John W. Lainhart IV
Inspector General

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

MEMORANDUM

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

The Honorable Vic Fazio, Ranking Minority Member
Committee on House Oversight

FROM: John W. Lainhart IV
Inspector General

DATE: July 18, 1995

SUBJECT: Final Report - Audit of Financial Statements for the 15-Month Period Ended December 31, 1994 (Report No. 95-HOC-22)

Attached is our final report presenting the results of Price Waterhouse LLP's (Price Waterhouse) audit of the House of Representatives' (House) financial statements for the 15-month period ended December 31, 1994. Price Waterhouse reports, and we concur, that the House lacks the organization and structure to periodically prepare financial statements that, even after significant audit adjustment and reconstruction, are accurate and reliable. In addition to the audit report, the financial statements and reports on the House's compliance with laws and regulations and internal controls are included.

Scope of Audit

This audit was conducted under the authority of House Resolution 6, Section 107, that established the requirement for a comprehensive House audit. Section 107 is a free-standing requirement that the Inspector General of the House, during the 104th Congress, in consultation with the Speaker and the Committee on House Oversight, conduct a comprehensive audit of House financial records and administrative operations, be authorized to contract with independent auditing firms for such purposes, and report the results of the audit as provided in House rule VI, which requires the submission of any audit report(s) simultaneously to the Speaker, majority leader, minority leader, and the Chairman and ranking minority members of the Committee on House Oversight. To complete this audit, we contracted with the independent certified public accounting firm of Price Waterhouse LLP. We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In addition to this audit of the House's financial statements, Price Waterhouse also undertook an evaluation of House operations that focused on economy, efficiency, and effectiveness issues as well as the internal controls environment. The resulting compilation report (*Audits of Administrative Operations - Compilation Report, Report No. 95-HOC-23*) that addresses these deficiencies in 18 administrative operations, accompanies this report.

Results of Price Waterhouse's Audit

Price Waterhouse's report, with which we concur, states that none of the financial information or statements produced periodically by the House's financial and administrative units were suitable for reporting consolidating information in an acceptable financial statement format that included a statement of financial position, a statement of operations, and a statement of cash flows. The House was organized to report financial information in the Report of the Clerk of the House The Clerk's report was a voluminous quarterly document that typically listed over 90,000 disbursements. It did not summarize disbursements in logical groupings or accounts, accumulate them beyond one quarter, or otherwise place them in a context that could be easily understood or compared with financial information from other organizations. The House lacked the organization and structure to periodically prepare financial statements that, even after significant audit adjustment and reconstruction, are accurate and reliable. In addition, the method of accounting underlying the preparation and dissemination of financial management information was simplistic and ill-suited for an organization the size of the House. The House used cash-basis accounting as its primary means of managing its resources. In the private sector and in most governmental organizations, accounting methods and practices are designed to capture and report financial information long before cash is exchanged. Furthermore, outdated and poorly designed computer systems contributed to the House's general lack of financial information for preparing financial statements and managing its operations. The primary automated system used by the House to manage its finances, known as the Financial Management System, is nearly 20 years old and was designed to record only cash activity similar to an automated checkbook. Finally, in addition to the deficiencies in accounting, reporting, and information systems, Price Waterhouse identified weaknesses in the House's internal control structure. The House has policies and procedures documented in its *Congressional Handbook* but they were frequently waived or were ineffective as a means of maintaining proper control over transactions. Price Waterhouse's reports--Report of Independent Accountants; Report on Compliance with Laws and Regulations; and Report on Internal Control Structure--that accompany the financial statements, and are attached herewith, discuss each of these reportable conditions in greater detail.

Prior Audit Coverage

The General Accounting Office (GAO) has been performing various financial audits of House entities for a number of years. The latest reports, covering Fiscal Year 1993 are presented below with the specific type of financial audit indicated within the parenthesis:

- House Child Care Center (Balance Sheet and Related Statements of Revenues, Expenses, and Fund Balance and Statement of Cash Flows)
- House Recording Studio Revolving Fund (Statements of Financial Position)
- House Beauty Shop (Statements of Financial Position, Operations and Cash Flows)
- Stationary Store (Statements of Financial Position, Operations and Cash Flows)
- Finance Office (Statement of Accountability)
- Office Systems (Statement of Receipts and Disbursements)
- Sergeant at Arms (Member Payroll) -- Calendar 1993 (Balance Sheets and Statements of Operations and Cash Flows)

GAO gave the House an unqualified opinion for all these reports, indicating that:

"... the principal statements and accompanying notes present fairly, in all material respects, the assets, liabilities, and net financial position of the entity at the end of the period, and the revenue sources and expenses, cash flows (or changes in financial position), and reconciliation of operating expenses with budget outlays for the period then ended, on the entity's basis of accounting."

The only exception to this is that GAO stated in its April 4, 1995 financial audit report (*Statement of Accountability of the House Office of Finance for Fiscal Year 1993, GAO/AIMD-95-31*) of the House Office of Finance that the "Statement of Accountability for Appropriations and Other Funds was prepared on a cash basis, which is a comprehensive basis of accounting other than that required by generally accepted accounting principles."

In addition, GAO expressed an opinion that the internal controls in effect at the end of the period were sufficient to meet the following control objectives insofar as those objectives pertain to preventing or detecting losses, non-compliance, or misstatements that would be material in relation to the principal statements:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with budget authority and with laws and regulations tested by the auditor.
- Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and to maintain accountability for assets.

Furthermore, GAO indicated that their tests for compliance with applicable provisions of laws and regulations disclosed no material instances of noncompliance (except as discussed below). GAO also stated that nothing came to their attention in the course of their work to indicate that a material noncompliance with such provisions occurred.

GAO's April 14, 1995 financial audit report (*House Beauty Shop Revolving Fund for the Year Ended 9-30-93 and 9 Months Ended 9-30-92, GAO/AIMD-95-82*) of the House Beauty Shop noted that it had reported in its previous report, dated September 13, 1993, that the House

Beauty Shop Revolving Fund was required to transfer $16,531 ($4,928 and $11,603 respectively) to Treasury for the 9 months ended September 30, 1992, and the year ended December 31, 1991. According to GAO, these funds were not transferred and remain a liability because of insufficient cash.

Recommendations

The Chief Administrative Officer (CAO) was provided a draft of this report on July 10, 1995 for review and formal comment. This report contains 59 recommendations of Price Waterhouse to correct the 14 reportable conditions which are considered to be material weaknesses in the House's internal control structure. However, 35 of these recommendations (which are identified with an OIG report number) were already discussed in the administrative operations audit reports contained in the accompanying compilation report (*Audits of Administrative Operations - Compilation Report, Report No. 95-HOC-23*), and the CAO has provided responses to each of these recommendations in those reports. The remaining 24 recommendations are new, and the CAO's comments with respect to them are summarized below.

Comments of House Management

The Director of Internal Controls and Continuous Improvement formally responded to this report for the Chief Administrative Officer on July 11, 1995. In his response, which is included in its entirety as an appendix to this report, the Director fully concurred with the findings, conclusions, and recommendations contained herein. Management's completed, on-going, and planned actions are thus responsive and, when fully implemented, should satisfy the intent of our recommendations. In accordance with the *Government Auditing Standards*, we will continue to track the implementation of these corrective actions.

Attachments

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

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Report of Independent Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Inspector General
U.S. House of Representatives

We were engaged to audit the accompanying consolidating statement of financial position of the U.S. House of Representatives (House) as of December 31, 1994, the related consolidating statements of operations and cash flows for the 15 month period then ended, and the consolidating statement of budget and actual expenditures for the fiscal year ended September 30, 1994. These financial statements are the responsibility of the Members and administrative management of the House. As part of this audit, we have issued separate reports dated July 18, 1995, on the internal control structure of the House and on the House's compliance with applicable laws, rules, and regulations.

The House lacks the organization and structure to periodically prepare financial statements that, even after significant audit adjustment and reconstruction, are accurate and reliable. The House was organized to report financial information in the *Report of the Clerk of the House*, in individual financial reports issued by various smaller units of the House, such as the Beauty and Barber Shops, Recording Studio and Stationery Store, and in a single, cash-basis "Statement of Accountability" issued by the House's Office of Finance. The Clerk's report was a voluminous quarterly document that typically listed over 90,000 disbursements. But it did not summarize disbursements in logical groupings or accounts, accumulate them beyond one quarter, or otherwise place them in a context that could be easily understood or compared with financial information of other organizations. The individual financial reports of House units were of limited use to understanding the finances of the House as a whole, because they constituted only small components of the House. The Statement of Accountability, which purportedly accounted for all House transactions, reported collections and disbursements in broad account categories, but little else. None of the financial information or statements periodically produced by the House's financial and administrative units were suitable for reporting consolidating information in an acceptable financial statement format that included a statement of financial position, a statement of operations and a statement of cash flows.

In addition, the method of accounting underlying the preparation and dissemination of financial management information was simplistic and ill-suited for an organization the size of the House. The House used cash-basis accounting as its primary means of managing its financial resources and preparing internal and external financial reports. This meant that the House tracked when it received or spent cash, but not what liabilities, or legal obligations or commitments it was incurring, the value of the assets it was purchasing, or what revenue its business-like entities were earning. In the private sector and in most governmental organizations, accounting methods and practices are designed to capture and report financial information long before cash is exchanged. Doing this provides more timely and useful information to internal and external users of financial statements and information. Collectively, these methods and practices are referred to as accrual-based accounting, which is a generally accepted accounting principle. Because the House did not systematically or continually apply this generally accepted principle of accounting, it is possible that accrual-based balances for accounts payable, accounts receivable, property and equipment and lease transactions presented in the accompanying consolidating financial statements are misstated or contain errors.

Outdated and poorly designed computer systems contributed to the House's general lack of financial information for preparing financial statements and managing its operations. The primary automated system used by the House to manage its finances, known as the Financial Management System (FMS), is nearly 20 years old and was designed to record only cash activity similar to an automated checkbook. Neither FMS nor the system initially designated to replace it, were capable of providing information with which Members and key officials can manage the House's finances to achieve greater economy and efficiency. As a result of these system and information deficiencies, the House is subject to greater risk of incurring losses and excess costs, particularly with respect to accountability over its assets, the cost-effectiveness of its leasing transactions, and control over commitments to expend House financial resources. However, short of reconstructing thousands of paper-based records, it was not practicable for us to extend our auditing procedures to determine the extent to which the accompanying financial statements may have been materially misstated as a result of these deficiencies.

In addition to the deficiencies in accounting and reporting, and in information systems, there are other weaknesses in the House's internal control structure. An internal control structure comprises policies, procedures, and a management philosophy through which an organization assures it operates economically and efficiently in accord with management's objectives and intentions. While the House had policies and procedures documented in its *Congressional Handbook*, they were frequently waived or were ineffective as a means of maintaining proper control over transactions. The House lacked sufficient control over the execution of its budget, especially over amounts appropriated to Members, allowing it to exceed this portion of its budget by approximately $14.2 million. House procedures regarding the submission of travel documents for approval and payment were too lenient, and were so frequently waived that their effectiveness as an internal control was questionable. This created situations in which the same travel bill could be paid more than once, or where bills or credit card balances were paid late. Controls over payroll adjustments and changes were also weak. Payroll overpayments of $299,000 occurred, as did other payroll errors that required issuing 3,400 supplemental checks. The severity of these weaknesses affects the reliability of the financial statements, because in the absence of an effective internal control structure, there can be no assurance that all House transactions were properly recorded, accumulated and reported in accordance with the rules, policies, and procedures established by the House.

Because the House's accounting and reporting methods were outdated and of limited utility, the accompanying financial statements required significant adjustment to attempt to conform them to generally accepted accounting principles. However, the shortcomings in the House's information systems and the weaknesses in its internal control structure were so severe that they affected the availability and reliability of data and information supporting the financial statements. These conditions also made it impractical for us to extend our audit procedures to the degree necessary to determine the effect these shortcomings and weaknesses might have had on the House's consolidating financial statements. Therefore, even after significantly increasing our audit procedures and after numerous adjustments were made to the financial statements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying consolidating financial statements.

The supplemental schedules are presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of individual entities within the House. The supplemental schedules for the Legislative Service Organizations (LSOs) report their expenditures only for the period such data was available. This was for the 12 months from January 1 through December 31, 1994, when LSO expenditures were processed by the House's Office of Finance. For the reasons stated in the preceding paragraph, we are unable to, and do not, express an opinion as to whether the supplemental schedules are fairly stated in relation to the consolidating financial statements taken as a whole.

Washington, D.C.
July 18, 1995

Financial Statements

U.S. House of Representatives
Consolidating Statement of Financial Position
As of December 31, 1994

	Members	Committees	Leadership Offices	Officers and Legislative Offices
ASSETS				
Fund Balance with Treasury (Note 4)	$ 0	$ 0	$ 0	$ 707,725,093
Cash (Note 4)	0	1,350	100	79,519
Fund Balance with Treasury and Cash	0	1,350	100	707,804,612
Accounts Receivable	28,396,646	960,858	76,828	6,261,472
Advances and Prepayments	930,458	209,339	21,452	38,829
Inventory	0	0	0	1,768,027
Property and Equipment, net (Note 5)	12,284,547	2,949,290	297,686	8,956,456
Total Assets	$ 41,611,651	$ 4,120,837	$ 396,066	$ 724,829,396
LIABILITIES AND NET POSITION				
Accounts Payable (Note 6)	$ 29,327,104	$ 1,171,547	$ 98,380	$ 45,998,019
Capital Lease Liabilities (Note 9)	0	0	0	0
Total Liabilities	29,327,104	1,171,547	98,380	45,998,019
Net Position (Note 8)	12,284,547	2,949,290	297,686	678,831,377
Total Liabilities and Net Position	$ 41,611,651	$ 4,120,837	$ 396,066	$ 724,829,396

The accompanying notes are an integral part of these financial statements

House Information Systems	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 0	$ 30,739,729	$ 1,521,437	$ 0	$ 739,986,259
0	8,500	0	0	89,469
0	30,748,229	1,521,437	0	740,075,728
4,534,730	0	0	(39,221,436)	1,009,098
311,958	45,503	10,186	0	1,567,725
0	0	0	0	1,768,027
5,164,238	1,189,281	200,524	0	31,042,022
$ 10,010,926	$ 31,983,013	$ 1,732,147	$ (39,221,436)	$ 775,462,600
$ 1,753,193	$ 624,452	$ 25,481	$ (39,221,436)	$ 39,776,740
3,093,495	0	0	0	3,093,495
4,846,688	624,452	25,481	(39,221,436)	42,870,235
5,164,238	31,358,561	1,706,666	0	732,592,365
$ 10,010,926	$ 31,983,013	$ 1,732,147	$ (39,221,436)	$ 775,462,600

U.S. House of Representatives
Consolidating Statement of Operations
for the 15 Months Ended December 31, 1994

	Members	Committees	Leadership Offices	Officers and Legislative Offices
REVENUE AND FINANCING SOURCES				
Revenue From Operations				
Sales of Goods	$ 0	$ 0	$ 0	$ 3,688,288
Sales of Services to Federal Agencies	0	0	0	0
Sales of Services to the Public	0	0	0	9,027,072
Interoffice Sales (Note 7)	0	0	0	57,418,496
Membership Dues to LSOs (Note 7)	0	0	0	0
Revenue From Operations	0	0	0	70,133,856
Financing Sources				
Appropriations to Cover Expenses	627,590,123	192,019,858	14,965,621	88,390,493
Total Revenue and Financing Sources	627,590,123	192,019,858	14,965,621	158,524,349
EXPENSES				
Personnel Compensation	375,310,921	143,129,947	10,702,737	58,702,211
Benefits (Note 11)	109,524,210	32,923,640	2,619,873	18,881,892
Postage and Delivery	45,656,148	256,036	84,670	271,667
Repairs and Maintenance	15,235,259	3,336,676	460,901	35,892,984
Depreciation and Amortization (Note 5)	10,836,718	2,423,640	214,985	5,130,991
Supplies and Materials	9,184,980	1,169,706	274,266	14,130,032
Rent and Utilities	17,590,431	829,837	0	0
Telecommunications	15,834,462	936,620	214,378	16,796,194
Travel and Transportation	12,757,334	1,035,157	56,079	549,150
Contract, Consulting, and Other Services	1,543,356	5,510,919	246,881	4,676,562
Printing and Reproduction	8,257,025	12,303	14,722	200,170
Subscriptions and Publications	1,953,228	455,377	76,129	174,099
Cost of Goods Sold	0	0	0	3,118,397
Interest on Capital Leases (Note 9)	0	0	0	0
Membership Dues to LSOs	3,906,051	0	0	0
Total Expenses	627,590,123	192,019,858	14,965,621	158,524,349
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0

The accompanying notes are an integral part of these financial statements

House Information Systems	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 0	$ 0	$ 0	$ 0	$ 3,688,288
6,573,605	0	0	0	6,573,605
0	84,280	0	0	9,111,352
4,413,934	0	0	(61,832,430)	0
0	0	4,033,979	(3,906,051)	127,928
10,987,539	84,280	4,033,979	(65,738,481)	19,501,173
17,652,290	48,490,461	1,094,925	0	990,203,771
28,639,829	48,574,741	5,128,904	(65,738,481)	1,009,704,944
16,279,612	35,980,027	3,560,901	0	643,666,356
3,749,576	8,617,384	1,032,225	0	177,348,800
5,164	1,961	20,626	0	46,296,272
3,720,548	451,788	72,379	(33,653,612)	25,516,923
2,139,613	637,613	138,124	0	21,521,684
460,833	1,288,725	171,225	(6,832,465)	19,847,302
0	0	0	0	18,420,268
254,559	93,129	47,600	(16,268,823)	17,908,119
65,907	336,738	4,216	0	14,804,581
943,667	1,055,641	13,311	(4,979,751)	9,010,586
4,120	23,617	59,797	(97,779)	8,473,975
698,825	88,118	8,500	0	3,454,276
0	0	0	0	3,118,397
317,405	0	0	0	317,405
0	0	0	(3,906,051)	0
28,639,829	48,574,741	5,128,904	(65,738,481)	1,009,704,944
$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Consolidating Statement of Cash Flows
for the 15 Months Ended December 31, 1994

	Members	Committees	Leadership Offices	Officers and Legislative Offices
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficiency) of Revenue and Financing Sources over Total Expenses	$ 0	$ 0	$ 0	$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(627,590,123)	(192,019,858)	(14,965,621)	(88,390,493)
(Increase)/Decrease in Accounts Receivable	(28,396,646)	(960,858)	(76,828)	(946,418)
(Increase)/Decrease in Advances and Prepayments	(930,458)	(209,339)	(21,452)	(38,829)
(Increase)/Decrease in Inventory	0	0	0	(33,095)
Increase/(Decrease) in Accounts Payable	14,396,632	(1,401,142)	19,134	20,684,315
Depreciation and Amortization	10,836,718	2,423,640	214,985	5,130,991
Net Cash (Used)by Operating Activities	(631,683,877)	(192,167,557)	(14,829,782)	(63,593,529)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment, net	(7,146,964)	(2,945,392)	(203,336)	(6,558,130)
Net Cash(Used) by Investing Activities	(7,146,964)	(2,945,392)	(203,336)	(6,558,130)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received (Note 8)	0	0	0	1,568,449,200
Appropriated Funds Allocated (Note 8)	638,830,841	195,112,849	15,033,118	(870,769,692)
Funds Returned to Treasury (Note 8)	0	0	0	(3,948,734)
Principal Payments on Capital Lease Obligations	0	0	0	0
Net Cash Provided by Financing Activities	638,830,841	195,112,849	15,033,118	693,730,774
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	0	(100)	0	623,579,115
Fund Balances with Treasury and Cash, Beginning	0	1,450	100	84,225,497
Fund Balances with Treasury and Cash, Ending	$ 0	$ 1,350	$ 100	$ 707,804,612

The accompanying notes are an integral part of these financial statements

House Information Systems	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 0	$ 0	$ 0	$ 0	$ 0
(17,652,290)	(48,490,461)	(1,094,925)	0	(990,203,771)
(3,261,235)	0	0	34,007,653	365,668
(311,958)	(45,505)	(10,186)	0	(1,567,727)
0	0	0	0	(33,095)
266,448	(1,375,030)	21,935	(34,007,653)	(1,395,361)
2,139,613	637,613	138,124	0	21,521,684
(18,819,422)	(49,273,383)	(945,052)	0	(971,312,602)
(1,912,459)	(582,910)	(168,278)	0	(19,517,469)
(1,912,459)	(582,910)	(168,278)	0	(19,517,469)
0	81,450,000	0	0	1,649,899,200
21,792,884	0	0	0	0
0	(5,932,964)	0	0	(9,881,698)
(1,061,003)	0	0	0	(1,061,003)
20,731,881	75,517,036	0	0	1,638,956,499
0	25,660,743	(1,113,330)	0	648,126,428
0	5,087,486	2,634,767	0	91,949,300
$ 0	$ 30,748,229	$ 1,521,437	$ 0	$ 740,075,728

U.S. House of Representatives
Consolidating Statement of Budget and Actual Expenditures
for the Fiscal Year Ended September 30, 1994

	Members	Committees	Leadership Offices
BUDGETARY RESOURCES			
Net Fiscal Year 1994 House Appropriations	$ 318,684,938	$ 126,774,000	$ 9,904,000
Fiscal Year 1994 Members' Salaries Appropriations	75,078,000	0	0
Total Budgetary Resources	393,762,938	126,774,000	9,904,000
EXPENDITURES (Note 12)			
Personnel, Excluding Benefits	(236,616,949)	(113,852,389)	(8,523,276)
Member Salaries	(73,208,826)	0	0
Non-Personnel, Net of Earned Revenues	(80,819,405)	(11,378,668)	(387,450)
Total Expenditures	(390,645,180)	(125,231,057)	(8,910,726)
Fiscal Year 1994 Resources Remaining Available	$ 3,117,758	$ 1,542,943	$ 993,274

The accompanying notes are an integral part of these financial statements

Officers and Legislative Offices	House Information Systems	Capitol Police and Other Joint Functions	Benefits and Other	Consolidated
$ 106,677,114	$ 15,731,083	$ 38,633,000	$ 121,157,000	$ 737,561,135
0	0	0	0	75,078,000
106,677,114	15,731,083	38,633,000	121,157,000	812,639,135
(45,266,598)	(13,091,040)	(34,310,847)	(120,090,515)	(571,751,614)
0	0	0	0	(73,208,826)
(52,483,838)	(1,845,111)	(3,598,993)	(559,208)	(151,072,673)
(97,750,436)	(14,936,151)	(37,909,840)	(120,649,723)	(796,033,113)
$ 8,926,678	$ 794,932	$ 723,160	$ 507,277	$ 16,606,022

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. Except for the Statement of Budget and Actual Expenditures which covers the 12 months ended September 30, 1994, these financial statements cover the 15 months (October 1, 1993 - December 31, 1994) ended December 31, 1994, of the House during the 103rd Congress. The 104th Congress took office on January 4, 1995.

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 to consider. 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 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. Following is a summary of the entity groupings included in the consolidating financial statements:

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

The **Committees** column aggregates accounts and financial transactions of the standing, select or special committees of the House constituted in the 103rd Congress. Committees are organized at the beginning of each Congress according to their jurisdictional boundaries incorporated in the Rules of the House. Members are assigned to committees by a committee appointed by the House leadership. A listing of the standing committees of the House is provided at Note 10.

Joint committees, which have Members from both the House and the Senate, exist for ceremonial and legislative purposes. These joint committees are included in the consolidating financial statements under the reporting entity **Capitol Police and Other Joint Functions**.

House **Leadership Offices** include the financial activity of the Speaker, Majority and Minority leaders, the Majority and Minority whips, and of the party caucus or

conference, which consist of representatives of the same political party.
Officers and Legislative Offices aggregates financial information with regard to the Clerk of the House, Sergeant at Arms, Doorkeeper, Chaplain, Parliamentarian, Historian, General Counsel, Legislative Counsel, Law Revision Counsel, Inspector General, and the Director of Non-legislative and Financial Services. This column reports financial information with respect to all the legislative support and administrative functions provided to Members, committees, and leadership offices. These include House Postal Operations; printing and folding services; Office Furnishings, which constructs and refurbishes furniture for Members and staff; Office Supply Services, which provides office supplies; and Office Systems Management, which provides office equipment. Numerous other such services were provided by the Clerk, Doorkeeper, and Director of Non-legislative and Financial Services.

Certain of these officers and legislative offices were changed, combined or eliminated by the House when the 104th Congress convened.

House Information Systems (HIS) provides information technology and related computer service to the Members, committees, and staff of the House. During the 15 months covered by the financial statements, HIS was under the direction and control of the Committee on House Administration. Its financial statements have been broken out because HIS conducts proprietary activities and charges other Federal entities for usage of its computer systems. Under the 104th Congress, HIS reports to the Chief Administrative Officer, a position which replaced the Director of Non-legislative and Financial Services.

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

Legislative Service Organizations (LSOs) are unincorporated associations of Members that assist participating Members in carrying out activities of mutual interest. They were funded chiefly through Members' clerk-hire and official expenses allowances. The financial statements include the accounts and transactions of 27 LSOs which were in existence during the reporting period. Pursuant to regulations adopted by the Committee on House Administration in the 103rd Congress, the accounts of LSOs were transferred to the Office of Finance beginning on January 1, 1994. Consequently, acceptable financial records for expenses of the LSOs in the consolidating financial statements reflect only the 12 months from January 1, 1994 through December 31, 1994. Revenues of LSOs, comprised of membership dues and subscriptions from House and Senate Members, reflect the full 15-month reporting period. As discussed in Note 10, LSOs were disbanded pursuant to House Resolution No. 6 on January 4, 1995.

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

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 Senate, and receive separate appropriations to do so. These agencies include the Library of Congress, Congressional Budget Office (CBO), General Accounting Office (GAO), Government Printing Office (GPO), Office of Technology Assessment (OTA), U.S. Botanic Garden, Congressional Research Service (CRS), and 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 monies appropriated to the House. These consist of the Capitol Police, the Attending Physician, and joint committees of the House and the Senate. All significant intra-office balances and transactions have been eliminated to arrive at consolidating financial information.

B. Basis of Accounting

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

C. Funds with the U.S. Treasury and Cash

Funds available to the House to pay current liabilities and finance authorized purchase commitments are on deposit principally with the U.S. Treasury. Most accounts at the U.S. Treasury are maintained by the House's Office of Finance, which is reported in the financial statements under Officers and Legislative Offices. Neither Members nor committees pay their own bills or have separate Treasury accounts. Instead, Member and committee payroll and purchases are paid by the Office of Finance. Because the Capitol Police and Other Joint Functions and Legislative Service Organizations have separate Treasury accounts, those entities report cash balances. Cash represents petty cash as well as amounts on deposit with a commercial banking institution by the House finance office for the purpose of making change for retail entities. For the 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 and by contractors. No allowances for doubtful collections are recorded because the identified receivables were either collected before the preparation of these financial statements or because the collection is not in doubt.

E. Advances and Prepayments

Advances and prepayments consist mostly of prepaid subscriptions for publications.

F. Inventory

The House Restaurants, Gift Store and Supply Store all maintain inventory of goods for sale. These entities are all included in the Officers and Legislative Offices column of the financial statements. Inventories for sale are valued at the lower of average cost or net realizable value. The Office of Furnishings, also included in the Officers and Legislative Offices column, maintains inventories of such items as hard wood, carpet, leather, fabric, furniture components and repair materials. These items are not for sale but are reflected on the Statement of Financial Position at an estimate of their value on the first in/first out basis. Finished items of furniture and furniture under repair are included in property and equipment.

G. Property and Equipment

The House's accounting records are maintained on a cash basis and the House has no systemic means of accounting for the value of property and equipment held for more than one year. However, for the purposes of presenting accrual-based financial statements, property and equipment amounts have been estimated and adjustments have been made based on information maintained in various systems. Because of the estimation methods used to reconstruct the property and equipment amounts, many items older than ten years but still owned by the House are not reported as assets in these financial statements, although they may still have value. Consistent with practices in most Federal agencies, equipment purchases were capitalized, generally, if their original acquisition cost exceeded $5,000.

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

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

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

H. Leases

The House enters into leases for office space and vehicles, and for computer and other equipment. Most of these leases are for temporary usage. For example, House regulations require that leases entered into by Members for space and vehicles be no longer than two years, which is the elected term of the Member. These are referred to as operating leases. Rent expense for operating leases is recorded over the period the leased item is used, which generally closely corresponds to the periodic rent payments. Members may pay for the purchase of office equipment over three years, but these payments are made to the House's Office Systems Management, not to an outside lessor. The House has other leases which are structured such that their terms effectively finance the purchase of the item and convey its ownership. These kinds of lease arrangements closely resemble a loan. They are referred to as capital leases, and the leased item is accounted for as if it were purchased and the lease agreement as if it were a debt instrument. Note 9 further describes the House's leasing arrangements.

I. Revenue From Operations

Revenues are the result of an earnings process--selling goods or services. Sales of goods to customers take place at the gift shop, supply store, and beauty shop. Sales of services to Federal agencies comprise HIS' computer services which are charged to users such as the GAO and CBO. Sales of services to the public comprise child care, restaurant, barber and beauty shop and page school facilities. The components of the House engaged in business activities are unique in that appropriations are available to cover expenses to the extent revenues do not. Interoffice sales are entirely eliminated in consolidation because they reflect sales by one entity within the House to another, for example for equipment. Membership Dues to LSOs contain both House and Senate membership dues and subscription fees, and the House Members' contributions are eliminated upon consolidation.

J. Appropriations to Cover Expenses

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

K. Postage and Delivery

Postage and delivery principally includes Members' postage as recorded through their use of the frank, which is charged to their official mail allowance, and purchase of stamps and use of overnight and express services, which are part of Members' official expense allowance.

L. Repairs and Maintenance

Repairs and maintenance includes all expenses related to the maintenance and upkeep of House equipment in both Washington, D.C. and in Members' district offices, as well as related operating lease payments on various types of equipment. In addition, equipment purchases below the $5,000 capitalization threshold discussed in Note 5, such as telecommunications equipment, are classified as repairs and maintenance.

M. Depreciation and Amortization

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

N. Supplies and Materials

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

O. Rent and Utilities

Rent and utilities primarily consist of the rental of district offices by Members, and any related utility payments. This caption also includes rent and electricity for certain Washington, D.C. parking lots paid for by the Committee on House Administration.

P. Telecommunications

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

Q. Travel and Transportation

Travel and transportation expenses include, for example: travel by Members to their districts; travel by other House officers and employees; 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 primarily comprise the cost of studies and analyses requested by committees, as well as computer, recording, janitorial, and catering services.

S. Printing and Reproduction

This caption principally includes printing and reproduction of constituent communications. Also included are photography services, as well as printing and reproduction of, for example, informational publications and reference materials.

T. Subscriptions and Publications

Subscriptions and publications are for periodicals and news services.

U. Cost of Goods Sold

Cost of goods sold refers to the House's cost of products sold in retail operations, such as the Gift Shop, Supply Store, and Beauty Shop.

V. Membership Dues to LSOs

Membership dues to LSOs fund LSOs' legislative and other activities to assist Members in the performance of their official duties.

W. Annual, Sick, and Other Leave

The House is not subject to laws relating to terms and conditions of employment, including pay for annual leave. Annual, sick, and other types of paid leave are expensed as taken.

Note 3 - Intragovernmental Financial Activities

During the 15 months ended December 31, 1994, the House was exempt from many of the laws and regulations that apply to the Executive Branch of government and the private sector. The laws that did not apply included those that require management and control by the Executive Branch's Office of Management and Budget (OMB). The House is not subject to the Antideficiency Act, which prohibits agencies from overspending their appropriations, nor to various OMB policies and procedures that mandate certain budgetary control measures. Thus, unlike most government entities, the House was not under significant management control or influence from an external oversight body. The House's consolidating financial statements are not intended to report its proportional share of the total federal deficit or of public borrowing by the U.S. Treasury, including interest.

Transactions with Executive Branch Agencies

The House has transactions and maintains various agreements with other Federal agencies to purchase goods and services. The House's largest interagency transactions are with the U.S. Postal Service for postage; the General Services Administration (GSA) for the use and upkeep of office space in certain Members' district offices; the U.S. Treasury for processing the House's receipts and disbursements in essentially the same manner as a commercial bank; the U.S. Department of Labor for worker's compensation and unemployment compensation; the Federal Bureau of Investigation for investigative and protective services; and several other Executive Branch agencies for borrowed staff, for example, for the services of medical personnel and special studies requested by House committees.

Significant disbursements to the Executive Branch during the 15 months ended December 31, 1994 were:

U.S. Postal Service	$35,610,634
U.S. Department of Labor	5,809,788
General Services Administration	5,577,657
Federal Bureau of Investigation	1,278,693
Other Executive Branch agencies	216,302

Transactions with Other Congressional Organizations

The House has significant transactions with other Congressional 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 GAO, the Library of Congress, the CBO, the GPO, the OTA, the CRS, and the U.S. Botanic Garden. Significant disbursements to legislative branch entities during the 15 months ended December 31, 1994 were:

General Accounting Office	$478,084
Government Printing Office	150,084

The House provides computer services to government agencies for a user fee. Of total HIS services provided to federal agencies of $6,573,605 for the 15 months ended December 31, 1994, user fees charged to the GAO and the CBO were $3,886,781 and $1,737,018, respectively.

Note 4 - Fund Balance with Treasury and Cash

The House's appropriated fund balances with the U.S. Treasury and cash balances as of December 31, 1994, were:

Fund balances with the U.S. Treasury	$739,986,259

Cash and commercial bank accounts	89,469
Total Fund balances with the U.S. Treasury and Cash	$740,075,728

The fund balance with the U.S. Treasury is relatively large at December 31, 1994, because the House receives its entire annual appropriation in October. Unlike Executive Branch departments and agencies, the House's appropriation is not apportioned by quarter. Therefore, although the consolidating financial statements include expenses for the 15 months from October 1, 1993 to December 31, 1994, during this same time period, the House received two years worth of appropriated funds, in October, 1993 and October, 1994.

Cash balances represent petty cash on hand at various House offices and committees. The House's finance office also maintains funds in a commercial bank account for the purpose of making change for the House's retail entities. In addition, funds remain in a commercial bank account that was established for use by the House Restaurant during the period in which it was operated internally by the House. Petty cash and funds in commercial bank accounts as of December 31, 1994 were:

Petty Cash	$36,623
Commercial bank accounts:	
Office of Finance	17,556
House Restaurant	35,290
Total cash and commercial bank accounts	$89,469

Note 5 - Property and Equipment

At present, the House's accounting records do not systemically accumulate or summarize financial information with respect to property and equipment. Property and equipment balances have been reconstructed predominantly from disbursement records based on purchasing patterns during the last 5 years. An estimate of property and equipment as of December 31, 1994, and depreciation expense for the 15 months then ended is:

Classes of Property and Equipment	Service Life (years)	Estimated Acquisition Value	Accumulated Depreciation / Amortization	Estimated Net Book Value	Depreciation / Amortization Expense
Office Equipment	3, 5 or 10	$114,595,240	$91,093,324	$23,501,916	$17,150,541
Telecommunications Equipment	7	19,366,371	15,713,797	3,652,574	2,766,624
Office Furnishings	5	9,534,201	8,252,129	1,282,072	616,796
Media Equipment	5 or 10	2,710,164	1,790,529	919,635	244,125
Software	3 or 5	1,774,988	894,929	880,059	345,444
Motor Vehicles	3, 5 or 7	1,454,087	1,027,846	426,241	254,938
Medical Equipment	5 or 10	1,216,085	836,560	379,525	143,216
Totals		$150,651,136	$119,609,114	$31,042,022	$21,521,684

Included in office equipment are assets acquired under lease agreements that effectively finance the purchase of equipment and convey ownership to the House. These are referred to as capital leases and are for HIS computer equipment. The acquisition value of equipment acquired under capital lease is estimated to be $4,828,574 against which $1,883,852 of depreciation has been subtracted at December 31, 1994, however, the House has no centralized means of accumulating and accounting for all leases in effect.

Note 6 - Accounts Payable

The House does not maintain accrual-based records and has no systematic means, either manual or automated, with which to accumulate or summarize the House's outstanding bills as of December 31, 1994. To estimate the accounts payable at December 31, 1994, all payments through March 1995 for goods and services received before December 31, 1994, have been accrued as accounts payable totaling $39,776,740. The House pays a significant number of bills three months or more after goods and services are received that probably should also be recorded as liabilities as of December 31, 1994. However, in the absence of the systematic means to accumulate these liabilities, no estimate of them has been recorded in the financial statements as of December 31, 1994.

Note 7 - Revolving Funds, Interoffice Sales, and Transfers

Some entities of the House transfer costs to Members and committees for goods and services they provide them. These are primarily Office Systems Management, which transfers costs of equipment to the Members and committees, the Office of Telecommunications, which transfers phone charges, and Members who pay dues and transfer funds to LSOs. However, many expenses are incurred by House entities that are not fully charged to Members or committees, including certain publication services, office furnishings, and computer services. No records are kept that would permit full attribution of these costs to Members or committees.

In particular, some of the House's business-like activities which have operated in a revolving fund structure, have reported deficits, and have required appropriated funds to make up the shortfall. In addition, some expenses attributable to revolving fund activities are funded from other budgetary sources. A revolving fund is a budgetary structure set by statute that is frequently used by components of Executive Branch agencies to collect user fees or revenue from which they finance operating expenses. Normally, such funds are designed to at least break even. The table below presents the revenue from operations, total expenses attributable to those activities, including expenses funded through other budgetary accounts, and the resulting deficit for each of the House's revolving fund activities for the 15 months ended December 31, 1994.

Revolving Fund Activity	Revenue From Operations	Expenses	Deficit
House Recording Studio	$603,301	$4,276,456	($3,673,155)
House Page School	364,290	385,483	(21,193)
House Barber Shop	63,981	207,074	(143,093)
House Beauty Shop	348,735	416,014	(67,279)
House Restaurant	7,939,216	8,091,440	(152,224)
Office Supply Service (Stationery Fund)	9,973,245	11,140,419	(1,167,174)
The Child Care Center (Special Fund)	605,119	771,778	(166,659)
Total Revolving Funds' Deficit for the 15 months	$19,897,887	$25,288,664	($5,390,777)

The Child Care Center is not legally a revolving fund, but its authorizing legislation stated that it should be operated in a similar manner to a revolving fund. The Attending Physician and LSOs are disclosed in a supplemental schedule.

The House Restaurant Revolving Fund owed approximately $824,398 to the U.S. Department of Labor (DOL) at December 31, 1994, for unemployment compensation benefits paid by DOL on the Fund's behalf to the District of Columbia. The House Restaurant Revolving Fund does not currently have the means to pay this liability and legislative action by the House may be necessary to provide funds to the House Restaurant Revolving Fund to repay the DOL. The liability has been included in the Fund's deficit for the 15 months ended December 31, 1994.

Under provisions of the Legislative Branch Appropriations Act of 1970, the House Beauty Shop Revolving Fund owed $16,531 to the U.S. Treasury at December 31, 1994, which is included in Accounts Payable.

Note 8 - Net Position

The House has never accumulated or reported Net Position or Government Equity in the past. Most simply, Net Position is the difference between assets and liabilities, but its components normally are comprised of appropriated, but unspent funds, referred to as appropriated capital; funds used to finance property, equipment, and other capital assets, referred to as invested capital; and balances retained in revolving funds as a result of their operating activities. Appropriated capital is nearly $700 million as of December 31, 1994, for the same reason the fund balance with the U.S. Treasury is at a similar level on that date, because a 12 month appropriation was entirely received in October, 1994. Net Position in the Statement of Financial Position at December 31, 1994, has been reconstructed based on estimates of certain assets and liabilities. Therefore, the balances comprising Net Position must also be considered estimates. The following are components of Net Position estimated at December 31, 1994:

Organization	Appropriated Capital	Invested Capital	Revolving Funds	Net Position
Members	$0	$12,284,547	$0	$12,284,547
Committees	0	2,949,290	0	2,949,290
Leadership Offices	0	297,686	0	297,686
Officers and Legislative Offices	660,325,860	8,956,456	9,549,061	678,831,377
House Information Systems	0	5,164,238	0	5,164,238
Capitol Police and Other Joint Functions	30,169,280	1,189,281	0	31,358,561
LSOs	1,506,142	200,524	0	1,706,666
Consolidated	$692,001,282	$31,042,022	$9,549,061	$732,592,365

The changes in Net Position during the 15 months ended December 31, 1994 were:

Organization	Net Position Oct 1, 1993	Appropriations Received	Funds Returned to Treasury	Appropriated Funds Allocated	Appropriations to Cover Expenses	Net Position Dec 31, 1994
Members	$1,043,829	$0	$0	$638,830,841	($627,590,123)	$12,284,547
Committees	(143,701)	0	0	195,112,849	(192,019,858)	2,949,290
Leadership Offices	230,189	0	0	15,033,118	(14,965,621)	297,686
Officers and Legislative Offices	73,491,096	1,568,449,200	(3,948,734)	(870,769,692)	(88,390,493)	678,831,377
House Information Systems	1,023,644	0	0	21,792,884	(17,652,290)	5,164,238
Capitol Police and Other Joint Functions	4,331,986	81,450,000	(5,932,964)	0	(48,490,461)	31,358,561
LSOs	2,801,591	0	0	0	(1,094,925)	1,706,666
Consolidated	$82,778,634	$1,649,899,200	($9,881,698)	$0	($990,203,771)	$732,592,365

Appropriations received are funds which have been made available to the House through the U.S. Treasury. For all House entities, appropriations received are maintained by the House's Office of Finance, which is reported in the financial statements under Officers and Legislative Offices. Accordingly, appropriated capital for all House entities is also maintained by the Office of Finance. Appropriations received and appropriated capital have been disclosed separately for joint functions, which are not under the direct control of the House.

Funds returned to Treasury consist of appropriations rescinded, as well as appropriated funds which were unexpended at the end of a specified term, and thus required by law to be returned to Treasury. Of $3,948,734 in funds returned to Treasury by Officers and Legislative Offices, $3,121,755 represents rescissions of appropriated funds held by the Director of Non-legislative and Financial Services for salaries and expenses of various House entities, while the remaining $826,979 represents appropriated funds held by the Director of Non-legislative and Financial Services, but unexpended within the legal term. Similarly, $5,932,964 in funds returned to Treasury by Capitol Police and Other Joint Functions, represent unexpended amounts withdrawn as follows:

Attending Physician	$ 187,632
Joint Committee on Taxation	12,768
Capitol Police	5,732,564
Total	$5,932,964

Note 9 - Lease Commitments

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

The House does not systematically or comprehensively accumulate or track its current and future lease commitments. Thus, it is not possible at this time to disclose all of the lease commitments the House may have entered into. With the exception of HIS' mainframe computer lease, it is not possible to ascertain which, if any, of the House leases are capital leases; or whether leasing was more advantageous than buying the asset.

With respect to the HIS computer leases, the future lease payments at December 31, 1994 and the capital lease obligation is as follows:

Future Lease Payments:	
Within one year	$1,126,257
two years	1,112,435
three years	759,082
four years	506,843
five years	20,584
Total estimated future payments	3,525,201
Less interest component	(431,706)
Capital lease obligation	$3,093,495

Interest paid on HIS capital leases during the 15 months ended December 31, 1994 was estimated to be $317,405. In addition to its capital leases, HIS has entered into an operating lease for the use of a mainframe computer. The terms of this operating lease commit the House to approximately $266,000 in lease payments per year for the next two years.

The records of the House do not accumulate all leases for space. The Members may lease space in their districts through GSA, an Executive Branch agency that operates federal buildings and leases space from the private sector, or the Member may directly lease space from the private sector. The *Congressional Handbook* requires that Members not directly enter into a lease for longer than two years, and in no case may a lease period exceed the current Constitutional term of the Congress to which the Member is elected. Lease expenses for office space for the 15 months ended December 31, 1994, based on the available information were approximately $18,000,000. Assuming Members adhered to the two-year limitation, the lease commitments at December 31, 1994, should be no more than $30,000,000 based on this estimated 15 month expense.

The House has entered into leases to rent vehicles and equipment, without purchasing these items. Because there are no comprehensive records of these leases, it is not possible to estimate the House's commitment to make future lease payments as of December 31, 1994.

Note 10 - Subsequent Events

A. Realignment of Responsibility for Administrative and Legislative Support Functions

The financial statements reflect the organizational structure of the House under the 103rd Congress. Effective January 4, 1995, under the 104th Congress, the administrative and committee structure of the House was changed.

- The position of Director of Non-legislative and Financial Services was replaced by the Chief Administrative Officer. The Chief Administrative Officer acquired responsibility for HIS, which was previously under the Committee on House Administration, as well as several functions which were under the Offices of the Clerk and the Doorkeeper in the 103rd Congress. These included responsibility for publications and distribution, for the recording and photography studios, and for printing.

- The Office of the Doorkeeper was abolished, and its functions were reassigned to the Office of the Clerk, Sergeant-at-Arms and the Chief Administrative Officer.

- Some responsibilities of the Offices of the General Counsel and the Historian were reassigned to the Office of the Clerk.

No adjustments have been made to the financial statements for the 15 months ended December 31, 1994 for the effects of these changes.

B. Reorganization of Committees

Also affected by the reorganization were the standing committees of the House. The standing committees of the House under the 103rd Congress, and as reorganized effective January 4, 1995, under the 104th Congress, are:

103rd Congress	104th Congress
Committee on Agriculture	Committee on Agriculture
Committee on Appropriations	Committee on Appropriations
Committee on Armed Services	Committee on National Security
Committee on Banking, Finance and Urban Affairs	Committee on Banking and Financial Services
Committee on Budget	Committee on Budget
Committee on Education and Labor	Committee on Economic and Educational Opportunities
Committee on Energy and Commerce	Committee on Commerce
Committee on Foreign Affairs	Committee on International Relations
Committee on Government Operations	Committee on Government Reform and Oversight
Committee on House Administration	Committee on House Oversight
Committee on Judiciary	Committee on Judiciary
Committee on Natural Resources	Committee on Resources
Committee on Public Works and Transportation	Committee on Transportation and Infrastructure
Committee on Rules	Committee on Rules
Committee on Science, Space, and Technology	Committee on Science
Committee on Small Business	Committee on Small Business
Committee on Standards of Official Conduct	Committee on Standards of Official Conduct
Committee on Veterans' Affairs	Committee on Veterans' Affairs
Committee on Ways and Means	Committee on Ways and Means
Committee on the District of Columbia	
Committee on Merchant Marine and Fisheries	
Committee on Post Office and Civil Service	

C. Employee Termination Costs

As a result of the general election held in November 1994, 87 new Members were elected to Congress. In addition, the 104th Congress expressed its intent to reorganize committees and legislative offices during the months of November and December 1994. A significant number of staff who worked for Members who were not re-elected and committees that were to be changed during the 104th Congress, were terminated and were paid separation pay based on accrued annual leave. These expenses have not been reflected in the personnel compensation and benefits expense for the 15 months ended December 31, 1994 because the records of the House provide no rational means of identifying this cost. In addition, any unemployment benefit cost due to the DOL as a result of these terminations has not been included in these financial statements.

D. Legislative Service Organizations

The LSOs which are included in the consolidating financial statements for the 15 months ended December 31, 1994, were disbanded as a result of House Resolution No. 6 on January 4, 1995. At December 31, 1994, $1,521,437 million of unspent LSO funds remained at

Treasury. If enacted, the fiscal year 1996 Legislative Branch appropriations bill (H.R. 1854) would require these funds to be returned to Treasury.

E. Annual Leave Benefits

If enacted, the fiscal year 1996 Legislative Branch appropriations bill (H.R. 1854) would provide employees who separate from the House after June 30, 1995 up to 30 days of their unused accrued annual leave.

Note 11 - Benefits

A. Member and Employee Benefits

Member and employee benefit expenses for the 15 months ended December 31, 1994 included:

Benefit:	
Retirement Savings	$108,103,296
Social Security	35,030,828
Health Insurance	28,210,321
Unemployment and Worker's Compensation	4,164,254
Life Insurance	1,041,762
Death Benefits	798,339
Total	$177,348,800

B. Member and Employee Pensions

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

For CSRS employees, the House withholds a portion of their base earnings. Employees' contributions are then matched by the House and the sum is transferred to the Civil Service Retirement Fund, from which the CSRS employees will receive retirement benefits. For FERS employees, the House withholds, in addition to social security withholdings, a portion of their base earnings. The House contributes an amount proportional to the employees' base earnings toward retirement, and in addition a scaled amount toward each individual FERS employee's

Thrift Savings Plan, depending upon the employee's level of savings. The FERS employees will receive retirement benefits from the Federal Employees Retirement System, the Social Security System, and Thrift Savings Plan deposits that have accumulated in their accounts. Total House (employer) matching contributions to the Thrift Savings Plan, Civil Service Retirement System, and Federal Employees Retirement System for all Members and employees were $108,103,296 for the 15 months ended December 31, 1994.

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

Note 12 - Statement of Budget and Actual Expenditures

The budget of the House is prepared on a fiscal year basis as of September 30, rather than on a calendar year basis, even though the calendar year coincides with the legislative year and the election cycle. As a result, the consolidating Statement of Budget and Actual Expenditures can only be shown for the fiscal year ended September 30, 1994. Non-personnel expenditures are shown net of earned revenues, for example from the Child Care Center, Restaurants, Beauty, Barber, and Gift Shop, and the Supply Store. The statement reflects expenditures that were disbursed through May, 1995, that related to purchases made or services delivered in fiscal year 1994. The $16.6 million remaining at September 30, 1994 is available to pay for additional future disbursements with respect to these commitments.

Each Member is subject to individual allowance limits on spending for Clerk Hire, Official Expenses, and Official Mail. These are internal, administrative limitations, and in 1994 they were set by the Committee on House Administration. However, the House does not set its appropriation based on aggregate Member allowance limits. Instead, it has been the House's practice to set the appropriations for Clerk Hire, Official Expenses, and Official Mail significantly lower than the sum of the individual Members' allowances. For example, the fiscal year 1994 appropriation for Official Mail was $40 million, but the sum of all the Members' 1994 Official Mail Allowances was $72 million; the appropriation for Clerk Hire was $225 million, while the sum of the allowances was $246 million; and the appropriation for Official Expenses was $77 million, while the sum of the allowances was $86 million. The appropriations were set with the expectation that many Members would not spend the full amounts of their allowances. The House does not maintain separate Treasury accounts for individual Members, nor does it allocate appropriations to them. Instead, the appropriation is managed on an aggregate basis and the House's Office of Finance has one Treasury account for all Members from which funds are drawn to pay bills as Members submit vouchers. Thus, the amount of any individual Member's unspent allowance does not necessarily represent funds available to be returned to the Treasury.

The column entitled "Benefits and Other" includes the House's budgetary resources and expenditures for its contributions toward Member and employee benefits, as well as other less significant amounts related to gratuities and interparliamentary receptions. Because the House's budgetary records aggregate these amounts, they cannot be aligned with the individual House entities to which they relate. In addition, a column for LSOs is not provided because this financial data is not available.

Note 13 - Supplemental Schedules

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

Financial information has been provided for each of the entities comprising **Officers and Legislative Offices**, as reported in the principal financial statements. These include the Clerk of the House, Sergeant at Arms, Doorkeeper, Chaplain, Historian, Parliamentarian, General Counsel, Legislative Counsel, Law Revision Counsel, Inspector General, and the Director of Non-legislative and Financial Services.

Additional financial information with respect to areas under the **Director of Non-legislative and Financial Services** has also been provided. These include the House Child Care Center, Barber and Beauty Shops, Postal Operations, Restaurants, Office of Finance, Office Furnishings, Office Systems Management, Office Supply Services, and the immediate office of the Director of Non-legislative and Financial Services. The legislative support and administrative functions provided by these entities include day care services for children of Members and employees, as well as non-House employees on a space-available basis; barber and salon services; House Postal Operations; printing and folding services; the House Restaurant, which provides catering services; accounting services; Office Furnishings, which constructs and refurbishes furniture for Members and staff; Office Systems Management, which provides office and computer equipment; and Office Supply Services, which provides office supplies.

Those revolving funds and reimbursable activities which do not fall under the direction of the Director of Non-legislative and Financial Services are reported in a separate supplemental schedule, entitled **Revolving Funds and Reimbursable Activities Outside the Director of Non-legislative and Financial Services**. These include the House Recording Studio and House Page School, which are revolving funds, and the Office of Telecommunications and the Office of Photography, which are reimbursable activities.

Capitol Police and Other Joint Functions include joint activities of the House and

Senate. The House's financial statements report only that portion of these functions accounted for by the House. The joint functions include the Capitol Police, the Attending Physician, as well as the Joint Committees on Taxation and Organization of Congress, which have Members from both the House and the Senate. The House's management does not exert direct control over the expenditures of these functions. Because of the lack of adequate accounting records, only cash receipt and expenditure information could be presented for these entities.

Each of the 27 **Legislative Service Organizations (LSOs)** which were in existence during the reporting period are presented as a separate column. However, because of a lack of adequate accounting records, only cash receipts and expenditures could be presented. For this same reason, the expenditures of the LSOs in the Combining Statement of Receipts and Disbursements reflect only the 12 months from January through December 1994. The receipts of LSOs and the Members' donations to LSOs reflect 15 months of transactions.

Supplemental Schedules

Organization and Composition of Consolidating Financial Statements

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

MEMBERS

Members, Delegates, and Resident Commissioner
Members' Staff Salaries (Clerk Hire)
Members' Allowances and Expenses

COMMITTEES

Standing Committees

Committee on Agriculture
Committee on Appropriations
Committee on Armed Services
Committee on Banking, Finance, and Urban Affairs
Committee on Budget
Committee on Education and Labor
Committee on Energy and Commerce
Committee on Government Operations
Committee on Foreign Affairs
Committee on House Administration
Committee on Judiciary
Committee on Natural Resources
Committee on Public Works and Transportation
Committee on Rules
Committee on Science, Space, and Technology
Committee on Small Business
Committee on Standards of Official Conduct
Committee on Veterans' Affairs
Committee on Ways and Means
Committee on the District of Columbia
Committee on Merchant Marine and Fisheries
Committee on Post Office and Civil Service

Select Committees

Select Committee on Aging
Permanent Select Committee on Intelligence
Special and Select Committees Funerals
Select Committee on Children, Youth, and Families
Select Committee on Hunger
Select Committee - Covert Transactions with Iran

Select Committee on Narcotics Abuse and Control

Other Committees

October Surprise Special and Select Fund
October Surprise Task Force

LEADERSHIP OFFICES

Office of the Speaker
Office of the Majority Floor Leader
Office of the Majority Whip
Offices of Chief Deputy and Deputy Majority Whips
Office of the Minority Floor Leader
Office of the Minority Whip
Offices of Chief Deputy and Deputy Minority Whips
Offices of Former Speakers
Republican Conference
Democratic Steering Committee
Minority Employees
Speakers Auto
Minority Leaders Auto
Democratic Personnel
Republican Steering Committee

OFFICERS AND LEGISLATIVE OFFICES

Clerk

Office of the Clerk
House Library
House Recording Studio, including revolving fund
Office of Printing Services
Office of Employee Assistance
Office of Fair Employment Practices
Office of Legislative Computer Systems
Office of Legislative Information
Office of Legislative Operations
Reporting Hearings for Stenographic Reports
Office of Telecommunications
Official Reporters of Debates
Official Reporters to House Committees
Records and Registration Office
Clerk's General Counsel
Printing Clerk
Bill Clerk

Journal Clerk
Reading Clerk

Clerk (continued)

Tally Clerk
Placement Office
GPO Receiving Supervisor
Majority & Minority Printers - Deposit Fund

Sergeant at Arms

Office of the Sergeant at Arms
Statutory
Superintendent

Chaplain

Office of the Chaplain

Historian

Office of the Historian

Doorkeeper

Office of the Doorkeeper
Office of the Doorman
Office of Gallery Doorman
Office of Floor Doorman
House Document Room
House Press Gallery
Office of Photography
House Page School, including revolving fund
Office of Chief Page
Publications Distribution Service
Radio TV Correspondents Gallery
House Floor Services
Page Residence Hall
Library of Congress Book Rooms

Office of the Inspector General

Office of Inspector General

Director of Non-legislative and Financial Services

Child Care Center
Office of the Director of Non-legislative and Financial Services
House Barber Shop, including revolving fund

Director of Non-legislative and Financial Services (continued)

House Beauty Shop Revolving Fund
House Postal Operations
House Restaurant, including revolving fund
Office of Finance
Office Furnishings
House Placement Office
Office Systems Management
Office Supply Service, including Stationery Revolving Fund
Other
  Service Group
  Snack Bar Attendants
  Allowances and Expenses/Supplies and Materials
  Custodial Force
  House Gymnasium
  Counter Service
  Distribution and Collection Service

Office of the General Counsel

Office of the General Counsel

Law Revision Counsel

Office of the Law Revision Counsel

Legislative Counsel

Office of the Legislative Counsel

Parliamentarian

Office of the Parliamentarian

HOUSE INFORMATION SYSTEMS

House Information Systems

CAPITOL POLICE AND OTHER JOINT FUNCTIONS

Capitol Police
Office of the Attending Physician

Joint Committee on the Organization of Congress
Joint Committee on Taxation

LEGISLATIVE SERVICE ORGANIZATIONS (LSOs)

Arms Control and Foreign Policy Caucus
Arts Caucus
Automotive Caucus
Black Caucus
Border Caucus
California Democratic Congressional Delegation
Caucus for Womens Issues
Democratic Study Group
Environmental and Energy Study Conference
Federal Government Service Task Force
Hispanic Caucus
House Wednesday Group
Human Rights Caucus
Hunger Caucus
Narcotics Abuse and Control Caucus
New York State Congressional Delegation
Ninety-eight Democratic New Members Caucus
Northeast-Midwest Congressional Coalition
Older Americans Caucus
Pennsylvania Congressional Delegation Steering Committee
Populist Caucus
Republican Study Committee
Rural Caucus
Steel Caucus
Sunbelt Caucus
Textile Caucus
Travel and Tourism Caucus

Officers and Legislative Offices

U.S. House of Representatives
Combining Statement of Financial Position
Of Officers and Legislative Offices
As of December 31, 1994

	Clerk	Sergeant at Arms	Doorkeeper	Chaplain	Historian
ASSETS					
Fund Balance with Treasury	$ 1,080,677	$ 0	$ 24,413	$ 0	$ 0
Cash	350	0	300	0	0
Fund Balance with Treasury and Cash	1,081,027	0	24,713	0	0
Accounts Receivable	1,092,070	0	1,214	0	0
Advances and Prepayments	26,307	658	57	0	888
Inventory	0	0	0	0	0
Property and Equipment, net	5,909,383	259,371	533,861	0	33,845
Total Assets	$ 8,108,787	$ 260,029	$ 559,845	$ 0	$ 34,733
LIABILITIES AND NET POSITION					
Accounts Payable	$ 3,603,227	$ 67,158	$ 112,811	$ 147	$ 431
Total Liabilities	3,603,227	67,158	112,811	147	431
Net Position	4,505,560	192,871	447,034	(147)	34,302
Total Liabilities and Net Position	$ 8,108,787	$ 260,029	$ 559,845	$ 0	$ 34,733

Director of Non-legislative and Financial Services	Parliamentarian	General Counsel	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 706,620,003	$ 0	$ 0	$ 0	$ 0	$ 0	$ 707,725,093
78,869	0	0	0	0	0	79,519
706,698,872	0	0	0	0	0	707,804,612
5,168,188	0	0	0	0	0	6,261,472
6,012	0	1,965	2,638	148	156	38,829
1,768,027	0	0	0	0	0	1,768,027
1,989,160	7,355	709	178,224	1,063	43,485	8,956,456
$ 715,630,259	$ 7,355	$ 2,674	$ 180,862	$ 1,211	$ 43,641	$ 724,829,396
$ 42,160,110	$ 1,902	$ 4,959	$ 7,432	$ 9,605	$ 30,237	$ 45,998,019
42,160,110	1,902	4,959	7,432	9,605	30,237	45,998,019
673,470,149	5,453	(2,285)	173,430	(8,394)	13,404	678,931,377
$ 715,630,259	$ 7,355	$ 2,674	$ 180,862	$ 1,211	$ 43,641	$ 724,829,396

U.S. House of Representatives
Combining Statement of Operations
Of Officers and Legislative Offices
For the 15 Months Ended December 31, 1994

	Clerk	Sergeant at Arms	Doorkeeper	Chaplain	Historian
REVENUE AND FINANCING SOURCES					
Revenue From Operations					
Sales of Goods	$ 0	$ 0	$ 0	$ 0	$ 0
Sales of Services to the Public	166,306	0	377,027	0	0
Interoffice Sales	16,820,831	0	97,780	0	0
Revenue From Operations	16,987,137	0	474,807	0	0
Financing Sources					
Appropriations to Cover Expenses	27,549,629	1,916,716	15,773,948	173,130	487,067
Total Revenue and Financing Sources	44,536,766	1,916,716	16,248,755	173,130	487,067
EXPENSES					
Personnel Compensation	14,716,568	1,379,644	11,973,742	153,665	353,850
Benefits	3,503,130	260,557	2,860,940	16,380	102,144
Postage and Delivery	82,946	4,012	64,726	116	353
Repairs and Maintenance	2,779,072	0	150,691	1,286	2,652
Depreciation and Amortization	3,829,944	84,665	349,746	0	16,582
Supplies and Materials	2,607,590	35,745	534,700	30	2,255
Telecommunications	16,515,163	77,833	64,952	1,653	5,500
Travel and Transportation	110,969	22,921	22,257	0	2,728
Contract, Consulting, and Other Services	147,281	108	189,104	0	0
Printing and Reproduction	147,667	49,623	2,677	0	0
Subscriptions and Publications	96,436	1,608	35,220	0	1,003
Cost of Goods Sold	0	0	0	0	0
Total Expenses	44,536,766	1,916,716	16,248,755	173,130	487,067
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0	$ 0

Director of Non-legislative and Financial Services	Parliamentarian	General Counsel	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 3,688,288	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,688,288
8,483,739	0	0	0	0	0	9,027,072
40,499,885	0	0	0	0	0	57,418,496
52,671,912	0	0	0	0	0	70,133,856
31,311,739	1,290,985	941,736	6,264,743	2,267,772	413,028	88,390,493
83,983,651	1,290,985	941,736	6,264,743	2,267,772	413,028	158,524,349
21,492,947	1,078,601	652,727	4,897,219	1,730,130	273,118	58,702,211
10,474,567	154,960	139,637	953,739	383,351	32,487	18,881,892
113,403	10	1,062	421	4,589	29	271,667
32,509,600	28,640	91,006	190,158	83,911	55,968	35,892,984
664,990	8,111	659	154,740	1,986	19,568	5,130,991
10,849,936	5,275	13,583	25,018	39,483	16,417	14,130,032
96,397	5,144	7,715	18,229	2,202	1,406	16,796,194
382,821	0	7,033	0	421	0	549,150
4,271,109	10,244	14,378	14,813	16,350	13,175	4,676,562
121	0	82	0	0	0	200,170
9,363	0	13,854	10,406	5,349	860	174,099
3,118,397	0	0	0	0	0	3,118,397
83,983,651	1,290,985	941,736	6,264,743	2,267,772	413,028	158,524,349
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of Officers and Legislative Offices
For the 15 Months Ended December 31, 1994

	Clerk	Sergeant at Arms	Doorkeeper	Chaplain	Historian
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	(27,549,629)	(1,916,716)	(15,773,948)	(173,130)	(487,067)
(Increase)/Decrease in Accounts Receivable	47,595	0	(200)	0	0
(Increase)/Decrease in Advances and Prepayments	(26,307)	(658)	(57)	0	(888)
(Increase)/Decrease in Inventory	0	0	0	0	0
Increase/(Decrease) in Accounts Payable	(1,785,478)	(204,955)	(1,953,217)	135	(7,110)
Depreciation and Amortization	3,829,944	84,665	349,746	0	16,582
Net Cash (Used)/Provided by Operating Activities	(25,483,875)	(2,037,664)	(17,377,676)	(172,995)	(478,483)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment, net	(3,709,136)	(329,222)	(396,681)	0	(42,150)
Net Cash (Used) by Investing Activities	(3,709,136)	(329,222)	(396,681)	0	(42,150)
CASH FLOWS FROM FINANCING ACTIVITIES					
Appropriations Received	0	0	0	0	0
Appropriated Funds Allocated	30,273,688	2,366,886	17,798,770	172,995	520,633
Funds Returned to Treasury	0	0	0	0	0
Net Cash Provided by Financing Activities	30,273,688	2,366,886	17,798,770	172,995	520,633
Net Cash Provided by Operating, Investing, and Financing Activities	1,080,677	0	24,413	0	0
Fund Balances with Treasury and Cash, Beginning	350	0	300	0	0
Fund Balances with Treasury and Cash, Ending	$ 1,081,027	$ 0	$ 24,713	$ 0	$ 0

Director of Non-legislative and Financial Services	Parliamentarian	General Counsel	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
(31,311,739)	(1,290,985)	(941,736)	(6,264,743)	(2,267,772)	(413,028)	(88,390,493)
(993,813)	0	0	0	0	0	(946,418)
(6,012)	0	(1,965)	(2,638)	(148)	(156)	(38,829)
(33,095)	0	0	0	0	0	(33,095)
24,675,121	1,832	1,254	(82,676)	9,172	30,237	20,684,315
664,990	8,111	659	154,740	1,986	19,568	5,130,991
(7,004,548)	(1,281,042)	(941,788)	(6,195,317)	(2,256,762)	(363,379)	(63,593,529)
(1,918,668)	0	0	(99,220)	0	(63,053)	(6,558,130)
(1,918,668)	0	0	(99,220)	0	(63,053)	(6,558,130)
1,568,449,200	0	0	0	0	0	1,568,449,200
(933,103,225)	1,281,042	941,788	6,294,537	2,256,762	426,432	(870,769,692)
(3,948,734)	0	0	0	0	0	(3,948,734)
631,397,241	1,281,042	941,788	6,294,537	2,256,762	426,432	693,730,774
622,474,025	0	0	0	0	0	623,579,115
84,224,847	0	0	0	0	0	84,225,497
$ 706,698,872	$ 0	$ 0	$ 0	$ 0	$ 0	$ 707,804,612

U.S. House of Representatives
Combining Statement of Budget and Actual Expenditures
Of Officers and Legislative Offices
For the Fiscal Year Ended September 30, 1994

	Clerk	Sergeant at Arms	Doorkeeper	Chaplain	Historian
BUDGETARY RESOURCES					
Net Fiscal Year 1994 House Appropriations	$ 18,041,515	$ 1,116,855	$ 9,951,000	$ 123,000	$ 310,000
Total Budgetary Resources	18,041,515	1,116,855	9,951,000	123,000	310,000
EXPENDITURES					
Personnel, Excluding Benefits	(11,823,082)	(1,116,353)	(9,781,489)	(122,932)	(284,000)
Non-Personnel, Net of Earned Revenues	(3,133,776)	0	0	0	(5,787)
Total Expenditures	(14,956,858)	(1,116,353)	(9,781,489)	(122,932)	(289,787)
Fiscal Year 1994 Resources Remaining Available	$ 3,084,657	$ 502	$ 169,511	$ 68	$ 20,213

Director of Non-legislative and Financial Services	Parliamentarian	General Counsel	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 69,821,644	$ 898,000	$ 674,000	$ 4,071,000	$ 1,453,000	$ 217,100	$ 106,677,114
69,821,644	898,000	674,000	4,071,000	1,453,000	217,100	106,677,114
(15,075,704)	(892,301)	(630,218)	(3,953,470)	(1,379,221)	(207,828)	(45,266,598)
(49,250,764)	0	0	(37,896)	(55,615)	0	(52,483,838)
(64,326,468)	(892,301)	(630,218)	(3,991,366)	(1,434,836)	(207,828)	(97,750,436)
$ 5,495,176	$ 5,699	$ 43,782	$ 79,634	$ 18,164	$ 9,272	$ 8,926,678

Director of Non-Legislative

and Financial Services

U.S. House of Representatives
Director of Non-legislative and Financial Services
Combining Statement of Financial Position
As of December 31, 1994

	Child Care Center	Director of Non-legislative and Financial Services	House Barber Shop	House Beauty Shop	House Postal Operations
ASSETS					
Fund Balance with Treasury	$ 41,741	$ 0	$ 16,770	$ (34,459)	$ 0
Cash	100	50	150	800	0
Fund Balance with Treasury and Cash	41,841	50	16,920	(33,659)	0
Accounts Receivable	0	0	0	0	0
Advances and Prepayments	0	0	0	0	2,839
Inventory	0	0	0	0	0
Property and Equipment, net	0	34,229	1,556	4,820	1,072,709
Total Assets	$ 41,841	$ 34,279	$ 18,476	$ (28,839)	$ 1,075,548
LIABILITIES AND NET POSITION					
Accounts Payable	$ 13,819	$ 265	$ 170	$ 24,308	$ 1,200,208
Total Liabilities	13,819	265	170	24,308	1,200,208
Net Position	28,022	34,014	18,306	(53,147)	(124,660)
Total Liabilities and Net Position	$ 41,841	$ 34,279	$ 18,476	$ (28,839)	$ 1,075,548

House Restaurant	Office of Finance	Office Furnishings	Office Supply Services	Office Systems Management	House Placement Office and Other	Combined
$ 76,714	$ 702,030,951	$ 0	$ 3,318,055	$ 1,170,231	$ 0	$ 706,620,003
1,160	74,246	0	2,363	0	0	78,869
77,874	702,105,197	0	3,320,418	1,170,231	0	706,698,872
43,764	0	9,499	209,964	4,904,961	0	5,168,188
0	1,244	0	0	1,929	0	6,012
40,974	0	345,418	1,381,635	0	0	1,768,027
110,861	124,775	119,026	154,636	294,055	72,493	1,989,160
$ 273,473	$ 702,231,216	$ 473,943	$ 5,066,653	$ 6,371,176	$ 72,493	$ 715,630,259
$ 831,854	$ 35,163,033	$ 335,162	$ 168,821	$ 4,422,167	$ 303	$ 42,160,110
831,854	35,163,033	335,162	168,821	4,422,167	303	42,160,110
(558,381)	667,068,183	138,781	4,897,832	1,949,009	72,190	673,470,149
$ 273,473	$ 702,231,216	$ 473,943	$ 5,066,653	$ 6,371,176	$ 72,493	$ 715,630,259

U.S. House of Representatives
Combining Statement of Operations
Director of Non-legislative and Financial Services
For the 15 Months Ended December 31, 1994

	Child Care Center	Director of Non-legislative and Financial Services	House Barber Shop	House Beauty Shop	House Postal Operations
REVENUE FROM OPERATIONS AND FINANCING SOURCES					
Revenue from Operations					
Sales of Goods	$ 0	$ 0	$ 0	$ 64,108	$ 0
Sales of Services to the Public	605,119	0	63,981	284,627	0
Interoffice Sales	0	0	0	0	0
Revenue from Operations	605,119	0	63,981	348,735	0
Financing Sources					
Appropriations to Cover Expenses	166,659	667,564	143,093	67,279	8,461,443
Total Revenue and Financing Sources	771,778	667,564	207,074	416,014	8,461,443
EXPENSES					
Personnel Compensation	550,471	495,658	139,754	275,232	4,866,757
Benefits	186,733	129,646	27,401	84,764	2,696,145
Postage and Delivery	64	37	0	0	30,499
Repairs and Maintenance	0	7,476	0	0	429,126
Depreciation and Amortization	0	12,769	580	1,798	312,246
Supplies and Materials	29,432	13,737	38,152	13,599	28,315
Telecommunications	681	3,066	1,178	1,366	11,382
Travel and Transportation	2,156	0	0	0	10,726
Contract, Consulting, and Other Services	2,241	4,940	9	165	76,001
Printing and Reproduction	0	121	0	0	0
Subscriptions and Publications	0	114	0	0	246
Cost of Goods Sold	0	0	0	39,090	0
Total Expenses	771,778	667,564	207,074	416,014	8,461,443
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0	$ 0

House Restaurant	Office of Finance	Office Furnishings	Office Supply Services	Office Systems Management	House Placement Office and Other	Combined
$ 437,859	$ 0	$ 0	$ 3,140,781	$ 45,540	$ 0	$ 3,688,288
7,501,357	0	28,655	0	0	0	8,483,739
0	0	13,811	6,832,464	33,653,610	0	40,499,885
7,939,216	0	42,466	9,973,245	33,699,150	0	52,671,912
152,224	11,218,717	8,028,575	1,167,174	535,115	703,896	31,311,739
8,091,440	11,218,717	8,071,041	11,140,419	34,234,265	703,896	83,983,651
3,541,579	2,629,805	4,943,213	1,274,970	2,232,637	542,871	21,492,947
1,417,384	3,678,544	1,212,237	310,456	606,469	124,788	10,474,567
0	82,291	0	494	18	0	113,403
37,858	161,683	589,784	39,506	31,244,167	0	32,509,600
41,355	46,545	37,791	75,171	109,693	27,042	664,990
2,529,827	279,401	1,206,279	6,708,077	231	2,886	10,849,936
19,741	16,977	11,726	5,900	19,172	5,208	96,397
1,501	312,035	17,054	33,039	5,394	916	382,821
114,767	4,009,283	46,107	927	16,484	185	4,271,109
0	0	0	0	0	0	121
0	2,153	6,850	0	0	0	9,363
387,428	0	0	2,691,879	0	0	3,118,397
8,091,440	11,218,717	8,071,041	11,140,419	34,234,265	703,896	83,983,651
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Director of Non-legislative and Financial Services
For the 15 Months Ended December 31, 1994

	Child Care Center	Director of Non-legislative and Financial Services	House Barber Shop	House Beauty Shop	House Postal Operations
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	(166,659)	(667,564)	(143,093)	(67,279)	(8,461,443)
(Increase)/Decrease in Accounts Receivable	0	0	0	0	0
(Increase)/Decrease in Advances and Prepayments	0	0	0	0	(2,839)
(Increase)/Decrease in Inventory	0	0	0	8,218	0
Increase/(Decrease) in Accounts Payable	2,435	(4,703)	(371)	4,776	1,147,542
Depreciation and Amortization	0	12,769	580	1,798	312,246
Net Cash (Used)/Provided by Operating Activities	(164,224)	(659,498)	(142,884)	(52,487)	(7,004,494)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of Property and Equipment, net	0	(42,809)	(2,136)	(6,306)	(1,128,614)
Net Cash (Used) by Investing Activities	0	(42,809)	(2,136)	(6,306)	(1,128,614)
CASH FLOWS FROM FINANCING ACTIVITIES					
Appropriations Received	0	0	0	0	0
Appropriated Funds Allocated	178,470	702,307	150,974	2,744	8,133,108
Funds Returned to Treasury	0	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	178,470	702,307	150,974	2,744	8,133,108
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	14,246	0	5,954	(56,049)	0
Fund Balances with Treasury and Cash, Beginning	27,595	50	10,966	22,390	0
Fund Balances with Treasury and Cash, Ending	$ 41,841	$ 50	$ 16,920	$ (33,659)	$ 0

House Restaurant	Office of Finance	Office Furnishings	Office Supply Services	Office Systems Management	House Placement Office and Other	Combined
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
(152,224)	(11,218,717)	(8,028,575)	(1,167,174)	(535,115)	(703,896)	(31,311,739)
27,857	0	(9,267)	(181,522)	(830,881)	0	(993,813)
0	(1,244)	0	0	(1,929)	0	(6,012)
9,710	0	(55,746)	4,723	0	0	(33,095)
(243,171)	29,868,183	7,002	69,112	(6,161,811)	(13,873)	24,675,121
41,355	46,545	37,791	75,171	109,693	27,042	664,990
(316,473)	18,694,767	(8,048,795)	(1,199,690)	(7,420,043)	(690,727)	(7,004,548)
(20,539)	(103,337)	(68,482)	(212,625)	(272,685)	(61,135)	(1,918,668)
(20,539)	(103,337)	(68,482)	(212,625)	(272,685)	(61,135)	(1,918,668)
0	1,568,449,200	0	0	0	0	1,568,449,200
83,502	(961,576,848)	8,117,277	1,490,420	8,862,959	751,862	(933,103,225)
0	(3,948,734)	0	0	0	0	(3,948,734)
83,502	602,923,618	8,117,277	1,490,420	8,862,959	751,862	631,397,241
(253,510)	621,515,048	0	78,105	1,170,231	0	622,474,025
331,384	80,590,149	0	3,242,313	0	0	84,224,847
$ 77,874	$ 702,105,197	$ 0	$ 3,320,418	$ 1,170,231	$ 0	$ 706,698,872

Revolving Funds and Reimbursable Activities Outside the Director of Non-legislative and Financial Services

U.S. House of Representatives
Statements of Financial Position
For Revolving Funds and Reimbursable Activities Outside the Director of Non-legislative and Financial Services
As of December 31, 1994

	House Recording Studio	Office of Telecommuni-cations	Office of Photography	House Page School
ASSETS				
Fund Balance with Treasury	$ 1,080,677	$ 0	$ 0	$ 1,489,354
Cash	200	0	0	300
Fund Balance with Treasury and Cash	1,080,877	0	0	1,489,654
Accounts Receivable	603,163	1,081,570	1,214	0
Advances and Prepayments	508	5,654	0	57
Property and Equipment, net	1,075,034	3,665,326	3,592	0
Total Assets	$ 2,759,582	$ 4,752,550	$ 4,806	$ 1,489,711
LIABILITIES AND NET POSITION				
Accounts Payable	$ 73,190	$ 2,805,600	$ 544	$ 17,460
Total Liabilities	73,190	2,805,600	544	17,460
Net Position	2,686,392	1,946,950	4,262	1,472,251
Total Liabilities and Net Position	$ 2,759,582	$ 4,752,550	$ 4,806	$ 1,489,711

U.S. House of Representatives
Statements of Operations
For Revolving Funds and Reimbursable Activities Outside the Director of Non-legislative and Financial Services
For the 15 Months Ended December 31, 1994

	House Recording Studio	Office of Telecommuni-cations	Office of Photography	House Page School
REVENUE FROM OPERATIONS AND FINANCING SOURCES				
Revenue from Operations				
Sales of Services to the Public	$ 54,313	$ 0	$ 12,737	$ 364,290
Interoffice Sales	548,988	16,268,825	97,780	0
Revenue from Operations	603,301	16,268,825	110,517	364,290
Financing Sources				
Appropriations to Cover Expenses	3,673,155	6,267,600	933,545	21,193
Total Revenue and Financing Sources	4,276,456	22,536,425	1,044,062	385,483
EXPENSES				
Personnel Compensation	2,509,571	1,086,393	718,594	0
Benefits	612,478	323,352	172,122	0
Postage and Delivery	0	3,674	0	28,755
Repairs and Maintenance	324,523	1,914,659	48,674	53,584
Depreciation and Amortization	368,445	2,779,073	2,208	0
Supplies and Materials	305,632	6,518	96,748	88,384
Travel and Transportation	0	9,433	476	1,434
Contract, Consulting, and Other Services	0	9,714	0	189,104
Telecommunications	13,554	16,403,609	2,581	14,490
Printing and Reproduction	142,202	0	2,659	18
Subscriptions and Publications	51	0	0	9,714
Total Expenses	4,276,456	22,536,425	1,044,062	385,483
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Statements of Cash Flows
For Revolving Funds and Reimbursable Activities Outside the Director of Non-legislative and Financial Services
For the 15 Months Ended December 31, 1994

	House Recording Studio	Office of Telecommunications	Office of Photography	House Page School
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	(3,673,155)	(6,267,600)	(933,545)	(21,193)
(Increase)/Decrease in Accounts Receivable	(552,005)	6,950	(200)	0
(Increase)/Decrease in Advances and Prepayments	(508)	(5,654)	0	(57)
(Increase)/Decrease in Inventory	0	0	0	0
Increase/(Decrease) in Accounts Payable	45,074	975,715	456	4,128
Depreciation and Amortization	368,445	2,779,073	2,208	0
Net Cash (Used)/Provided by Operating Activities	(3,812,149)	(2,511,516)	(931,081)	(17,122)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property and Equipment, net	(318,587)	(1,842,877)	(2,307)	0
Net Cash Provided/(Used) by Investing Activities	(318,587)	(1,842,877)	(2,307)	0
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	0	0	0	0
Appropriated Funds Allocated	4,169,035	4,354,393	933,388	102,925
Funds Returned to Treasury	0	0	0	0
Net Cash Provided/(Used) by Financing Activities	4,169,035	4,354,393	933,388	102,925
Net Cash Provided by Operating, Investing, and Financing Activities	38,299	0	0	85,803
Fund Balances with Treasury and Cash, Beginning	1,042,578	0	0	1,403,851
Fund Balances with Treasury and Cash, Ending	$ 1,080,877	$ 0	$ 0	$ 1,489,654

Capitol Police and Other Joint Functions

U.S. House of Representatives
Combining Statement of Cash Receipts and Disbursements
Of Capitol Police and Other Joint Functions
For the 15 Months Ended December 31, 1994

	Attending Physician	Joint Committee on Taxation	Joint Committee on the Organization of Congress	Capitol Police	Combined
Receipts					
Revenue from Operations					
Sales of Services to the Public	$ 84,280	$ 0	$ 0	$ 0	$ 84,280
Revenue from Operations	84,280	0	0	0	84,280
Financing Sources					
Appropriations Received	2,837,000	11,720,000	0	66,893,000	81,450,000
Total Revenues and Financing Sources	2,921,280	11,720,000	0	66,893,000	81,534,280
Disbursements					
Personnel Compensation	379,901	6,331,370	78,958	29,189,798	35,980,027
Benefits	35,320	1,576,708	17,745	6,987,611	8,617,384
Postage and Delivery	393	16	11	58,279	58,699
Repairs and Maintenance	121,980	508,566	1,137	438,455	1,070,138
Supplies and Materials	232,619	38,010	344	1,442,968	1,713,941
Travel and Transportation	3,753	5,373	1,770	247,835	258,731
Contract, Consulting, and Other Services	1,778,612	130,690	0	90,608	1,999,910
Printing and Reproduction	88	0	0	24,252	24,340
Subscriptions and Publications	4,977	85,704	0	20,041	110,722
Funds Returned to Treasury	187,632	12,768	0	5,732,563	5,932,963
Telecommunications	13,693	32,097	1,711	59,178	106,679
Total Disbursements	2,758,968	8,721,302	101,676	44,291,588	55,873,534
Excess/(Deficiency) of Receipts Over Disbursements	$ 162,312	$ 2,998,698	$ (101,676)	$ 22,601,412	$ 25,660,746

Legislative Service Organizations

U.S. House of Representatives
Combining Statement of Cash Receipts and Disbursements
Of Legislative Service Organizations
For the 15 Months Ended December 31, 1994

	Arms Control and Foreign Policy Caucus	Arts Caucus	Automotive Caucus	Black Caucus	Border Caucus	California Democratic Congressional Delegation
Receipts						
Membership Dues to LSOs	$ 136,747	$ 321,404	$ 21,919	$ 438,448	$ 12,339	$ 135,958
Total Receipts	136,747	321,404	21,919	438,448	12,339	135,958
Disbursements						
Personnel Compensation	105,269	186,187	3,000	188,096	0	118,872
Postage and Delivery	1,356	727	0	1,779	0	0
Repairs and Maintenance	7,910	3,632	0	9,973	0	1,600
Supplies and Materials	2,635	12,195	765	4,351	420	0
Telecommunications	2,393	1,180	0	6,596	0	205
Travel and Transportation	0	415	0	0	0	1,870
Contract, Consulting, and Other Services	0	0	0	0	0	0
Printing and Reproduction	552	2,398	0	4,931	0	208
Subscriptions and Publications	185	248	0	120	0	0
Total Disbursements	120,300	206,982	3,765	215,846	420	122,755
Excess of Receipts Over Disbursements	$ 16,447	$ 114,422	$ 18,154	$ 222,602	$ 11,919	$ 13,203

Caucus for Womens Issues	Democratic Study Group	Environmental and Energy Study Conference	Federal Government Service Task Force	Hispanic Caucus	House Wednesday Group	Human Rights Caucus	Hunger Caucus
$ 239,379	$ 1,422,902	$ 632,508	$ 117,463	$ 221,004	$ 209,050	$ 164,040	$ 150,322
239,379	1,422,902	632,508	117,463	221,004	209,050	164,040	150,322
189,734	869,156	332,268	91,780	127,928	156,995	95,294	128,121
2,081	9,047	656	0	173	429	913	0
10,442	50,146	74,960	7,514	10,176	10,132	9,010	3,404
4,365	60,581	22,604	7,424	3,552	2,053	10,532	1,469
1,455	5,684	1,625	946	3,793	827	4,030	1,529
0	0	0	0	0	0	0	0
0	11,579	0	0	0	506	150	441
7,805	11,102	56	0	1,040	924	9,596	306
1,314	8,770	543	0	162	631	368	494
217,196	1,026,065	432,712	107,664	146,824	172,497	129,893	135,764
$ 22,183	$ 396,837	$ 199,796	$ 9,799	$ 74,180	$ 36,553	$ 34,147	$ 14,558

U.S. House of Representatives
Combining Statement of Cash Receipts and Disbursements
Of Legislative Service Organizations
For the 15 Months Ended December 31, 1994
Continued

	Narcotics Abuse and Control Caucus	New York State Congressional Delegation	Ninety-eighth Democratic New Members Caucus	Northeast-Midwest Congressional Coalition	Older Americans Caucus	Pennsylvania Congressional Delegation Steering Committee
Receipts						
Membership Dues to LSOs	$ 40,000	$ 40,160	$ 12,799	$ 228,688	$ 30,273	$ 36,423
Total Receipts	40,000	40,160	12,799	228,688	30,273	36,423
Disbursements						
Personnel Compensation	0	0	0	127,180	22,081	27,615
Postage and Delivery	0	0	0	522	0	87
Repairs and Maintenance	0	0	0	6,549	0	2,175
Supplies and Materials	0	2,217	12,799	11,397	0	293
Telecommunications	0	0	0	2,105	0	207
Travel and Transportation	0	0	0	603	0	0
Contract, Consulting, and Other Services	0	0	0	0	0	0
Printing and Reproduction	0	47	0	5,263	0	308
Subscriptions and Publications	0	0	0	1,823	0	0
Total Disbursements	0	2,264	12,799	155,442	22,081	30,685
Excess of Receipts Over Disbursements	$ 40,000	$ 37,896	$ 0	$ 73,246	$ 8,192	$ 5,738

Populist Caucus	Republican Study Committee	Rural Caucus	Steel Caucus	Sunbelt Caucus	Textile Caucus	Travel and Tourism Caucus	Combined LSO Receipts and Disbursements
$ 13,452	$ 660,562	$ 41,267	$ 2,040	$ 196,388	$ 20,491	$ 107,744	$ 5,653,770
13,452	660,562	41,267	2,040	196,388	20,491	107,744	5,653,770
0	519,180	21,500	0	164,770	0	85,875	3,560,901
0	0	522	0	711	0	1,391	20,394
0	18,701	2,108	0	17,548	0	3,095	249,075
0	3,659	991	81	2,221	835	3,096	170,535
0	4,961	808	0	4,184	0	2,165	44,693
0	0	0	0	0	0	384	3,272
0	0	0	0	0	0	0	12,676
0	519	2,858	444	2,190	307	1,350	52,204
0	2,063	106	0	354	0	1,411	18,592
0	549,083	28,893	525	191,978	1,142	98,767	4,132,342
$ 13,452	$ 111,479	$ 12,374	$ 1,515	$ 4,410	$ 19,349	$ 8,977	$ 1,521,428

Report of Independent Accountants on Compliance With Laws and Regulations

Report of Independent Accountants
on Compliance With Laws and Regulations

To the Inspector General
U.S. House of Representatives

We were engaged to audit the consolidating financial statements of the U.S. House of Representatives (House) as of and for the fifteen months ended December 31, 1994, and have issued our report thereon dated July 18, 1995. In that report we disclaimed an opinion on the consolidating financial statements because deficiencies in accounting records, automated systems, and internal controls precluded us from obtaining sufficient evidential matter to support an opinion on those financial statements.

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

Testing for compliance with laws 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 Antideficiency Act, Federal Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990, do not apply to the House. Second, while Executive Branch departments and agencies are subject to regulations that implement their authorizing statutes, and to regulations imposed by other agencies, such as the Office of Management and Budget and the Office of Personnel Management, the House is subject only to its own rules and to procedures contained in its *Congressional Handbook*. Further, unlike the Executive Branch, the House could, and frequently did, grant exceptions to following its own rules and procedures.

During our audit we found evidence that led us to conclude that the following instances of noncompliance are likely to have occurred:

- We noted instances of apparent noncompliance by individual Members, which we intend to refer to the Committee on House Oversight for resolution. These included instances where Office of Finance records indicate that Members overspent their allowances for staff salaries, office expenses, and official mail, or received adjustments to their allowances that did not appear to be adequately supported. The *Congressional Handbook* states that Members are personally liable for the amounts by which they overspend their allowances. We also intend to refer to the Committee instances where Members' 1994 financial disclosure forms did not disclose certain debts that came to our attention during our audit.

- There were instances where neither the Office of Finance nor Members' offices retained Certificates of Relationship/Non-relationship to Any Current Member of Congress, which the *Congressional Handbook* requires each House employee to complete when hired. Because these certifications were not retained, we were unable to determine if Members always complied with applicable laws and House requirements. We intend to refer this information to the Committee on House Oversight for resolution.

We also found instances where *Congressional Handbook* rules had been violated, but where the Committee on House Administration granted exceptions to those rules. For example, the Committee routinely approved the payment of vouchers for travel expenses that were submitted after the deadline set in the *Congressional Handbook* or that were submitted without the documentation required by the *Congressional Handbook*. As discussed in our report on the House's internal control structure, this contributed to the House's paying travel vouchers twice. The Committee also approved nearly 400 retroactive pay raises for the staff of Members. These payments to Members' staff, totaling nearly $225,000, violated the *Congressional Handbook's* rules on the Clerk Hire Allowance, which state that "no retroactive salary adjustments are authorized." We also found three instances where the Committee approved the payment of printing costs for items that did not contain an advisory letter from the House's Franking Commission, as required by the *Congressional Handbook*.

As described in our report on the House's internal control structure, the House overspent its fiscal 1994 appropriations for Members' spending on staff salaries, office expenses, and franked mail. The House reprogrammed $14.2 million to help cover the shortfall between Members' spending and the related appropriations. It also reprogrammed $5.3 million to cover the employee benefit expenses associated with the overspending on salaries for Members' staff. These reprogrammings took place after the end of the fiscal year, suggesting that the appropriation had been overspent as of September 30, 1994. Had an enforcement mechanism such as the Antideficiency Act been applicable to the House, it would have been unlawful for the House to expend in any one fiscal year any sum in excess of appropriations by Congress for that fiscal year, or to incur obligations for the future payment of money in excess of such appropriations.

Matters of the type described in the two preceding paragraphs would have been reported as violations of laws and regulations in an audit of an Executive Branch department or agency. The Executive Branch does not have the authority to exempt itself from compliance with regulations, and it may not overspend its appropriations. The effect of routinely granting of exceptions to *Congressional Handbook* rules was to undermine the effectiveness of those rules as internal control mechanisms. For example, the lenient enforcement of the rules on travel expenses may have caused Members and staff to be less diligent about keeping proper records of their travel costs, submitting travel vouchers on time, and paying their government furnished charge card bills on time. The lack of a control mechanism, such as the Antideficiency Act, to enforce compliance with budget limitations weakens overall budgetary control.

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

Washington, D.C.
July 18, 1995

Internal Control Report

Report Of Independent Accountants
On The Internal Control Structure

To the Inspector General
U.S. House of Representatives

We were engaged to audit the consolidating financial statements of the U.S. House of Representatives (House) as of and for the 15 months ended December 31, 1994, and have issued our report thereon dated July 18, 1995. In that report we disclaimed an opinion on the consolidating financial statements because deficiencies in accounting records, automated systems, and internal controls precluded us from obtaining sufficient evidential matter to support an opinion on those financial statements.

We have also completed and issued reports dated July 18, 1995, on the results of performance audits of various House administrative offices and functions, and of various aspects of the House's information systems operations. These audits were conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Certain aspects of our audit of the House's consolidating financial statements involved areas that were also undergoing a performance audit. Accordingly, our work was structured such that findings involving internal control weaknesses were addressed by the financial audit and provided for inclusion in the performance audit reports. Certain of these findings are also included in this report on the House's internal control structure, to the extent we consider them to be reportable conditions or material weaknesses as defined below.

Statement Of Our Responsibilities Under Professional Auditing Standards

The Members and administrative management of the House are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, they must make estimates and judgments to assess the expected benefits and related costs of the policies and procedures that comprise the internal control structure of the House. The objectives of an internal control structure are to provide Members and administrative management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with their authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in

conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.
In planning and performing our audit of the consolidating financial statements of the House, we obtained an understanding of the House's internal control structure. This involved understanding the design of relevant policies and procedures, determining whether they have been placed in operation, and assessing the risk that elements of the internal control structure were either inadequate or were not operating properly. This assessment then allowed us to establish our auditing procedures. However, our work was not designed to provide an opinion on whether the internal control structure achieved some or all of its objectives.

Summary Of Internal Control Weaknesses

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure 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.

Certain more severe reportable conditions are also considered to be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more elements of the internal control structure does not sufficiently reduce the risk of material errors and irregularities occurring and not being timely detected. Material errors or irregularities are those that, in the judgment of independent accountants, might cause a large dollar impact in the financial statements being audited, or might be qualitatively important to a reasonable person relying on those financial statements.

The reportable conditions we found, all of which we consider to be material weaknesses, can be summarized as follows:

1. Archaic Accounting Policies, Methods, Practices, And Systems Contributed To Poor Financial Management

2. The House Did Not Properly Track The Goods And Services It Orders, And Frequently Paid Vendors Late

3. Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices

4. The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment

5. Poor Funds Control Put The House At Risk Of Overspending Its Appropriation

6. Deficiencies In Budgeting, Monitoring And Accounting For Member Allowances Increased The Risk Of Overspending And Impaired Accountability
7. Inconsistent Record Keeping Hampered Efforts To Assure That Mass Mailings Comply With The Rules, And Franked Mail From The District Offices Was Not Well Controlled

8. Poor Controls Over Computers And Data Expose The House To The Risk Of Unauthorized Transactions, Incorrect Data, Misuse Of Assets, And Loss Of Data And Programs

9. Ineffective Controls And Policies Existed Related To Travel Reimbursement And Government-Furnished Charge Cards

10. Payroll Policy And Late Submissions Added To Manual Processing And Led To $299,000 In Overpayments To Employees

11. Controls Over Purchasing And Procurement Were Weak And Inconsistent

12. Lack Of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements

13. House Catering Operations Had Little Control Over Amounts It Was Owed Because It Did Not Maintain Complete Credit Records Or Properly Track Subsequent Collections

14. The House Was Unable To Accurately Determine Employee Benefits Due To Missing Or Incomplete Leave Records

We made a total of 59 recommendations in this report to address these reportable conditions. However, 35 of these recommendations were already provided in recently issued Office of Inspector General (OIG) performance audit reports as identified by an OIG report number after each recommendation. In addition, House management has provided responses to each of these recommendations. The remaining 24 recommendations are new recommendations.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

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

Washington, D.C.
July 18, 1995

INTERNAL CONTROL WEAKNESSES

Weakness 1: Archaic Accounting Policies, Methods, Practices, And Systems Contributed To Poor Financial Management

Accounting policies, methods and the financial management system in the House's Office of Finance (Finance) did not meet routine financial management standards followed by private industry or other Federal government agencies. Finance accounted for the House's operations almost exclusively on a cash basis, with inconsistent and incomplete cost allocation. This meant that Finance tracked when the House received cash and when it spent cash, but not what liabilities or debts it had incurred or what assets it owned. As a result, the House was limited in planning or making informed decisions on the cost effective use of resources and in providing accountability for its financial resources to the public.

In the private sector and in many Federal government organizations, accounting methods and techniques are designed to capture and report information long before cash is exchanged. This provides decision-makers with more timely and relevant information concerning financial resources and costs of operations. These methods are known as accrual or obligations-based accounting and cost accounting. They enable organizations to record and track everything they own, everything they owe, all that they earned, and all that they spent.

Comprehensive guidance for establishing financial management systems like that needed by the House is provided by the Joint Financial Management Improvement Program (JFMIP), an interagency task force that promotes sound financial management in the Federal government. The guidance stipulates functional system requirements for managing financial transactions and reporting. Its central focus is an integrated systems environment with a standard general ledger and accrual-based accounting. If Finance and House Information Systems (HIS) had established the House's financial management system in accordance with JFMIP's "Framework for Federal Financial Management Systems" and "Core Financial System Requirements," Finance would have been better able to implement standard accounting practices and provide House decision-makers with understandable and reliable financial information. In fact, every troubled Finance function discussed below is addressed by JFMIP and could be improved by adopting its system standards. Implicit in adopting these new system standards is the need to train financial personnel in them, and in the latest accounting principles and practices that will apply to them. Training is particularly important for the House's Finance personnel, since adoption of these new system standards and accounting principles will constitute a considerable change from present practices.

Finance did not record, classify, or summarize financial transactions appropriately

Most Federal agencies and private sector entities use a comprehensive, accrual-based general ledger to accumulate and summarize transactions and to prepare internal and external financial reports. Financial reports provide information for employees to manage their operations cost-effectively and inform the public of the organization's financial condition. The general ledger is the central control function of a financial management system. The Executive Branch's Office of Management and Budget (OMB) issues financial management guidance under circulars. OMB Circular A-127 requires a Federal agency's general ledger to include a complete and comprehensive chart of accounts. The chart of accounts provides the overall organization to the general ledger similar to a book's table of contents. Even though OMB standards do not apply to the House, use of a comprehensive chart of accounts is a well accepted standard in the Federal government and private sector entities. The general ledger should include all financial transactions in its asset, liability, equity, budgetary, revenue, and expense accounts.

Finance's ledger did not summarize accrual or obligation-based transactions by asset, liability, equity, budgetary, revenue, and expense accounts. It recorded financial transactions as cash receipts or expenditures in its Financial Management System (FMS) and paper ledgers. The existing accounting process was, in concept, a large checkbook, limited to keeping a running balance of cash received and cash disbursed.

Furthermore, Finance did not summarize financial resource data for effective decision-making. Because transactions were recorded as cash receipts or disbursements, accounting records and financial reports lacked complete information on accounts receivable, inventory, equipment, budgetary authority, furniture and furnishings, and accounts payable. For example, Finance could not easily report money invested in property or equipment. Consequently, managers responsible for making decisions about purchasing, leasing, repairing or warehousing such items did not understand the full implication of their decisions. Also, officials were not alerted to needed policy or vendor contract changes that may have been evident through review of customary financial exception and summary reports pertaining to property and equipment.

Finance did not recognize revenues when earned or expenditures when incurred

Typically, financial transactions are recorded in the general ledger when financial events occur. By law (31 U.S.C. 3512), financial transactions must be recognized when cash is exchanged, a benefit (revenue) is earned, or debt (expenditure) is incurred for benefits received. This is the accrual basis of accounting; it is mandated for Federal agencies, and is an appropriate standard for the House to follow.

Contrary to the requirements for Federal agencies, Finance recognized and recorded financial transactions only when cash was exchanged. It recorded revenue when cash was received and expenditures when cash was paid. Finance did not record a debt (liability) when benefits were received or when legal title passed. For example, when individual offices received materials ordered from a vendor, Finance did not record an amount for the materials received, or a liability for the money it owed the vendor.

As a result, Finance did not always have assurance that sufficient funds would be available to pay liabilities that had been incurred and not yet paid. As of September 30, 1994, Finance had not recorded at least $41 million in expenditures that had been incurred but not yet paid. Thus, by understating expenditures, Finance risked a deficiency in funds.

Furthermore, Finance could not readily or easily identify its debtors or creditors, nor did it know amounts owed to or by the House. For example, we found that receivable information was maintained in manual systems by individual offices, and that such information was not summarized and given to Finance. Ignorance of debtors, debts, creditors, and collections limited Finance s ability to determine who was owed money from the House, how much money was owed, who owed money to the House, and how much was owed. Without this information, Finance was limited in planning or budgeting for expenditures and receipts.

Finance did not allocate the cost of operations consistently or completely

The costs to run the House were not fully attributed to the final user. Fully allocating or attributing costs to the end user induces decision-making that is more sensitive to balancing quality and cost. Cost accounting, allocation, and distribution provide an approach for measuring the total cost of performing an activity. This is achieved by attributing all financial resources used for an activity to the cost of performing the activity. For example, cost accounting allocates all costs, including overhead costs of space, utilities, and maintenance to the organizational unit that incurred them. This, in turn, allows organizational units to transfer or recoup these costs from others, to the extent they sell or provide goods and services to them.

The House was organized into several different offices performing various functions for the Members and committees. Many of these offices charged only a portion of their costs—or none of their costs—to the Members, committees, and other offices that used their services. Costs not charged to Members, committees, or other users were made up through appropriations. For example:

- Office Systems Management's policies allowed Members to choose whether to incur the full cost of computer equipment in the year it was purchased or to spread that cost over three years.
- Office of Telecommunications paid vendors' bills for telecommunications services, but charged only a portion of those costs to the Members who used those services.
- The Folding Room folded and sorted Members' mass mailings to constituents, but did not charge Members for those services.

This lack of consistency in charging costs to the final user within the House obscures the true cost of supporting the Members, committees, and other House offices. Because these offices were not held accountable for the cost of many of the goods and services they used, little incentive existed for them to use those goods and services efficiently. In addition, without accurate cost information, the House managers were not able to make informed decisions for day-to-day operations and long-range planning.

Finance did not produce reports with sufficient management information

A typical finance office provides managers and employees with timely, accurate, and understandable financial reports, which form the basis for effective financial decision-making. However, Finance prepared few financial reports, and those it produced contained limited information. Monthly statements of expenses produced through FMS were distributed to Members, committees, and other offices by Finance. The reports listed expenditures and were only useful for reconciling expenditures recorded by Finance to the offices' own records. The report did not classify expenditures by type or present comparative data that would help in planning and controlling costs. Finance also provided a Personnel Certification Report to the offices. This report included a list of employees and their associated monthly payroll costs. However, the report did not give offices a breakdown of hours worked by employee or employee leave status since this information was not required to be reported to Finance.

Other financial reports consisted of monthly reports to the Department of the Treasury (Treasury) and OMB, as well as the Quarterly Clerk's Report for the public. The monthly reports to Treasury and OMB summarized the House's expenditures and receipts for the month. The Quarterly Clerk's Report detailed and summarized all disbursements and receipts by Member, committee, and office. Typically, the report listed over 90,000 items per quarter. The report's usefulness was limited because its sheer volume made it difficult to read, much less analyze, and because it did not summarize data for the House as a whole or accumulate data for more than one quarter. Additionally, the report did not place data in context by comparing it to another period or to a budget, or reconciling it to available money.

The financial reports did not provide the House or the public with meaningful or relevant information to make prudent decisions about resource planning, or to assess the performance of the House and individual offices. The House of Representatives' Customer Satisfaction Survey reported 67 percent of Members, committees, and offices did not receive financial performance reports needed to make decisions.

Recommendations

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

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

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

3. Implement a cost accounting system that properly allocates or attributes costs to end users. (OIG Report No. 95-CAO-16.)

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

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

Weakness 2: The House Did Not Properly Track The Goods And Services It Orders, And Frequently Paid Vendors Late

In most instances the House did not track what it ordered and owed vendors until its Office of Finance was billed. However, the Office of Finance had no central record of items ordered, or of goods and services received, that could be used to accumulate and summarize outstanding bills. In some cases, ordering was controlled through records maintained by the ordering entity. With respect to goods and services ordered by Members and committees, the House had no means of tracking obligations as they were incurred, because no information about the order was available until vouchers were sent to the Office of Finance for payment.

We also found that the House was frequently late in paying its bills. Of payments made in the 15-month audit period, $72 million (25.8%) were for goods and services received over four months prior to the payment date; $44 million (15.7%) were for goods and services received over a year ago and $2.7 million (1%) over two years ago. There may have been valid reasons for paying invoices so late; for example, vendors may not have met all contract requirements. However, the large volume of late payments and lack of systematic means of recording and tracking orders and purchases increase the risk that error or excess cost will occur.

Additional tests of payments made during the 15 months ended December 31, 1994, indicated that $1,609 were for services received in 1986; $1,113 were for services received in 1987; $727 were for services received in 1988; $5,763 for 1989; $17,966 for 1990; and $1,519,653 for 1991. Most of these payments were for travel invoices that were submitted late. We were informed that the reason for many of these late payments was that the House changed its charge card provider during the audit period, and many old and outstanding balances were submitted for payment as a result of this change. But in any event, late submission and payment of bills was indicative of policies and procedures that either were ineffective or were not being enforced.

Recommendations

We recommend that the Chief Administrative Officer:

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

   - Ordered
   - Received
   - Paid for

   (New recommendation.)

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

   - compare orders against the available budget by office
   - prompt offices when orders have not been received or when bills have not been

paid after a specified period of time.

(New recommendation.)

Weakness 3: Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices

The House was not able to fully or accurately allocate or attribute operating costs to individual Member offices. This is important because full and accurate allocation of costs: (1) is a more effective inducement to purchase goods and services based on balancing quality and cost; (2) allows for a more realistic and equitable comparison of costs between Members; and (3) reduces subsidization of costs by other House entities.

Within the units of the House, numerous examples of situations occurred where costs were not fully allocated to end users. The Office of Telecommunications charged Members only part of the cost of the telecommunications services they use. In other instances, costs were not assessed to Members' offices at all, so amounts charged to Members' allowances understated the true costs of running their offices. For example, the Members' Clerk Hire Allowance was charged for staff salaries, but not for staff benefits, which amounted to approximately 30% of salary costs. No charge to Members' Official Expense Allowance existed for the more than $1 million dollars the House spent on calendars Members sent to their constituents. The costs of the Folding Room ($4.4 million in annual wage costs alone), which processed Members' mass mailings were not allocated to the Official Expense Allowance. In addition, the costs of furnishings for Members' Washington, D.C. offices and of many House-provided computer services were not charged to Members Official Expense Allowances. While these costs were not charged to Members, they were ultimately paid with funds appropriated to non-Member areas.

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

- When Members acquire office equipment from House Office Systems Management (OSM), they are offered the choice of one-time or 3-year purchase plans, as well as various lease plans. These plans are not true allocations of the cost of the equipment, but ways the Members can manage the timing of charges against their Official Expense Allowances. Assume, for example, two Members bought identical office computer systems on December 1, 1994, for which the House paid the vendor $60,000 each. Assume further that one of these Members had $75,000 in unspent Official Expense Allowance at the time of the purchase, and the other had only $2,000 available. The Member with $75,000 elected a one-time purchase plan, using up $60,000 of his remaining 1994 allowance. The other Member elected a 3-year purchase plan, so his 1994 allowance was charged only $1,667—the first of 36 monthly installments. He will then incur charges for this computer system of $20,000 in both 1995 and 1996, and (if he is reelected) $18,333 in 1997. However, his colleague will incur no charges against his allowance in 1995 through 1997. While the substance of both transactions is identical, each Member reports substantially different charges against his Official Expense Allowance for 1994 through 1997. This policy makes it difficult to equitably compare one Member's equipment spending to another's. Also, if a Member retires or is not re-elected to office, the costs of his or her equipment may never be fully allocated to the final user.

- The House Office of Telecommunications pays vendors for the cost of telecommunications services the Members use. Office of Telecommunications then bills the Members for these services, applying a flat rate that is generally lower than the rates vendors charge the Office of Telecommunications. As a result, the Office of Telecommunications is effectively subsidizing the Members' Official Expense Allowance accounts. In these cases, telecommunications costs of Members is understated, while those of the Office of Telecommunications are overstated.

- The House Office Supply Service (OSS) buys office supplies from commercial vendors and resells them to Members. If Members buy the supplies for official business, OSS only charges them the price OSS paid the vendors for those supplies. That is, the price OSS charges Members includes no markup to cover the cost of its centralized purchasing and delivery services. Our performance audit determined that OSS would need to mark up its products by nearly 20% to recover all its costs. Thus, for every dollar a Member spends on supplies from OSS, OSS provides that Member a 20% subsidy. If these costs were allocated to the Member, the Member might prefer to exercise the option of shopping around for supplies.

Most of these practices were also applied to committees and House officers, making it difficult to determine the true costs of their operations. Because Members, committees, and House officers were not held accountable for the cost of many of the goods and services they used, they had little incentive to purchase goods and services efficiently.

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop a proposal, for approval by the Committee on the House Oversight, to establish cost accounting policies and procedures that define how costs will be accounted for and fully allocated to end users. (New recommendation.)

2. Ensure the new financial management system includes a cost accounting component suitable for the House's requirements. (New recommendation.)

Weakness 4: The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment

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

The Office of Finance did not have centralized accounting control over the House's property and equipment. Instead, responsibility for accounting for property and equipment was dispersed among 10 different entities. The House offices that accounted for most of the House's property and equipment were:

- Office Systems Management, which was responsible for computers, copiers, and other office equipment used by Members, committees, and House officers and for furnishings in Members' district offices.
- House Information Systems, which was responsible for computer equipment that supports the House's central electronic data processing environment, including the financial management system.
- Office of Telecommunications, which was responsible for telecommunications equipment used by Members (both in their Washington, D.C. and district offices), committees, and House officers.

No two offices accounted for their equipment the same way. Of the three offices responsible for accounting for most of the House's property and equipment, none kept property ledgers that met all of the requirements followed by Executive Branch agencies. Consequently, none could readily provide all of the information needed for the House's financial statements. We found property records to be inaccurate. Some property records lacked information about the cost of equipment, and others had no cost information at all. In other cases, property records did not include the dates equipment was purchased or the equipment's estimated useful life. Some offices, such as the Office of Telecommunications, had no property ledgers. In addition, property ledgers could not be reconciled to the House's financial management system because the Office of Finance did not distinguish payments for equipment purchases from those for maintenance or leasing costs. As a result, Finance was unable to track maintenance costs or to identify payments on leases that would reduce the House's lease liability. Contributing to the House's inconsistent and incomplete accounting for equipment and related costs was the lack of policies stipulating which equipment purchases should be capitalized and which information should be retained to maintain accountability over them.

Occasionally, the House entered into leasing arrangements that closely resembled loans, and which effectively convey ownership of the leased asset to the House. Leases of this type, which are known as capital leases, require special accounting treatment to ensure their substance is accurately portrayed, and management receives proper information about them. This is important because using leases to finance asset acquisitions is frequently more costly in the long run, and generally should not be necessary for an organization such as the House. Moreover, a lower cost of funds to acquire assets could usually be obtained from the U.S. Treasury.

Weaknesses in accounting for property and equipment, and for related maintenance and leasing costs, made it difficult for the House to manage its property and equipment efficiently and effectively. We found evidence of inefficiencies in the House's maintenance of equipment. For example, the House paid equipment vendors high maintenance fees on equipment in Members' offices, justifying those high costs because Members demanded quick response when their equipment needed service. Yet, Members often called on House employees to service that equipment because they could provide quicker service than the vendors.

The Office of Finance did not have a system for tracking the types of assets under lease or the terms and costs associated with lease agreements. Management did not have information necessary to make sound decisions about whether to lease or buy new equipment and about when to discontinue a lease. As a result, House offices entered into some unfavorable lease agreements. For example, the Office of Finance made over $9,000 in lease payments on an outdated laser printer in a Member's office. Those payments could have been used to lease several newer printers or to buy them.

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

Recommendations

We recommend that the Chief Administrative Officer:

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

   - cost or value information
   - description and acquisition date
   - useful life and depreciation method and amount
   - scheduled replacement
   - location

   (New recommendation.)

2. Establish a policy stipulating the dollar level and types of purchases that should be capitalized. (New recommendation.)

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

   - the leases effectively convey ownership
   - it is cost-beneficial to enter into the leasing arrangement

(New recommendation.)

4. Establish a policy for periodically counting assets with high dollar values. (New recommendation.)

Weakness 5: Poor Funds Control Put The House At Risk Of Overspending Its Appropriation

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

Federal agencies are required to track in their general ledgers when goods or services are ordered so that funds received through the budget process can be set aside or "obligated." In fact, a common control for most government organizations is to check for the availability of funds before a good or service is ordered, and not at the time a bill is presented for payment. This reduces the risk that funds will be insufficient or already committed for other purposes. As an additional control against overspending, the Antideficiency Act (Public Law 97-58, enacted on September 13, 1982) precludes "any officer or employee of the United States Government from making or authorizing obligations or expenditures under any appropriation or fund in excess of the amount available." The House's general counsel has advised us that the House is not subject to the Antideficiency Act. The lack of a control mechanism, such as the Antideficiency Act, to enforce compliance with budget limitations weakens overall budgetary control.

Finance used the current FMS to record expenditures and produce checks to pay providers of goods and services and employees. FMS had the capability to check funds availability before recording expenditures and issuing payments to providers of goods and services. However, the House did not use this feature of FMS. In addition, Finance did not rely on FMS for verifying payroll fund balances, because fund balances were not updated in FMS throughout the month with payroll adjustments. As a result, Finance issued paychecks without having FMS verify available fund balances.

Because the House did not manage its finances proactively, Finance did not know how much the House was committing to and whether it was in danger of not having enough funds to cover expenditures. Finance s budget and system controls did not provide an infrastructure to reserve and limit funds to those authorized. The House was particularly vulnerable to overspending appropriations for Members' allowances, as discussed in Weakness 6.

Finance lacked sufficient procedures to ensure voucher and payroll disbursements were under budgetary control. It did not:

- Obligate or otherwise reserve funds before the House ordered goods or services
- Check funds availability before the House ordered services and products

Recommendations

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

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

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

Weakness 6: Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased Risk Of Overspending And Impaired Accountability

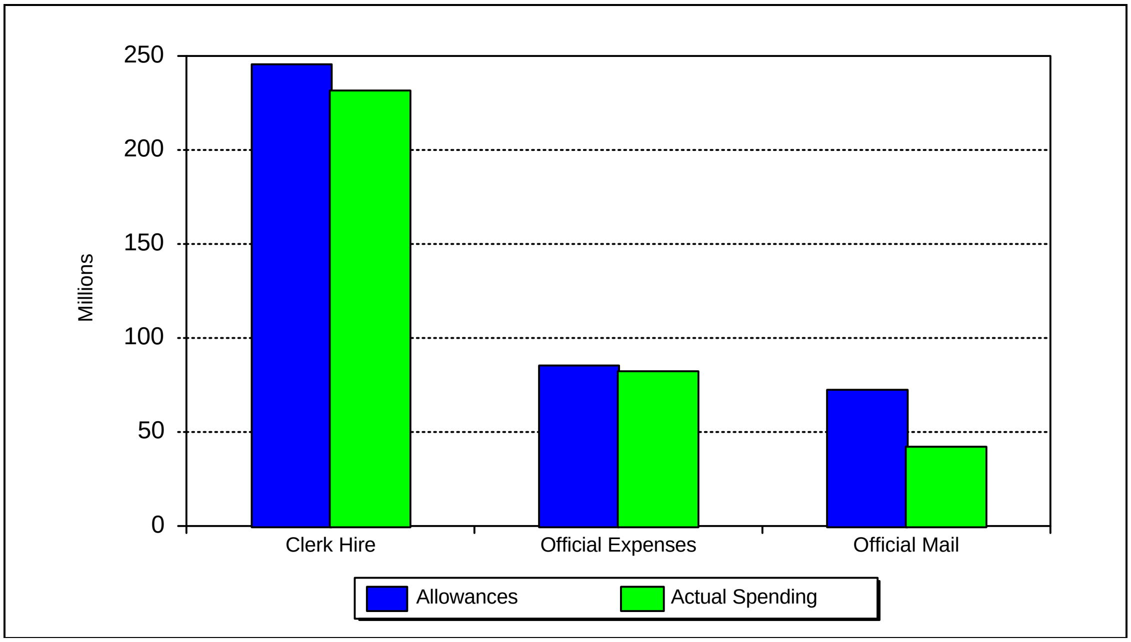
In the Fiscal Year (FY) ended September 30, 1994, Members spent over $14 million more than had been appropriated for their allowances. This overspending resulted primarily from a convoluted budget process.

Members are subject to two different types of limitations on what they can spend on staff salaries, office operations, and franked mail. These are the *appropriations* for the fiscal year, which ends on September 30, and the *allowances* for the session, which runs January 3 through January 2. The annual appropriations are legal limitations on Members' spending, as the appropriations are enacted into law in the annual Legislative Branch Appropriations Act. The appropriations represent funds legally set aside in the U.S. Treasury to pay for the personnel, office, and mailing costs of the Members. The appropriation limits apply to the House as a whole; there are no separate accounts at Treasury for individual Members. In contrast, each Member is subject to individual allowance limits on spending for Clerk Hire, Official Expenses, and Official Mail. These are internal, administrative limitations which were set by the Committee on House Administration in 1994. It has been the House's practice to set the appropriations for Clerk Hire, Official Expenses, and Official Mail significantly lower than the sum of the individual Members' allowances. For example, the FY 1994 appropriation for Official Mail was $40 million, but the sum of all the Members' 1994 Official Mail Allowances was $72 million; the appropriation for Clerk Hire was $225 million, while the sum of allowances was $246 million; and the appropriation for Official Expenses was $77 million, while the sum of the allowances was $86 million.

The appropriations were set with the expectation that many Members would not spend the full amounts of their allowances. Thus, the amount of any individual Member's unspent allowance did not represent funds available to be returned to the Treasury. Even if Members collectively spent less than had been appropriated, those unspent funds could be "reprogrammed," or made available for spending on other items, rather than returned to the Treasury. Thus, $2.8 million of the unspent FY 1993 appropriation for Official Mail was reprogrammed to cover other FY 1993 costs. This approach to appropriating less than Members' aggregate allowances created the risk that Members—who managed with the expectation that they could spend up to the amount of their allowances, instead of to some other amount of which they were not made aware—collectively would overspend the appropriations while individually staying within their allowances. ? summarizes the key differences between the appropriations and the allowances for Members' spending.

	Member Appropriations	Member Allowances
What is it?	This is how much money is legally set aside in the U.S. budget to pay for aggregate personnel, office, and mailing costs of the Members. It is the amount of funds available at the Treasury to pay for those costs.	This is how much money the Committee on House Administration told each Member he or she could spend by type of expenditure. (It is similar to an authorization for an Executive Branch agency.)
Is there money at the U.S. Treasury for it?	Yes, for the House as a whole. However, Members do not have individual Treasury accounts. The overall Treasury account is maintained by Finance, which pays Members' payrolls and bills.	No. In fact, the sum of all the Members' allowances is greater than the funds available at the Treasury to pay the Members' payrolls and bills.
How is it monitored?	Finance uses information about amounts already	Finance provides Members information about their

Figure 2 shows that Members collectively spent less than their full allowances in FY 1994. However, Figure 3 shows that the Members' total spending on Clerk Hire, Official Expenses, and Official Mail exceeded the appropriations. In the aggregate, the appropriation was exceeded by $14.2 million. To cover this excess spending, the House provided additional appropriations authority by reprogramming $11.6 million from other FY 1994 appropriations and $2.6 million from unused appropriations left over from prior years (FYs 1991 and 1992). All of this was done after the end of FY 1994, or after the overspending had already taken place (See Figure 4).



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Millions
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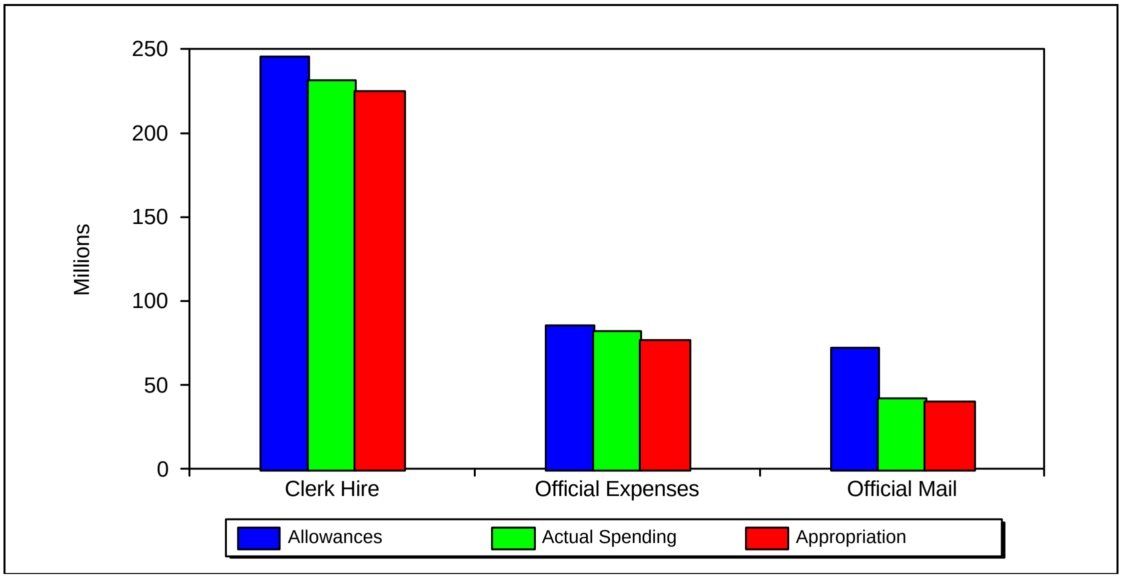
Official Expenses
Official Mail
Allowances
Actual Spending


250
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Millions
Clerk Hire
Official Expenses
Official Mail
Allowances
Actual Spending
Appropriation

These reprogrammings indicate that Finance's monitoring efforts of Members' spending were not sufficient to prevent overspending of funds appropriated for Members' allowances because:

- Projections of Members' spending to help them comply with their individual allowance limitations were not coordinated with control over the appropriations.

- Obligation-based budgetary accounting was not used. No consideration was given to establishing budgetary control at the time goods and services were ordered; procedures focused only on after-the-fact spending reported by the Members and entered into FMS.

Despite its efforts to help Members keep their spending within their allowance limits, Finance's records indicate that five Members overspent their allowances in 1994. According to these records, one Member overspent an allowance by more than $11,000 and had $200 available in other allowance accounts. The other four Members overspent their allowances by $800 to $3,000, but they had unspent amounts ranging from $8,000 to $106,000 in their other allowances. *Congressional Handbook* limitations on transfers between allowance accounts prevented these Members from using these unspent allowances to cure their shortfalls. For example, the *Congressional Handbook* prohibits transfers from Official Mail to the Clerk Hire or Official Expense Allowances. So, if a Member has unused Official Mail Allowance at the end of the year, he or she cannot use it to cover overspending on Clerk Hire or Official Expenses. The House tracked Members' allowances on three different systems, one for each type of allowance. The lack of integration of these systems contributed to at least one Member's overspending, as he attempted to transfer funds from Official Expenses to cover overspending in Clerk Hire. There was not enough money left in his Official Expense Allowance, but the system that tracks Clerk Hire spending did not flag this transfer as an error. If a Member overspends one or more allowance account and does not have sufficient funds in the other account (or accounts) to cover the shortfall, the *Congressional Handbook* states that he or she is personally liable for the amount of the overspending. We intend to provide our findings about these five Members' allowance accounts to the Committee on House Oversight for follow up to determine if amounts need to be collected personally from the Members.

Recommendations

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

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

2. Refine budget formulation procedures to develop budgets by individual Member that are reflective of their actual spending patterns, and that appropriately consider full cost allocation of goods and services provided by the CAO. (OIG Report No. 95-CAO-16.)

3. Combine all three allowances into one to save Members and Finance the time and effort currently used to process transfers among the allowance accounts. (OIG Report No. 95-CAO-16.)

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

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

6. Initiate an in-depth evaluation of Finance and Member records of the five Members who appear to have overspent their FY 1994 allowances, and take appropriate actions as warranted. (OIG Report No. 95-CAO-16.)

Implementation of the above recommendations depends upon the House's ability to implement a new financial management system that will provide the information necessary to manage Members' allowances and appropriations. For example, establishing budgetary control at the time the House commits itself to purchase goods and services will require a systemic method of accumulating and summarizing ordering and contractive documents. Similarly, a system is needed to summarize this information in ways that are meaningful and useful to Members and CAO personnel.

Weakness 7: **Inconsistent Record Keeping Hampered Efforts To Assure That Mass Mailings Complied With The Rules, And Franked Mail From District Offices Was Not Well Controlled**

The record keeping for the processing of mass mail sent under the Congressional Frank was inadequate to provide reasonable assurance that Members have complied with the laws and rules that:

- require Members to obtain Franking Commission approval for unsolicited mass mailings to constituents of, at least, 500 pieces; and
- prohibit Members from sending unsolicited mass mailings less than 60 days before a primary or general election.

Additionally, the House had no means of determining if all franked mail sent from district offices was accurately reported to the Office of Finance and the cost of that mail charged to Members' Official Mail Allowance.

The *Congressional Handbook* states that "Each Member shall, before making any mass mailing, submit a sample or description of the mail material involved to the House Commission on Congressional Mailing Standards (Franking Commission) for an advisory opinion as to whether such proposed mailings are in compliance with applicable provisions of law, rule or regulations." It defines a mass mailing as "any mailing of newsletters or other pieces of mail with substantially identical content totaling 500 or more pieces in a session year." Exempted from the definition of mass mailing are any mailings:

- in direct response to a communication from a person to whom the matter is mailed;
- from the Member to other Members of Congress, or to Federal, State or local government officials; or
- of news releases/news reports other than to Congressional galleries and the media serving the Member's district.

When a Member issues a mass mailing that requires Franking Commission approval, his or her staff (usually the communications director) sends a printer's proof of that mailing to the Franking Commission for a preliminary opinion on whether or not it is eligible for the frank. Bi-partisan staff of the Commission review the proposed mailing, and if they conclude it complies with the rules on what is eligible for franking, they provide an oral approval to the Member's office. The Member's staff then has the final copy of the mass mailing printed and brings it to the Folding Room, which processes it and delivers it to the U.S. Postal Service (USPS). After sending out the mass mailing, the Member's staff, usually the office manager, provides the Franking Commission a copy of the final version of the material mailed. The Commission issues a written approval for the mass mailing. The Member's office must submit this to the Office of Finance before Finance will pay the voucher for the costs of printing the mass mailing. However, controls over mass mailings to prevent franking of unapproved mail were not well applied.

- The Folding Room processed each mailing based on the verbal assurance of Members staff that the mailing either had Franking Commission approval or did not require approval. Prior to 1995, the Folding Room often did not ask staff if a mailing received Franking Commission approval or was exempt. When they did ask, they did not document the staff's reply. Thus, we could not determine from the Folding Room's records if a given mailing of 500 or more pieces was a mass mailing that should have had Franking Commission approval or was exempt from that requirement. Starting in 1995, the Folding Room required the staff to sign a written statement about whether a mailing had Franking Commission approval or was exempt. However, the Folding Room did not independently confirm these statements with the Franking Commission.

- The Folding Room did not retain sufficient information about mailings it processed to track those mailings to approvals by the Franking Commission. While the Folding Room did assign a work order number for each mailing it processed, neither the Members nor the Franking Commission used that or any other control number to uniquely identify mass mailings. The Folding Room did not retain copies of the mass mailings it processed, and it did not document descriptions of those mailings in sufficient detail to enable a comparison to Franking Commission records. Also, as discussed below, no procedure was in place to determine if the final copy mailed was the same as the printer's proof the Franking Commission staff approved orally, in cases where Members' offices did not submit that final copy to the Office of Finance. As a result, neither the Franking Commission nor the Committee on House Administration could ascertain if Members complied with the House's rules on the use of the frank.

- Many Members did not submit final copies of their mailings to the Franking Commission for written approval. Franking Commission staff believed this was because many Members' offices did their own desk top publishing and in-office reproduction. Thus, they did not need the final written approval because they did not submit vouchers to the Office of Finance to pay external sources for printing. We found that 70 Members who incurred official mail costs in 1994, had no printing expenses, including 13 Members with official mail costs of over $100,000 each. These Members may well have had mass mailings produced in their offices at no external cost, but because no record of payment to an outside vendor existed, no definitive evidence was available that the mass mailing was approved by the Franking Commission. Our review of exception letters issued by the Committee on House Administration identified 3 instances (out of 283 exception letters reviewed) where the Committee approved payment of printing costs without an advisory letter from the Franking Commission. We did not identify any instances where the Committee rejected a Member's request to approve such printing costs. However, our testing of 18 payments for printing costs found all of those payments were supported by the required documentation, including, where applicable, an advisory letter from the Franking Commission.

- Folding Room records did not contain reliable evidence of the date it submitted mailings to the USPS. We found inconsistencies in the way records were dated, and no controls were in place to assure that the completion dates Folding Room employees recorded were the actual dates mailings were delivered to the USPS. Thus, for mailings with recorded completion dates near a pre-election cutoff date, no definitive procedures existed to determine if they had been sent before or after the cutoff date. We found that 6 out of 181 mailings tested appeared to have been sent after the pre-election cutoff dates. However, because of the inconsistencies between the Folding Room's records and the Franking Commission's records, we were unable to determine if they were mass mailings or exempt mailings.

District office mailing was essentially an honor system. A Member's district office accounted for franked mail on a manually prepared "Certification of Franked Mail" form completed monthly. This form showed the date of a mailing, the number of pieces mailed, the postage rate applied, and the total cost of each mailing. This form was totaled for the month, and the Member's district office sent the form to the Office of Finance, which sent it to the USPS. This form was the basis for charging the Member's Official Mail Allowance for the cost of mail sent from the district office. Neither the Office of Finance nor the USPS performed any checks to determine the reasonableness or accuracy of the charges. Control over the number of franked envelopes issued to the district offices or the use of postage meters could have helped Finance monitor the cost of district office mail.

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop a proposal, for approval by the Committee on House Oversight, to establish policies and procedures whereby control numbers are pre-assigned by the Franking Commission to each mailing of 500 or more pieces. (New recommendation.)

2. Assign responsibility for tracking mass mailings as they are processed and mailed. (New recommendation.)

3. Inquire about any mass mailings for which Finance has not paid processing or mailing costs. (New recommendation.)

Weakness 8: **Poor Controls Over Computers And Data Exposed The House To Risk Of Unauthorized Transactions, Incorrect Data, Misuse Of Assets, And Loss Of Data And Programs**

Security over the data on the House's computer systems was weak and unauthorized users could have gained access to financial or other information, and made unauthorized changes to the information and not be detected. Also, common errors could have occurred, such as duplicate payments to the same vendor, because application controls did not exist to prevent them.

Security access to important financial systems is weak

We found that security access at the most basic level, password and entry control, was weak in most of the House's financial-related systems. We found that:

- Passwords were only required to be a minimum of three characters, rendering them more susceptible to being guessed or simply accessed by mis-typing by an unauthorized user.

- The systems did not require frequent password changes. Users could have kept the same password for years, leaving a potential window open for years for someone who knew or guessed the password.

- Access was not frozen when invalid attempts to achieve access were made. A common security measure employed by Executive Branch agencies and private sector organizations is that each invalid attempt freezes the user out for successively longer periods, until at the third attempt, the user is frozen out until an authorized technician validates the proper use of the terminal.

- Users were not automatically logged out after a period of inactivity. Should users fail to log out for any reason, their access could remain open indefinitely.

- The systems did not maintain logs of attempts at unauthorized access. Such a log could help indicate individuals attempting several passwords at one session in an attempt to access the system, or users who have a valid password for one application trying to gain access to another application that they are not authorized to use.

- In applications where users dial in from remote terminals, the system had no verification procedures, which would typically dial back callers to verify that they are authorized users. The House was particularly vulnerable to access from dial-in terminals.

- No centralized logs of security access authorization and approval existed. Thus, the process of terminating any user's access may have been incomplete and may have led to continuing unauthorized access after the employee was reassigned or terminated.

- No consistent procedures were in place to terminate the access of employees who left the House. This left the House exposed to the risk that disgruntled former employees would have destroyed or changed data or programs. In many data center operations in the private sector, management has implemented a policy of eliminating terminated employees' access to computers, records and programs immediately upon termination, and locking them out of secured areas.

These weaknesses in the House's computer security meant that unauthorized individuals could have accessed financial applications and made unauthorized changes, looked up sensitive payroll or payment information, and changed data to hide an improper action and not have been detected. The weakness created by the capability to make unauthorized changes to data is compounded by the fact that the House's financial applications were outdated, and thus incapable of identifying unusual transactions, out-of-balance conditions or other data anomalies that required review and follow-up.

Unauthorized changes could be made to payment files

Clerks in Finance had the capability of changing the vendor name on a payment about to be made, so that the payment could have gone to whomever they chose, and they could have accessed the vendor file to also change the mailing address. Voucher auditors in Finance first entered vouchers into FMS for payment. Later, clerks in a separate department of Finance re-entered the same data as a means of producing batch totals to verify accurate data entry. However, this second group of clerks also had the capability to make overriding changes to the data file that ultimately was used to produce checks. Since no further comparisons of the check file were made to the supporting documents, this kind of change was not likely to be detected.

A manual control existed to mitigate this problem, in that a listing of all payments each quarter went to the Member's, committee's or officer's office for their review. Upon careful review, they might question a payment they did not recognize. However, with the volume of payments being made by the House, this was not an effective control.

We had no way of identifying payments that may have been improperly changed, although our samples of vouchers did not disclose payments to parties other than the vendor named on the voucher. However, the procedures followed in creating payment files left too much room for manual intervention. As discussed in our recommendations below, an automated financial management system would ideally trigger payment from an approved computer record that is integrated with ordering and receiving, so that payments would only be made to the party from whom goods and services were received.

Programmers have access to both data and the computer programs

The programming staff of HIS had access to both the programs they are authorized to work on and the data that was processed by those programs, including processing vouchers for payment and payroll. By having access to data, a risk existed that programmers could access data directly and make a change to that data without leaving a trail of their actions. Although we found no examples of this actually occurring, it is normal practice in data centers to bar programmers from using actual data files. Most data centers will allow programmers to use only test or dummy data to test or change the programs for which they are responsible.

Controls over transferring data from one system to another do not ensure complete processing

Data was transferred at least once a month from certain subsidiary systems used by various House offices into FMS. Systems such as those to record the purchase of equipment by a

Member or office, the purchase and sale of supplies, charging for phone calls, and recording studio charges, transferred data in automated form into FMS. However, automated checks were not used to ensure that all the data on the system was transferred properly to FMS. Instead, manual reconciliations were performed after the fact, and no assurance existed that discrepancies found were promptly identified and consistently corrected.

This manual reconciliation process took staff time in each of the affected departments, and was prone to errors. Until more modern systems are developed and implemented, the systems presently used to transfer data to FMS should be changed to require an automated checking of the totals received by FMS.

Procedures to verify information being input into systems are poor

In many of the systems we reviewed, controls to prevent entering incorrect data into the system were weak. For example,

- FMS and the system for purchasing equipment did not use approved vendor codes. Each time a purchase was made, the vendor's name had to be entered. This is time consuming and could lead to data entry errors, as compared to a system where valid vendors are entered and given a code which is then used to validate the purchase when it is entered. When a purchase is made from a vendor not in the system, supervisors can be alerted to the fact that the purchase may not be valid. Having vendors codified also permits analyzing purchases from and amounts due to vendors, so that vendor activity can be monitored and tracked.

- The system for purchasing equipment did not automatically assign purchase order numbers. Thus, management was not sure it had a record of all outstanding obligations from this system. Purchase orders were assigned on a manual basis and were manually controlled.

- The system for purchasing recording studio equipment permitted purchases to be entered incompletely. For example, purchasing information that lacked the serial number of the item purchased, or a reference to the order or purchase voucher could have been entered. As a result, purchases could not be traced to the approved payment for the particular item.

User manuals for computer systems are non-existent or out-of-date

All of the financial information systems we reviewed had either no user manuals or out-of-date manuals. Up-to-date user manuals are an important control mechanism because they inform the users of the features of the system, and assist programmers in making changes to programs that might affect other aspects of the system. The House relied on word-of-mouth information and training sessions to train users and programmers. When users had questions about the system, they had to call on one or two knowledgeable individuals, or contact the vendor. This was inefficient and invested too much knowledge in too few employees.

Although user manuals for systems can be unwieldy and can quickly become out-of-date, they are an important aspect of training, programming, and day-to-day use. Additionally, they can increase users' efficiency and prevent the design of inefficient procedures. User manuals can be designed to be brief and to the point.

Recommendations

We recommend that the Chief Administrative Officer develop policies and procedures to:

1. Keep a log of authorizations for access showing the level of access assigned to each person. Integrate the log with Human Resources so that all terminations and transfers are updated in the log. (New recommendation.)

2. Change password controls to require at least five digits, and to revise passwords each month. (New recommendation.)

3. Prepare and provide a document and computer security awareness training to all employees stating the password policies regarding not sharing passwords or writing them in a conspicuous place, and regarding selecting and changing a password, logging off, checking for viruses, and prohibiting the use of unauthorized software. (New recommendation.)

4. Freeze access after three attempts at unauthorized access are made from any one terminal, individual, account, or file. (New recommendation.)

5. Have terminals automatically log out after a predetermined time of inactivity for the system onto which users are logged. Maintain and review, at least weekly, logs of attempted access. The log should show the terminal or port being used, the passwords used, and the date and time. All such attempts should be followed up with a call to the person responsible for that terminal, account, or file. (New recommendation.)

6. Establish controls to validate all dial-in access. (New recommendation.)

7. Prohibit programmers from accessing actual data and ensure they have access, in a non-production environment, only to the programs they are responsible for changing. (New recommendation.)

8. Enhance systems within the House that transfer data to one another so that they automatically reconcile the data sent and received. (New recommendation.)

9. 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. (New recommendation.)

10. Update user manuals for all the House's significant systems in any action plan for systems improvement. (New recommendation.)

Weakness 9: Ineffective Controls And Policies Existed Related To Travel Reimbursement And Government-Furnished Charge Cards

The House's controls and policies surrounding official travel expenses were ineffective. As a result, many Members and staff were paid twice for some travel costs, and government-furnished charge cards were frequently delinquent. Ineffective enforcement of the travel expense policies, liberal deadlines for submitting travel claims, and deficiencies in the financial management system contributed to duplicate payments and delinquencies.

Federal Travel Regulations governing travel by Executive Branch employees require travelers to file claims for reimbursement within five business days of completing their travel. In contrast, the *Congressional Handbook* requires travel vouchers to be filed within thirty days of the end of the calendar quarter when the travel occurred. Thus, the *Congressional Handbook* gives Members and staff up to four months to file their travel vouchers. Even with so much time to prepare and submit vouchers, Members and staff often submitted them late and had to seek the approval of the Committee on House Administration for these late vouchers. They also sought the Committee's approval for vouchers submitted without original receipts, or with no receipts at all.

During the audit period, the Committee on House Administration routinely approved travel vouchers that were submitted late or did not contain original receipts. We estimate that seven percent of the costs of travel by Members and their staff, about $900,000, was paid on vouchers for which the Committee granted exceptions to the *Congressional Handbook* rules.

Ineffective systems and policies led to duplicate payments

Using computer analysis to identify travel reimbursements with identical payee names, service dates and amounts, we identified over 2,200 pairs of disbursements where Finance may have paid twice for the same travel voucher. We sampled 50 of the largest of these payments and found 43 cases (86 percent) where the House did reimburse the charge card vendor, Member, or staff twice. These duplicate payments amounted to nearly $10,000. We reviewed cash receipts data and found no evidence that the recipients of any of these actual or potential duplicate travel reimbursements refunded the amounts in question to the House. Deficiencies in the automated financial management system, a liberal deadline for filing claims for reimbursements, and ineffective enforcement of the *Congressional Handbook*, were the principal causes of these duplicate payments.

Because of limitations in FMS, Finance staff could review only the previous two months' transactions to identify potential duplicate payments. Even when the system flagged a potential duplicate payment, staff could easily override the flag and process the payment anyway. These limited controls might have been effective if the House required Members and staff to submit travel vouchers promptly, or if it enforced its rules requiring the filing of original receipts with travel vouchers. But it did neither.

All of the 43 duplicate travel payments we found were for vouchers that violated the *Congressional Handbook* requirements for timely submission, inclusion of original receipts, or both, and all had been approved for payment by the Committee on House Administration.

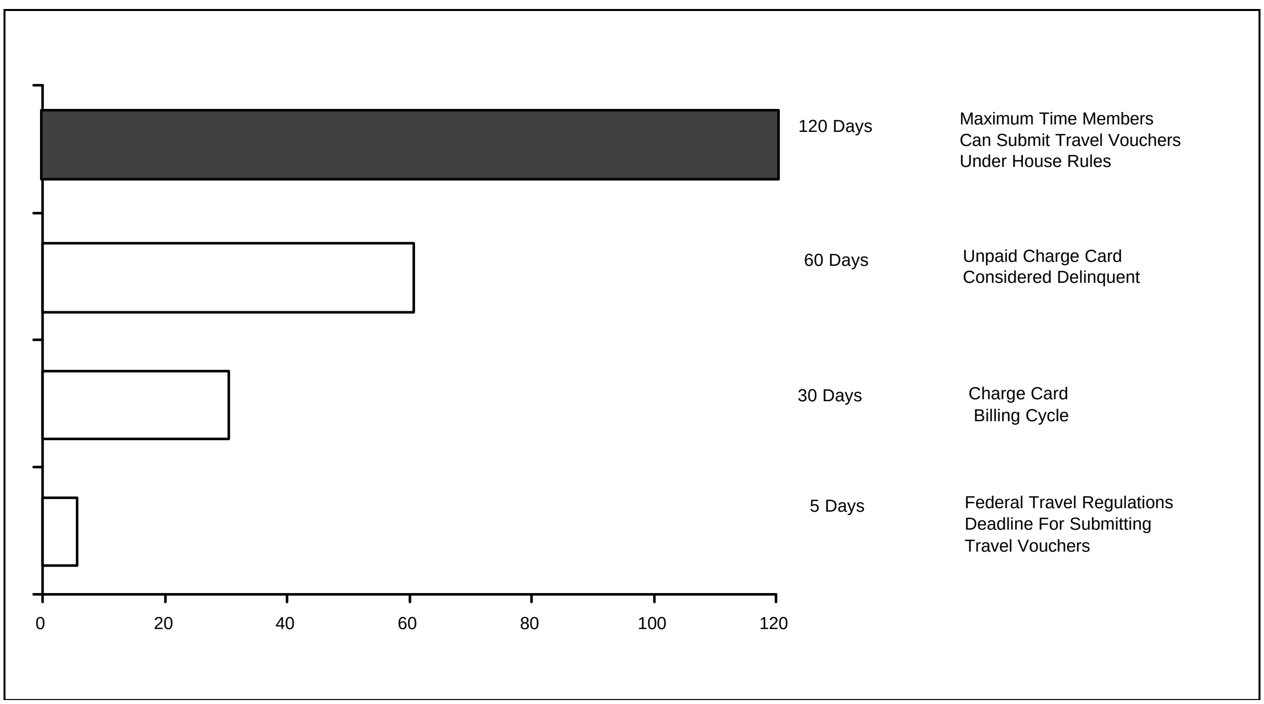
By not requiring Members and staff to file travel vouchers promptly, and by readily excusing them from complying with its liberal deadlines and with rules requiring original receipts, the

House undercut the effectiveness of its own procedures and requirements. Moreover, if rules and procedures could be circumvented easily, then their effectiveness as a control mechanism or as a means of encouraging and enforcing proper business behavior was questionable.

Members and staff were often delinquent in paying charge card bills

This lenient environment was further evidenced by the House's practice of paying charge card bills of Members and staff and asking the House's charge card vendor to refrain from suspending or canceling the accounts of some Members and staff who were delinquent.

Similar to many Executive Branch agencies and private businesses, the House contracted with a charge card company to provide cards to Members and staff for use in traveling on official business. These cards are not to be used for personal charges. The Members' and the staff's accounts are what the charge card company calls "individually billed accounts." With an individually billed account, the cardholders are billed directly by the charge card company and are responsible for payment of those bills. The Government accepts no liability for charges made against individually billed accounts. Nevertheless, the House relieved Members and staff of the burden of having to pay their charge card bills themselves. It permitted Members and staff to submit their charge card bills to Finance on a travel voucher. Finance then paid the charge card company. In offering this accommodation to Members and staff, no change was made to the House's deadline for filing travel vouchers. It remained thirty days after the end of the calendar quarter in which the travel occurred. No House rule was in place requiring charge card bills to be paid or submitted to Finance before the charge card company's deadline for payment. Thus, Members and staff could have been in compliance with House rules, even while they were delinquent in paying the charge card company. This accommodation was not coordinated with the charge card company, which still billed the individual cardholders and expected repayment from them monthly. Figure 5 compares the House's deadline for submitting travel vouchers to the Executive Branch's and to the charge card billing cycle.



Lenient House rules and Finance practices created an environment where Members and staff became complacent about paying their charge card bills on time or submitting them to Finance promptly. We reviewed the account aging reports the charge card company provided to Finance for accounts from January through December 1994. The reports listed Member and staff accounts and the payment status of each account for each month. We reviewed the aging of the 407 Member accounts and found that it was not uncommon for Members' accounts to be classified as delinquent, that is more than 60 days past due. We also found that 37 Members were 120 or more days late at least once during the year. Eleven of these Members were 120 days late 3 or more times during the year, and 20 Members were 120 or more days late at December 31, 1994. In a random review of 50 out of more than 800 staff accounts, we found that 20 staff were 60 to 90 days late at least once during the year, and 3 staff were 120 or more days late at least once during the year.

The charge card company considers any unpaid balances to be delinquent 60 days from the billing date for nonpayment of undisputed amounts owed to the company. It does not charge cardholders interest or penalties on overdue balances, but it can suspend cards with balances overdue by more than 60 days and cancel cards over 120 days past due. The agreement with the charge card company stated that it will not suspend or cancel an account if "extenuating circumstances" surround the delinquency. Therefore, before a card would be suspended or canceled, the charge card company asked Finance if it wished to "protect" any accounts from these consequences. We reviewed delinquent accounts from July through December 1994, and noted that Finance requested that 31 percent of these accounts not be suspended or canceled because payments were forthcoming. These delinquent amounts were not disputed charges—disputed charges are not considered due until an investigation is done. We reviewed 45 individual Member and staff accounts that Finance protected from suspension and cancellation in October and December 1994. Finance made payments on 41 of these accounts; however, many of these were only partial payments. About one third of the accounts Finance protected still had past-due balances of 60 days or more in the following month. At December 31, 1994, Finance protected 11 past-due Member accounts and 9 past-due staff accounts, with delinquent balances ranging from $56 to $2,621, and totaling $14,427.

Government charge cards may have been used for personal items

We also reviewed the spending summary reports that the charge card company provided to Finance for charges from October 1993 through December 1994. These reports summarized charges during the period by the nature of the charge. They showed how much was charged to airlines, hotels, restaurants, etc. These reports showed nearly 350 charges classified as "retail" for a total amount of more than $31,000. A review of the detailed spending reports from the charge card company disclosed that these charges included purchases from retail stores and other vendors whose merchandise and services probably would not be allowable travel expenses under the *Congressional Handbook* and the Charge Card Agreement. The *Handbook* does not allow charging personal items to the Official Expense Allowance and the Agreement prohibits using the government-furnished charge card to buy personal items. Though this report suggests that government-furnished charge cards may have been used to buy personal items, our testing of a sample of the House's payments to the charge card company did not disclose evidence that Finance had paid for personal items. Moreover, cases occurred where purchases of a personal nature were inadvertently charged on the government charge card, but the charges were later repaid personally by the Member or staff. Still, Members and staff should not be using the government charge card to purchase personal items. In the spring of 1994, Finance requested that the charge card company put a retail block on all Member and staff charge cards.

Recommendations

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

1. Require travel vouchers to be filed within 30 business days of completing the travel or within seven business days of receipt of supporting documentation, whichever is later. (OIG Report No. 95-CAO-16.)

2. Stop paying the Members' and staff's charge card bills for them, and instead, require that Members and staff pay their own bills and then seek reimbursement from Finance. (OIG Report No. 95-CAO-16.)

3. Initiate an in-depth evaluation of travel vouchers that are missing original receipts to determine whether the House has already paid those costs. (OIG Report No. 95-CAO-16.)

4. End the practice of granting exceptions to rules, procedures, and guidelines. (OIG Report No. 95-CAO-16.)

5. Remind Members and staff that the government-furnished charge cards are not to be used for personal items. (OIG Report No. 95-CAO-16.)

6. Initiate an in-depth review of Finance, Member, and staff records of the 2,200 pairs of potentially duplicate travel payments, and take appropriate actions, as warranted; and implement computer analyses to review potential duplicates on an ongoing basis. (OIG Report No. 95-CAO-16.)

Weakness 10: Payroll Policy And Late Submissions Added To Manual Processing And Led To $299,000 In Overpayments To Employees

Finance overpaid terminated employees and employees whose salaries had been lowered, by $299,000 during the audit period. In addition, the House distributed 3,400 supplemental paychecks, amounting to $1.8 million, to correct transactions that were submitted to Finance past the deadline for submitting salary changes. Overpayments and supplemental payments occurred because:

- Offices submitted salary changes after the published deadline.
- Finance paid employees on the last day of the month for work completed during that month.

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

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

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

The House overpaid employees by $299,000

When employing offices submitted decreases, LWOP, or termination changes after paychecks had been distributed, employees were overpaid. To collect the overpayment, the Payroll Department notified the employing office of the overpayment. The employing office was then responsible for informing the employee of the overpayment, collecting the overpayment, and returning it to the Payroll Department. The House did not have written policies on who was responsible for pursuing collection of overpayment if the employing office's efforts were unsuccessful.

As a result of the current payroll policy, the Payroll Department overpaid 300 employees during the 15 months ended December 31, 1994. During this period, former House employees repaid $283,000 of salary overpayments. Nearly $13,000 in overpayments made during 1994 remained uncollected at the end of the year. Payroll voided 200 incorrect checks and the payroll supervisor manually updated the system to reflect the related late changes. Paying on a current basis meant that the Payroll Department could not enter all changes into the system before it distributed paychecks, and necessitated the laborious manual processing of payroll corrections.

The House distributed a significant number of supplemental paychecks every month

When employing offices submitted employee hires or salary increases after paychecks had been distributed to employees, employees were underpaid. Therefore, Finance had to process a supplemental payroll to pay these employees the full amounts they earned. The House distributed 3,400 supplemental paychecks for a total of $1.8 million during the audit period.

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

The House paid late salary increases by producing supplemental paychecks at the beginning of the following month. Supplemental payroll also included corrections for payroll mistakes. We could not determine the specific reasons for supplemental paychecks because neither FMS nor the Payroll Department tracked the number of PAFs submitted late.

Finance distributed supplemental paychecks every month during the audit period. The number of supplemental checks increased substantially in the last month of calendar years 1993 and 1994. As a result of running the supplemental payroll, Finance incurred additional costs to manually produce and reconcile extra checks.

Recommendations

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

1. Enforce *Congressional Handbook* rules and require Members, committees, and House offices to submit PAFs on time. (OIG Report No. 95-CAO-16.)

2. Do away with the "real-time" payroll and institute a lag between the end of the pay period and the date the payroll is processed and paychecks are distributed. (OIG Report No. 95-CAO-16.)

3. Assign responsibility to Finance for pursuing collection of salary overpayments if the employing office's efforts prove unsuccessful after one month. (OIG Report No. 95-CAO-16.)

Weakness 11: **Controls Over Purchasing And Procurement Were Weak And**

Inconsistent

The House was exposed to the risk that equipment purchases may not have been at arm's length because: (1) it did not centrally monitor procurement activities; (2) it did not have consistent procurement policies; (3) its administrative offices often did not follow their established policies; and (4) it allowed frequent exceptions to its "approved" vendor list.

Decentralized procurement process created inconsistent practices throughout administrative offices

The House had no central procurement office to coordinate, control, or oversee procurement activities. Purchasing decisions were decentralized and not coordinated among the administrative offices. OSS, OSM, HIS and Office Furnishings each procured computer software independently. OSM bought furniture for district offices, while Office Furnishings bought furniture for House offices in the Capitol and other House office buildings. Office Furnishings also procured office supplies for Members' offices similar to items procured by OSS, such as supplies, stationery, and subscriptions to periodicals.

Each of these administrative offices had its own procurement policies. For example, Office Furnishings defined small purchases as items under $2,500, the Office of Telecommunications defined small purchases as items under $25,000, and OSS and HIS had no policies for small purchases. House offices also did not have consistent requirements for seeking multiple price quotes, dollar thresholds for putting purchases out to bid, or bid specification processes.

In many instances, the offices failed to comply with their own procurement policies. These deviations from established policies may have occurred because there was no central monitoring of House procurement activities. For example, OSS and HIS policies required three quotes for all purchases. However, of the procurement transactions we tested, 72 percent of OSS purchases and 100 percent of HIS equipment and software purchases were made without the benefit of three quotes. We also found instances where administrative offices purchased items on a sole-source basis, when their policies called for competitive bidding. For example:

- Office Furnishings' policy specifies open bid competition for purchases over $25,000. However, the Office spent $722,000 to purchase 950,000 calendars from the U.S. Capitol Historical Society without benefit of competitive bidding (i.e., sole source procurement). The purchase from this particular vendor was requested by the former Clerk of the House. The request letter and associated purchase order were the only documentation retained in Office Furnishings' files.

- HIS' internal policy required multiple quotations on all purchases. However, 5 of 23 equipment and software purchases tested involved sole source procurement of add-on items and had insufficient documentation to justify sole source procurements. An additional seven transactions were sole sourced without justification documentation. HIS may have purchased the equipment from the same vendor to ensure quality and consistency; however, if that was the reason for the sole source purchases, it was not documented.

At OSS, 36 of 54 transactions we tested were specialty gift items that were sole sourced without documentation of the reasons for doing so. Most government entities carefully document the reasons for a purchase that is done without benefit of competition. It is rare when only one vendor supplies a given product. If competitive bidding is waived, it is common practice to document why this is done, and to take steps to provide some assurance that the sole source price is reasonable. For example, it is common practice to compare sole source prices to those for similar goods and services. House offices did not have written policies and procedures regarding when sole source procurements would be appropriate, and what documentation would be required to justify them. In the absence of documentation, we were unable to determine why items were obtained by sole source procurement, or if the purchases were arm's length transactions.

Granting exceptions to the House Approved List defeated its purpose for efficient and economical procurement

The Approved List was intended to provide an efficient and economical way for Members to buy office equipment and software. If structured and used appropriately, the Approved List would have:

- Ensured reasonable prices and arm's length purchases, since prices would have been pre-negotiated with qualified, approved vendors.
- Reduced staff time to obtain multiple quotes or submit to the formal, advertised solicitation process.

In practice, however, the Committee on House Administration routinely granted exceptions to Members, letting them buy equipment and software from vendors not on the Approved List. In the 103rd Congress, the Committee received 1,026 requests for exceptions and denied only 3 percent of the requests. During the audit period, the Committee granted 234 exceptions for purchases greater than $2,500. These totaled $5.6 million, or 31 percent of the $18 million in total purchase orders processed by OSM. If a Member's exception request specified a particular vendor, the potential existed that the purchase may not have been made at arm's length. With exceptions readily granted by the Committee, the effectiveness of a qualified vendors list as a control mechanism was greatly diminished.

On May 10, 1995, the Committee on House Oversight adopted "Guidelines for the Purchase of Equipment, Software and Related Services by Offices of the U.S. House of Representatives" (Equipment Guidelines). The Equipment Guidelines eliminated the House Approved List and created a vendor certification program to be developed by the CAO and a Supported Software List to be developed and maintained by HIS. This new policy should allow the flexibility the House desires and eliminate the need for exceptions.

Recommendations

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

1. Designate the Office of Procurement and Purchasing as the central office with the responsibility and authority to institute and maintain an effective and economical program for purchasing. Among the Office's responsibilities should be monitoring procurements to ensure they are conducted in a fair and competitive manner. (OIG

Report No. 95-CAO-11.)

2. Include definitional requirements for the information needed to integrate a procurement budgeting and planning process in a new FMS. (OIG Report No. 95-CAO-11.)

3. Implement standardized procurement procedures that include:

   - Detailed steps to conduct solicitations, standard forms for request for proposal documents, and standardized language for terms and conditions;

   - Standardized procurement forms including requisitions, purchase orders, contracts, and vouchers;

   - Detailed contract administration procedures, including contract monitoring and close-out procedures; and

   - Standard documentation procedures to strengthen internal controls, including the type of documents to be prepared, the authorization/approval process for these documents, and the retention period.

   (OIG Report No. 95-CAO-11.)

Weakness 12: Lack Of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements

The House did not have adequate financial information to effectively manage equipment leases and maintenance agreements. It also did not establish adequate contracts and controls to enforce proper vendor performance of maintenance agreements. These practices exposed the House to incurring excess costs on uneconomical leases and maintenance agreements, and to entering into maintenance agreements where it did not get the services it paid for.

The House did not evaluate equipment leases at their inception to determine if leasing would be more cost-effective than buying. It also did not evaluate existing leases periodically to identify outdated equipment or equipment for which the cumulative lease cost approached the original purchase price. When the cumulative lease cost approaches the purchase price, the equipment can normally be bought-out for a nominal amount. We estimated the House spent, at least, $756,000 on leases and related services for equipment that was outdated or could have been bought-out. OSM management stated that House offices must request lease termination. However, little information was provided to Members and House offices to allow them to assess whether it made sense to continue leasing older equipment.

Over $19 million was paid in equipment maintenance and support fees to vendors during the audit period. OSM did not use cost analysis in negotiating and renegotiating maintenance fees. 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 renegotiations were largely limited to checking whether vendor price increases were limited to increases in the Consumer Price Index. OSM also did not 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 in many instances.

The responsibility for monitoring vendor performance was not a part of OSM's or any other House organization's functions. Even if an office had been responsible for monitoring vendor performance, the maintenance agreements the House used often did not provide a clear basis for doing so. Generic maintenance agreements that did not specify vendor responsibilities were often used. These agreements failed to include terms and conditions to resolve performance issues should they arise. Also, 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. Thus, no on-going evaluation occurred of whether maintenance vendors were performing to House expectations.

Recommendations

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

1. Establish formal policies and procedures to evaluate cost and service considerations in deciding whether to lease or buy equipment. (New recommendation.)

2. Establish formal policies and procedures to monitor lease agreements on outdated equipment. (OIG Report No. 95-CAO-17.)

3. Alert House offices when equipment becomes outdated. (OIG Report No. 95-CAO-17.)

4. Ensure that the new financial management system is configured to prompt Member offices when maintenance or lease payments are being made on equipment over a specified age. (OIG Report No. 95-CAO-17.)

5. Establish formal policies and procedures to compare equipment's maintenance cost to its usefulness. (OIG Report No. 95-CAO-17.)

6. Establish contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. (OIG Report No. 95-CAO-17.)

7. Use vendor cost and performance information in annual renegotiations of maintenance and support fees. (OIG Report No. 95-CAO-17.)

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

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

   Option 2: Assign the vendor monitoring role to another Chief Administrative Officer entity

   (OIG Report No. 95-CAO-17.)

Weakness 13: House Catering Operations Had Little Control Over Amounts It Was Owed Because It Did Not Maintain Complete Credit Records Or Properly Track Subsequent Collections

Prior to being outsourced to a private contractor on July 5, 1994, the House Restaurant Systems (HRS) operated its own catering services, and effectively granted credit to Members and non-Members for unpaid amounts. However, HRS records for resulting receivable balances and subsequent account activity were incomplete, or missing altogether. Catering contracts for both Member and non-Member events required a 50 percent deposit when the contract was signed, and payment of the balance was due on the day of the event. However, Members and non-Members often did not make payment on the day of the event, and as a result, HRS effectively had to grant them credit. Granting credit in this way requires that a proper level of accountability and control be established to: (1) assure there is a way of recording and tracking individual credits; (2) monitor subsequent collections; and (3) identify accounts that become significantly past due.

Despite the need to properly account for, control, and promptly collect accounts receivable, HRS records were incomplete and unreliable. HRS accounting personnel told us that shortly after the House outsourced catering operations, HRS sent collection letters to Members and non-Members whom HRS believed owed it money for catering services. Many of these Members and non-Members replied that HRS' records were in error or that they had already paid their balances. HRS accepted these replies without question, and reconstructed the July 5, 1994, catering receivable balance primarily by using cash receipts data for the period after July 5, 1994, as a basis for retroactively determining what it was owed. But this method of determining accounts receivable increases the risk that monies owed HRS will not be fully identified, since use of subsequent collections will not identify those who simply did not pay what they owed. We were unable to audit the year end catering receivables balance or corroborate HRS personnel's explanations of activity in the receivables accounts because the records for catering receivables and collections were in disarray. For example:

- HRS did not retain copies of the collection letters it sent after July 5, 1994, or of the replies it received to those letters.
- HRS did not retain documentation of its reconstruction of the July 5, 1994, receivable balance.
- HRS did not maintain a receivables ledger or cash receipts ledger that matched cash collections with related receivables.

The only documentation HRS was able to provide for our review were cash deposit slips, which did not distinguish collections of catering receivables from other types of cash receipts, and a drawer full of check stubs that had accompanied payments of catering receivables. These check stubs were not organized in any way and were commingled with records related to other types of HRS transactions. As a result, no practicable way existed to determine how much of the balance at July 5, 1994, was due from Members and non-Members, or to determine the composition of the year end receivable balance.

Recommendations

We recommend that the Chief Administrative Officer:

1. Perform an in-depth review of HRS receivables to ascertain whether any amounts are still owed the House. (New recommendation.)

2. Ensure that the new financial management system includes the capability to record and track receivables by individual creditors. (New recommendation.)

Weakness 14: The House Was Unable To Accurately Determine Employee Benefits Due To Missing Or Incomplete Leave Records

Records of the hours House employees worked and of their time off, known as leave cards, often were missing or incomplete. With missing or unreliable leave card information, the House had to manually recalculate overtime, compensatory time, and annual leave benefits to which employees were entitled based on the time they worked.

Most private employers document how many hours employees worked to accurately determine how much overtime pay, compensatory time, or paid vacation days employees are entitled to. In addition, Executive Branch organizations are required to keep records of earned leave time for individual employees. The House's 1978 Leave Regulations specify that: (1) employees must initial their leave cards at the end of every month; (2) House Officers must approve leave cards at year end; and (3) the Office of Finance must keep employee leave cards in the employee Official Personnel Files. For 181 employees, we tested whether calendar year 1993 and 1994 leave cards were present and complete in their respective Official Personnel Files. Nearly half of the leave cards were missing. In addition, a quarter of the leave cards on file were incomplete because they did not have the employee's initials or the House Officer's signature on them.

Recommendations

We recommend that the Chief Administrative Officer, in conjunction with the Clerk of the House and Sergeant at Arms, develop and propose amendments to the House Leave Regulations to the Committee on House Oversight to:

1. Establish new time and leave tracking procedures that capture information needed to accurately compute overtime, compensatory time, and annual leave due to employees. This may include eliminating leave cards as they now exist, and replacing them with timesheets. (OIG Report No. 95-CCS-10.)

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

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

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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 11, 1995

SUBJECT: Draft Audit Report - Internal Control Structure

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

Weakness 2:

Recommendation 1: The CAO is preparing requirements for an automated procurement system which will include the data recommended. Procurement is scheduled for prior to September 30, 1995 with implementation by March 31, 1996.

Recommendation 2: The recommended capability will be part of the required interface between the automated procurement system and the new financial system.

Weakness 3:

Recommendation 1: The Committee on House Oversight and the Appropriation Committee have instructed the CAO to fully allocate costs to end users. Accounting policies and procedures will for determining those costs will be submitted to both Committees by September 30, 1995.

Recommendation 2: The recommended capability will be part of the requirements of the new financial system.

Weakness 4:

Recommendation 1: The recommended capability will be part of the requirements of the new financial system.

Recommendation 2: The issue is currently under review and a specific policy will be adopted by September 30, 1995.

Recommendation 3: A specific dollar threshold will be set by September 30 for requiring a review by Office Administrative Counsel on ownership issues and Office of Finance on lease/buy decision.

Recommendation 4: All assets with high dollar value will be independently physically inventoried at least annually.

Weakness 7:

Recommendation 1: A proposal will be submitted by August 31, 1995.

Recommendation 2: On June 14, 1995 the Committee on House Oversight approved the closing of the Folding Room and the contracting of Postal Operations. This will place responsibility for tracking mass mailings as they are processed and mailed with Member offices. However since they will have to pay for services not currently charged, it will be easier for Finance to assure a mailing was approved by the Franking Commission before paying a voucher for expenses. In addition the Postal Operations contractor will be required to report any mailings of 500 or more pieces.

Recommendation 3: An explanation will be required on any mass mailing not vouchered or showing on a franking costs report.

Weakness 8:

Recommendation 1: Logs will be established August 1, 1995 and integrated with Human Resources by September 30, 1995.

Recommendation 2: This is already in effect for CAO systems and a recommendation will be made by September 1, 1995, to the Committee on House Oversight to mandate it for all systems.

Recommendation 3: Training will be in place by December 31, 1995.

Recommendation 4: The recommendation will be implemented pending a review of the best number of attempts at which to set the limits so as not to overly inconvenience users.

Recommendation 5: Terminal will be set to automatically log out after an appropriate amount of inactivity for the system onto which they are logged.

Recommendation 6: An access control system will be in place by December 31, 1995.

Recommendation 7: This has been implemented.

Recommendation 8: This is currently in most systems. A review will be made to assure it is in all systems. The review will be completed by March 31, 1996.

Recommendation 9: These controls will be part of new financial and automated procurement systems.

Recommendation 10: This recommendation is implemented.

Weakness 12:

Recommendation 1: Policies and procedures will be submitted to the Committee on House Oversight by September 30, 1995.

Weakness 13:

Recommendation 1: The CAO will examine the possible means of performing an in-depth review of HRS receivables and confer with the Inspector General as to the cost effectiveness by September 1, 1995.

Recommendation 2: The recommended capability will be part of the requirements of the new financial system.