$6.6 million can be attributed to two issues.

The first issue relates to a net unidentified difference of approximately \$3.9 million between the House's FFS and the U.S. Treasury's records. The difference is a result of a combination of factors. The current method of Treasury reporting involves manually compiling amounts from several sources: FFS; the House's previous financial management system, FMS, which is still used to process payroll and vouchers related to fiscal year 1995; manual receipts; and other off-line payroll data. The Office of Finance processes transactions daily through the U.S. Treasury and then confirms each month's transactions in monthly reports to the U.S. Treasury. There were no control procedures to verify that the information reported monthly to the U.S. Treasury was the same as information processed daily, and therefore included in FFS, or that reports drawn from FFS by House Information Resources (HIR) personnel for use in the Treasury reporting process were consistent or accurate. Additionally, the House does not close its reporting months, resulting in transactions which are back-dated and not contained in reports to U.S. Treasury. The effect of these issues is that neither FFS nor the U.S. Treasury contains all of the information, and without a reconciliation procedure, there is no way to determine which records are correct. Therefore, all of the functions performed by FFS, including budgeting and monitoring of Member spending, may not be based on complete data.

The second issue relates to a difference in which the House incorrectly reported an amount to the U.S. Treasury. This had the effect of misapplying \$2.7 million to the wrong U.S. Treasury account. While our work indicated this difference did not affect amounts reported by the House, it is important to track and document why these differences occur to prevent other errors that could have a more significant impact.

Since the implementation of FFS in June 1996, policies and procedures for Treasury reconciliations have not been prepared. As a result, prior to our audit testing, Office of Finance was unaware of the magnitude of the reconciling differences between FFS and the U.S. Treasury. Since some of the

difference may relate to transactions prior to June 4, 1996, and some may relate to the conversion period of FFS, it is essential that these differences be identified and resolved before the trail and record of the transaction is archived.

Additionally, the House does not maintain all its cash balances and related activity in its financial records. The House has a foreign currency account administered by the State Department which is not tracked by the Office of Finance or included in the House’s financial statements. Amounts that are available for the House’s use should be maintained in the financial records and monitored.

The House plans to analyze their records to report amounts to the U.S. Treasury that have not yet been reported and to enter information into FFS for any transactions identified as missing from the system. As the new financial system is continuously improved and all modules are put in place, the effort needed to create formal reconciliations should be reduced and the accuracy of the reconciliation process should increase.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
<p>1. Identify the nature of the \$3.9 million net unidentified difference by appropriation year. If the difference relates to a prior year appropriation, Office of Finance should report a reduction in budget authority to the U.S. Treasury. Otherwise, clear significant differences on reports to the U.S. Treasury. (OIG Report No. 96-HOC-05.)</p>	<p>Status: Open</p> <p>Discussion: The difference from 1995 may not be fully resolved since not every transaction has been captured by FMS due to the constraints of the system. Office of Finance has been investigating their records in order to identify the nature of the \$3.9 million net difference.</p>	<p><b>CONCUR.</b> The CAO is in agreement with the recommendations to reconcile the net unidentified difference of \$3.9 million for the 1996 audit period. We also agree that formal reconciliation procedures for the proper accounting of House funds be established. The Office of Finance is establishing formal procedures which identify all components necessary to perform formal monthly reconciliations on an ongoing basis. As a result of this process, we have completed reconciling all sources of financial activity to the reported Treasury balances, in June 1997, and will continue to reconcile current activity. We will also address prior months’ reconciliations on an ongoing basis until resolved. We are also developing an FFS report that will provide information critical to the reconciliation process.</p>
<p>2. Perform monthly reconciliations between FFS and the U.S. Treasury. Identify and document all differences and resolutions, if any. (OIG Report No. 96-HOC-05)</p>	<p>Status: Open</p> <p>Discussion: Office of Finance does not perform a reconciliation between FFS and Treasury because it does not have the ability to obtain General Ledger balances from FFS.</p>	<p><b>CONCUR.</b> See response to recommendation 1, above.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>3. Identify and obtain specific information needed from FFS to reconcile monthly activity within the manual records and FFS before the monthly data is reported to Treasury. Differences identified between the manual records and FFS should be corrected appropriately within FFS or the manual records and then the correct information for the month should be reported to Treasury.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> See response to recommendation 1, above.</p>
<p>4. Investigate the reconciling differences to ensure that all information has been reported to Treasury and entered into FFS. Identify the nature of the net unreconciled difference to determine proper treatment.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> See response to recommendation 1, above.</p>
<p>5. With urgency, establish and implement formal procedures to perform reconciliation of FFS, FMS, and manual subsidiary records to Treasury.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> See response to recommendation 1, above.</p>
<p>6. Establish policies and procedures to establish the foreign currency account balance and the related activity in the House's financial statements.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The State Department currently manages the Foreign Currency account for House and Senate official foreign travel. The Office of Finance is currently meeting with State Department officials to determine what information is maintained by the State Department and the types of information which may be supplied to the House so that summary account and activity balances may be booked into the year-end financial statements. Once the appropriate information is obtained from the State Department, a determination will be made as to the most suitable method for including the foreign currency balances in the year-end statements.</p>

**Weakness 3: The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment**

- Summary Status:**
- **Material Weakness**
  - **Prior Condition**
  - **Limited Progress Towards Correction**

Office of Finance did not maintain accurate and complete records of the property and equipment the House owned and leased. As a result, it could not provide information to support management decisions about buying, leasing, and maintaining equipment. This lack of information also increased the risk that loss or theft of equipment could go undetected.

Office of Finance did not have centralized accounting control over the House's property and equipment. Instead, responsibility for accounting for property and equipment was dispersed among 11 different entities. The House offices that accounted for most of the House's property and equipment were:

- Office Systems Management (OSM), which was responsible for computers, copiers, and other office equipment used by Members, committees, and House Officers;
- House Information Resources (HIR), which was responsible for computer equipment that supports the House's central electronic data processing environment; and
- Telecommunications, now under HIR, which was responsible for telecommunications equipment used by Members (both in their Washington, D.C. and district offices), committees, and House Officers.

No two offices accounted for their equipment the same way. Of the three offices responsible for accounting for most of the House's property and equipment, none kept property ledgers that met all of the requirements followed by Executive Branch agencies. Consequently, none could readily provide all of the information and balances needed for the House's financial statements. We also found property records to be inaccurate. OSM often does not receive timely information from vendors and Member offices about the delivery and installation of equipment. When this happens, the assignment of permanent control numbers and the payment of vendor invoices can be delayed from several days to several years, in extreme circumstances, after equipment installation. As a result, OSM records did not reflect equipment in Members' offices worth nearly \$1.3 million for items awaiting installation information for over five months and as late as five years. Other property records lacked information about the cost of equipment, and others had no cost information at all. In other cases, property records did not include the dates equipment was purchased or the equipment's estimated useful life. For example, the systems used by HIR and Telecommunications were not designed to capture accurate installation or disposal dates or maintain the useful life and depreciation method and amount for ordered property and equipment.

In addition, property ledgers could not be reconciled to the House's FFS because Office of Finance did not consistently distinguish payments for equipment purchases from those for maintenance or leasing costs. As a result, Office of Finance was unable to track maintenance costs or to identify payments on leases that would reduce the House's lease liability. In order to determine maintenance costs for leases, the maintenance fee was calculated manually after reviewing the lease agreement.

Office of Finance does not use the project costing function of FFS to properly track long term capital projects, such as telecommunications infrastructure improvements. Long term capital project costs could be captured by linking the budget object class (BOC) to the project costing function of FFS to ensure the costs are captured appropriately.

Occasionally, the House entered into leasing arrangements that closely resembled loans, and which effectively conveyed ownership of the leased asset to the House. Leases of this type, which are known as capital leases, require special accounting treatment to ensure their substance is accurately portrayed, and management receives proper information about them. Accordingly, the capital lease liability is represented as the culmination of the present value of the minimum lease payments to be made. This methodology is important because using leases to finance asset acquisitions is frequently more costly in the long run, and generally should not be necessary for an organization such as the House. Moreover, assets could be acquired using lower cost U.S. Treasury funds.

The lack of information about equipment the House owned also made it difficult to detect the loss or theft of equipment. Without comprehensive records of equipment that were reconciled to the financial records and to physical counts of the property, loss or theft could have gone unnoticed in an entity as large as the House. This risk was compounded by the various offices' inconsistent approaches to physically counting their equipment. Some did little to determine if high value property was where it was supposed to be, while others spent a great deal of effort counting items with little or no remaining value.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Ensure the new financial management system and subsidiary systems are capable of accumulating and providing information with respect to property and equipment including:</p> <ul style="list-style-type: none"> <li>• cost or value information</li> <li>• description and acquisition date</li> <li>• useful life and depreciation method and amount</li> <li>• scheduled replacement</li> <li>• location</li> <li>• disposal date</li> </ul> <p>(OIG Report No. 95-HOC-22.)</p>	<p>Status: Open</p> <p>Discussion: Targeted for Phase III of implementation. However, the CAO has not yet established a formal implementation plan for this phase.</p>	<p><b>CONCUR.</b> The newly appointed Associate Administrator will address this recommendation in accordance with priorities to be established by him and the Chief Administrative Officer in conjunction with the Committee on House Oversight. It should be noted that the complete implementation of FFS will not by itself fully address the issues related to the accumulation and summarization of property balances. The completion of this recommendation will require the full implementation of a property management and inventory system. Initiation of these efforts is contingent upon completion of the strategic review of priority projects and work assignments.</p>
<p>2. Establish a policy stipulating the dollar level and types of purchases that should be capitalized. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Substantial progress</p> <p>Discussion: During 1995, Office of Finance established a policy calling for capitalization of the purchase of equipment with a useful life of one year or more and a purchase price of \$5,000 or more. All computers and</p>	<p><b>CONCUR.</b> The CAO will determine the appropriate capitalization policy for House capital assets. This capitalization policy when approved will be distributed to all affected parties within the House. Once the policy is established, appropriate procedures will be developed and</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>computer equipment with a purchase price of \$500 or more shall be capitalized. Although the House established a capitalization policy, no assets were capitalized by Office of Finance during the year. In addition, assets which should have been capitalized were recorded in the same Budget Object Classes (BOCs) as assets which did not meet the capitalization threshold as well as payments for maintenance costs and leasing agreements.</p>	<p>instituted to appropriately capitalize assets.</p>
<p>3. Require an analysis of all leases over a specified dollar amount to determine whether:</p> <ul style="list-style-type: none"> <li>• the leases effectively convey ownership</li> <li>• it is cost-beneficial to enter into the leasing arrangement (OIG Report No. 95-HOC-22.)</li> </ul>	<p>Status: Open</p> <p>Discussion: No new procedures or guidance for this issue have been identified.</p>	<p><b>CONCUR.</b> Prior to performing an analysis of leases, a policy must be developed that provides guidance on the characteristics of a capital lease. The Finance Office plans to develop a policy on capital leases as resources are made available. Once the policy has been developed and distributed to the appropriate House offices, analyses can be made to determine whether the leases effectively convey ownership and/or meet capitalization dollar thresholds.</p>
<p>4. Establish a policy for periodically counting assets with high dollar values. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: During 1995, Office of Finance issued an Internal Policy Statement - FIN-003-96 (Inventory Policy) which is applicable to all House entities. However, the policy is vague in that it does not provide specific procedures or time frames for counting assets. Office of Finance did not change this policy during 1996 to provide more specific procedures or time frames, nor did Office of Finance submit this policy to the Committee on House Oversight (CHO) for approval. However, OSM, the largest of several House entities that maintains inventory, implemented a policy in January 1997, to conduct physical inventories of Member offices on at least a biannual basis.</p>	<p><b>CONCUR.</b> The Furniture Resource Center conducts a biannual physical inventory of all furniture and rates the inventory according to condition codes which are used in the inventory process. In addition, in January 1997, Office Systems Management began conducting physical inventories of Member office equipment on a bi-annual basis. However, Office Systems Management, Furniture Resource Center, House Information Resources and the Office of Finance will collaborate on a formal policy for inventory control and valuation. Once the policy is established, appropriate procedures will be developed and instituted to identify, safeguard and value inventory. Implementation of the procedures will be contingent upon completion of the strategic review of priority projects and work assignments throughout the</p>

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<b>Recommendation</b>	<b>Current Status of Recommendation</b>	<b>Management's Response</b>
		CAO organization.

**Weakness 4: Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased The Risk Of Overspending And Impaired Accountability**

- Summary Status:**
- **Material Weakness**
  - **Prior Condition**
  - **Limited Progress Towards Correction**

As stated in the *Members' Congressional Handbook*, "all Members have one allowance available to support the conduct of official and representational duties to the district from which elected, to be used in accordance with the Members' Congressional Handbook." The Clerk Hire, Official Expenses, and Official Mail Allowances are now combined into the single MRA. However, within the MRA, each Member's expenditures for Franked mail may not exceed the total amount allocated by the Committee on House Oversight for official mail expenses, plus an additional \$25,000, transferable within the MRA at the Member's discretion. Therefore, the MRA has two subset allowances, called programs: Mail, which is the total amount allocated by the Committee on House Oversight for official franked mail expenses; and Other, which is the amount allocated for all expenses other than mail.

To assist Members in complying with these requirements, it is the responsibility of Office of Finance to monitor and account for the MRAs. In addition, House service entities, such as Office Systems Management (OSM), are responsible for accumulating usage for the month and charging the individual MRA accounts in FFS. Effective controls and sufficient efforts from both Office of Finance and the House entities can ensure the completeness and accuracy of charges to the MRAs, and help prevent the occurrence of overspending. However, we found that the controls used, by both Office of Finance and the House entities, to ensure completeness and accuracy of charges to the MRAs were inadequate and Office of Finance did not have sufficient procedures to prevent Members from overspending their MRAs.

House entities' controls were inadequate to ensure the completeness and accuracy of charges to the MRAs. Specifically:

- Telecommunications did not charge seven Members for 21 months of usage totaling over \$3,800. These charges relate to Members whose charges are processed through the General Services Administration. The Office of Finance has been directed to charge the appropriate Members.
- OSM did not charge one Member for three months of monthly fees under a five year purchase plan for a total of \$354.27. Also, one Member was not charged the proper amount of installation fees under a one-time purchase plan for a total of \$76.
- There may be delays in OSM receiving timely information about its delivery and installation. When a Member elects a 3-year purchase plan for equipment, such delayed reporting to OSM may have the effect of shifting equipment charges from one year's allowance to the next. As of December 31, 1996, OSM records did not reflect the installation in Members' offices of equipment worth approximately \$1.3 million. However, the impact on individual Members' 1996 allowances is minimal since typically about 23 percent of equipment purchases are under 3-year plans.

Office of Finance's controls were inadequate to ensure the completeness and accuracy of charges to the MRAs. Specifically:

- Office of Finance's controls over data input into FFS of U.S. Postal Service (USPS) franked mail usage were weak, resulting in the following instances: one Member was not charged for two months of mail usage for approximately \$600; one Member was charged for the mail usage, but to the

incorrect program; three other Members' monthly mail usage amounts were input into FFS using the wrong organizational code which resulted in a misallocation of charges; and Office of Finance did not adequately reconcile its input in FFS to the USPS reports or invoices resulting in the mail expense of two Members being different from USPS reports because of subsequent adjustments processed by USPS and not identified or recorded by Office of Finance.

- Office of Finance does not have adequate means of determining whether all franked mail sent from district offices was reported to Office of Finance and whether the cost of that mail was charged to the MRAs. A Member's district office accounts for franked mail on a manually prepared "Certification of Franked Mail" form completed monthly. This form is the basis for charging the MRAs for Official Mail expenses related to the cost of mail sent from the district office. From March 1996 to December 1996, Office of Finance did not monitor or follow-up with Member offices that failed to submit Certification of Franked Mail forms.

The Committee on House Oversight contacted the sitting Members' Offices to obtain the missing forms in May of 1997. As a result of the Committee's efforts, the Office of Finance records indicate that as of July 15, 1997, a total of 41 Members have not submitted a total of 114 monthly district office mailing reports. Of the 41 Members' offices, 31 Members either resigned during the 104<sup>th</sup> Congress or retired after the 104<sup>th</sup> Congress. Two of those Members' offices were administered by the Office of the Clerk. Prior to the efforts of the Committee, Office of Finance's records indicated that 102 Members' offices did not submit a total of 280 monthly district office franked mail forms. These Members' 1996 MRAs have not been charged and will not be charged until all missing forms are submitted and USPS prepares the final invoice. Thus, to date, these 102 Member's 1996 MRAs have not been charged for the related district office mailing costs, if any.

Despite the inadequate controls, Office of Finance identified Members who were at risk of overspending their MRA in October of 1996. The Members' offices were contacted via telephone by Office of Finance and offered assistance to prevent overspending of their allowance. However, this effort to monitor and account for Members' spending was not sufficient to prevent Members' overspending their MRAs because:

- Full accrual based accounting has not been implemented, therefore, obligations for major spending commitments, such as: mass mailings; equipment purchases paid for on OSM's three-year plans; and district office rent, are not recorded in FFS or reported to the Members in their monthly financial statements. As a result, the remaining available balances reported to the Members and used by the Office of Finance to project ending balances do not include obligations or accruals of money scheduled to be paid in the future.
- Office of Finance cannot ensure that all franked mail usage is charged to the Members' MRA due to the fact that the USPS year-end revision statements are not timely, and USPS monthly invoices contain inconsistencies and may not contain complete information. Specifically, the year-end USPS revision statement for December 1996 has not been received as of July 15, 1997. Prior year-end revision statements have contained additional charges for as much as \$5 million. Furthermore, delays by vendors in processing Member's mailings and forwarding charges to the USPS result in the USPS monthly invoices not containing complete information, thereby necessitating the year-end USPS revision statement discussed above. These delays can result in additional charges in the tens of thousands of dollars for postage costs and processing costs which approximated \$3,000 per mass

mailing. Since obligations are not established for mail, the Members are not receiving an accurate portrayal of their allowance balance in their monthly financial statements.

- FFS is not capable of recording transfers between the two MRA programs: other expenses and mail expenses. As a result, Office of Finance monitored transfers manually during calendar year 1996. In order to report the transfers to the Members on their monthly financial statements, Office of Finance was required to change the beginning authorized allowance balances recorded in FFS. After the reports were generated, the balances were reinstated to their original amounts. Changing the beginning authorized balances could lead to errors in data entry when Office of Finance either changes the balances to reflect the transfer or reinstates the original balances. However, we did not find any instances of input errors during our testing. Nevertheless, the House is exposed to the risk of reporting to Members inaccurate information, which could lead to a Member overspending his or her MRA.

As a result of these control weaknesses and insufficient monitoring and accounting efforts, Office of Finance’s records indicated that 14 Members initially overspent their 1996 allowances, of which 4 were resolved as follows. Members received credits from other House entities such as OSM and Telecommunications and/or funds set aside for procured goods and services were de-obligated. Also, credits from General Services Administration (GSA) were received relating to a district office lease cancellation. Finally, Members canceled insurance policies and subscriptions and received refund checks from these vendors.

After these actions, Office of Finance’s records indicate that, as of July 14, 1997, 10 Members overspent their allowances in 1996 and could not resolve that overspending by adjustments to their equipment purchases, canceling subscriptions, or returning goods to vendors. According to these records, 9 Members overspent their entire MRA ranging from approximately \$12,200 to \$177. We understand that Office of Finance will write letters to each of these 9 Members requesting reimbursement by personal check for the amount of their overspending, if future adjustments cannot resolve their overspending. The remaining Member overspent the official mail expense portion of the MRA by over \$10,900. The *Members’ Congressional Handbook* states that a Member may not use personal funds to supplement the MRA for the purpose of paying for expenses of official mail and for the cost of preparing and printing mass mailings. However, we understand that the Committee on House Oversight is reviewing this case, in order to determine the Member’s restitution to the House.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
1. Align the amounts appropriated for Members’ staff salaries, office expenses, and mail costs with the amounts of the Members’ allowances. (OIG Report No. 95-CAO-16.)	Status: Closed  Discussion: The House requested full funding of the MRA authorization amount in its FY97 Budget Justification.	<b>CONCUR.</b>
2. Develop proposals for approval by the Committee on House Oversight to refine budget	Status: Otherwise Resolved  Discussion: Budget formulations are	<b>CONCUR.</b>

Recommendation	Current Status of Recommendation	Management's Response
<p>formulation procedures to develop budgets by individual Member that are reflective of their actual spending patterns, and that appropriately consider full cost allocation of goods and services provided by the CAO. (OIG Report No. 95-CAO-16.)</p>	<p>no longer published on the Members' Monthly Statements. Items within this recommendation that are still relevant, but not closed, are contained in recommendation 5 below and recommendation 1 in Weakness 7.</p>	
<p>3. Make available to the public information about the amount of each Member's allowance and how much of it was spent, as a means of achieving greater public accountability. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Closed</p> <p>Discussion: The Quarterly Statement of Disbursements summarizes information about spending by each Member's office, showing spending for the quarter and year to date. Beginning in January 1996, the statement also disclosed the authorized amount of each Member's MRA and Official Mail allowance.</p>	<p><b>CONCUR.</b></p>
<p>4. Provide Members with more detailed financial information about the status of their allowance based on both commitments they have made and money they have spent. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Substantial progress</p> <p>Discussion: Office of Finance has issued Members more detailed monthly statements that take into account spending obligations, such as for office supplies and one year purchases of equipment. The reports also include a detail listing of obligations and expenditures. However, as FFS modules and subsidiary systems are further implemented, and as obligation and accrual based accounting are adopted, the report format, if necessary, and content should change as additional data becomes available.</p>	<p><b>CONCUR.</b> The CAO will review the report formats and content and, if necessary, change them to provide more meaningful and complete financial information as we complete the implementation of FFS modules and subsidiary systems.</p>
<p>5. Office of Finance should work with Members' offices to establish obligations for estimated postage, printing, and folding costs for mass mailings and for other costs, such as rent, that will recur throughout the year. (OIG Report No. 96-HOC-05)</p>	<p>Status: Limited Progress</p> <p>Discussion: A proposal for mass mailings obligations is being developed with input from the Franking Commission, Office of Finance, and the Committee on House Oversight. There is no targeted date of completion; however, the proposal will be submitted to the Committee on the House Oversight when a final draft is completed.</p>	<p><b>CONCUR.</b> A proposal for obligating mass mailing expenditures is in its final draft stages and was presented to the Committee on House Oversight as a draft in August 1997. As noted in our comments to recommendation 4 above, it is not currently beneficial to obligate for district rent or small equipment installments for the majority of offices. This practice will be reserved for the small number of offices requiring such funds control.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>6. Office of Finance should perform a detailed analysis of 1996 MRA spending and obligations to ensure that Members have complete information about their 1996 MRA status before November 1996. That information will help prevent Members from incurring significant costs, such as for new equipment or mass mailings, that might cause them to exceed their 1996 MRA limitation. (OIG Report No. 96-HOC-05)</p>	<p>Status: Closed</p> <p>Discussion: In October of 1996, the Office of Finance initiated a review of MRA balances and identified Members that were at a high risk of overspending their allowances. In addition, Office of Finance closely monitored the Members' balances through the end of the Legislative Year (LY). During the analysis, the Members were informally contacted and were offered guidance in order to avoid overspending.</p>	<p><b>CONCUR.</b></p>
<p>7. Office of Finance should work with the USPS to ensure that USPS reports are timely, accurate, and provide meaningful presentation and summarization of official mail usage. Once cumulative USPS information is available, Office of Finance should reconcile net transfers according to USPS, to FFS on a monthly basis. Additionally, Office of Finance should ensure that accurate transfer and available spending data are included on the Members monthly statements. (OIG Report No. 96-HOC-05)</p>	<p>Status: Some Progress (See related new recommendation, number 12.)</p> <p>Discussion: With the exception of the year-end revision statement, the USPS monthly invoices were submitted on a timely basis. Beginning with the month of May 1996, USPS submitted hard and soft copies of the reports that support the monthly invoice. In addition, the Monthly Summary Report includes an "adjustment/transfer" column, which enables both USPS and the Office of Finance to monitor and track information more effectively. However, the USPS invoices were found to contain mathematical inaccuracies. Furthermore, Office of Finance did not reconcile net transfers between reports from USPS and the data entered into FFS.</p>	<p><b>CONCUR.</b> The Office of Finance must rely on the accuracy of the information submitted by the United States Postal Service (USPS). We have no control over the preparation or timeliness of the information furnished. The Office of Finance notifies the USPS of its mathematical errors as soon as they are discovered. We plan to continue our review and follow-up with the USPS. (Please note response to recommendation #12 in this regard.)</p>
<p>8. Follow up with the 10 Members' offices that have not submitted 1995 Certification of Franked Mail forms to determine if related costs affect 1995 MRA compliance. (OIG Report No. 96-HOC-05)</p>	<p>Status: Closed</p> <p>Discussion: According to the Office of Finance, the ten Members' offices either submitted the form or usage was estimated for the missing forms and charged to the Member's account. The estimation methodology was approved by the Committee on House Oversight. USPS submitted a final invoice for all district office mail usage related to services rendered in 1995 in February of 1997.</p>	<p><b>CONCUR.</b></p>
<p>9. Office of Finance should establish consistent policies and procedures</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The policies and procedures for submitting</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>to proactively monitor and contact Members' district offices to encourage adherence to the deadline for submitting "Certifications of Franked Mail" as established in the <i>Members' Congressional Handbook</i>.</p>		<p>"Certifications of Franked Mail" are outlined in the Members' Congressional Handbook starting on pages 57 through 61. The Office of Finance does follow up with Member district offices to obtain form submission. We currently have compliance from all sitting Members for 1996. We are working with CHO to clear the outstanding forms of former Members.</p>
<p>10. Office of Finance should ensure that the 102 Members' LY96 MRAs are charged for their district office mail usage costs by obtaining missing district office forms or through committee-authorized estimation techniques.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Office of Finance is currently receiving, and recording upon receipt, the information from the remainder of the missing 1996 District Office Franked Mail Certification Reports.</p>
<p>11. Office of Finance should continue with the planned modification to FFS to allow for the recordation of transfers between the MRA programs; Mail and Other.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Office of Finance issued a delivery order to our FFS contractors authorizing a systems change to allow transfer capability. This delivery order addresses issues related to recording of transfers between MRA programs. The Office of Finance is currently revising the analysis document to include a general design that is based on using transaction formats to record MRA transfers between programs. When an acceptable general design is reached, a plan and schedule for development and programming of the transfer process will be developed and implemented.</p>
<p>12. Office of Finance should work with USPS to ensure the USPS monthly invoices contain complete and accurate information by reconciling the USPS reports to the data entered into FFS. In addition, Office of Finance and USPS should minimize the amount of additional charges contained on the year-end revision statements, thereby reducing the amount of time needed by USPS to complete and submit reports to the Office of Finance.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Office of Finance continues to work, within its capabilities, with USPS to ensure the USPS monthly invoices contain complete and accurate information, by reconciling the USPS reports to the data entered into FFS.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>13. Office of Finance should continue to perform a detailed analysis of 1997 MRA spending and obligations before the legislative year end to: (1) ensure that Members have complete information about their 1997 MRA status, and (2) identify and contact Members that are at high risk of overspending their allowances. This information will help prevent Members from incurring significant costs near legislative year end, such as for equipment or mass mailings, that might cause them to exceed their MRA limitation.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The recommended MRA review is consistently performed by the Finance Office. In addition, the Office of Finance is developing a projection model to monitor the MRA spending by BOC by legislative year. We believe this to be a proactive approach to monitoring and evaluating MRA spending patterns and identifying problem areas as well as areas of potential savings.</p>
<p>14. House service-providing entities should design and implement controls, such as analytical procedures, to ensure the completeness and accuracy of charges to Member, committee, and Officer accounts.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> We agree more quality control procedures would be helpful. The CAO is undertaking a strategic review of priority projects and work assignments. A plan to address this recommendation will be developed in concert with the results of that review.</p>

**Weakness 5: Poor Controls Over Computers And Data Exposed The House To The Risk Of Unauthorized Transactions, Incorrect Data, Misuse Of Assets, And Loss Of Data And Programs**

- Summary Status:**
- **Material Weakness**
  - **Prior Condition**
  - **Some Progress Towards Correction**

In prior audits of the House, we identified a number of findings and internal control weaknesses related to the House's then-existing financial management system, FMS, its subsidiary financial management systems, and its overall information systems processing environment. Although actions have been initiated to address most of the recommendations related to this weakness, only 8 of 41 recommendations have been fully implemented. However, HIR's Security Office is continuing to aggressively address these findings and develop initiatives to improve the House's information systems processing environment.

On June 4, 1996, the House implemented core components of FFS, a commercial software package, to correct many of the control weaknesses associated with the old FMS system. We performed a review of FFS, focusing on the security controls, as part of the 1996 audit. This review resulted in a new reportable condition, Weakness 13.

FFS is located on the mainframe system at the U.S. Geological Survey (USGS) Washington Administrative Service Center (WASC) in Reston, VA. USGS maintains the system for the House under the House/USGS Interagency Agreement. WASC provides technical support and services in the following areas:

- telecommunications
- operations—nightly FFS processing runs
- user training and application documentation
- program change management over FFS modifications
- mainframe security administration
- disaster recovery and planning
- performance monitoring
- disk space management

Subsequent to implementing FFS on June 4, 1996, the service center's information systems processing environment was reviewed and recommendations were reported in the OIG's 96-CAO-09 report, *Stronger Controls Needed Over The Data Processing Environment At The U.S. Geological Survey, Reston General Purpose Computer Center*, dated December 17, 1996.

HIR has begun to develop and implement policies and procedures to address many of the significant findings reported in prior reports. Except for the FFS processing at the WASC service center, HIR maintains the information systems environment surrounding all financial-related and other information systems, including the old FMS system which is still used to process non-Member payroll. The various House applications provide significant data to FFS and Members, thus requiring adequate controls to prevent unauthorized access, changes to data and programs, and transactions. The following points

summarize the status of global issues, including the progress towards implementing the audit recommendations related to HIR's operations:

- The HIR Security Office has had success in forming a central security function for all House information systems. The office has developed operating procedures to standardize the approach to and consistently perform its responsibilities. An entity-wide information security policy is currently in process with the purpose of raising the security awareness level of the personnel of the Member/Committee and non-Member offices through seminars, bulletins, and advisories.
- Several financial related applications have been brought under the control of ACF2, an access control software package. With the further implementation of ACF2 controls in 1995, significant password and entry controls are now utilized to reduce the risk that unauthorized individuals could access financial applications and make unauthorized changes. However, not all applications, financial and other, are governed by ACF2 controls. The following weaknesses relating to passwords and logs exist for these applications:
  - three character password length;
  - no password changes required;
  - no automatic suspension after invalid attempts;
  - no log off after period of inactivity; and
  - no logs of unauthorized attempts.
- HIR has made tangible progress in several additional critical issues, including a business impact analysis, a disaster recovery plan, and a project management function. HIR prepared a request for proposal for comprehensive business continuity planning services including risk analyses and risk reduction actions for all HIR systems and telecommunication networks. For consistent planning, coordination, and organization of HIR projects, a project management function is a component of a proposed reorganization plan for HIR and defined within the most recent SDLC policies submitted for approval. These initiatives denote preliminary actions in several recommendations that incorporate a proactive approach.
- Change control procedures have not been implemented. Programmers have maintained their access to both the programs they are authorized to work on and the data processed by those programs. With such access, the risk exists that programmers could access data directly and make changes without leaving a trail of their actions. It is normal practice in data centers to bar programmers from using actual data files. Most data centers allow programmers to use only non-production data to test or change the programs for which they are responsible.

The following table summarizes the status of recommendations made to the Chief Administrative Officer in our prior report on internal controls and performance audits of House information systems operations and controls:

- *OIG Audit Report - House Computer Systems Were Vulnerable to Unauthorized Access, Modification, and Destruction* (Report No. 95-CAO-18, dated July 18, 1995).
- *OIG Audit Report - The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs* (Report No. 95-CAO-19, dated July 18, 1995).

- **OIG Audit Report - The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems** (Report No. 95-CAO-20, dated July 18, 1995).
- **OIG Audit Report - U.S. House of Representatives Audit of Financial Statements for the 15-Month Period Ended December 31, 1994** (Report No. 95-HOC-22, dated July 18, 1995).
- **OIG Audit Report - Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer** (Report No. 96-CAO-15, dated December 31, 1996).
- **OIG Audit Report - Audit of Financial Statements for the Year ended December 31, 1995** (Report No. 96-HOC-05, dated July 30, 1996).

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Keep a log of authorizations for access showing the level of access assigned to each person. Integrate the log with Human Resources so that all terminations and transfers are updated in the log. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Closed</p> <p>Discussion: In 1996, the HIR Security Office started to maintain documentation on new user access authorizations and a software program is being utilized that facilitates the complete removal of a user's access rights in the system. Beginning in September, 1996, the office has received monthly reports from the Human Resources department of the CAO and from the FMS Payroll system detailing terminated employees. This information is immediately updated in ACF2 and in the CICS regions not under the protection of ACF2. These procedures are documented in the Security Office Plan of Periodic Security Reviews that was approved by the Committee on House Oversight (CHO) in March, 1997.</p>	<p><b>CONCUR.</b></p>
<p>2. Change password controls to require at least five digits, and to revise passwords each month. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Closed</p> <p>Discussion: Users of applications residing on the HIR mainframe who have been defined under ACF2 are now required to utilize passwords with a minimum of 5 characters and must change their passwords every 30 days. In 1996, additional applications and programs were defined under ACF2.</p>	<p><b>CONCUR.</b></p>

Recommendation	Current Status of Recommendation	Management's Response
<p>3. Prepare and provide a document and computer security awareness training to all employees stating the password policies regarding not sharing passwords or writing them in a conspicuous place, and regarding selecting and changing a password, logging off, checking for viruses, and prohibiting the use of unauthorized software. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Substantial progress</p> <p>Discussion: The CHO is currently reviewing <i>The U.S. House of Representatives Information Security Reference Manual</i>. Within the Standards of Conduct section, there are specific policies regarding selecting and maintaining passwords that include password sharing, writing down passwords, and changing passwords. Virus checking, use of unauthorized software, and logging off terminals are also addressed. Further, the HIR Security Office has a prepared security training seminar presenting this information that is available at the request of an office.</p>	<p><b>CONCUR.</b> CAO (Faulkner)/CHO (Thomas) letter dated August 3, 1995, established policies and procedures for "In-Office Computer Security Policy" and "Internet Access Procedure." These policies and procedures have been utilized and enforced for all offices prior to permitting Internet access.</p>
<p>4. Freeze access after three attempts at unauthorized access are made from any one terminal, individual, account, or file. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Substantial progress</p> <p>Discussion: ACF2 parameters are set to automatically suspend a user ID after 3 attempts. For CICS regions not defined under ACF2 protection, there is no maximum allowable sign-on attempts. However, no formal plan has been established to eliminate MIN and ISIS, which are currently not under ACF2.</p>	<p><b>CONCUR.</b> Controls to freeze accounts after three attempts have been implemented on major financial systems resident on the mainframe and under ACF2 control. HIR is in the process of developing a plan for MIN and ISIS migration from the mainframe which will make ACF2 control over these applications unnecessary.</p>
<p>5. Establish controls to validate all dial-in access. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: HIR implemented the use of smartcards, which authenticates remote users via SecureID tokens and secret PINs. These cards are available for use by any House office— Member, Committee, and non-Member— but are not required to secure remote access. The HIR Security Office is currently developing remote access security policies and procedures.</p>	<p><b>CONCUR.</b> CAO will continue with the present plan to utilize and disseminate SecurID cards for remote access. Additionally, House Information Resources will develop remote access policies and procedures for submission to the Committee on House Oversight by November 26, 1997.</p>
<p>6. Prohibit programmers from accessing actual data and ensure they have access in a non-production environment, only to the programs they are responsible for changing. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: The HIR Security Office developed Periodic Information Security Reviews of the House's information security environment that was approved by the CHO on March 23, 1997. As part of logical access section, ACF2 access rules for</p>	<p><b>CONCUR.</b> CAO will ensure that a review of programmer access to production data and programs is appended to the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule.</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>production libraries and applications are reviewed biannually. However, as no change control function or migration initiative has been implemented, programmers still have access to production programs and data. No significant changes to the access to the production environment have been noted.</p>	
<p>7. Enhance systems within the House that transfer data to one another so that they automatically reconcile the data sent and received. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Open</p> <p>Discussion: FFS was implemented by the House in June 1996. Manual reconciliations are performed between FFS and the House legacy systems which create monthly data files for input into FFS.</p>	<p><b>CONCUR.</b> The Office of Finance has reviewed an analysis report by our contractor on Payroll functional interface requirements and by October 30, 1997 will take actions to improve and tighten controls on this interface. Procedures and documentation to complete the GSA automated interface should be operational by October 30, 1997. The Office of Finance has accepted and has in production the automated interface to accept Capitol Police payroll transaction data from the National Finance Center.</p> <p>Review and improvement of internal data interfaces with OSM, OSS, OTS, HIR and the Photography Studio will be addressed when additional staff and resources are available and priorities established.</p>
<p>8. In conjunction with the overall action plan for systems update and integration, improve data entry controls with respect to weaknesses in entering data such as incomplete data for purchasing equipment and a lack of approved vendor codes. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: FFS, implemented in June 1996, has various application controls that were lacking in the House's proprietary FMS, such as audit trails, error suspense files, and obligation-based accounting to reduce the risk of duplicate payments. Recommendations for these controls are discussed in Weaknesses 1 and 13. Also, data entry controls over payroll functions have not changed. The payroll system lacks data entry or edit check controls to detect potential errors or anomalies.</p>	<p><b>CONCUR.</b> The Office of Finance is continuing to address this recommendation with WASC. An analysis for the improvement of data entry controls for all data entered into FFS including equipment purchases is being accomplished with recommendations expected by November 3, 1997 and action taken by November 30, 1997.</p>
<p>9. Update user manuals for all the</p>	<p>Status: Some progress</p>	<p><b>CONCUR.</b> The Office of Finance is</p>

Recommendation	Current Status of Recommendation	Management's Response
House's significant systems in any action plan for systems improvement. (OIG Report No. 95-HOC-22.)	Discussion: Standard FFS manuals provided by the FFS vendor are currently used by the House staff. These manuals, however, do not include any customizations made to FFS for the House. User manuals for other House financial systems were not updated since our prior year audit.	making changes to incorporate Office of Inspector General requirements into FFS Procedures. Also, the Office of Finance has taken steps to ensure that all future delivery orders that are prepared will include the provision for updating/improving FFS user procedures and documentation to incorporate more information on House-related processes and how FFS is used to support them.
10. Implement a formal, comprehensive data security program. (OIG Report No. 95-CAO-18.)	Status: Substantial progress  Discussion: <i>The U.S. House of Representatives Information Security Reference Manual</i> was submitted to the CHO on January 6, 1997, and is currently in review. The manual includes standards of conduct, specific policies for Internet/Intranet security, and security incident procedures. Additional policies for remote access and data and information classification are in development by the HIR Security Office and will be included with the manual for approval.	<b>CONCUR.</b> The Draft U.S. House of Representatives Information Security Reference Manual was submitted to the Committee on House Oversight for approval. The first piece, covering Member and Committee offices, was approved by the Committee in September 1997.
11. Establish a plan for adequately staffing a formal data security officer function. (OIG Report No. 95-CAO-18.)	Status: Closed  Discussion: The House Information Resources Security Manager was hired as of January 1996 and the office was fully staffed per approved levels by June 1996.	<b>CONCUR.</b>
12. Establish a plan for expanding the data security function to include broader authority to address security on all office-level systems. (OIG Report No. 95-CAO-18.)	Status: Substantial progress  Discussion: <i>The U.S. House of Representatives Information Security Reference Manual</i> was submitted to the CHO on January 6, 1997, and is in the review process. This manual applies to the House network and information systems used by all House offices including Members and Committees. However, a position management plan has not yet been completed, and additional staffing requests have not been resolved.	<b>CONCUR.</b> A comprehensive strategic assessment of HIR is presently being undertaken by an outside consultant as an interim, preparatory measure in advance of hiring a permanent Associate Administrator of House Information Resources. This assessment will review functions and organization of HIR, which will encompass the concerns identified in this recommendation.
13. Implement an information security awareness program to communicate	Status: Substantial progress	<b>CONCUR.</b> The Draft U.S. House of Representatives Information Security

Recommendation	Current Status of Recommendation	Management's Response
<p>employee and vendor security responsibilities. (OIG Report No. 95-CAO-18.)</p>	<p>Discussion: <i>The U.S. House of Representatives Information Security Reference Manual</i> was submitted to the CHO on January 6, 1997, and is in the review process. The HIR Security Office has prepared a security training seminar that is presented at the request of an office and sends out security awareness bulletins and advisories on a regular basis. Security reviews and briefings are also performed before an office is connected to the House backbone or the Internet.</p>	<p>Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to recommendation #10.)</p>
<p>14. Implement a data security compliance structure and enforcement mechanism. (OIG Report No. 95-CAO-18.)</p>	<p>Status: Some progress</p> <p>Discussion: <i>The U.S. House of Representatives Information Security Reference Manual</i> was submitted to the CHO on January 6, 1997, and is currently in the review process. An initial statement of consequences of non-compliance is included. The HIR Security Office is planning to expand the compliance structure and enforcement procedures once the manual is approved and implemented.</p>	<p><b>CONCUR.</b> The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to recommendation #10.)</p>
<p>15. Implement a formal risk assessment model and data classification scheme. (OIG Report No. 95-CAO-18.)</p>	<p>Status: Some progress</p> <p>Discussion: A risk assessment software package was procured by the HIR Security Office. Personnel in the office have obtained training in the package; however, a formal risk assessment has not been initiated.</p>	<p><b>CONCUR.</b> House Information Resources will develop policies for a formal risk assessment model based on qualitative and the "RiskWatch" software. Additionally, a policy for a data classification scheme will be developed and submitted for Committee on House Oversight approval by December 31, 1997.</p>
<p>16. Review staff positions to determine the associated level of risk and need for employee security clearances. (OIG Report No. 95-CAO-18.)</p>	<p>Status: Some progress</p> <p>Discussion: General background checks are now required for new employees of the CAO's office. Recommended security clearance levels have been incorporated into the job descriptions of HIR Security Office personnel. These job descriptions are included in the HIR Reorganization Plan that was submitted to the CHO in February 1996. Security clearances needed for other HIR positions have not been determined.</p>	<p><b>CONCUR.</b> Currently, all new CAO employees including contractors are subjected to baseline background checks. Additionally, Chairman Thomas letter dated July 31, 1996, provided the Committee On House Oversight Resolution - Electronic Communications Adopted July 31, 1996. Each House Information Resources employee is to sign and submit for formal House records, an affirmation of non-disclosure statement. An employee and contractor clearance policy will be developed and submitted for Committee on</p>

Recommendation	Current Status of Recommendation	Management's Response
		House Oversight approval by October 31, 1997. Upon approval of this policy proposal, HIR managers will specify in Position Descriptions, "this position requires that the incumbent be able to obtain and hold a security clearance."
17. Establish vendor contracts that include provisions to support House security standards, policies and procedures. (OIG Report No. 95-CAO-18.)	<p>Status: Substantial progress</p> <p>Discussion: The CHO approved the Security Provisions for Vendor Contracts in March 1996. However, as the provision references a section of the security manual (HISPOL 002.0) that has not been approved by the CHO, the committee requested this provision not be included in contracts until the section is formally approved by the CHO.</p>	<b>CONCUR.</b> The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to recommendation #10.)
18. Implement a comprehensive disaster recovery plan. (OIG Report No. 95-CAO-18.)	<p>Status: Limited Progress</p> <p>Discussion: HIR has prepared an RFP for risk analysis and business continuity planning services. HIR is planning to submit this document to the CHO for approval in July 1997 and anticipates awarding this contract by the end of FY97.</p>	<b>CONCUR.</b> A proposal for Risk Assessment/Disaster Recovery Planning was submitted to and approved by the Committee on House Oversight.
19. Implement and update the business impact analysis. (OIG Report No. 95-CAO-18.)	<p>Status: Limited Progress</p> <p>Discussion: See discussion of Recommendation 18, above.</p>	<b>CONCUR.</b> A proposal for Risk Assessment/Disaster Recovery Planning was submitted to and approved by the Committee on House Oversight.
20. Evaluate backup and business recovery alternatives. (OIG Report No. 95-CAO-18.)	<p>Status: Limited Progress</p> <p>Discussion: See discussion of Recommendation 18, above.</p>	<b>CONCUR.</b> A proposal for Risk Assessment/Disaster Recovery Planning was submitted to and approved by the Committee on House Oversight.
21. Implement procedures for the ongoing maintenance of the business impact analysis and business recovery plan as well as comprehensive, routine testing of the plan. (OIG Report No. 95-CAO-18.)	<p>Status: Limited Progress</p> <p>Discussion: See discussion of Recommendation 18, above.</p>	<b>CONCUR.</b> A proposal for Risk Assessment/Disaster Recovery Planning was submitted to and approved by the Committee on House Oversight.
22. Implement an e-mail system that supports DES encryption. (OIG Report No. 95-CAO-18.)	<p>Status: Closed</p> <p>Discussion: A standard House-wide e-mail package was selected and</p>	<b>CONCUR.</b>

Recommendation	Current Status of Recommendation	Management's Response
	<p>approved by the CHO. HIR expects to complete the migration to the Exchange Messaging system by December 31, 1997. HIR is implementing PGP, Pretty Good Privacy, as the encryption system standard for the system.</p>	
<p>23. Establish data security procedures for LANs, standalone computers, and other distributed computing systems. (OIG Report No. 95-CAO-18.)</p>	<p>Status: Closed</p> <p>Discussion: These procedures were included in HIR's In-Office Security Policy.</p>	<p><b>CONCUR.</b></p>
<p>24. Implement appropriate physical and environmental controls surrounding computer equipment and facilities. (OIG Report No. 95-CAO-18.)</p>	<p>Status: Substantial Progress</p> <p>Discussion: The HIR Security Office developed Periodic Information Security Reviews of the House's information security environment that was approved by the CHO on March 23, 1997. As part of the physical access section schedule, access to the computer center is reviewed quarterly, key access is reviewed annually, card-reader access reports are reviewed monthly, and card-reader anomaly reports are reviewed daily.</p>	<p><b>CONCUR.</b> In addition to the computer center physical controls identified in the periodic review schedule, the Draft U.S. House of Representatives Information Security Reference Manual is currently at the Committee on House Oversight for approval. The manual identifies recommended environmental and physical controls for Member and Committee office systems.</p>
<p>25. Establish the following controls to improve HIR's management and implementation of ACF2 security:</p> <ul style="list-style-type: none"> <li>• Implement ACF2 over all online mainframe applications, including FMS</li> </ul>	<p>Overall Status of Recommendation 25: Substantial progress</p> <p>Status: Substantial Progress</p> <p>Discussion: FFS resides on the USGS mainframe located at the Washington Administrative Service Center in Reston, Va. The ACF2 access control software package controls the global security to the system. The OIG issued a report, 96-CAO-09, dated December 17, 1996 on the information system environment including logical access controls surrounding the USGS mainframe entitled <i>Stronger Controls Needed Over The Data Processing Environment At The U.S. Geological Survey, Reston General Purpose Computer Center.</i></p> <p>The mainframe located at the House of Representatives has all other financial related applications. At the House's</p>	<p><b>CONCUR.</b></p> <p>CAO notes that a significant number of "sensitive" systems including the major financial systems (i.e., FMS, Monies, etc.) are under ACF2 control. HIR expects to place CICS5 and CICS regions (ADATABASE/NATURAL test and production) under ACF2 control by December 31, 1997. There are no plans to migrate the other regions to ACF2 control due to application retirements, etc.</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>mainframe, CICS regions brought under ACF2 control beginning in August 1995 are:</p> <ul style="list-style-type: none"> <li>• CICSFMSB - FMS</li> <li>• CICSA - Test "application staging" for CICS 3.3</li> <li>• CICSB - GAO Production</li> <li>• CICSG - FMS Test</li> <li>• CICSH - MONIES Production</li> <li>• CICSJ - Test "staging" for new version of GAO FFS</li> <li>• CICSK - GAO Test</li> <li>• CICSL - CBO Test</li> <li>• CICSQ - Test FMS</li> </ul> <p>CICS regions which have not been placed under ACF2 control are:</p> <ul style="list-style-type: none"> <li>• CICSTEST - MIN Test</li> <li>• CICS MVSP - MIN Production</li> <li>• CICS4 - CBO Production</li> <li>• CICS5 - ADATABASE/ NATURAL production</li> <li>• CICS6 - LEGIS Production</li> <li>• CICS7 - MIN Test</li> <li>• CICS8 - MIN Production</li> <li>• CICS9 - MIN Test</li> <li>• CICS C - MIN Test</li> <li>• CICS D - MIN Production</li> <li>• CICS E - MIN Production</li> <li>• CICS F - ADABAS/NATURAL test</li> <li>• CICS I - MIN Production</li> <li>• CICS M - ISIS Development</li> <li>• CICS N - MIN Test</li> <li>• CICS O - ISIS Production</li> </ul> <p>The CICS Administrator stated that there are no scheduled dates for the conversion of the remaining regions. Also, a majority of CICS regions are to be retired in 1997/1998.</p>	
<ul style="list-style-type: none"> <li>• Remove the online access to the CICS password file</li> </ul>	<p>Status: Closed</p> <p>Discussion: The ability to view passwords was removed in July 1996 from the MIN and CBO CICS regions.</p>	<p><b>Closed.</b></p>
<ul style="list-style-type: none"> <li>• Administer all passwords through ACF2</li> </ul>	<p>Status: Substantial Progress</p> <p>Discussion: Passwords are not administered by ACF2 for the CICS regions that have not been defined under ACF2.</p>	<p>All systems slated for migration under ACF2 will be completed by December 31, 1997.</p>

Recommendation	Current Status of Recommendation	Management's Response
<ul style="list-style-type: none"> <li>Justify the need for all special ACF2 access privileges</li> </ul>	<p>Status: Substantial Progress</p> <p>Discussion: The HIR Security Office developed Periodic Information Security Reviews of the House's information security environment that was approved by the CHO on March 23, 1997. As part of the logical access section, the Security Office biannually performs a review of IDs with special privileges. A report is issued to each manager within HIR of their system administration personnel who have privileged ACF2 rights. The manager's signature authorizing access is required to continue the access. The first review was performed in December 1996.</p>	<p>The CAO will review special access control procedures to ensure that appropriate approvals are required, i.e., co-signature of the ACFT2 Administrator.</p>
<ul style="list-style-type: none"> <li>Limit the NON-CNCL privilege to only those users who require this access</li> </ul>	<p>Status: Substantial Progress</p> <p>Discussion: The ACF2 Administrator is currently reviewing and updating logon IDs granted the NON-CNCL attribute.</p>	<p>As part of the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule, justification for staff with "Non-Cncl" privileges are approved by the cognizant manager's signature.</p>
<ul style="list-style-type: none"> <li>Create an ACF2 emergency logon ID for occasions that require sensitive access</li> </ul>	<p>Status: Closed</p> <p>Discussion: The HIR Security Office established an emergency ACF2 logon ID.</p>	<p><b>Closed.</b> An emergency ACF2 logon ID was established.</p>
<ul style="list-style-type: none"> <li>Record and review detail activities during use of emergency logon IDs</li> </ul>	<p>Status: Closed</p> <p>Discussion: A quarterly review of the emergency ACF2 logon ID is conducted.</p>	<p><b>Closed.</b> As part of the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule, a quarterly review of the emergency ACF2 logon ID is conducted.</p>
<ul style="list-style-type: none"> <li>Remove the ACCOUNT privilege from divisional security administrators</li> </ul>	<p>Status: Closed</p> <p>Discussion: Divisional security administrators were removed from the HIR organizational structure.</p>	<p><b>Closed.</b> House Information Resources discontinued the divisional security administrator positions.</p>
<ul style="list-style-type: none"> <li>Review and restrict, where appropriate, ACF2 access privileges to production libraries. (OIG Report No. 95-CAO-18.)</li> </ul>	<p>Status: Substantial Progress</p> <p>Discussion: The HIR Security Office developed Periodic Information Security Reviews of the House's information security environment that was</p>	<p>These reviews are conducted as part of the ongoing CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule. House Information Resources Security notes that the periodic audit and review</p>

Recommendation	Current Status of Recommendation	Management's Response
	approved by the CHO on March 23, 1997. As part of the logical access section, ACF2 access rules for production libraries and applications are reviewed biannually. However, no significant changes to the access to the production libraries have been noted.	schedule includes periodic ACF2 reviews including L7 - Review of Personnel Access/Privileges, and L9 - ACF2 Access Rules for Production Library Applications Review.
26. Enhance controls surrounding CMS systems to ensure that users can only access data through the designed application features and not by other means that circumvent the application system. (OIG Report No. 95-CAO-18.)	<p>Status: Substantial progress</p> <p>Discussion: As part of the vendor security requirements provision of HIR, contracts that were approved by the CHO on March 23, 1997, for contractors, who provide most of the CMS systems used in Member offices, are required to address access security. However, the provision references a section of the security manual (HISPOL 002.0) that CHO has not yet approved. Thus, the CHO requested this provision not be included in contracts. HIR will discontinue its own MicroMIN CMS after December 1997.</p>	<b>CONCUR.</b> The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. This item is also addressed in the CHO-approved Security Requirements for House Information Resources Contracts document.
27. Develop a plan for approval by the CHO to perform periodic security reviews to ensure that adequate controls are in place to protect House data and other sensitive system files. (OIG Report No. 95-CAO-18.)	<p>Status: Closed (OIG Report No. 97-CAO-04)</p> <p>Discussion: The CHO approved a plan to have the HIR Security Office conduct periodic security reviews beginning in March 1997.</p>	<b>CONCUR.</b>
<p>28. Develop a proposal for a reorganization of HIS, for approval by the CHO to:</p> <ul style="list-style-type: none"> <li>• Consolidate and streamline systems development into one system development division or integration group</li> </ul>	<p>Status: Substantial progress</p> <p>Discussion: With the reorganization of HIS into HIR in 1995, systems development staff were consolidated into the new Integration Division consisting of five subgroups: Desktop Systems, Information Systems, Institutional Systems, Technical Services, and Application Services. HIR submitted a further reorganization plan to the CHO on February 24, 1997. Two additional groups were proposed which consolidate HIR's efforts in the e-mail and Internet services area to provide an organized and planned approach to these services. This reorganization plan is currently under review by the CHO.</p>	<b>CONCUR WITH COMMENT.</b> A comprehensive strategic reassessment is presently being undertaken by an outside consultant as an interim, preparatory measure in advance of hiring a permanent Associate Administrator of House Information Resources. When the new Associate Administrator is appointed, a full-scale assessment will be completed.

Recommendation	Current Status of Recommendation	Management's Response
<ul style="list-style-type: none"> <li>• Implement an independent quality assurance function</li> <li>• Staff the change control administrator position. (OIG Report No. 95-CAO-19.)</li> </ul>	<p>Discussion: The Quality Assurance and Configuration Management Change Control areas were not addressed by the latest reorganization plan.</p>	
<p>29. Identify and document critical processes and develop a comprehensive training program for HIR employees. (OIG Report No. 95-CAO-19.)</p>	<p>Status: Closed</p> <p>Discussion: Each Group in HIR has a documented training plan for its personnel that is tied to the defined skill levels needed to fulfill the documented mission and objectives of the Group. A central log of the training obtained by each staff member is maintained by the Resources section of HIR.</p>	<p><b>CONCUR.</b></p>
<p>30. Develop and implement chargeback rates that reflect current processing costs. (OIG Report No. 95-CAO-19.)</p>	<p>Status: Some Progress</p> <p>Discussion: HIR negotiated a cost plus charge with three major external customers for 1997.</p>	<p><b>CONCUR.</b> As stated in the "Current Status of Recommendations" the Inspector General identified that cost plus charge contracts were negotiated between House Information Resources (HIR) and three major external customers for 1997. The three major external users of HIR mainframe resources are CBO, GAO, and PROPAC. Also contracts with six other agencies (SSA, OPM, VA, Mint, GPO, and DC Court) for National Change of Address (NCOA) which is also processed on the mainframe were completed.</p>
<p>31. Establish policies and detailed procedures covering the maintenance, administration, and documentation of equitable chargeback rates and billing processes for internal and external customers. (OIG Report No. 95-CAO-19.)</p>	<p>Status: Limited Progress</p> <p>Discussion: A Reimbursement Policy has been written. Detailed procedures have not been developed for the chargeback rates for mainframe usage.</p>	<p><b>CONCUR.</b> Detailed procedures will be developed for charge back rates for mainframe usage by March 31, 1998. These procedures will address charge back rates for both internal and external customers and will also reflect the most recent Committee on House Oversight guidance relative to House Information Resources service charges.</p>
<p>32. Develop a plan, for approval by the CHO, to replace older and duplicate technologies, including:</p>	<p>Status: Closed</p> <p>Discussion: The Committee on House</p>	<p><b>CONCUR.</b></p>

Recommendation	Current Status of Recommendation	Management's Response
<ul style="list-style-type: none"> <li>Migrating the remaining Members from the Sprint private line network to the MCI frame relay network</li> <li>Migrating to one backbone network technology</li> <li>Disposing of unused DEC/VAX equipment. (OIG Report No. 95-CAO-19.)</li> </ul>	<p>Oversight approved the ASN elimination plan and House Ethernet elimination plan. The House disposed of unused DEC/VAX equipment.</p>	
<p>33. Adopt a formal SDLC methodology that meets the requirements of NIST's FIPS Publications and Special Publication 500-153 for all system development efforts. (OIG Report No. 95-CAO-20.)</p>	<p>Status: Substantial progress</p> <p>Discussion: HIR's June 1996 Interim Management Policy for Systems Development Life Cycle provides for the implementation of a formal SDLC process in accordance with NIST's FIPS Publications and Special Publication 500-153 was approved by the CHO in January 1997. HIR is currently implementing this SDLC process.</p> <p>HIR has developed additional SDLC procedures that include further detail such as non-mainframe type projects and project management policies. This document is scheduled to be submitted to the CHO in July 1997.</p>	<p><b>CONCUR.</b> The interim policy was developed by HIR in June 1996 and approved by the Committee on House Oversight in January 1997. The approved SDLC policy meets the requirements of NIST's FIPS Publications and Special Publication 500-153.</p> <p>The CAO is in the early stages of designating staff to form a Technology Coordination Task Force. The charter of this task force will be to drive the strategic direction for information technology-related initiatives. An early order of business for the task force will be to develop SDLC procedures.</p>
<p>34. Perform a cost-benefit analysis to determine whether existing HIR systems that compete with commercially available off-the-shelf packages should continue to be maintained by HIR, and if not, present a migration plan to the CHO. (OIG Report No. 95-CAO-20.)</p>	<p>Status: Some Progress</p> <p>Discussion: As part of the Year 2000 Plan (discussed further in recommendation 41 below), a cost/benefit analysis is to be performed on each HIR system to determine the most economical approach to meet Year 2000 compliance—replacement, modernization, or retirement/outsourcing. For systems scheduled to be replaced, a needs analysis and extensive system requirements will be documented to aid in the procurement of a commercially available off-the-shelf system.</p>	<p><b>CONCUR.</b> In addition to the actions that are expected to occur as the result of the Year 2000 and Mainframe Migration plans, the CAO has formed a Technology Coordination Task Force. This group is expected to analyze the current mainframe applications in terms of re-engineering, re-hosting, etc., in order to effectively off-load applications that are currently processed on the HIR mainframe. The output of this analysis will determine which applications will require a cost/benefit analysis.</p>
<p>35. Review the overall HIR</p>	<p>Status: Some Progress</p>	<p><b>CONCUR.</b> The overall HIR</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>management structure to ensure that all major projects are properly planned, organized and coordinated effectively, and approved by the CHO. (OIG Report No. 96-CAO-15.)</p>	<p>Discussion: HIR submitted a reorganization plan to the CHO in February 1997. This plan detailed two new groups and an additional Project Administration function which reports directly to the Associate Administrator, HIR. The two new groups—Electronic Messaging Systems Group and Internet Services Group—consolidated HIR's efforts in the e-mail and Internet services areas to provide an organized and planned approach to these services. The Project Administration function was formed to implement a project management system to approve and track HIR projects.</p> <p>Additional SDLC policies and procedures that detail the project management function are currently under review by HIR.</p>	<p>management structure will continue to be analyzed as part of the continuing organizational assessments and responses to the CAO and HIR management audits. A professional Information Technology consultant has been hired to both oversee HIR operations and conduct a strategic analysis as the first step in this process. See response to recommendation 28, above.</p>
<p>36. Develop detailed project management policies and procedures based on a formal SDLC methodology which establishes a structured approach for managing and implementing information systems projects. (OIG Report No. 96-CAO-15.)</p>	<p>Status: Substantial Progress</p> <p>Discussion: HIR submitted an Interim SDLC policy to the CHO in June, 1996 which was approved January, 1997. HIR is currently implementing this SDLC process. HIR is also currently augmenting this policy to include further detail such as non-mainframe type projects and overall project management policies. This document is scheduled to be submitted to the CHO in July, 1997.</p>	<p><b>CONCUR.</b> See response to recommendation 33, above.</p>
<p>37. Develop and provide training for Directors and technical staff in order to implement the newly developed project management policies and procedures. (OIG Report No. 96-CAO-15.)</p>	<p>Status: Limited Progress</p> <p>Discussion: HIR has had preliminary discussions with the CAO's Office of Training to develop a training program for the HIR personnel who will participate in the project management function of SDLC. This program is expected to be developed once the CHO approves the updated SDLC policy.</p>	<p><b>CONCUR.</b> Training will be provided for Directors and technical staff in accordance with newly developed SDLC procedures. Additionally, system development projects will be managed in accordance with the newly developed management policies and procedures.</p>
<p>38. Ensure that all systems development projects are managed according to these project management policies and procedures. (OIG Report No. 96-</p>	<p>Status: Limited Progress</p> <p>Discussion: HIR is currently augmenting the interim SDLC process to include further detail such as non-mainframe type</p>	<p><b>CONCUR.</b> Training will be provided for Directors and technical staff in accordance with newly developed SDLC procedures. Additionally, system development projects will be managed in accordance with the</p>

Recommendation	Current Status of Recommendation	Management's Response
CAO-15.)	projects and overall project management policies. This document is scheduled to be submitted to the CHO in July 1997.	newly developed management policies and procedures.
39. Conduct a comprehensive needs analysis and cost/benefits analysis to determine the best approach to mainframe migration. (OIG Report No. 96-CAO-15.)	<p>Status: Limited Progress</p> <p>Discussion: HIR is using the Year 2000 compliance issue to address the mainframe migration process. See discussion of the Year 2000 Plan in Recommendation 41 below.</p>	<b>CONCUR.</b> Needs analyses and cost/benefit analyses for applications slated for migration off the mainframe will be addressed as part of the CAO response to the Mainframe Migration and Year 2000 audits.
40. Adopt an implementation plan that balances the need for an aggressive timeline with user needs, and hardware, software, personnel and budget requirements. (OIG Report No. 96-CAO-15.)	<p>Status: Limited Progress</p> <p>Discussion: The timeline for the mainframe migration effort has been defined as part of the Year 2000 Plan. This timeline considers the needs of the users and the hardware, software, personnel, and budget requirements of HIR.</p>	<b>CONCUR.</b> Needs analyses and cost/benefit analyses for applications slated for migration off the mainframe will be addressed as part of the CAO response to the Mainframe Migration and Year 2000 audits.
41. Prepare a comprehensive strategy addressing the potential impact of the Year 2000 issue. (OIG Report No. 96-CAO-15)	<p>Status: Substantial Progress</p> <p>Discussion: HIR has developed a Year 2000 Plan that was submitted to the CHO in May 1997. This plan identifies the scope of the needed effort, assessment of the necessary changes, and strategy to meet the House's needs before December 31, 1999. To determine the most economical approach— replacement, modernization, or retirement/out-source— a cost/benefit analysis will be performed on each system.</p>	<b>CONCUR.</b> A strategy addressing the potential impact of the Year 2000 has been developed by virtue of the Year 2000 Plan, major portions of which have been approved by the Committee on House Oversight (i.e., LIMS, Office Systems Management, and Payroll). Further implementation will be facilitated by the Technology Coordination Task Force as noted in the CAO response to the Inspector General's Year 2000 audit. In addition, a Year 2000 compliance Project Manager has been selected to coordinate HIR efforts and facilitate the Year 2000 work of the Task Force.

**Weakness 6: The House Did Not Properly Track The Goods And Services It Ordered, And Frequently Paid Vendors Late**

- Summary Status:**
- Reportable Condition
  - Prior Condition
  - Some Progress Towards Correction

Before the implementation of the House’s new financial management system, FFS, on June 4, 1996, the House had no means to obligate funds for items ordered or contracted to ensure that the funds were still available when the time came to pay the vendor. The House has taken steps to obligate OSM and OSS offices' purchases through the purchasing subsystem used with FFS. However, in most instances, the House did not track what it ordered and owed vendors until Office of Finance was billed. Although, in some cases, ordering was controlled through records maintained by the ordering entity. In those cases, Office of Finance had no central record of items ordered, or of goods and services received, that could be used to accumulate and summarize outstanding bills. With respect to goods and services ordered directly by Members and committees, the House had no means of tracking obligations as they were incurred, because no information about the order was available until vouchers were sent to Office of Finance for payment.

Last year, we found that the House was frequently late in paying its bills. This year’s audit indicated that some bills are still paid after the due date. For example, of the 78 non-travel related vouchers sampled for testing, 10 transactions resulted in payments past the due date and another 23 resulted in payments at least 30 days past the invoice date. Additional analysis of these late payments indicated that most of these late payments were caused by untimely submission of vouchers by initiating offices. This practice may result in the discontinuation of the provision of goods and services to Members and House offices. This practice may also lead to the forfeiture of trade discounts offered by vendors.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
<p>1. Initiate a system of accounting and control that captures data and tracks transactions by vendor and ordering office when goods and services are:</p> <ul style="list-style-type: none"> <li>• Ordered</li> <li>• Received</li> <li>• Paid</li> </ul> <p>(OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: The Accounts Payable Subsystem of the new financial management system has the capability of recording payment transactions, including data such as vendor, type of expense, service dates, amount of payment and the date the payment was made. The Purchasing Subsystem has the capability of recording obligation information for goods ordered. These new capabilities were installed in June 1996, and are now being used by the OSM and OSS areas to track their respective obligations. The Purchasing Subsystem currently maintains and tracks transactions as they are ordered and paid. However, the House is not yet</p>	<p><b>CONCUR.</b> The House is in process of refining and validating the Procurement Desktop software package which is compatible with FFS. When implemented, this system will provide for the recording of the purchase, receipt and payment of goods or services. Upon full implementation, it will provide a method for funds control in the procurement arena.</p>

Recommendation	Current Status of Recommendation	Management's Response
	<p>using the FFS's capabilities to track real-time all goods received. The House intends to implement this feature in the next phase.</p> <p>A new procurement system, known as "Procurement Desktop" has the capability to assist in contract and purchase order monitoring. Procurement Desktop has the capability to assist in standardizing documentation prepared by procuring divisions and the authorization/approval process for these documents. However, Procurement Desktop is not yet implemented.</p>	
<p>2. In conjunction with acquiring a new financial management system, ensure it has the capability to:</p> <ul style="list-style-type: none"> <li>• compare orders against the available budget by office</li> <li>• prompt offices when orders have not been received or when bills have not been paid after a specified period of time. (OIG Report No. 95-HOC-22.)</li> </ul>	<p>Status: Some progress</p> <p>Discussion: FFS is capable of comparing orders to available funds with the implementation of the Purchasing Subsystem in June 1996. This new capability is now being used by the OSM and OSS areas to track their spending against respective obligations. However, the House did not implement procedures or system enhancements to prompt offices when orders have not been received or when bills have not been paid after a specified period of time.</p>	<p><b>CONCUR.</b> The Procurement Desktop system, in conjunction with FFS, will provide the appropriate fund control required for House operations. The Finance Office will prepare policies requiring analysis of unliquidated obligations and will provide, in conjunction with the Office of Procurement and Purchasing, procedures to service providers to follow for unliquidated obligation review. The timing and generation of procedures, and associated analysis, will be conditioned on completion of the strategic review of priority projects and work assignments in the Office of Finance.</p>

**Weakness 7: Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices**

- Summary Status:**
- Reportable Condition
  - Prior Condition
  - Some Progress Towards Correction

The House was not able to fully or accurately allocate or attribute direct operating costs to Member offices. Full and accurate allocation of costs is important because: (1) it is a more effective inducement to purchase goods and services based on balancing quality and cost; and (2) it allows for a more realistic and equitable comparison of costs between Members.

Within the units of the House, numerous examples of situations occurred where direct operating costs were not fully allocated to end users. For example, Telecommunications charged Members only part of the cost of telecommunication services they used. In other instances, direct costs were not assessed to Members' offices at all, so amounts charged to MRAs understated the true costs of running their offices. For example, the MRA was charged for staff salaries, but not for staff benefits, which amounted to approximately 27% of salary costs. In addition, the costs of furnishings for Members' Washington, D.C. offices and of many House-provided computer services were not charged to the MRA. While these costs were not charged to Members, they were ultimately paid with funds appropriated to non-Member areas.

Specific examples of the House's inconsistent and incomplete allocation of costs include:

- Telecommunications pays vendors for the cost of telecommunication services the Members use. Telecommunications then bills the Members for these services, applying a flat rate that is generally lower than the rates vendors charge Telecommunications. As a result, telecommunication costs of Members are understated, while those of Telecommunications are overstated.
- The Office Supply Service (OSS) buys office supplies from commercial vendors and resells them to Members. If Members buy the supplies for official business, OSS only charges them the price OSS paid the vendors for those supplies. That is, the price OSS charges Members includes no markup to cover the cost of its centralized purchasing and delivery services. In our 1994 performance audit, we determined that OSS would need to mark up its products by nearly 20% to recover all of its costs. If these costs were allocated to the Member, the Member might prefer to exercise the option of shopping around for supplies.

Most of these practices were also applied to committees and House Officers, making it difficult to determine the true costs of their operations. Because Members, committees, and House Officers were not held accountable for the costs of many of the goods and services they used, they may not have purchased goods and services efficiently.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Establish policies and procedures that define how direct costs will be fully allocated to end users. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Some progress</p> <p>Discussion: Certain costs, such as those formerly absorbed by the Folding Room and Photography Studio, are now charged to Members' offices. However, full allocation of direct operating costs is still not performed.</p>	<p><b>CONCUR.</b> A cost accounting algorithm that fully allocates and attributes direct costs to end users is necessary for our service providers. However, other pressing priorities must be addressed and completed first. Consistent with our response to weakness number three in the 1995 Financial Statement Audit report, when the FFS system is stabilized, the general ledger is operating appropriately, the critical subsidiary systems have been developed and installed the CAO will be in a position to address a subsidiary cost accounting solution for the House.</p>
<p>2. Ensure the new financial management system includes a cost accounting component suitable for the House's requirements. (OIG Report No. 95-HOC-22.)</p>	<p>Status: Closed</p> <p>Discussion: Within FFS, program or "project" accounting is available, and is being used to track Members' Allowances.</p>	<p><b>CONCUR.</b></p>

**Weakness 8: Poor Funds Control Put The House At Risk Of Overspending Its Appropriation****Summary Status:**

- **Reportable Condition**
- **Prior Condition**
- **Some Progress Towards Correction**

The House did not always check for funds availability before it ordered goods and services, or wrote payroll checks to employees. This practice increased the risk of overspending funds authorized by appropriations. The House was vulnerable to overspending because it lacked policies governing timely recording of obligations and expenditures.

Federal agencies are required to track in their general ledgers when goods or services are ordered so that funds received through the budget process can be set aside or “obligated.” In fact, a common control for most government organizations is to check for the availability of funds before a good or service is ordered, and not at the time a bill is presented for payment. This reduces the risk that funds will be insufficient or already committed for other purposes.

FFS does have a feature which will not allow payment of a bill if there are insufficient funds recorded in the appropriation. However, this feature could block payment for goods or services already received, which would necessitate a reprogramming or transfer of funds to cover the cost. Additionally, the House lacked procedures to ensure that Treasury warrants were entered properly and timely into FFS, and, during 1996, there were instances of appropriated amounts that had not been recorded in the system properly. For example, one appropriated amount was recorded within FFS for \$30,000 instead of \$15,000. Although the amount in this case was small, there is no control that appropriated amounts are recorded correctly. Also, since Treasury reconciliations are not adequately performed, as discussed in Weakness 2, errors such as this would not be detected. In addition, the House recorded two appropriations based on estimates, and adjusted to the proper amount after December 31, 1996. In this case, the estimates were below the appropriated amounts, but it is possible that future estimates used could exceed the actual appropriated amount. Since U.S. Treasury accounts are not reconciled, estimates may not be adjusted to the actual authorized amount, and the House risks overspending funds authorized by appropriations. Similarly, since the House does not have adequate controls in place to ensure all disbursement and receipt activity is recorded in the financial system, as discussed in Weakness 1, the use of FFS to monitor the budget is compromised.

Because the House did not manage its finances proactively, Office of Finance did not know how much the House was committing to and whether it was in danger of not having enough funds to cover expenditures. The House was particularly vulnerable to overspending appropriations for Members’ allowances, as discussed in Weakness 4. Office of Finance lacked sufficient procedures to ensure voucher and payroll disbursements were under budgetary control. Although OSM and OSS established obligations for other House offices during calendar year 1996, the House did not consistently obligate or otherwise reserve funds or check funds availability before the House ordered goods or services such as mass mailings, rent, and payroll. Additionally, obligations that were established by OSS and OSM were not reconciled from their databases to FFS. As discussed in Weakness 12, this lack of reconciliation exposes the House to the risk that obligations and liabilities for goods and services which have been ordered, and possibly received, are not recorded in the financial system.

Another example of poor funds control is the absence of controls in place to ensure that funds not available for the House’s use are withdrawn from the House’s U.S. Treasury account and transferred to the U.S. Treasury General Fund. These funds include miscellaneous receipts, which were not withdrawn

from the House’s U.S. Treasury account, as required by P.L. 104-53, and the unused portion of the 1994 Members’ payroll appropriation. It is Office of Finance’s policy to track the Members’ payroll appropriation by year and return unused funds two years after the appropriation was received. This policy is not law, but it is an appropriate method to track the Members’ payroll appropriation, as any unused portion of the appropriation generally cannot be authorized for any other use. According to its policy, Office of Finance was scheduled to withdraw authorization to use remaining 1994 Members’ payroll funds on September 30, 1996. However, authorization for these funds was not withdrawn until May 1997, as a result of audit work performed.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
<p>1. Institute budget controls to obligate, or reserve, funds before ordering goods and services and verify that funds are available before they are obligated. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Some progress</p> <p>Discussion: Obligations are established in OSS and OSM but are not established routinely for any other goods or services ordered.</p>	<p><b>CONCUR.</b> There has been substantial progress on this recommendation over the past two years. The obligation function of FFS (implemented in June 1996) has successfully been used, and an obligation report accompanies the monthly financial statements. Fund control features exist to ensure that an obligation can only be recorded if proper funds are available. Full implementation of obligation-based accounting has not been implemented for Member offices. It is expected to be available with the implementation of the Procurement Desktop system.</p>
<p>2. Provide information to Members, committees, and House Officers on how much money they have spent versus what they were budgeted. (OIG Report No. 95-CAO-16.)</p>	<p>Status: Some progress</p> <p>Discussion: Office of Finance has issued Members more detailed monthly statements that take into account spending commitments, such as for office supplies and one year purchases of equipment. The reports also include a detail listing of commitments and expenditures. However, major spending commitments, such as for mass mailings or equipment purchased using the 3-year plan are not taken into account. Full implementation of obligation-based accounting has not been implemented for Members’ offices.</p>	<p><b>CONCUR.</b> The Finance Office has issued more detailed monthly financial statements and is continuing to address issues related to the information contained in the statements. Once obligation accounting has been fully implemented through FFS and the subsidiary Procurement Desktop module, as indicated in responses to Weakness 6, more accurate information will be available to Members regarding the status of their authorizations. In addition, as noted in responses to Weakness 4, the Finance Office does monitor the status of each Member’s authorization and does notify Members when it appears that a potential for overspending exists.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>3. Establish controls to ensure that Office of Finance adheres to any provisions of law or its own policy requiring the remittance of funds to the U.S. Treasury. These policies and procedures should also address the review of inactive cash accounts that may need to be transferred to the U.S. Treasury general fund. (OIG Report No. 96-HOC-05.)</p>	<p>Status: Open</p> <p>Discussion: Controls have not been established to ensure that funds are remitted according to provisions of law or policy.</p>	<p><b>CONCUR.</b> In an effort to establish control over the cash receipts remitted to Treasury, the Finance Office, in March 1997, prepared a comprehensive policies and procedures document describing each revenue category and its legal and/or House Oversight directive. Discussions between Finance and House Oversight staff are ongoing. Once resolved, controls over the areas in question will be established. In addition, a written policy on the timing of transferring funds from the House accounts at the Treasury to the Treasury general fund will be established.</p>
<p>4. Establish controls to ensure that the House inputs warrant amounts timely and in the proper amount to the FFS, and performs a full reconciliation between FFS and reports from the U.S. Treasury. (OIG Report No. 96-HOC-05)</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The annual Treasury warrant has appropriated funds for six accounts, one for the House and five for joint House/Senate items. These amounts are entered into FFS in the last week of the active fiscal year to ensure payments can be charged to the new fiscal year. Draft policies and procedures have been written and will be established by fiscal year end to ensure accuracy between FFS, the Legislative Branch Appropriations Act and the Treasury Warrant. The procedures will be implemented beginning with fiscal year 1998.</p>

**Weakness 9: Late Submissions And Inadequacies In The Payroll System Added To Manual Processing And Led To Approximately \$200,000 In Overpayments To Employees**

- Summary Status:**
- Reportable Condition
  - Prior Condition
  - Open

Terminated employees and employees whose salaries had been decreased were overpaid by approximately \$200,000 during the year ended December 31, 1996. In addition, the House distributed approximately 2,600 supplemental paychecks, amounting to \$1.52 million to correct transactions that were submitted to the Office of Finance past the deadline for submitting salary changes. Overpayments and supplemental payments occurred because:

- Offices submitted salary changes after the published deadline.
- Paperwork for newly appointed employees is not due to the Office of Finance until the end of the month which is too late for these new employees to be paid through regular payroll.
- The Office of Finance prepared payroll checks for employees before the end of the month for work completed during that month.

Employing offices use Payroll Authorization Forms (PAFs) to notify the Payroll Department of salary changes, including employee hires and terminations, salary increases and decreases, leave without pay (LWOP) status, and deaths. The *Members' Congressional Handbook* requires that terminations and other payroll change information be submitted by the 15th of the month in which the adjustment is to be effective. This allows enough time for the Payroll Department to process and enter payroll changes into the payroll system before paychecks are produced.

Some offices submitted PAFs after deadlines established in the *Members' Congressional Handbook*. If paychecks had already been produced, but not yet distributed at the time payroll changes were received, Payroll Department staff voided erroneous checks and hand wrote correct checks. Each month, the payroll supervisor manually updated the payroll system to reflect voided and handwritten checks. Occasionally, because employing offices did not submit payroll changes before checks had been distributed, employees were paid either too much or too little.

A policy option used by many employers is to introduce a lag between the end of the pay period and the date paychecks are produced. Most organizations have a lag of at least one week between the end of the pay period and the date paychecks are produced. All general schedule employees in the Federal government are paid on a one week lag basis. This minimizes the risk that paychecks would be issued before changes to pay rates and employment status had been processed.

In our audit, we have noted several significant problems with the current payroll system. The following points provide more detail on the weaknesses we identified.

**The House overpaid employees by approximately \$200,000**

When employing offices submitted salary decreases, LWOP, or termination changes after paychecks had been distributed, employees were overpaid. To correct and subsequently collect the overpayment, the Payroll Department notified the employing office of the overpayment. The employing office was then responsible for informing the employee of the overpayment, collecting the overpayment, and returning it

to the Payroll Department. The House did not have written policies on who was responsible for pursuing collection of overpayments if the employing office's efforts were unsuccessful.

As a result of the current payroll policy, 177 employees were overpaid approximately \$200,000 during the 12 months ended December 31, 1996. As of July 10, 1997, 14 overpayments amounting to \$9,584 remained uncollected. During 1996, Payroll voided 93 incorrect checks and the payroll supervisor manually updated the system to reflect the related late changes. Paying on a current basis meant that the Payroll Department could not enter all changes into the system before it distributed paychecks, and necessitated the laborious manual processing of payroll corrections.

### **The House distributed a significant number of supplemental paychecks every month**

When employing offices submitted appointments or salary increases after paychecks had been distributed to employees, employees were underpaid. Therefore, Office of Finance had to process a supplemental payroll to pay these employees the full amounts they earned. The House distributed approximately 2,600 supplemental paychecks for a total of \$1.52 million during 1996. Supplemental payroll also included corrections for payroll mistakes. We could not determine the specific reasons for supplemental paychecks because neither the payroll system nor the Payroll Department tracked the number of PAFs submitted late.

Supplemental payroll processing could be avoided if offices followed the *Members' Congressional Handbook* requirement to submit payroll changes by the 15th of the month. Very few organizations use a supplemental payroll run to correct payroll changes. If necessary, their payroll software allows them to generate individual paychecks or have special pay runs, but they do not do this every month. Furthermore, the vast majority of Federal government agencies do not use standard supplemental payroll runs since they pay general schedule employees bi-weekly, on a lag basis.

Office of Finance disbursed supplemental paychecks every month during the audit period. As a result of running the supplemental payroll, Office of Finance incurred additional costs to manually produce and reconcile extra checks.

### **The House's current payroll systems are inefficient and ineffective**

Though the House is in the process of implementing the new FFS system, payroll transactions pertaining to employees of Members, committees, and Officers are still performed by the FMS payroll system in the Payroll Department. Member payroll is performed separately by Member Services utilizing an AS/400 system. We have noted significant problems with the House's FMS payroll system, specifically:

- If an employee goes from non-permanent to permanent status in a given month, the FMS payroll system automatically calculates the Federal Employees Retirement System (FERS) deduction for the entire month including the portion of the month in which the individual was a non-permanent employee, thereby requiring a manual adjustment to the system for reversal of the FERS deduction.
- The FMS payroll system does not perform all necessary payroll calculations, therefore manual calculations are needed for the following:
  - Earned income credits
  - Garnishments that are based on a percentage of disposable income
  - Deduction amounts for retroactive adjustments
  - Gross pay for multiple annuitants

- Attending physician stipends
  - Part-time child care employees
  - Government portion of Civil Service Retirement System (CSRS) - Offset once the employee's FICA maximum level has been reached
  - Government portion of FERS.
- Once adjustments to the FMS payroll system-generated Payroll Certification report have been made (i.e., handwritten checks, voids, adjustments, and suspense items), the report cannot be re-run to reflect the adjustments. Payroll Counselors must manually "mark up" the original report to reflect the changes to these reports which the employing entity is required to certify as being valid.

The AS/400 system, which processes Member's payroll, operates independently of the FMS payroll system which processes payroll for other House employees. This system suffers many of the same shortcomings as the FMS payroll system including an over reliance on manual transactions. For example, once a year, Member Services staff must key in the age of each Member so that deductions such as Life Insurance can be properly calculated. Manual implementation of these changes increases the risk of error and subsequent misstatement.

These weaknesses underscore the need for the House to replace its payroll systems. However, the House received CHO approval to engage a contractor to conduct a needs analysis, to develop a requirements definition, and to assist in developing a competitive request for proposals in preparation for replacing the payroll and benefits systems currently used by the House.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Enforce both the <i>Members' Congressional Handbook</i> and the <i>Committees' Congressional Handbook</i> rules and require Members, committees, and Officers to submit PAFs on time (95-CAO-16).</p>	<p>Status: Open</p> <p>Discussion: No changes in policies and procedures have been made. Testing of 1996 records indicates that the practice of accepting and processing of late PAFs occurred throughout 1996. No abuses were identified. However, inadvertent overpayments resulted from the combination of late PAF submission and "real-time" payroll processing. Enforcement of PAF submission deadlines would provide a mitigating control to the "real-time" payroll process, and potentially reduce salary overpayments.</p>	<p><b>CONCUR.</b> In a "Dear Colleague" letter dated August 25, 1997, Representative Bill Thomas, Chairman of the Committee on House Oversight, reaffirmed that PAFs for appointments after the month in which the appointment is effective will not be processed. Pursuant to this letter, the Office of Human Resources' Payroll will both remind employing offices of the policy and enforce the policy. With the policy now in place, the CAO will establish written implementation procedures.</p>
<p>2. Do away with "real-time" payroll and institute a lag between the end of the pay period and the date the payroll is processed and the paychecks are distributed (95-</p>	<p>Status: Open</p> <p>Discussion: No changes in policies and procedures have been made. If there were a lag between the end of the pay</p>	<p><b>CONCUR.</b> The CAO has begun a project to select and procure a replacement payroll system that will address this issue. When this project is completed, the CAO will make</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>CAO-16).</p>	<p>period and the date payroll was processed, the payroll department would have more time to identify and correct any potential salary overpayments. In addition, as discussed in Recommendation 1 above, enforcement of the PAF submission deadline would also mitigate the risk of salary overpayments being processed.</p> <p>The House began evaluating new payroll system options in January 1997.</p>	<p>recommendations regarding "real-time payroll" to the Committee on House Oversight.</p>
<p>3. Assign responsibility to Office of Finance for pursuing collection of salary overpayments if the employing office's efforts prove unsuccessful after one month (95-CAO-16).</p>	<p>Status: Open</p> <p>Discussion: No changes in policies and procedures have been made.</p>	<p><b>CONCUR.</b> A proposed policy and procedure for the collection of salary overpayments, "Salary Overpayment Collection Policy and Procedure," has been submitted to the Committee on House Oversight for approval. If approved, this policy would assign the responsibility to the Office of Human Resources for pursuing collection of salary overpayments if the employing office's efforts prove unsuccessful after one month.</p>
<p>4. Continue to pursue and resolve remaining outstanding salary overpayments (96-HOC-01).</p>	<p>Status: Open</p> <p>Discussion: No changes in policies and procedures have been made. As of December 31, 1996, the House reported total unreturned overpayments of almost \$25,000. As of April 1, 1997, \$9,486 remained outstanding.</p>	<p><b>CONCUR.</b> Upon the Committee on House Oversight's approval of the policy submitted, "Salary Overpayment Collection Policy and Procedure," the Office of Human Resources' Payroll will implement and enforce the policy.</p>
<p>5. Establish and implement a policy requiring that the debts of individuals who do not respond to the House's initial efforts to collect salary overpayments be referred to a collection agency (96-HOC-01).</p>	<p>Status: Open</p> <p>Discussion: No changes in policies and procedures have been made. Payroll Department is currently evaluating new methods to assist in the collection of outstanding overpayments.</p>	<p><b>CONCUR.</b> The proposed policy, "Salary Overpayment Collection Policy and Procedure" (noted in responses to recommendations 3 and 4, above), regarding the collection of salary overpayments, would follow OPM procedures for collections that go beyond the House's initial efforts.</p>

**Weakness 10: Lack Of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements**

- Summary Status:**
- **Reportable Condition**
  - **Prior Condition**
  - **Some Progress Towards Correction**

The House did not have adequate financial information to effectively manage equipment leases and maintenance agreements. For example, in entering data into FFS, the Office of Finance did not distinguish payments for maintenance or leasing costs from those for equipment purchases. As a result, the Office of Finance was unable to track maintenance costs or to identify payments on leases that would reduce the House’s lease liability. This lack of proper account segregation prevents the House from accounting properly for assets purchased or leased. In addition, the House did not always evaluate equipment leases at their inception to determine whether leasing would be more cost-effective than buying. These practices exposed the House to the risk of incurring excess costs on uneconomical leases and maintenance agreements.

However, the procedures regarding re-negotiation of maintenance contracts were improved. When negotiating with vendors, the Office of Procurement and Purchasing (OPP) reviewed proposed maintenance fees to ensure that the annual maintenance cost on any item was consistent with that of other vendors. OPP re-negotiations considered whether vendor price increases were limited to increases in the Producer Price Index and were reasonable compared to market surveys and GSA Schedules. This analysis is helpful but does not identify cases where, after a few years, accumulated maintenance costs exceeded the original acquisition cost.

In February 1996, the House modified its equipment maintenance and service agreements to include specific criteria to assist in its assessment of vendor performance. Furthermore, these agreements were more clearly defined and placed more responsibility on the vendor. For example, (1) the House can now ensure that it receives quality service since the new maintenance agreement provides the House with the right to “conduct any inspection and tests it deems reasonably necessary to assure that the services provided conform in all respects to the contract specifications” and (2) the vendor “must contact OSM for approval before servicing any equipment if the estimated cost of repair is equal to or greater than sixty (60) percent of the equipment replacement cost.” In addition, the OPP is currently using vendor data, which is gathered and summarized by OSM, to re-negotiate maintenance contracts.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
1. Establish formal policies and procedures to evaluate cost and service considerations in deciding whether to lease or buy equipment. (OIG Report No. 95-HOC-22.)	Status: Some progress  Discussion: No formal policies or procedures existed during 1996. However, the CAO requested the CHO, on April 15, 1997, to approve a proposal to implement a process for monitoring lease agreements. This process includes the coordination of OSM and OPP in identifying a	<b>CONCUR.</b> The CAO “Proposal to Establish a Lease/Buy Analysis Process” was submitted to the Committee on House Oversight on April 15, 1997.

Recommendation	Current Status of Recommendation	Management's Response
	<p>lease/buy analysis program to be included in the "Instructions for the Procurement of Goods and Services." This proposal is currently awaiting Committee approval.</p>	
<p>2. Establish formal policies and procedures to monitor lease agreements on outdated equipment. (OIG Report No. 95-CAO-17.)</p>	<p>Status: Some progress</p> <p>Discussion: No formal policies or procedures existed during 1996. However, CHO approved a proposal to monitor lease agreements on outdated equipment in February 1997.</p>	<p><b>CONCUR.</b> As stated in the status of Recommendations, the Committee on House Oversight approved the CAO "Proposal to Monitor Lease Agreements on Outdated Equipment" on February 17, 1997. Office Systems Management is in the process of establishing implementation procedures.</p>
<p>3. Alert House offices when equipment becomes outdated. (OIG Report No. 95-CAO-17.)</p>	<p>Status: Limited Progress</p> <p>Discussion: During 1996, House offices were not alerted when equipment became obsolete. However, CHO approved a proposal to monitor lease agreements on outdated equipment in February 1997. In addition, the CAO requested the CHO, on April 15, 1997, to approve a proposal to implement a process to compare equipment maintenance and its usefulness. This proposal is currently awaiting Committee approval.</p>	<p><b>CONCUR.</b> With approval by the Committee on House Oversight of the CAO "Proposal to Monitor Lease Agreements on Outdated Equipment" on February 17, 1997 (cited in response to Recommendation 2, above), Office Systems Management began the process to implement procedures to alert House offices when equipment becomes outdated.</p>
<p>4. Ensure that the new financial management system is configured to prompt Member offices when maintenance or lease payments are being made on equipment over a specified age. (OIG Report No. 95-CAO-17.)</p>	<p>Status: Open</p> <p>Discussion: This is targeted for a later phase of FFS and its subsystems implementation. However, the CAO has not yet established a formal implementation plan for this phase.</p>	<p><b>CONCUR.</b> At the time the CAO originally concurred with this recommendation, a new financial management system had not been approved for the House. The prompting of Member offices will be accomplished through the implementation of FFS and its subsidiary systems.</p>
<p>5. Establish formal policies and procedures to compare equipment's maintenance cost to its usefulness. (OIG Report No. 95-CAO-17.)</p>	<p>Status: Substantial Progress</p> <p>Discussion: OSM reviewed proposed maintenance fees for consistency with other vendors. In addition, the CAO requested the CHO, on April 15, 1997, to approve a proposal to implement a process to compare equipment maintenance and its usefulness. This</p>	<p><b>CONCUR.</b> The CAO's "Proposal to Implement Process to Compare Equipment Maintenance Cost and Usefulness" was submitted to the Committee on House Oversight on April 15, 1997. Approval is pending.</p>

Recommendation	Current Status of Recommendation	Management's Response
	proposal is currently awaiting Committee approval.	
6. Establish contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. (OIG Report No. 95-CAO-17.)	<p>Status: Closed</p> <p>Discussion: All new contracts or purchase orders must be approved by OPP. OPP has adopted standardized procurement procedures regarding standard terms and conditions, competitive proposal and bidding procedures, enforcement of vendor performance and contract term limitations.</p>	<b>CONCUR.</b>
7. Use vendor cost and performance information in annual renegotiations of maintenance and support fees. (OIG Report No. 95-CAO-17.)	<p>Status: Some progress</p> <p>Discussion: During 1996, costs and performance information were used to re-negotiate 1997 contracts. However, OSM is currently gathering and summarizing data regarding vendor performance and intends to forward this information to OPP for use in re-negotiating maintenance contracts.</p>	<b>CONCUR.</b> The first time use of vendor information in the annual negotiations of maintenance and support contracts occurred in 1996 for 1997 contracts. This was done for the new systems integrator plans, the new equipment maintenance plans, and the legacy pricing plan for the vendors performing 80% of the contract services. A comparative analysis was used in the annual negotiations of maintenance and support contracts. As a result of protracted negotiations, several of the larger vendors at the House withdrew their proposals to increase prices and agreed to remain at the 1996 price level or submitted a plan with <i>reduced</i> pricing. The use of vendor cost and performance information will be further expanded during the next negotiations of maintenance and support fees.
8. Assign responsibility for vendor monitoring in accordance with one of these options: <b>Option 1:</b> Realign OSM's function with its mission to include vendor monitoring <b>Option 2:</b> Assign the vendor monitoring role to another Chief Administrative Officer entity. (OIG Report No. 95-CAO-17.)	<p>Status: Closed</p> <p>Discussion: The responsibility for monitoring vendors and resolving problems with vendor performance has been assigned to OSM. Further implementation will include the requirement that contractors provide performance summary reports acceptable in content and form to OSM. In addition, new purchase orders are required to specify an expected delivery date which will be used to monitor the difference</p>	<b>CONCUR.</b>

Recommendation	Current Status of Recommendation	Management's Response
	between estimated delivery date and actual delivery date.	
<p>9. Ensure that transactions relating to a) purchase of equipment; b) lease of equipment; c) maintenance of equipment; and d) purchase of non-equipment items such as supplies, training, and other services, be properly processed in the correct Budget Object Classes (BOCs), i.e., the correct expense accounts, in FFS.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Office of Finance plans to adopt the United States Government Standard General Ledger and is currently using the standard object classes established for federally based organizations. The Offices of Finance, Procurement and Office Systems Management will coordinate to clarify the usage of the BOCs and augment existing policies requiring the standard classifications and their proper usage and will develop an approach related to data entry into the purchasing system. Further, FFS purchase procedures and user instructions will be revised to ensure that data entry personnel in support offices adhere to the BOC codes established by the House.</p>

**Weakness 11:                   The House Was Unable To Accurately Determine Employee Benefits Due To Incomplete Leave Records**

- Summary Status:**
- **Reportable Condition**
  - **Prior Condition**
  - **Substantial Progress Towards Correction**

Records of the hours House employees worked and of their time off, known as leave cards, were often incomplete because they did not include the employee's signature or the House Officer's signature evidencing supervisory review. Most offices continue to track and maintain time and leave information independently on manual cards. With a decentralized system of maintaining time and leave data, the House had to manually recalculate overtime, compensatory time, and annual leave benefits to which employees were entitled based on the time they worked.

Under Section 109 of the Legislative Branch Appropriations Act, 1996, neither Members nor committees are required to make provisions for employees to earn or accrue leave time, although they have the option to pay for leave time out of their MRAs. However, other House entities should maintain complete and consistent leave records to ensure compliance with this new law.

Most employers document how many hours employees work to accurately determine how much overtime pay, compensatory time, or paid vacation days to which their employees are entitled. Executive Branch organizations are required to keep records of earned leave time for individual employees. 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) Office of Finance must keep employee leave cards in the employees Official Personnel Files.

To expand on the 1978 Leave Regulations, in March 1996, the CHO adopted additional personnel policies and procedures that applied to House Officers. These required that House Officers accrue annual leave and maintain records reflecting accrual and use of leave. As there are no specific policies surrounding the gathering of the accrual and use of leave, the Officers perform this function differently. One office gathers this information via a payroll program while most others generally gather the annual leave information manually. While progress has been made in setting up data gathering procedures for the Officers' employee leave records, this data is still not being accumulated for financial statement reporting purposes. In addition, we found minor instances where the procedures for approvals of leave records were not being followed. In testing 45 leave records, we found that 26 were missing Officer signatures, and 6 were missing supervisor signatures.

This finding is affected by the fact that the House is currently considering replacing its payroll and human resource systems for staff and Members, which will entail new systems and new procedures that will eventually be applied consistently across all House offices.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>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 existing leave cards, and replacing them with timesheets. (OIG Report No. 95-CCS-10.)</p>	<p>Status: Closed</p> <p>Discussion: In March 1996, the CHO adopted new personnel policies and procedures that applied to House Officers. These required that the House Officers accrue annual leave and maintain records reflecting accrual and use of leave. While the new procedures are a step in the right direction, changes to systems currently planned will render them outdated. Therefore, this recommendation is closed and is affected by the new recommendation 4 below.</p>	<p><b>CONCUR.</b></p>
<p>2. Require each work location to establish one designee to collect and verify time and leave data. (OIG Report No. 95-CCS-10.)</p>	<p>Status: Closed</p> <p>Discussion: In the House offices tested, we noted that there was a designated employee for each work location to gather and document the attendance and leave records.</p>	<p><b>CONCUR.</b></p>
<p>3. Assign responsibility within each office for the periodic audit of time and leave records. (OIG Report No. 95-CCS-10.)</p>	<p>Status: Closed</p> <p>Discussion: The Sergeant at Arms and Office of the Clerk have the officer approve the leave record as accurate. The CAO has implemented a periodic audit of leave records within the CAO's office. According to the CAO's office the intent is to expand the periodic audit of these records to include all other House offices.</p>	<p><b>CONCUR.</b></p>
<p>4. Replace current House payroll and human resources systems for Officers' employees, ensuring that requirements to control and account for annual leave are met by the systems and new procedures that are prepared for those systems. In addition, use the financial information to monitor and manage the cost to the House for annual leave.</p>	<p>Status: New recommendation</p>	<p><b>CONCUR.</b> The Office Of Human Resources is leading a task force formed in January 1997 to assess the needs, requirements, and selection process for a new payroll and human resources system for the House. The task force also includes representatives from the Committee on House Oversight, the Office of the Inspector General, and the CAO's Offices of Finance, HIR, and OPP. [Effective April 1, 1997, the Office of Payroll was transferred from the Office of Finance to the Office of Human Resources.]</p>

**Weakness 12: Reconciliations Of Total Obligations Generated By Each Entity To Those Recorded In FFS Are Not Performed**

- Summary Status:**
- **Reportable Condition**
  - **New Finding**

With the implementation of FFS, certain House offices which provide services to other entities within the House were given the ability to obligate funds when goods or services are ordered by recording obligations. For example, when a Member, committee, or Officer orders equipment from Office Systems Management (OSM) as a one-time purchase or places a special order with Office Supply Service (OSS), an obligation is established in FFS. These obligations appear on the individual's monthly financial statement as obligations, which reduce the available balance for expenditures.

Currently, there are no procedures in place to reconcile total obligations generated by the service providers to those entered in FFS. A possible mitigating control is that the Office of Procurement and Purchasing reviews all purchase orders to ensure that the obligation information in FFS is consistent with the hardcopy purchase order from the service providers. However, without a reconciliation of total obligations, a purchase order may not receive the proper approval in FFS, known as the "W" pass, and thus will not be processed against the Member's account or the committee's or Officer's budget. During our testing, we noted several instances where purchase orders were approved on the hard copy, however, the system approval was not generated. Without this approval, the Member's account or committee or Officer budget would not reflect the obligation for the requested equipment or special order. Throughout our testing, we identified outstanding obligations of approximately \$117,000 which had a status of either pending or rejected, and thus were not approved in FFS. Also, without such a reconciliation, certain obligations generated by the service provider may not be input to FFS at all.

In addition to the lack of reconciliations of total obligations generated, neither Office of Finance nor the service providers monitor outstanding obligations on a consistent basis. As of May 1997, approximately 18% or \$5.2 million of total obligations established during calendar year 1996 remained outstanding. Outstanding obligations should represent goods or services that have been ordered but have not been received. For example, as outlined in Weakness 3, OSM often does not receive timely information from Members, committees or Officers about the delivery and installation of equipment. Without this information, OSM will not pay the invoice, and the original obligation remains outstanding. Thus, although some equipment has been installed and put into use, it is not reflected in the House's property and equipment and accounts payable records. Additionally, if a payment is not referenced to the original obligation established for that item, the obligation will not be liquidated. As a result of a non-referencing payment, Members' monthly financial statements or the committees' or Officers' budgets may reflect an outstanding obligation as well as an expenditure against the MRA, thus incorrectly limiting the spending capability of the Member.

By not performing reconciliations between total obligations recorded by the service providers with those recorded and approved in FFS, the House is exposed to the risk that goods and services which have been ordered, and possibly received, are not recorded in FFS. Consequently, such transactions would not be reflected in a Member, committee, or Officer's available allowance. In addition, by not performing an analysis of the unliquidated portion of obligations recorded in FFS, the House is exposed to the risk that: (1) vendors are not providing timely services; or (2) the House is not paying vendors in a timely manner for goods or services which have been provided or received. If formal reconciliations were performed by

each service provider, the cause of these outstanding obligations, which have remained outstanding for a significant period of time, could be identified and investigated further.

**Recommendations**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Develop standard procedures for all service providers requiring formal reconciliations between obligations established in the service provider systems with those recorded by FFS. These monthly reconciliations should be reviewed and approved and forwarded to Office of Finance.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Finance Office, in consultation with the Office of Procurement and Purchasing and service providers, will develop a policy for managing the issues related to reconciling obligations. Following development of the policy statement, procedures will be articulated that encompass the appropriate financial reporting tools necessary for the proper accounting and reconciliation of obligations. The development and implementation of this policy and associated procedures is contingent on the completion of a strategic review of priority projects and work assignments.</p>
<p>2. Develop a standard aging report identifying outstanding FFS obligations by entity, which should be distributed to the individual service providers. Service providers should investigate and assess the validity of those obligations which have been outstanding greater than 60 days.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> The Finance Office, in consultation with the Office of Procurement and Purchasing, will develop a policy for managing the issues related to unliquidated obligations. Following development of the policy statement, procedures will be articulated that encompass the appropriate financial reporting tools necessary for the proper accounting and reconciliation of unliquidated obligations. The development and implementation of this policy and associated procedures is contingent on the completion of a strategic review of priority projects and work assignments.</p>

**Weakness 13: Access Controls Over the House's New Federal Financial System (FFS) Need Improvement To Provide Effective Security****Summary Status:**

- Reportable Condition
- New Finding

The House has initiated a number of actions to improve access controls over FFS. However, implementation of these controls are still underway. Until these actions are fully completed, the House is exposed to the risk of unauthorized and inappropriate access to FFS. Specifically, the House needs to (1) establish management policies and procedures to ensure managers/supervisors limit FFS access to appropriate staff and (2) enhance the draft FFS security policies and procedures for FFS security administrators to ensure appropriate FFS administration and oversight.

Prior audits of the House's information systems showed that significant improvements could be made to enhance controls surrounding the House's financial system. On June 4, 1996, the House implemented the core modules of FFS, a commercial software package that has the capability to correct many of the control weaknesses associated with the House's old Financial Management System (FMS). The FFS implementation focused mostly on efforts to get the system ready for the implementation process with relatively few steps taken to make the necessary work flow, organizational, and procedural changes to support the new system. Part of the implementation process included the FFS security administration function. As a result of the problems and complexities associated with the implementation of FFS, the structure and documentation necessary to administer FFS security were not in place after the system's implementation.

In an effort to cure deficiencies related to FFS security administration, the Finance Office identified distinct areas of control to facilitate the establishment and assignment of responsibility for the administration of FFS security. Specific control objectives identified and established by the Finance Office were: (1) internal controls; (2) segregation of duties; (3) security personnel training; and (4) documentation reviews. The four objectives relate to FFS user and security activities; however, implementation of the controls to meet these objectives were still in progress during the period under audit.

While progress was made during the audit period to improve FFS security, policies and procedures for managers/supervisors need to be established and procedures for FFS security administrators need to be enhanced. The weaknesses noted in our review include:

- Some users had excessive or inappropriate access to system capabilities. For example, we identified (a) an individual having FFS security administration responsibilities was authorized access levels inconsistent with that position, (b) users who had the capability to initiate (PASS1) and approve (PASS2) his/her own transactions, and (c) an excessive number of users (41 of 145) as of July 1997, who had update capabilities to the VEND Table. While the Office of Finance had completed a comprehensive review of FFS users' vendor file activities, the excessive number of users had not decreased. However, Office of Finance just recently issued a delivery order to WASC to help address this problem.
- Documentation supporting access requests was incomplete, inconsistent with assigned access, lacked authorization, and was missing completely, in some cases. In our sample review of 32 users:

- 2 users were missing User Access Forms.
- 30 User Access Forms were missing one or more of the required signatures—user, supervisor, and/or security administrator signature.
- 9 users had more access privileges than what was authorized by the User Access Forms.
- FFS does not have the capability of disabling FFS login IDs after a predetermined time period of inactivity. As a result, obsolete an/or inactive login IDs are not being timely removed or disabled from the system. Thus, the FFS Security Administrator must review for inactive or obsolete IDs at least every 90 days to eliminate unnecessary FFS access.
- Maintaining FFS security is a shared responsibility between the House and WASC. However, the specific WASC responsibilities and roles are not specifically delineated, either in the WASC/House contract or in the draft *FFS Security Administrator Policies and Procedures Manual*.
- Management has not established a policy regarding security clearances for FFS security administrators, which are highly sensitive positions with wide access to all FFS capabilities.
- Sufficient security monitoring does not exist to detect or reduce the risk of unauthorized access to the House’s financial system. This is due, in part, to the FFS audit log not functioning according to vendor specifications. However, the Office of Finance just recently issued a delivery order to WASC to correct this problem. In June 1997, the Finance Office implemented a daily review of the WASC mainframe security report as a partial monitoring control. Nevertheless, the security report lists user access violations only to the mainframe, not to FFS. When the FFS audit log is functioning, it will identify FFS access violations by mainframe users.

FFS access controls and security administration is a joint responsibility between managers/supervisors and security administrators. Without clearly defined management and security administrator policies, procedures, and assigned responsibilities for access controls and security administration, the House is exposed to the risk of unauthorized and inappropriate access to FFS.

**Recommendations:**

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management’s Response
<p>1. Develop and implement management policies and procedures to ensure that managers/supervisors:</p> <ul style="list-style-type: none"> <li>• assign FFS access capabilities only to those users whose defined access does not conflict with the user’s primary business function.</li> <li>• restrict assignment of levels of access which have potentially incompatible functions (e.g., no individual should have both</li> </ul>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> When fully implemented, management’s policies and procedures will fully reflect and encompass the items in Recommendation 1. Efforts related to each of the items have already begun, e. g., no individual FFS user currently has both PASS1 and PASS2 capabilities; additionally, new user request forms have recently been issued to reflect proper authorization, etc. for all FFS users.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>PASS1 and PASS2 capabilities).</p> <ul style="list-style-type: none"> <li>• limit update capabilities to the VEND Table to a few users with a business need.</li> <li>• require user request forms to be complete, consistent with assigned access, and properly authorized for all FFS users.</li> </ul>		
<p>2. Approve the <i>FFS Security Administrator Policies and Procedures Manual</i> after the following additional procedures to enhance controls are added:</p> <ul style="list-style-type: none"> <li>• provide oversight over the proper implementation of the management policies and procedures identified in Recommendation 1.</li> <li>• perform a review at least every 90 days to determine the existence of obsolete or inactive login IDs. Based on this review, follow up with user management to determine whether access is still required. User IDs no longer requiring access should be eliminated.</li> <li>• identify specific roles and responsibilities WASC provides in maintaining FFS security.</li> </ul>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> In addition to the current FFS security monitoring practices which include: (a) a monthly review of inactive FFS mainframe users, (b) the six month FFS user certification, and (c) the monthly Office of Human Resources termination reports, a monthly review of the FFS user ID table will be implemented.</p>
<p>3. Require security administrators to obtain appropriate security clearances.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> Efforts to obtain appropriate security clearances for security administrators will be initiated in the near future.</p>
<p>4. Correct the functionality of the FFS audit log and use it to perform security monitoring.</p>	<p>Status: New Recommendation</p>	<p><b>CONCUR.</b> A task order has recently been delivered to the FFS contractors to correct the functionality of the FFS audit log. In lieu of the FFS audit log and until its functionality has been corrected, a compensating control has been initiated through a daily review of the FFS mainframe security violation report which lists password violations.</p>

## **Attachments: Management Comments**

**Attachment I:**

**Management Report  
on Internal Controls**

## The House of Representatives Management Report on Internal Controls

The House of Representatives (House) has a complex and diversified financial management system which includes a central system, a system for transactions prior to October 1996, and six subsidiary systems. Although the House, a legislative agency, is not required to comply with the Federal Financial Managers' Integrity Act (FMFIA), the Joint Financial Management Improvement Program (JFMIP), the Government Management and Reform Act (GMRA) or the Chief Financial Officers Act (CFO), it has chosen to follow these Acts in a manner consistent with a legislative agency in order to fulfill its internal control objectives.

The internal control objectives are:

Transactions are properly recorded and summarized to permit the preparation of reliable financial statements and maintain accountability for assets.

Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Transactions are executed in accordance with budget authority and with laws and regulations that could have a direct and material effect on the financial statements.

Management believes that the House has made significant improvements in the internal control structure over the past year. It must be recognized that the cost of internal control should not exceed the benefits expected to be derived therefrom, and errors and irregularities may occur and not be detected because of inherent limitations in any system of internal control. However, there are still areas for which resolution of control issues needs to be complete. In evaluating internal controls against the control objectives in the federal government as described above, management has identified the following deficiencies.

The House could not account for all the fixed assets during the course of the year. However in January 1997, Office Systems Management instituted a policy of conducting physical inventories of Member offices on at least a bi-annual basis. The Chief Administrative Officer (CAO) is currently seeking contractor support to perform a needs assessment, procurement and implementation of a fixed asset inventory control system which will be compatible with the House financial system.

House Information Resources' (HIR) current security practices expose the House to a higher level of possible risk than desired. HIR's newly created Security Office has proposed, and is in process of refining, policies and procedures to address security issues. Portions of the policies and procedures have been approved by the Committee on House Oversight.

The reconciliations of the House's records with the Department of Treasury's records were not accomplished since implementation of the FFS system in June 1996. However, the House began reconciling all sources of financial activity to the reported Treasury balances

in June of 1997 and will continue to reconcile current activity and address prior months' reconciliations on an ongoing basis until resolved.

As of September 30, 1996, the House needed to establish improved controls in its new financial management system to prevent certain individuals from performing incompatible functions. Because of significant resource requirements during conversion to the new system, selected accountants were given authority to enter and approve various documents. Additional access authority was temporarily provided to other staff members in order to accelerate the input of documents during the implementation of the new system. Now that the day-to-day use of the system is current and more routine, the House has changed these initial settings to provide for a more controlled environment.

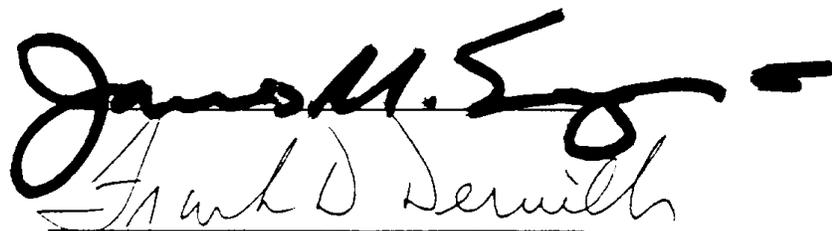
Due to a significant delay in the reporting of postage expenses by the U.S. Postal Service, it was possible for a Member to exceed the MRA for mailings. The CAO is currently working with the Committee on House Oversight to establish a more effective means for obligating mail costs for Member Offices.

The House has not implemented full obligation and accrual accounting. Because of difficulties in the transition to the new accounting system and staffing constraints, preparation of financial statements required assistance of outside accountants. With the planned full implementation of FFS and all applicable subsystems, the House expects to be capable of full obligation accounting. A significant portion of the remaining problem will be remedied with the resolution of the mass mailing obligation issue.

When the Inspector General (IG) performed the first ever audit of the House of Representatives in 1995 on 1994 operations, the House's accounting system suffered so many deficiencies that the IG was unable to render any opinion on the financial statements produced from those systems. Since then, the House has made significant improvements in its systems, most importantly installing a new financial management system in fiscal year 1996. As a result of these continuing improvements, independent external auditors were able to express a qualified opinion on the House's Consolidated Statement of Financial Position as of both December 31, 1996 and 1995, as restated. With the exceptions noted above, we believe internal controls were generally effective as of December 31, 1996, in meeting the objectives.

James Eagen III  
Chief Administrative Officer

Frank D. Derville  
Associate Administrator, Finance

The image shows two handwritten signatures in black ink. The top signature is for James Eagen III, written in a cursive style. The bottom signature is for Frank D. Derville, also in cursive. Both signatures are positioned to the right of their respective printed names.



## **Attachment 2:**

# **Management Response to Audit Reports**

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

MEMORANDUM

TO: John W. Lainhart IV  
Inspector General

FROM: Jay Eagen   
Chief Administrative Officer

DATE: October 3, 1997

SUBJECT: Draft Audit Report - Audit of Financial Statements for the 12-Month Period  
Ended December 31, 1996

Thank you for the opportunity to comment on the Draft Audit Report - Audit of Financial Statements for the Period Ended December 31, 1996. We appreciate the thoughtfulness and effort of the Inspector General staff and Price Waterhouse in producing this document. We are generally supportive of the recommendations contained in the Report of Independent Accountants on Management's Assertion About Internal Controls. We believe their implementation will significantly improve the financial operations of the U. S. House of Representatives.

Our specific responses to the recommendations begin on the following page.

**Weakness 1: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, and Procedures**

**Recommendation 1:** Ensure that the integrated financial management system, which the Chief Administrative Officer (CAO) already committed to implement, complies with Joint Financial Management Improvement Program (JFMIP) requirements and is coordinated with the efforts and needs of other House offices (OIG Report No. 95-CAO-16.)

**Status: Substantial Progress**

**CONCUR.**

The Office of Finance is carrying out a plan, to which the Federal Financial System (FFS) Steering Committee and Committee on House Oversight (CHO) concurred, to complete and stabilize FFS. The steps and priorities were developed jointly by the Office of Finance and the Office of the Inspector General. The plan includes a Task which addresses "future initiatives" of FFS. The list includes Member Access, Enhanced Financial Reporting, and Improved Fixed Assets Management. These issues will be addressed after the completion and stabilization of FFS.

**Recommendation 2:** Implement an accrual basis of accounting and principles and standards generally accepted in the Federal government and the private sector. (OIG Report No. 95-CAO-16).

**Status: Some Progress**

**CONCUR WITH COMMENT.**

The FFS system and its subsidiary components, as currently implemented, do not provide for full accounting of House obligations. The Office of Finance will attempt to take several steps to ensure that financial information is appropriately recorded for inclusion in the year-end financial statements. However, it should be noted that until full obligation accounting is available, there is no systematic method of determining the obligation value of many purchases.

**Recommendation 3:** Implement a system or systems that properly allocates or attributes costs to end users. (OIG Report No. 95-CAO-16).

**Status: Open**

**CONCUR.**

A cost accounting system that attributes direct operating costs to end users would provide a means to allocate cost of goods to user offices. When the FFS system is stabilized, the general ledger is operating appropriately, and the critical subsidiary systems have been developed and

installed, the CAO will be in a position to address a subsidiary cost accounting system for the House.

**Recommendation 4:** Provide staff with training on the new financial management system and standard accounting methods. (OIG Report No. 95-CAO-16).

**Status:**                   **Some Progress**

**CONCUR.**

Additional training requirements are being analyzed in order to identify and determine current and future FFS and other system training needs for the House. The analysis process is expected to be completed by the end of September 1997. After acceptance of the analysis document, the Office of Finance will issue follow-on tasks to develop training materials and perform FFS training. The time frame for accomplishing the initial training will be based upon the priority for training versus other actions being undertaken by the Office of Finance.

**Recommendation 5:** Redesign internal and external management reports based on user requirements. (OIG Report No. 95-CAO-16).

**Status:**                   **Some Progress**

**CONCUR.**

The Office of Finance plans to initiate the development process to establish FFS user groups for Members, Committees and House Officers. This process involves developing a charter for the user groups, a scope of activities, and other items that will guide the actions and recommendations of these groups. Once the groups are established, schedules and time frames can be established for developing requirements. The time frame for designing and implementation of these requirements (completion of this recommendation) is dependent upon completion of the CAO's strategic review of priority projects and work assignments.

**Recommendation 6:** Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by the FFS to the U.S. Treasury on a monthly basis.

**Status:**                   **New Recommendation**

**CONCUR.**

A process is being developed to perform the reconciliation utilizing the capabilities in FFS. A SAS report has been put into production to support this process until a more definitive process can be defined and established including standard and/or custom reports to support the process. In July 1997, the Office of Finance issued a delivery order to our contractor for the FFS system

for custom report enhancements. This will include reports and related procedures to address the reconciliation of FFS transactions processed to the U.S. Treasury on a monthly basis. Work will begin as resources are made available. In the interim, the Finance Office began reconciling all sources of financial activity to the reported Treasury balances in June 1997 and will continue to reconcile current activity. We will also address prior months' reconciliations on an ongoing basis until resolved.

**Recommendation 7:** Eliminate the practice of holding accounting periods open for indefinite periods of time. Work plans and procedures should be developed to close out each month in a timely manner.

**Status:**                    **New Recommendation**

**CONCUR.**

The Office of Finance has established procedures that accomplish the monthly close each month. The procedures permit reopening the third month in a quarter (after initial closing) only to allow posting of approved adjustments and corrections to the quarterly period resulting from reviews of a preliminary Statement of Disbursement (SOD). As quarterly SOD reports are completed, the third month covering that quarterly period is permanently closed.

In addition, the Office of Finance has instituted a procedure that requires disbursement transactions that affect prior periods be entered as a current month cash transaction. The only exception is when a Member office determines that a transaction must be applied to a month for which the SOD has not been yet approved for printing in order to make the public record more accurate. A formal policy on monthly closing will be developed, and proposed to the Committee on House Oversight for approval.

**Recommendation 8:** Review existing system requirements to ensure that all required fields within FFS are completed and edited by the system or FFS users whenever possible, before the transactions are accepted by FFS. This would include the use of service dates and legislative year information.

**Status:**                    **New Recommendation**

**CONCUR.**

In July 1997, the Office of Finance issued a delivery order to WASC to address issues related to acceptable and required codes for critical data elements (fields) and controls on input that can be used to develop overall system and reporting controls. An estimate of the costs and time to perform an analysis of these issues, to propose actions to be taken in FFS, and to develop procedures for the House has been received. The CAO is undertaking a strategic review of priority projects and work assignments. A plan to address the proposed solutions to the issues will be developed in concert with the results of that review.

**Recommendation 9:** Until FFS is fully implemented and supported by subsidiary systems establish work plans and procedures to, on an interim basis, calculate and maintain balances such as interoffice receivables and payables, inventory, property, capital leases, accrued annual leave, unfunded workers' compensation, and depreciation expense in subsidiary ledgers. In addition, identify interim software solutions needed to prepare the annual consolidated financial statements.

**Status:**            **New Recommendation**

**CONCUR.**

Implementation of work plans and procedures to maintain various account balances would enhance efficiency and effectiveness and assist in determining the House's true financial position. The long-term generation and maintenance of these balances is dependent upon the full implementation of all planned subsidiary systems such as Procurement Desktop and a fixed asset management system which would be fully integrated with FFS.

The Finance Office has relied upon significant contractor support to generate the year-end financial statements. However in an effort to "own" the financial statement process, the Office of Finance, in July 1997, initiated a task to develop the FFS annual closing and report process. Part of the effort will be to work with the Inspector General's Office to review the methods and actions required to identify and aggregate data required to prepare the Annual Financial Statements outside of FFS. Performance of the analysis and development of a plan to address proposed solutions is based upon the completion of the CAO's strategic review of priority projects and work assignments.

**Recommendation 10:** Perform a resource needs assessment in the Office of Finance, obtain staffing level approvals, and fill needed positions with qualified employees.

**Status:**            **New Recommendation**

**CONCUR.**

The CAO is undertaking a strategic review and assessment of priority projects, work assignments and required staffing. Upon completion of the review, appropriate actions can be taken to address any staffing issues in the Finance Office.

**Weakness 2: Reconciliations Of Fund Balance With The U.S. Treasury To The Federal Financial system Balances Are Not Routinely Performed Or Adequately Documented And House Funds Held By The Department of State Are Not Tracked**

**Recommendation 1:** Identify the nature of the \$3.9 million net unidentified difference by appropriation year. If the difference relates to a prior year appropriation, Office of Finance should report a reduction in budget authority to the U.S. Treasury. Otherwise, clear significant differences on reports to the U.S. Treasury. (OIG Report No. 96-HOC-05).

**Status: Open**

**CONCUR.**

The CAO is in agreement with the recommendations to reconcile the net unidentified difference of \$3.9 million for the 1996 audit period. We also agree that formal reconciliation procedures that incorporate all elements necessary for the proper accounting of House funds be established. The Office of Finance has reviewed our reconciliation process and is establishing formal procedures which identify all components (i.e., all types of financial activity, manual versus system financial records, FFS and ad hoc reporting tools, etc.) necessary to perform formal monthly reconciliations on an ongoing basis. As a result of this process, we have completed reconciling all sources of financial activity to the reported Treasury balances in June 1997 and will continue to reconcile current activity. We will also address prior months' reconciliations on an ongoing basis until resolved. We are also developing an FFS report that will provide information critical to the reconciliation process.

**Recommendation 2:** Perform monthly reconciliations between FFS and the U.S. Treasury. Identify and document all differences and resolutions, if any. (OIG Report No. 96-HOC-05).

**Status: Open**

**CONCUR.**

See response to recommendation 1, above.

**Recommendation 3:** Identify and obtain specific information needed from FFS to reconcile monthly activity within the manual records and FFS before the monthly data is reported to Treasury. Differences identified between the manual records and FFS should be corrected

appropriately within FFS or the manual records and then the correct information for the month should be reported to Treasury.

**Status:**                    **New Recommendation**

**CONCUR.**

See response to recommendation 1, above.

**Recommendation 4:** Investigate the reconciling differences to ensure that all information has been reported to Treasury and entered into FFS. Identify the nature of the net unreconciled difference to determine proper treatment.

**Status:**                    **New Recommendation**

**CONCUR.**

See response to recommendation 1, above.

**Recommendation 5:** With urgency, establish and implement formal procedures to perform reconciliation of FFS, FMS, and manual subsidiary records to Treasury.

**Status:**                    **New Recommendation**

**CONCUR.**

See response to recommendation 1, above.

**Recommendation 6:** Establish policies and procedures to establish the foreign currency account balance and the related activity in the House's financial statements.

**Status:**                    **New Recommendation**

**CONCUR.**

The State Department currently manages the Foreign Currency account for House and Senate official foreign travel. The Office of Finance is currently meeting with State Department officials to determine what information is maintained by the State Department and the types of information which may be supplied to the House so that summary account and activity balances may be booked into the year-end financial statements. Once the appropriate information is obtained from the State Department, a determination will be made as to the most suitable method for including the foreign currency balances in the year-end statements.

**Weakness 3:           The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment**

**Recommendation 1:** Ensure the new financial management system is capable of accumulating and providing information with respect to property and equipment including:

- cost or value information
- description and acquisition date
- useful life and depreciation method and amount
- scheduled replacement
- location
- disposal date (OIG Report No. 95-HOC-22)

**Status:                Open**

**CONCUR.**

The newly appointed Associate Administrator will address this recommendation in accordance with priorities to be established by him and the Chief Administrative Officer in conjunction with the Committee on House Oversight. However, it should be noted that the complete implementation of FFS will not by itself fully address the issues related to the accumulation and summarization of property balances. The completion of this recommendation will require the full implementation of a property management and inventory system and other smaller systems, some of which are contained in the Year 2000 plan. Initiation of these efforts is contingent upon completion of the strategic review of priority projects and work assignments.

**Recommendation 2:** Establish a policy stipulating the dollar level and types of purchases that should be capitalized. (OIG Report No. 95-HOC-22).

**Status:                Substantial Progress**

**CONCUR.**

The CAO will determine the appropriate capitalization policy for House capital assets. This capitalization policy when approved will be distributed to all affected parties within the House. Once the policy is established, appropriate procedures will be developed and instituted to appropriately capitalize assets.

**Recommendation 3:** Require an analysis of all leases over a specified dollar amount to determine whether:

- the leases effectively convey ownership

it is cost-beneficial to enter into the leasing arrangement  
(OIG Report No. 95-HOC-22)

**Status:**                   **Open**

**CONCUR.**

Prior to performing an analysis of leases, a policy must be developed that provides guidance on the characteristics of a capital lease. The Finance Office plans to develop a policy on capital leases as resources are made available. Once the policy has been developed and distributed to the appropriate House offices, analyses can be made to determine whether the leases effectively convey ownership and/or meet capitalization dollar thresholds.

**Recommendation 4:** Establish a policy for periodically counting assets with high dollar values. (OIG Report No. 95-HOC-22)

**Status:**                   **Some Progress**

**CONCUR.**

The Furniture Resource Center conducts a biannual physical inventory of all furniture and rates the inventory according to condition codes which are used in the inventory process. In addition, in January 1997, Office Systems Management began conducting physical inventories of Member office equipment on a bi-annual basis. Office Systems Management currently inventories all equipment regardless of dollar value. However, Office Systems Management, Furniture Resource Center, House Information Resources and the Office of Finance will collaborate on a formal policy which incorporates both Office Systems Management and Finance Office requirements for inventory control and valuation. Once the policy is established, appropriate procedures, including reconciliation of assets to the inventory on a timely basis and investigation and adjustment of any differences as appropriate, will be developed and instituted to appropriately identify, safeguard and value inventory. Implementation of the procedures will be contingent upon completion of the strategic review of priority projects and work assignments throughout the CAO organization.

**Weakness 4: Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased Risk Of Overspending And Impaired Accountability**

**Recommendation 1:** Align the amounts appropriated for Members' staff salaries, office expenses, and mail costs with the amounts of the Members' allowances. (OIG Report No. 95-CAO-16)

**Status:** Closed

CONCUR.

**Recommendation 2:** Develop proposals for approval by the Committee on House Oversight to refine budget formulation procedures to develop budgets by individual Members that are reflective of their actual spending patterns, and that appropriately consider full cost allocation of goods and services provided by the CAO (OIG Report No. 95-CAO-16).

**Status:** Otherwise Resolved

CONCUR.

**Recommendation 3:** Make available to the public information about the amount of each Member's allowance and how much of it was spent, as a means of achieving greater public accountability. (OIG Report No. 95-CAO-16)

**Status:** Closed

CONCUR.

**Recommendation 4:** Provide Members with more detailed financial information about the status of their allowance based on both commitments they have made and money they have spent. (OIG Report No. 95-CAO-16)

**Status:** Substantial Progress

CONCUR.

The CAO will review the report formats and content and, if necessary, change them to provide more meaningful and complete financial information as we complete the implementation of FFS modules and subsidiary systems.

**Recommendation 5:** Office of Finance should work with Members' offices to establish obligations for estimated postage, printing, and folding costs for mass mailings and for other costs, such as rent, that will recur throughout the year. (OIG Report No. 96-HOC-05)

**Status:** **Limited Progress**

**CONCUR.**

A proposal for obligating mass mailing expenditures is in its final draft stages and was presented to the Committee on House Oversight as a draft in August 1997. As noted in our comments to recommendation 4 above, it is not currently beneficial to obligate for district rent or small equipment installments for the majority of offices. This practice will be reserved for the small number of offices requiring such funds control.

**Recommendation 6:** Office of Finance should perform a detailed analysis of 1996 MRA spending and obligations to ensure that Members have complete information about their 1996 MRA status before November 1996.

**Status:** **Closed**

**CONCUR.**

**Recommendation 7:** Office of Finance should work with the USPS to ensure that USPS reports are timely, accurate and provide meaningful presentation and summarization of official mail usage. Once cumulative USPS information is available, Office of Finance should reconcile net transfers according to USPS, to FFS on a monthly basis. Additionally, Office of Finance should ensure that accurate transfer and available spending data are included on the Members monthly statements. (OIG Report No. 96-HOC-05)

**Status:** **Some Progress (See related new recommendation, number 12)**

**CONCUR.**

The Office of Finance must rely upon the accuracy of the information submitted by the United States Postal Service (USPS). We have no control over the preparation or timeliness of the information furnished. The Office of Finance notifies the USPS of its mathematical errors as soon as they are discovered. We plan to continue our review and follow-up with USPS. (Please note response to recommendation #12 in this regard.)

**Recommendation 8:** Follow up with the 10 Members' offices that have not submitted 1995 Certification of Franked Mail forms to determine if related

costs affect 1995 MRA compliance. (OIG Report No. 96-HOC-05)

**Status:** Closed

**CONCUR.**

**Recommendation 9:** Office of Finance should establish consistent policies and procedures to help Members' district offices meet the deadline as established in the Members' Congressional handbook for submitting "Certifications of Franked Mail." These policies should be submitted to the CHO for approval.

**Status:** New Recommendation

**CONCUR.**

The policies and procedures for submitting "Certifications of Franked Mail" are outlined in the Members' Congressional Handbook on pages 57 through 61. The Office of Finance does follow up with Member district offices to obtain form submission. We currently have compliance from all sitting Members for 1996. We are working with the Committee on House Oversight to clear the outstanding forms of former Members.

**Recommendation 10:** Office of Finance should ensure that the 102 Members' LY96 MRAs are charged for their district office mail usage costs by obtaining missing district office forms or through committee-authorized estimation techniques.

**Status:** New Recommendation

**CONCUR.**

The Office of Finance is currently receiving, and recording upon receipt, the information from the remainder of the missing 1996 District Office Franked Mail Certification Reports.

**Recommendation 11:** Office of Finance should continue with the planned modification to FFS to allow for the recordation of transfers between the MRA programs; Mail and Other.

**Status:** New Recommendation

**CONCUR.**

The Office of Finance issued a delivery order to WASC authorizing a systems change to allow transfer capability. This delivery order addresses issues related to recording of transfers between MRA programs. The Office of Finance is currently revising the analysis document to include a

general design that is based on using transaction formats to record MRA transfers between programs. When an acceptable general design is reached, a plan and schedule for development and programming of the transfer process will be developed and implemented.

**Recommendation 12:** Office of Finance should work with USPS to ensure the USPS monthly invoices contain complete and accurate information by reconciling the USPS reports to the data entered into FFS. In addition, Office of Finance and USPS should minimize the amount of additional charges contained on the year-end revision statements, thereby reducing the amount of time needed by USPS to complete and submit reports to the Office of Finance.

**Status:** **New Recommendation**

**CONCUR.**

The Office of Finance continues to work, within its capabilities, with USPS to ensure the USPS monthly invoices contain complete and accurate information, by reconciling the USPS reports to the data entered into FFS.

**Recommendation 13:** Office of Finance should continue to perform a detailed analysis of 1997 MRA spending and obligations before the legislative year end to: (1) ensure that Members have complete information about their 1997 MRA status, and (2) to identify and contact Members that are at high risk of overspending their allowances. This information will help prevent Members from incurring significant costs near legislative year end, such as for equipment or mass mailings, that might cause them to exceed their 1997 MRA limitation.

**Status:** **New Recommendation**

**CONCUR.**

The recommended MRA review is consistently performed by the Finance Office. In addition, the Office of Finance is developing a projection model to monitor the MRA spending by BOC by legislative year. We believe this to be a proactive approach to monitoring and evaluating MRA spending patterns and identifying problem areas as well as areas of potential savings.

**Recommendation 14:** House service-providing entities should design and implement controls, such as analytical procedures, to ensure the completeness and accuracy of charges to Member, Committee, and Officer accounts.

**Status:** **New Recommendation**

**CONCUR.**

We agree more quality control procedures would be helpful. The CAO is undertaking a strategic review of priority projects and work assignments. A plan to address this recommendation will be developed in concert with the results of that review.

**Weakness 5: Poor Controls Over Computers and Data Exposed The House To Risk Of Unauthorized Transactions, Incorrect Data, Misuse of Assets, And Loss Of Data And Programs**

**Recommendation 1:** Keep a log for authorizations for access showing the level of access assigned to each person. Integrate the log with Human Resources so that all terminations and transfers are updated in the log. (OIG Report No. 95-HOC-22).

**Status: Closed**

**CONCUR.**

**Recommendation 2:** Change password controls to require at least five digits, and to revise passwords each month. (OIG Report No. 95-HOC-22).

**Status: Closed**

**CONCUR.**

**Recommendation 3:** Prepare and provide a document and computer security awareness training to all employees stating the password policies regarding not sharing passwords or writing them in a conspicuous place, and regarding selecting and changing a password, logging off, checking for viruses, and prohibiting the use of unauthorized software. (OIG Report No. 95-HOC-22).

**Status: Substantial Progress**

**CONCUR.**

CAO (Faulkner)/CHO (Thomas) letter dated August 3, 1995, established policies and procedures for "In-Office Computer Security Policy" and "Internet Access Procedure." These policies and procedures have been utilized and enforced for all offices prior to permitting Internet access. Both the "In-Office Computer Security Policy" and the "Internet Policy" identify password controls, checking for viruses (Internet access is not activated until virus detection/eradication software is installed), logging off, etc. House Information Resources' Security conducts face-to-face, in-office meetings with staff prior to Internet activation.

**Recommendation 4:** Freeze access after three attempts at unauthorized access made from any one terminal, individual, account, or file. (OIG Report No. 95-HOC-22).

**Status: Substantial Progress**

**CONCUR.**

Controls to freeze accounts after three attempts have been implemented on major financial systems resident on the mainframe and under ACF2 control. HIR is in the process of developing a plan for MIN and ISIS migration from the mainframe which will make ACF2 control over these applications unnecessary.

**Recommendation 5:** Establish controls to validate all dial-in access. (OIG Report No. 95-HOC-22).

**Status:**                    **Some progress**

**CONCUR.**

CAO will continue with the present plan to utilize and disseminate SecurID cards for remote access. Additionally, House Information Resources will develop remote access policies and procedures for submission to the Committee on House Oversight by November 26, 1997.

**Recommendation 6:** Prohibit programmers from accessing actual data and ensure they have access in a non-production environment, only to programs they are responsible for changing. (OIG Report No. 95-HOC-22).

**Status:**                    **Some Progress**

**CONCUR.**

CAO will ensure that a review of programmer access to production data and programs is appended to the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule.

**Recommendation 7:** Enhance systems within the House that transfer data to one another so that they automatically reconcile the data sent and received. (OIG Report No. 95-HOC-22).

**Status:**                    **Open**

**CONCUR.**

The Office of Finance has reviewed a WASC analysis report on Payroll functional interface requirements and by October 30, 1997 will take actions to improve and tighten controls on this interface.

Procedures and documentation to complete the GSA automated interface are in a final draft status and are being reviewed by the Office of Finance. This interface should be operational by October 30, 1997.

The Office of Finance has accepted and has in production the automated interface to accept Capitol Police payroll transaction data from the National Finance Center. Payroll data from April 1, 1997 when the NFC started processing payroll for Capitol Police has been processed in FFS.

Review and improvement of internal data interfaces with Office Systems Management, Office Supply Service, Office of Telecommunications Services, House Information Resources, and the Photography Studio will be addressed when additional staff and resources are available and priorities established.

**Recommendation 8:** In conjunction with the overall action plan for systems update and integration, improve data entry controls with respect to weaknesses in entering data such as incomplete data for purchasing equipment and a lack of approved vendor codes. (OIG Report No.95-HOC-22).

**Status:**                   **Some Progress**

**CONCUR.**

The Office of Finance is continuing to address this recommendation with WASC. An analysis for the improvement of data entry controls for all data entered into FFS including equipment purchases is being accomplished with recommendations expected by November 3, 1997 and action taken by November 30, 1997.

**Recommendation 9:** Update user manuals for all the House s significant systems in any action plan for systems improvement. (OIG Report No. 95-HOC-22).

**Status:**                   **Some Progress**

**CONCUR.**

The Office of Finance is addressing this recommendation in two ways. First is to make changes to incorporate Office of Inspector General requirements into FFS Procedures as set forth in a memo dated January 31, 1997. The updates to these procedures are in final review by Finance and the OIG for completion of the delivery order requirements.

Second, the Office of Finance has taken steps to ensure that all future delivery orders that are prepared will include the provision for updating/improving FFS user procedures and documentation to incorporate more information on House related processes and how FFS is used to support them.

**Recommendation 10:** Implement a formal, comprehensive data security program. (OIG Report No. 95-CAO-18)

**Status:**                   **Substantial Progress**

**CONCUR.**

The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. The first piece, covering Member and Committee offices, was approved by the Committee in September 1997.

**Recommendation 11:** Establish a plan for adequately staffing a formal data security function, including a job vacancy announcement for an experienced data security officer, reporting to the Associate Administrator of House Information Resources. (OIG Report No. 95-CAO-18)

**Status:**                   **Closed**

**CONCUR.**

**Recommendation 12:** Establish a plan for expanding the data security function to include broader authority to address security on all office-level systems including LANs, personal computer systems, and other TCP/IP based systems connected to the House network. (The data security function should be granted the authority to set minimum data security requirements and to monitor and enforce adherence to such requirements on a regular basis.). (OIG Report No. 95-CAO-18).

**Status:**                   **Substantial Progress**

**CONCUR.**

A comprehensive strategic assessment of HIR is presently being undertaken by an outside consultant as an interim, preparatory measure in advance of hiring a permanent Associate Administrator of House Information Resources. This assessment will review functions and organization of HIR, which will encompass the concerns identified in this recommendation.

**Recommendation 13:** Implement an information security awareness program to communicate employee and vendor responsibilities. (OIG Report No. 95-CAO-18)

**Status:**                   **Substantial Progress**

**CONCUR.**

The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to

recommendation #10.)

**Recommendation 14:** Implement a data security compliance structure and enforcement mechanism. (OIG Report No. 95-CAO-18)

**Status:**                   **Some Progress**

**CONCUR.**

The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to recommendation #10.)

**Recommendation 15:** Implement a formal risk assessment model and data classification scheme." (OIG Report No. 95-CAO-18)

**Status:**                   **Some Progress**

**CONCUR.**

House Information Resources will develop policies for a formal risk assessment model based on qualitative and the "RiskWatch" software. Additionally, a policy for a data classification scheme will be developed and submitted for Committee on House Oversight approval by December 31, 1997.

**Recommendation 16:** Review staff positions to determine the associated level of risk and need for employee security clearances; incorporate security clearance requirements into each staff position description; and implement security clearances as required for Executive Branch employees under FPMR. (OIG Report No. 95-CAO-18)

**Status:**                   **Some Progress**

**CONCUR.**

Currently, all new CAO employees including contractors are subjected to baseline background checks (Department of Justice "J" Checks). Additionally, Chairman Thomas letter dated July 31, 1996, provided the Committee On House Oversight Resolution - Electronic Communications Adopted July 31, 1996. Each House Information Resources employee is to sign and submit for formal House records, an affirmation of non-disclosure statement. It is expected that an employee and contractor clearance policy will be developed and submitted for Committee on House Oversight approval by October 31, 1997. Upon approval of this policy proposal, House Information Resources managers will specify in Position Descriptions the general statement, "this position requires that the incumbent be able to obtain and hold a security clearance."

**Recommendation 17:** Establish vendor contracts that include provisions to support House security standards, policies, and procedures. (OIG Report No. 95-CAO-18)

**Status:** **Substantial Progress**

**CONCUR.**

The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. (Please note response to recommendation #10.)

**Recommendation 18:** Implement a comprehensive disaster recovery plan that outlines specific disaster recovery procedures and responsibilities for both House Information Resources operations (including the identification and coordination of a backup arrangement for the NCC), and office level systems. (OIG Report No. 95-CAO-18)

**Recommendation 19:** Implement and update the business impact analysis identifying those business processes and systems that are critical to the business continuity of the organizations supported by HIS, as well as office-level systems and telecommunications links supporting Member, Committee, and other House operations currently not addressed by the existing mainframe data center disaster recovery plan. (Member, committee, and other House office representatives should be included in this re-evaluation). (OIG Report No. 95-CAO-18)

**Recommendation 20:** Evaluate backup and business recovery alternatives that would facilitate recovery of those critical business process and systems identified by the business impact analysis and select the most appropriate alternative. (OIG Report No. 95-CAO-18)

**Recommendation 21:** Implement procedures for the ongoing maintenance of the business impact analysis and business recovery plan as well as comprehensive, routine, (e.g., minimum once a year) testing of the plan. Additionally, a full data center "power-down" test should be included in the business recovery plan. (OIG Report No. 95-CAO-18)

**Status:** **Limited Progress - Items 18 - 21**

**CONCUR.**

A proposal for Risk Assessment/Disaster Recovery Planning was submitted to and approved by

the Committee on House Oversight.

**Recommendation 22:** Implement an e-mail system that supports DES encryption. (OIG Report No. 95-CAO-18)

**Status:** Closed

**CONCUR.**

**Recommendation 23:** Establish data security procedures for LANs, stand alone computers, and other distributed computing systems. (OIG Report No. 95-CAO-18)

**Status:** Closed

**CONCUR.**

**Recommendation 24:** Implement appropriate physical and environmental controls surrounding computer equipment and facilities. (OIG Report No. 95-CAO-18).

**Status:** Substantial Progress

**CONCUR.**

In addition to the computer center physical controls identified in the periodic review schedule, the Draft US House of Representatives Information Security Reference Manual is currently at the CHO for approval. The manual identifies recommended environmental and physical controls for Member and Committee office systems.

**Recommendation 25:** Establish the following controls to improve House Information Resources' management and implementation of ACF2 security (OIG Report No. 95-CAO-18).

**Overall Status:** Substantial Progress

**CONCUR.**

**Recommendation:** Implement ACF2 over all mainframe applications, including FMS.

**Status:** Substantial Progress

CAO notes that a significant number of "sensitive" systems including the major financial systems (i.e., FMS, Monies, etc.) are under ACF2 control. House Information Resources expects to place CICS5 and CICS regions (ADATABASE/NATURAL test and production) under ACF2 control by December 31, 1997. There are no plans to migrate the other regions to ACF2 control due to application retirements, etc.

**Recommendation:** Remove all online access to the CICS password file.

**Status:** Closed

**Recommendation:** Administer all passwords through ACF2.

**Status:** Substantial Progress

All systems slated for migration under ACF2 will be completed by December 31, 1997.

**Recommendation:** Justify the need for all special ACF2 access privileges.

**Status:** Substantial Progress

The CAO will review special access control procedures to ensure that appropriate approvals are required, i.e., co-signature of the ACFT2 Administrator.

**Recommendation:** Limit the "Non-Cncl" privilege to only those users who require access.

**Status:** Substantial Progress

As part of the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule, justification for staff with "Non-Cncl" privileges are approved by the cognizant manager's signature.

**Recommendation:** Create an ACF2 emergency logon ID for occasions that require sensitive access.

**Status:** Closed

An emergency ACF2 logon ID was established.

**Recommendation:** Record and review detail activities during the use of emergency logon IDs.

**Status:** Closed

As part of the CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule, a quarterly review of the emergency ACF2 logon ID is conducted.

**Recommendation:** Remove the Account privilege for divisional security administrators.

**Status:** Closed

House Information Resources discontinued the divisional security administrator positions.

**Recommendation:** Review and restrict, where appropriate, ACF2 access privileges to production libraries.

**Status:** Substantial Progress

These reviews are conducted as part of the ongoing CHO-approved House Information Resources Security Office Periodic Audit and Review Schedule. House Information Resources Security notes that the periodic audit and review schedule includes periodic ACF2 reviews including L7 - Review of Personnel Access/Privileges, and L9 - ACF2 Access Rules for Production Library Applications Review.

**Recommendation 26:** Enhance controls surrounding CMS systems to ensure that users can only access data through the designed application features and not by other means that circumvent the application system (OIG Report No. 95-CAO-18).

**Status:** Substantial Progress

**CONCUR.**

The Draft U.S. House of Representatives Information Security Reference Manual has been submitted to the Committee on House Oversight for approval. This item is also addressed in the CHO-approved Security Requirements for House Information Resources Contracts document.

**Recommendation 27:** Develop a plan for approval by the Committee on House Oversight to perform periodic security reviews to ensure that adequate controls are in place to protect House data and other sensitive system files (OIG Report No. 95-CAO-18).

**Status:** Closed

**CONCUR.**

**Recommendation 28:** Develop a proposal for a reorganization of HIS, for approval by the CHO to:

Consolidate and streamline systems development into one system development division or integration group.

Implement an independent quality assurance function, and

Staff the Change Control Administrator position (OIG Report No. 95-CAO-19).

**Status: Substantial Progress**

**CONCUR WITH COMMENT.**

A comprehensive strategic reassessment is presently being undertaken by an outside consultant as an interim, preparatory measure in advance of hiring a permanent Associate Administrator of House Information Resources. When the new Associate Administrator is appointed, a full scale assessment will be completed.

**Recommendation 29:** Identify and document critical processes and develop a comprehensive training program for House Information Resources employees to build the knowledge base of the critical processes that support Member needs and services (OIG Report No. 95-CAO-19).

**Status: Closed**

**CONCUR.**

**Recommendation 30:** Develop and implement charge back rates that reflect current processing costs (OIG Report No. 95-CAO-19)

**Status: Some Progress**

**CONCUR.**

As stated in the "Current Status of Recommendations" the Inspector General identified that cost plus charge contracts were negotiated between House Information Resources and three major external customers for 1997. The three major external users of House Information Resources mainframe resources are CBO, GAO, and PROPAC. Also, contracts with six other agencies (SSA, OPM, VA, Mint, GPO, and DC Court) for National Change of Address (NCOA) which is also processed on the mainframe were completed.

**Recommendation 31:** Establish policies and detailed procedures covering the maintenance, administration, and documentation of equitable charge back rates and billing processes for internal and external customers" (OIG Report No. 95-CAO-19).

**Status: Limited Progress**

**CONCUR.**

Detailed procedures will be developed for charge back rates for mainframe usage by March 31, 1998. These procedures will address charge back rates for both internal and external customers

and will also reflect the most recent Committee on House Oversight guidance relative to House Information Resources service charges.

**Recommendation 32:** Develop a plan, for CHO approval, to replace older and duplicate technologies, including:

- Migrating the remaining Members from the Sprint private line network to the MCI frame relay network,
- Migrating to one backbone network technology, and
- Disposing of unused DEC/VAX equipment. (OIG Report No. 95-CAO-19)

**Status:**                   **Closed**

**CONCUR.**

**Recommendation 33:** Adopt a formal SDLC methodology that meets the requirements of NIST's FIPS PUB 500-153 for all system development efforts (OIG Report No. 95-CAO-20).

**Status:**                   **Substantial Progress**

**CONCUR.**

The interim policy was developed by House Information Resources in June 1996 and approved by the Committee on House Oversight in January 1997. The approved SDLC policy meets the requirements of NIST's FIPS Publications and Special Publication 500-153.

The CAO is in the early stages of designating staff to form a Technology Coordination Task Force. The charter of this task force will be to drive the strategic direction for information technology-related initiatives. An early order of business for the task force will be to develop SDLC procedures.

**Recommendation 34:** Perform a cost-benefit analysis to determine whether existing HIS systems that compete with commercially available off-the-shelf packages should continue to be maintained by HIS, and if not, present a migration plan for CHO approval." (OIG Report No. 95-CAO-20).

**Status:**                   **Some Progress**

**CONCUR.**

In addition to the actions that are expected to occur as the result of the Year 2000 and Mainframe Migration plans, the CAO has formed a Technology Coordination Task Force. The charter of this task force will be to drive the internal strategic direction for information technology-related initiatives. This group is expected to analyze the current mainframe applications in terms of re-engineering, re-hosting, etc., in order to effectively off-load applications that are currently processed on the House Information Resources mainframe. The output of this analysis will determine which applications will require a cost/benefit analysis.

**Recommendation 35:** Review the overall House Information Resources management structure to ensure that all major projects are properly planned, organized, and coordinated effectively, and approved by the CHO. (OIG Report No. 96-CAO-15).

**Status:**                   **Some Progress**

**CONCUR.**

The overall House Information Resources management structure will continue to be analyzed as part of the continuing organizational assessments and responses to the CAO and House Information Resources management audits. A professional Information Technology consultant has been hired to both oversee House Information Resources operations and conduct a strategic analysis as the first step in this process. See response to recommendation 28, above.

**Recommendation 36:** Develop detailed project management policies and procedures based on a formal SDLC methodology which establishes a structured approach for managing and implementing information systems projects. (OIG Report No. 96-CAO-15).

**Status:**                   **Substantial Progress**

**CONCUR.**

See response to recommendation 33, above.

**Recommendation 37:** Develop and provide training for Directors and technical staff in order to implement the newly developed project management policies and procedures. (OIG Report No. 96-CAO-15)

**Status:**                   **Limited Progress**

**Recommendation 38:** Ensure that all systems development projects are managed according to these project management policies and procedures. (OIG Report No. 96-CAO-15).

**Status: Limited Progress**

Items 37 and 38:

**CONCUR.**

Training will be provided for Directors and technical staff in accordance with newly developed SDLC procedures. Additionally, system development projects will be managed in accordance with the newly developed management policies and procedures.

**Recommendation 39:** Conduct a comprehensive needs analysis and cost/benefits analysis to determine the best approach to mainframe migration. (OIG Report No. 96-CAO-15)

**Status: Limited Progress**

**Recommendation 40:** Adopt an implementation plan that balances the need for an aggressive time line with user needs, and hardware, software personnel and budget requirements. (OIG Report No. 96-CAO-15).

**Status: Limited Progress**

Items 39 and 40:

**CONCUR.**

Needs analyses and cost/benefit analyses for applications slated for migration off the mainframe will be addressed as part of the CAO response to the Mainframe Migration and Year 2000 audits.

**Recommendation 41:** Prepare a comprehensive strategy addressing the potential impact of the Year 2000 issues. (OIG Report No. 96-CAO-15).

**Status: Substantial Progress**

**CONCUR.**

A strategy addressing the potential impact of the Year 2000 has been developed by virtue of the Year 2000 Plan, major portions of which have been approved by the Committee on House Oversight (i.e., LIMS, Office Systems Management, and Payroll). Further implementation will be facilitated by the Technology Coordination Task Force as noted in the CAO response to the Inspector General's Year 2000 audit. In addition, a Year 2000 compliance Project Manager has been selected to coordinate HIR efforts and facilitate the Year 2000 work of the Task Force.

**Weakness 6:           The House Did Not Properly Track The Goods And Services It Ordered, And Frequently Paid Vendors Late**

**Recommendation 1:** Initiate a system of accounting and control that captures data and tracks transactions by vendor and ordering office when goods and services are:

Ordered  
Received  
Paid

(OIG Report No. 95-HOC-22)

**Status:               Some Progress**

**CONCUR.**

The House is in process of refining and validating the Procurement Desktop software package which is compatible with FFS. When implemented, this system will provide for the recording of the purchase, receipt and payment of goods or services. Upon full implementation, it will provide a method for funds control in the procurement arena.

**Recommendation 2:** In conjunction with acquiring a new financial management system, ensure it has the capability to:

compare orders against the available budget by office  
prompt offices when orders have not been received or when bills have not been paid after a specified period of time.

(OIG Report No. 95-HOC-22)

**Status:               Some Progress**

**CONCUR.**

The Procurement Desktop system, in conjunction with FFS, will provide the appropriate fund control required for House operations. The Finance Office will prepare policies requiring analysis of unliquidated obligations and will provide, in conjunction with the Office of Procurement and Purchasing, procedures to service providers to follow for unliquidated obligation review. The timing of the generation of procedures, and analysis required to be performed in drafting procedures, will be conditioned on completion of the strategic review of priority projects and work assignments in the Office of Finance.

**Weakness 7: Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices**

**Recommendation 1:** Establish policies and procedures that define how direct costs will be fully allocated to end users. (OIG Report No. 95-HOC-22)

**Status: Some Progress**

**CONCUR.**

A cost accounting algorithm that fully allocates and attributes direct costs to end users is necessary for CAO service providers. However other pressing priorities must be addressed and completed first. Consistent with our response to weakness number three in the 1995 Financial Statement Audit report, when the FFS system is stabilized, the general ledger is operating appropriately, the critical subsidiary systems have been developed and installed the CAO will be in a position to address a subsidiary cost accounting solution for the House.

**Recommendation 2:** Ensure the new financial management system includes a cost accounting component suitable for the House's requirements. (OIG Report No. 95-HOC-22)

**Status: Closed**

**Weakness 8: Poor Funds Control Put The House At Risk Of Overspending Its Appropriation**

**Recommendation 1:** Institute budget controls to obligate, or reserve, funds before ordering goods and services and verify that funds are available before they are obligated. (OIG Report No. 95-CAO-16)

**Status: Some Progress**

**CONCUR.**

There has been substantial progress on this recommendation over the past two years. The obligation function of FFS (implemented in June 1996) has successfully been used, and an obligation report accompanies the monthly financial statements. Fund control features exist to ensure that an obligation can only be recorded if proper funds are available. Full implementation of obligation-based accounting has not been implemented for Member offices. It is expected to be available with the implementation of the Procurement Desktop system.

**Recommendation 2:** Provide information to Members, committees, and House Officers on how much money they have spent versus what they were budgeted. (OIG Report No. 95-CAO-16)

**Status: Some Progress**

**CONCUR.**

The Finance Office has issued more detailed monthly financial statements and is continuing to address issues related to the information contained in the statements. Once obligation accounting has been fully implemented through FFS and the subsidiary Procurement Desktop module, as indicated in responses to Weakness 6, more accurate information will be available to Members regarding the status of their authorizations. In addition, as noted in responses to Weakness 4, the Finance Office does monitor the status of each Member's authorization and does notify Members when it appears that a potential for overspending exists.

**Recommendation 3:** Establish controls to ensure that Office of Finance adheres to any provision of law or its own policy requiring the remittance of funds to the U.S. Treasury. These policies and procedures should also address the review of inactive cash accounts that may need to be returned to the U.S. Treasury. (OIG Report No. 96-HOC-05)

**Status: Open**

**CONCUR.**

In an effort to establish control over the cash receipts remitted to Treasury, the Finance Office, in March 1997, prepared a comprehensive policies and procedures document describing each

revenue category and its legal and/or House Oversight directive. Discussions between Finance and House Oversight staff are ongoing. Once resolved, controls over the areas in question will be established. In addition, a written policy on the timing of transferring funds from the House accounts at the Treasury to the Treasury general fund will be established.

**Recommendation 4:** Establish controls to ensure that the House inputs warrant amounts timely and in the proper amount to the FFS, and performs a full reconciliation between FFS and reports from the U.S. Treasury. (OIG Report No. 96-HOC-05)

**Status:**                    **New Recommendation**

**CONCUR.**

The annual Treasury warrant has appropriated funds for six accounts, one for the House and five for joint House/Senate items. These amounts are entered into FFS in the last week of the active fiscal year to ensure payments can be charged to the new fiscal year. Draft policies and procedures have been written and will be established by fiscal year end to ensure accuracy between FFS, the Legislative Branch Appropriations Act and the Treasury Warrant. The procedures will be implemented beginning with fiscal year 1998.

**Weakness 9: Late Submission And Inadequacies In The Payroll System Added To Manual Processing And Led To Approximately \$200,000 In Overpayments To Employees**

**Recommendation 1:** Enforce both the Members' Congressional Handbook and the Committees' Congressional Handbook rules and require Members, Committees, and House Officers to submit PAFs on time (95-CAO-16).

**Status: Open**

**CONCUR.**

In a "Dear Colleague" letter dated August 25, 1997, Representative Bill Thomas, Chairman of the Committee on House Oversight, reaffirmed that PAFs for appointments after the month in which the appointment is effective will not be processed. Pursuant to this letter, the Office of Human Resources' Payroll will both remind employing offices of the policy and enforce the policy. With the policy now in place, the CAO will establish written implementation procedures.

**Recommendation 2:** Do away with "real-time" payroll and institute a lag between the end of the pay period and the date the payroll is processed and the paychecks are distributed (95-CAO-16).

**Status: Open**

**CONCUR.**

The Chief Administrative Officer has begun a project to select and procure a replacement payroll system that will address this issue. When this project is completed, the CAO will make recommendations regarding "real-time payroll" to the Committee on House Oversight.

**Recommendation 3:** Assign responsibility to Office of Human Resources for pursuing collection of salary overpayments if the employing office's efforts prove unsuccessful after one month (95-CAO-16).

**Status: Open**

**CONCUR.**

A proposed policy and procedure for the collection of salary overpayments, "Salary Overpayment Collection Policy and Procedure," has been submitted to the Committee on House Oversight for approval. If approved, this policy would assign the responsibility to the Office of Human Resources for pursuing collection of salary overpayments if the employing office's efforts prove unsuccessful after one month.

**Recommendation 4:** Continue to pursue and resolve remaining outstanding salary over payments (96-HOC-01).

**Status:**               **Open**

**CONCUR.**

Upon the Committee on House Oversight’s approval of the policy submitted, “Salary Overpayment Collection Policy and Procedure,” the Office of Human Resources’ Payroll will implement and enforce the policy.

**Recommendation 5:** Establish and implement a policy requiring that the debts of individuals who do not respond to the House’s initial efforts to collect salary overpayments be referred to a collection agency (96-HOC-01).

**Status:**               **Open**

**CONCUR.**

The proposed policy, “Salary Overpayment Collection Policy and Procedure” (noted in our responses to Recommendations 3 and 4, above), regarding the collection of salary overpayments, would follow OPM procedures for collections that go beyond the House’s initial efforts.

**Weakness 10: Lack of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements**

**Recommendation 1:** Establish formal policies and procedures to evaluate cost and service considerations in deciding whether to lease or buy equipment. (95-HOC-22-12.1)

**Status: Some progress**

**CONCUR.**

The CAO "Proposal to Establish a Lease/Buy Analysis Process" was submitted to the Committee on House Oversight on April 15, 1997.

**Recommendation 2:** Establish formal policies and procedures to monitor lease agreements on outdated equipment (95-CAO-17-D.1).

**Status: Some progress**

**CONCUR.**

As stated in the status of Recommendations, the Committee on House Oversight approved the CAO "Proposal to Monitor Lease Agreements on Outdated Equipment" on February 17, 1997. Office Systems Management is in the process of establishing implementation procedures.

**Recommendation 3:** Alert House offices when equipment becomes outdated (95-CAO-17-D.2).

**Status: Limited Progress**

**CONCUR.**

With approval by the Committee on House Oversight of the Proposal to Monitor Lease Agreements on Outdated Equipment on February 17, 1997 (cited in response to Recommendation 2, above), Office Systems Management began the process to implement procedures to alert House offices when equipment becomes outdated.

**Recommendation 4:** Ensure that the new financial management system is configured to prompt Member offices when maintenance or lease payments are being made on equipment over a specified age (95-CAO-17-C.3).

**Status: Open**

**CONCUR.**

At the time the CAO originally concurred with this recommendation, a new financial management system had not been approved for the House. The prompting of Member offices will be accomplished through the implementation of FFS and its subsidiary systems.

**Recommendation 5:** Establish formal policies and procedures to compare equipment's maintenance cost to its usefulness. (95-CAO-17-C.1).

**Status:**                    **Substantial Progress**

**CONCUR.**

The CAO's "Proposal to Implement Process to Compare Equipment Maintenance Cost and Usefulness" was submitted to the Committee on House Oversight on April 15, 1997. Approval is pending.

**Recommendation 6:** Establish contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. (95-CAO-17-A.2).

**Status:**                    **Closed**

**CONCUR.**

**Recommendation 7:** Use vendor cost and performance information in annual renegotiations of maintenance and support fees (95-CAO-17-A.3).

**Status:**                    **Some progress**

**CONCUR.**

The first time that vendor information was used in the annual negotiations of maintenance and support contracts was 1996 for 1997 contracts. This was done for the new systems integrator plans, the new equipment maintenance plans, and the legacy pricing plan for the vendors performing 80% of the contract services.

Service plan and known performance variables were listed for consideration in the analysis. A comparative analysis was used in the annual negotiations of maintenance and support contracts. As a result of protracted negotiations, several of the larger vendors at the House withdrew their proposals to increase prices and agreed to remain at the 1996 price level or submitted a plan with *reduced* pricing. Savings from these efforts alone were approximately \$820,000 for 1997 contracts.

The use of vendor cost and performance information will be further expanded during the next negotiations of maintenance and support fees.

**Recommendation 8:** Assign responsibility for vendor monitoring in accordance with one of these options:

**Option 1:** Realign Office System Management's function with its mission to include vendor monitoring.

**Option 2:** Assign the vendor monitoring role to another Chief Administrative Officer entity (95-CAO-17-A.1)

**Status:** Closed

**CONCUR.**

**Recommendation 9:** Ensure that transactions relating to a) purchase of equipment; b) lease of equipment; c) maintenance of equipment; and d) purchase of non-equipment items such as supplies, training, and other services, be properly processed in the correct Budget Object Classes (BOCs), i.e., the correct expense accounts, in FFS.

**Status:** New Recommendation

**CONCUR.**

The Office of Finance plans to adopt the United States Government Standard General Ledger and is currently using the standard object classes established for federally based organizations. Pending completion of a strategic review of priority projects and work assignments, the Office of Finance, in consultation with the Office of Procurement and Purchasing and Office Systems Management and other service providers, will clarify the usage of the BOCs and augment existing policies requiring the standard classifications and their proper usage.

The Office of Procurement and Purchasing, which is responsible for enforcing policy related to data entry into the purchasing subsystem, will consult with the Office of Finance and other service providers, and develop a coordinated approach related to data entry into the purchasing system. Further, FFS purchase procedures and user instructions will be revised to ensure that data entry personnel in support offices adhere to the BOC codes established by the House.

**Weakness 11: The House Was Unable To Accurately Determine Employee Benefits Due To Incomplete Manual Leave Records**

**Recommendation 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 existing leave cards, and replacing them with time sheets. (OIG Report No. 95-CCS-10)

**Status:** Closed

**CONCUR.**

**Recommendation 2:** Require each work location to establish one designee to collect and verify time and leave data. (OIG Report No. 95-CCS-10)

**Status:** Closed

**CONCUR.**

**Recommendation 3:** Assign responsibility within each office for the periodic audit of time and leave records. (OIG Report No. 95-CCS-10).

**Status:** Closed

**CONCUR.**

**Recommendation 4:** Replace current House payroll and human resources systems for Officers' employees, ensuring that requirements to control and account for annual leave are met by the systems and new procedures that are prepared for those systems. In addition, use the financial information to monitor and manage the cost to the House for annual leave.

**Status:** New recommendation

**CONCUR.**

The Office of Human Resources is leading a task force formed in January 1997 to assess the needs, requirements, and selection process for a new payroll and human resources system for the House. A leave tracking module will be evaluated during this process. The task force also includes representatives from the Committee on House Oversight, the Office of the Inspector General, and the CAO's Offices of Finance, House Information Resources, and Office of Purchasing and Procurement. [Effective April 1, 1997, the Office of Payroll was transferred from the Office of Finance to the Office of Human Resources.]

**Weakness 12: Reconciliation Of Total Obligations Generated By Each Entity To Those Recorded In FFS Are Not Performed**

**Recommendation 1:** Develop standard procedures for all service providers requiring formal reconciliations between obligations established in the service provider systems with those recorded by FFS. These monthly reconciliations should be reviewed and approved and forwarded to Office of Finance.

**Status: New Recommendation**

**CONCUR.**

The Finance Office, in consultation with the Office of Procurement and Purchasing and service providers, will develop a policy for managing the issues related to reconciling obligations. Following development of the policy statement, procedures will be articulated that encompass the appropriate financial reporting tools necessary for the proper accounting and reconciliation of obligations. The development and implementation of this policy and the associated procedures is contingent upon the completion of a strategic review of priority projects and work assignments.

**Recommendation 2:** Develop a standard aging report identifying outstanding FFS obligations by entity, which should be distributed to the individual service providers. Service providers should investigate and assess the validity of those obligations which have been outstanding greater than 60 days.

**Status: New Recommendation**

**CONCUR.**

The Finance Office, in consultation with the Office of Procurement and Purchasing will develop a policy for managing the issues related to unliquidated obligations. Following development of the policy statement, procedures will be articulated that encompass the appropriate financial reporting tools necessary for the proper accounting and reconciliation of unliquidated obligations. The development and implementation of this policy and the associated procedures is contingent upon the strategic review of priority projects and work assignments.

**Weakness 13: Access Controls Over the House's New Federal Financial System (FFS) Need Improvement to Provide Effective Security**

**Recommendation 1:** Develop and implement management policies and procedures to ensure that managers/supervisors:

- assign FFS access capabilities only to those users whose defined access does not conflict with the user's primary business function.
- restrict assignment of levels of access which have potentially incompatible functions (e.g., no individual should have both PASS1 and PASS2 capabilities).
- limit update capabilities to the VEND Table to a few users with a business need.
- require user request forms to be complete, consistent with assigned access, and properly authorized for all FFS users.

**Status: New Recommendation**

**CONCUR.**

When fully implemented, management's policies and procedures will fully reflect and encompass the items in Recommendation 1. Efforts related to each of the items have already begun, e. g., no individual FFS user currently has both PASS1 and PASS2 capabilities; additionally, new user request forms have recently been issued to reflect proper authorization, etc. for all FFS users.

**Recommendation 2:** Approve the *FFS Security Administrator Policies and Procedures Manual* after the following additional procedures to enhance controls are added:

- provide oversight over the proper implementation of the management policies and procedures identified in Recommendation 1.
- perform a review at least every 90 days to determine the existence of obsolete or inactive login IDs. Based on this review, follow up with user management to determine whether access is still required. User IDs no longer requiring access should be eliminated.
- identify specific roles and responsibilities WASC provides in maintaining FFS security.

**Status: New Recommendation**

**CONCUR.**

In addition to the current FFS security monitoring practices which include, (a) a monthly review of inactive FFS mainframe users, (b) the six month FFS user certification, and (c) the monthly Office of Human Resources termination reports, a monthly review of the FFS user ID table will be implemented.

**Recommendation 3:** Require security administrators to obtain appropriate security clearances.

**Status:** **New Recommendation**

**CONCUR.**

Efforts to obtain appropriate security clearances for security administrators will be initiated in the near future.

**Recommendation 4:** Correct the functionality of the FFS audit log and use it to perform security monitoring.

**Status:** **New Recommendation**

**CONCUR.**

A task order has recently been delivered to WASC to correct the functionality of the FFS audit log. In lieu of the FFS audit log and until its functionality has been corrected, a compensating control has been initiated through a daily review of the FFS mainframe security violation report which lists password violations.

