John W. Lainhart IV
Inspector General

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

MEMORANDUM

TO: Scot M. Faulkner
Chief Administrative Officer

FROM: John W. Lainhart IV John W. Lainhart IV
Inspector General

DATE: July 18, 1995

SUBJECT: Audit Report - Changes In Operating Practices Could Save Office Furnishings $1 Million Annually (Report No. 95-CAO-15)

This is our final report on the performance audit of Office Furnishings operations. The objective of the audit was to assess opportunities to increase efficiency and customer satisfaction. In this report, we identified opportunities for improving Office Furnishings operations, primarily through better utilization of staff, and reductions in administrative costs. In addition, the report emphasizes the need for Office Furnishings to make informed decisions with respect to meeting customer furnishing needs. We have made recommendations for corrective actions.

In response to our June 23, 1995 draft report, your office fully concurred with our findings and recommendations. The July 6, 1995 formal management response provided by the Director, Internal Controls and Continuous Improvement, is incorporated in this final report and included in its entirety as an appendix. The corrective actions being taken and planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations.

We appreciate your office's positive response and concurrence with the recommendations, and the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Craig W. Silverthorne at (202) 226-1250.

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

CHANGES IN OPERATING PRACTICES COULD SAVE OFFICE FURNISHINGS $1 MILLION ANNUALLY

Report No. 95-CAO-15
July 18, 1995

RESULTS IN BRIEF

CONCLUSIONS

The workload volume for Office Furnishings varied greatly from month to month while staffing levels were constant at a level needed to process peak workload. The House spent $1 million a year for idle time in Office Furnishings because several of the Office Furnishings shops did not schedule staff to maintain minimum services and did not use temporary staff or contractors during peak periods. In addition, the House's furnishings inventory consisted of $12 million of old and custom furnishings, many of which did not meet the needs of Members and staff. Office Furnishings spent $1.8 million repairing and refurbishing old furnishings and $1.3 million manufacturing custom furnishings in fiscal year 1994 which could have been spent on new furnishings that would better meet Member and staff needs. Office Furnishings did not assess the furniture needs and preferences of the House staff and did not have policies or a cost accounting system on which to base spending decisions.

Office Furnishings' work order system did not provide on-line access to the service divisions. Excess administrative resources were needed to process work order transactions and track the location of assets. Office Furnishings did not have the hardware and software it needed to facilitate efficient service division management.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer develop proposals, for approval by the Committee on House Oversight, to: (1) regularly evaluate furnishings needs and preferences; (2) phase out old, non-functional furnishings and replace it with ergonomic, modern furnishings; (3) develop a staffing plan for each shop which more closely maintains services necessary to satisfy routine demand; (4) address the continued need for Office Furnishings in-house resources and (i) reduce staffing down to minimum levels, supplementing staff levels with overtime, temporary staff, or contractors during peak periods, or (ii) eliminate and contract out Office Furnishings functions; and (5) procure a commercially available computer package capable of addressing work order system needs.

We also recommend that the Chief Administrative Officer direct the Office of Finance to implement an automated cost accounting module within the future financial management system.

MANAGEMENT RESPONSE

In his July 6, 1995 formal response to our draft report, the Director of Internal Controls and Continuous Improvement on behalf of the Chief Administrative Officer (CAO) formally concurred with the findings and associated recommendations contained in this report. According to his response, the CAO is taking corrective actions to increase efficiency and customer satisfaction by (1) establishing focus groups to evaluate needs and preferences of furnishings for staff and a cross section of individual Members before December 31, 1995, (2) terminating the process of furniture repair for furniture that has exceeded its useful life and replacing old non-functional furnishings with standard furniture determined by the evaluation in corrective action 1, (3) proposing changes in and clarifications of the policies regarding furniture to the Committee on House Oversight by August 31, 1995 and subsequently submitting to the Committee on House Oversight a new staffing plan based on these furniture policy decisions, (4) making a recommendation on staffing levels and the use of contractors to the Committee on House Oversight by October 31, 1995, (5) implementing a new financial system by October 1, 1995 and full implementation of reports to support furnishings acquisition and management by June 30, 1996, and (6) reviewing work flow processes and upon completion, evaluating work order systems to propose for the Committee on House Oversight to procure a suitable computer package no later than October 31, 1995.

OFFICE OF INSPECTOR GENERAL COMMENTS

The Chief Administrative Officer's current and planned actions are responsive to the issues we identified and, when fully implemented, should satisfy the intent of our recommendations.

TABLE OF CONTENTS

I. INTRODUCTION

Background

Office Furnishings is the House of Representatives' office responsible for providing, maintaining, storing, and moving furniture and furnishings for all Members, committees, and support offices. Office Furnishings was under the Office of Non-legislative and Financial Services and had approximately 122 employees during the audit period.

Office Furnishings consists of the following units: Administrative Office, Asset Management Division, and six service divisions. The Administrative Office procures new furniture and receives and processes work order requests. The Asset Management Division processes completed work orders and updates inventory records.

The six service divisions are as follows:

- **Cabinet shop** manufactures new wood furniture such as bookcases, repairs, restores old wood furniture and engraves nameplates. The shop is also responsible for picture framing and locksmith duties.
- **Drapery shop** manufactures new draperies and repairs and cleans installed draperies.
- **Carpet shop** installs new carpeting and repairs and cleans installed carpeting.
- **Finishing shop** finishes newly procured furniture such as Member desks and furniture and refinishes old wood furnishings.
- **Upholstery shop** upholsters new chair frames, reupholsters and cleans old chairs and sofas, and repairs and cleans venetian blinds.
- **Labor shop** moves furniture for temporary setups of meeting rooms, office moves, and transfers furniture to and from the repair shops and House offices.

Objective, Scope And Methodology

The objective of the Office Furnishings audit was to assess opportunities to increase efficiency and customer satisfaction. The audit was conducted for the period of October 1, 1993 to December 31, 1994. We extended the period of our review to March 31, 1995 to include the beginning of the 104th Congressional term to examine a peak workload period. We conducted our audit work during the period of March through May 1995.

We conducted our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. To accomplish our objectives, we performed the following steps:

- Compared asset management activities to best practices.
- Reviewed current asset management systems and identified gaps in data needed for effective asset management systems.
- Assessed asset management performance.
- Identified areas of potential cost savings due to improved asset management.
- Tested management controls at each stage of the asset life cycle to identify deficiencies.

To complete our review we interviewed Office Furnishings staff, observed operations, and analyzed quantitative workload, financial, and human resource data. We also analyzed the survey results from our U.S. House of Representatives Customer Satisfaction Survey, which was conducted in March 1995.

Internal Controls

This review evaluated internal controls related to Office Furnishings work order tracking and found some weaknesses. The results of these weaknesses are discussed in Finding C. Our financial statement audit reviewed the inventory system internal controls.

Prior Audit Coverage

The Office of Inspector General (OIG) reviewed Office Furnishings operations and issued a management advisory memorandum in October 1994 (Management Advisory 94-01). This Management Advisory identified several areas where internal control improvements could be made with minimal effort. Among other items, we cited these concerns:

- Current computer systems fail to assign complete accountability to an individual user and do not provide effective security.
- The work order process does not accurately reflect workload.
- The lack of a cost accounting system to assist management in evaluating the methods for best providing services or the impact of any proposed service changes.

II. FINDINGS AND RECOMMENDATIONS

Finding A: Office Furnishings Was Staffed Inefficiently And Built And Repaired Furnishings In A Non-Cost Effective Manner

The workload volume for Office Furnishings varied greatly from month to month while staffing levels were constant at a level needed to process peak workload. Consequently, the House spent $1 million a year for idle time in Office Furnishings because several of the Office Furnishings shops did not schedule staff to maintain minimum levels of resources necessary to satisfy routine demands. Also, Office Furnishings shops did not use temporary staff or contractors during peak periods. In addition, the House's furnishings inventory consisted of $12 million of old and custom furnishings, many of which did not meet the needs of Members and staff. Office Furnishings spent $1.8 million repairing and refurbishing old furnishings and $1.3 million manufacturing custom furnishings in Fiscal Year (FY) 1994 which could have been spent on new furnishings that would better meet Member and staff needs. Office Furnishings did not assess the furniture needs and preferences of the House staff and did not have policies or a cost accounting system on which to base spending decisions.

Service divisions staffed for peak workload

Efficient organizations staff to maintain minimum levels of resources necessary to satisfy routine demands. Efficient organizations also use overtime, temporary staff, and contract staff during peak periods. This allows these organizations to match resources to workload and keep administrative costs to a minimum.

Office Furnishings' workload varied on a monthly basis while staffing levels remained relatively constant. Figure 1 shows the workload for the audit period, including January through March 1995. It does not include workload for the Labor shop. (We were unable to review the Labor shop's activity because the work order system did not capture information in sufficient detail to estimate idle time for that shop.) We extended this analysis period to capture workload associated with a new Congressional term.

Based on available information, we determined that the peak workload occurred in January 1995 with about 1,900 activities completed. The service divisions, excluding the Labor shop, completed this work without the use of paid overtime or contract support. Office Furnishings management indicated that some overtime was used during the peak period that was compensated with time off but was unable to document the amount.

We found that 1,900 activities is the approximate maximum workload that could be handled by the current staffing levels for all shops. All of the other months had substantially less work order requests. For example, in November 1994, the service divisions completed 429 activities, 22 percent of the maximum workload. Nevertheless, Office Furnishings staffing levels remained relatively constant over the 18 month audit period.

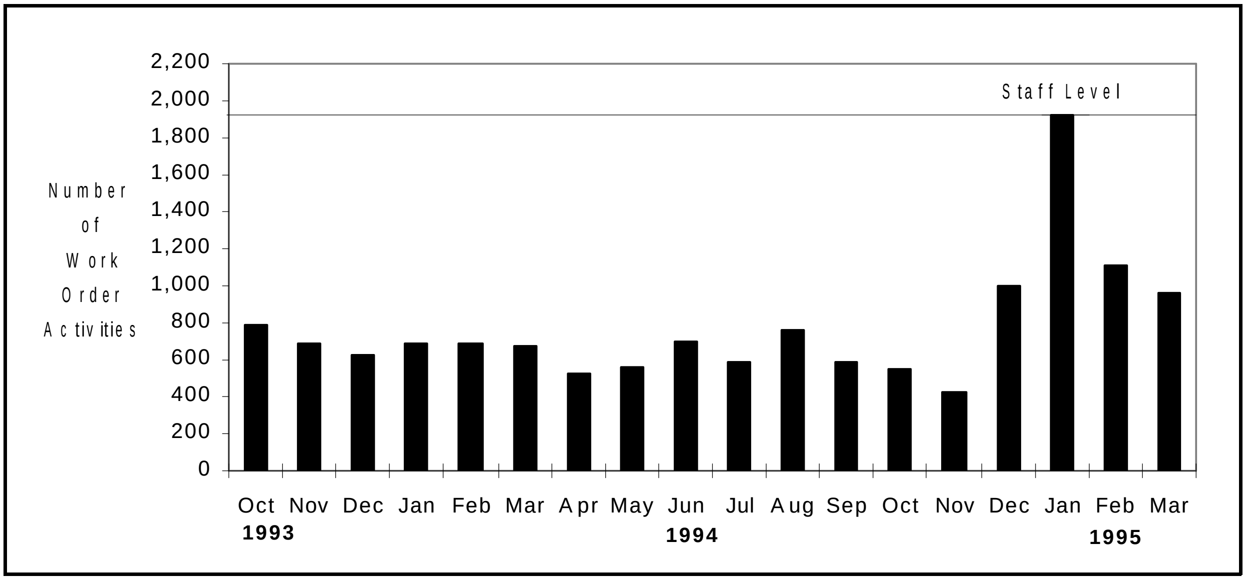

Figure 1 - Work Order Activity Level, Excluding The Labor Shop

Figure 2 demonstrates the over-staffing by comparing total available staff hours to estimated hours worked on repairs, manufacturing, and installation. This time period includes the audit period and an additional three months to represent the peak activity during a change over of Congress. Activity not documented by a work order was not included in our calculations. We also found that some shops are more appropriately staffed than others. The cabinet shop, for instance, had 23,816 excess hours. Excess hours multiplied by the cabinet shop average hourly wage resulted in $499,421 in idle cost during the audit period (23,816 x $20.97); the finishing shop had 20,868 excess hours which, when multiplied by the average hourly wage for the finishing shop, resulted in $422,994 in idle cost (20,868 x $20.27); the upholstery shop had 18,417 excess hours resulting in $390,256 in idle cost (18,417 x $21.19); the carpet shop had 4,615 excess

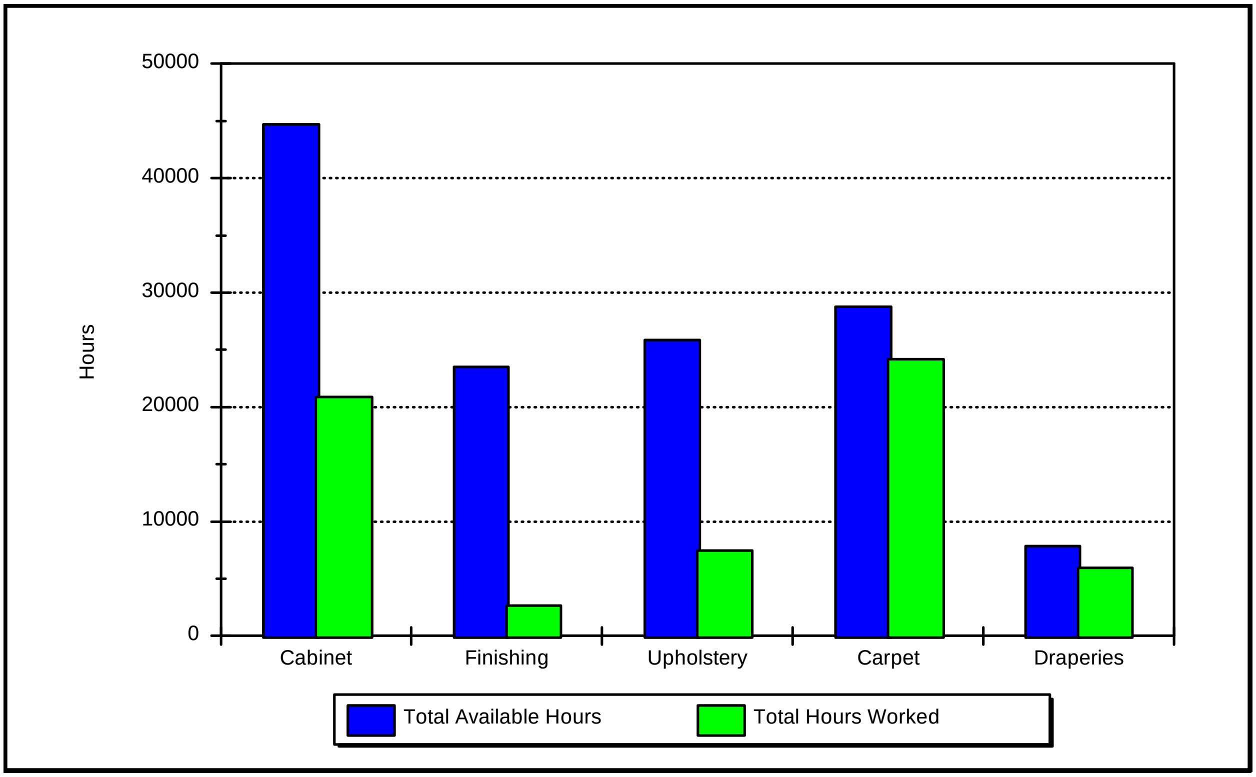

Figure 2 - Total Available Hours Vs. Total Hours Worked

hours resulting in $100,837 in idle cost (4,615 x $21.85); the drapery shop had 1,881 excess hours resulting in $39,425 in idle cost (1,881 x $20.96).[1]

[1] We calculated activity time using 1,744 hrs/yr, as prescribed by the Office of Management and Budget Circular A-76 for Executive Branch cost-benefit calculations for a one and a half year period less one month per employee for shops that lend staff to move furniture between Congressional terms.

1,744/12 x 18 = 2,616

2,616 - 264 (one month of work [8 x 22 x 1.5] for one and a half years) = 2,352

This figure was multiplied by the number of staff in each shop. The cabinet shop, for example, had 19 staff (the shop supervisor was not included in the count because most of the supervisor's duties are administrative related.) : 2,352 x 19 = 44,688 hours of available time. According to work data, we then computed productive hours. In the cabinet shop, for instance, we computed 20,872 productive hours. Available hours less productive hours multiplied by hourly rate ($20.97, based on payroll data, including 29.55 percent fringe benefits) equals idle capacity cost. In the cabinet shop, for example, available hours were 44,688 - 20,872 of productive hours = 23,816 of excess hours. 23,816 x $20.97 = $499,421 which is the cost of unproductive time in the cabinet shop. These figures computed for each shop for the 18-month period reviewed add to $1,452,933.

Manufacturing and repair hours were computed using time estimates per activity provided by Office Furnishings service division supervisors. The supervisors provided average time estimates for each type of activity performed. We multiplied the time estimates by the number of activities performed by activity type for October 1, 1993 through March 31, 1995. The number of activities performed for each activity type was obtained from the work order system data.

Office Furnishings did not schedule staff cost-effectively. Staffing was not scheduled to maintain minimum levels necessary to satisfy routine demands. Increased use of overtime, temporary staff, or contractors to assist full-time staff during peak periods would have been more efficient and resulted in substantial savings.

The House spent $1.8 million annually to repair old furnishings valued at $12 Million and $1.3 million to manufacture new furnishings

Office furnishings are a significant asset that should be functional and meet the needs of a modern office. Modern furnishings are both ergonomic and compatible with office computer systems and equipment. Most organizations procure modern furnishings, do not manufacture custom furnishings, and contract out both furniture repairs and furniture moving. Other than the House and the U.S. Senate, we could not identify any organizations that construct new furniture or repair old non-historical furniture with in-house staff. The Smithsonian has two craftsman on staff that specialize in the repair and refurbishment of historical furnishings. The White House has two people on staff that refinish historical furnishings in addition to performing painting duties. The State Department used to maintain an in-house repair capability but now contracts out all repairs.

At the end of calendar year 1994, Office Furnishings' inventory was worth $12 million. Only 10 percent of the furnishings inventory was over 30 years old and has potential historical value. The median age of the remaining furnishings was 14 years. We surveyed House Members and Staff and found that 40 percent are dissatisfied with the functionality of their furnishings. This is the highest level of dissatisfaction of all House services included in our survey. The average dissatisfaction rating for all House services on the survey was 15 percent.

Office Furnishings maintained an inventory of old and custom furnishings. A relatively small amount of its expenditures goes towards buying new ergonomic and functional furnishings. Figure 3 shows how Office Furnishings spent $3.6 million on furnishings in FY 1994: $1.3 million manufacturing new custom furniture; $1.0 million refurbishing old furniture (i.e., reupholstering and refinishing); $800,000 repairing old furniture; and $500,000 procuring new furniture. These costs include direct labor costs, materials, and Office Furnishings' overhead allocation that includes management, procurement, and administrative costs.

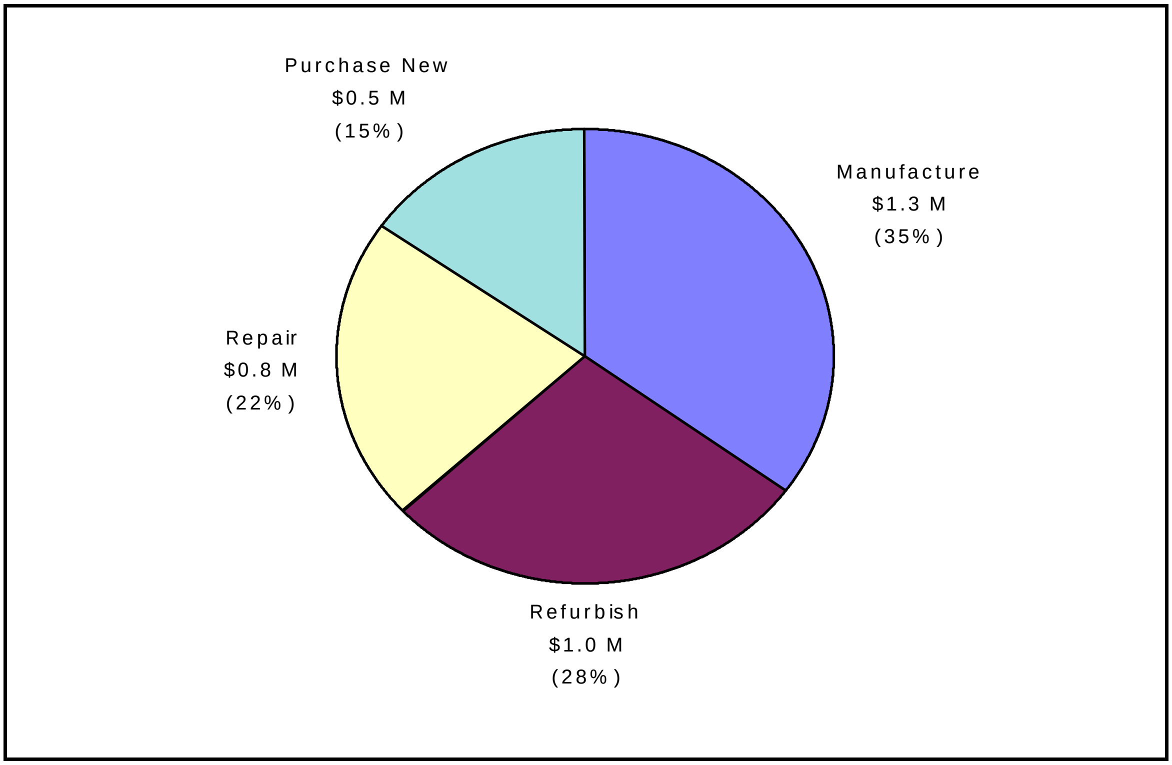

Figure 3 - Furniture Expenditures

Money spent on old and custom furnishings could have instead been spent buying new ergonomic and functional furnishings. For example, even though secretary chairs are being replaced with new ergonomic chairs, the old secretary chairs remain one of the most frequently repaired and refurbished items.

We estimate it would cost $33 million to replace most of the old furnishings in the inventory with modern, ergonomic furnishings. A conservative estimate of the cost to procure modern furnishings is $3,000 per person. The cost to provide 11,000 House Members and staff with modern furnishings would be $33 million. If the $3.6 million spent by Office Furnishings on furnishings in FY 1994 were spent only on modern furnishings, it would take nine years to replace most of the old with modern furnishings.

The decisions that led to $3.1 million being spent manufacturing new, custom furniture and repairing old furniture were not based on an analysis of customer preferences or a cost analysis.

- Office Furnishings never systematically solicited customer preferences.

- Office Furnishings did not have a cost accounting system that could support furnishings acquisition and repair decision-making. (However, in response to a prior OIG audit report entitled "Proposed New Financial Management System Will Not Meet the House's Needs and Should be Terminated," Report No. 95-CAO-02, May 12, 1995, the Office of Finance is developing a comprehensive set of functional requirements for a new financial management system. The requirements will take into consideration the information and processing needs of the House. Therefore, Office Furnishings should work with the Office of Finance to ensure that the future system will meet the needs of Office Furnishings.)

Recommendations

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

1. Evaluate customer furnishings needs and preferences on an ongoing basis.

2. Phase out old non-functional furnishings with ergonomic, modern furnishings over the next nine years.

3. Develop a staffing plan for Office Furnishings which is more closely aligned to maintaining minimum levels of resources necessary to satisfy routine demands.

4. Take into consideration the first three recommendations and specifically address the continued need for Office Furnishings in-house resources, and

   -- reduce staffing down to minimum levels, supplementing staff levels with overtime, temporary staff, or contractors during peak periods; or

   -- eliminate and contract out the Office Furnishings functions.

We also recommend that the Chief Administrative Officer :

5. Implement, within the future financial management system, an automated cost accounting module that includes all relevant overhead costs, and supports furnishings acquisition decisions and management reporting needs.

Management Response

In his July 6, 1995 formal response to our draft report, the Director of Internal Controls and Continuous Improvement on behalf of the Chief Administrative Officer (CAO) formally concurred with this finding and the associated recommendations (see Appendix). The CAO plans to: (1) hold focus group meetings with staffs and conduct interviews with groups of Members in an effort to evaluate furnishing needs and preferences by December 31, 1995; (2) cease repairing furniture which has exceeded its useful life and replace old non-functional furnishings with standard furniture by December 31, 1995; (3) implement a new financial system, including a cost accounting module, by October 1, 1995; and (4) produce reports by June 30, 1996 to use as a tool for supporting furnishings acquisition and management decision-making needs. In addition, the CAO will propose for approval by the Committee on House Oversight: (1) changes and clarifications to the furniture-related policies by August 31, 1995; (2) a new staffing plan, including the use of contractors, based on workload by October 31, 1995; and (3) subsequently submitting to the Committee on House Oversight a new staffing plan based on these furniture policy decisions.

Office of Inspector General Comments

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

Finding B: The Work Order System Requires Excess Resources To Process Transactions And Track The Location Of Assets

Office Furnishings' work order system does not provide on-line access to the service divisions. Excess administrative resources were needed to process work order transactions and track the location of assets. Office Furnishings did not have the hardware and software it needed to facilitate efficient service division management.

Efficient organizations use automated work order systems to reduce costs and increase performance level. Many commercially available asset management systems provide work order management capabilities that track the location of the assets and minimize administrative support.

In the House, Members and staff contacted administrative office service coordinators when a piece of furniture needed to be repaired or moved. Requests for repair were input to the work order system by service coordinators. Service coordinators sent work order data electronically to the Labor shop where the work order was printed. The printed work order then accompanied the furniture as it was moved or repaired by the Labor shop and other service divisions.

Upon completion of a repair or move, each service division manually recorded completed work on the work order document. The completed work order was submitted to Asset Management where data was input to the work order system and the location of the asset was updated in the inventory system. Extra time was also required to track down the location of assets for in-progress work orders as the system does not track the location of these assets.

Office Furnishings management did not take steps to streamline the work order process by providing service division staff with on-line access to the work order system. Commercially produced work order systems that are easily configured to provide on-line access and asset tracking capabilities are available. The Senate uses a commercially available package called QBIC to process work orders. This system is one example of a database that streamlines the work order process by providing on-line access to required asset information.

Recommendation

We recommend the Chief Administrative Officer:

1. Identify Office Furnishings' work order system needs.

2. Develop a proposal, for approval by the Committee on House Oversight, to procure a commercially available computer package with capabilities to adequately meet the needs identified above.

Management Response

In his July 6, 1995 formal response to our draft report, the Director of Internal Controls and Continuous Improvement on behalf of the Chief Administrative Officer formally concurred with this finding and the associated recommendations (see Appendix). The CAO stated that all work flow processes are under review and he also promised, upon completion of this review, to evaluate work order systems and propose for the Committee on House Oversight to procure a suitable computer package no later than October 31, 1995.

Office of Inspector General Comments

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

APPENDIX

Scot M. Faulkner
Chief Administrative Officer

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

MEMORANDUM

TO: Robert B. Frey III
Deputy Inspector General

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

DATE: July 6, 1995

SUBJECT: Draft Audit Report - Office Furnishings

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

Finding A

Recommendation 1: In order to evaluate needs and preferences, before December 31, 1995, focus groups will be held with staffs and a cross section of individual Members will be interviewed.

Recommendation 2: Furniture which has exceeded its useful life will no longer be repaired. Old non-functional furnishings will be replaced with standard furniture in styles determined by the evaluation described in Recommendation 1.

Recommendation 3: Staffing levels and workloads of Office Furnishings are currently under review. Changes in and clarifications of the policies regarding furniture will be proposed to the Committee on House Oversight by August 31, 1995. These will affect workloads. A new staffing plan will be submitted after the Committee has reached a decision.

Recommendation 4: A recommendation on staffing levels and the use of contractors will be made to the Committee on House Oversight by October 31, 1995.

Recommendation 5: A new financial system, including cross servicing by October 1, 1995, will include a cost accounting module necessary to implement this recommendation. Full implementation of reports to support furnishings acquisition and management will be completed by June 30, 1996.

Finding B

Recommendation: All work flow processes are currently under review. When this is completed work order systems will be evaluated and a recommendation made to the Committee on House Oversight prior to October 31, 1995.