

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

MEMORANDUM

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

The Honorable Steny Hoyer, Ranking Minority Member
Committee on House Administration

FROM: 
Robert B. Frey III
Deputy Inspector General

DATE: September 24, 1999

SUBJECT: Final Report - Audit Of The Financial Statements For The Year Ended
December 31, 1998 (Report No. 99-HOC-07)

Attached is our final report on the audit of the House of Representatives' (House) consolidating financial statements for the year ended December 31, 1998. The report includes the House's *Financial Statements, Notes to the Financial Statements, Supplemental Schedules, Management Report on Internal Controls, and CAO Response to the 1998 Financial Statement Audit Report*. Also included is the *Report of Independent Accountants* encompassing PricewaterhouseCoopers' opinion on the financial statements, *Report of Independent Accountants on Compliance with Laws and Regulations*, and *Report of Independent Accountants on Management's Assertions About Internal Controls*.

In accordance with applicable auditing standards, PricewaterhouseCoopers took into consideration in this report any events which would have required an adjustment to the House's *Financial Statements, Notes to the Financial Statement, or Supplemental Schedules* up to the issuance date of this report. In addition, the report discloses problems associated with the House's financial management activities and includes recommendations to improve those activities.

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, 1998, 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. As part of this audit, we followed up on the status of the House's efforts to implement audit recommendations previously reported for the year ended December 31, 1997.

This audit was part of our 1999 Annual Audit Plan that was approved by the Committee on House Administration on March 10, 1999. We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. These procedures included the payroll audit work, which was conducted by Office of Inspector General staff, in conjunction with the financial statement audit effort. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

Results Of Audit

The House has made significant progress in improving its financial management and operations since last year's financial statements audit. For the year ended December 31, 1998, the House compiled its own consolidating financial statements for the second consecutive year. During Calendar Year 1998, the House implemented or initiated corrective actions to address a total of 45 prior audit recommendations contained in last year's report. These positive efforts greatly contributed to reducing the House's eight weaknesses cited in last year's report to five in this year's report. Thus, for the first time at the House, PricewaterhouseCoopers expressed an "unqualified opinion" on the House's financial statements. In addition, this year's *Report of Independent Accountants on Compliance with Laws and Regulations* identifies no instances of noncompliance.

The *Report of Independent Accountants on Management's Assertions about Internal Controls* identifies five internal control weaknesses--all which are reportable conditions. These five weaknesses were previously reported for the year ended December 31, 1997. Three of these weaknesses were identified as material weaknesses in last year's report (i.e., Weaknesses 1, 2, and 3). However, these three weaknesses are now considered reportable conditions, because actions were taken or are well underway to address associated recommendations. Due to the House's progress towards improving financial-related activities, we were able to close (i.e., fully implemented or otherwise resolved) 33 of the 45 prior recommendations. Ten of these 33 recommendations were associated with 3 weaknesses identified in the 1997 report, but have been otherwise resolved during 1998.

Prior Audit Coverage

The follow-up work performed on the 45 prior recommendations spanned a total of 11 audit reports. A brief description of each of these reports is provided below. The status of all open recommendations is addressed in the *Report of Independent Accountants on Management's Assertion about Internal Controls*.

- *Audit Of Financial Statements For The Year Ended December 31, 1997* (Report No. 98-HOC-11, dated November 4, 1998) identified three material weaknesses and five 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.
- *Audit Of Financial Statements For The Year Ended December 31, 1996* (Report No. 97-HOC-14, dated December 1, 1997) identified 5 material weaknesses and 8 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.
- *House Needs To Refocus It's Efforts To Meet The Year 2000* (Report No. 97-CAO-13, dated September 29, 1997) identified opportunities for improving the House's Year 2000 management controls involving planning, budgeting, internal and external coordination issues, procurement, and conversion practices.
- *Internal Controls Over Equipment Inventory Systems Can Be Improved* (Report No. 97-CAO-11, dated July 28, 1997) identified internal control weaknesses over the House's equipment inventory systems.
- *HIR Management Practices Undermine The House's Ability To Keep Pace With Technological Changes* (Report No. 97-CAO-09, dated May 8, 1997) identified serious problems with regard to the management process HIR-wide; planning and budgeting; policies, standards, procedures, and guidelines; and staffing.
- *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.
- *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 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.

- *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.
- *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.
- *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.

Recommendations

The *Report of Independent Accountants on Management's Assertions about Internal Controls* contains four new audit recommendations. It also includes twelve open prior recommendations in varying stages of implementation.

Management Response

The CAO formally responded to our draft report on July 13, 1999. 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

The actions taken and planned by the CAO are responsive to the issues identified and, when fully implemented, should satisfy the intent of the recommendations. Further, the milestone dates provided for completing actions on the open recommendations appear reasonable.

Attachments

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

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Management Report on Internal Controls

CAO Response to the 1998 Financial Statement Audit Report

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Report of Independent Accountants

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Report of Independent Accountants

To the Deputy 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, 1998, and the related consolidating statements of operations and cash flows for the year 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 audit.

We conducted our audit 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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidating statements referred to above present fairly, in all material respects, the financial position of the U.S. House of Representatives as of December 31, 1998, the results of its operations and its cash flows for the year 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, such information is fairly stated in all material respects, in relation to the consolidating financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued a report dated June 30, 1999 on our consideration of the House's internal control and a report dated June 30, 1999 on its compliance with applicable laws, rules, and regulations.

PricewaterhouseCoopers LLP

Arlington, Virginia
June 30, 1999

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Financial Statements

U.S. House of Representatives
Consolidating Statement of Financial Position
As of December 31, 1998

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
ASSETS			
Fund Balance with the U.S. Treasury (Note 4)	\$ 0	\$ 0	\$ 0
Cash (Note 4)	0	400	0
Fund Balance with U.S. Treasury and Cash	<u>0</u>	<u>400</u>	<u>0</u>
Accounts Receivable	0	0	0
Interoffice Receivable	0	0	0
Appropriations Receivable	9,924,382	3,241,505	172,298
Advances and Prepayments	1,423,653	281,600	42,805
Inventory	0	0	0
Property and Equipment, Net (Note 5)	<u>10,278,181</u>	<u>4,540,957</u>	<u>523,047</u>
Total Assets	<u>\$ 21,626,216</u>	<u>\$ 8,064,462</u>	<u>\$ 738,150</u>
LIABILITIES AND NET POSITION			
Accounts Payable (Note 7)	\$ 5,599,899	\$ 3,167,872	\$ 125,117
Interoffice Payable	5,748,136	355,633	89,986
Appropriations Payable	0	0	0
Capital Lease Liabilities (Note 6)	0	0	0
Accrued Leave and Payroll (Note 8)	6,369,426	0	0
Unfunded Workers' Comp. Actuarial Liability (Note 9)	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>17,717,461</u>	<u>3,523,505</u>	<u>215,103</u>
Unexpended Appropriations	0	0	0
Cumulative Results of Operations	<u>3,908,755</u>	<u>4,540,957</u>	<u>523,047</u>
Total Net Position (Note 10)	<u>3,908,755</u>	<u>4,540,957</u>	<u>523,047</u>
Total Liabilities and Net Position	<u>\$ 21,626,216</u>	<u>\$ 8,064,462</u>	<u>\$ 738,150</u>

The accompanying notes are an integral part of the financial statements.

** Additional detail provided in the supplemental schedules.*

Officers and Legislative Offices*	Capitol Police and Other Joint Functions*	Eliminations	1998 Consolidated	Restated 1997 Consolidated
\$ 697,517,872	\$ 152,489,818	\$ 0	\$ 850,007,690	\$ 725,506,179
156,697	29,500	0	186,597	52,999
<u>697,674,569</u>	<u>152,519,318</u>	<u>0</u>	<u>850,194,287</u>	<u>725,559,178</u>
496,173	0	0	496,173	688,404
6,337,460	0	(6,337,460)	0	0
4,150,373	0	(17,488,558)	0	0
3,019,287	90,630	0	4,857,975	1,989,227
1,252,734	0	0	1,252,734	1,170,568
<u>13,250,110</u>	<u>2,494,851</u>	<u>0</u>	<u>31,087,146</u>	<u>48,198,736</u>
<u>\$ 726,180,706</u>	<u>\$ 155,104,799</u>	<u>\$ (23,826,018)</u>	<u>\$ 887,888,315</u>	<u>\$ 777,606,113</u>
\$ 13,323,999	\$ 545,823	\$ 0	\$ 22,762,710	\$ 29,127,602
88,607	55,098	(6,337,460)	0	0
17,488,558	0	(17,488,558)	0	0
966,017	0	0	966,017	1,531,029
2,045,074	2,430,687	0	10,845,187	10,331,883
<u>17,561,799</u>	<u>0</u>	<u>0</u>	<u>17,561,799</u>	<u>14,948,664</u>
<u>51,474,054</u>	<u>3,031,608</u>	<u>(23,826,018)</u>	<u>52,135,713</u>	<u>55,939,178</u>
713,184,025	155,962,702	0	869,146,727	699,109,207
<u>(38,477,373)</u>	<u>(3,889,511)</u>	<u>0</u>	<u>(33,394,125)</u>	<u>22,557,728</u>
<u>674,706,652</u>	<u>152,073,191</u>	<u>0</u>	<u>835,752,602</u>	<u>721,666,935</u>
<u>\$ 726,180,706</u>	<u>\$ 155,104,799</u>	<u>\$ (23,826,018)</u>	<u>\$ 887,888,315</u>	<u>\$ 777,606,113</u>

U.S. House of Representatives
Consolidating Statement of Operations
For the Year Ended December 31, 1998

	Members	Committees	Leadership Offices
REVENUE AND FINANCING SOURCES			
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 11)	0	0	0
Revenue from Operations	0	0	0
Financing Sources			
Appropriations to Cover Expenses	537,858,543	135,775,579	18,132,649
Imputed Financing Source (Note 12)	(21,607,929)	(5,428,387)	(666,933)
Total Revenue and Financing Sources	\$ 516,250,614	\$ 130,347,192	\$ 17,465,716
EXPENSES			
Personnel Compensation	\$ 326,224,746	\$ 88,800,568	\$ 10,910,055
Benefits (Note 12)	67,227,537	19,215,889	2,414,048
Postage and Delivery	21,979,970	111,882	37,477
Repairs and Maintenance	27,634,862	6,180,436	1,291,006
Depreciation and Amortization (Note 5)	10,885,881	2,739,265	437,362
Rent, Utilities, and Communications	16,285,547	62,498	50,262
Telecommunications	11,393,530	572,475	296,530
Supplies and Materials	5,529,038	920,288	464,693
Travel and Transportation	12,583,493	3,471,414	1,342,172
Contract, Consulting, and Other Services	2,587,052	7,509,176	20,309
Printing and Reproduction	9,441,117	62,361	46,749
Subscriptions and Publications	4,294,114	634,456	147,155
Cost of Goods Sold	0	0	0
Loss on Disposal of Assets	183,727	66,484	7,898
Interest on Capital Leases	0	0	0
Total Expenses	\$ 516,250,614	\$ 130,347,192	\$ 17,465,716
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

** Additional detail provided in the supplemental schedules.*

Officers and Legislative Offices*	Capitol Police and Other Joint Functions*	Eliminations	1998 Consolidated	Restated 1997 Consolidated
\$ 3,203,015	\$ 0	\$ 0	\$ 3,203,015	\$ 3,101,803
2,414,897	0	0	2,414,897	2,803,638
777,426	42,408	0	819,834	789,615
<u>37,382,062</u>	<u>0</u>	<u>(37,382,062)</u>	<u>0</u>	<u>0</u>
43,777,400	42,408	(37,382,062)	6,437,746	6,695,056
101,212,501	49,500,834	0	842,480,106	796,481,799
<u>(3,119,194)</u>	<u>(1,184,901)</u>	<u>0</u>	<u>(32,007,344)</u>	<u>105,814,078</u>
<u>\$ 141,870,707</u>	<u>\$ 48,358,341</u>	<u>\$ (37,382,062)</u>	<u>\$ 816,910,508</u>	<u>\$ 908,990,933</u>
\$ 51,025,430	\$ 32,593,498	\$ 0	\$ 509,554,297	\$ 493,589,015
11,535,509	9,048,956	0	109,441,939	240,303,011
427,895	9,810	0	22,567,034	22,192,789
37,235,796	2,502,438	(20,015,796)	54,828,742	32,081,134
7,949,909	460,774	0	22,473,191	25,010,278
665,679	1,995	(1,954,648)	15,111,333	17,739,509
11,749,635	92,624	(11,125,929)	12,978,865	12,966,786
2,223,611	963,816	0	10,101,446	10,926,077
198,224	799,887	0	18,395,190	17,617,395
12,984,885	1,716,506	(264,368)	24,553,560	20,390,766
66,887	21,616	(352,997)	9,285,733	8,916,282
243,368	140,718	0	5,459,811	4,985,330
5,474,963	0	(3,668,324)	1,806,639	1,525,342
43,656	5,703	0	307,468	655,029
<u>45,260</u>	<u>0</u>	<u>0</u>	<u>45,260</u>	<u>92,190</u>
<u>\$ 141,870,707</u>	<u>\$ 48,358,341</u>	<u>\$ (37,382,062)</u>	<u>\$ 816,910,508</u>	<u>\$ 908,990,933</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, 1998

	<u>Members</u>	<u>Committees</u>	<u>Leadership Offices</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess/(Deficiency) of Revenue and Financing Sources over Expenses	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow			
Appropriations to Cover Expenses (Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(537,858,543)	(135,775,579)	(18,132,649)
(Increase)/Decrease in Advances and Prepayments	7,726,800	(1,303,940)	52,141
(Increase)/Decrease in Inventory	100,481	(33,491)	(3,908)
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	0	0	0
Increase/(Decrease) in Other Accrued Liabilities	(7,827,281)	1,337,534	(48,233)
Loss on Disposal of Assets	221,296	0	0
Depreciation and Amortization	183,727	66,484	7,898
	10,885,881	2,739,265	437,362
Net Cash Provided/(Used) by Operating Activities	<u>\$ (526,567,639)</u>	<u>\$ (132,969,727)</u>	<u>\$ (17,687,389)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property and Equipment	\$ (150,090)	\$ (1,438,007)	\$ (62,406)
Net Cash Provided/(Used) by Investing Activities	<u>\$ (150,090)</u>	<u>\$ (1,438,007)</u>	<u>\$ (62,406)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Appropriations Received (Note 10)	\$ 0	\$ 0	\$ 0
Funds Returned to the U.S. Treasury (Note 10)	0	0	0
Appropriated Funds Allocated (Note 10)	526,717,729	134,407,837	17,749,795
Principal Payment on Capital Lease Liabilities	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>526,717,729</u>	<u>134,407,837</u>	<u>17,749,795</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	103	0
Fund Balance with U.S. Treasury and Cash, Beginning	0	297	0
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 400</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

** Additional detail provided in the supplemental schedules.*

Officers and Legislative Offices*	Capitol Police and Other Joint Functions*	Eliminations	1998 Consolidated	Restated 1997 Consolidated
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(101,212,501)	(49,500,834)	0	(842,480,106)	(796,481,799)
3,503,142	0	(9,785,912)	192,231	10,617
(2,913,814)	(18,016)	0	(2,868,748)	(63,571)
(82,166)	0	0	(82,166)	(22,016)
(8,568,625)	(1,044,199)	9,785,912	(6,364,892)	(17,574,102)
2,109,363	230,768	0	2,561,427	(2,214,897)
43,656	5,703	0	307,468	655,029
7,949,909	460,774	0	22,473,191	25,010,278
<u>\$ (99,171,036)</u>	<u>\$ (49,865,804)</u>	<u>\$ 0</u>	<u>\$ (826,261,595)</u>	<u>\$ (790,680,461)</u>
<u>\$ (1,472,191)</u>	<u>\$ (1,949,655)</u>	<u>\$ 0</u>	<u>\$ (5,072,349)</u>	<u>\$ (29,667,289)</u>
<u>\$ (1,472,191)</u>	<u>\$ (1,949,655)</u>	<u>\$ 0</u>	<u>\$ (5,072,349)</u>	<u>\$ (29,667,289)</u>
\$ 814,431,719	\$ 157,466,400	\$ 0	\$ 971,898,119	\$ 842,593,485
(15,052,856)	(279,490)	0	(15,332,346)	(65,436,224)
(678,930,596)	55,235	0	0	0
(596,720)	0	0	(596,720)	(1,021,222)
<u>119,851,547</u>	<u>157,242,145</u>	<u>0</u>	<u>955,969,053</u>	<u>776,136,039</u>
19,208,320	105,426,686	0	124,635,109	(44,211,711)
<u>678,466,249</u>	<u>47,092,632</u>	<u>0</u>	<u>725,559,178</u>	<u>769,770,889</u>
<u>\$ 697,674,569</u>	<u>\$ 152,519,318</u>	<u>\$ 0</u>	<u>\$ 850,194,287</u>	<u>\$ 725,559,178</u>

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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, 1998 and 1997, as restated, and reflect the financial activities of the first and second sessions of the 105th 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 unelected 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.

These financial statements reflect the organizational structure of the House under the 105th Congress. The following is a summary of the entity groupings as they appear in the 1998 consolidating financial statements:

House **Members** are elected from congressional districts of approximately equal population. The financial information in columns entitled "Members" aggregates the accounts and financial transactions of the Members' district and Washington, D.C. offices, and includes 435 Representatives; 4 Delegates, one each, 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, travel, telecommunications, 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 105th 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 105th Congress are listed below.

- Committee on Agriculture
- Committee on Appropriations
- Committee on Banking and Financial Services
- Committee on the Budget
- Committee on Commerce
- Committee on Education and the Workforce
- Committee on Government Reform and Oversight
- Committee on House Oversight

Committee on International Relations
Committee on the 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
Select Committee on Intelligence
Select Committee on U.S. National Security and
Military/Commercial Concerns with the People's
Republic of China

The House **Leadership Offices** column includes the financial activity of the:

Speaker of the House
Majority and Minority Leaders
Majority and Minority Whips
Chief Deputy Majority and Minority Whips
Speaker's Office for Legislative Floor Activities
Party Steering Committees, Caucus or Conference, which consist of
Representatives of the same political party

The **Officers and Legislative Offices** column aggregates the financial information of all legislative support and administrative functions provided to Members, Committees, and Leadership offices, including:

Clerk of the House
Sergeant at Arms
Chief Administrative Officer
Chaplain
Parliamentarian
Office of the Legislative Counsel
Corrections Calendar Office
Office of the General Counsel
Office of the Law Revision Counsel
Office of Inspector General

The **Capitol Police and Other Joint Functions** column includes joint activities of the House and the Senate to the extent that the House funds these functions in whole or in part. House administrative management does not exert direct control over the expenditures of these functions. The joint functions in these financial statements include:

Attending Physician
Capitol Police
Joint Committee on Taxation, which has members from both the House
and the Senate

The **Eliminations** column on the consolidating financial statements is used to negate the effect of financial transactions between House entities. Inter-entity transactions, such as items sold by one House entity to another, are misleading when reporting consolidating House financial information.

Restatements - Certain 1997 balances have been restated to capture additional information that resulted primarily from adjustments to property and equipment. These adjustments have no effect on net income.

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 legislative agencies that support the House and that receive separate appropriations. These agencies include the:

Library of Congress
Congressional Budget Office
General Accounting Office
Government Printing Office
U.S. Botanic Garden
Architect of the Capitol

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:

Attending Physician
Capitol Police
Joint Committee on Taxation, which has members from both the House and the Senate

All significant interoffice balances and transactions have been eliminated to arrive at consolidated financial information.

B. Basis of Accounting

The financial statements have been prepared from House records 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 provides for the recognition of significant and accountable financial transactions or events as they occur, as opposed to when cash is received or disbursed. Therefore, revenues are recorded

when earned and expenses are recorded when a liability is incurred, without regard to receipt or payment of cash. The accrual basis of accounting contributes significantly to the development of accurate cost information needed to report the financial position and results of operations.

C. Fund Balance with the U.S. Treasury and Cash

Funds available to the House to pay current liabilities and finance authorized purchases are on deposit principally with the U.S. Treasury.

- Fund Balance with the U.S. Treasury includes House accounts, as well as the Congressional Use of Foreign Currency account, which is held at the U.S. Treasury and is maintained and administered by the Department of State on behalf of the House. Members and Committees do not pay bills or have separate U.S. Treasury accounts. The Office of Finance processes payments for the purchases and the Office of Human Resources processes payroll of Members' staff and Committees. Therefore, the House accounts held at the U.S. Treasury are reported under the Office of Finance within Officers and Legislative Offices.
- The Capitol Police and Other Joint Functions have separate U.S. Treasury accounts. Therefore, fund balances for these accounts are reported separately on the House financial statements.
- Cash represents petty cash as well as Office of Finance deposit accounts (Treasury General accounts) with commercial financial institutions.
- For purposes of the Consolidating Statement of Cash Flows, funds with the U.S. Treasury are considered cash.

D. Accounts Receivable

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

E. Advances and Prepayments

Advances and prepayments primarily consist of prepaid subscriptions for publications, data communication services, and advances to other government agencies for services contracted and for mailings that require address corrections or additional postage.

F. Inventory

- The *Gift Shop* and the *Supply Store* 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 moving weighted average method.
- The *Furniture Resource Center*, also included in the Officers and Legislative Offices column, maintains inventories of such items as hardwood, carpet, leather, fabric, furniture components, and repair materials. These items are not for sale but are reflected on the Combining Statement of Financial Position at an estimated value based on the first in/first out inventory valuation method.

G. Property and Equipment

Prior to January 1, 1998, equipment purchases, excluding computers, based on Office of Finance policy, were capitalized if the unit acquisition cost exceeded \$5,000 and the item had a useful life greater than one year. Computer equipment and software were capitalized if the unit acquisition cost exceeded \$500 and the item had a useful life greater than one year. Effective January 1, 1998, the House raised the dollar threshold for capitalization. Property and equipment purchases, including computers, are now capitalized if the unit acquisition cost exceeds \$25,000 and the item has a useful life greater than one year. Software is capitalized if the unit acquisition cost exceeds \$10,000 and the item has a useful life greater than one year. Expenditures for property and equipment that will benefit more than one accounting period are considered capital expenditures. The costs of such items are recognized as assets when acquired. An appropriate portion of the asset's value is reduced and an expense recognized over the accounting periods benefited by the asset's use. See Note 5, Property and Equipment, for additional information on property and equipment held by the House.

The House has possession of numerous assets that may be of significant historical and artistic value. The House does not include these assets in the financial statements of the House. These assets may be maintained on the records of the Architect of the Capitol. The land and buildings occupied and used by Members, officers, and employees in Washington, D.C. are under the custody of the Architect of the Capitol and are not included in the financial statements of the House.

H. Leases

The House leases temporary usage of office space, vehicles, computers, and other equipment. These leases are generally classified as operating leases. House regulations require that leases entered into by Members for space and vehicles be no longer than the elected term of the Member. The House also enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the minimum lease payments at lease inception. The portion of capital lease payments representing imputed interest is expensed as interest on capital leases. See Note 6, Lease Commitments, for additional lease information.

I. Revenue from Operations

Revenue is recognized when goods have been delivered or services rendered.

- Sales of goods to customers take place at the *Gift Shop* and the *Supply Store*.
- Sales of services to Federal agencies are comprised of the House Information Resources computer services provided to the General Accounting Office and the Congressional Budget Office.
- Sales of services to the public are comprised of House publication (e.g., transcript sales) and photography sales (e.g., sales to civic groups).
- Interoffice sales between House entities are eliminated on the consolidating financial statements.

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

Like other government organizations, the House finances most of its operations with appropriations. 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. Generally, the House will not show an excess or deficiency of revenues over expenses because appropriations will exactly cover any excess expenses.

As discussed in Note 2C, Fund Balance with the U.S. Treasury and Cash, the Office of Finance maintains most of the House's accounts with the U.S. Treasury. The Office of Finance is 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.

Office Systems Management (OSM) also has an Appropriations Payable. OSM includes in its Interoffice Receivable amounts owed by Members, Committees, and Leadership offices for installment plan purchases of equipment and district office furniture. Any interoffice receivables due to OSM exceeding liabilities are represented in Appropriations Payable.

K. Postage and Delivery

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

L. Repairs and Maintenance

Repairs and maintenance include 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, property and equipment purchases below the capitalization thresholds discussed in Note 2G, Property and Equipment are classified as repairs and maintenance.

M. Depreciation and Amortization

The cost of capital assets is allocated ratably over the asset's useful life as depreciation or amortization expense. The House calculates depreciation and amortization expense based on the straight-line method over an asset's estimated useful life. Depreciation expense is applicable to tangible assets such as furniture, equipment, and vehicles, while amortization expense is applicable to intangible assets such as software and capital leases. Assets acquired under capital leases are generally amortized over the lease term. However, if a lease agreement contains a bargain purchase option or otherwise transfers title of the asset to the House, the asset is depreciated on the same basis as similar categories of owned assets. Accumulated depreciation and amortization are estimated based on available records.

N. Rent, Utilities, and Communications

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

O. Telecommunications

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

P. 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 and 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 and the Supply Store.

Q. Travel and Transportation

Travel and transportation expenses include official travel by Members, Committees, and Leadership offices; travel by other House officers and 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 the cost of 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 primarily 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 includes the cost of products sold in the retail operations of the Gift Shop and the Supply Store.

V. Loss on Disposal of Assets

Losses on the disposal of assets are recognized as the difference between the net book value of the assets at the time of disposal and proceeds received on the sale, if applicable.

W. Annual, Sick, and Other Leave

Annual leave for House Officers and their staffs is accrued as earned, and the liability is reduced as leave is taken. The accrued annual leave balance as of December 31, 1998, is calculated according to Public Law 104-53, November 19, 1995, 109 Stat. 514.

X. Federal Employee and Veterans Benefits

This benefit expense includes the current cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. Also included is the current period expense for the future cost of providing retirement benefits and life insurance to House employees. See Note 12, Benefits, for additional information.

Y. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent assets and liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

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 are with the:

- U.S. Treasury for processing the House's cash receipts and disbursements and U.S. Department of State for maintaining and administering the Congressional Use of Foreign Currency account
- U.S. Postal Service for postage
- U.S. Department of Labor (DOL) for unemployment and workers' compensation
- General Services Administration for the use and upkeep of office space in certain Members' district offices
- Federal Bureau of Investigation for investigative and protective services
- U.S. Department of the Interior, U.S. Geological Survey, Enterprise Data Services Center for financial system services
- Other Executive Branch agencies for special studies as requested by House Committees

Significant cash disbursements to Executive Branch agencies during the years ended December 31, 1998 and 1997 were:

	<u>1998</u>	<u>1997</u>
U.S. Postal Service	\$26,125,840	\$21,011,144
U.S. Department of Labor	2,755,202	8,811,905
General Services Administration	3,771,265	4,315,193
Federal Bureau of Investigations	188,060	314,244
U.S. Geological Survey	4,049,385	0
Other Executive Branch Agencies	447,509	861,404

In 1998, disbursements to the DOL were made for current obligations. In 1997, the House made substantial disbursements to DOL for obligations in arrears for workers' and unemployment compensation. Advance payments were made to U.S. Geological Survey for contract and consulting services.

The U.S. Department of State maintains and administers the Congressional Use of Foreign Currency account on behalf of Congress. This account, which was established in 1948 and made permanent in 1981, is authorized by legislation codified in Title 22, Sec. 1754 of the United States Code. The funds are available to Congressional Committees and delegations to cover local currency expenses incurred while traveling abroad. The fund balance related to the account is included in the Office of Finance's Fund Balance with U.S. Treasury under the Officers and Legislative Offices heading.

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. Therefore, all foreign currency account expense activity is included in the travel expenses of the Committee and Leadership offices.

<u>Foreign Currency Balance with the U.S. Department of State</u>	<u>1998</u>	<u>1997</u>
Beginning Balance	\$3,612,103	\$6,340,517
Appropriation Received	3,000,000	800,000
Travel Expenses:		
Leadership	(1,289,046)	(739,167)
Committees	<u>(2,107,281)</u>	<u>(2,789,247)</u>
Ending Balance	<u>\$3,215,776</u>	<u>\$3,612,103</u>

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, 1998 and 1997, were:

	<u>1998</u>	<u>1997</u>
General Accounting Office	\$ 2,967,620	\$ 3,574,834
Government Printing Office	279,334	391,182

The House provides computer services to Federal government agencies for a user fee. Cash receipts for services provided by House Information Resources to other Federal Agencies were \$2,590,391 and \$2,796,288 for the years ended December 31, 1998 and 1997, respectively. The following were the most significant users.

	<u>1998</u>	<u>1997</u>
General Accounting Office	\$ 1,440,225	\$ 1,595,722
Congressional Budget Office	775,932	775,872

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, 1998 and 1997, are shown in the table below.

	<u>1998</u>	<u>1997</u>
Fund Balance Accounts Maintained by the House	\$846,791,914	\$721,894,076
Congressional Use of Foreign Currency	<u>3,215,776</u>	<u>3,612,103</u>
Subtotal	850,007,690	725,506,179
Cash and Commercial Bank Accounts	<u>186,597</u>	<u>52,999</u>
Total	<u>\$850,194,287</u>	<u>\$725,559,178</u>

Unlike Executive Branch departments and agencies, the House's appropriation is not apportioned by quarter. The House receives its entire annual appropriation in October, causing the fund balance with the U.S. Treasury to be relatively large at December 31, 1998 and 1997.

Cash and Commercial Bank Accounts

Cash balances represent petty cash on hand at various House offices and Committees. The Office of Finance also maintains funds in deposit accounts at banking institutions for cash receipts and credit card sales. Petty cash and funds in commercial bank accounts as of December 31, 1998 and 1997, were:

	<u>1998</u>	<u>1997</u>
Petty Cash	\$ 30,050	\$ 41,716
Commercial Bank Accounts		
Office of Finance	156,547	11,155
House Restaurant	<u>0</u>	<u>128</u>
Total	<u>\$ 186,597</u>	<u>\$ 52,999</u>

The bank account for the House Restaurant, which was privatized in July 1994, was closed in 1998 and the funds were returned to the U.S. Treasury.

NOTE 5 - PROPERTY AND EQUIPMENT

The 1998 net book value of property and equipment decreased 36 percent from 1997 as a result of a change in capitalization dollar threshold. Prior to 1998, computer equipment and software were capitalized if the unit acquisition cost exceeded \$500 and all other office equipment and property was capitalized if the unit cost exceeded \$5,000. Effective January 1, 1998, the capitalization thresholds for software and equipment, including computers, were increased to \$10,000 and \$25,000, respectively. This caused a significant increase in repairs and maintenance

expense because non-capital items are classified as repairs and maintenance. In addition, the net book value for Office Systems Management items was adjusted for estimates used in 1997. Also, adjustments were made for additional 1997 disposals identified during 1998. Depreciation and amortization expense is based on the straight-line method over an asset's estimated useful life. Property and equipment as of December 31, 1998, and its related depreciation expense are shown in the following table.

<u>Classes of Property and Equipment</u>	<u>Service Life (Years)</u>	<u>Acquisition Value</u>	<u>Accumulated Amortization/Depreciation</u>	<u>Net Book Value</u>	<u>Amortization/Depreciation Expense</u>
Work in Process		\$ 2,831,773	\$ 0	\$ 2,831,773	\$ 0
Computer Software, Hardware, and Patrol Vehicles	3	105,102,506	93,291,789	11,810,717	16,776,432
Computer Software, and Hardware	5	1,116,756	987,734	129,022	83,011
Equipment and Motor Vehicles	5	55,383,479	40,860,536	14,522,943	5,122,273
Heavy Duty Equipment	7	115,807	104,453	11,354	3,959
Furnishings and Other Equipment	10	3,872,776	2,894,368	978,408	193,851
Assets Under Capital Lease	5	<u>1,482,585</u>	<u>679,656</u>	<u>802,929</u>	<u>293,665</u>
Total		<u>\$169,905,682</u>	<u>\$138,818,536</u>	<u>\$31,087,146</u>	<u>\$ 22,473,191</u>

Property and equipment as of December 31, 1997, as restated, and depreciation expense for the year then ended is shown in the following table.

<u>Classes of Property and Equipment</u>	<u>Service Life (Years)</u>	<u>Acquisition Value</u>	<u>Accumulated Amortization/Depreciation</u>	<u>Net Book Value</u>	<u>Amortization/Depreciation Expense</u>
Work in Process		\$ 2,831,773	\$ 0	\$ 2,831,773	\$ 0
Computer Software, Hardware, and Patrol Vehicles	3	112,069,892	84,121,242	27,948,650	13,561,271
Computer Software, and Hardware	5	688,570	570,039	118,531	200,757
Equipment and Motor Vehicles	5	54,337,152	36,574,407	14,762,745	10,000,215
Heavy Duty Equipment	7	115,807	100,494	15,313	26,753
Furnishings and Other Equipment	10	3,872,776	2,700,517	1,172,259	760,932
Assets Under Capital Lease	5	<u>1,946,217</u>	<u>764,979</u>	<u>1,181,238</u>	<u>460,350</u>
Total		<u>\$173,030,414</u>	<u>\$124,831,678</u>	<u>\$48,198,736</u>	<u>\$25,010,278</u>

NOTE 6 - LEASE COMMITMENTS

The House leases temporary usage of office space, vehicles, computers, and other equipment. These leases are generally classified as operating leases. House regulations require that leases entered into by Members for space and vehicles be no longer than the elected term of the Member. The House also enters into leases, which are structured such that their terms effectively finance the purchase of the item. Such leases convey the benefits and risks of ownership and are classified as capital leases. Items acquired by capital leases are recorded as House assets. The asset and corresponding liability are recorded at the net present value of the minimum lease payments at lease inception. Assets under capital leases consist solely of computer hardware.

Capital Leases

Future Capital Lease Payments Due
as of December 31, 1998:

1999	\$713,447
2000	241,641
2001	42,871
2002	0
2003	0
Thereafter	<u>0</u>
Total Future Capital Lease Payments	\$997,959
Less: Imputed Interest	<u>(31,942)</u>
Total Capital Lease Liabilities	<u>\$966,017</u>
Unfunded Liability	<u>\$966,017</u>

Operating Leases

The House has entered into various operating leases for temporary usage of office space, vehicles, computers, and other equipment. Operating lease payments are recorded as expenses. Future operating lease payments are not accrued as liabilities.

Members may lease office space in their districts through the General Services Administration, an Executive Branch agency that operates Federal buildings and leases space from the private sector, or Members may directly lease space from the private sector. The Members' Congressional Handbook states that a Member cannot enter into a lease for office space beyond his/her elected term. Members and officers also can enter into leases to rent vehicles for official business purposes. While Members may lease a vehicle for a period that exceeds the current congressional term, the Member remains personally responsible for the lease liability if the Member's service to the House concludes prior to the lease termination.

The future minimum lease payments due under non-cancelable operating leases as of December 31, 1998 are:

	<u>Software</u>	<u>Vehicles</u>	<u>Office Space</u>	<u>Total</u>
1999	\$463,853	\$ 380,399	\$ 14,771,963	\$ 15,616,215
2000	285,960	259,280	10,778,739	11,323,979
2001	142,980	0	0	142,980
2002	0	0	0	0
2003	0	0	0	0
Thereafter	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$892,793</u>	<u>\$ 639,679</u>	<u>\$ 25,550,702</u>	<u>\$ 27,083,174</u>

The Software column represents software leased by the House administration, while the Vehicles and Office Space columns represent leases by Members. Lease expense for office space was

\$15,542,653 and \$14,986,214 for the years ended December 31, 1998 and 1997, respectively. Lease expense for vehicles was \$824,331 and \$762,517 for the years ended December 31, 1998 and 1997, respectively.

NOTE 7 - ACCOUNTS PAYABLE

The House does not maintain full accrual-based accounting records. Therefore, the accounts payable balances as of December 31, 1998 and 1997, as restated, have been estimated based on the sum of all payments made through March 12, 1999, and March 13, 1998, for goods and services received prior to December 31, 1998 and 1997. Capital lease liabilities, due and payable as of December 31, 1998, were reclassified as accounts payable. Accounts Payable also includes amounts for unpaid workers' and unemployment compensation expenses. Accounts Payable does not include amounts related to the Congressional Use of Foreign Currency account, as the House did not have the records related to foreign travel expenses to summarize the amount owed.

	<u>1998</u>	<u>1997</u>
Vendor Payables	\$ 19,203,887	\$ 25,852,558
Workers' Compensation	3,443,190	3,092,537
Unemployment Compensation	<u>115,633</u>	<u>182,507</u>
Total	<u>\$ 22,762,710</u>	<u>\$ 29,127,602</u>

NOTE 8 - ACCRUED LEAVE AND PAYROLL

The accrued annual leave balances were calculated according to Public Law 104-53, November 19, 1995, 109 Stat. 514 (i.e., the lesser of the employee's monthly pay or the monthly pay divided by 30 days and multiplied by the number of days of accrued leave). Sick and other types of paid leave are expensed as taken. Accrued payroll and benefits included salaries and associated benefits earned in December 1998 and payable in January 1999.

Effective September 1, 1995, the Members' Congressional Handbook allows Members to adopt personnel policies which provide for the accrual of annual leave and use of such leave. Committees and Leadership offices have also adopted similar policies. 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.

Accrued annual leave and accrued payroll and benefits as of December 31, 1998 and 1997 were:

	<u>1998</u>	<u>1997</u>
Accrued Annual Leave	\$ 3,215,840	\$ 3,191,816
Accrued Payroll and Benefits	<u>7,629,347</u>	<u>7,140,067</u>
	<u>\$10,845,187</u>	<u>\$ 10,331,883</u>

NOTE 9 - UNFUNDED WORKERS' COMPENSATION ACTUARIAL LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for the benefit of House employees under FECA are administered by DOL, which pays the initial claim and obtains reimbursement from the House. The unfunded workers' compensation liability is an estimate based on actuarial calculations using historical payment patterns to predict what costs will be incurred over the next two years.

The liability is adjusted annually by applying actuarial procedures. The upward or downward adjustment is recorded as an increase or decrease to benefits expense. The projected Unfunded Workers' Compensation Actuarial Liabilities were \$17,561,799 and \$14,948,664 as of December 31, 1998 and 1997, respectively.

NOTE 10 - NET POSITION

The components of Net Position are:

- Unexpended Appropriations - Appropriations are not considered expended until goods have been received or services have been rendered.
- Cumulative Results of Operations:
 - Invested Capital - Funds used to finance capital assets such as property, equipment, and inventory.
 - Future Funding Requirements - Known liabilities to be funded by future appropriations.

The Net Position as of December 31, 1998, for the Revolving Funds and the Appropriated Funds, including the House Recording Studio, Page School, Barber Shop, Beauty Salon, Special Events and Services, Office Supply Service, and the Child Care Center (which is not a revolving fund but is authorized to act as one), is shown in the following table.

<u>Net Position</u>	<u>Revolving Funds</u>	<u>Appropriated Funds</u>	<u>Net Position Dec. 31, 1998 Totals</u>
Unexpended Appropriations	\$ 7,653,592	\$861,493,135	\$869,146,727
Cumulative Results of Operation			
Invested Capital	1,455,652	(5,476,774)	(4,021,122)
Future Funding Requirements	<u>(122,942)</u>	<u>(29,250,061)</u>	<u>(29,373,003)</u>
Total Net Position	<u>\$ 8,986,302</u>	<u>\$826,766,300</u>	<u>\$835,752,602</u>

The following adjustments were made to restate Net Position as of December 31, 1997:

<u>Organization</u>	<u>Net Position Dec. 31, 1997 Previously Reported</u>	<u>Net Adjusting Entries</u>	<u>Net Position Dec. 31, 1997 (Restated)</u>
Members	\$ 15,980,747	\$ (931,178)	\$ 15,049,569
Committees	5,858,377	50,322	5,908,699
Leadership Offices	1,361,510	(455,609)	905,901
Officers and Legislative Offices	655,187,475	283,411	655,470,886
Capitol Police and Other Joint Functions	<u>44,871,247</u>	<u>(539,367)</u>	<u>44,331,880</u>
Total	<u>\$723,259,356</u>	<u>\$ (1,592,421)</u>	<u>\$721,666,935</u>

Net adjusting entries represent prior period adjustments that were recorded to correct property and equipment and related accumulated depreciation.

The changes in Net Position during the year ended December 31, 1998, were:

<u>Organization</u>	<u>Net Position Dec. 31, 1997 (Restated)</u>	<u>Appropriations Received</u>	<u>Funds Returned to U.S. Treasury</u>	<u>Appropriated Funds Allocated</u>	<u>Appropriations to Cover Expenses</u>	<u>Net Position Dec. 31, 1998</u>
Members	\$ 15,049,569	\$ 0	\$ 0	\$526,717,729	\$(537,858,543)	\$ 3,908,755
Committees	5,908,699	0	0	134,407,837	(135,775,579)	4,540,957
Leadership Offices	905,901	0	0	17,749,795	(18,132,649)	523,047
Officers and Legislative Offices	655,470,886	814,431,719	(15,052,856)	(678,930,596)	(101,212,501)	674,706,652
Capitol Police and Other Joint Functions	<u>44,331,880</u>	<u>157,466,400</u>	<u>(279,490)</u>	<u>55,235</u>	<u>(49,500,834)</u>	<u>152,073,191</u>
Total	<u>\$ 721,666,935</u>	<u>\$ 971,898,119</u>	<u>\$ (15,332,346)</u>	<u>\$ 0</u>	<u>\$ (842,480,106)</u>	<u>\$ 835,752,602</u>

Appropriations received are funds that 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.

Appropriated funds that are unexpended at the end of a specified term are required by law to be transferred to the U.S. Treasury general account. They are:

	<u>1998</u>	<u>1997</u>
1996 House Funds	\$15,052,856	\$ 0
1995 House Funds	0	58,825,618
1994 House Funds	<u>0</u>	<u>1,871,657</u>
Total	<u>\$15,052,856</u>	<u>\$60,697,275</u>
1996 Capitol Police	\$ 279,490	\$ 0
1996 Capitol Police (Funds Rescinded)	0	2,200,000
1995 Capitol Police and Other Joint Functions	<u>0</u>	<u>2,538,949</u>
Total	<u>\$ 279,490</u>	<u>\$ 4,738,949</u>

NOTE 11 - REVOLVING FUNDS, INTEROFFICE SALES, AND TRANSFERS

Some entities of the House transfer costs to Members, Committees, and other offices for goods and services provided. These entities are primarily:

- Office System Management, which transfers costs of equipment to the Members and Committees,
- House Information Resources, which transfers phone charges, and
- Office Supply Service, 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 House business-like activities operate as revolving funds. A revolving fund is a budgetary structure set by statute which authorizes Executive Branch agencies to collect user fees or revenue to finance operating expenses. In 1998, the House operated revolving fund type activities for the House Recording Studio, House Page School, Office Supply Service, and Child Care Center.

NOTE 12 – BENEFITS

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. A CSRS basic annuity, unreduced for age, debts to the fund, or survivor's benefits, is the product of the highest three consecutive year average salary and a percentage factor which is based on the length of Federal service. However, Members' benefits are different from those of employees. For example, a Member covered by CSRS can be eligible to receive unreduced retirement benefits at age 60 if he or she has 10 years of Member service. An employee is eligible to receive reduced benefits at age 50 with 20 years of service or at any age with 25 years of service. The FERS basic benefit plan for Members and employees are the same.

CSRS employees contribute a portion of their earnings to the Civil Service Retirement Fund. The House also contributes an amount to this fund. FERS employees, in addition to Social Security withholdings, contribute a portion of their base earnings to the FERS retirement fund. The House also contributes an amount toward the FERS retirement and Social Security fund.

Both FERS and CSRS employees are eligible to contribute to the Thrift Savings Plan (TSP). FERS employees can contribute to TSP a maximum of ten percent of their basic pay not to exceed the IRS limit. FERS employees also receive an automatic one percent agency contribution as well as an additional agency matching contribution up to five percent of their basic pay. CSRS employees may contribute up to five percent of their basic pay but do not receive matching agency contributions. FERS employees could receive benefits from FERS,

Social Security System, and TSP. CSRS employees could receive benefits from CSRS and TSP. Some CSRS employees may also be eligible for Social Security benefits.

<u>Member and Employee Expenses</u>	<u>1998</u>	<u>1997</u>
Retirement Plan Contributions	\$ 84,214,233	\$ 83,659,454
Social Security	30,845,268	29,703,168
Health Insurance	19,919,628	18,913,619
Unemployment and Workers' Compensation	2,543,761	4,159,976
Workers' Compensation Actuarial Adjustment	2,613,135	(3,143,638)
Life Insurance	818,039	800,344
Federal Employee and Veterans' Benefits	(32,007,344)	105,814,078
Death Benefits	495,219	396,010
Total	<u>\$109,441,939</u>	<u>\$240,303,011</u>

Effective in 1997, Federal-employing entities began recognizing their share of the cost of providing future pension benefits to eligible employees at the time the employees' services are rendered. This cost is included in Federal Employee and Veterans' Benefits expense. The pension expense recognized in the Statement of Operations is the current service cost for House employees less the amount contributed by the employee. The measurement of the service cost requires the use of an actuarial cost method and assumptions, with the factors applied by the House provided by the Office of Personnel Management (OPM), the agency that administers the plan. The excess of the recognized pension expense over the amount contributed by the House represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. The House does not receive an appropriation to fund this expense. Therefore, a portion of the pension expense is considered an imputed financing source to the House, and is included in the Imputed Financing Sources on the Statement of Operations. This amount was (\$53,464,134) in 1998 and \$84,219,056 in 1997. Subsequent to the preparation of the 1997 financial statements, OPM provided the House with a revised estimate of the current service cost related to federal pensions. The adjustment for this revision was recorded in 1998.

Also, effective in 1997, Federal-employing entities began recognizing a current period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. This cost is included in Federal Employee and Veterans' Benefits expense in the Statement of Operations. Employees and the House do not currently make contributions to fund these future benefits, and the House does not receive an appropriation to fund this expense. Therefore, a portion of the post-retirement health benefits and life insurance are considered an imputed financing source to the House, and are included in the Imputed Financing Sources on the Statement of Operations. This amount was \$21,456,790 in 1998 and \$21,595,022 in 1997.

<u>Federal Employee and Veterans Benefits</u>	<u>1998</u>	<u>1997</u>
Current Service Cost - Federal Pensions	\$(53,464,134)	\$ 84,219,056
Current Service Cost - Federal Employees Health Benefits	21,382,061	21,522,069
Current Service Cost - Federal Employees Group Life Insurance	74,729	72,953
Total	<u>\$(32,007,344)</u>	<u>\$105,814,078</u>

NOTE 13 - 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 consolidating financial statements. These include the:

- Clerk of the House
- Sergeant at Arms
- Chief Administrative Officer
- Chaplain
- Parliamentarian
- Legislative Counsel
- Corrections Calendar
- General Counsel
- Law Revision Counsel
- Inspector General

Additional financial information with respect to areas under the **Chief Administrative Officer** has also been provided. These include the:

- CAO Immediate Office
- Child Care Center
- House Postal Operations
- Special Events and Services
- Office of Finance
- Furniture Resource Center
- Office Supply Service
- Office Systems Management
- Human Resources
- House Information Resources
- Office of Photography
- House Recording Studio

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:

- Attending Physician
- Capitol Police
- Joint Committee on Taxation

The House's management does not exert direct control over the expenditures of these functions.

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Supplemental Schedules

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Organization and Composition of Consolidating Financial Statements

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

Members

Representatives, 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 Education and the Workforce
Committee on Government Reform and Oversight
Committee on House Oversight
Committee on International Relations
Committee on the 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
Select Committee on Intelligence
Select Committee on U.S. National Security and
Military/Commercial Concerns with the People's
Republic of China

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 Whip

Speaker's Office for Legislative Floor Activities
Republican Conference
Republican Steering Committee
Democratic Caucus
Democratic Steering Committee

Officers and Legislative Offices

Clerk

Office of the Clerk - Immediate Office
Office of Official Reporters
Office of Legislative Operations
Legislative Resource Center
Service Group
Legislative Computer Systems
Office of the House Employment Counsel
Page Program, including Revolving Fund
Office of Printing Services

Sergeant at Arms

Office of the Sergeant at Arms – Immediate Office
Office of Chamber Security
Office of House Garages and Parking Security

Chief Administrative Officer (CAO)

CAO

Office of the Chief Administrative Officer - Immediate Office
Office of Americans with Disabilities Act Services
House Press Gallery
Periodical Press Gallery
Radio/TV Correspondents' Gallery

Child Care Center

House Postal Operations

Special Events and Services

Special Events and Services - Immediate Office
Food Services
House Restaurant Revolving Fund

First Call

Office of Finance

Office of Finance - Immediate Office

Budget and Planning

Financial Counseling

Accounting

Financial Systems

House Beauty Shop & Barber Shop Revolving Funds

Furniture Resource Center

Office Supply Service

Supply Store

Gift Shop

Stationery Revolving Fund

Office Systems Management

Human Resources

Human Resources – Immediate Office

Office of Member Services

Office of Employee Assistance

Office of Personnel and Benefits

Office of Training

Office of Payroll

Placement Office

Office of Policy and Administration

Office of Fair Employment

Office of Procurement and Purchasing

House Information Resources

House Information Resources - Immediate Office

Integration

Communications

Client Services

System Upgrade and Financial Management System

Information Management

House Information Resources Reprogram

Telecommunications

Operations

Office of Photography

House Recording Studio

Communications Media

House Recording Studio Revolving Fund

Chaplain

Office of the Chaplain

Parliamentarian

Office of the Parliamentarian
Compilation of Precedents

Legislative Counsel

Office of the Legislative Counsel

Correction Calendar

Office of Correction Calendar

General Counsel

Office of the General Counsel

Law Revision Counsel

Office of the Law Revision Counsel

Inspector General

Office of Inspector General

Capitol Police and Other Joint Functions

Office of the Attending Physician
Attending Physician User Fees
Technical Assistants to Attending Physicians
Capitol Police – Security
Capitol Police – General Expenses
Capitol Police – Salaries
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, 1998

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chief Administrative Officer*</u>	<u>Chaplain</u>
ASSETS				
Fund Balance with the U.S. Treasury	\$ 1,555,014	\$ 0	\$ 695,962,858	\$ 0
Cash	50	0	156,647	0
Fund Balance with U.S. Treasury and Cash	<u>1,555,064</u>	<u>0</u>	<u>696,119,505</u>	<u>0</u>
Accounts Receivable	0	0	496,173	0
Interoffice Receivable	350	0	6,337,110	0
Appropriations Receivable	0	26,471	3,997,819	8
Advances and Prepayments	53,746	125	2,880,616	0
Inventory	0	0	1,252,734	0
Property and Equipment, Net	<u>796,676</u>	<u>118,612</u>	<u>12,198,097</u>	<u>1,011</u>
Total Assets	<u>\$ 2,405,836</u>	<u>\$ 145,208</u>	<u>\$ 723,282,054</u>	<u>\$ 1,019</u>
LIABILITIES AND NET POSITION				
Accounts Payable	\$ 452,172	\$ 18,438	\$ 12,698,114	\$ 8
Interoffice Payable	8,662	8,158	16,179	0
Appropriations Payable	0	0	17,488,558	0
Capital Lease Liabilities	0	0	966,017	0
Accrued Leave and Payroll	451,807	133,783	1,365,518	0
Unfunded Workers' Comp. Actuarial Liability	<u>0</u>	<u>0</u>	<u>17,561,799</u>	<u>0</u>
Total Liabilities	<u>912,641</u>	<u>160,379</u>	<u>50,096,185</u>	<u>8</u>
Unexpended Appropriations	1,148,326	0	712,035,699	0
Cumulative Results of Operations	<u>344,869</u>	<u>(15,171)</u>	<u>(38,849,830)</u>	<u>1,011</u>
Total Net Position	<u>1,493,195</u>	<u>(15,171)</u>	<u>673,185,869</u>	<u>1,011</u>
Total Liabilities and Net Position	<u>\$ 2,405,836</u>	<u>\$ 145,208</u>	<u>\$ 723,282,054</u>	<u>\$ 1,019</u>

* Additional detail provided in the CAO supplemental schedules.

Parliamentarian	Legislative Counsel	Correction Calendar	General Counsel	Law Revision Counsel	Inspector General	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 697,517,872
0	0	0	0	0	0	156,697
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>697,674,569</u>
0	0	0	0	0	0	496,173
0	0	0	0	0	0	6,337,460
14,665	12,576	0	15,840	52,115	30,879	4,150,373
0	4,146	0	3,163	5,784	71,707	3,019,287
0	0	0	0	0	0	1,252,734
<u>20,700</u>	<u>4,454</u>	<u>0</u>	<u>0</u>	<u>83,257</u>	<u>27,303</u>	<u>13,250,110</u>
<u>\$ 35,365</u>	<u>\$ 21,176</u>	<u>\$ 0</u>	<u>\$ 19,003</u>	<u>\$ 141,156</u>	<u>\$ 129,889</u>	<u>\$ 726,180,706</u>
\$ 14,047	\$ 14,808	\$ 0	\$ 18,377	\$ 6,671	\$ 101,364	\$ 13,323,999
618	1,914	0	626	51,228	1,222	88,607
0	0	0	0	0	0	17,488,558
0	0	0	0	0	0	966,017
0	0	0	0	0	93,966	2,045,074
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,561,799</u>
<u>14,665</u>	<u>16,722</u>	<u>0</u>	<u>19,003</u>	<u>57,899</u>	<u>196,552</u>	<u>51,474,054</u>
0	0	0	0	0	0	713,184,025
<u>20,700</u>	<u>4,454</u>	<u>0</u>	<u>0</u>	<u>83,257</u>	<u>(66,663)</u>	<u>(38,477,373)</u>
<u>20,700</u>	<u>4,454</u>	<u>0</u>	<u>0</u>	<u>83,257</u>	<u>(66,663)</u>	<u>674,706,652</u>
<u>\$ 35,365</u>	<u>\$ 21,176</u>	<u>\$ 0</u>	<u>\$ 19,003</u>	<u>\$ 141,156</u>	<u>\$ 129,889</u>	<u>\$ 726,180,706</u>

U.S. House of Representatives
Combining Statement of Operations
Of Officers and Legislative Offices
For the Year Ended December 31, 1998

	Clerk	Sergeant at Arms	Chief Administrative Officer*	Chaplain
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Goods	\$ 0	\$ 0	\$ 3,203,015	\$ 0
Sales of Services to Federal Agencies	0	0	2,414,897	0
Sales of Services to the Public	224,168	0	553,258	0
Interoffice Sales	13,605	0	37,368,457	0
	<u>237,773</u>	<u>0</u>	<u>43,539,627</u>	<u>0</u>
Financing Sources				
Appropriations to Cover Expenses	16,603,619	4,429,752	63,745,385	170,412
Imputed Financing Source	(606,696)	(184,633)	(1,711,542)	(8,075)
	<u>16,234,696</u>	<u>4,245,119</u>	<u>105,573,470</u>	<u>162,337</u>
Total Revenue and Financing Sources	\$ 16,234,696	\$ 4,245,119	\$ 105,573,470	\$ 162,337
EXPENSES				
Personnel Compensation	\$ 9,924,661	\$ 3,020,304	\$ 27,998,302	\$ 132,100
Benefits	2,142,522	673,285	6,520,133	28,586
Postage and Delivery	46,901	983	374,898	135
Repairs and Maintenance	1,130,744	138,721	35,503,110	0
Depreciation and Amortization	656,792	115,746	6,966,432	1,516
Rent, Utilities, and Communications	74,854	0	590,742	0
Telecommunications	81,143	64,720	11,564,973	0
Supplies and Materials	284,201	67,591	1,792,425	0
Travel and Transportation	114,175	16,171	54,640	0
Contract, Consulting, and Other Services	1,607,446	139,399	8,567,070	0
Printing and Reproduction	20,558	307	43,658	0
Subscriptions and Publications	125,270	648	65,881	0
Cost of Goods Sold	0	0	5,474,963	0
Loss on Disposal of Assets	25,429	7,244	10,983	0
Interest on Capital Leases	0	0	45,260	0
	<u>16,234,696</u>	<u>4,245,119</u>	<u>105,573,470</u>	<u>162,337</u>
Total Expenses	\$ 16,234,696	\$ 4,245,119	\$ 105,573,470	\$ 162,337
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Additional detail provided in the CAO supplemental schedules.

Parliamentarian	Legislative Counsel	Correction Calendar	General Counsel	Law Revision Counsel	Inspector General	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,203,015
0	0	0	0	0	0	2,414,897
0	0	0	0	0	0	777,426
0	0	0	0	0	0	37,382,062
0	0	0	0	0	0	43,777,400
1,278,202	6,084,550	914,408	839,074	2,398,390	4,748,709	101,212,501
(53,785)	(276,489)	(43,755)	(34,791)	(99,181)	(100,247)	(3,119,194)
\$ 1,224,417	\$ 5,808,061	\$ 870,653	\$ 804,283	\$ 2,299,209	\$ 4,648,462	\$ 141,870,707
\$ 879,847	\$ 4,522,961	\$ 715,766	\$ 569,123	\$ 1,622,462	\$ 1,639,904	\$ 51,025,430
190,393	978,740	154,887	123,156	351,090	372,717	11,535,509
0	96	0	1,816	3,014	52	427,895
37,018	219,816	0	72,110	90,891	43,386	37,235,796
23,026	11,771	0	0	145,927	28,699	7,949,909
0	0	0	83	0	0	665,679
4,669	14,214	0	5,508	2,323	12,085	11,749,635
4,986	32,797	0	4,500	19,053	18,058	2,223,611
0	1,413	0	4,560	0	7,265	198,224
82,737	1,461	0	10,006	54,493	2,522,273	12,984,885
0	552	0	379	1,110	323	66,887
1,741	24,240	0	13,042	8,846	3,700	243,368
0	0	0	0	0	0	5,474,963
0	0	0	0	0	0	43,656
0	0	0	0	0	0	45,260
\$ 1,224,417	\$ 5,808,061	\$ 870,653	\$ 804,283	\$ 2,299,209	\$ 4,648,462	\$ 141,870,707
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of Officers and Legislative Offices
For the Year Ended December 31, 1998

	<u>Clerk</u>	<u>Sergeant at Arms</u>	<u>Chief Administrative Officer*</u>	<u>Chaplain</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(16,603,619)	(4,429,752)	(63,745,385)	(170,412)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	237,289	7,659	3,186,121	51
(Increase)/Decrease in Advances and Prepayments	(27,225)	(125)	(2,818,215)	0
(Increase)/Decrease in Inventory	0	0	(82,166)	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	170,024	(7,534)	(8,727,291)	(51)
Increase/(Decrease) in Other Accrued Liabilities	(5,113)	3,047	2,093,578	0
Loss on Disposal of Assets	25,429	7,244	10,983	0
Depreciation and Amortization	656,792	115,746	6,966,432	1,516
Net Cash Provided/(Used) by Operating Activities	<u>\$ (15,546,423)</u>	<u>\$ (4,303,715)</u>	<u>\$ (63,115,943)</u>	<u>\$ (168,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	<u>\$ (49,915)</u>	<u>\$ 0</u>	<u>\$ (1,390,874)</u>	<u>\$ 0</u>
Net Cash Provided/(Used) by Investing Activities	<u>\$ (49,915)</u>	<u>\$ 0</u>	<u>\$ (1,390,874)</u>	<u>\$ 0</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	\$ 0	\$ 0	\$ 814,431,719	\$ 0
Funds Returned to the U.S. Treasury	0	0	(15,052,856)	0
Appropriated Funds Allocated	15,616,182	4,303,715	(715,086,850)	168,896
Principal Payment on Capital Lease Liabilities	0	0	(596,720)	0
Net Cash Provided/(Used) by Financing Activities	<u>15,616,182</u>	<u>4,303,715</u>	<u>83,695,293</u>	<u>168,896</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	19,844	0	19,188,476	0
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,535,220</u>	<u>0</u>	<u>676,931,029</u>	<u>0</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,555,064</u>	<u>\$ 0</u>	<u>\$ 696,119,505</u>	<u>\$ 0</u>

* Additional detail provided in the CAO supplemental schedules.

<u>Parliamentarian</u>	<u>Legislative Counsel</u>	<u>Correction Calendar</u>	<u>General Counsel</u>	<u>Law Revision Counsel</u>	<u>Inspector General</u>	<u>Combined</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(1,278,202)	(6,084,550)	(914,408)	(839,074)	(2,398,390)	(4,748,709)	(101,212,501)
3,181	16,512	0	(15,840)	35,708	32,461	3,503,142
27	(539)	0	(3,163)	6,800	(71,374)	(2,913,814)
0	0	0	0	0	0	(82,166)
(3,208)	(15,973)	0	19,003	(42,508)	38,913	(8,568,625)
0	0	0	0	0	17,851	2,109,363
0	0	0	0	0	0	43,656
<u>23,026</u>	<u>11,771</u>	<u>0</u>	<u>0</u>	<u>145,927</u>	<u>28,699</u>	<u>7,949,909</u>
<u>\$ (1,255,176)</u>	<u>\$ (6,072,779)</u>	<u>\$ (914,408)</u>	<u>\$ (839,074)</u>	<u>\$ (2,252,463)</u>	<u>\$ (4,702,159)</u>	<u>\$ (99,171,036)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,402)</u>	<u>\$ 0</u>	<u>\$ (1,472,191)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (31,402)</u>	<u>\$ 0</u>	<u>\$ (1,472,191)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 814,431,719
0	0	0	0	0	0	(15,052,856)
1,255,176	6,072,779	914,408	839,074	2,283,865	4,702,159	(678,930,596)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(596,720)</u>
<u>1,255,176</u>	<u>6,072,779</u>	<u>914,408</u>	<u>839,074</u>	<u>\$ 2,283,865</u>	<u>\$ 4,702,159</u>	<u>\$ 119,851,547</u>
0	0	0	0	0	0	19,208,320
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>678,466,249</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 697,674,569</u>

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Chief Administrative Officer

U.S. House of Representatives
Combining Statement of Financial Position
Of the Chief Administrative Officer
As of December 31, 1998

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
ASSETS					
Fund Balance with the U.S. Treasury	\$ 0	\$ 0	\$ 0	\$ 814,697	\$ 687,879,639
Cash	0	100	0	0	156,547
Fund Balance with U.S. Treasury and Cash	0	100	0	814,697	688,036,186
Accounts Receivable	0	0	0	22,087	0
Interoffice Receivable	0	0	0	0	0
Appropriations Receivable	34,146	1,015	250,118	0	0
Advances and Prepayments	1,038	0	24,975	0	2,251,063
Inventory	0	0	0	0	0
Property and Equipment, Net	115,971	0	105,018	2,502	106,812
 Total Assets	 <u>\$ 151,155</u>	 <u>\$ 1,115</u>	 <u>\$ 380,111</u>	 <u>\$ 839,286</u>	 <u>\$ 690,394,061</u>
LIABILITIES AND NET POSITION					
Accounts Payable	\$ 31,648	\$ 1,078	\$ 274,698	\$ 39,127	\$ 3,651,329
Interoffice Payable	3,536	37	395	3,156	1,893
Appropriations Payable	0	0	0	0	14,649,247
Capital Lease Liabilities	0	0	0	0	0
Accrued Leave and Payroll	84,577	3,183	33,881	27,510	108,314
Unfunded Workers' Comp. Actuarial Liability	0	0	0	0	17,561,799
 Total Liabilities	 <u>119,761</u>	 <u>4,298</u>	 <u>308,974</u>	 <u>69,793</u>	 <u>35,972,582</u>
Unexpended Appropriations	0	0	0	794,501	704,392,107
Cumulative Results of Operations	31,394	(3,183)	71,137	(25,008)	(49,970,628)
 Total Net Position	 <u>31,394</u>	 <u>(3,183)</u>	 <u>71,137</u>	 <u>769,493</u>	 <u>654,421,479</u>
 Total Liabilities and Net Position	 <u>\$ 151,155</u>	 <u>\$ 1,115</u>	 <u>\$ 380,111</u>	 <u>\$ 839,286</u>	 <u>\$ 690,394,061</u>

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 4,601,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,667,040	\$ 695,962,858
0	0	0	0	0	0	0	156,647
0	4,601,482	0	0	0	0	2,667,040	696,119,505
0	8,172	0	0	465,914	0	0	496,173
1,194	59,764	4,817,069	0	1,446,136	0	12,947	6,337,110
46,376	0	124,473	190,727	3,350,698	266	0	3,997,819
0	31,309	208,876	3,680	359,595	0	80	2,880,616
238,565	1,014,169	0	0	0	0	0	1,252,734
319,678	59,740	958,720	136,734	9,913,369	100,312	379,241	12,198,097
<u>\$ 605,813</u>	<u>\$ 5,774,636</u>	<u>\$ 6,109,138</u>	<u>\$ 331,141</u>	<u>\$ 15,535,712</u>	<u>\$ 100,578</u>	<u>\$ 3,059,308</u>	<u>\$ 723,282,054</u>
\$ 46,071	\$ 438,626	\$ 2,309,720	\$ 191,537	\$ 5,622,343	\$ 33	\$ 91,904	\$ 12,698,114
1,499	413	1,387	2,870	0	233	760	16,179
0	0	2,839,311	0	0	0	0	17,488,558
0	0	0	0	966,017	0	0	966,017
199,933	54,194	71,298	190,630	528,459	22,301	41,238	1,365,518
0	0	0	0	0	0	0	17,561,799
247,503	493,233	5,221,716	385,037	7,116,819	22,567	133,902	50,096,185
0	4,261,688	0	0	0	0	2,587,403	712,035,699
358,310	1,019,715	887,422	(53,896)	8,418,893	78,011	338,003	(38,849,830)
358,310	5,281,403	887,422	(53,896)	8,418,893	78,011	2,925,406	673,185,869
<u>\$ 605,813</u>	<u>\$ 5,774,636</u>	<u>\$ 6,109,138</u>	<u>\$ 331,141</u>	<u>\$ 15,535,712</u>	<u>\$ 100,578</u>	<u>\$ 3,059,308</u>	<u>\$ 723,282,054</u>

U.S. House of Representatives
Combining Statement of Operations
Of the Chief Administrative Officer
For the Year Ended December 31, 1998

	CAO	Child Care Center	House Postal Operations	Special Events & Services	Office of Finance
REVENUE AND FINANCING SOURCES					
Revenue from Operations					
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 380,780	\$ 0
Sales of Services to Federal Agencies	0	0	0	0	0
Sales of Services to the Public	0	445,809	0	0	28,189
Interoffice Sales	0	0	0	0	0
Revenue from Operations	0	445,809	0	380,780	28,189
Financing Sources					
Appropriations to Cover Expenses	3,038,001	267,176	4,047,245	739,566	6,629,367
Imputed Finance Source	(113,833)	(26,548)	(29,333)	(31,468)	(161,463)
Total Revenue and Financing Sources	\$ 2,924,168	\$ 686,437	\$ 4,017,912	\$ 1,088,878	\$ 6,496,093
EXPENSES					
Personnel Compensation	\$ 1,862,146	\$ 434,285	\$ 479,848	\$ 514,764	\$ 2,641,253
Benefits	466,527	96,695	105,622	124,429	884,884
Postage and Delivery	130,181	35	0	53	40,341
Repairs and Maintenance	144,419	82,599	200,175	62,870	235,489
Depreciation and Amortization	262,094	0	30,843	2,991	157,633
Rent, Utilities, and Communications	0	0	0	0	2,878
Telecommunications	23,422	442	3,651	8,085	15,169
Supplies and Materials	17,933	20,110	14,752	61,806	47,859
Travel and Transportation	937	0	897	1,544	5,799
Contract, Consulting, and Other Services	7,072	52,259	3,181,770	307,331	2,422,941
Printing and Reproduction	60	12	0	36	38,230
Subscriptions and Publications	8,864	0	354	153	3,018
Cost of Goods Sold	0	0	0	4,816	0
Loss on Disposal of Assets	513	0	0	0	599
Interest on Capital Leases	0	0	0	0	0
Total Expenses	\$ 2,924,168	\$ 686,437	\$ 4,017,912	\$ 1,088,878	\$ 6,496,093
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 Photography	House Recording Studio	Combined
\$ 339	\$ 2,821,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,203,015
0	0	0	0	2,414,897	0	0	2,414,897
0	0	19,394	0	0	46,691	13,175	553,258
21,357	3,668,324	20,015,796	0	13,080,577	352,997	229,406	37,368,457
21,696	6,490,220	20,035,190	0	15,495,474	399,688	242,581	43,539,627
7,334,432	1,076,118	(328,007)	5,040,282	34,000,539	284,750	1,615,916	63,745,385
(229,425)	(54,494)	(94,164)	(166,205)	(717,461)	(23,603)	(63,545)	(1,711,542)
\$ 7,126,703	\$ 7,511,844	\$ 19,613,019	\$ 4,874,077	\$ 48,778,552	\$ 660,835	\$ 1,794,952	\$ 105,573,470
\$ 3,753,057	\$ 891,443	\$ 1,540,388	\$ 2,718,868	\$ 11,736,631	\$ 386,110	\$ 1,039,509	\$ 27,998,302
827,644	196,609	327,162	643,097	2,541,208	82,779	223,477	6,520,133
662	191,518	4,885	2,761	4,436	26	0	374,898
1,655,808	29,407	17,237,512	393,438	15,184,497	31,633	245,263	35,503,110
66,260	39,076	259,618	297,793	5,620,622	55,210	174,292	6,966,432
0	0	0	0	585,826	0	2,038	590,742
8,467	4,410	18,726	23,916	11,448,436	2,356	7,893	11,564,973
782,715	476,997	23,824	45,023	113,897	100,764	86,745	1,792,425
12,040	0	625	16,096	14,913	0	1,789	54,640
19,673	210,547	199,781	706,792	1,444,277	776	13,851	8,567,070
0	0	0	4,139	0	1,181	0	43,658
377	1,690	0	20,400	30,930	0	95	65,881
0	5,470,147	0	0	0	0	0	5,474,963
0	0	498	1,754	7,619	0	0	10,983
0	0	0	0	45,260	0	0	45,260
\$ 7,126,703	\$ 7,511,844	\$ 19,613,019	\$ 4,874,077	\$ 48,778,552	\$ 660,835	\$ 1,794,952	\$ 105,573,470
\$ 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, 1998

	CAO	Child Care Center	House Postal Operations	Special Events and Services	Office of Finance
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow					
Appropriations to Cover Expenses	(3,038,001)	(267,176)	(4,047,245)	(739,566)	(6,629,367)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	(11,515)	2,276	(21,438)	138,995	0
(Increase)/Decrease in Advances and Prepayments	(784)	0	(24,928)	0	(2,250,526)
(Increase)/Decrease in Inventory	0	0	0	4,816	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	12,299	(2,176)	30,418	(60,942)	(5,947,909)
Increase/(Decrease) in Other Accrued Liabilities	(17,507)	2,718	1,785	11,269	2,617,750
Loss on Disposal of Assets	513	0	0	0	599
Depreciation and Amortization	262,094	0	30,843	2,991	157,633
Net Cash Provided/(Used) by Operating Activities	<u>\$(2,792,901)</u>	<u>\$ (264,358)</u>	<u>\$(4,030,565)</u>	<u>\$ (642,437)</u>	<u>\$(12,051,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property and Equipment	\$ 0	\$ 0	\$ (91,880)	\$ 0	\$ 0
Net Cash Provided/(Used) by Investing Activities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (91,880)</u>	<u>\$ 0</u>	<u>\$ 0</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Appropriations Received	\$ 0	\$ 0	\$ 0	\$ 0	\$ 814,431,719
Funds Returned to the U.S. Treasury	0	0	0	0	(15,052,856)
Appropriated Funds Allocated	2,792,901	264,458	4,106,497	1,236,653	(771,484,599)
Principal Payment on Capital Lease Liabilities	0	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>2,792,901</u>	<u>264,458</u>	<u>4,106,497</u>	<u>1,236,653</u>	<u>27,894,264</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	100	(15,948)	594,216	15,842,444
Fund Balance with U.S. Treasury and Cash, Beginning	0	0	15,948	220,481	672,193,742
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 0</u>	<u>\$ 100</u>	<u>\$ 0</u>	<u>\$ 814,697</u>	<u>\$ 688,036,186</u>

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Photography	House Recording Studio	Combined
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
(7,334,432)	(1,076,118)	328,007	(5,040,282)	(34,000,539)	(284,750)	(1,615,916)	(63,745,385)
(35,818)	24,751	2,955,939	(32,605)	170,417	8,066	(12,947)	3,186,121
0	(30,548)	(200,263)	(3,301)	(307,789)	0	(76)	(2,818,215)
(27,770)	(59,212)	0	0	0	0	0	(82,166)
35,818	(287,183)	(2,755,676)	35,906	137,372	(8,066)	82,848	(8,727,291)
15,506	3,707	(6,168)	30,293	(563,536)	(774)	(1,465)	2,093,578
0	0	498	1,754	7,619	0	0	10,983
66,260	39,076	259,618	297,793	5,620,622	55,210	174,292	6,966,432
<u>\$ (7,280,436)</u>	<u>\$ (1,385,527)</u>	<u>\$ 581,955</u>	<u>\$ (4,710,442)</u>	<u>\$ (28,935,834)</u>	<u>\$ (230,314)</u>	<u>\$ (1,373,264)</u>	<u>\$ (63,115,943)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (453,000)</u>	<u>\$ (17,419)</u>	<u>\$ (828,575)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,390,874)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (453,000)</u>	<u>\$ (17,419)</u>	<u>\$ (828,575)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,390,874)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	814,431,719
0	0	0	0	0	0	0	(15,052,856)
7,280,436	2,341,816	(128,955)	4,727,861	30,361,129	230,314	3,184,639	(715,086,850)
0	0	0	0	(596,720)	0	0	(596,720)
<u>7,280,436</u>	<u>2,341,816</u>	<u>(128,955)</u>	<u>4,727,861</u>	<u>29,764,409</u>	<u>230,314</u>	<u>3,184,639</u>	<u>83,695,293</u>
0	956,289	0	0	0	0	1,811,375	19,188,476
0	3,645,193	0	0	0	0	855,665	676,931,029
<u>\$ 0</u>	<u>\$ 4,601,482</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,667,040</u>	<u>\$ 696,119,505</u>

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Capitol Police and Other Joint Functions

**Combining Statement of Financial Position
Of the Capitol Police and Other Joint Functions
As of December 31, 1998**

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
ASSETS				
Fund Balance with the U.S. Treasury	\$ 1,481,041	\$ 146,251,238	\$ 4,757,539	\$ 152,489,818
Cash	200	29,200	100	29,500
Fund Balance with U.S. Treasury and Cash	1,481,241	146,280,438	4,757,639	152,519,318
Accounts Receivable	0	0	0	0
Interoffice Receivable	0	0	0	0
Appropriations Receivable	0	0	0	0
Advances and Prepayments	86	35,731	54,813	90,630
Inventory	0	0	0	0
Property and Equipment, Net	32,957	2,252,598	209,296	2,494,851
Total Assets	<u>\$ 1,514,284</u>	<u>\$ 148,568,767</u>	<u>\$ 5,021,748</u>	<u>\$ 155,104,799</u>
LIABILITIES AND NET POSITION				
Accounts Payable	\$ 9,558	\$ 511,269	\$ 24,996	\$ 545,823
Interoffice Payable	52,770	0	2,328	55,098
Appropriations Payable	0	0	0	0
Capital Lease Liabilities	0	0	0	0
Accrued Leave and Payroll	0	2,430,687	0	2,430,687
Unfunded Workers' Comp. Actuarial Liability	0	0	0	0
Total Liabilities	62,328	2,941,956	27,324	3,031,608
Unexpended Appropriations	1,418,999	149,758,575	4,785,128	155,962,702
Cumulative Results of Operations	32,957	(4,131,764)	209,296	(3,889,511)
Total Net Position	1,451,956	145,626,811	4,994,424	152,073,191
Total Liabilities and Net Position	<u>\$ 1,514,284</u>	<u>\$ 148,568,767</u>	<u>\$ 5,021,748</u>	<u>\$ 155,104,799</u>

U.S. House of Representatives
Combining Statement of Operations
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1998

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Goods	\$ 0	\$ 0	\$ 0	\$ 0
Sales of Services to Federal Agencies	0	0	0	0
Sales of Services to the Public	42,408	0	0	42,408
Interoffice Sales	0	0	0	0
Total Revenue from Operations	<u>42,408</u>	<u>0</u>	<u>0</u>	<u>42,408</u>
Financing Sources				
Appropriations to Cover Expenses	1,410,681	40,718,741	7,371,412	49,500,834
Imputed Financing Source	<u>(11,511)</u>	<u>(863,556)</u>	<u>(309,834)</u>	<u>(1,184,901)</u>
Total Revenue and Financing Sources	<u>\$ 1,441,578</u>	<u>\$ 39,855,185</u>	<u>\$ 7,061,578</u>	<u>\$ 48,358,341</u>
EXPENSES				
Personnel Compensation	\$ 188,313	\$ 27,336,747	\$ 5,068,438	\$ 32,593,498
Benefits	119,950	7,728,393	1,200,613	9,048,956
Postage and Delivery	399	6,745	2,666	9,810
Repairs and Maintenance	126,989	1,988,717	386,732	2,502,438
Depreciation and Amortization	23,309	254,318	183,147	460,774
Rent, Utilities, and Communications	0	1,995	0	1,995
Telecommunications	10,512	58,037	24,075	92,624
Supplies and Materials	90,269	843,340	30,207	963,816
Travel and Transportation	6,501	785,472	7,914	799,887
Contract, Consulting, and Other Services	870,780	809,008	36,718	1,716,506
Printing and Reproduction	30	20,187	1,399	21,616
Subscriptions and Publications	4,526	16,523	119,669	140,718
Cost of Goods Sold	0	0	0	0
Loss on Disposal of Assets	0	5,703	0	5,703
Interest on Capital Leases	0	0	0	0
Total Expenses	<u>\$ 1,441,578</u>	<u>\$ 39,855,185</u>	<u>\$ 7,061,578</u>	<u>\$ 48,358,341</u>
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

U.S. House of Representatives
Combining Statement of Cash Flows
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1998

	<u>Attending Physician</u>	<u>Capitol Police</u>	<u>Joint Committee on Taxation</u>	<u>Combined</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess/(Deficiency) of Revenue and Financing Sources Over Expenses	\$ 0	\$ 0	\$ 0	\$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(1,410,681)	(40,718,741)	(7,371,412)	(49,500,834)
(Increase)/Decrease in Accounts, Interoffice, and Appropriations Receivable	0	0	0	0
(Increase)/Decrease in Advances and Prepayments	3,065	(22,419)	1,338	(18,016)
(Increase)/Decrease in Inventory	0	0	0	0
Increase/(Decrease) in Accounts, Interoffice, and Appropriations Payable	(5,787)	(1,026,371)	(12,041)	(1,044,199)
Increase/(Decrease) in Other Accrued Liabilities	0	230,768	0	230,768
Loss on Disposal of Assets	0	5,703	0	5,703
Depreciation and Amortization	23,309	254,318	183,147	460,774
Net Cash Provided/(Used) by Operating Activities	<u>\$(1,390,094)</u>	<u>\$(41,276,742)</u>	<u>\$ (7,198,968)</u>	<u>\$(49,865,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment	\$ 0	\$ (1,900,905)	\$ (48,750)	\$ (1,949,655)
Net Cash Provided/(Used) by Investing Activities	<u>\$ 0</u>	<u>\$ (1,900,905)</u>	<u>\$ (48,750)</u>	<u>\$ (1,949,655)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	\$ 1,415,000	\$ 150,086,000	\$ 5,965,400	\$ 157,466,400
Funds Returned to the U.S. Treasury	(65,231)	(148,072)	(66,187)	(279,490)
Appropriated Funds Allocated	330,588	(1,801,098)	1,525,745	55,235
Principal Payment on Capital Lease Liabilities	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	<u>1,680,357</u>	<u>148,136,830</u>	<u>7,424,958</u>	<u>157,242,145</u>
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	290,263	104,959,183	177,240	105,426,686
Fund Balance with U.S. Treasury and Cash, Beginning	<u>1,190,978</u>	<u>41,321,255</u>	<u>4,580,399</u>	<u>47,092,632</u>
Fund Balance with U.S. Treasury and Cash, Ending	<u>\$ 1,481,241</u>	<u>\$ 146,280,438</u>	<u>\$ 4,757,639</u>	<u>\$ 152,519,318</u>

Report of Independent Accountants on Compliance with Laws and Regulations

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Report of Independent Accountants on Compliance with Laws and Regulations

To the Deputy 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, 1998, and have issued our report thereon dated July 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *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 regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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, the Government Management and Reform Act, 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 regulations contained in its *Members' Congressional Handbook and Committees' Congressional Handbook*.



This report is intended solely for the information and use of the Office of Inspector General, Office of the Chief Administrative Officer, and Members of the U.S. House of Representatives, and is not intended to be, and should not be, used by anyone other than these specified parties.

PriceWaterhouseCoopers LLP

Arlington, Virginia
June 30, 1999

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

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Report of Independent Accountants On Management's Assertion About Internal Control

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

In its Management Report on Internal Control (Management Report), presented in Attachment 1, the Chief Administrative Officer (CAO) of the U.S. House of Representatives (House) asserted that the House's internal control provided reasonable assurance that, as of December 31, 1998, the following objectives were being met:

- Safeguarding assets from waste, loss, unauthorized use, and misappropriation;
- 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
- Recording, processing, and summarizing transactions properly and timely 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 (AICPA) and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of the internal control over financial reporting, testing, and evaluating the design and operating effectiveness of the internal control, 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 any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



In our opinion, the CAO's assertion that the House's internal control provided reasonable assurance that, as of December 31, 1998, 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 internal control in the Federal government contained in Office of Management and Budget Circular A-123, *Management Accountability and Control*.

However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions as defined by the AICPA. Reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting 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.

A material weakness, as defined by the AICPA, is a reportable condition in which the design or operation of the internal control over financial reporting does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties. We believe that none of the five reportable conditions that follow are material weaknesses as defined by the AICPA.

- Payroll systems are obsolete and need to be replaced.
- The House lacked sufficient information with which to manage and maintain accountability over its property and equipment.
- 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.
- Financial management continues to be hampered by inadequate systems, resources, and procedures.
- The House did not properly track the goods and services it ordered, made erroneous duplicate payments, and paid vendors late.

Additional details on each of these reportable conditions are included in the Attachment to this report.



This report is intended solely for the information and use of the Office of Inspector General, Office of the Chief Administrative Officer, and Members of the U.S. House of Representatives, and is not intended to be, and should not be, used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

Arlington, Virginia
June 30, 1999

The remainder of this report presents an overview of the criteria used in our examination of the design or operation of internal controls at the House as of December 31, 1998, a summary of the current status of the weaknesses in internal controls, and a detailed discussion of each of the existing weaknesses.

Criteria

In determining the current status of these internal control weaknesses, we applied the following criteria:

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 <i>the 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 <i>remain open</i> .

Our assessment of the status of prior recommendations was based on a review of the House's progress toward implementing the recommendations. The following criteria were used to assess that progress:

Closed	The House fully implemented the recommended corrective actions, or changes in the House operations remedied or eliminated the need for recommended corrective action.
Substantial Progress	The House has <i>substantially</i> addressed the <i>more significant</i> aspects of the recommendation.
Some Progress	The House has <i>partially</i> addressed the <i>more significant</i> aspects of the recommendation.
Limited Progress	The House has made progress on the <i>less significant</i> aspects of the recommendation.
Not Started	The House has taken <i>no action</i> to implement the recommendation.

Current Status of Internal Controls

We assessed the current status of the eight internal control weaknesses we identified in our 1997 *Report of Independent Accountants on Management's Assertion About Internal Control*.

A total of five internal control weaknesses still exist in the House's operations for the year ended December 31, 1998. Two remain reportable conditions while three others improved from

material weaknesses to reportable conditions. Figure 1 presents a summary status of the five weaknesses, and is followed by a detailed discussion of each of the weaknesses. Figure 2 presents the three weaknesses and ten corresponding recommendations, reported during previous audits, which have been otherwise resolved during 1998.

Figure 1 – Summary Status of Internal Control Weaknesses			
Weakness	Status as of June 30, 1999		
	Substantial Progress	Some Progress	Limited Progress
1. Payroll Systems Are Obsolete And Need To Be Replaced (<i>Reportable Condition</i>)	X		
2. The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment (<i>Reportable Condition</i>)	X		
3. 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 (<i>Reportable Condition</i>)	X		
4. Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures (<i>Reportable Condition</i>)	X		
5. The House Did Not Properly Track The Goods And Services It Ordered, Made Erroneous Duplicate Payments, And Paid Vendors Late (<i>Reportable Condition</i>)		X	

Figure 2 – Summary of Closed Internal Control Weaknesses and Associated Recommendations
<p>Deficiencies Exist In Budgeting, Monitoring And Accounting</p> <p>Report No. 98-HOC-11, 5.1 Ensure that legislative year 1997 MRAs are properly charged for the 27 Members that have not submitted district office "District Office Certification of Franked Mail" forms for 1997 as of July 21, 1998, either by obtaining missing district office forms or through CHO-authorized estimation techniques.</p>

Report No. 98-HOC-11, 5.2 Perform a cost-benefit analysis to assess the feasibility of requiring Members' district offices to purchase postage meters or USPS Federal Postal Payment Cards as an alternative means of accumulating costs for district office franked mail.

Report No. 98-HOC-11, 5.3 Office of Finance should expand the procedures currently used to reconcile aggregate USPS charges and FFS information to include reconciliations of USPS and FFS data at the Member level.

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

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

Report No. 97-HOC-14, 12.1 Develop and implement 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.

Access Controls Over The House's New Federal Financial System (FFS) Need Improvement To Provide Effective Security

Report No. 98-HOC-11, 8.1 Establish an FFS application security administration function that is separated from application user functions and from application operations and production support.

Report No. 97-HOC-14, 13.1 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.

Report No. 97-HOC-14, 13.02 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.

Report No. 97-HOC-14, 13.03 Require security administrators to obtain appropriate security clearances.

Report No. 97-HOC-14, 13.04 Correct the functionality of the FFS audit log and use it to perform security monitoring.

Weakness 1: Payroll Systems Are Obsolete And Need To Be Replaced

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

The House's two payroll systems, which separately process payroll for Members and staff, are inefficient and technologically obsolete. These systems require the Office of Human Resources (Human Resources) staff to regularly make manual calculations and adjustments to process the House's payrolls. Furthermore, numerous supplemental payments and overpayments made throughout the year are attributable to inefficiencies in both payroll systems.

We identified the following inefficiencies with the House's staff payroll system:

- If an employee changes from non-permanent to permanent status in a given month, the staff 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. This necessitates a manual adjustment to the system to reverse of the incorrect FERS deduction.
- The staff payroll system does not perform all necessary payroll calculations; therefore, manual calculations are needed for certain actions such as earned income credits, garnishments, deductions for retroactive adjustments, multiple annuitants, part-time child care employees, Government portion of Civil Service Retirement System - Offset once the employee's maximum Federal Insurance Contribution Act level has been reached, and Government portion of FERS.
- Once adjustments to the staff payroll system-generated Payroll Certification report has 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 staff payroll system does not have the ability to control and account for time and leave data. As a result, overtime, compensatory time, and annual and sick leave benefits to which employees were entitled has to be manually calculated.
- Staff payroll system limitations continued to cause payroll-related supplemental payments and overpayments because the staff payroll system requires Human Resources personnel to prepare staff payroll checks before the end of the month for work completed during that month. Compounding this system constraint, salary changes are often submitted to Human Resources after the published payroll deadline. Additionally, paperwork for newly appointed employees is not due until the end of the month, which is too late to accurately process the employees' payroll through the system.

These inefficiencies resulted in the need to process approximately 3,000 supplemental paychecks for underpayments to staff, totaling \$1.96 million. In addition, the House made some overpayments to staff who were terminated and employees whose salaries had

decreased during 1998. These overpayments totaled approximately \$362,000 of which only \$3,111 was outstanding as of June 30, 1999. The amounts of these payments were immaterial with respect to the total House payroll.

The weaknesses described underscore the need for the House to expeditiously replace the staff payroll system.

The AS/400 system, which processes Members' payroll, operates independently of the staff payroll system. The AS/400 system suffers from many of the same shortcomings as the staff system, including an over-reliance on manual transactions. For example, once a year, Members Services staff must manually enter the age of each Member so that deductions, such as Life Insurance, can be properly calculated. Manual entry of these changes increases the risk of error and subsequent misstatement. On February 12, 1999, the House entered into a contract to replace the existing Members' payroll system. The CAO expects this new system to be implemented by October 1999.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management's Response
<p>1. Replace current staff payroll and human resources systems ensuring that (1) system inefficiencies are addressed and (2) adequate controls are established, to manage and account for annual and sick leave for applicable employees.</p>	<p>Status: New Recommendation.</p>	<p>CONCUR. The Office of the CAO is in the process of evaluating the options available to replace the current staff payroll system. The current list of system requirements will address the system inefficiencies and will also allow for controls to be put into place to manage and account for annual and sick leave for applicable employees. At present, the Office of the CAO submitted a Request for Proposals (RFP) to the Committee on House Administration for final review and approval. A final schedule for the staff payroll replacement effort will be completed once the responses to the RFP have been evaluated and a replacement system has been identified and approved. In the meantime, the current staff payroll system has been fully remediated and is being tested to ensure that it will continue to operate beyond January 1, 2000, until a new system is identified and implemented.</p>

The following two recommendations, made during previous audits, have been closed because changes in House operations remedied the associated weakness or changes in the nature of House operations eliminated the significant concerns underlying the recommendation:

Recommendation
<p><i>Report No. 95-CAO-16, G.2</i></p> <p>Eliminate “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.</p>
<p><i>Report No. 97-HOC-14, 11.4</i></p> <p>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>

Weakness 2: The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment

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

During 1998, the House took several steps to resolve this weakness, the most significant of which was to contract with a vendor to develop a new Fixed Asset and Inventory Management System (FAIMS). The recommendations to capture relevant asset information in an asset system, such as cost information, asset descriptions, acquisition dates, and useful life periods, were taken into consideration and included as part of the system requirements. The House also added new Budget Object Class (BOC) codes to FFS in an attempt to accurately categorize property transactions. In addition, the House took the significant step of completing an inventory of all assets with acquisition values in excess of the capitalization thresholds of \$25,000 for equipment and computer hardware and \$10,000 for software purchases. The assets that were identified are now tracked manually. The House is also taking steps to identify and inventory assets with an acquisition value below the stated capitalization thresholds. This information will be used to populate the data fields within the new asset management system, and will allow the House to track property and equipment.

However, until FAIMS is completed, control issues noted in previous years will continue to hamper the House's efforts to effectively maintain control over its capitalized assets. Specifically, the House does not maintain centralized accounting control over capitalized assets; instead, responsibility for accounting for such property and equipment is dispersed among several entities. The House offices that account for most of the property and equipment are:

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

Currently, neither of these offices maintains property ledgers that comply with all of the applicable requirements of the Joint Financial Management Improvement Program¹, such as fully integrating their subsidiary systems with FFS.

Despite the House's efforts to identify all assets meeting the capitalization thresholds, we found several instances where equipment and software were not capitalized even though the individual purchases exceeded the capitalization thresholds. Based on the results of our testing, an audit adjustment of \$4.1 million was made to increase the total net value of property and equipment on

¹ A joint cooperative undertaking of OMB, GAO, U.S. Treasury, and OPM, working in coordination with each other and with other operating agencies to improve financial management practices throughout the Federal Government.

the House's financial statements and to the appropriate inventory accounts. Generally, these items were overlooked by the House for the following reasons:

- Payments for capitalized assets were not consistently recorded in FFS using the appropriate BOCs during 1998. Payments were not always distinctly delineated from payments for maintenance expenses, leasing costs, or non-capitalized asset purchases.
- Purchases of several items or pieces of equipment were often recorded in FFS as one purchase, thus preventing the accurate application of capitalization thresholds to property and equipment purchases.

The Office of Finance (Finance) plans to refine its current methodology of identifying capitalizable assets by manually reviewing a greater number of potential asset acquisitions, which should mitigate the issues noted.

Another control point noted in previous audits relates to the untimely receipt of asset delivery and installation information by HIR, Media and Support Services, and Finance. Because Finance often does not receive timely information from vendors and Members' offices about the delivery and installation of equipment, the financial records of the House are not updated to accurately reflect the acquisition of equipment which meet the capitalization thresholds. As a result, Finance had to complete an analysis of payments made during the beginning of 1999 in an attempt to identify items which were held by the House at December 31, 1998, but not yet recorded in the financial records. The adjustment to the 1998 financial statements for this unrecorded property exceeded \$380,000.

Recommendations

The following three audit recommendations were made in previous Office of Inspector General audit reports. Based on test results from this audit, we have determined that the weaknesses--which underlie these recommendations--still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management's Response
<p><i>Report No. 95-HOC-22, 4.1</i></p> <p>Ensure that 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"> • cost or value information • description and acquisition date • useful life and depreciation method and amount • scheduled replacement • location • disposal date 	<p>Status: Substantial Progress</p> <p>Discussion: The House contracted with a vendor to develop a new fixed asset and inventory management system. The House's requirements for the new system include the need to capture cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, scheduled replacement, and location. Until the system is implemented, the House needs to effectively maintain this information to support the property and equipment amount reported in the financial</p>	<p>CONCUR.</p> <p>The new FAIMS will be capable of maintaining detailed information with respect to property and equipment including: cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, and location. Summary information on the acquisition cost and accumulated depreciation of assets and inventory acquired by House organizations shall be</p>

Recommendation	Current Status of Recommendation	Management's Response
	statements.	maintained in the FFS, the House's accounting system. The contract award for a new fixed asset management system was signed on August 10, 1998, by the CAO. Included in the contract were requirements that ensured we would be able to track each of the items outlined in this audit recommendation. System implementation is scheduled for October, 1999.
<p><i>Report No. 97-HOC-14, 10.9</i></p> <p>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, are properly processed in the correct Budget Object Classes (BOCs), i.e., the correct expense accounts, in FFS.</p>	<p>Status: Some Progress.</p> <p>Discussion: Testing completed during our audit indicated that BOCs were not used to appropriately classify the various equipment transactions. Inappropriate use of the BOCs will significantly impair the ability of the House to accurately identify and accumulate information on asset acquisitions and disposals, lease payments, non-capitalized equipment purchases, and ordinary repair and maintenance expenditures. Effective January 1, 1999 the House expanded the number of BOCs which should allow the House to appropriately classify its transactions. Accurate and consistent use of these new BOCs will be tested in subsequent audits.</p>	<p>CONCUR.</p> <p>Finance continues to analyze monthly equipment and lease transactions in FFS to ensure correct BOC and general ledger usage. A meeting to review correct BOC usage will be conducted on July 22, 1999, with all CAO purchasing and procurement offices. Finance will review and clarify the revised BOC listing issued January 4, 1999, which separated software and equipment purchases from software and equipment maintenance.</p>
<p><i>Report No. 98-HOC-11, 1.1</i></p> <p>In accordance with the property and lease policies recently approved by the Committee on House Oversight, and until the new fixed asset and inventory management system is implemented, a comprehensive inventory should be completed of all capitalized assets, operating leases with terms in excess of one year, and capital leases. This inventory should be reconciled to amounts recorded in FFS and the financial statements.</p>	<p>Status: Some Progress.</p> <p>Discussion: During 1998, OSM and HIR completed an inventory of items meeting the House's capitalization thresholds. However, testing indicated that this inventory was incomplete, and the accuracy of the inventory was impaired due to the inconsistent use of BOCs.</p>	<p>CONCUR.</p> <p>Media and Support Services (MSS) and HIR completed by December 31, 1998, an inventory of all assets meeting the Office of the CAO new capitalization threshold that became effective in 1998. In addition, OSM completed by December 31, 1998, a physical inventory of all capital items acquired under the previous capitalization threshold, as well as all accountable property located in Washington, D.C. Finance reviewed and analyzed on a monthly basis all 1998 acquisitions to ensure items were correctly classified as</p>

Recommendation	Current Status of Recommendation	Management's Response
		capital or non-capital items and assigned the proper BOCs. MSS and HIR will continue to ensure property and lease transactions are assigned the proper BOC codes and capitalize assets as of the date the asset is placed in service. This review process by MSS and HIR will continue through September 30, 1999, when this process is moved to the new FAIMS system.

The following recommendation, made during a previous audit, has been closed because changes in House operations remedied the associated weakness or changes in the nature of House operations eliminated the significant concerns underlying the recommendation.

Recommendation
<p><i>Report No. 95-CAO-17, C.3</i></p> <p>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.</p>

Weakness 3: 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:**
- Reportable Condition
 - Prior Condition
 - Substantial Progress

In prior audits of the House, we identified a number of 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. Actions have been initiated to address most of the recommendations related to this weakness. As a result, 19 of the 23 remaining recommendations directed to HIR have been fully implemented. HIR, through its Planning and Security Offices, continues to aggressively address these weaknesses and develop initiatives, such as HIR's reorganization plan, and the Year 2000 plan, 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 accounting system. FFS is located on the mainframe system at the U.S. Geological Survey (USGS), Reston Enterprise Data Services Center (EDSC). USGS maintains the system for the House under the House/USGS Interagency Agreement. The National Business Center (formerly the Washington Administrative Service Center) within the USGS Reston facility acts as a client liaison with the House and 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, and
- disk space management.

EDSC's information systems processing environment was reviewed and recommendations were made in the Office of Inspector General's (OIG) report *Additional Controls Needed Over The Data Processing Environment At The U.S. Geological Survey, Reston Enterprise Data Services Center* (Report No. 98-CAO-13, dated November 12, 1998). This report identified 19 information systems and security control-related weaknesses and 37 recommendations for improving controls at USGS. Weaknesses were identified in the data center management and operations; mainframe systems logical and physical security; telecommunications security; and contingency planning, backup and disaster recovery. These weaknesses are considered significant to USGS and the House, but were not considered material.

Except for the FFS processing functions performed at Finance and EDSC, HIR maintains the information systems environment surrounding all financial-related and other information

systems, including the old FMS system that is still used to process staff 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 broad control issues, including the progress towards implementing the audit recommendations related to HIR's operations:

- HIR's re-organization plan was approved by the Committee on House Administration and implemented. This created a planning office that is responsible for overseeing and coordinating all projects and initiatives within HIR. Further, the HIR Deputy Associate Administrator and Planning Manager have implemented appropriate training to improve project management skills within HIR. These training classes include sessions on standardized project management tools and the CAO's Management/Leadership training.
- A comprehensive contingency plan has not been developed and documented. A contractor is currently analyzing the business recovery process including the prioritization process of applications for business continuity planning. Once the contractor's assessment is complete, HIR will develop a disaster recovery plan and testing process. Without a contingency plan, the risk exists that the House will not be able to adequately recover from an extended service interruption. Additionally, the plan needs to be tested to identify any deficiencies that may be present that could reduce the effectiveness of the plan in the event of an interruption.
- HIR is addressing the critical Year 2000 issue. In December 1997, HIR developed a CAO Year 2000 Program Plan that is continuously reviewed and submitted to the CAO and the Committee on House Administration on a quarterly basis. This plan details milestones, roles and responsibilities, and status reporting mechanisms for communication. Detailed testing guidelines provide the standards for the development of application specific test plans and implementation procedures. In addition, HIR has secured outside resources to assist in testing, quality assurance, and strategic planning. The Year 2000 Task Force meets weekly to discuss the overall status of the project and reevaluate funding and priorities.

Recommendations

The following four audit recommendations were made in previous Office of Inspector General audit reports. Based on test results from this audit, we have determined that the weaknesses--which underlie these recommendations--still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management's Response
<p><i>Report No. 95-HOC-22,8.9</i></p> <p>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</p>	<p>Status: Substantial progress</p> <p>Discussion: Finance plans to implement Vision Flashpoint (a commercial-off-the-shelf software program) as an enhancement to FFS in June 1999 to improve data entry controls and procedures. For example,</p>	<p>CONCUR.</p> <p>Finance has updated manuals to reflect appropriate data entry operational policies and procedures that were then used to conduct training for CAO data entry users. Seventy staff</p>

Recommendation	Current Status of Recommendation	Management's Response
for purchasing equipment and a lack of approved vendor codes.	<p>this system enhancement will require all FFS users to enter service date fields (and, if appropriate, legislative year information) for all documents. Before accepting the document for processing, it will check the validity of the dates and display error message(s).</p> <p>In addition, Finance personnel underwent training on entering information into FFS during 1998.</p>	<p>completed training on all aspects of FFS data entry during 1998. Additionally, FFS will be modified to require all FFS users to enter service date fields (and, if appropriate, legislative year information) for all documents. Before accepting the document for processing, FFS will check the validity of the dates and display appropriate error message(s). This capability will be tested, implemented and fully functional by September 30, 1999.</p>
<p><i>Report No. 95-HOC-22, 8.10</i></p> <p>Update user manuals for all the House's significant systems in any action plan for systems improvement.</p>	<p>Status: Substantial progress</p> <p>Discussion: Currently, all systems have a basic set of system/user documentation. Those systems that remain at the House after the mainframe migration initiative and Year 2000 efforts will be required to have updated documentation manuals.</p>	<p>CONCUR.</p> <p>HIR continues to update the system/user manuals for all major systems that remain after the mainframe migration and Year 2000 efforts are substantially complete. This effort is scheduled for completion no later than December 31, 1999.</p>
<p><i>Report No. 95-CAO-18, B.4</i></p> <p>Implement procedures for the ongoing maintenance of the business impact analysis and business recovery plan as well as comprehensive, routine testing of the plan.</p>	<p>Status: Substantial Progress</p> <p>Discussion: A contractor has begun to analyze the business recovery process including the prioritization process of applications for business continuity planning. A disaster recovery plan and testing process will be developed by HIR to incorporate the information identified by the contractor's recommendation. The entire project should be completed by June 30, 1999.</p>	<p>CONCUR.</p> <p>A contractor has commenced the process to refresh the existing Business Recovery Systems Plan planned for completion by July 23, 1999. A Business Recovery Systems test has been tentatively scheduled with the contractor for October 10, 1999, and a full data center "power-down" test is included in the business recovery plan. A full data center "power-down" test will occur in conjunction with the Architect of the Capitol's annual power-down test during the August Congressional recess.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p><i>Report No. 96-CAO-15, E.2</i></p> <p>Adopt an implementation plan that balances the need for an aggressive timeline with user needs, as well as hardware, software, personnel, and budget requirements.</p>	<p>Status: Substantial Progress</p> <p>Discussion: HIR has a prepared two formal documents supporting mainframe migration:</p> <ol style="list-style-type: none"> 1. Mainframe Migration Assessments & Recommendations – a summary of assessments, findings, and responses to previous OIG reports. 2. Mainframe Migration Plan – <ol style="list-style-type: none"> i. Migration Work Plan – project-level planning document that will guide migration process. ii. Migration Implementation Plan – designed to provide a roadmap for the conduct of specific implementation tasks. 	<p>CONCUR.</p> <p>HIR formed a mainframe migration team that has validated the recommendations from the OIG's "Mainframe Migration Options Study", selected an implementation plan, and prepared contingency plans and budget requirements. The migration is tentatively scheduled to occur in the third quarter of fiscal year 1999.</p>

The following 19 recommendations, made during previous audits, have been closed because changes in House operations remedied the associated weakness or changes in the nature of House operations eliminated the significant concerns underlying the recommendation:

Recommendation
<p><i>Report No. 95-HOC-22, 8.7</i></p> <p>Prohibit programmers from accessing actual data and ensure they have access only to the programs they are responsible for changing in a non-production environment.</p>
<p><i>Report No. 95-CAO-18, A.7</i></p> <p>Review staff positions to determine the associated level of risk and need for employee security clearances.</p>
<p><i>Report No. 95-CAO-18, C.4</i></p> <p>Establish the following controls to improve HIR's management and implementation of ACF2 security:</p> <ul style="list-style-type: none"> • Implement ACF2 over all online mainframe applications, including FMS. • Administer all passwords through ACF2. • Justify the need for all special ACF2 access privileges. • Limit the Non-CNCL privilege to only those users who require this access. • Review and restrict, where appropriate, ACF2 access privileges to production libraries.

Recommendation
<p><i>Report No. 95-CAO-19, D.1</i></p> <p>Develop and implement chargeback rates that reflect current processing costs.</p>
<p><i>Report No. 95-CAO-19, D.2</i></p> <p>Establish policies and detailed procedures covering the maintenance, administration, and documentation of equitable chargeback rates and billing processes for internal and external customers.</p>
<p><i>Report No. 96-CAO-15, C.5</i></p> <p>Review the overall HIR management structure to ensure that all major projects are properly planned, organized and coordinated effectively, and approved by the CHO.</p>
<p><i>Report No. 96-CAO-15, D.2</i></p> <p>Develop and provide training for directors and technical staff in order to implement the newly developed project management policies and procedures.</p>
<p><i>Report No. 97-CAO-09, A.1</i></p> <p>Develop a detailed HIR strategic and operational plan based on the Information System Planning Process (ISPP) vision. These plans should project future issues on a three-year basis and should be updated annually.</p>
<p><i>Report No. 97-CAO-09, C.2</i></p> <p>Formalize a plan for developing and/or revising policies, standards, procedures, and guidelines which includes the following actions:</p> <ul style="list-style-type: none"> • Formalize a listing of the minimum policies that HIR will initially schedule for development along with the timelines and delegations of responsibility, and submit it to the CHO, through the CAO, for approval. Focus the initial policy development on HIR issues and overall standardization of system policies across the House. • Revise and update the existing standards, procedures, and guidelines as they correspond to the existing and new policies. • Formalize the approval and comment process for policies.
<p><i>Report No. 97-CAO-09, C.3</i></p> <p>Establish and maintain a central repository in HIR for all approved information systems policies, standards, procedures, and guidelines.</p>
<p><i>Report No. 97-CAO-11, D.1</i></p> <p>Develop procedures that limit access authority to J010 and J020 transactions to authorized personnel only.</p>
<p><i>Report No. 97-CAO-11, D.2</i></p> <p>Develop monitoring procedures that require continuous review of password protected transactions and require follow-up and documented review of activity against such transactions.</p>

Recommendation
<p><i>Report No. 97-CAO-11, D.4</i></p> <p>Review and update employee information via transaction J020 on a periodic basis and verify employee access levels for each RIC and mainframe application screen they can access.</p>
<p><i>Report No. 97-CAO-11, D.5</i></p> <p>Require HIR personnel be restricted from making changes to the inventory production system without appropriate testing and authorized documentation from designated OSM management.</p>
<p><i>Report No. 97-CAO-13, 1</i></p> <p>Establish formal project management controls and techniques as follows:</p> <ul style="list-style-type: none"> • Define the role of the Year 2000 project leader and establish it as a full-time position. • Prepare a Year 2000 charter which formally assigns the authority and responsibilities for the Year 2000 initiative to the project leader and staff within HIR, and defines the project leader roles and responsibilities with respect to organizations/activities outside HIR whose systems may be affected by the Year 2000 problem. • Institute a status reporting mechanism to inform upper management of Year 2000 progress. • Conduct a detailed level of effort analysis which estimates the resources needed to complete the initiative. • Purchase software tools and secure a contractor, as necessary, to assist with conversions and testing. • Determine whether all systems are needed and on which platform they will reside. • Attend the CIO Council Subcommittee of Year 2000, as appropriate.
<p><i>Report No. 97-CAO-13, 2</i></p> <p>Revise and prepare follow-up document(s) to the Year 2000 plan which include the following activities:</p> <ul style="list-style-type: none"> • Prepare a schedule of Year 2000 tasks (e.g., PERT chart concept) showing milestones and interdependencies of issues/organizations. • As necessary, re-prioritize and accelerate out-year projects in the Year 2000 plan to meet remaining government milestones. • Develop detailed implementation plans for each system to be converted. • Expeditiously develop a follow-up document to the Year 2000 plan that addresses, in detail, the last three phases of the Year 2000 effort for review and approval by the CHO. • In preparing the follow-up document develop testing strategies, plans, milestones, and ensure testing capacity is available, and quality assurance is an integral element.
<p><i>Report No. 97-CAO-13, 3</i></p> <p>As necessary, revise the Year 2000 cost estimates and prepare revised budget requests based on these new figures.</p>
<p><i>Report No. 97-CAO-13, 4</i></p> <p>Coordinate data exchange issues with the external organizations that interact with the House's systems.</p>

Recommendation

Report No. 97-CAO-13, 6

Expedite decisions regarding OSM and FMS Payroll replacement efforts, closely monitor these activities to ensure timely completion, and prepare contingency plans, as necessary.

Weakness 4: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures

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

Since June 1996, the House has used FFS as its principal system to process and record accounting transactions. This system has been used primarily to process vouchers, make disbursements, and obligate funds for the purchase of certain goods and services. Although this financial management system employs a chart of accounts and established BOCs consistent with Federal accounting standards, the House did not use the full capability of this system including its general ledger function. For example:

- The FFS accounts payable module was not used within the capacity of its intended purpose. After submitting offices received materials ordered from a vendor, Finance established a liability for the money owed that vendor only after the submitting office presented the invoice for payment. This liability was liquidated the next day when payment was made. Because of this process, the House is unable to accurately identify its trade liabilities at any given point in time.
- In limited instances, the House continues to post correcting entries to earlier accounting periods. This means that if the House processed a transaction in March 1999 that related to December 1998, it instructed FFS to accept the transaction as if it was processed during December 1998. Processing transactions in this manner is not an acceptable accounting practice, complicates the reconciliation process between the House and the U.S. Treasury, and compromises the integrity of the Members' Financial Statements on a year-to-date basis.
- FFS capabilities to produce a trial balance have not been implemented by the House. This is a basic accounting report used by most organizations to (i) assess the accuracy of transactions processed during an accounting period, (ii) aid managers with critical financial decisions, and (iii) facilitate the preparation of reconciliations and financial statements. These actions can be completed without an automated trial balance, however, it is very labor intensive, with an increased probability of reporting inaccurate information.
- The House has not fully implemented the Standard General Ledger (SGL), nor used the SGL guidance to ensure that the general ledger account codes and posting logic of all budgetary and proprietary entries reflect the true substance of the transaction. For example, while account codes within the FFS general ledger have been established in a manner which is similar to the Federal government's SGL, old account codes are still being used and many account codes need to be updated to reflect changes in the Federal government's SGL guidance. As a result, year-end adjustments were necessary to reclassify collection entries from expense accounts to revenue accounts.

The methodology used by the House to compile the financial statements relies heavily upon the consistent use of BOCs and the accuracy of the data entered from vendor invoices into FFS. Throughout our testing, we noted several instances when vendor invoices were assigned BOCs, which were inconsistent with House procedures, or vendor information was entered incorrectly

into FFS. During our audit, we reviewed 627 vendor invoices and travel payments to ensure that the proper BOCs were assigned to the corresponding expenses. The results of our testing indicated that 107 of the sample items were incorrectly coded. Additionally, we tested 568 expense transactions, some of which were also included in the BOC testing, to ensure that the service dates were accurately entered into FFS. Based on this test, we noted 67 instances where the dates on the supporting documents did not agree to the dates entered in FFS. This could prompt offices to unnecessarily resubmit vouchers or invoices for payment, resulting in duplication of expenses. In the absence of employee performance measures to minimize service date entry errors in FFS, the House may not be assured that financial reports are accurate and complete.

By not fully utilizing FFS capabilities, House staff must continue to spend an inordinate amount of time completing reconciliations and other detective procedures to ensure that the various systems remain in balance and to prepare financial reports. The House needs to continue its efforts in implementing more automated capabilities to eliminate many of the manual procedures performed by House employees. This, in turn, will enable the House to reallocate resources to other important tasks, such as implementing more preventative controls for assuring the accuracy and completeness of data processed by FFS.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation	Management,s Response
<p>1. Ensure that the FFS general ledger accounts are established and used in conformity with the Federal Standard General Ledger.</p>	<p>Status: New Recommendation.</p>	<p>CONCUR. Finance will, by October 1, 1999, modify all existing FFS transaction posting models to ensure compliance with the current Federal SGL issued by the Department of the Treasury, Financial Management Service. Additionally, all future FFS transaction posting models will be designed in accordance with the Federal Standard General Ledger.</p>
<p>2. Post budgetary and proprietary entries for collections in accordance with Federal Standard General Ledger guidance.</p>	<p>Status: New Recommendation.</p>	<p>CONCUR. Finance will, by October 1, 1999, compare existing budgetary and proprietary entries to those listed in the current Financial Management Service Federal SGL and modify FFS transactions accordingly.</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>3. Ensure that management within each CAO organization develops and implements: (1) internal procedures to ensure that staff responsible for assigning BOCs to documents and entering BOC data into the financial systems are adequately trained on correct BOC usage; and (2) performance measures to ensure staff accurately enter BOC and other invoice data into FFS.</p>	<p>Status: New Recommendation.</p>	<p>CONCUR. Working through Finance, the CAO will instruct the Associate Administrators of each CAO organization to develop specific procedures to ensure their staff responsible for assigning BOCs to documents receive proper training on BOC usage. This instruction will also include the requirement that these same Units develop and implement, by September 30, 1999, appropriate performance results and measures for compliance with Finance BOC listing.</p>

The following two audit recommendations were made in previous Office of Inspector General audit reports. Based on test results from this audit, we have determined that the weaknesses--which underlie these recommendations--still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management's Response
<p><i>Report No. 97-HOC-14, 1.6</i></p> <p>Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by FFS to the U.S. Treasury on a monthly basis.</p>	<p>Status: Substantial Progress</p> <p>Discussion: Some core components of the system have not been implemented, and the corresponding Office of Finance records do not yet constitute a full accrual-based system and do not comply with the Joint Financial Management Improvement Program requirements. The system implementation efforts have not addressed the need to automatically generate financial reports. However, the House started the process of replacing FFS with a new financial system. In addition, the House implemented reconciliation procedures to validate financial information.</p>	<p>CONCUR.</p> <p>Finance has implemented monthly reconciliation procedures to validate financial information recorded in FFS with amounts reported to the Treasury. Finance will next complete the implementation of the core FFS components with the implementation of full <i>Service Date editing for transaction entry</i> and begin accrual accounting as planned in January, 2000.</p>
<p><i>Report No. 97-HOC-14, 1.7</i></p> <p>Eliminate the practice of holding accounting periods open for indefinite periods of time. Work plans and</p>	<p>Status: Some Progress</p> <p>Discussion: The House continues to hold open accounting periods which allows transactions to be entered to</p>	<p>CONCUR.</p> <p>Finance has developed written and automated procedures to ensure each month is closed in a</p>

Recommendation	Current Status of Recommendation	Management's Response
<p>procedures should be developed to closeout each month in a timely manner.</p>	<p>earlier accounting periods. Therefore, the House cannot use FFS to automatically prepare a trial balance which could be used for managing House resources and preparing financial statements.</p>	<p>timely manner. A monthly report is being developed, and will be operational by August 31, 1999, to identify the number of transactions and the dollar volume of any transactions that may be inappropriately posted to a prior accounting period. In addition, Finance will, by September 30, 1999, perform fiscal year end closings of 1996 and 1997 activity. This will preclude any potential posting of transactions to these accounting periods.</p>

The following recommendation, made during a previous audit, has been closed because changes in House operations remedied the associated weakness or changes in the nature of House operations eliminated the significant concerns underlying the recommendation.

Recommendation
<p><i>Report No. 97-HOC-14, 1.8</i></p> <p>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>

Weakness 5: The House Did Not Properly Track The Goods And Services It Ordered, Made Erroneous Duplicate Payments, And Paid Vendors Late

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

The House has limited ability to determine amounts obligated or payable at a given time because FFS has been implemented primarily as a cash-based system. The House has taken steps to obligate OSM and Office Supply Services (OSS) purchases through the purchasing subsystem used within FFS. However, the House does not currently track all of its outstanding purchases. As a result, 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 orders was available until vouchers were sent to Finance for payment.

In addition, Finance processes appear inadequate to ensure that duplicate payments are not being disbursed for travel reimbursements and vendor payments. We reviewed all non-obligating payment transactions processed through FFS during 1998 and noted 2,711 sets of potential duplicate payments with a total potential dollar value of \$694,161. We selected 115 of these sets for further testing, and noted that in 44 instances the House made duplicate payments to individuals or vendors. Our testing would not allow us to conclusively state that the House had not received refunds for the duplicate payments, or that the House did not receive all of the goods or services for which it paid. However, this testing does indicate that processes could be improved to help avoid duplicate payments, and thus reduce the risk that House appropriations are being disbursed for non-qualified expenses, as well as the risk that expenses are overstated and possibly reducing the Members' MRA for non-qualified expenses.

Although these duplicate payments are considered immaterial, as a preventive measure, the House plans to implement an enhancement to FFS that will identify potential duplicates at the time of data entry. This enhancement is scheduled to be implemented by December 31, 1999. During calendar year 1998, Finance attempted to identify disbursements that were potential duplicates, using a specialized computer software package. However, this process is labor intensive--requiring an analysis of each disbursement to identify actual duplicates. Unfortunately, the reports generated by the software package were too voluminous and could not be relied upon to effectively detect duplicate payments. According to Finance, efforts are underway to implement a service date enhancement to FFS by the end of July 1999. This enhancement will enable Finance to more effectively use its computer software tool to identify duplicate payments for analyses.

In prior years, we found that the House often pays for goods or services several weeks and, in some cases months, after the goods and services were actually delivered. Testing completed during this audit showed that invoices were paid timely once received by Finance, however some invoices were being paid 30 days after the due date printed on the vendor invoice. For example,

of the 128 non-travel-related vouchers sampled for testing, 55 transactions resulted in payments beyond the due date printed on the invoice. For these 55 transactions, we attempted to ascertain the dates these invoices were received by the House. Assessing the timeliness of the payments based on the House's receipt date would have enabled us to determine if the payments were late because vendors may have printed invoices with due dates, but not promptly mailed the invoices. Finance indicated that they often receive invoices from vendors, which apparently were not mailed in a prompt manner. However, the House does not consistently maintain documentation that would evidence when the vendor invoices were actually received, nor was any other evidence made available which would explain the late payments. For this reason, all House offices should take steps to clearly document the receipt date of all vendor invoices.

Finally, we noted that several of the date fields within FFS are used inconsistently by the various service-providing entities of the House. Inconsistent use of the date fields within FFS could compromise the integrity of the data stored within the system, and could hamper the efforts of the House to compile accurate and reliable financial reports.

Recommendations

The following three audit recommendations were made in previous Office of Inspector General audit reports. Based on test results from this audit, we have determined that the weaknesses--which underlie these recommendations--still exist and the Chief Administrative Officer should continue to implement the policies and procedures necessary to resolve these weaknesses:

Recommendation	Current Status of Recommendation	Management's Response
<p><i>Report No. 95-HOC-22, 2.1</i></p> <p>Initiate a system of accounting and control that captures data and tracks transactions by vendor and by ordering office when goods and services are ordered, received, and paid.</p>	<p>Status: Some progress</p> <p>Discussion: Currently, FFS is used to capture expense data at the point of obligation. However, not all expenses are obligated. The Accounts Payable Subsystem of FFS and the Purchasing Subsystem, installed in June 1996, are now being used by OSM and OSS. These subsystems record payment transactions and obligation information for goods ordered.</p> <p>In addition, Procurement Desktop (PD) and the FAIMS systems, when fully implemented by the House, will have the ability to capture data on the receipt of goods. PD has the capability to produce receiving documents through a receipt of goods module.</p> <p>FFS is capable of tracking, in real-time, all goods received. PD can capture contract, purchase order, and receipt of goods data. It also can assist in standardizing documentation</p>	<p>CONCUR.</p> <p>PD will be used to initiate all CAO-processed purchases using standard forms for requisitions (purchase requests) and purchase orders (awards). PD will also be used for recording receipt of goods data which will then allow PD purchase order information to be transferred to the receiving document and transferred to both FAIMS and FFS.</p> <p>PD will also capture receipt of goods data and pass this information to FAIMS and FFS. This allows users the capability to determine what items have been procured, but not yet received. Further, FFS payment information will be recorded in FAIMS for payment requests submitted to FFS through FAIMS. This will allow users to determine if items have been</p>

Recommendation	Current Status of Recommendation	Management's Response
	prepared by procuring organizations and can standardize the authorization/ approval process for these documents. PD will have document functionality and be able to provide receiver information to FAIMS, in order to track these transactions, in October 1999. However, FFS will not have the capability to record receiver information from PD until early 2000.	received, but have not yet been invoiced or have been received and invoiced, but not yet paid. This will be completed by March 31, 2000.
<p><i>Report No. 95-HOC-22, 2.2</i></p> <p>In conjunction with acquiring a new financial management system, ensure it has the capability to:</p> <ul style="list-style-type: none"> • 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. 	<p>Status: Substantial progress</p> <p>Discussion: The Purchasing Subsystem is now being used by OSM and OSS to track their spending against respective obligations. In addition, the House implemented procedures during 1998 to validate outstanding obligations that were originated by a service entity and have been outstanding for greater than 180 days. However, no procedures or system enhancements have been implemented to prompt offices when bills have not been paid after a specified period of time.</p> <p>Measures to avoid late payments require the implementation of full obligation based accounting and the creation of receiver documents in PD. The implementation of full obligation accounting would ensure that all commitments are recorded and tracked. Receiver documents will allow the House to identify voucher information that has not been submitted to Finance for payment which directly addresses the identified problem of Members' late submission of vouchers. Both the FFS purchasing subsystem and PD have the capabilities to create receiving documents. PD is expected to create receiver documents beginning in October 1999. Both FAIMS and FFS, however, may have the capability to track which vouchers have and have not been paid. The House should ensure that any reports created from FAIMS or FFS to compare the receiver information to the outstanding vouchers include the days after receipt</p>	<p>CONCUR.</p> <p>With PD, there will be an automated check of FFS for fund availability at the point of requisition and again at the point of purchase order (obligation) approval. Full implementation of PD in CAO offices is to be completed by December 1999.</p> <p>PD will also capture receipt of goods data and pass this information to FAIMS and FFS. This allows users the capability to determine what items have been procured, but not yet received. Further, FFS payment information will be recorded in FAIMS for payment requests submitted to FFS through FAIMS. This will allow users to determine if items have been received, but have not yet been invoiced or have been received and invoiced, but not yet paid. This will be completed by March 31, 2000.</p>

Recommendation	Current Status of Recommendation	Management's Response
	the voucher remains outstanding, in order to create an aging report and follow up on delinquent payments.	
<p><i>Report No. 98-HOC-11, 6.1</i></p> <p>Establish and implement policies and procedures to:</p> <ul style="list-style-type: none"> • take advantage of FFS functions to ensure duplicate payments are not being erroneously disbursed. • include analytical procedures to sort, match, and test for potential duplicate payment transactions in FFS. • ensure that FFS date fields are used consistently. 	<p>Current Status: Limited Progress</p> <p>Discussion: The House used specialized computer software packages to prepare monthly reports, which identify potential duplicate payments. Each payment must be traced back to the supporting documentation and analyzed to identify actual duplicates. However, the lack of a service date field resulted in reports that were voluminous and basically useless to Finance.</p> <p>The House continues to use date fields inconsistently. Specifically, we noted numerous transactions for which an end service date was not entered into FFS. Effective October 1999, this will be a required data entry field within FFS.</p>	<p>CONCUR.</p> <p>Finance is developing procedures to ensure that the FFS date fields are used consistently following the modification to FFS to make service dates a required entry and edited field. This will be completed by September 30, 1999.</p>

Management Comments

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Management Report on Internal Controls

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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 and six subsidiary systems. Although the House, a legislative body, is not required to comply with the Federal Financial Managers' Integrity Act, the Joint Financial Management Improvement Program, the Government Management and Reform Act or the Chief Financial Officers Act, 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:

Safeguarding assets from waste, loss, unauthorized use, and misappropriation;

Assuring the execution of transactions in accordance with management authority and with the laws and regulations that have a direct and material effect on the consolidating financial statements; and

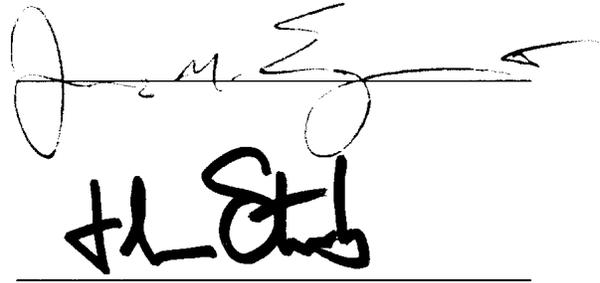
Recording, processing, and summarizing transactions properly and timely to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

Management believes that the House has made significant improvements in the internal controls over the past year. During the year, the House underwent a concerted effort to address the eight internal control weaknesses in the 1997 audit report, closing 33 of 45 recommendations and making progress on the remaining 12. Most notably, the House initiated an intense effort to validate and ensure accountability over its fixed assets. Physical inventories have been completed and the results reconciled with recorded amounts. A fixed asset inventory management system (FAIMS) was purchased and will be implemented during 1999. The FAIMS prototype will take place in early July 1999, with the production model available in September 1999. Also in 1998, the House significantly improved its controls over computers and data by refining connection processes for external users of House systems and refining security publication guidelines. In addition, the House has fully addressed the physical security deficiencies highlighted in the prior year audit and has implemented intrusion detection and scanning as well as ongoing scrutiny of computer virus protection and eradication.

It must be recognized that the cost of internal control should not exceed the benefits expected to be derived therefrom, and errors or fraud may occur and not be detected because of inherent limitations in any system of internal control.

In 1997, the statements were prepared internally, for the first time, by Office of Finance employees using information derived from the new financial system. Preparing these statements enabled the House to identify additional ways to improve the overall financial reporting process. As a result of these continuing improvements, the independent external auditors were able to express an unqualified opinion on the House's Consolidated Statement of Financial Position as of December 31, 1998.

James M. Eagen III
Chief Administrative Officer

A handwritten signature in black ink, appearing to read 'James M. Eagen III', written over a horizontal line. Below the signature, the initials 'JME' are written in a stylized, bold font.

John Straub
Deputy Chief Administrative Officer and
Acting Associate Administrator, Finance

CAO Response To The 1998 Financial
Statement Audit Report

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James M. Eagen III
Chief Administrative Officer

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

MEMORANDUM

To: Robert Frey
Acting Inspector General

From: Jay Eagen
Chief Administrative Officer

Subject: Response to the 1998 Financial Statement Audit Report

Date: JUL 13 1999

Thank you for the opportunity to comment on the 1998 Financial Statements Audit Report. We have carefully reviewed the report's four new recommendations and concur with each of them.

Additionally, I have also attached a brief response for each of the audit recommendations made in previous audit reports that pertain to the Financial Statements of the House.

Our comments for each of the four new recommendations are provided below:

Weakness 1: 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

Recommendation 1: Replace current staff payroll and human resources systems ensuring that (1) system inefficiencies are addressed and (2) adequate controls are established, to manage and account for annual and sick leave for applicable employees.

CONCUR.

The Office of the CAO is in the process of evaluating the options available to replace the current staff payroll system. The current list of system requirements will address the system inefficiencies and will also allow for controls to be put into place to manage and account for annual and sick leave for applicable employees. At present, the Office of the Chief Administrative Officer (CAO) submitted a Request for Proposals (RFP) to the Committee on House Administration (Committee) for final review and approval. A final schedule for the staff payroll replacement effort will be completed once the responses to the RFP have been evaluated and a replacement system has been identified and approved by the appropriate House decision

makers. In the meantime, the current staff payroll system has been fully remediated and is being tested to ensure that it will continue to operate beyond January 1, 2000, until a new system is identified and implemented.

Weakness 4: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures

Recommendation 1: Ensure that the FFS general ledger accounts are established and used in conformity with the Federal Standard General Ledger.

CONCUR.

The Office of Finance will by October 1, 1999, modify all existing FFS transaction posting models to ensure compliance with the current Federal Standard General Ledger issued by the Department of the Treasury (Treasury), Financial Management Service (FMS). Additionally, all future FFS transaction posting models will be designed in accordance with the Federal Standard General Ledger.

Recommendation 2: Post budgetary and proprietary entries in accordance with Federal Standard General Ledger guidance.

CONCUR.

The Office of Finance will by October 1, 1999, compare existing budgetary and proprietary entries to those listed in the current FMS Federal Standard General Ledger and modify FFS transactions accordingly.

Recommendation 3: Ensure that management within each CAO organization develops and implements: (1) internal procedures to ensure that staff responsible for assigning BOCs to documents and entering BOC data into the financial systems are adequately trained on correct BOC usage; and (2) performance measures to ensure staff accurately enter BOC and other invoice data into FFS.

CONCUR.

Working through the Office of Finance, the CAO will instruct the Associate Administrators of each CAO organization to develop specific procedures to ensure their staff responsible for assigning BOCs to documents receive proper training on BOC usage. This instruction will also include the requirement that these same Units develop and implement by September 30, 1999, appropriate performance results and measures for compliance with the Office of Finance BOC listing.

Responses to Prior Audit Recommendations

Weakness 2: The House Lacked Sufficient Information With Which To Manage and Maintain Accountability Over Its Property and Equipment

Recommendation 1: *(95-HOC-22, 04.01)* 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

CONCUR.

The new Fixed Assets and Inventory Management system (FAIMS) will be capable of maintaining detailed information with respect to property and equipment including: cost/value information, asset description, acquisition date, useful life, depreciation method, depreciation amount, and location. Summary information on the acquisition cost and accumulated depreciation of assets and inventory acquired by House organizations shall be maintained in the Federal Financial System (FFS), the House's accounting system. The contract award for a new fixed asset management system was signed on August 10, 1998, by the CAO. Included in the contract were requirements that ensured we would be able to track each of the items outlined in this audit recommendation. With the system implementation scheduled for October, 1999, we anticipate closing this recommendation on October 31, 1999.

Recommendation 2: *(97-HOC-14, 10.09)* 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 are properly processed in the correct BOC's, i.e., the correct expense accounts, in FFS.

CONCUR.

The Office of Finance continues to analyze monthly equipment and lease transactions in FFS to ensure correct BOC and general ledger usage. A meeting to review correct BOC usage will be conducted on July 22, 1999, with all CAO purchasing and procurement offices. The Office of Finance will review and clarify the revised BOC listing issued January 4, 1999, which separated software and equipment purchases from software and equipment maintenance.

Recommendation 3: *(98-HOC-11, 01.01)* In accordance with the property and lease policies recently approved by the Committee on House Oversight, and until the new fixed asset and inventory management system is implemented, a comprehensive inventory should be completed during 1998 of all

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capitalized assets, operating leases with terms in excess of one year, and capital leases. In addition, ensure compliance with the new procedures by recording property and lease transactions to the proper Budget Object Class codes and by capitalizing assets as of the date the asset is placed in service.

CONCUR.

Media and Support Services (MSS) and House Information Resources (HIR) completed by December 31, 1998, an inventory of all assets meeting the Office of the Chief Administrative Officer's (CAO) new capitalization threshold that became effective in 1998. In addition, OSM completed by December 31, 1998, a physical inventory of all capital items acquired under the previous capitalization threshold, as well as all accountable property located in Washington, D.C. The Finance Office reviewed and analyzed on a monthly basis all 1998 acquisitions to ensure items were correctly classified as capital or non-capital items and assigned the proper BOCs. MSS and HIR will continue to ensure property and lease transactions are assigned the proper Budget Object Class codes and capitalize assets as of the date the asset is placed in service. This review process by MSS and HIR will continue through September 30, 1999, when this process is moved to the new FAIMS system.

Weakness 3: 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

Recommendation 1: *(95-HOC-22, 08.09)* 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.

CONCUR.

The Office of Finance has updated manuals to reflect appropriate data entry operational policies and procedures that were then used to conduct training for CAO data entry users. Seventy staff completed training on all aspects of FFS data entry during 1998. Additionally, FFS will be modified to require all FFS users to enter service date fields (and, if appropriate, legislative year information) for all documents. Before accepting the document for processing, FFS will check the validity of the dates and display appropriate error message(s). This capability will be tested, implemented and fully functional by September 30, 1999.

Recommendation 2: *(95-HOC-22, 08.10)* Update user manuals for all of the House's significant systems in any action plan for systems improvement.

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CONCUR.

HIR continues to update the system/user manuals for all major systems that remain after the mainframe migration and Year 2000 efforts are substantially complete. This effort is scheduled for completion no later than December 31, 1999.

Recommendation 3: *(95-CAO-18, B.04)* 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.

CONCUR.

A contractor has commenced the process to refresh the existing Business Recovery Systems Plan planned for completion by July 23, 1999. A Business Recovery Systems test has been tentatively scheduled with the contractor for October 10, 1999, and a full data center "power-down" test is included in the business recovery plan. A full data center "power-down" test will occur in conjunction with the Architect of the Capitol's annual power-down test during the August Congressional recess. We believe we have taken appropriate action to close this recommendation.

Recommendation 4: *(96-CAO-15, E.02)* Adopt an implementation plan that balances the need for an aggressive timeline with user needs, and hardware, software, personnel and budget requirements.

CONCUR.

HIR formed a mainframe migration team that has validated the recommendations from PricewaterhouseCooper's "Mainframe Migration Options Study", selected an implementation plan, and prepared contingency plans and budget requirements. The migration is tentatively scheduled to occur in the third quarter of fiscal year 1999, and this recommendation will be closed on October 31, 1999.

Weakness 4: Financial Management Continues To Be Hampered By Inadequate Systems, Resources, And Procedures

Recommendation 4: *(97-HOC-14, 01.06)* Complete the implementation of the core FFS components, and develop work plans and procedures to accurately and completely reconcile transactions processed by FFS to the U.S. Treasury on a monthly basis.

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CONCUR.

The Office of Finance has implemented monthly reconciliation procedures to validate financial information recorded in FFS with amounts reported to the Treasury. The Office of Finance will next complete the implementation of the core FFS components with the implementation of full *Service Date editing for transaction entry* and begin accrual accounting as planned in January, 2000.

Recommendation 5: (97-HOC-14, 01.07) 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.

CONCUR.

The Office of Finance has developed written and automated procedures to ensure each month is closed in a timely manner. A monthly report is being developed, and will be operational by August 31, 1999, to identify the number of transactions and the dollar volume of any transactions that may be inappropriately posted to a prior accounting period. In addition, the Office of Finance will by September 30, 1999, perform fiscal year end closings of 1996 and 1997 activity. This will preclude any potential posting of transactions to these accounting periods.

Weakness 5: **The House Did Not Properly Track The Goods And Services It Ordered, Made Erroneous Duplicate Payments, And Frequently Paid Vendors Late**

Recommendation 1: (95-HOC-22, 02.01) Initiate a system of accounting and control that captures data and tracks transactions by vendor and by ordering office when goods and services are ordered, received, and paid.

CONCUR.

Procurement Desktop (PD) will be used to initiate all CAO-processed purchases using standard forms for requisitions (purchase requests) and purchase orders (awards). PD will also be used for recording receipt of goods data which will then allow PD purchase order information to be transferred to the receiving document and transferred to both FAIMS and FFS.

PD will also capture receipt of goods data and pass this information to FAIMS and FFS. This allows users the capability to determine what items have been procured, but not yet received. Further, as mentioned above, FFS payment information will be recorded in FAIMS for payment requests submitted to FFS through FAIMS. This will allow users to determine if items have been received, but have not yet been invoiced or have been received and invoiced, but not yet paid. This will be completed by March 31, 2000.

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- Recommendation 2:** *(95-HOC-22, 02.02)* 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.

CONCUR.

With PD, there will be an automated check of FFS for fund availability at the point of requisition and again at the point of purchase order (obligation) approval. Full implementation of PD in CAO offices is to be completed by December 1999.

PD will also capture receipt of goods data and pass this information to FAIMS and FFS. This allows users the capability to determine what items have been procured, but not yet received. Further, as mentioned above, FFS payment information will be recorded in FAIMS for payment requests submitted to FFS through FAIMS. This will allow users to determine if items have been received, but have not yet been invoiced or have been received and invoiced, but not yet paid. This will be completed by March 31, 2000.

- Recommendation 3:** *(98-HOC-11, 06.01)* Establish and implement policies and procedures to take advantage of FFS functions to ensure duplicate payments are not being erroneously disbursed, include analytical procedures to sort, match, and test for potential duplicate payment transactions in FFS, and ensure that FFS date fields are used consistently.

CONCUR.

The Office of Finance is developing procedures to ensure that the FFS date fields are used consistently following the modification to FFS to make service dates a required entry and edited field. This will be completed by September 30, 1999.