John W. Lainhart IV
Inspector General

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

MEMORANDUM

TO: Jeff Trandahl
Acting Chief Administrative Officer

FROM: John W. Lainhart IV
Inspector General

DATE: December 23, 1996

SUBJECT: Audit Report - Opportunities Exist To Improve The House's Payment Process (Report No. 96-CAO-11)

This is our final report on the payment process within the U.S. House of Representatives. The objective of the audit was to address the efficiency, effectiveness, and timeliness of the payment process.

In response to our September 12, 1996, draft report, your office concurred with our findings and recommendations. The formal management response provided by your office is incorporated in this final report and included in its entirety as an appendix. The corrective actions planned by your office are appropriate and, when fully implemented, should adequately respond to the recommendations.

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

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

pportunities Exist To Improve
The House's Payment Process

Report No: 96-CAO-11
December 23, 1996

RESULTS IN BRIEF

CONCLUSIONS

There are a number of opportunities to improve the payment process operated by the House's Office of Finance (Finance). These include taking steps to improve economy and efficiency, as well as strengthening internal controls surrounding the process. We found that the payment process has many manual procedures and is still reliant on paper-intensive media. To date, the payment process has not been a significant focus of reengineering efforts. We believe this is because House resources were intensively dedicated to implementing a new financial management system while concurrently operating existing systems and processes. However, the new system is currently operational, and the House must now put more effort into reengineering the payment process.

In addition to the rather cumbersome nature of paying vouchers, we noted that Finance could have better managed its staff and contractor resources. More effective planning could have identified periods of high and low activity, thus allowing Finance to use its staff and contract resources to greater effect. Better planning and resources usage would also have aided in keeping compensation time to a minimum and would have helped reduce the backlog of unprocessed transactions.

Financial information currently provided to Members, Committees, and other House offices is quite limited. Access to financial data must be expeditiously provided to Members, Committees, and other House offices so that they may query payment information. Such online access would result in streamlined operations and improved customer satisfaction.

Internal controls surrounding recurring payments, late payments and check processing need to be improved. Finance must implement policies and procedures to (1) assure recurring payments are adequately supported by contractual documents, (2) monitor unpaid bills and determine why bills are paid late, and (3) strengthen control procedures surrounding blank checks and checks awaiting mailing.

Finally, more expanded use of performance measures in the payment process would provide the House with the means to compare its operations with other Federal and private sector organizations, and would allow it to monitor Member and staff satisfaction with its services. Finance needs to develop performance goals and metrics, periodically compare actual results against goals, and make this information available to users of Finance's services.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer: (1) develop a proposal for approval by the Committee on House Oversight to modify FFS to automatically generate an expense description upon input of expense classification code; (2) use the FFS receiving document to ensure the receipt of goods and services prior to payment; (3) use FFS reports depicting receiving information to identify instances where initiating offices have possession of vendor invoices that have not yet been submitted for payment to Finance; (4) use the FFS obligation or purchase order system to ensure adequacy of funds prior to payment; (5) use the FFS obligation system to identify unliquidated obligations; (6) develop a proposal, for approval by the Committee on House Oversight, to adopt a sampling methodology for performing compliance reviews of expense transactions; (7) maintain statistics on the number and types of errors identified during the compliance and data entry review stages to assess the efficiency/effectiveness of the payment process; (8) either eliminate the House's voucher form for vendor expenses, or require all vendor invoices to be mailed directly to Finance; (9) reduce the number of systems used in the payment process by expanding the use of FFS to all House offices; (10) modify FFS to prompt Finance to provide online approval, of those expenses deemed as requiring compliance review, at the obligation stage; (11) empower staff with more authority, thus allowing for streamlining of the current multiple review process; (12) move towards a more paperless environment; (13) devote sufficient resources to the voucher process to ensure that Audit Counselors can effectively perform their primary duties; (14) perform a workload analysis and prepare a written plan for FTE and contractor usage over periods of fluctuating activity; (15) prepare a goal and budget for compensation time over the next year; (16) incorporate into contracts with data entry contractors a clause penalizing the firms for excessive staff turnover; (17) define information needs and sources to report more information in periodic reports, design reports that incorporate information about unprocessed vouchers, and include the production of these reports in the next phase of the FFS implementation project; (18) in a next phase of the FFS implementation project, utilize FFS or other software packages in establishing an automated means of tracking unpaid vouchers; (19) in a next phase of the FFS implementation project, expeditiously provide Members, Committees, and other House offices with automated access to FFS information that would allow for information inquiries more often than monthly; (20) implement policies and procedures to notify Member offices of approaching lease expirations; (21) develop a proposal, for approval by the Committee on House Oversight, to require that Members establish a new lease once the original lease expires or submit a memo to Finance communicating their approval of a month-to-month commitment until a new lease is established; (22) develop a report from the new system which lists and ages obligations and unpaid bills and use for follow-up on items that remain open beyond a pre-defined period of time; (23) identify the various types of recurring monthly payments and ensure that such payments are issued timely every month; (24) assign responsibility for blank checks to an individual other than the one who operates the check signing machine; (25) keep unmailed checks stored and attended at all times; (26) prepare a written plan, including an implementation time frame, specifying which performance goals and measures will be used for the payment process; (27) define the information requirements, whether FFS or other sources, to prepare performance measures; (28) incorporate into the next phase of the SDLC project those performance measures that are available from FFS; and (29) develop a reporting format and time frame for its implementation through which payment performance information is compared to performance goals and benchmarks and made publicly available.

MANAGEMENT RESPONSE

On November 20, 1996, the CAO fully concurred with the findings and recommendations in this report (see Appendix). As part of their system of continuous improvement, the CAO indicated that the recommendations would be addressed in their future initiatives for improving the House's financial management. In a December 20, 1996 meeting with the OIG, the acting CAO reaffirmed concurrence with the findings and recommendations in this report, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

OFFICE OF INSPECTOR GENERAL COMMENTS

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

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I. INTRODUCTION

Background

Office of Finance (Finance) has significant responsibility for managing the financial resources of the House of Representatives (House) and certain Joint House-Senate activities. This includes, among other things, operating the payment processing function. Since last July, the House's principal efforts to improve its financial management have been directed towards implementing the core components of a new financial management system, which became operational June 4, 1996. As a result of implementing this new system, certain procedural and system changes have occurred within the payment processing function. The significant changes include: (1) using new, off-the-shelf computer software, known as the Federal Financial System (FFS), and (2) using contractors to perform data entry input and review.

The payment process begins with submission of an expense voucher by an initiating House entity to Finance's Audit Department. These expense vouchers are the primary source document for payment to vendors or for reimbursement to Members and their staff. The Audit Department reviews the vouchers and ensures that each office’s payment request is mathematically accurate and in compliance with the *Members' Congressional Handbook* and *Committees’ Congressional Handbook*. The Audit Department also assigns the account classification (e.g., travel expense, contractor expense, etc.) for each transaction. Upon approval of these vouchers by the Audit Department, they are forwarded to the data entry group, which enters the voucher data into FFS. The input data is then reviewed for accuracy. If no errors are found or questions identified, checks to pay vendors or reimburse Members and staff are printed the following morning. They are run through a check signing machine where they are imprinted with the signature of the Chief Administrative Officer (CAO) and stuffed into mailing envelopes. Our analysis focused on assessing this process for economy, efficiency, effectiveness, and timeliness. In addition, the adequacy of internal controls was reviewed. It should also be noted that FFS performs many other important functions that are new to the House, such as processing "obligation" documents. These additional new processes are not covered by this audit.

Objective, Scope, And Methodology

The objective of the voucher performance audit was to determine the economy, efficiency, effectiveness, and timeliness of payment processing. This review was conducted for the period of January 1995 through July 1996, and audit work was performed during June through August 1996.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our data gathering and analytical activities included the following:

- Interviews with Finance staff using one-on-one interviews and group interviews.

- Review of prior audit coverage, applicable rules and regulations, and written policies and procedures.

- Evaluation of current operational performance measures.

- Review of internal controls within the payment process.

- Analysis of costs associated with payment processing.

- Evaluation of resource utilization.

- Review of policies and procedures related to the allocability and classification of expenses.

- Analytical techniques such as work flow and work load analysis, process mapping, work observation, transactions testing, and testing of compliance to applicable rules and regulations (e.g., *Members' Congressional Handbook* and *Committees' Congressional Handbook*).

- Benchmarking of Finance's disbursement function against other Federal and private sector organizations.

Internal Controls

Within the scope of this audit, we evaluated internal controls related to the voucher process. The audit disclosed internal control weaknesses with respect to segregation of duties and safeguarding of assets. The internal control weaknesses we identified are described in Finding D of this report.

Prior Audit Coverage

Audit of Financial Statements For The Year Ended December 31, 1995 (Report No. 96-HOC-05, dated July 30, 1996): This financial audit identified the status of the 94 financial-related recommendations contained in nine of the OIG audit reports issued in 1995, which were a part of the comprehensive House audit. Of those 94 recommendations, 21 were closed (i.e., fully implemented or otherwise resolved) and 53 were partially implemented. The remaining 20 recommendations are scheduled for future implementation. In addition, the report added eight new recommendations. The CAO agreed to the recommendations and is in the process of implementing those recommendations.

The House Is Ready To Implement Its Federal Financial System (Report No. 96-CAO-04, dated June 3, 1996): This report verified that critical FFS Phase II implementation tasks had been completed. However, the report identified additional actions needed to be taken to fully complete Phase II. In addition, the report identified planning and management recommendations for Phase III implementation of FFS. The CAO agreed with the report's findings and recommendations and has implemented or is in the process of implementing all of the recommendations.

House Is Experiencing Problems With The Implementation Of The Core Federal Financial System (Report No. 96-CAO-02, dated March 1, 1996): This audit identified System Development Life Cycle (SDLC) methodology deficiencies and included recommendations to improve the SDLC methodology, quality assurance, and project management of the FFS implementation process. The CAO agreed with the report's findings and recommendations and has implemented or is in the process of implementing all of the recommendations.

The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems (Report No. 95-CAO-20, dated July 18, 1995): This audit identified internal control weaknesses in the project management, requirements definition, and SDLC methodology related to the design of House information systems. The CAO agreed with the report's findings and recommendations. Of the three recommendations in the report, the CAO has fully implemented one recommendation, partially implemented one recommendation, and has not initiated action on the third recommendation.

Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994 (Report No. 95-HOC-22, dated July 18, 1995): This financial audit identified 14 material weaknesses that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The status of each recommendation affecting the financial operations in Report No. 95-HOC-22 is addressed in the *Audit Of Financial Statements For The Year Ended December 31, 1995* (Report No. 96-HOC-05).

Problems Plagued The House's Financial Operations (Report No. 95-CAO-16, dated July 18, 1995): This performance audit identified internal control weaknesses related to accounting policies, methods, and financial management systems. The status of each recommendation in Report No. 95-CAO-16 is addressed in the *Audit Of Financial Statements For The Year Ended December 31, 1995* (Report No. 96-HOC-05).

Proposed New Financial Management System Will Not Meet The House's Needs And Should Be Terminated (Report No. 95-CAO-02, dated May 12, 1995): This review evaluated the functional adequacy of the proposed Financial Management System and the SDLC procedures that were utilized in the development of the system. This report recommended that the system be terminated and also made recommendations to improve the SDLC practices within House Information Resources (HIR) as well as management oversight. The CAO agreed with the report's findings and recommendations. Of the five recommendations, the CAO has fully implemented three recommendations and has not initiated action on the remaining two recommendations.

I. FINDINGS AND RECOMMENDATIONS

Finding A: There Are Opportunities To Make The Payment Process More Efficient And Economical

The way Finance receives payment documents and issues checks involves numerous manual processes and a paper-intensive environment. Vouchers submitted to initiate payment, along with supporting documents, are often manually prepared, and they require several steps to physically transport them between House offices and to assure their accuracy and proper data entry. This additional handling slows down the payment process and increases the risk of errors occurring. To a significant degree, the House' s traditional financial management environment, which emphasized manual record-keeping and people-intensive processes, hampers streamlining and modernization of the payment process. Even with the implementation of core components of a new financial management system, much still needs to be done to create an environment that is conducive to using automated media instead of paper and to replacing manual reviews with automated controls that can check mathematical accuracy and identify exceptions with much greater speed. But even though changes to the existing process may be challenging, there are clearly opportunities for greater economy and efficiency in this area, not only in terms of how Finance staff use their time, but also in terms of better use of Member and Committee staff time.

Many Federal and private sector finance departments are "reengineering" their accounting and financial functions by eliminating duplicative processing and streamlining financial management functions. Reengineered payment processes seek to eliminate steps or "touches" that do not add value and are not essential internal control functions. On average, finance departments are able to issue payments in seven days from the receipt of the invoice and are able to limit the processing steps or touches to a range of three to five. In redesigning the payment process, organizations the size of the House are also eliminating manual information systems and are substantially curtailing paper-intensive processes. Some Federal government agencies are also curtailing paper-intensive processes through the use of Electronic Funds Transfer (EFT) processing. EFT provides for the transfer of funds electronically from the entity providing the payment to the recipient of the payment.

The current payment process is labor/paper intensive

Multiple steps are taken at the House to issue a payment. Typically, a payment voucher is touched at least seven times in Finance before the payment is mailed. The seven touches or steps do not include the steps taken by the initiating office to prepare and approve payment vouchers for submission to Finance for payment issuance. The initiating office's process adds at least two steps to the payment process to make a total of at least nine steps before a payment is issued at the House.

The nine typical steps can be summarized, in order of occurrence, as follows:

1. The staff person or administrative assistant at the initiating office prepares a manual expense voucher, and performs manual mathematical functions[1].

2. The manual expense voucher is approved by the initiating office supervisor and sent to Finance via interoffice mail[1].

3. The Finance receptionist receives the manual expense vouchers and stamps them with the receipt date.

4. A courier picks up the manual expense vouchers from the Finance receptionist, located on the second floor, and then delivers them to the Audit department, on the first floor.

5. The Audit Counselor reviews the expense vouchers for compliance and mathematical accuracy, and then assigns an expense classification code.

6. A courier picks up the expense vouchers that have been approved for processing from the Audit department, located on the first floor, and then delivers them to the basement for data entry processing.

7. The payment transactions are then input into FFS by a data entry clerk.

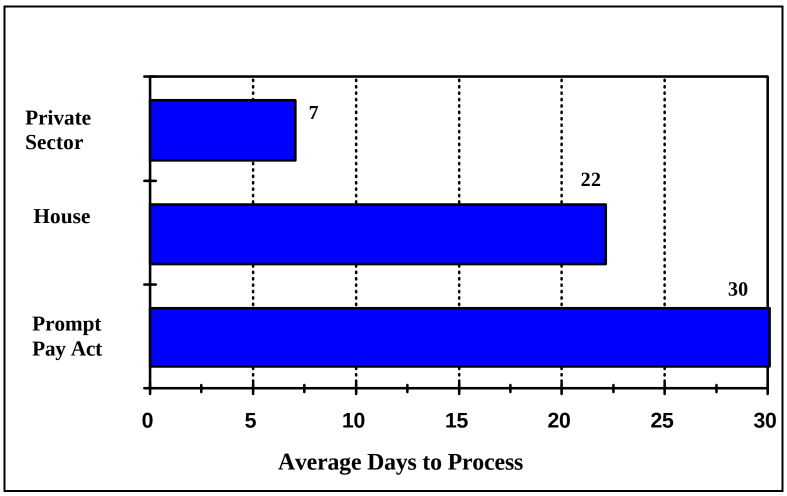
8. The data entered into FFS is then reviewed for accuracy by a data review clerk, and "released" for payment.

9. The check machine operator has the checks printed by HIR, and then subsequently, uses the check machine to sign and stuff the checks into envelopes.

Figure 1 depicts this process and shows a median processing time of 22 days. This processing time is measured from the vendor invoice date until the payment is mailed. Our testing indicated that a 14-day time lag existed between the invoice date and the submission date of the payment request by the initiating offices to Finance. Upon receipt of the payment request by Finance, it took a median of eight days for Finance to process and mail the checks. It is important to bear in mind that 39% of all vouchers receive expedited processing. Finance implemented procedural changes to "expedite" processing of travel reimbursements, so that the cardholders would have ample time to receive their reimbursements and pay the credit card company directly. Along with travel reimbursements, utility expenses are also prioritized for payment because of concerns that Member offices are susceptible to loss of utility services upon untimely payment.

[1] These steps might vary amongst different initiating offices.

How do these statistics compare to other organizations? **Figure 2** benchmarks the House's median processing time against the private sector average and criteria established by the Prompt Payment Act. Certain payments take longer to process due to problems noted either during the compliance or data entry review stages. Some problems can cause phone follow-up to resolve any issues surrounding the payment request, or the payment request can be sent back to the initiating office for resolution. Results of a survey we conducted indicate that errors identified during the compliance review stage usually pertain to: inadequate approval, either by the initiating office or by the Franking Commission, or inadequate support. Additionally, extra time is spent in modifying lengthy expense descriptions prepared by the initiating offices. Although FFS can accommodate lengthy descriptions, those descriptions exceeding 30 characters require accessing another screen to input any additional characters, thus increasing the processing time. During the data entry review stage, errors are often identified due to inconsistencies between data reported



on the voucher versus input into FFS or missing information required for input into FFS (i.e., expense classification). The important point is that greater quality control at the time vouchers are prepared would greatly reduce subsequent processing time. For example, ensuring that the payment transactions are adequately supported and approved prior to submission to Finance for processing would result in time savings during the compliance review stage. To the extent quality control could be affected through automation, even greater efficiencies could be realized.

The availability of additional functions in FFS will provide other opportunities to reduce the people/paper intensity of the payment process. For example, once information is entered into FFS from purchase orders and receiving reports, better and more efficient review and oversight of invoices, vouchers, and payments will be possible. Full utilization of FFS's capabilities, where deemed practical, can eventually provide for online matching of purchase orders, obligation documents, receiving reports and invoices, thus promoting a paperless environment. This will also help ensure that payments are made only for goods/services that are backed by sufficient funding, have been received by the House, and are properly supported. But even before this technological innovation becomes usable, there are other steps the House can take to better target its monitoring efforts.

Compliance monitoring of invoices and vouchers could be better targeted

Finance currently performs a compliance review of all expenses submitted for payment. Because of the nature of the voucher process, the compliance review takes place at the point of payment processing, and not when obligations are incurred or when goods and services are received. Thus, Members, Committees, and other House offices are susceptible to incurring expenses for goods/services that might subsequently be deemed non-compliant, resulting in either payment for these goods/services from personal funds or return of goods.

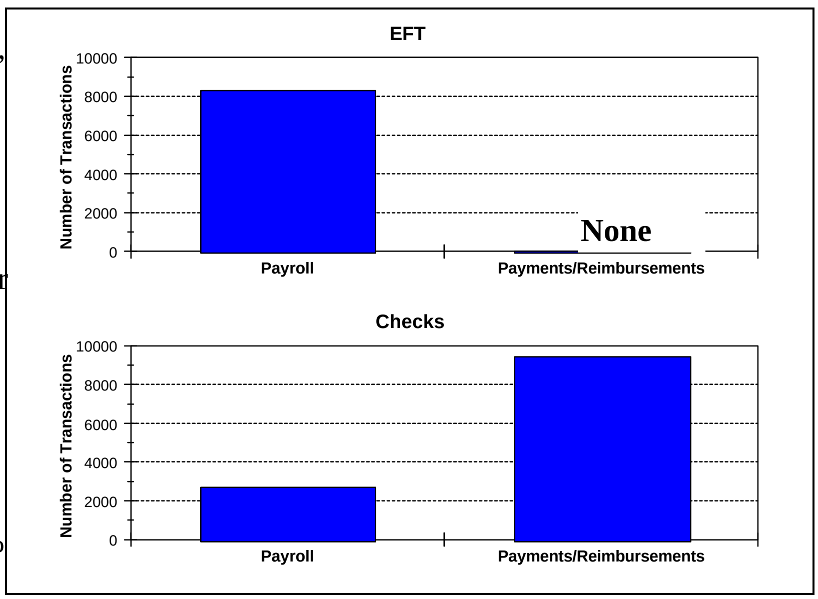
Our work has indicated that the risk of non-compliance varies depending upon the type of expense involved. Thus, if compliance reviews could be targeted to these higher-risk transactions and curtailed for others, immediate efficiencies could be attained. For example, rent, utilities, and communications and telecommunications represent expenses least likely to be non-compliant. This is due to the fact that these expenses do not involve submission of an expense voucher by the office receiving the service. Instead, an automatic payment is generated or a voucher is prepared and submitted on behalf of the offices receiving the services. On the other hand, printing and reproduction, postage, and travel and transportation expenses have a greater risk of non-compliance due to the stringent requirements to which they are subject (e.g., Franking Commission approval, Member Representational Allowance restrictions, etc.). Many other government and private organizations check compliance by targeting their reviews to expenses considered higher risk or by using statistical sampling techniques. The House is in a position to apply similar techniques. FFS could be used, for example, to:

- Identify for review particular expense types and vendors that will require more thorough, perhaps 100%, review.

- Identify for review expenses over a pre-specified dollar threshold.
- Sample other transactions for review.

Expanded use of existing computer technology could provide immediate benefits

The House presently uses technology in a variety of areas, which, if it were expanded or enhanced, could provide immediate benefits to the payment process in terms of improved economy and efficiency. For example, many Members, Committees, and other House offices enter payment data into stand-alone systems that are used by each office to track its financial transactions. Currently, 247 Member, 20 Committee, and 35 other House offices, utilize one of five different software packages to manage their finances. In some cases payment information is prepared on an automated voucher form. But instead of taking the next logical step of linking technology platforms, the voucher forms are simply printed out and manually submitted to Finance where they are manually entered into FFS. While there is a much larger long-term issue of how the House should integrate its automated systems, there are also opportunities such as this to take advantage of existing tools and processes. Another such opportunity exists with respect to EFT.



Although Finance uses EFT to issue approximately 75% of the House's payroll payments, it does not utilize this capability in the non-payroll payment process. Instead, paper checks are issued to vendors for goods and services and to Members, Committees, and other House employees for reimbursements. **Figure 3** illustrates the number of payroll and non-payroll payments/reimbursements that currently involve either issuance of checks or use of EFT processing. FFS has EFT capabilities which Finance could implement in conjunction with establishing the necessary policies and procedures to accompany the new process. This EFT feature would be ideal for recurring payments to vendors and travel reimbursements to Members, Committees, and other House employees.

If Finance utilizes the EFT feature of FFS, payments could be received 2 to 5 days earlier, depending on the location of the recipient. Additionally, it would also save funds pertaining to supplies and materials. By using EFT, Finance would also curtail its use of the check signing and envelope stuffing machine. This machine is 11 years old and requires approximately $10,000 a year in service and maintenance costs.

In the past, Finance was reluctant to use EFT in the payment process. Finance was not sure that the old financial management system could handle this feature. Finance was also not sure whether vendors or Members, Committees, and other House employees would be interested in having payments electronically transferred into their bank accounts. Therefore, strong efforts were not taken in the past to pursue this opportunity to improve service and reduce costs.

Recommendations

We recommend that the CAO:

Short-term:

1. Develop a proposal, for approval by the Committee on House Oversight, to modify FFS to automatically generate an expense description upon input of expense classification code.

2. Use the FFS receiving document to ensure the receipt of goods and services prior to payment.

3. Use FFS reports depicting receiving information to identify instances where initiating offices have possession of vendor invoices that have not yet been submitted for payment to Finance.

4. Use the FFS obligation or purchase order system to ensure adequacy of funds prior to payment.

5. Use the FFS obligation system to identify unliquidated obligations.

6. Develop a proposal, for approval by the Committee on House Oversight, to adopt a sampling methodology for performing compliance reviews of expense transactions. This proposal should address modifying the audit function within Finance by establishing an audit threshold that considers both the risk of non-compliance associated with the type of expense and dollar amount of the expense transaction.

7. Maintain statistics on the number and types of errors identified during the compliance and data entry review stages. Use these statistics in assessing the efficiency/effectiveness of the payment process.

Long-term:

Redesign the payment process to streamline the process and eliminate unnecessary steps. In redesigning the payment process, the CAO should consider implementing the following practices employed by many Federal and private entities:

8. Either: Eliminate the House's voucher form for vendor expenses. Use the vendor invoice to document additional data needed to record items into FFS, such as service period, purpose of expense, and payment approval. The House should continue to use the voucher form for travel reimbursements.

   Or: Require all vendor invoices to be mailed directly to Finance. Finance would then need to validate the payment by matching it to the purchase order or obligation and receiving report online, using FFS.

9. Reduce the number of systems used in the payment process. In order to accomplish this, the House should expand the use of FFS to all House offices so they can (a) query payment data in FFS and (b) enter payment data directly into FFS and Finance can approve the payment data online in FFS.

10. Modify FFS to prompt Finance to provide online approval, of those expenses deemed as requiring compliance review, at the obligation stage. This recommendation should be

implemented in conjunction with recommendation number 3 above.

11. Empower staff with more authority, thus allowing for streamlining of the current multiple review process. If necessary, obtain resources with the necessary skills to support tasks that require more authority.

12. Move towards a more paperless environment. This can be achieved by the following:

    - Electronic matching of expenses against obligations or purchase orders and receiving reports.

    - Take advantage of opportunities to use EFT. Develop adequate policies and procedures to use FFS's EFT feature. Determine which types of payments would be good candidates for EFT processing, for example, recurring payments and reimbursements to Members, Committees, and other House employees.

Management Response

On November 20, 1996, the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the CAO intended to submit a proposal to the Committee on House Oversight to modify FFS to automatically generate an expense description upon input of expense classification code. The CAO also planned to implement the FFS receiving document to record the receipt of items that are obligated in FFS. In conjunction with the implementation of the FFS receiving document, the CAO intended to use FFS reports that depict receiving information to identify instances where initiating offices have possession of vendor invoices that have not yet been submitted for payment to Finance. The CAO's response also indicated that FFS is currently being used to obligate funds for a majority of the items procured from vendors. The CAO planned to submit a proposal to the Committee on House Oversight to obligate expenses that are not currently being obligated in FFS. Additionally, the CAO's response indicated that a report from FFS that identifies unliquidated obligations has already been requested. A proposal is planned to be submitted to the Committee on House Oversight to adopt a sampling methodology for performing compliance reviews of expense transactions. The CAO further noted that Finance is currently maintaining statistics on the number and types of errors identified during the compliance and data entry review stages.

In addition, the CAO planned to redesign the voucher, in consultation with customer focus groups, and implement the new voucher form upon approval by the CHO. This is intended as an interim step until data entry takes place in all initiating offices. During Phase III of the FFS implementation project, reducing the number of systems used in the payment process will be addressed. The CAO's response indicated that a detailed plan will be developed for modifying FFS to prompt Finance to provide online approval, of those expenses deemed as requiring compliance review, at the obligation stage. The CAO also noted that steps have been taken to empower staff with more authority. The CAO planned to use FFS to electronically match obligations, receiving documents, and payments for the offices that obligate the funds (e.g., OSM, OSS, etc.). Additionally, the CAO initiated discussions with Treasury on conversion to EFT and an electronic transfer of funds was recently tested for paying the General Services Administration for office space rented by Members.

In a December 20, 1996 meeting with the OIG, the Acting CAO reaffirmed concurrence with the finding and recommendations, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

Office of Inspector General Comments

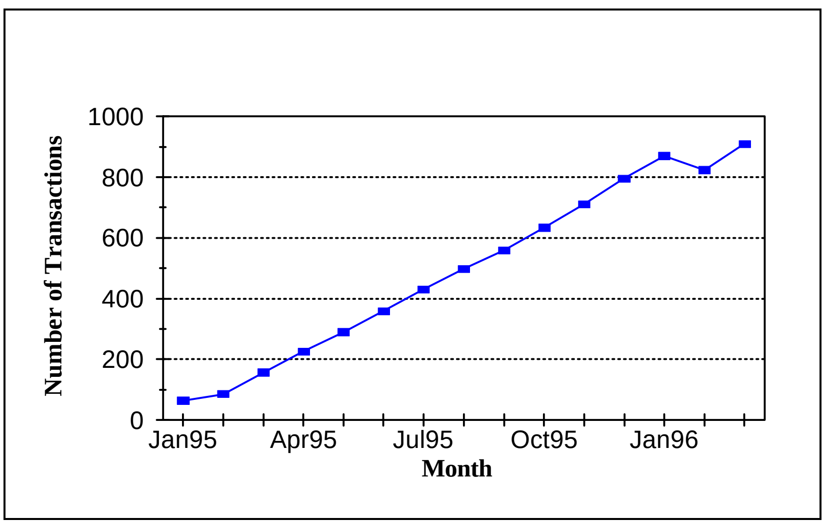
The CAO's completed, current, and planned actions are responsive to the issues we identified and, when fully implemented, should satisfy the intent of our recommendations.

Finding B: Resource Planning And Utilization Must Be Improved

During the period covered by our review, we noted fluctuations in the number of payment transactions processed per full-time equivalent (FTE) staff, and an increase in the backlog of unprocessed transactions. These statistics are important because they are indicators of the efficient use of staff and contractor resources, and of possible user concerns about the management of payment processing. Other evidence indicates periods of excessive overtime and extensive turnover of contracted personnel. It is important to minimize turnover of any kind, whether of contractors performing critical functions or of staff who are familiar with the nuances of day-to-day operations. Excessive overtime is always a concern because it is closely correlated with employee morale and ultimately staff turnover. In the end, fluctuations in these indicators reflect the need for improved resource planning and staff utilization.

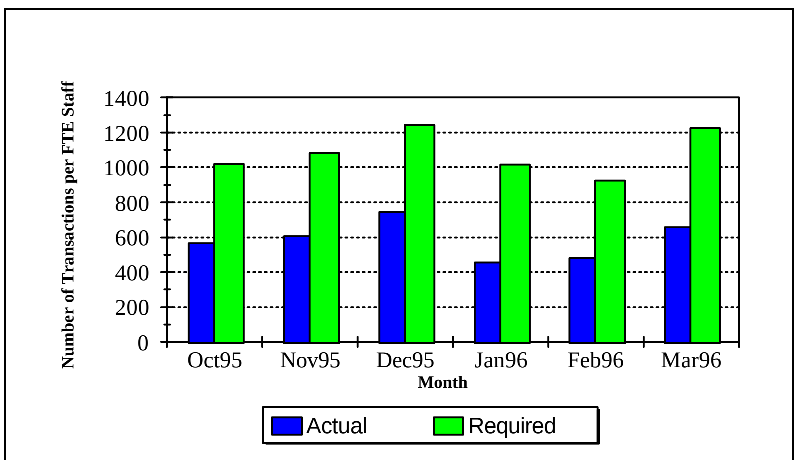
Better planning and resource usage could help reduce the payment backlog

We noted a steady growth in the backlog of unprocessed payment transactions. Growing payment backlogs are considered serious by most organizations because they can lead to (1) loss of discounts because vendors are paid late, or (2) curtailment of essential services. **Figure 4** illustrates the backlog experienced by Finance during the period January 1995 through March 1996. Information for the period April 1996 through July 1996 was not readily available for inclusion in this analysis. The backlog amounts reflected in Figure 4 were determined based upon extensive analysis of the number of payment transactions submitted on vouchers by the initiating offices against those actually processed by Finance. The number of transactions submitted for payment to Finance are tracked by Finance on a daily basis. Although, the number of transactions processed are not tracked by Finance, these amounts were obtainable through analysis of data contained in Finance’s financial management system. The growth of this backlog is partly understandable, given the increase in Finance's responsibility to correct a significant number of internal control and operational weaknesses. On the other hand, the sustained growth in the backlog over such a long period indicates that the problem could have been more quickly identified and a plan prepared to appropriately and efficiently address it. While the House did in



fact deploy more resources to this area, our analysis indicates this deployment was not well planned and could have been more efficient.

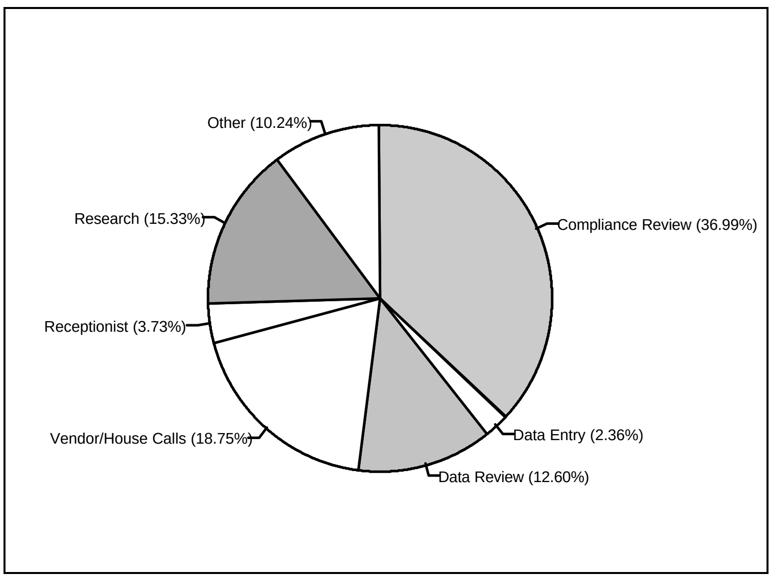
Figure 5 depicts our analysis of FTE utilization by Finance during the period October 1995 through March 1996. We constructed this graph by dividing transactions actually processed by the number of contracted and employed FTEs (i.e., the "actual" bar); this statistic is compared to the sum of the transactions received plus those in the backlog divided by contracted and employed FTEs (i.e., the "required" bar). This analysis allows us to make the following two observations: (1) actual processing per FTE lagged behind that needed to appreciably reduce the backlog, and (2) transactions processed per FTE fluctuated significantly from month-to-month. Most organizations endeavor to keep per-FTE processing steady to minimize excessive costs. These costs result when staff resources are not used at a proper capacity level, or if they are properly utilized, excessive overtime is incurred. The availability of contracted resources provides the opportunity to align processing demands with the number of FTEs. In addition, as discussed in the next paragraph, Audit Counselors involved in the payment process perform multiple roles outside of their primary responsibilities. As a result, they are not fully utilized with respect to their primary responsibilities.



Use of Finance personnel was not well focused

An important factor to achieve a proper balance between efficiency and effectiveness is to assure staff resources are properly focused where they will be most effective, and to assure workload demands are properly managed to assure staff morale remains high. However, we noted that
(1) Audit Counselors had a variety of demands competing for their time and (2) there were periods of excessive overtime as evidenced by a significant rise in compensation time earned.

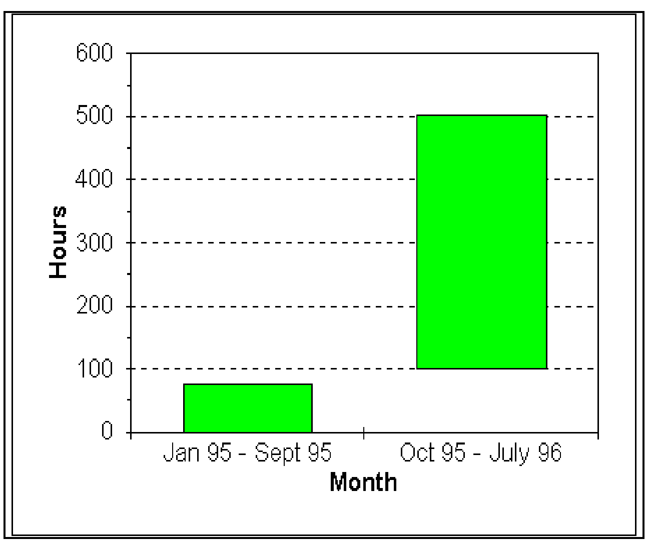
We conducted a survey within Finance in order to determine the multiple duties Audit Counselors are expected to perform in a given day. The results of this survey are depicted in **Figure 6**. One of the Audit Counselors' primary responsibilities is to perform compliance reviews. However, they spend less than 40% of their time on this function because they are also tasked to perform duties such as entering payment data into FFS and acting as a receptionist. As a result, their primary tasks may not be completed as effectively or efficiently as they should be. Furthermore, the personnel resources were employed to perform duties primarily related to conducting compliance reviews and training/advising Members, Committees, and other House offices. For example, the Audit Counselors' primary duties involve performing compliance reviews, not data entry into FFS.



The backlog of payments, coupled with the multiple roles fulfilled by Finance personnel, affects the timeliness of payments and reimbursements. If payments are not issued in a timely manner because of a high backlog, extra time is spent answering and researching calls from vendors, Members, Committees, and other House offices. For example, **Figure 6** illustrates that on average Audit Counselors spend 19 percent of their time answering such calls. Additionally, 15 percent of their time is spent researching, most of which pertains to the above calls.

During interviews, Audit Counselors and other Finance employees revealed feelings of low morale. Specifically, they stated that low morale was due to frustrations with learning a new financial management system, performing multiple responsibilities, and working increased amounts of compensation time. **Figure 7** illustrates that during the period January 1995 through

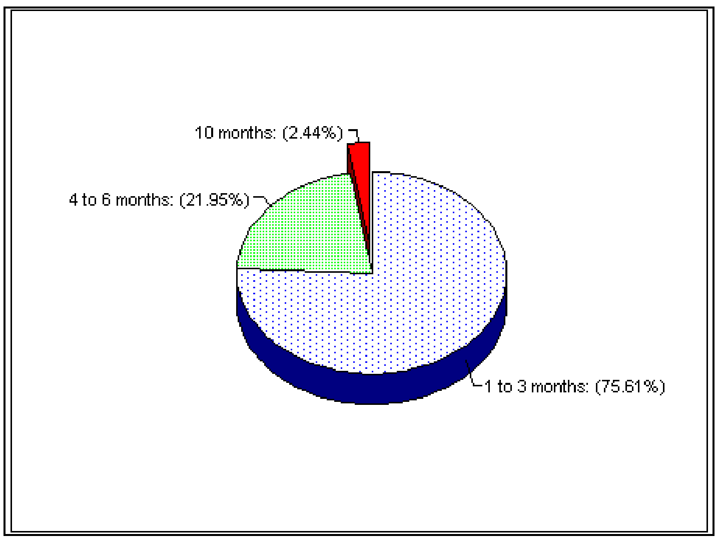
July 1996 there has been a very significant upward trend in the compensation time earned by Finance, as a whole, with respect to the personnel involved in the payment process. In fact, the compensation time earned starts to sharply increase between October 1995 through July 1996. In part, this is due to the implementation of the new financial management system and an increase in the payment backlog. During the period January 1995 through July 1996, a total of 2,532 hours of compensation time was earned of which 1,844 hours have been used. Thus, there has been a corresponding trend in the compensation time used. However, it is important to note that the payment process environment within Finance warranted the increase in compensation time accumulated. Specifically, the multiple responsibilities of Audit Counselors hindered them from focusing solely on performing their primary duties. This, in addition to the learning curve associated with the new financial management system, negatively affected the payment processing time, thus resulting in an increase in compensation time.



Use of data entry contractors could have been more effective

Finance experienced a high turnover of data entry contractors. This, in part, contributed to the backlog of unprocessed payments, and resulted in either Audit Counselors or new data entry clerks being introduced to the data entry process to accommodate this turnover. Beginning in October 1995, Finance contracted with two separate temporary organizations for data entry services. These services were rendered on a purchase order basis, rather than through a contract.

Since October 1995, forty-one different individuals have been provided by the contractors for the data entry process. The length of the contractor staff dedicated time ranged from a low of 1 to a high of 10 months, with an average of 2.8 months involvement. From the initial employment of contractors in October 1995, only 1 individual has been involved in the data entry payment process for the entire 10 months that the contractors have been employed by Finance. **Figure 8** illustrates the contractor staff involvement during the period October 1995 through July 1996.



According to Finance, the reasons for the contractor staff turnover have been due to the following: full time employment obtained elsewhere, dissatisfaction with the rate of pay received, or substandard performance leading to termination. Surveys conducted within Finance indicated that Audit Counselors were at times expected to perform data entry functions in order to accommodate the turnover in data entry contractors until additional contractors were acquired. In a given month, the number of contractor staff used ranged from six to nineteen.

The excessive turnover of contractor staff created additional burdens on House personnel that should have been avoided. Such turnover contributes to inefficient use of time to the extent new contractor staff have to be repeatedly trained, and increases the risk that data entry errors will occur and will not be caught and corrected. The House should include clauses in future contracts to penalize firms for excessive staff turnover.

The period covered by this performance audit was one of immense change for the House, and Finance in particular. Because of concerns about several structural weaknesses in financial management systems and poor financial information, the House chose to move rapidly to implement a new financial management system and prepare additional financial information. In these circumstances, resource planning was minimal. The result was fluctuating use of contracted resources and multiple assignments and responsibilities for House staff. However, now that the House has addressed the initial structural weaknesses, it is time to institute better planning for and use of staff resources -- whether staff is under House employment or obtained through a contractor.

Recommendations

We recommend that the Chief Administrative Officer:

1. Devote sufficient resources to the voucher process to ensure that Audit Counselors can effectively perform their primary duties.

2. Perform a workload analysis and prepare a written plan for FTE and contractor usage over periods of fluctuating activity.

3. Prepare a goal and budget for compensation time over the next year, in conjunction with recommendation 2.

4. Incorporate into contracts with data entry contractors a clause penalizing the firms for excessive staff turnover.

Management Response

On November 20, 1996, the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the CAO received approval from the Committee on House Oversight to hire three new Counselors. These positions were filled in early August 1996. Shortly thereafter, all Counselors were relieved of responsibility for staffing the front desk. In addition, a tentative plan has been developed for FTE and contractor usage. The plan is expected to be finalized when staff assignments are made for the 105th Congress. Based on this plan, the CAO planned to prepare a budget for compensation time to support the planned FTE and contractor usage. The CAO also planned to incorporate into contracts with data entry contractors clauses to penalize the firms for excessive turnover and to require the firms to be responsible for prompt and appropriate replacement of departing staff.

In a December 20, 1996 meeting with the OIG, the Acting CAO reaffirmed concurrence with the finding and recommendations, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

Office of Inspector General Comments

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

Finding C: Access To Financial Data Must Be Expanded And Simplified To Reduce Inefficiencies In The Payment Process

Given the current state of affairs, even with the recent implementation of core FFS functions, financial information provided to Member, Committee, and other House offices is still quite limited. For example, offices are often not aware of the status of payment vouchers received, processed, and paid. As a result, Finance often receives calls from Members, Committees, other House offices, and vendors regarding the status of payments. Thus, calls could be avoided if more information about payment status were available. This causes Finance to expend a substantial portion of its time researching and answering calls and less time focusing on improving payment processing. Responding to repeated, ad-hoc requests for information is a symptom of a process that is not providing users with everything they need, when they need it. Apart from being an inefficient use of scarce staff time, such requests do not foster confidence in the new system or a desire to use new financial tools and technology. We believe this situation can be resolved once Member, Committee, and other House offices have better access to FFS to query payment information, particularly as FFS's capabilities are expanded to include processing orders and invoices instead of just payments.

The guidelines outlined in the Office of Management and Budget Circular A-130 “Management of Federal Information Resources” require that agencies in the Executive branch record, preserve and make accessible sufficient information to ensure the management and accountability of programs. Furthermore, the Chief Financial Officers Act of 1990 stipulates that financial management systems, practices and reporting provide complete, consistent, reliable and timely information so that offices can efficiently manage programs and operations. Although, the above criteria are not applicable to the House, the notion of addressing the management needs of system users through better access to financial information is clearly a good benchmark to follow.

At present, Finance provides only payment information to Member, Committee, and other House offices on a monthly basis or when specifically requested. These House entities receive the *Monthly Financial Statement*, which includes information regarding available balances, and amounts obligated and expended. The *Monthly Financial Statement* includes details regarding payments processed on behalf of the respective initiating offices, such as: payment date, service dates, check number, voucher number, amount of expense, invoice number, and description of expense. But these documents do not provide information about which vouchers have not been paid, or about the length of time or reasons they have remained unpaid. This is because Finance does not currently track unpaid vouchers via automated means. Information about the status of orders for goods or services or about payment status is not provided on these reports either, although such information is tracked by FFS. Office-level information about the status of individual payments is often obtained through manual or "cuff" records or through ad-hoc personal computer applications. This is not a good use of Member or staff time, or an efficient way to purchase and use computer technology.

Results of a survey conducted within Finance indicate that Finance receives numerous phone calls from Member, Committee, other House offices and vendors regarding the status of payments. As a result, Finance spends a significant portion of its time researching and answering phone calls. For example, **Figure 6** in Finding B shows that on average, Audit Counselors spend a majority of 15 percent of their time researching calls and 19 percent answering vendor/House entity calls. If Member, Committee, and other House offices were given online access to FFS or provided with additional information in the monthly financial reports, Audit Counselors would be able to spend more of their time on streamlining operations or on cost reduction and customer satisfaction.

We believe that once access to financial data is expanded for Member, Committee, and other House offices, efficiency in the payment process will improve. If these offices had better access to financial data, they would be able to resolve most of their payment inquiries without contacting Finance to research and resolve their inquires.

Recommendations

We recommend that the Chief Administrative Officer:

1. Define information needs and sources to report more information in periodic reports. In addition, design reports, in a conceptual or "strawman" format, that incorporate information about unprocessed vouchers and, to the extent possible, unfilled orders for goods and services. Include the production of these reports in the next phase of the FFS implementation project.

2. In a next phase of the FFS implementation project, utilize FFS or other software packages in establishing an automated means of tracking unpaid vouchers.

3. In a next phase of the FFS implementation project, expeditiously provide Member, Committee and House offices with automated access to FFS information that would allow for information inquiries more often than monthly.

Management Response

On November 20, 1996, the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the CAO planned to (1) define and develop reports to provide more information to users, (2) address how to establish an automated means of tracking unpaid vouchers, and (3) provide Member, Committee and other House offices with automated access to FFS information in the Phase III of the FFS implementation project.

In a December 20, 1996 meeting with the OIG, the Acting CAO reaffirmed concurrence with the finding and recommendations, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

Office of Inspector General Comments

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

Finding D: Internal Controls Surrounding Payments And Check Processing Must Be Strengthened

We noted that internal control policies and procedures over certain payments need to be strengthened. Policies and procedures involving recurring payments are too lenient, and more management attention is needed to monitor unpaid bills. Further, greater assurance is needed that check processing is taking place in a well-controlled manner. Recurring payments refer to checks that are automatically issued without the need for a monthly voucher because they involve the same monthly payment over a defined period of time. Monthly lease payments for offices and automobiles are common examples of recurring payments. While the use of recurring payments improves Finance's efficiency, controls must be strengthened to assure that (1) all payments are supported by proper documentation, such as an active lease agreement, (2) goods and services ordered and received are promptly paid, and (3) check production takes place in a properly controlled environment.

Federal criteria applicable to executive branch agencies require that documentation for transactions and other significant events must be clear and readily available for examination. In addition, Federal agencies that use FFS take advantage of the recurring payment feature to issue payments automatically, but they have policies and procedures and controls that require proper documentation before a payment is made and prompt payment of bills for goods and services received.

Policies and procedures surrounding the recurring payment process are too lenient

Lease payments for district office rent are made monthly by Finance on behalf of the Members. Because these monthly payments are generally the same throughout the term of the lease, Finance automatically generates them through the recurring payment feature of FFS. The authority to make these payments is based on the lease agreement and the submission of monthly vouchers is not required. At the point the original lease is established, Finance enters the beginning and ending date for the lease in FFS. For financial systems used by most organizations, once the ending date of the lease is reached, payments automatically cease until a new lease agreement is provided. However, we noted that Finance will continue to make recurring lease payments even after the lease expired.

Upon expiration of the original lease, Members do not always provide an updated lease agreement or other documentation indicating whether or not the lease will be extended or renewed. In these circumstances, leases are assumed to continue on a month-to-month basis. Finance continues the automatic payments by extending the end date in the system by one year. In spite of the fact that Finance does not have updated documentation concerning the terms of the lease, Finance will continue issuing payments automatically until they are notified by Members to discontinue them. Finance relies on Members for notification if lease payments are issued in error.

These loose control techniques increase the risk that invalid payments will occur for those Members who terminate their leases, but fail to notify Finance. In fact, our analysis of the refunds received by the House during the period January 1995 through December 1995, indicated that 118 instances, amounting to $174,795, occurred regarding overpayments made to lessors. These overpayments were due to the fact that Finance was not aware of one of the following: (1) the lease had been terminated, (2) the lease amount had changed, or (3) a new lessor was engaged.

The idea of using the recurring payment technique of FFS to automatically generate checks for repetitive monthly payments is a good one, in the sense that it eliminates unneeded paperwork (e.g., monthly vouchers) and processes. On the other hand, the requirements regarding lease extensions and renewals are too lenient, as is the practice of continuing to issue checks after leases have expired. We believe a better practice would be to inform Members of impending lease expiration, perhaps one month in advance. Additionally, the Members should either (1) establish a new lease upon expiration of the original lease, or (2) submit a memo to Finance approving a month-to-month lease commitment until a new lease can be established.

More emphasis must be placed on monitoring late payments

In June 1996, we noted that district office and car lease payments for the month of June were not issued timely. The recurring payment program of FFS that should have automatically issued these payments was not run on time. As a result, district office and car lease payments were issued late in June.

We believe this problem was a symptom of the expedited implementation of the new financial system. The House felt that the expedited implementation was needed because it was concerned that its old system did not have the functions the House needed to properly manage it functions and because the old system operated in a weak internal control environment. As such, when detailed requirements of the new financial management system were being defined, some aspects were overlooked. Despite the well-founded need for a speedy implementation, late payments are a concern because many Member, Committee, and other House offices have become frustrated with Finance and have perhaps lost confidence in the benefits of the new financial system.

Internal controls within the check production area need strengthening

Internal controls within the payment process are inadequate to ensure proper separation of duties and safeguarding of assets. For example, with respect to inadequate separation of duties, the individual responsible for obtaining blank checks for printing from HIR is also responsible for operating the check signing machine. In order to open the safe that holds the checks, a combination and key are required. The combination is known by the check machine operator, whereas, the key is held by the HIR office. However, when the check operator arrives at HIR, the respective HIR personnel provides him with the key to the safe, and thus, he opens the safe by himself. He is not accompanied into the safe when accessing the blank checks. After removing the blank checks needed, he locates the respective HIR personnel, who then "signs out" the checks provided to him. Controls need to be strengthened to ensure that additional checks are not removed from the safe and then signed by the check machine operator. Unauthorized payments could be issued to either the check machine operator or other individuals.

Our review also identified a weakness in the area of safeguarding of assets regarding checks awaiting mailing. Once checks are printed, signed, and stuffed into envelopes, they are placed in an uncontrolled out box for outgoing mail. The mail out box is located in the receptionist area of Finance. No one from Finance is tasked with controlling the checks until the mail is picked up. Because checks are not secured while awaiting mailing, they are susceptible to loss and theft. The loss or theft of checks would result in reissuance of another check and would entail additional work on behalf of Finance.

Recommendations

We recommend that the Chief Administrative Officer:

1. Implement policies and procedures to notify Member offices of approaching lease expirations. This could probably be done using the new system to identify such leases, perhaps one month in advance of lease expiration.

2. Develop a proposal, for approval by the Committee on House Oversight, to require that Members establish a new lease once the original lease expires or submit a memo to Finance communicating their approval of a month-to-month commitment until a new lease is established.

3. Develop a report from the new system which lists and ages obligations and unpaid bills. Follow-up should be done on items that remain open beyond a pre-defined period of time.

4. Identify the various types of recurring monthly payments and ensure that such payments are issued timely every month.

5. Assign responsibility for blank checks to an individual other than the one who operates the check signing machine.

6. Keep unmailed checks stored and attended at all times.

Management Response

On November 20, 1996, the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the CAO planned to submit a proposal to the Committee on House Oversight for establishing policies and procedures to notify Member offices of approaching lease expirations. Included in the proposal will be the requirement for Members to establish a new lease once the original lease expires or submit a memo to Finance communicating their approval of a month-to-month commitment until a new lease is established. In addition, during Phase III of the FFS implementation project, the definition and development of reports that provide more information will be addressed. The CAO response also indicated that a letter will be written over the signature of the Associate Administrator formally assigning responsibility for blank checks to a staff member who does not operate the signing machine. The CAO also indicated that steps have been taken to keep unmailed checks stored and attended at all times.

In a December 20, 1996 meeting with the OIG, the Acting CAO reaffirmed concurrence with the finding and recommendations, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

Office of Inspector General Comments

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

Finding E: Use Of Performance Measures Would Facilitate Better Monitoring And Improved Operation Of The Payment Process

Finance has not yet developed comprehensive performance measures to monitor the efficiency and effectiveness of the payment process. Performance measures are increasingly becoming an essential management tool for Federal and private organizations. They can be used, for example, to compare operating costs and process times to independent benchmarks, and to monitor customer or stakeholder satisfaction with the services offered. Performance measures are a relatively new concept in the Federal government, and their effectiveness depends largely on an organization's ability to provide enough accurate information to systematically prepare and apply them. With the implementation of a new financial management system and a new organizational structure, Finance is now in a position to develop and use performance measures for its payment process.

The Government Performance Results Act of 1993 (GPRA) requires that all Federal agencies (1) establish long-term strategic goals, (2) measure their performance against the goals they have set, and (3) report publicly on how well they are doing. Although the House is not subject to the Act, GPRA provides a framework to follow to improve government performance and reduce costs.

Finance tracks various statistics on the time involved in the payment process and the number of vouchers/payments received and awaiting processing. While useful as a means of broadly monitoring bottlenecks in the payment process, these statistics are not used to compare performance and costs with other organizations or to gauge success against pre-set performance goals. As such, the current measures of performance that Finance uses are not comprehensive enough to assure on-going customer satisfaction at a reasonable cost. As more and more information becomes available with the system changes now in process, Finance needs to broaden the metrics it uses to monitor performance and periodically prepare and disseminate performance results against pre-determined benchmarks. **Figure 9** provides Finance with a guide for developing performance goals and measures.

With the implementation of the core components of FFS and the impending initiation of the next phase of this SDLC project, the House is in an excellent position to define the new performance measures to be used in conjunction with defining other user requirements. Finance must expend the time to design a more comprehensive performance measurement system that will allow linkage to its business strategy through the use of FFS information and reports.

Figure 9: Guide to Performance Measurement

Possible Performance Goals	***Possible Performance Measures***
▪ Customer Satisfaction.	▪ Number of complaints or phone calls received. ▪ Rating of service satisfaction via periodic customer surveys.
▪ Efficient Payment Processing Cycle Time.	▪ Days outstanding between invoice date and date payment submitted to Finance. ▪ Days outstanding between date payment request received by Finance and check issuance/EFT date.
▪ Minimal Backlog.	▪ Number of unprocessed payments, taking into consideration current payment requests received and prior unprocessed payment requests.
▪ High Productivity of Resources.	▪ Number of payment transactions processed, based upon efficiency standard established by Finance.
▪ Accurate Payment Transactions.	▪ Frequency and types of errors noted during compliance phase. ▪ Frequency and types of errors noted during data entry phase.
▪ Low Employee/Contractor Turnover.	▪ Frequency of turnover within resource pool. ▪ Staff satisfaction as determined by periodic surveys or counseling sessions. ▪ Overtime and/or unused leave time.

Recommendations

We recommend that the Chief Administrative Officer:

1. Prepare a written plan, including an implementation time frame, specifying which performance goals and measures will be used for the payment process.

2. Define the information requirements, whether FFS or other sources, to prepare performance measures.

3. Incorporate into the next phase of the SDLC project, those performance measures that are available from FFS.

4. Develop a reporting format and time frame for its implementation through which payment performance information is compared to performance goals and benchmarks and made publicly available.

Management Response

On November 20, 1996, the CAO fully concurred with the finding and recommendations (see Appendix). As indicated in the response, the CAO intended to prepare a plan specifying which performance goals and measures will be used for the payment process. As a basis for the plan, the CAO planned to consult with both staff of Financial Counseling and Finance users to develop goals that are considered important to the users and fair by staff, and measures of performance necessary to meeting these goals. The CAO's response also indicated that performance measures from FFS have already been identified. Additionally, the CAO indicated that a reporting format through which payment information is compared to performance goals and benchmarks has already been developed and implemented.

In a December 20, 1996 meeting with the OIG, the Acting CAO reaffirmed concurrence with the finding and recommendations, and agreed to provide a revised action plan and target dates addressing the recommendations to the Inspector General by January 15, 1997.

Office of Inspector General Comments

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

Scot M. Faulkner
Chief Administrative Officer

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

MEMORANDUM

TO: Robert B. Frey
Deputy Inspector General

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

DATE: November 20, 1996

SUBJECT: Draft Audit Report - Opportunities Exist to Improve House's Payment Process

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Thank you for the opportunity to comment on your draft audit report. We have carefully reviewed the draft audit report - "Opportunities Exist to Improve the House's Payment Process" and carefully considered the 29 recommendations contained therein. We appreciate the thought that has gone into the document and the generally supportive suggestions on streamlining and otherwise improving voucher processing. Our specific responses to each recommendation, planned corrective actions and an estimated completion date where possible are as follows:

Finding A:
Recommendations:

Short-term:

1. **Concur.** We will open discussions immediately with American Management Systems (AMS) to identify the Budget Object Codes (BOCs) appropriately included and work with them to develop and test the FFS modification. A proposal will be submitted to the Committee no later than December 31, 1996.

2. **Concur**. This would work best in the near term for the expenses being obligated by the purchasing system or Procurement Desktop. This would logically be performed by those offices doing the obligating, e.g., OSM, OSS, etc., as discussed earlier. Receiving documents that can accomplish this should be fully implemented prior to September 30, 1997.

3. **Concur**. This would work best in the near term for the expenses being obligated by the purchasing system or Procurement Office Desktop. This would logically be performed by those offices doing the obligating, e.g., OSM, OSS, etc., as discussed earlier. The September 30, 1997 completion date cited in the previous recommendation is applicable here as well.

4. **Concur.** To the extent possible, this is already being done and a proposal to use a form of this system to also obligate expenditures for mass mailings is with the Committee on House Oversight. Obligating expenditures like Member travel would require approval from Committee. That approval does not seem likely for two reasons: The Committee has not been inclined to take actions that reduce the authority of Members over their budgets; and routine expenditures, including travel, have not triggered major spending miscalculations like one-time or sporadic spending decisions have done. Nonetheless, we will propose obligating these expenditure categories to the Committee. That proposal will be submitted by January 31, 1997, a date that recognizes the need for considerable thought and planning as to how such a program might be implemented.

   As decisions are made on providing Members access to FFS during Phase III, the ability to obligate other expense items will be offered to Members but this is obviously a longer-term resolution.

5. **Concur**. A report from FFS identifying unliquidated obligations has already been requested.

6. **Concur.** We will develop a form on which Counselors can track the exact nature of initiating office errors. Tracking will continue for two months, one of which will be the first month of the new Congress to determine if there are common "new staff" errors that tend to abate with experience. Evaluation of the tracking will focus on identification of two basic types of entries: Those where errors are rare, such as utilities; and those so small that calls back and forth, returning the voucher for corrections, and other such follow-up activity does not appear cost beneficial. This evaluation will form the basis of a plan that, at this point, appears likely to be comprised of some combination of limited review, statistical sampling and dollar thresholds. The plan will be submitted to the Committee for review and approval by January 31, 1997.

7. **Concur.** The File Clerk section does keep track of errors, type and number, made by auditors, and of errors made by data entry personnel and caught at the "W" stage. The purpose of both is to identify patterns developing in either type or quantity of errors. If such patterns do emerge, they are discussed with the individual. We have also requested a report from FFS on errors by User ID.

   We do poll counselors on common types of initiating office errors and communicate this information to offices in documents such as *House Smart*. We do not keep complete, running statistics on initiating office errors. These statistics *will* be kept for two months as part of the response to recommendation 6 above, and we will evaluate the usefulness of continuing to collect them at the end of that two month period.

We will be offering training courses early next year intended to result in certification for financial administrators in House offices, and the detailed "how to" course materials will be made available to all offices. Both the training and the widespread availability of detailed instructions should be of considerable assistance, and we expect to evaluate numbers and types of errors constantly in the first months of the new Congress. Member offices will be surveyed immediately following the training regarding the usefulness of the training and the materials, and surveyed again three months later. Any changes in both the training and materials will be based on those surveys.

Long-term

8. **Concur with option one**. The voucher form as currently structured offers too many opportunities for overlooking entries at the data entry level. Our singular concern with documentation directly on the vendor invoice is the loss of consistency in the location of various types of information since all invoices are not the same size and many offer little in the way of blank space for recording. An interim step (until data entry takes place in all initiating offices) would be a redesigned voucher. One invoice per voucher has been proposed; one *payee* per voucher likely makes more sense. If a redesigned voucher is acceptable as an interim resolution, a user group could be assembled very quickly for that purpose and the redesign completed in two to three weeks.

   We believe that the second option is less feasible. The purchasing offices already have this capability and it would make more sense for the "matching" to take place in those offices. Requiring <u>all</u> vendor invoices to be mailed directly to Finance would take Committee on House Oversight approval and, based on our experience with our expedited utilities program, that approval may be hard to get because of Member office objections. Many offices have rejected the ease and simplicity of expedited utilities simply because they want to review their bills before they are paid.

   A voucher redesign could be completed by November 30, and introduced to the initiating offices by the start of the 105th Congress.

9. **Concur**. This is being addressed in Phase III. Decisions on how to accomplish this should be made during fiscal 1997 with implementation January 1, 1998.

10. **Concur for expenses being obligated by the purchasing system or Procurement Desktop.** We would suggest that this be performed by those offices doing the obligating, e.g., OSM, OSS, etc., since they have knowledge of applicable regulations regarding services and supplies they may be ordering. A detailed plan for implementation will be developed when all affected offices are comfortable with the Procurement Desktop operations. This plan should be completed by March 31, 1998.

11. **Concur.** The position description for Financial Counselor has been changed to include "the ability to exercise independent judgment" as a specific quality that will be sought in individuals applying for the position. The new position description will need to be approved by the Committee on House Oversight. A critical element on judgment and decision-making has also been included in the performance plan developed for each employee of the unit. There is a proviso that the manager must make the opportunities available. The basics have been completed. Implementation will be on-going.

12. **Concur.** Matching will be done as noted in Rec. 2 above. Initial discussions with Treasury on conversion to EFT have already taken place and an electronic funds transfer program was recently tested for paying the General Services Administration (GSA) for office space rented by Members. This program will be used for the next quarterly payment.

Finding B:
Recommendations:

1. **Concur.** The hiring of three new Counselors was approved by the Committee in May; these staff started work in early August, 1996. Shortly thereafter, all Counselors were relieved of responsibility for staffing the front desk as well. The combination reduced workload *and* disruption, and both size and age of the backlog have remained at an acceptable level throughout September and October.

   Data entry duties continue to be performed by contractors, and the contract is flexible enough that there should be no reason to divert Counselor time to data entry. One of the senior counselors monitors the data entry contract on a daily basis.

   The only "action" required at this point appears to be filling positions promptly as they become vacant.

2. **Concur.** A tentative plan for new assignments of Counselors has been developed. The plan will be finalized when staff reassignments are made for the 105th Congress. This will be completed by November 30, 1996.

3. **Concur.** The plan cited above, plus a budget for same, will cover regular hours, compensatory time and possible overtime, annual and sick leave, plus use of the contracted staff. Workload analysis via daily gathering of statistics is always on-going to make sure that the work is spread as equally as possible and those statistics are available for use in this context. As noted above, the plan will be completed by November 30, 1996.

4. **Concur.** We feel, however, that a clause covering contractor responsibility for prompt and appropriate replacement of departing staff is equally important. Respondents to a recent RFP for data entry were required to show how they handled requisite replacements and the references they listed were asked to evaluate respondent handling of this situation. The resulting contract does address the replacement issue; it does not penalize the contractor for excessive turnover in any explicit way. Such language could be included in any follow-on

contract. The current contract was signed in early October and runs for seven months, with options for two additional seven month extensions. Our Office of Procurement and Purchasing is willing to propose adding an excessive turnover penalty, but cannot guarantee that the contractor, a temporary agency, will be receptive. If they are not, and assuming the options are exercised, the earliest contract with an excessive turnover penalty would be July, 1998.

Finding C:
Recommendations

1. **Concur.** The definition and development of reports of this type are part of Phrase III and will be done during fiscal 1997.

2. **Concur.** This will be addresses as part of Finding A Recommendation 9 and Finding C Recommendation 1 above.

3. **Concur.** This will be one of the first efforts of Phase III. Implementation should be prior to December 31, 1996.

Finding D:
Recommendations:

1. **Concur.** If the data on the amount of refunds processed is accurate, implementation of this policy could avoid time lost to processing these receipts. It could also, on the other hand, require more time to manually process catch-up payments for Members who had remained in the space but did not submit renewals in time to avoid termination in FFS. There is a cost in loss of good will that needs to be considered here as well plus the fact that leases can and do expressly state that they will go on a month-to-month basis or even automatically renew after a specific period of time.

   We have been receiving, albeit sporadically, notification of expirations, so apparently it is possible for the system to generate that information. The new policy should be prospective from the start of the new Congress.

   Because this is a reversal of a policy carried over from the former Committee on House Administration, Committee approval will need to be sought. The proposal will be submitted for Committee consideration by December 31, 1996.

2. **Concur.** We agree that the current policy is too lenient. The recommendation, however, represents a marked reversal of a longstanding House policy that a lease is not terminated until the Member, not Finance, says it is. There are also a considerable number of leases on file containing contractual language that puts them on a month-to-month basis following expiration of the original term and any new policy would need to definitively address this issue. Because this is a complicated and a sensitive issue, i.e. landlords are virtually always

local and can cause considerable embarrassment for Members, a proposal to the Committee will *follow* discussions with the Committee on the options available and the preferred route to take.

The discussions referenced above will start immediately. We would expect to have a proposal to the Committee by February 28, 1997, a date that recognizes the extensive demands on Committee time between now and the end of the year.

3. **Concur.** Implementation will be part of recommendations 1 through 3 of Finding C.

4. **Concur.** At present, there are only two types, District office and long-term automobile leases, although we have been informally investigating with Member offices about other payments that are the same every month and could be paid the same way. Other than the June late payments cited in the audit report, the recurring payment works well and the major source of complaint is from landlords whose tenant Members fail to notify us of rent increases, changes of address and the like. The only continuing problem is with the large car companies, and that problem is due to their internal processes and has nothing to do with late payments.

   We have recently started issuing checks earlier in the month, so if vendors are rejected for payment and the rejection is not legitimate, payment can still reach that vendor in a timely fashion. A statement will be added to REPV (Recurring Payment) Procedures that the program will run no later than the 23rd of the month. If the date is acceptable, this can be done immediately.

   In addition we are examining ways to establish recurring payments for equipment maintenance and leases. This is part of Phase III and Procurement Desktop and should be implemented by March 31, 1997.

5. **Concur.** A letter will be written over the signature of the Associate Administrator formally assigning responsibility for blank checks to a staff member who does not operate the signing machine. The letter will indicate back-up plans for when that individual is on leave. Estimated completion date is November 15, 1996.

6. **Concur.** This item can be closed. We have shortened the time in which unmailed checks are in the Office of Finance by having them delivered directly to the person who includes any required attachments and who pulls those checks flagged for personal pick-up. They are no longer left unattended at any time.

Finding E:
<u>Recommendations:</u>

1. **Concur.** We will consult with both staff of Financial Counseling and our users groups to develop goals that are considered important to the users and fair by the staff, and measures

of performance necessary to meeting those goals. The resulting plan will be written and distributed to both parties for reference. Since the first evaluations performed under the new Individual Performance Plan and Evaluation will be in January, we would not expect to confuse the issue by introducing different goals and measures prior to that time. The plan will be completed by January 31, 1996.

2. **Concur**. These will be defined as part of the process described in Recommendation 1 above. The plan will be completed by January 31, 1996.

3. **Concur.** We have already identified performance measures available from FFS that appear appropriate for us. These will be incorporated into the next phase of the SDLC project.

4. **Concur.** We already have a reporting format that seems readily understandable by offices to whom it is made available, i.e. the Committee upon request, and the Chief Administrative Officer on a weekly basis. The statistics are reported graphically on a monthly basis as part of CAO-wide performance measurement reporting and are included in the Semi-Annual Report of the Chief Administrative Officer. The Office's performance goals with respect to turnaround are five (5) business days for routine transactions and three (3) business days for expedited vouchers, including travel. These goals have now been included in the monthly graphic.