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 - Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost $2.0 Million Annually In Payments For Outdated Equipment (Report No. 95-CAO-17)

This is our final report on the performance audit of Office Systems Management. The objective of the audit was to assess opportunities to increase efficiency and customer satisfaction. In this report, we identified problems associated with Office System Management within the House and made recommendations for corrective actions.

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

We appreciate your office's positive response and concurrence with the recommendations, and the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this 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

SPLIT RESPONSIBILITY FOR EQUIPMENT LEASING AND MAINTENANCE COST THE HOUSE ALMOST $2.0 MILLION ANNUALLY IN PAYMENTS FOR OUTDATED EQUIPMENT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
July 18, 1995

RESULTS IN BRIEF

CONCLUSIONS

Office Systems Management (OSM) did not provide an on-going evaluation to determine whether vendors performed to House expectations. As a result, at least, one third of OSM customers were dissatisfied with vendors. This situation was primarily due to the lack of a contractual basis to enforce service responsibilities, the existence of generic maintenance agreements that did not specify vendor responsibilities, and the lack of assigned responsibility for vendor performance monitoring.

Although OSM tags equipment, sometimes by part, OSM does not take a physical inventory of House office equipment. As a result, the House is at risk of losing office equipment. This situation occurred because tracking inventory by component parts does not facilitate physical inventory inspection and OSM was not required to conduct periodic inventory inspections.

OSM management did not manage maintenance of computer equipment cost-effectively. OSM continued to pay maintenance fees for purchased equipment over six years old and of questionable utility. As a result, the House spent an estimated $1.8 million annually to maintain outdated equipment. Responsibility for managing equipment disposal was split between OSM and House offices and neither analyzed the cost-effectiveness of maintaining outdated equipment.

OSM management did not manage leases on office equipment cost-effectively. OSM leased computer and other office equipment for House offices but was not responsible for terminating leases. We estimated the House spent, at least, $136,200 annually for leases and related services on equipment that was outdated or could be bought-out. OSM management stated that House offices must request lease termination. However, little information was provided to the House offices to assess the utility of equipment they were leasing.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer (CAO) develop proposals, for approval by the Committee on House Oversight, to: (1) assign responsibility for vendor monitoring to either OSM or another appropriate CAO entity; (2) track office equipment inventory by operable units, rather than component parts; (3) conduct periodic physical inspections of equipment inventory; (4) implement formal policies and procedures to compare equipment's maintenance cost to its usefulness; (5) implement a policy for replacing equipment and terminating maintenance agreements as equipment becomes outdated; and (6) implement formal policies and procedures to monitor lease agreements on outdated equipment.

We also recommend that the Chief Administrative Officer: (1) develop contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues; (2) use vendor cost and performance information in annual renegotiations of maintenance and support fees; (3) ensure that the new financial management system is configured to prompt Member offices when payments are being made on equipment over a specified age; and (4) alert Members when equipment becomes outdated.

MANAGEMENT RESPONSE

On July 10, 1995, the Office of the Chief Administrative Officer (CAO) fully concurred with the findings and recommendations in this report. The CAO is taking actions to implement the recommendations. On May 10, 1995 the Committee on House Oversight approved "Guidelines for the Purchase of Equipment, Software and Related Services by Offices of the U.S. House of Representatives" to replace the "Approved List" effective September 1, 1995. The CAO is taking actions to: (1) assign responsibility for vendor monitoring to OSM; (2) have OSM and the Office of Procurement and Purchasing develop contracts with adequate terms and conditions to resolve performance issues; (3) include cost and performance data in all contract negotiations; (4) conduct periodic physical inspections of equipment in Fiscal Year 1996; (5) prepare and submit policies and procedures for equipment maintenance costs to the Committee on House Oversight for approval; (6) implement a system to urge Member offices to terminate agreements on outdated equipment by October 1995; (7) ensure the new financial system notifies offices when payments are being made on equipment over a specified age; (8) prepare and submit for review by the Committee on House Oversight procedures to monitor equipment leases by October 31, 1995; and (9) implement a system by December 1995 to alert all House offices when equipment becomes outdated.

OFFICE OF INSPECTOR GENERAL COMMENTS

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

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I. INTRODUCTION

Background

Office Systems Management's (OSM) mission is "To efficiently and professionally fulfill all office equipment and district office furnishing needs of Members of the U.S. House of Representatives, as well as Leadership offices, Committees and Legislative Service Organizations."

This equipment includes computer hardware and software, photocopiers, fax machines, and typewriters. OSM obtained equipment through purchase and lease. Purchased equipment may have maintenance agreements, whereas leases do not.

Members used their computer equipment primarily to operate Correspondence Management Systems (CMS)--the backbone of Members' office operations. CMS is computer software and hardware with associated hardware to produce and track communications with constituents. CMS also performs typical office functions such as word processing and accounting.

During the audit period OSM was organized in four functional areas:

- **Correspondence Management Section** processed Members' equipment requests for purchase, installation, and removal. Correspondence Management had 17 employees.

- **Accounts Payable Section** received invoices from vendors and prepared documents used by the Office of Finance to pay vendors. Accounts Payable had 14 employees.

- **Asset Management Division** moved and stored equipment available for reissue, sale as surplus, or awaiting disposal, and put control number stickers on equipment. Asset Management had 12 employees.

- **Services Division** repaired IBM typewriters, packed equipment for shipping to district offices, and opened computers to inventory components. Services had 7 employees.

Two organizations shared management of House equipment:

- **Committee on House Administration** (CHA) chose equipment vendors and evaluated prices. CHA then created the House Approved List of equipment vendors from which Members and House offices were authorized to purchase equipment.

- **Members of Congress and House offices** selected equipment from the House Approved List or requested exceptions from CHA, managed their equipment, paid user fees to OSM for equipment maintenance, and sent unwanted equipment to OSM.

In addition,

- **House Information Systems** (HIS) evaluated equipment to be put on the House Approved List, developed an in-house CMS used by 250 Members, trained computer users, and diagnosed House offices' computer problems.

Objectives, Scope, And Methodology

The objective of the OSM 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, and audit work was performed during March through May 1995.

We conducted our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Our review included the following steps:

- Compared House 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.
- Performed high level cost analysis to identify areas of potential cost savings due to improved asset management.
- Tested management controls at each stage of the asset life cycle to identify deficiencies.

Our methods included interviews with OSM management to understand the organization's mission, policies, and procedures. We used OSM's inventory records to assess the cost-effectiveness of OSM's operations. We verified the data with payment vouchers, disposal records, and lease agreements. We also analyzed the results of the U.S. House of Representatives Customer Satisfaction Survey conducted in March 1995.

We followed OSM's guidelines for determining the useful life of equipment which is three years for computer equipment and five years for all other equipment. Outdated equipment is older than its useful life.

Internal Controls

This review covered internal controls related to OSM. We found significant weaknesses in the monitoring of equipment leases (see Finding C) and computer maintenance costs (see Finding D). Our financial audit also tested OSM's internal controls.

Prior Audit Coverage

There has not been prior audit coverage of OSM's operational performance.

II. FINDINGS AND RECOMMENDATIONS

Finding A: The House Lacks A Process To Monitor Cost, Quality, And Timeliness Of Vendor Services

OSM did not provide an on-going evaluation to determine whether vendors performed to House expectations. As a result, at least, one third of OSM customers were dissatisfied with vendors. This situation was primarily due to the lack of a contractual basis to enforce service responsibilities, the existence of generic maintenance agreements that did not specify vendor responsibilities, and the lack of assigned responsibility for vendor performance monitoring.

OSM's mission is "to efficiently and professionally fulfill all office equipment and district office furnishing needs of Members of the U.S. House of Representatives, as well as Leadership offices, Committees and Legislative Service Organizations." To fulfill its mission, OSM should ensure that the House obtains the level and quality of equipment and related services it pays for.

The House used outside vendors to provide office equipment, maintenance, and support services. The CHA approved vendors for the House Approved List and negotiated initial fees for equipment, maintenance, and support services. House offices, in turn, were allowed to select a vendor from the list and, then, submit equipment requests to OSM to process. Upon receipt of these equipment requests, OSM issued the purchase order and processed the necessary paperwork. During the audit period, OSM processed $39 million in lease, purchase, and maintenance requests. OSM was also responsible for maintaining an equipment inventory and repairing equipment minor malfunctions.

Once equipment was installed in House offices, vendors provided maintenance and support. Although OSM renegotiated maintenance fees annually with vendors, it did not monitor whether vendors provided expected levels of maintenance or support. OSM primarily checked whether vendor price increases were limited to increases in the Consumer Price Index. Fees were neither negotiated nor renegotiated on the basis of a cost analysis. Over $19 million was paid in equipment maintenance and support fees to vendors during the audit period. However, monitoring vendor performance was not an OSM function. Thus, no on-going evaluation occurred of whether vendors were performing to House expectations.

In fact, Members and support offices were not fully satisfied with vendor service. We surveyed a random sample of House employees and all Members and found that more than a third were dissatisfied with the cost, quality, or timeliness of the service of their vendor (see Figure 1). Thirty-nine percent were dissatisfied with the cost of vendor maintenance, 37 percent with timeliness, and 30 percent with quality. Members were more dissatisfied with vendor maintenance than were other respondents. More than half, 56 percent, were dissatisfied with the cost, 48 percent with timeliness, and 38 percent with quality of service.

Satisfaction with...	All respondents		Members	
	Satisfied	Dissatisfied	Satisfied	Dissatisfied
Cost	61	39	44	56
Timeliness	63	37	52	48
Quality	60	30	62	38

Figure 1 - Survey Results--Percentage Of Customer Satisfaction With Vendor Performance

This situation can be attributed to three causes. First, the House had no contractual basis to enforce vendor service responsibilities. OSM, which maintained the vendor files, did not have a copy of an agreement for their approved category (i.e., purchase, lease, or maintenance) for 34 of 73 vendors on the House Approved List. Second, CHA relied on generic maintenance agreements that did not specify vendor responsibilities. These agreements failed to include terms and conditions to resolve performance issues should they arise. Third, the responsibility for monitoring vendor performance was not a part of OSM's or any other House organization's functions (see Figure 2). While OSM was responsible for processing the paperwork necessary to secure vendor equipment and services, it was not tasked to monitor or assess vendor performance.

		CHA	Member/ Officer	HIS	OSM	Vendor	Finance
1	Specify equipment need	•	•				
2	Determine technical requirements	•		•			
3	Negotiate acquisition price and maintenance and support fees	•					
4	Select vendor	•					
5	Request equipment		•				
6	Order equipment				•		
7	Deliver and install or move equipment					•	
8	Receive and inspect equipment		•				
9	Update equipment records (inventory)				•		
10	Take a physical inventory		•		•		
11	Bill for equipment and related services					•	
12	Prepare voucher (match purchase order, receipt, invoice)				•		
13	Pay bill						•
14	Maintain and repair equipment					•	
15	Train and support users			•		•	
16	Monitor technical performance			•	•	•	•
17	Monitor cost			•	•	•	•
18	Renegotiate leases, maintenance, and software agreements				•		
19	Identify outdated equipment		•		•		
20	Dispose of outdated equipment		•		•		
21	Update equipment records				•		
	• indicates step not performed						

Figure 2 - Roles And Responsibilities For Office Equipment Acquisition And Management

Recommendations

We recommend that the Chief Administrative Officer (CAO) develop a proposal, for approval by the Committee on House Oversight, to:

1. Assign responsibility for vendor monitoring in accordance with one of these options:

   Option 1: Realign OSM's function with its mission to include vendor monitoring.

   Option 2: Assign the vendor monitoring role to another CAO entity.

We also recommend that the Chief Administrative Officer:

2. Implement contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues; and

3. Use vendor cost and performance information in annual renegotiations of maintenance and support fees.

Management Response

On July 10, 1995, the Office of the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the responsibility for vendor monitoring has been assigned to OSM, in cooperation with House Information Resources. Additionally, OSM is working with the Office of Procurement and Purchasing to develop contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. All future contracts will meet this requirement and current contracts will be modified where possible. Furthermore, on May 10, 1995, the Committee on House Oversight approved "Guidelines for the Purchase of Equipment, Software, and Related Services by Offices of the U.S. House of Representatives" to replace the "Approved List" effective September 1, 1995. This will allow Member offices more freedom in the purchase of maintenance and support, while establishing a vendor certification program by January 1997. Cost and performance data will be part of this program and will be used in all contract negotiations and renegotiations.

Office of Inspector General Comments

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

Finding B: Inadequate Inventory Controls And Procedures Expose The House To Possible Equipment Loss

Although OSM tags equipment, sometimes by component part, OSM does not take a physical inventory of House office equipment. As a result, the House is at risk of losing office equipment. This situation occurred because tracking inventory by component parts does not facilitate physical inventory inspection and OSM was not required to conduct periodic inventory inspections.

Records should be kept to identify and account for equipment assets. The equipment should be physically observed by some orderly process to ensure that accounting records accurately reflect each equipment item and its physical location. Discrepancies between accounting records and physical observation should be resolved. Missing items should be written off or charged to the person responsible for the equipment, and records should be adjusted accordingly.

After new equipment was received and installed, OSM created gummed labels with identification numbers, affixed the labels to the equipment, and recorded the label numbers and equipment information in the OSM Property Tracking System. In most cases, components (e.g., monitor, keyboard, modem, extended memory) of a single system were separately identified, labeled, and recorded. While OSM tracked inventory at this detailed level, OSM did not conduct physical inspections to ensure that the labeled items were in fact at their assigned locations. OSM physically inspected the equipment inventory only when a Member left office. Without periodic physical inventory inspections, the House risks losing office equipment valued, as of September 30, 1994, at nearly $116 million.

This situation can be attributed to the following causes. First, tracking inventory by component parts and identification by visual inspection of gummed labels do not facilitate physical inventory inspection. For instance, when a Member left office, OSM would have to take apart a personal computer in order to reconcile the label numbers of the internal components with OSM records. By contrast, Office Furnishings facilitates the inspection process with machine readable barcodes on furniture. In addition, although policy required that each House office conduct an inventory at the start of each regular session and certify to the accuracy of that inventory, OSM was only required to inspect equipment in Member offices when a Member left office.

Recommendations

We recommend that the CAO develop and propose system requirements, policies, and procedures, for approval by the Committee on House Oversight, to:

1. Track office equipment inventory by operable units, rather than component parts.

2. Conduct periodic physical inspections of equipment inventory.

Management Response

On July 10, 1995, the Office of the Chief Administrative Officer (CAO) fully concurred with this finding and recommendations (see Appendix). In the response, the CAO indicated that tracking of office equipment inventory by operable units, rather than component parts has been implemented. Furthermore, periodic physical inspections of equipment inventory will be initiated in Fiscal Year 1996.

Office of Inspector General Comments

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

Finding C: Split Responsibility For Ending Maintenance Fees For Purchased Equipment Cost The House, At Least, $1.8 Million Annually In Maintenance Costs For Outdated Equipment

OSM management did not manage maintenance of computer equipment cost-effectively. OSM continued to pay maintenance fees for purchased equipment over six years old and of questionable utility. As a result, the House spent an estimated $2.2 million to maintain outdated equipment during the audit period or $1.8 million annually. Responsibility for managing equipment disposal was split between OSM and House offices and neither analyzed the cost-effectiveness of maintaining outdated equipment.

Maintenance fees should be monitored and maintenance agreements on outdated equipment should be terminated or the equipment replaced. OSM set the useful life for computer equipment at three years. The House had 16,131 computer equipment items, of which 6,215 were more than three years old. Of these, 2,015 items were more than six years old--twice the useful life. (See Figure 3.)

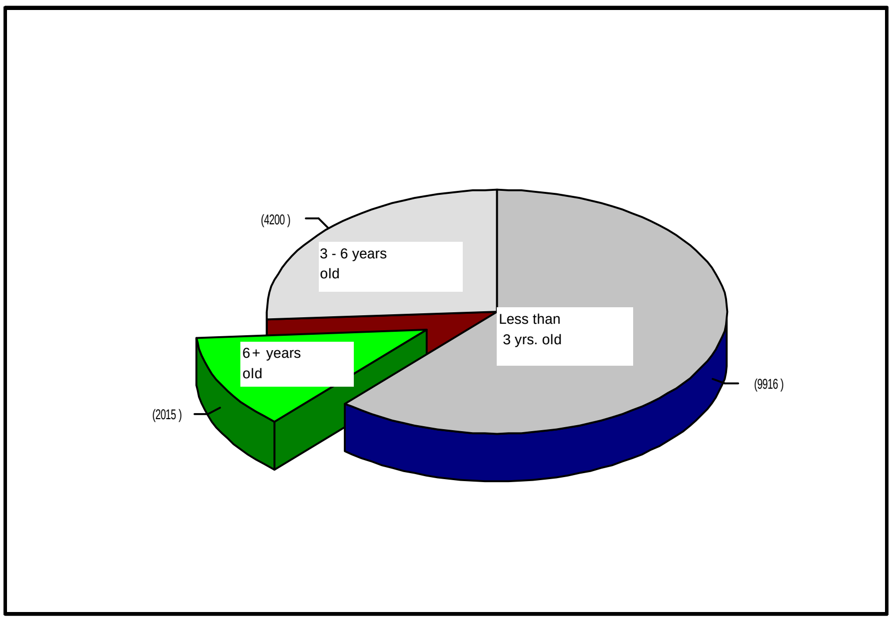

Figure 3 - Age Of Computer Equipment Owned By The House During the Audit Period

The House spent an estimated $2.2 million (or $1.8 million annually) during the audit period to maintain these 2,015 items of computer equipment more than six years old. Maintenance costs for outdated equipment could be substantially higher than this estimate. The House had an additional 4,200 outdated items between three and six years old.

To estimate maintenance costs for the 2,015 items, we selected a statistically valid sample of 155 computer items. We defined months outdated as the number of months past the useful life of the item. From the age of the item, we determined the number of months outdated. To estimate the cost of maintaining outdated equipment, we multiplied the average monthly fee by the number of months outdated. Figure 4 lists examples.

Items Maintained Having a 3-Year Useful Life	Years Maintained	Maintenance Fees Paid	Purchase Price
IBM Impact Line Printer	9.3	$17,927	$11,475
Printer Font Driver	7.8	332	350
HP LaserJet II Printer	7.7	4,524	3,899
IBM Printer	7.6	6,962	3,567
MacIntosh Plus PC	7.5	1,413	1,582
Ethernet Network Adaptor	7.3	486	516
MacIntosh 20MB PC	7.1	2,718	2,870
MacIntosh Memory Upgrade	6.9	1,162	486
HP LaserJet II Printer	6.8	2,235	1,860
NEC Printer	6.8	1,558	625
Printer Font Driver	6.8	293	180
Unisys 20MB Hard Drive Expansion	6.7	1,859	812

Figure 4 - Lifetime Maintenance Fees And Purchase Price For Selected Equipment More Than Six Years Old

Responsibility for discontinuing maintenance fees was diffuse and unclear. The lack of a financial management system that could have alerted House offices that payments were being made on outdated equipment exacerbated this problem. When negotiating with vendors, OSM management reviewed proposed maintenance fees to ensure that the annual maintenance cost on any item generally did not exceed 18 percent of the item price at time of purchase. OSM did not, however, monitor maintenance cost over time. In general, maintenance fees were constant as the equipment aged. After a few years, accumulated maintenance costs exceeded the original acquisition cost.

Recommendations

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

1. Implement formal policies and procedures to compare equipment's maintenance cost to its usefulness.

2. Implement a policy for terminating maintenance agreements as equipment becomes outdated.

We also recommend that the Chief Administrative Officer:

3. Ensure that the new financial management system is configured to prompt member offices when payments are being made on equipment over a specified age.

Management Response

On July 10, 1995, the Office of the Chief Administrative Officer (CAO) fully concurred with this finding and recommendations (see Appendix). As indicated in the response, policies and procedures to compare equipment's maintenance costs to its usefulness will be prepared and submitted for review by the Committee on House Oversight by October 31, 1995. Furthermore, the response indicated that while the decision to terminate a maintenance agreement rests with the Member office, a system to urge Member offices to terminate agreements on outdated equipment will be implemented by October 31, 1995. Additionally, the CAO stated that the Office of Finance will ensure that the new financial system notifies offices when payments are being made on equipment over a specified age. OSM will work with the Office of Finance to develop the ages at which notification should be made.

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 D: Leases On Outdated Equipment And Services Cost, At Least, $136,200 Annually

OSM management did not manage leases on office equipment cost-effectively. OSM leased computers and other office equipment for House offices but was not responsible for terminating leases. We estimated the House spent, at least, $756,000 for leases and related services for equipment that was outdated or could be bought-out. OSM management stated that House offices must request lease termination. However, little information was provided to House offices to assess the utility of equipment they were leasing.

Lease costs should be monitored over time. Leases should be evaluated at their inception to assure leasing instead of buying is an appropriate and cost-effective decision in the circumstances. Leases should also be periodically evaluated to identify outdated equipment or equipment for which the cumulative lease cost approaches the purchase cost. When the cumulative lease cost approaches the purchase price, the equipment can normally be bought-out for a nominal amount.

The House continued to lease office equipment and services which became outdated or could be bought-out. The lease period on 40 percent of 458 leases exceeded six years. On 13 percent of the leases, the lease period exceeded ten years. According to OSM inventory records, the useful life for leased equipment was five years. However, many of the leases were for computer equipment with a 3-year useful life.

We used OSM inventory records to estimate lease costs for outdated items during the audit period. We classified as outdated those items initially leased before 1989 and still under lease during the audit period. We found 121 outdated leased items for which OSM was liable for payment. OSM spent $1.7 million leasing these 121 items during their lifetime. By the end of the audit period, the House continued to lease 69 of the 121 items at an annual cost of $136,200.

To estimate a range of months outdated, we subtracted the three or five years useful life from the number of months leased. The estimated cost of leasing this equipment while it was outdated equipment was between $756,000 (assuming a 5-year useful life) and $1.1 million, (assuming a 3-year useful life). Figure 5 summarizes the equipment and services leased and their cost.

Item Description	Item Count	Excess lease costs assuming: 3-Yr Useful Life	Excess lease costs assuming: 5-Yr Useful Life
Leased Equipment:			
Autopen signature machines	10	$83,800	$68,200
Fax machines	14	69,000	37,100
Computer modems	16	38,500	24,700
Printers and printer peripherals	8	55,900	35,700
Photocopiers	18	114,800	63,800
Other leased equipment	48	179,000	109,100
Total leased equipment	114	$541,000	$338,600
On-line CMS data services	7	603,700	417,800
Total	**121**	**$1,144,700**	**$756,400**

Figure 5 - Excess Lease Costs On Equipment During The Audit Period

Figure 6 provides examples. Note that the on-line data services shown in these two figures were for systems installed in the mid-1980's and used computer hardware from that period. The useful life of these services and related hardware was three years.

Item	Year Acquired	Lifetime Lease Cost	5-Year Lease Cost
Autopen Signature Machine	1974	16,315	3,900
Autopen Signature Machine	1975	15,080	3,900
Autopen Signature Machine	1977	12,545	3,900
Autopen Signature Machine	1979	11,700	3,900
Texas Instruments Computer Terminal	1981	9,720	3,600
Printer Terminal System	1982	17,255	8,700
Western Electric Modem	1983	4,290	1,950
DEC Letter Printer	1984	15,928	10,860
On-line Data Service Plan	1985	160,650	81,000
On-line Data Service Plan	1985	188,253	96,540
Micro Research 1200 Baud Modem	1985	5,336	2,760
Burroughs Fax Machine	1985	8,640	5,400
Xerox 1035 Photocopier	1985	12,334	6,286
AT&T 1200 Baud Modem	1985	2,725	1,500
Savin Photocopier	1985	13,156	6,705
Burroughs Fax Machine	1986	8,280	5,400
3M Fax Machine	1986	8,514	5,940
Norelco Transcriber	1987	2,365	1,612
Xerox 1025 Photocopier	1987	14,526	9,969
Pitney Bowes Fax Machine	1987	6,375	4,500

Figure 6 - Lifetime Lease Costs And 5-year Lease Costs For Selected Equipment Over Six Years Old

Furthermore, OSM generally spent more to lease equipment while it was outdated than it spent during the useful life of the equipment. Figure 7 compares lease costs during the outdated life to costs during the useful life. As an example, for the bar representing total expenditures on equipment purchased between 1974 and 1975, OSM spent between 15 and 25 percent of total expenditures for three to five years of use, compared to 75 percent while the equipment was outdated.

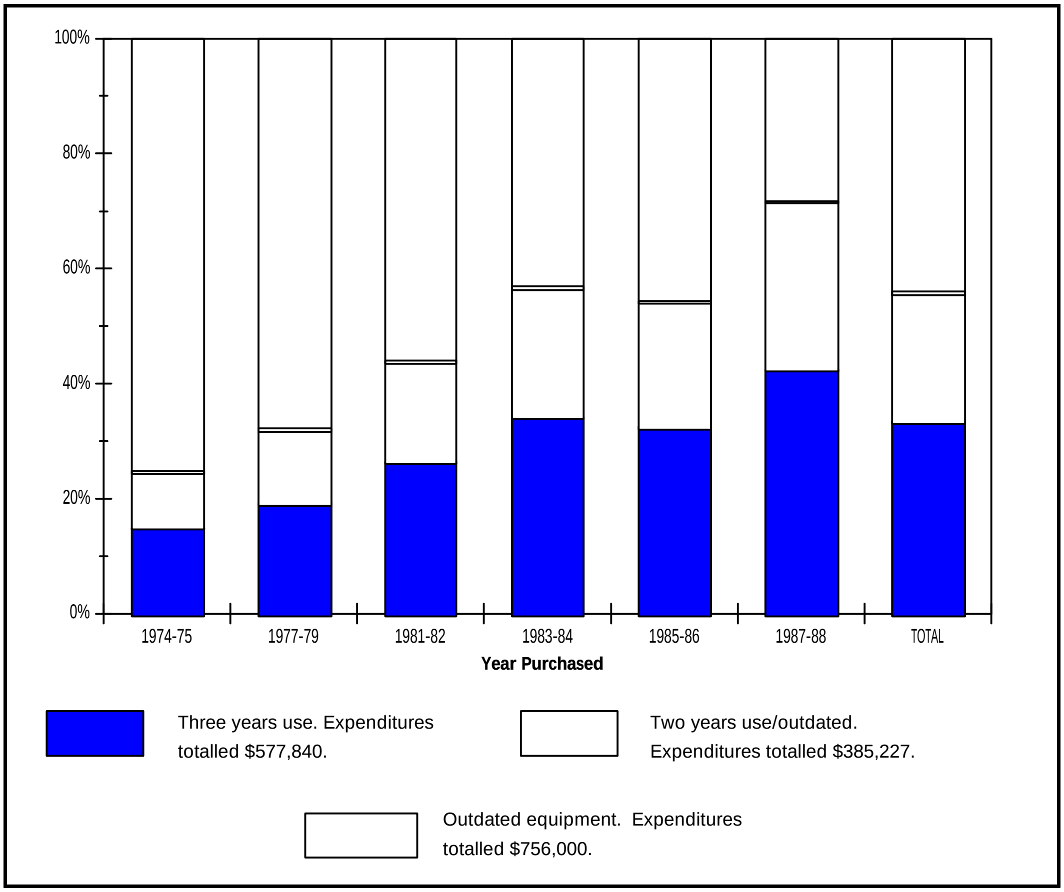

Figure 7- Percentages Of Expenditures On Equipment From 1974 Through 1988

OSM leased computer and other office equipment for House offices but was not responsible for terminating leases. OSM management stated that House offices must request lease termination. However, little information was provided to House offices to assess the utility of equipment they were leasing.

Recommendations

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

1. Implement formal policies and procedures to monitor lease agreements on outdated equipment.

We also recommend that the Chief Administrative Officer:

2. Alert House offices when equipment becomes outdated.

Management Response

On July 19, 1995, the Office of the Chief Administrative Officer (CAO) fully concurred with this finding and recommendations (see Appendix). As indicated in the response, procedures to monitor equipment leases on outdated equipment will be prepared and submitted for review by the Committee on House Oversight by October 31, 1995. Additionally, a system to alert all House offices when equipment becomes outdated will be implemented by December 31, 1995.

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.

Wm. M. Faulkner
Chief Administrative Officer

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

APPENDIX

MEMORANDUM

TO: Robert B. Frey III
Deputy Inspector General

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

DATE: July 10, 1995

SUBJECT: Draft Audit Report - Office Systems Management

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: Responsibility for vendor monitoring has been assigned to OSM. It is to carry out these responsibilities in cooperation with House Information Resources.

Recommendation 2: OSM is working with the Office of Procurement and Purchasing to develop contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. All future contracts will meet this requirement and current contracts will be modified where possible.

Recommendation 3: On May 10, 1995 the Committee on House Oversight approved "Guidelines for the Purchase of Equipment, Software and Related Services by Offices of the U.S. House of Representatives" to replace the "Approved List" effective September 1, 1995. This will allow Member offices more freedom in the purchase of maintenance and support. It also orders the establishment of a vendor certification program by January 1997. Cost and performance data will be part of this program and will be used in all contract negotiations and renegotiations.

Finding B

Recommendation 1: This recommendation has been implemented.

Recommendation 2: Periodic physical inspections of equipment inventory will be initiated in Fiscal 1996.

Finding C

Recommendation 1: Policies and procedures to compare equipments' maintenance costs to its usefulness will be prepared and submitted for review by the Committee on House Oversight by October 31, 1995.

Recommendation 2: The decision to terminate a maintenance agreement rests with the Member office. However a system to urge Member offices to terminate agreements on outdated equipment will be implemented by October 31, 1995.

Recommendation 3: The Office of Finance will ensure the new financial system notifies offices when payments are being made on equipment over a specified age. OSM will work with the Office of Finance to develop the ages at which notification should be made.

Finding D

Recommendation 1: Procedures to monitor equipments leases on outdated equipment will be prepared and submitted for review by the Committee on House Oversight by October 31, 1995.

Recommendation 2: A system to alert all House offices when equipment becomes outdated will be implemented by December 31, 1995.