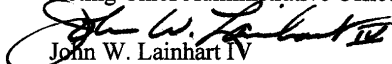


Office of Inspector General
U.S. House of Representatives
Washington, DC 20515-9990

MEMORANDUM

TO: Jeff Trandahl
Acting Chief Administrative Officer

FROM: 
John W. Lainhart IV
Inspector General

DATE: December 31, 1996

SUBJECT: Audit Report - Opportunities Exist To Improve The Management Of The
Office Of The Chief Administrative Officer (Report No. 96-CAO-15)

This is our final report on the audit of operations of the Office of the Chief Administrative Officer (CAO). This audit was part of our annual audit plan and was approved by the Committee on House Oversight. The objective of our review was to provide an operational assessment of the CAO during the 104th Congress. In this report, we identified 22 findings and made 45 recommendations for corrective action.

In response to our November 15, 1996 draft report, your office fully concurred with our findings and recommendations. The December 30, 1996 management response is incorporated into this final report and included in its entirety as an appendix.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Craig W. Silverthorne at x61250.

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

**IMPROVEMENTS ARE NEEDED IN THE MANAGEMENT AND OPERATIONS OF
THE OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER**

*Report No. 96-CAO-15
December 31, 1996*

RESULTS IN BRIEF

CONCLUSIONS

At the beginning of the 104th Congress, the House of Representatives (House) undertook extensive measures to improve operations and efficiencies, as well as financial reporting and accountability. The position of Chief Administrative Officer (CAO) was established in January 1995 at the beginning of the 104th Congress to take responsibility for the non-legislative administrative operations of the House. Each of the three Officers of the House set baseline objectives in order to prioritize their transition roles. The CAO had 54 baseline objectives when the 104th Congress convened. These baseline objectives are organized into the following broad categories:

- Privatization
- Accountability
- The Open Congress
- Efficiency
- Internal CAO Actions

The CAO's 54 baseline objectives are included in Exhibit A. The CAO fully implemented 37 of the 54 baseline objectives, partially implemented 16 objectives and has not initiated action with respect to one objective during the 104th Congress. In addition, the CAO has completed a number of other significant actions during the 104th Congress to improve operations and resource management. These improvements include the following:

- **Reduced House Administrative Services Operating Costs** - The CAO receives 100 percent of its operating budget from Federal appropriations. For the Fiscal Year (FY) ended September 30, 1995 the CAO's appropriations totaled \$69.7 million; however, the office only used \$56.8 million. The CAO's appropriations for the FY ended September 30, 1996 was \$45.5 million, and appropriations for the FY ending September 30, 1997 is a projected

\$44.1 million. This significant reduction was due to effective process streamlining, outsourcing, and downsizing, including:

- Closing the “Folding Room,”
 - Privatizing House services including the Shoe Shine, Beauty Shop, and Barber Shop operations,
 - Outsourcing internal House mail delivery to Pitney Bowes Management Services (PBMS) and contracting the window operations to the U.S. Postal Service,
 - Reducing administrative staff from 1,063 to 600, and
 - Canceling an unneeded warehouse lease, and auctioning off old furniture and equipment.
- **Improved Policies and Procedures** - A critical element of the CAO’s overall strategy has been the development and implementation of standardized policies and procedures to support key business processes. Prior to the 104th Congress many processes and administrative activities of the House relied on the personal knowledge and experiences of employees. To date, detailed policies and procedures have been implemented to document processes including procurement, human resources, and computer and related equipment acquisition and management.
 - **New Training Initiatives** - The CAO has initiated a number of training programs during the 104th Congress, including general training to support overall CAO-wide Total Quality Management (TQM) initiatives, as well as specific training to support detailed initiatives such as the implementation of new procurement policies and procedures, new and enhanced systems such as the Federal Financial System (FFS), and restructured operations such as mail and printing operations.
 - **New Human Resources Programs** - Prior to the 104th Congress, comprehensive formal written job descriptions, documented Human Resources policies and procedures, and formal objective setting and performance evaluation systems were not in place. The CAO has since formally documented, in writing, all position descriptions and begun to implement a new goal setting and performance evaluation system. Beginning with the 104th Congress, each CAO employee is required to have a detailed Individual Performance Plan and Evaluation which documents detailed goals and objectives and provides a mechanism for evaluating an individual’s performance against goals.
 - **New Procurement Activities** - The CAO has designed, developed, and implemented the first comprehensive set of procurement guidelines, systems, and policies and procedures in House history. Prior to the 104th Congress, procurement activity was totally decentralized and oversight was limited. The new systems and guidelines establish an open, competitive, and accountable procurement system that ensures the House receives the best value possible.

- **Prior Office of Inspector General (OIG) Audit Recommendations** - Since the start of the 104th Congress through June 1996, the OIG has issued 24 reports related to the operations of the CAO with a total of 249 recommendations. To date, the CAO has fully implemented 132 (53 percent) of these recommendations, while 68 (27 percent) recommendations are partially implemented or in process, and 49 (20 percent) have not been acted upon. (See Exhibit B for the detailed status of all the audit recommendations.)

Although the CAO has implemented numerous initiatives, improvements are still needed in the management and operations of the Office of the CAO to utilize resources more efficiently, restructure operations, improve performance, and enhance controls. This is demonstrated by the following:

Immediate Office of the Chief Administrative Officer

- Communications, planning, goal setting, and monitoring processes are weak, resulting in inefficiencies, reduced morale, and potentially increased costs.
- Current procedures to track and manage responses to numerous audit findings and recommendations need to be improved to adequately monitor status and document implementation.

Office of House Information Resources (HIR)

- HIR has not updated the House's information systems plan to establish a conceptual direction addressing long-term needs.
- The House lacks adequate policies and procedures to manage system development activities resulting in implementation delays and cost overruns.
- HIR has not completed a comprehensive needs analysis and cost/benefit analysis of its mainframe migration project that could conceivably result in increased costs and decreased service levels as it migrates from legacy mainframe systems to distributed client-server systems.
- HIR's solution for Year 2000 issues relies on the assumption that all systems will be replaced in connection with the mainframe migration project. In the event that mainframe migration stalls, the House would be vulnerable to Year 2000 problems that could generate incorrect data and reports and potentially interrupt normal business operations.

Office of Finance

- The Office of Finance has not prepared performance plans and, while it tracks operational activities in terms of inputs and outputs, expected qualitative outcomes are not identified or measured. Therefore, the CHO is not provided essential information needed to ensure that

Finance operations are effectively planned and executed, and that the much needed improvements are being made.

- The unique nature of the House consists of an unusually large number of high-level customers who require the direct personal attention of Finance's Associate Administrator. Because this direct customer service takes foremost priority, the Associate Administrator is unable to devote a significant amount of time to overseeing financial operations. As a result, financial management operations are not being effectively managed.
- Despite continued reorganizations and re-assignments of personnel within the Office of Finance, the workload exceeds current staffing capabilities. The reason for the imbalance is largely attributable to the recent implementation of FFS. In order to accommodate the excessive on-going workload, contractor staff were hired to perform duties ordinarily carried out by in-house staff; however, continued use of contractor staff for certain functions may not be a suitable long-term solution.
- Recently, Finance improved documentation of its operating policies and procedures, particularly in conjunction with the implementation of FFS. However, while documentation of operational guidelines and manuals was generally adequate, policies and procedures could be expanded upon in some departments, while they should be more refined in others. There is a need for consistency in financial procedures documentation and organization of materials so they can be easily retrieved when needed.

Office of Media and Support Services

- Systems and controls to track capital equipment are duplicative. The House has one system that tracks equipment, maintained by Office Systems Management (OSM), and a separate system that tracks furniture, maintained by FRC. The lack of a single centralized inventory control system creates financial and operational risks to the House.
- Utilization of services provided by Media Services is low, resulting in subsidies of photography and recording studio operations. Fees generated from the Photo Studio and Recording Studio are insufficient to cover expenses.
- Despite prior year audit recommendations -- *Changes In Operation Practices Could Save Office Supply Store And Gift Shop \$1.3 Million Annually* (Report No. 95-CAO-07, dated July 18, 1995) -- the Supply Store and Gift Shop have not adequately changed their operating practices. As a result, these House retail stores continue to incur losses from operations.
- Based on the volume of calls received, current ONECall staffing is excessive. Operators in the ONECall office handle less than three calls per hour, resulting in large amounts of downtime.
- There is no system to measure performance such as Member satisfaction and utilization of resources to determine the efficiency and effectiveness of services.

- The current process for Members to acquire computers and related equipment is confusing and duplicative. Lack of communication and coordination between administrative office units, such as HIR, OSM, and the Office of Procurement and Purchasing, can result in poor service to Members.

Office of Human Resources

- Separation of personnel, benefits, and payroll activities has resulted in reduced efficiency and effectiveness overall.
- The need for a new payroll and personnel system has been identified by the Offices of Finance and Human Resources, yet little action has been taken to address the need.
- Decentralization of worker's compensation and unemployment compensation processing leads to potential financial and operational risks. Worker's compensation claims are processed and filed within each office, and unemployment compensation claims are not properly verified prior to payment.

Office of Purchasing and Procurement

- Standard contract management policies and procedures have not been put in place at the House. The lack of standard policies and procedures increases both the financial and operational risk to the House.
- The procurement approval process requires an excessive number of approvals within the CAO organization, for even the smallest purchases. These numerous bureaucratic approvals generate bottlenecks, delay purchases, and create an atmosphere where employees do not perceive that they are empowered and trusted.

Office of Publications and Distribution

- The House approved a standard fee structure for the delivery of publications to Members, Committees, and other House offices. However, this fee structure is not applied to all publications equally. If the House charged all vendors for delivery according to the stated rates, revenue totaling \$168,000 would be available to offset postal costs.

RECOMMENDATIONS

We recommend that the Chief Administrative Officer:

Immediate Office of the Chief Administrative Officer

- Strengthen management processes through enhanced communications, standardized planning and decision-making documents, and structured annual goal setting and monitoring.
- Enhance audit tracking and followup processes to support the timely implementation of audit recommendations.

Office of House Information Resources

- Create an updated information technology strategy based on a current needs analysis. Communicate the objectives and goals to all HIR employees and review HIR management and staffing levels to determine that appropriate resources are allocated to effectively implement the strategy.
- Develop detailed project management policies and procedures based on a formal System Development Life Cycle (SDLC) methodology, including appropriate change management controls. Provide appropriate training for employees and require employees to manage HIR projects using this methodology.
- Conduct a comprehensive needs analysis and cost/benefit analysis to determine the most appropriate approach to the mainframe migration project, balancing the aggressive timeline with user needs, available technologies, and budget requirements.
- Prepare and implement a comprehensive Year 2000 strategy that provides for legacy systems which might be required to continue in use beyond the Year 2000.

Office of Finance

- Establish realistic performance measures for key finance processes and establish realistic milestones and targeted completion dates for financial systems projects and process implementations, and track actual performance and accomplishments accordingly.
- Track and report qualitative outcomes (efficiencies and effectiveness) of key performance indicators for financial operations.
- Provide the CHO with sufficient detailed information in order to make informed management decisions regarding Finance operations.
- Expedite the re-submission of Finance's reorganization package including sufficient details in support of the proposed reorganization.

- Reassess the need for continued contractor services after the recently proposed reorganization is approved and implemented, and prepare a new comprehensive contracting proposal for services needed.
- Establish a single point of contact within Finance for documentation, retention, and distribution of all financial operating policies and procedures.

Office of Media and Support Services

- Consolidate inventory control activities within the Asset Management unit of the Furniture Resource Center. Maintain a single physical inventory of all capital equipment and develop appropriate inventory control policies and procedures to ensure accurate inventory management.
- Increase the customer focus of Media Services by addressing the hours of service required by Members, assessing technology needs, analyzing the cost of providing these services to Members, and restructuring the fee schedule accordingly.
- Conduct a cost of service study for the Supply Store to ensure the Store covers all costs. Expedite the privatization of the Gift Shop.
- Combine the ONECall unit with the Food Services' Meeting, Press Conference, and Special Events team to fully utilize available staff.
- Develop service and quality tracking systems for Food Services' Meeting, Press Conference, and Special Events operations and survey customers regularly.
- Develop a plan to streamline and restructure processes related to the purchase of computers and computer related equipment.

Office of Human Resources

- Transfer the Departments of Payroll and Member Services to the Office of Human Resources. Establish a payroll service agreement between the Office of Finance and the Office of Human Resources.
- Expedite the selection and implementation of a new comprehensive Human Resources System to accommodate all of the human resources needs of the House.
- Centralize responsibilities for processing and monitoring worker's compensation claims and unemployment compensation claims in the Office of Human Resources. Appoint a Program Coordinator in Human Resources to manage the worker's and unemployment compensation programs.

Office of Purchasing and Procurement

- Develop and implement improved contract management policies and procedures and a comprehensive contract tracking system.
- Revise procurement approval authorities in the CAO to reduce review levels and distribute small purchase authority to users.

Office of Publications and Distribution

- Modify the proposed delivery service policy to collect a uniform fee, per periodical, for delivering all newspapers, magazines, and publications.

MANAGEMENT RESPONSE

In the December 30, 1996 response to our draft report, the Acting CAO agreed with the findings and recommendations in this report, and indicated that corrective actions have been initiated for some areas and planned for the remaining areas. Details of the response to each finding are summarized under the *Management Response* section at the end of each finding. In addition, a copy of the Acting CAO's full response is provided as an Appendix to this report.

OFFICE OF INSPECTOR GENERAL COMMENTS

We fully concur with the initial and planned actions of the Acting CAO. These actions are responsive to the issues we identified, and when fully implemented, should satisfy the intent of our recommendations.

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III. EXHIBITS

Exhibit A: CAO Baseline Objectives

Exhibit B: Status Of Prior Audit Recommendations

IV. APPENDIX

Appendix: CAO Management Response To The Draft Report

I. INTRODUCTION

Background

Election of the Chief Administrative Officer (CAO). The Rules of the House of Representatives effective for the 104th Congress (dated January 4, 1995) detail the duties of the Speaker of the House (Rule I), the Election of Officers (Rule II), the duties of the CAO (Rule V), and the duties of the Standing Committees, including the Committee on House Oversight (Rule X 1.(h) and 4.(d)(2)).

Rule II for the election of Officers states:

“There shall be elected by a viva voce vote, at the commencement of each Congress, to continue in office until their successors are chosen and qualified, a Clerk, Sergeant at Arms, Chief Administrative Officer, and Chaplain, each of whom shall take an oath to support the Constitution of the United States, and for the true and faithful discharge of the duties of his office to the best of his knowledge and ability, and to keep the secrets of the House; and each shall appoint all of the employees of his department provided for by law. The Clerk, Sergeant at Arms, and Chief Administrative Officer may be removed by the House or by the Speaker.”

Thus, the CAO is chosen and qualified and submitted to the House for a voice vote. The CAO may be removed by either the House or by the Speaker.

Role of Committee on House Oversight (CHO). The CHO has certain responsibilities detailed in Rule X regarding the CAO, including:

- 1.(h)(1) “Appropriations from accounts for committee salaries and expenses (except for the Committee on Appropriations), House Information Systems, and allowances and expenses of Members, House Officers and administrative offices of the House.”
- 1.(h)(2) “Auditing and settling of all accounts described in subparagraph (1).”
- 1.(h)(3) “Employment of persons by the House, including clerks for Members and committees, and reporters of debates.”
- 1.(h)(6) “Expenditures of accounts described in subparagraph (1).”
- 1.(h)(9) “Measures relating to the accounts of the House generally.”
- 1.(h)(13) “Measures relating to services to the House, including the House Restaurant, parking facilities and administration of the House Office Buildings and of the House wing of the Capitol.”
- 1.(h)(16) “Measures relating to the compensation, retirement and other benefits of the Members, officers, and employees of the Congress.”

- 4.(d)(2) “providing policy direction for, and oversight of, the Clerk, Sergeant at Arms, Chief Administrative officer, and Inspector General.”

Despite the inability of the CHO to directly or indirectly hire or remove the CAO, according to House Rules, the CHO has direct oversight of the CAO, along with the Speaker. The Committee, along with the Speaker, also has the responsibility to oversee appropriations, personnel decisions, and expenditures of the CAO.

The CHO provides the following functions in relation to the Officers of House:

- The Officers of the House work together on several administrative areas including issues relating to: finance and accounting, purchasing and procurement; technology; media and support services; and human resources. The CHO provides for the oversight to ensure that the Officers work together on key cross organizational issues.
- Rule X 1.(h) (2) provides for the CHO to oversee the audit activities of the House. As such, the CHO functions as an Audit Committee to ensure that the House is accountable for its public funding.
- The CHO ensures that the goals and objectives of the Members in general and the Speaker in particular are met.
- The CHO operates as a bipartisan committee to provide oversight to each of the Officers. The Rules of the 104th Congress created the CHO to replace the House Administration Committee from the 103rd Congress. The change in name of the Committee reflects the change in philosophy of this Committee from administration by elected officials to oversight of professional administrators by elected officials.

Role of the CAO. The CAO has certain responsibilities, detailed in Rule V, regarding its interaction with the CHO and Speaker, including:

1. “The Chief Administrative Officer of the House shall have operational and financial responsibility for functions as assigned by the Speaker and the Committee on House Oversight, and shall be subject to the policy direction and oversight of the Speaker and the Committee on House Oversight.”
2. “In addition to any other reports required by the Speaker or the Committee on House Oversight, the Chief shall report to the Committee on House Oversight not later than 45 days following the close of each semiannual period ending on June 30 or on December 31 on the financial and operational status of each function under the jurisdiction of the Chief. Each report shall include financial statements, a description or explanation of current operations, the implementation of new policies and procedures, and future plans for each function.”
3. “The Chief shall fully cooperate with the appropriate offices and persons in the performance of reviews and audits of financial records and administrative operations.”

Thus, the CAO has a responsibility to provide the CHO an accounting of its operations as part of the oversight by the CHO.

Key operational responsibilities of the CAO include:

- Procurement of goods and services
- Financial management and accounting
- Accounts payable and accounts receivable processing
- Human resources and personnel management
- Payroll
- Benefits administration
- Information technology systems development and administration
- Media relations
- Member office and Committee support
- Food service operations
- Mail operations
- Publications
- Day care services
- Supply services

In addition to the immediate office of the CAO, operations of the CAO are organized into six line operating units. The following sections briefly describe the roles and responsibilities for each of these units.

- **CAO's Immediate Office** includes the Administrative Counsel, the Executive Secretariat, an internal controls and continuous improvement team, and direct administrative support staff to the CAO.
- **House Information Resources** is responsible for supporting the information structure necessary to carry out House business. Key elements of this task include the development and maintenance of sophisticated systems hardware and software, support to Members, Committees, Officers, and others in resolving technology issues, and management of the House's telecommunications systems.
- **Finance** is primarily responsible for the effective and efficient management of the financial records of the House. In addition to providing payroll services for all Member and House employees, Finance also is responsible for all general accounting and financial management activities including maintenance of House accounts, payment of vendors, and preparation of financial statements.
- **Media and Support Services** provides a variety of support activities to Members, Committees, Officers, and others including day care operations, supply store and gift shop services, photography and recording studio services, office equipment acquisition, furniture supply and maintenance, and food services.

- **Human Resources** is responsible for overall human resources management for the House's 10,000 employees including hiring and termination, life and health insurance, retirement, training, and employee assistance.
- **Procurement and Purchasing** is responsible for the development, implementation, and monitoring of a fair, open, and competitive procurement system at the House. Principle activities include the development of appropriate policies and procedures, training of House personnel, and the implementation of appropriate automated systems to track and manage procurement.
- **Publications and Distribution** satisfies the printing requirements of Members, Committees, Officers, and administrative offices, as well as managing all in-house mail operations through a contracted service provider.

Objective, Scope, And Methodology

The objective of our review of the CAO was to provide an operational assessment of the CAO during the 104th Congress. Specifically, we examined the existence and use of performance measures, and policies and procedures in use by the CAO. We also assessed the implementation status of a total of 249 recommendations presented in 24 prior OIG audit reports issued with respect to the CAO, and baseline objectives presented by the CAO to the 104th Congress.

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

- Conducted entrance interview with the CAO;
- Conducted interviews and walk-through tours with each Associate Administrator and other CAO staff;
- Gathered and analyzed documents related to operations, organization, staffing, policies and procedures, performance standards, and prior reviews and audits; and
- Surveyed employees of the CAO and analyzed responses to determine job activities and responsibilities.

Internal Controls

We reviewed the implementation of internal control recommendations from prior OIG audit reports (see below--*Prior Audit Coverage*). We also reviewed the CAO's internal control process over the implementation of prior audit recommendations.

Prior Audit Coverage

The OIG has conducted a number of previous audits of the CAO. Exhibit B of this report summarizes the current status of all prior recommendations related to the CAO operation contained in the following reports.

- *Member Computer Systems Security Weaknesses* (Report No. 95-CAO-01, dated July 18, 1995).
- *Proposed New Financial Management Will Not Meet The House's Needs And Should Be Terminated* (Report No. 95-CAO-02, dated May 12, 1995).
- *Internet Security Weaknesses* (Report No. 95-CAO-03, dated July 18, 1995).
- *Changes In Operating Practices Could Save Publications & Distribution \$5.5 Million Annually* (Report No. 95-CAO-04, dated July 18, 1995).
- *The House Gift Shop's Internal Controls Need To Be Improved* (Report No. 95-CAO-05, dated July 18, 1995).
- *Changes In Operating Practices Could Save Media Services \$1.7 Million Annually* (Report No. 95-CAO-06, dated July 18, 1995).
- *Changes In Operating Practices Could Save Office Supply Store And Gift Shop \$1.3 Million Annually* (Report No. 95-CAO-07, dated July 18, 1995).
- *Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies* (Report No. 95-CAO-08, dated July 18, 1995).
- *Storage Space Occupied By Old, Outdated Items Costs The House \$170,000 Annually* (Report No. 95-CAO-09, dated July 18, 1995).
- *Lack Of Sound Personnel Policies And Procedures Could Cost The House Millions* (Report No. 95-CCS-10, dated July 18, 1995).
- *Standardized Processes Are Needed To Create An Efficient And Effective Procurement System* (Report No. 95-CAO-11, dated July 18, 1995).
- *The House Needs To Integrate Planning And Financial Management To Improve Productivity, Performance, And Accountability* (Report No. 95-CCS-12, dated July 18, 1995).
- *Changes In Operating Practices Could Save Office Furnishes \$1 Million Annually* (Report No. 95-CAO-15, dated July 18, 1995).
- *Problems Plagued The House's Financial Operations* (Report No. 95-CAO-16, dated July 18, 1995).

- *Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost \$2.0 Million Annually In Payments For Outdated Equipment* (Report No. 95-CAO-17, dated July 18, 1995).
- *House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction* (Report No. 95-CAO-18, dated July 18, 1995).
- *The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs* (Report No. 95-CAO-19, dated July 18, 1995).
- *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).
- *The House Beauty Shop's Management Controls Do Not Adequately Safeguard Assets Or Ensure Compliance With The Law* (Report No. 95-CAO-21, dated July 18, 1995).
- *Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994* (Report No. 95-HOC-22, dated July 18, 1995).
- *Improved Controls Could Prevent Abuse Of The House Restaurant System Unemployment Compensation Program* (Report No. 95-CAO-26, dated August 11, 1995).
- *Followup On Outstanding Issues From The Comprehensive House Audit.* (Report No. 96-HOC-01, dated January 2, 1996).
- *House Experiencing Problems With The Implementation Of The Core Federal Financial System.* (Report No. 96-CAO-02, dated March 1, 1996).
- *The House Is Ready To Implement The Core Federal Financial System.* (Report No. 96-CAO-04, dated June 3, 1996).

II. FINDINGS AND RECOMMENDATIONS

The following sections present a total of 22 specific findings related to the operations under control of the CAO. These items are organized by unit within the CAO as follows:

- Immediate Office of the Chief Administrative Officer, Findings A and B
- House Information Resources, Findings C through F
- Office of Finance, Findings G through J
- Office of Media and Support Services, Findings K through P
- Office of Human Resources, Findings Q through S
- Office of Procurement and Purchasing, Findings T and U
- Office of Publications and Distribution, Finding V

For each of these organizational units we have also provided a brief overview of the structure, staffing and operations preceding the findings and recommendations, to provide the necessary context and background.

IMMEDIATE OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

The CAO's Immediate Office provides direct support to executives throughout the CAO organization. It includes the Administrative Counsel, Office of Internal Controls and Continuous Improvement, and direct administrative support staff to the CAO, including the positions of Reform Coordinator, Assistant for Administration, Executive Assistant, Office Manager, and Receptionist. The following sections briefly describe the roles and responsibilities of the Administrative Counsel and Office of Internal Controls and Continuous Improvement.

- **Administrative Counsel** provides legal advice and counsel to the CAO and subordinate staff, conducts legal research and analysis, reviews and approves District Office and long-term automobile leases, plus computer services contracts. The office works with the House Counsel and Counsel to the CHO to ensure consistency of legal assistance. The Administrative Counsel also provides guidance for policy and procedure development, documentation, implementation, and interpretation.
- **Internal Controls and Continuous Improvement** is responsible for ensuring that proper internal controls and adherence to quality management principles are established for CAO systems, procedures, and practices and that the highest standards of ethics are achieved.

In addition to the immediate office of the CAO, operations of the CAO are organized into the following six line operating units: House Information Resources (HIR), Finance, Media and Support Services, Human Resources, Procurement and Purchasing, and Publications and Distribution.

Finding A: CAO Communications, Planning And Analysis, Goal Setting, And Monitoring Should Be Strengthened

Significant changes and enhancements to administrative operations of the House have been implemented during the 104th Congress, but improvements in CAO management processes are necessary. Critical issues include:

- Inadequate communications,
- Poor planning and analysis, and
- Insufficient goal setting and monitoring.

As a result of weaknesses in the above management processes, CAO staff morale is low, inefficiencies have occurred in the CAO, and additional costs have been incurred by CAO operations. Each of these issues are discussed in the sections below.

Inadequate communications

The House Officers, including the CAO, Clerk, and Sergeant at Arms, have some 500 customers. Each Member and their respective staff are customers. Each Committee and their respective staff are customers. The House administrators also serve each other as customers. With such a large and varied customer base, it is important to listen to the customers and hear what they expect. The CAO has attempted to do this through initiatives including:

- Implementing ONECall,
- Conducting a customer satisfaction survey, and
- Asking Members to contact the CAO's office for immediate problem resolution.

This outreach to customers has led to dealing with customer issues head on and solving problems while they are small, before they get too large. However, the CAO has not established a parallel internal process. Many CAO employees do not feel they can communicate problems they encounter in a free and open exchange.

We asked each employee in the CAO's office to complete a Job Analysis Questionnaire (JAQ), which is a brief questionnaire commenting on the tasks they perform, successes and accomplishments of their immediate office in the 104th Congress and opportunities for improvement. We had the Associate Administrators distribute approximately 650 JAQs to employees. We typically expect a return rate of 35 percent on such surveys. We received 171 JAQs or 26 percent. Of the surveys returned, 13 questionnaires or 8 percent of surveys received were left blank with a note that the employee felt uncomfortable completing the questionnaire or had insufficient time to do so.

As part of our study, we held individual interviews with all Associate Administrators, staff that reported directly to the Associate Administrators and selected other employees. Our interviews

with the Associate Administrators were coordinated by the CAO's office and the interviews were attended by a member of the CAO's immediate staff. We subsequently re-interviewed the Associate Administrators without a representative from the CAO's office. The tone and content of the second round of interviews were much more open and honest about accomplishments and opportunities for improvement than the first round of interviews with representatives present from the CAO's office.

In several instances, we learned that communications outside the CAO's operations were controlled. For example, we obtained a copy of a memorandum to HIR, commonly referred to as the "gag order." In August 1996, the CAO's office sent an electronic mail message to HIR restricting all communication with Members and staff of the CHO, unless such communication was cleared by the CAO's general counsel. For staff who listen to and work with customers daily, it is procedurally difficult to achieve high levels of customer satisfaction when you are not permitted to communicate directly with your customers. Furthermore, this "gag order" affected more than just HIR's communications with Members and staff of the CHO since it was a topic throughout the CAO organization and was interpreted by some to mean that there should be no communication by any CAO staff with any Members or their staff without CAO management approval.

Open and frank communication with direct staff is critical to effective management. We found that such regular and open communication does not occur between the CAO and his Associate Administrators. Historically, there have been a series of scheduled meetings ranging from a Friday lunch meeting, to a Thursday lunch meeting, to Monday morning meetings. Currently, there are no regularly scheduled meetings with the six Associate Administrators and the CAO. There are meetings each Monday which include about sixty people and deal with a wide range of issues; however, there is no regularly scheduled forum for direct and meaningful communication between the CAO's office and the Associate Administrators. Despite a publicly stated open door policy and a commitment to allowing any employee to direct questions to the CAO's office, during our interviews we were informed by employees at all levels of the organization that they were fearful of reprisal if they questioned any actions within the CAO organization.

A stated goal of the Office of the CAO is to empower CAO employees to do their jobs efficiently and effectively. Empowerment takes many forms. A basic form of empowerment is to provide staff with guidance and rules they must follow and then allow them to do their job. In the CAO's operations we noted instances where the stated goals of empowerment and Total Quality Management (TQM) were inconsistent with the management practices of controlling communications and reviewing disbursements in detail by the CAO himself. The inconsistency between the stated TQM goal of open communications and the above-mentioned "gag order" creates confusion among CAO employees over what behavior is acceptable. In the procurement function, we found similar high levels of direct oversight and control that were inconsistent with the stated management philosophy of empowerment. For example, all purchase orders intended for use by the CAO organization are reviewed and approved by the CAO personally. As a result of this review, purchase orders have been challenged and denied, including items as small as individual magazine subscriptions. While it is true that a chief operating officer reviewing purchase orders may reduce frivolous spending, having magazine subscriptions reviewed at such a

high level in the organization creates an environment of fear and mistrust, rather than the intended environment of empowerment and trust in the staff's decision making abilities.

Further evidence of the lack of communication within the CAO operation is demonstrated by the CyberCongress initiative. HIR had begun studies of the CyberCongress initiative in June of 1995. Since that time, HIR has submitted monthly status reports to the CAO's office, which in turn has documented the project in semi-annual reports to the CHO. However, in August 1996, the CAO's office began working independently on the CyberCongress initiative. Upon realizing that there were two CyberCongress projects underway, the CAO instructed HIR to stop working on what he termed a "rogue" operation. Timely, effective communication would prevent this kind of duplication of effort and confusion and increase the effective use of limited CAO resources.

Poor planning and analysis

During the 104th Congress, the Office of the CAO undertook numerous initiatives to effect major change in the way the House did business. However, in several instances, the CAO sought to implement changes without going through the necessary rigorous planning and analysis process to document the costs, benefits, and implications of the planned changes. Specific examples include:

- Initial plans to close the House Folding Room did not adequately address the personnel implications of the change. The amended plan for closing the Folding Room was resubmitted after a four month delay and the CHO subsequently approved closing the Folding Room. Closing the Folding Room saved the House approximately \$300,000 in 1996. By failing to initially address personnel issues, the CHO approval process was delayed. Thus, the CAO incurred approximately \$25,000 in costs for each month this action was delayed.
- The new financial management system, FFS, was not subjected to the detailed needs analysis and planning process that is customary in major system development efforts. In addition, planning and delivery of the new system was delayed on multiple occasions. The CAO originally committed in July 1995 to the CHO that the new system would be operational by October 1, 1995. This original date was later changed to January 3, 1996, followed by March 4, 1996, until a request for an indefinite extension to the March 4 date was made on February 29, 1996. The core components of the new system were not implemented until June 4, 1996. Furthermore, as of November 1, 1996, Phase II of FFS remains incomplete and Phase III continues to be delayed. It has been difficult to measure performance of the development effort and whether it is on schedule or behind schedule, because no detailed schedule was completed with the onset of this project.
- Most recently, a reorganization and staffing plan for the Office of Finance was sent to the CHO on November 12, 1996. This plan did not include an organization chart or detailed staffing plan for the restructured and enlarged operation, which are critical review elements for the CHO. Thus, the approval of the reorganization will be delayed until the CAO provides this needed documentation to the CHO.

Insufficient goal setting and monitoring

The current Rules of the House provide for a dual reporting relationship between the CAO and both the Speaker and CHO. Unlike the Clerk and Sergeant at Arms who report to the Speaker *through* the CHO, the CAO reports to both the Speaker and the CHO independently and in parallel. This can result in failure to coordinate goals and objectives and can place the CAO in the difficult position of balancing competing priorities and conflicting direction. This is evidenced by many of the examples provided in the previous section--“Poor Planning and Analysis”--where the CAO fell short of the CHO’s expectations. Aggravating this situation is the lack of a comprehensive structured goal setting for the CAO. Currently, there is not an adequate process in place to identify critical goals and objectives, prioritize them, and establish performance, monitoring, and reporting targets.

Since the implementation of the major changes in the House’s operations, as discussed above, there has been inconsistent monitoring of these changes by the CAO.

- An example of strong monitoring can be found with the new postal contract. After the postal operations were outsourced, the Associate Administrator responsible for the postal operations set up specific relevant measures of outcomes of postal operations. Issues measured include outputs such as mail volume, unprocessed mail, and number of hours to complete publications and distribution jobs. Issues measured also include outcomes such as customer complaints and causes for complaints.
- An example of weak monitoring can be found in Finance. After the new financial management system was implemented, there have been no published reports distributed to the users (which includes the CHO) measuring key performance issues such as:
 - Number of days after the close of a monthly period to deliver monthly financial statements, as compared with the old system;
 - Number of days required to process bills for payment, including number of days from invoice date to receipt by Finance, number of days from receipt of bill by Finance until the bill is approved for payment, and the number of days from final approval until the disbursement is paid and mailed;
 - Number of bills that are paid late; and
 - Number of errors in disbursements.

Recommendations

We recommend that the Chief Administrative Officer:

1. Encourage regular communications between Members, Committees, and other customers and CAO operational units.
2. Develop, for CHO approval, a standard planning and decision-making package addressing all aspects of policy and operational reviews.
3. Strengthen the annual CAO goal setting and monitoring process by:
 - Linking initial CAO goals and objectives with lower level, functional objectives, plans, and resource requirements;
 - Continuously reviewing and monitoring of goals, objectives, and assigning priorities set by the CHO; and
 - Reporting quarterly to the CHO on the status of all goals and objectives.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO plans to (1) establish a written policy concerning full and open communications with both CAO internal and external customers, (2) work with the CHO to develop a package and submit it for CHO review and approval, and (3) rely on monthly status reports and the semi-annual CAO Report to the CHO for reporting on the status of all goals and objectives.

Office of Inspector General Comments

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

Finding B: Improvements Needed In Follow-up Of Audit Recommendations

During the 104th Congress, the House of Representatives has undertaken extensive measures to improve operations and efficiencies, as well as financial reporting and accountability. These measures evolved, in part, from numerous recommendations made in several audits on the operations of each of the three House Officers. As a result of the findings and recommendations included in the audit reports, considerable progress has been made to date. However, due to the number and complexity of the recommendations, additional procedures are needed to ensure that recommendation status is kept up-to-date, and that implementation is supported by adequate documentation. We believe a system for tracking and managing implementation of prior audit recommendations, consistent across all House Officers, should be implemented and responsibility for coordination be assigned to the CAO.

KPMG reviewed the status of audit recommendations which had not been evaluated either by more current audit reports or by the OIG. They also prepared a table detailing the implementation status of all recommendations included in audit reports issued by the OIG from May 1995 to June 1996.

Recommendation implementation status is segmented in three categories: (1) fully implemented; (2) partially implemented; and (3) not implemented. To be considered fully implemented, all of the conditions detailed in the recommendation plus all of management's commitments in its response must be completed. In the event conditions have changed to make the recommendation not applicable, it is also considered fully disposed of and thus classified as fully implemented. For recommendations that are not fully implemented, an assessment is made as to whether the recommendation had either been partially implemented or had not been addressed. If significant action addressing the recommendation has occurred, we classified the recommendation as partially implemented. If no action has been taken toward completion of the recommendation, or if the action taken is insignificant, the recommendation was classified as not implemented.

The CAO has made sufficient progress on recommendations to categorize 132 (53 percent) as fully implemented, 68 (27 percent) as partially implemented, and 49 (20 percent) as not implemented. This indicates a strong commitment by the CAO to improve his operations. Table B-1 on the following pages summarizes overall status on the 249 recommendations relevant to the CAO.

Although the CAO has been addressing prior recommendations, the CAO's recommendation tracking and assessment system was not current, individual assessments were not accurate, and the measurement of the degree of recommendation implementation was inadequate. Many audit recommendations consisted of a series of implementation steps. However, the CAO did not break the recommendations into detailed steps and, therefore, was not able to perform an accurate assessment of the status of each recommendation. Finally, we noted that a number of recommendations did not include target dates which are needed to ensure timely corrective actions.

Chief Administrative Officer
Status of Implementation of Prior OIG Audit Recommendations
Summary

Audit Number	Audit Title	Implementation Status			
		Fully	Partially	None	Total
95-CAO-01	Member Computer Systems Security Weaknesses	5	3		8 *
95-CAO-02	Proposed New Financial Management Will Not Meet The House's Needs And Should Be Terminated	3		2	5 *
95-CAO-03	Internet Security Weaknesses	4		6	10 *
95-CAO-04	Changes In Operating Practices Could Save Publications & Distribution \$5.5 Million Annually	7			7
95-CAO-05	The House Gift Shop's Internal Controls Need To Be Improved	10			10
95-CAO-06	Changes In Operating Practices Could Save Media Services \$1.7 Million Annually	1	3		4
95-CAO-07	Changes In Operating Practices Could Save Office Supply Store And Gift Shop \$1.3 Million Annually	1		2	3
95-CAO-08	Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies	14	2	11	27
95-CAO-09	Storage Space Occupied By Old, Outdated Items Costs The House \$170,000 Annually	2	1		3
95-CCS-10	Lack Of Sound Personnel Policies And Procedures Could Cost The House Millions	6	2	1	9 ♦
95-CAO-11	Standardized Processes Are Needed To Create An Efficient And Effective Procurement System	4	4		8 ♦
95-CCS-12	The House Needs To Integrate Planning And Financial Management To Improve Productivity, Performance, And Accountability			2	2
95-CAO-15	Changes In Operating Practices Could Save Office Furnishings \$1 Million Annually	3	2	2	7
95-CAO-16	Problems Plagued The House's Financial Operations	9	14	3	26 ♦

Table B-1

Chief Administrative Officer
Status of Implementation of Prior OIG Audit Recommendations
Summary

Audit Number	Audit Title	Implementation Status			
		Fully	Partially	None	Total
95-CAO-17	Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost \$2.0 Million Annually In Payments For Outdated Equipment	1	7	2	10 ♦
95-CAO-18	House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction	12	7		19 *
95-CAO-19	The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs	11			11 *
95-CAO-20	The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems	1	2		3 *
95-CAO-21	The House Beauty Shop's Management Controls Do Not Adequately Safeguard Assets Or Ensure Compliance With The Law	19			19
95-HOC-22	Audit Of Financial Statements For The 15-Month Period Ended December 31, 1994	6	16	4	26 *
95-CAO-26	Improved Controls Could Prevent Abuse Of The House Restaurant System Unemployment Compensation Program	5	2		7
96-HOC-01	Followup On Outstanding Issues From The Comprehensive House Audit			7	7 *
96-CAO-02	House Experiencing Problems With The Implementation Of The Core Federal Financial System	8	3	5	16 *
96-CAO-04	The House Is Ready To Implement The Core Federal Financial System			2	2 *
	Total Recommendations	132	68	49	249

Table B-1

- * All of the audit recommendations were reviewed by the Inspector General, no detail report is provided.
- ♦ A portion of the audit recommendations were reviewed by the Inspector General. A description of those recommendations KPMG reviewed and a summary of the recommendations reviewed by the Inspector General are provided in Exhibit B.

Recommendations

We recommend that the Chief Administrative Officer:

1. Take lead responsibility for coordinating with the Clerk and Sergeant at Arms to establish a consistent system for tracking and managing the implementation of prior audit recommendations.
2. Establish target dates for all unimplemented prior audit recommendations.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO plans to (1) coordinate with the other House Officers in the establishment of a consistent system for the tracking and implementation of prior audit recommendations, and (2) develop detailed implementation plans with target dates for all CAO recommendations.

Office of Inspector General Comments

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

HOUSE INFORMATION RESOURCES

The role of House Information Resources (HIR) is to ensure the House has the information technology, including telecommunications equipment and services, to efficiently and effectively carry out its business. The primary goals of HIR are to:

- Meet the House's information needs with comprehensive and high quality technology services;
- Maximize the return on resources in support of the legislative process; and
- Enable Members to best serve the public.

HIR is currently authorized 273 positions. The HIR Associate Administrator has 17 positions in his immediate office, including such functions as security, budgeting, planning, and development of House-wide information systems policies and procedures. In addition to the immediate office of the Associate Administrator, HIR is organized into the following four groups:

- **Client Services Group** provides office automation and telecommunications support to the offices of the House. The Client Services Group has 109 positions.
- **Integration Group** identifies the information and processing needs of House offices, integrates software, and implements systems and databases to meet their needs. The Integration Group has 61 positions.
- **Enterprise Computing Group** provides services to address customer needs and concerns in the area of the mainframe and distributed computing platforms. The Enterprise Computing Group has 46 positions.
- **Communications Group** provides and manages Internet connectivity, telephone and voice mail facilities, and video conferencing for the House in Washington, D. C. and the district offices. The Communications Group has 40 positions.

Finding C: The House Lacks A Single Information Technology Vision And Strategy Resulting In System Development That Lacks Consistent Prioritization And Coordination

The CHO's *House Information Systems Program Plan (Plan)*, outlined a broad strategic plan for implementation by HIR. As a part of the strategic plan, HIR was tasked to seek the cooperation of many separate legislative entities, and to coordinate and implement a broad range of programs over several years. However, due to delays in implementing the *Plan*, HIR has not been able to crystalize a single set of priorities and update the broad concepts outlined in it and to establish a conceptual direction addressing long-term needs. Without an updated technical strategy, the House will not be able to implement the Members' vision of CyberCongress. Many problems contributed to the delays, including staffing vacancies, ineffective communication of the *Plan* to HIR staff, and HIR's failure to transition to its new role as systems coordinator for the House.

The November 15, 1995 CHO Resolution, entitled *House Information Systems Program Plan*, approved, in concept, the *Plan* presented by the Computer and Information Services Working Group. The resolution mandated that "The Information Systems Program Plan shall be implemented incrementally utilizing funds appropriated for House Information Resources, to be approved by the Chairman, in consultation with the Computer and Information Services Working Group and the ranking minority member." This *Plan* provides a conceptual overview of the organization, addresses the needs of the user community, and prepares the organization for future technologies. The *Plan* recommends ". . . a very broad range of programs that must be addressed in an organized manner over many years through the cooperative effort of many separate legislature entities, both within the House and beyond the House . . .".

The *Plan* also discusses the changing role of HIR from its traditional responsibility of developing centralized legacy systems to supporting applications purchased by other entities within the House. According to the *Plan*, HIR ". . . will be the entity that will act in an advisory capacity to all these entities and to the highest level of management within the House, for the purpose of coordinating application level activities in an effective manner . . .".

As of November 15, 1996, a draft version of a technical strategy was being prepared by the Planning Manager in HIR. The strategy is necessary in order to address long term needs, update the broad concepts outlined in the *Plan*, and establish a conceptual direction based on the long term needs. Failure to fill a key vacancy in the office of the Planning Manager prevented research required to complete a detailed needs analysis necessary for the technical strategy and implementation of the *Plan*. The position, once filled, was to conduct the needs analysis. However, in July 1996, the CAO redefined the position to one that would report to the CyberCongress Manager and manage the Decision Support Center, rather than conduct the needs analysis.

Furthermore, HIR's *Plan* has not been effectively communicated to HIR staff. We received Job Activity Questionnaires (JAQs) from over 100 HIR employees out of HIR's 273 authorized positions. Approximately one-third of the employees who completed and returned the JAQs expressed frustration with overall communications and how priorities are determined and

communicated to them. In general, employee comments indicated that direction is lacking and morale is low.

HIR has not been successful at transitioning from its traditional role of being sole developer to its new role as coordinator of all computer systems development throughout the House. A recent example is the lack of coordination between the office of the CAO and HIR on the CyberCongress/Paperless Transaction initiative. This initiative is a high productivity paperless administrative workflow application to be implemented via the new messaging infrastructure. The Integration Group within HIR began developing this initiative in June 1995, and had been issuing monthly reports on its progress. The application has also been documented in the last two CAO semi-annual reports. However, a second team was established by the CAO in June 1996, and assigned to a project that addressed the same needs. The second team was unaware of the progress being made by the Integration Group, and the two teams duplicated much of their efforts until the CAO directed the Integration Group to cease its development efforts.

Without an updated technical strategy, communication of that strategy, and coordination of all computer project development, HIR has not been able to effectively carry out its responsibilities. More importantly, without an updated technical strategy, the House may never achieve its CyberCongress vision. In addition, without the successful coordination and implementation of the *Plan*, duplication of efforts will increase inefficiencies and add unnecessary expenses for the House.

Recommendations

We recommend that the Chief Administrative Officer:

1. Update the *Plan* strategy and establish a conceptual direction based on the most current needs analysis, for approval by the CHO.
2. Communicate *Plan* objectives and related goals and priorities to all HIR employees.
3. Assess and re-align HIR staffing in order to ensure that a current needs analysis is prepared as a basis for the technical strategy of the *Plan*.
4. Ensure that all systems development and other automation efforts are coordinated through HIR.
5. Review the overall HIR management structure to ensure that all major projects are properly planned, organized and coordinated effectively, and approved by the CHO.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO plans to (1) submit to the CHO an updated version of the *Plan* strategy and (2) effectively communicate the *Plan* throughout the HIR organization. In addition, the Associate Administrator of HIR will be responsible for all systems development and other automation efforts and will be accountable

to the Acting CAO for accomplishing his goals and objectives in his areas of responsibility. Also, internal resources are being realigned and a staffing recommendation has been put forward to CHO, and the Acting CAO will examine the HIR management structure to determine the best organization of skill sets to staff major IT projects.

Office of Inspector General Comments

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

Finding D: The House Lacks Adequate Policies And Procedures To Manage Systems Development Activities Resulting In Implementation Delays And Cost Overruns

The House has not implemented policies and detailed procedures related to project management (based on a structured system development life cycle (SDLC) methodology) and change management. Without implementing effective policies and procedures in these areas, the House cannot effectively and efficiently manage systems development activities. The end results are delays in implementation and cost overruns.

SDLC project management policies and procedures are lacking

Effective, structured SDLC project management of information system projects ensures that the projects (1) meet requirements, (2) are completed efficiently, (3) are delivered on schedule, and (4) provide for effective mechanisms for minimizing financial risk. Effective SDLC project management for each project should include:

- Top management support and oversight.
- A formal SDLC methodology, which establishes a structured approach for managing, developing, and implementing information systems projects.
- Clear and detailed user functional requirements.
- Experienced and qualified project manager.
- Adequate number of experienced and technically qualified project team members that are dedicated to the project.
- Well-designed work plans, listing all tasks and supporting sub-tasks that are required to complete the project, along with estimated level of effort requirements for each task and sub-task.
- Dates and resources assigned to tasks and sub-tasks based on the level of effort and the project's scope.
- Budgeted estimates of costs, work hours, and resources based on the work plan.
- Tracking of costs and comparison of actual costs to budgeted costs for each phase of the development effort.
- Automated project management tools.

On June 28, 1996, HIR submitted an SDLC management policy for review by the CHO and stated that HIR would follow this policy in the interim. However, HIR still has not implemented this interim policy.

Furthermore, the House has not implemented a formal SDLC methodology on any of its major information system projects. As a result, the House's information systems projects could suffer delays and cost overruns, and ultimately failure. In fact, problems relating to the lack of a formal SDLC methodology have been repeatedly reported in OIG audit reports, as follows:

- *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).
- *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-19, dated July 18, 1995).
- *House Experiencing Problems With The Implementation Of The Core Federal Financial System* (Report No. 96-CAO-02, dated March 1, 1996).
- *The House Is Ready To Implement The Core Federal Financial System* (Report No. 96-CAO-04, dated June 3, 1996).

Despite the recommendations in those reports, many of the same problems are still occurring. For example, the implementation of FFS is suffering delays and day-to-day operational problems, primarily because many of the principles of effective SDLC project management are not being followed. Furthermore, the FFS management team has not tracked the overall costs for the implementation of FFS. As a result, neither the CHO nor the FFS management team can quantify the costs incurred to date or projected costs of FFS through Phase II.

In June 1995, the CAO committed to the CHO that the FFS project would be implemented by October 1, 1995. While the CAO was unable to provide us with original cost estimates and actual expenditures, he has engaged teams of consultants for the last year to assist in the implementation, which continues to add to the overall cost.

Another project that was affected by the lack of SDLC policies and procedures was the development and integration of the Foxpro Accounting, Personnel, and Travel System. This application, developed by HIR, offered Member offices and Committees in-office accounting, personnel and travel tracking modules. Weaknesses in Foxpro include:

- Foxpro was developed without applying the principles of an SDLC methodology. For example, staff responsible for managing the project are unable to provide costs or estimates of time spent developing the application. Without this data, staff do not have access to information that would assist them in projecting costs and planning other applications, and managers are unable to effectively track and manage ongoing efforts.
- Quality assurance testing was not performed due to poor SDLC implementation, thus the application was released with errors. Client Services invested significant time attempting to resolve these errors and House staff became disenchanted with the system and HIR's responsiveness.

- Training was not adequately planned, thus leaving Client Services unprepared and unable to provide the necessary training in response to the needs of its users.

Change management policies and procedures are lacking

Change management policies and procedures establish a system to control and document changes to design and structure during the programming process. The intent of change management is to ensure that changes made due to enhancements or corrections are effectively integrated into operations. Implementation of changes must be managed well and potential conflicts tracked and resolved. Sound change management systems ensure that all modifications to systems are sufficiently documented.

There are no change management standards for implementing either application or operating system program changes. Problems related to change management were reported in a previous OIG Report, *The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs* (Report No. 95-CAO-19, dated July 18, 1995). Currently, only the Enterprise Computing group uses a formal change management system with structured approval and followup. While Enterprise Computing is using this system, it is not used consistently on every project. For example, changes made to correct and improve Foxpro were not documented according to a standardized change management procedure, resulting in a lack of documentation of the application modifications.

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop, for approval by the Committee on House Oversight, detailed project management policies and procedures based on a formal SDLC methodology which establishes a structured approach for managing and implementing information systems projects. These policies and procedures should also address change management.
2. Develop and provide training for Directors and technical staff in order to implement the newly developed project management policies and procedures.
3. Ensure that all systems development projects are managed according to these project management policies and procedures.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO agrees to implement the interim guidelines for system development previously agreed to by HIR and the Inspector General. For the long term, the Acting CAO will analyze and select a formal methodology that more precisely meets HIR's needs. The Acting CAO also agrees to build a training syllabus and materials for Directors, managers, and technical staff. When the Life Cycle process and procedures are approved and the training is complete, all new system development

projects will adhere to these procedures, and projects already underway will incorporate the Life Cycle procedures at the appropriate time.

Office of Inspector General Comments

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

Finding E: HIR Mainframe Migration Project Requires Additional Research

HIR has not conducted the comprehensive analysis needed to begin the migration from a legacy mainframe environment to a distributed client-server environment. Under direction from the CHO and the CAO, HIR was to submit a report outlining its research and planning initiatives prior to initiating its mainframe migration to a network-centric computing environment. However, while HIR submitted the requested report and undertook a preliminary option study, no further research and planning activities have been done in support of the migration. The migration to the next generation computing environment should be done only after an analysis of customer and user needs, a matching of needs to most appropriate technology, and a cost/benefit analysis to determine the total cost of such a change. Instead, HIR is already working on “how” to go about retiring the mainframe without looking at key issues like needs analysis and life cycle cost. Without a proper needs analysis and cost/benefit analysis for this transition, the potential for significant and costly problems exists.

A key recommendation within the *Plan* advises migrating from the current legacy mainframe environment to a network-centric computing environment. A successful migration from the current mainframe environment will require extensive research and planning on the part of HIR staff. The CAO has set a target date for mainframe retirement as of December 31, 1998.

The CHO requested HIR to submit a report outlining issues related to retiring the mainframe system. The document “A Report on Issues Related to Retirement of the IBM Mainframe” was presented to the CAO on September 5, 1996. The report discusses four migration options and recommends one option. (See Table E-1.) The option that HIR recommends is re-architect (i.e., moving from the mainframe to a distributed system).

Re-Face:	Maintain existing host operating systems, database management systems, and applications. Add client server software to access legacy systems from another machine.
Re-Host:	Move existing applications from expensive hosts to less expensive machines, maintain operating systems and applications, and add client server software to access legacy systems from another machine.
Re-Architect:	Move from mainframe to distributed servers, use a relational database management system for structured data, develop/retool applications to new platforms, and use client server software for the seamless view of information located on multiple distributed servers. Each server would be able to use a different operating system.
Re-Engineer:	Conceptually like re-architect, but involves analysis of user requirements. Develop organizational goals, re-engineer processes, and use client server software for seamless view of information located on multiple distributed servers.

Table E-1

Source: *House Information Resources*

Documentation was not available to demonstrate that HIR has done the “extensive research and planning” that was recommended in the *Plan*. Instead, HIR started working on “how” to retire

the mainframe without completing the necessary research to justify “why” they should retire the mainframe. HIR has not yet answered key questions such as:

- What are the costs and benefits of retiring the mainframe?
- What are the hardware and software implications of this decision?
- What are the personnel and training implications of this decision?
- What are the security implications of this decision?
- What is a realistic time frame for making the transition?

Based on current data, HIR cannot determine the effect of the mainframe migration on future budgets—i.e., if the change will produce cost efficiencies or will require incremental resources. Without the completion of a standard analysis, including a needs analysis, technical and functional reviews, and cost/benefit analysis, HIR is unable to ascertain the cost effectiveness of the mainframe migration. This information is essential to determine the costs, the benefits, and a reasonable time frame to complete the project. The CAO estimates that it will cost \$80 million to implement all the projects under the CyberCongress initiative. HIR could essentially expend these resources merely to convert from one operating environment to another without realizing any improvement in efficiency and effectiveness.

Recommendations

We recommend that the Chief Administrative Officer:

1. Conduct a comprehensive needs analysis and cost/benefit analysis to determine the best approach to mainframe migration.
2. Adopt an implementation plan that balances the need for an aggressive timeline with user needs, and hardware, software, personnel and budget requirements.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO will prepare a comprehensive needs analysis and cost/benefit analysis to document the mainframe migration plan and present it to the CHO for approval by March 1, 1997. HIR will adopt an implementation plan based on the migration strategy and direction provided by the CHO.

Office of Inspector General Comments

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

Finding F: HIR Does Not Have A Plan To Address The Year 2000 Issue

In order to minimize the disruption in services by the Year 2000, private industry and most government agencies have already begun addressing the potential impact by analyzing, planning, and rewriting existing systems, as recommended by technological experts. Although HIR has assessed its systems, it has not yet developed a plan for minimizing the potential impact that the Year 2000 issue will have on the House. HIR planning efforts have not begun because of the expectation that with HIR's migration to a network-centric computing environment, its existing legacy mainframe system will no longer be in use by the Year 2000. However, in light of our recommended needs analysis and cost/benefit analysis in Finding E, it is conceivable that all mainframe operations may not be completely phased out prior to the Year 2000. Affected applications on systems that are not replaced may generate incorrect data, incorrect reports, and completely interrupt normal operations.

The Year 2000 poses one of the most significant challenges ever faced by the information technology industry and will have enormous impact on business applications, package solutions, and systems software. The problem was created because of the limitations of earlier technology and the historically higher cost of storing information. In the 1960s and 1970s, storage space for data was expensive. Assuming that those early systems would be replaced before the new millennium, many companies opted for two-digit date codes to indicate the year, instead of using all four digits, to reduce storage requirements. For example, the Year 1970 would be stored as merely "70", and not as "1970". As a result, the Year 2000 would be stored as "00" and processed by many programs as the Year 1900, rather than the Year 2000, thereby causing many important programs to fail.

Even as organizations moved to newer, more advanced systems, the date structure was not modified to include the century, nor were applications modified or upgraded, because of the significant cost. Most government agencies and private companies have initiated extensive efforts to identify Year 2000 issues and begun recoding existing programs to address these issues.

Computer Associates International, Inc. provided a "Year 2000 Road Map" as part of its testimony before the House Committee on Science's Subcommittee on Technology. It recommended that development and maintenance teams incorporate the following steps into plans, in order to make informed decisions that are in concert with organizational goals:

- Planning;
- Inventory;
- Impact Analysis;
- Source Code Analysis;
- Source Code Conversion;
- Testing and Debugging;

- Regression Testing; and
- Life Cycle Management.

Currently, HIR has begun an initial assessment of Year 2000 issues, but no documented plan exists. Each Director is overseeing the work in their individual areas and systems, but no team leader has been assigned to lead the effort. In addition, there are office level systems within the House environment that are not under the direct control of HIR, although HIR assists in maintaining these systems. However, there is no assessment of these systems being conducted at this time.

HIR has not developed a plan for addressing the Year 2000 issue because of the expectation that conversion to a new distributed client-server architecture will replace its existing legacy mainframe architecture, and the interim new software to be installed will adequately address Year 2000 issues. HIR's "Report on Issues Related to Retirement of the IBM Mainframe" (presented to the CAO on September 5, 1996) recommends not upgrading applications that exist on the mainframe system, since the expectation is that the mainframe and its technology applications will no longer be in use by the Year 2000. Consequently, staff are not doing the work to upgrade applications.

However, no analysis has been done to determine the impact of phasing out the legacy application systems and which legacy application systems should remain. In the case where the House decides to continue using certain mainframe applications, those applications should be examined to correct any Year 2000 deficiencies.

Failure to prepare for the Year 2000 could:

- Generate incorrect data.
- Generate incorrect management reports.
- Halt normal operations of critical systems such as Members payroll, staff payroll, and Human Resources.

In order to minimize the potential impact that the Year 2000 issue will have on the existing mainframe, HIR should immediately begin planning what actions it intends to take to address these issues. As recommended during the House testimony referred to above, HIR should consider a plan which includes a systems inventory, impact and code analysis, code conversion, testing and debugging, regressing testing, and life cycle management. In addition, HIR should:

- Establish target dates for completing different phases of the conversion process and track the achievement of those milestone dates,
- Prioritize issues into critical, secondary, or tertiary issues, and
- Assess the projected costs and human resources and budget for them.

- Allow for one full fiscal year of testing so unforeseen problems can be identified, addressed, and resolved,
- Assign responsibility for the conversion to a Project Leader,
- Create a project team consisting of representatives from all areas within HIR,
- Determine ownership and maintenance responsibilities for office level systems, and
- Ensure that appropriate time and resources are available for implementation of the plan.

Finally, in the event that HIR moves to a distributed client-service architecture, dual plans should be developed, one to address the architecture as it currently exists, and another to address the architecture that will exist as HIR moves to a distributed client-server environment.

Recommendation

We recommend that the Chief Administrative Officer prepare a comprehensive strategy addressing the potential impact of the Year 2000 issue, for review and approval by the Committee on House Oversight. The strategy should include the requirements discussed in this finding.

Management Response

The Acting CAO concurred with the recommendation in this finding. HIR will adopt project management policies and procedures to ensure appropriate planning and conversion for year 2000 issues addressing the establishment of priorities and target dates for the phases of conversion, and adequate testing for all the systems.

Office of Inspector General Comments

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

OFFICE OF FINANCE

The Office of Finance (Finance) is responsible for the overall financial management of the House. It is responsible for budget formulation and monitoring, accounting for receipts and disbursements, assets and liabilities, financial reporting, and all other finance related activities of the House. Finance prepares and distributes financial information to all House user organizations. The principal information sources are two reports: the Monthly Financial Statement and Statement of Disbursements. These reports are provided to individual Members, Committees, and other House offices for use in monitoring the funds for which they are accountable. The Statement of Disbursements report is also available to the public for review.

Finance consists of five departments, each with a separate supervisor reporting to the Associate Administrator. The five departments are as follows:

- **Immediate Office** consists of the Associate Administrator and his immediate staff who represent the CAO in all aspects of budgeting and budgeting testimony for the CAO, management of the Office, coordination with other Associate Administrators, and financial matters concerning Members, Committees, Leadership, Officers and offices of the House. The Associate Administrator and his staff are responsible for ensuring that the CAO remains in compliance with all Federal and House Rules and Regulations relative to expenditures and the public disclosure of all funds appropriated by the House.
- **Financial Oversight and Review** is responsible for implementing financial recommendations made by the OIG, CHO, CAO, or Associate Administrator. They manage the design, introduction and implementation of improvements to the House financial management system, review the monthly and annual financial statements of the House, and represent Finance in the annual audit by the OIG.
- **Accounting** is responsible for working with Members, Committees, Leadership, Officers and offices of the House to assist in recording the expenditures of all funds in accordance with Treasury and House Rules and Regulations. This office generates Monthly Financial Statements to over 500 House cost centers, maintains the general ledger of the House, and is responsible for reviewing and reconciling the various House accounts.
- **Payroll** is responsible for working with all House offices to ensure that employees are paid on time and accurately. This includes processing Payroll Authorization Forms, assuring appropriate monthly deductions for Federal and state withholding of taxes, health insurance, group life insurance, retirement funds and savings plan participation, and the preparation of federal and state tax forms and returns.
- **Financial Counseling** is responsible for working with the staff of Members, Committees, Leadership, Officers and offices of the House to advise and assist in their financial and budgetary operations, and in accounting for all expenditures of official funds. Vouchers are processed by the Financial Counselors and the specific amounts for each claim are entered into the public record. This office distributes Monthly Financial Statements to each cost center,

accounting for every dollar spent within the Members authorized office allowance and the annual Appropriation of the House.

Finance serves 500 distinct organizations, including the CAO and its major operating units, 435 individual Members, House Committees, Leadership, Officers, and other offices of the House. Finance typically assigns responsibility for different Committee, Member, and other House offices to a staff member who serves as that customer's point of contact. While the activity levels of each individual user may not be great compared to other Federal organizations, workload management is complicated and time-consuming. The House has a large and diverse customer base and its recent implementation of a new financial management system has put a strain on already limited staff resources.

Because of significant changes in the operation and responsibilities of Finance, on November 12, 1996, the CAO presented a proposed reorganization to the CHO. The proposed reorganization makes several changes in numbers and positioning of staff. Principal organizational changes include the creation of a Comptroller position which would report directly to the Associate Administrator, and four operations-related departments which would report directly to the Comptroller. Those departments would include two existing departments (Payroll and Financial Counseling) and two new departments created from the existing Accounting department (Operations Accounting and Reporting and Verification). Also, under the proposed organization, three other departments would report directly to the Associate Administrator: (1) Financial Oversight and Review; (2) Planning and Budget (formerly the Office of Budget); and (3) the newly created Department of Financial Systems. The reorganization adds 23 positions, for a total of 70 authorized positions for Finance.

Operational reviews by the OIG and the first-ever external financial audit reported significant systemic deficiencies within Finance. And, while significant efforts have been made to correct these deficiencies, much more needs to be done.

Finding G: Finance Did Not Adequately Plan, Track, And Report On Performance Results

Strategic plans identifying an entity's goals and objectives and a system for measuring and reporting on performance results are not only good business practices, but they are now required by the Government Performance and Results Act (GPRA) of 1993. However, Finance does not sufficiently plan, track, and report on performance results. As a result, the CHO does not have sufficient information to ensure that financial operations are effectively planned and executed, and that much needed improvements are being made.

GPRA requires Executive Branch agencies to establish systems for measuring whether their programs are meeting intended operational objectives. While this legislation does not apply to the Legislative Branch, good business practices also recognize the importance of measuring and reporting on performance results. Therefore, GPRA's basic principles should be adopted by the CAO. The Act specifically requires the preparation of strategic plans to identify an agency's mission, goals, and objectives; annual performance plans which set forth specific performance indicators expressed in objective, quantifiable and measurable form; and annual reports on actual performance results. GPRA is important because performance results provide valuable information to management, thereby enabling them to more effectively manage programs and operations. Such reports identify the success of programs and operations and provide valuable customer feedback.

Finance has taken efforts to develop strategic plans, performance indicators, tracking systems and reports, however, not to the extent necessary for effective monitoring of operational activities by the CHO. Finance's strategic plans do not include adequate performance measures for tracking progress towards the accomplishment of its objectives. To illustrate, recent OIG audit reports on the House's financial operations identified the need for numerous improvements, including many areas related to financial management. In response to the audit findings, Finance immediately began taking corrective action to make the needed improvements. These actions, however, were initiated without identifying long-term objectives and without identifying a systematic plan for achieving these objectives (i.e., no performance plan was prepared defining objectively verifiable indicators, including milestone dates, and anticipated results). While targeted completion dates were set, milestone dates for continuously monitoring progress towards meeting those dates were not set. Therefore, failure to meet performance objectives was not discovered until the expected completion date was missed.

Performance measures must also be established, and should include objectively measurable quantifiable indicators, and *realistic* milestone completion dates for measuring progress towards those objectives. Then, progress towards those quantifiable indicators and milestone completion dates should be tracked. Finance has not done this. For instance, Finance tracks activities in terms of quantitative inputs and outputs, rather than anticipated and actual qualitative outcomes. For example, reports on the results of voucher processing statistics are prepared; however, these results are not related to the achievement of broad-based objectives.

An example of the Finance's failure to adequately plan is the recent organizational restructuring and fluctuations in staffing levels. In March 1995, a requested reduction from 50 to 35 full-time

equivalents (FTE) was approved for Finance, and in June of that year, a requested reorganization was approved by the CHO. Three months later, with the approval of the FFS implementation plan, a request was made to contract for data input services to assist during the transition to the new system. As of November 1995, the approved reorganization had not been fully implemented. In March 1996, another proposed reorganization for Finance was submitted by the CAO. In May 1996, the CHO approved this proposed reorganization for an FTE adjustment to 47 full-time positions, plus two positions to be encumbered until the employees retire or otherwise separate, plus the data input contractors, for a total of 59. Without fully implementing this plan, another proposed reorganization was submitted to the CHO in November 1996; however, the proposed reorganization was not supported by information such as a budget impact analysis, organization chart, and lists of changes and additions to staff positions. Careful long-term planning and staffing needs analysis may have reduced the time and resources applied to recurring reorganization efforts.

An example of undefined performance measures and unrealistic milestones was demonstrated in the targeted completion dates for implementing Finance's new financial management system. The CAO office initially established October 1, 1995 as the targeted completion date for implementing a double-entry, accrual-based financial management system. As late as August 28, 1995, when the CAO office submitted its proposal to enter into a cross-servicing agreement with the U.S. Geological Survey to use FFS, it maintained that the October 1 completion date was still within reach. Phase I implementation of FFS was completed by October 1, 1995; however, what was achieved through Phase I did not meet CHO expectations of "full implementation". On October 6, 1995, the CAO office estimated that Phase II (or the full implementation of the core FFS components) would be completed by December 31, 1995. This date was later extended to March 4, 1996 and then later extended "indefinitely". A revised implementation schedule submitted by the CAO identified June 1, 1996 as the new completion date. The actual conversion to the new FFS accounting system (Phase II) was initiated on June 4, 1996; however, all Phase II tasks are still not complete.

Without an adequate performance plan and quantifiable performance measures, the CHO lacks a clear understanding of the progress of Finance's operations and cannot react to Member concerns with respect to Finance's operations. Also, the CHO cannot assure that Finance operations are being effectively planned and executed, and that the much needed improvements—identified by recent audit reports—are being made. Without this assurance, the CHO cannot make informed decisions regarding Finance operations.

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish realistic performance measures for key finance processes with quantitative indicators and track actual performance against those indicators.
2. Establish realistic milestones and targeted completion dates for financial systems projects and process implementations, and track actual performance and accomplishments accordingly.

3. Track and report qualitative outcomes (efficiencies and effectiveness) of key performance indicators for financial operations.
4. Provide the CHO with sufficient detailed information in order to make informed decisions regarding Finance operations.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO plans to (1) establish more realistic quantitative process performance measures and track actual performance, (2) establish more realistic milestones and completion dates, (3) track and report qualitative outcomes of key performance indicators for financial operations, and (4) establish more realistic performance measures for finance processes and milestones and completion dates for financial systems projects.

Office of Inspector General Comments

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

Finding H: Financial Operations Are Not Being Effectively Managed

To ensure the effectiveness of any organization, senior management must be responsible for overseeing overall operations. However, the unique nature of the House consists of an unusually large number of high-level customers that require the direct personal attention of Finance's Associate Administrator. Because this direct customer service takes foremost priority, the Associate Administrator is unable to devote a significant amount of time to overseeing financial operations. As a result, financial management operations are not being effectively managed.

The number of Members and Committees in the House creates a demand for the Associate Administrator to spend a significant amount of time addressing immediate customer needs, with less time available for operational management. Due to the high level positions of its customers, and the need to have an equally high level contact in Finance, this is unlikely to change. Therefore, the need for a Deputy Associate Administrator position to assist in operations management may be justified. This position, reporting directly to the Associate Administrator, would ensure the proper focus on both external and internal matters, but primarily on operations and coordination among the various supervisory departments. The deputy position would be similar to that of deputy CFO positions for Executive Branch agencies, as defined by the Chief Financial Officers' Act.

This position should be staffed by a person possessing an understanding of and significant experience with the financial operating, reporting, and technology issues that must be addressed by Finance. It should be filled by an individual with both the experience and leadership capability to successfully direct other managers and their staff, and to plan and manage the successful implementation of operational initiatives.

According to Finance's Associate Administrator, the newly proposed reorganization creates a position of Comptroller designed to address this need by consolidating all recurring financial accounting operations under this position. However, because this proposed reorganization did not include detail sufficient for the CHO to be able to act on it, the CHO is unable to act until it receives the needed additional supporting information. We concur with the need for the Comptroller position.

Recommendation

We recommend that the Chief Administrative Officer expedite the re-submission of Finance's reorganization package including sufficient details in support of the proposed reorganization.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO will address improvements in the Finance Office operations with some specificity in a proposal to the CHO dealing with staffing levels and alignment.

Office of Inspector General Comments

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

Finding I: Finance Has Hired Contractors To Perform Functions Customarily Performed By In-House Staff

Despite continued reorganizations and re-assignments of personnel within Finance, the workload exceeds current staffing capabilities. The reason for the imbalance is largely attributable to the recent implementation of FFS. In order to accommodate the excessive on-going workload, contractor staff were hired to perform duties ordinarily carried out by in-house staff.

Recent personnel assignments in Finance have already shown significant management improvements. The offices of Accounting and Financial Oversight and Review each have newly assigned directors. The skills and experience of these professionals are expected to significantly improve the management of areas plagued by problems in the recent past. Each are responsible for a specific area that, until now, has received minimal attention due to the need to focus on keeping the daily workload moving. Each is expected to do more than function in a supervisory role for their assigned department. They recognize that a critical success factor is to coordinate across departments in order to ensure timely and integrated implementation of changes that will resolve, not just address, reported weaknesses and findings. This is expected to occur as follows:

- Accounting - The supervisor will transition out of daily operational functions and take on responsibility for overall financial management as soon as the Finance reorganization and the creation of the Comptroller position are approved. This overall financial management responsibility will entail reviewing transaction volumes, preparing reconciliations, and evaluating performance indicators for important accounts. This will be accomplished after considering the types of information that will be required from FFS to provide management level and exception reporting on a regular basis.
- Financial Oversight and Review - The supervisor has begun to compile data on all outstanding audit findings and on other areas for improvement within the CAO. This is being done through requests from all departments. The routine tracking and follow-up are to be delegated to staff expected to be hired in order to fill a newly authorized position. The supervisor will function as a single point within the CAO to coordinate audit and review needs. In addition, current staff is responsible for FFS security table maintenance and review.

Survey responses from Finance staff consistently reported declines in department productivity (up to 100 percent decline in voucher input) and other concerns since the hiring of an outside contractor to assist with voucher data entry. Recurring overtime, particularly among supervisors in all departments, complaints of excessive workloads by Finance personnel, and reliance upon outside contractors indicate the need for more staff positions.

Significant efforts by Finance to resolve long-standing financial management deficiencies are underway. To address these deficiencies, Finance obtained services under a series of contracts for the performance of tasks customarily considered to be general staff responsibilities. Contractors have been hired to assist in the following efforts:

- Compile financial data and schedules to meet the annual financial audit requirements - Finance's Accounting Department contracted a public accounting firm to prepare schedules and compile the financial statements in preparation for the audit.
- Perform data entry function - the Financial Counseling Department contracted the services of nine contract staff responsible for data entry for voucher processing to supplement the five House employees who perform this function.
- Conduct special projects to assist in improving voucher processing - the Financial Counseling Department has hired the services of one contract staff to assist in special projects.
- Track and report the status of previous audit and review findings - a contractor was assisting in providing overall management support. That individual was recently hired as the supervisor of Financial Oversight and Review.
- Monitor the status of and improve the results of the implementation of FFS - the Systems Department (whose responsibilities were previously handled by HIR) relies almost entirely on contract staff to prepare standard reports. The new supervisor of this department, and one other, had recently provided similar consulting services to the House.

Contracting for the types of services described above indicates that Finance was significantly lacking in core personnel and skills to perform effectively. Table I-1 depicts the total personnel resources, including contract labor, used by Finance.

In addition to specific assigned operational responsibilities, supervisors and staff have also expended significant time with contractors, as well as learning and troubleshooting related to implementation of FFS. The combination of regular tasks and these other tasks has taken a toll on productivity and morale as indicated by our survey responses and interviews with supervisors and staff.

The Finance Associate Administrator expects that approval of the reorganization plan for Finance and the implementation of other changes (e.g., Procurement Desktop and FFS reports and queries) may alleviate some of the current problems. However, it will be some time before the effects of these other changes are known; yet it is desirable to provide a sufficient number of staff to meet the on-going workload challenges, rather than risking a deterioration in the quality of Member services.

While we recognize the need for contractor staff, once the reorganization is approved and implemented, the CAO should reassess the need for continued contractor services and, to the extent that continued services are needed, prepare a new comprehensive contracting proposal, based on that assessment, for approval by the CHO.

Recommendation

We recommend that the Chief Administrative Officer reassess the need for continued contractor services after the recently proposed reorganization is approved and implemented and, to the extent that continued services are needed, prepare a new comprehensive contracting proposal, based on that assessment, for approval by the Committee on House Oversight.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO will conduct a reassessment of the need for contractors after the study and proposal for Office of Finance staffing levels and alignment is completed. Based on that assessment and on an identified need for continued services, a comprehensive contracting proposal will be prepared for CHO approval.

Office of Inspector General Comments

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

Finding J: Documentation, Retention, And Distribution Of Financial Operating Policies And Procedures Can Be Improved

Comprehensive operating policies and procedures are essential to ensuring the achievement of operational objectives in a consistent and efficient manner. Recently, Finance improved documentation of its operating policies and procedures, particularly in conjunction with the implementation of FFS. However, while documentation of operational guidelines and manuals was generally adequate, policies and procedures could be expanded upon in some departments, while they should be more refined in others. There is a need for consistency in financial procedures documentation and organization of materials so they can be easily retrieved when needed.

The new supervisor for Financial Systems has taken on the responsibility to ensure that Standard Operating Procedures are issued in conjunction with modifications to FFS. We believe this is a sound approach, assuming that it is applied to all departments within Finance. One way to ensure consistency is to provide a central point for compilation and dissemination of revised policies and procedures.

Since many of the materials will be developed using electronic word processing, it should be relatively simple to compile and edit materials within the applicable operating department, and then provide the items in final form to a single point of contact for retention and distribution. That single point could be in any of a number of places, e.g., with staff reporting directly to the Associate Administrator, with the Financial Systems Supervisor, with the supervisor responsible for Accounting (i.e., Comptroller under the proposed reorganization), or with Financial Oversight and Review.

This central retention of the current versions would provide a reliable source from which to obtain the documents should they be needed by Finance staff, internal or external reviewers, and contractors. Since CAO's plans are to streamline the financial reporting process, including obtaining a payroll system that can provide the appropriate data on a more current basis and using file interfaces, the retention should also encompass procedures for all processes/systems that update or generate FFS results.

Recommendation

We recommend that the Chief Administrative Officer establish a single point of contact within Finance for documentation, retention, and distribution of all financial operating policies and procedures.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to establish a single point of contact within Finance for documentation, retention, and distribution of all financial operating policies and procedures.

Office of Inspector General Comments

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

OFFICE OF MEDIA AND SUPPORT SERVICES

The Office of Media and Support Services (MSS) is responsible for several unrelated support functions provided by the CAO to Members, Committees, other Officers of the House and other CAO functional areas. The support functions are provided via a number of service delivery mechanisms ranging from contracted services (e.g., food services) to fee for services recovering all direct costs (e.g., child care) to services provided with no cost recovery mechanism (e.g., furniture maintenance). As of September 30, 1996, MSS had 3 positions in the Immediate Office of the Associate Administrator and 7 functional areas with a total of 227 positions. The functional areas include the following:

- **Child Care Center** offers full-day, year-round care for the children of Members and House employees. The children range in age from 2.5 months to 5 years. The National Association for the Education of Young Children has accredited the Child Care Center. The Child Care Center currently operates with 18 positions.
- **Furniture Resource Center (FRC)** is responsible for the maintenance and repair of furniture, carpeting, draperies, lamps, and files; asset management; movement of furniture within offices; Committee room set-ups; and assistance with special event arrangements. FRC currently operates with 107 positions.
- **Office of Supply Services (OSS)** is divided into two functions, the House Gift Shop and the Stationery Store. The House Gift Shop provides souvenirs and gift items to Members, employees, and the public. The Stationery Store supplies Members, Committees, Officers of the House, and administrative offices with office supplies and flags. OSS currently operates with 27 positions.
- **Office Systems Management (OSM)** is responsible for administering equipment management programs for the House. These duties include procurement of equipment for district and Washington, D.C. offices, procurement of district office furniture, inventory control, vendor payments, delivery of reissued equipment, equipment moves, and repair and configuration of equipment. OSM currently operates with 41 positions.
- **ONECall** is a customer service center for Members and employees. It is the main response center for customers who are seeking basic service information or need assistance arranging for services. ONECall currently operates with 2 positions.
- **Office of Food Services (Food Services)** is responsible for contract management of restaurant contracts. Other responsibilities include vending and special events coordination for Members. Food Services currently operates with 5 positions.
- **Media Services** has two functional areas--photography and communications. The Office of Photography provides photographic services to Members in the performance of their duties. The Office of Communications provides a Radio-TV gallery to facilitate electronic media coverage of the House and provides information facilities and services to the Members and broadcasters. The Office of Communications also operates a recording studio to provide

audio and television recording and broadcast services to Members. The Immediate Office of Media Services currently operates with 2 positions, Photography currently operates with 6 positions, and Communications currently operates with 16 positions.

Finding K: Multiple Inventory Control Systems For Capital Equipment Result In Duplication Of Effort And Risks Of Misplaced Equipment

Systems and controls to track inventory are duplicative. MSS has one system that tracks equipment maintained by OSM and a separate system that tracks furniture maintained by FRC. There is no single centralized inventory system for capital equipment. Lack of such an inventory control system creates financial and operational risks to the House.

OSM and FRC send teams of personnel through Members' offices to maintain two different tracking systems for office equipment and furniture. OSM and FRC are duplicating efforts by inventorying every location (including Member offices, Committee offices and other House offices) twice. Maintenance of these systems wastes Members' staff, Committee staff and other offices' staff time as well as MSS staff time. Despite this duplicative effort, certain equipment (including food service equipment, medical equipment, and capital equipment not processed through OSM and FRC) is never inventoried.

In addition, due to poor tracking, when contracts are terminated or expire with vendors (e.g., food services), MSS is unable to determine what equipment is owned by the House and what equipment is owned by the contractors.

As a result of this lack of adequate inventory tracking, the House is unable to accurately determine at any point in time, the value and location of its capital equipment. This creates risks in two areas: (1) the risk of not accurately valuing capital equipment for financial reporting purposes, and (2) the risk that the House will incur additional costs related to unaccounted for assets that are lost, damaged, or stolen. A comprehensive capital equipment system will increase the accuracy of periodic internal and external financial reporting and establish control for the assets and reduce the likelihood that the House will incur financial loss due to misappropriated assets.

In order to maximize the effectiveness of controls over capital equipment, MSS should have a single system that tracks all capital equipment that the House purchases, maintains and operates.

Routine physical inventory counts of capital equipment are necessary to maintain accurate and up-to-date records. Physical inventory observations should be conducted according to the following standards:

- For Members who leave office, FRC should conduct two physical inventory observations of equipment at the Washington, D.C. offices.
 1. At the end of the session (for Members who retire or resign) or immediately after the elections for Members who are not reelected.
 2. Prior to the convening of the next Congress.
- District offices of Members who leave office should conduct their own inventory and submit a notarized copy to FRC. FRC should select a sample of these district office inventories to test each session.

- For Members, Committees, and administrative offices, a physical inventory should be conducted biannually.
- District offices should submit a notarized inventory count every two years, subject to spot checking by FRC.
- District offices should be physically inventoried before an office moves or closes, and three months after the move.

In addition to the lack of a single inventory system and regular physical inventories, the House has not established a minimum inventory threshold value for capital equipment. A minimum value will ensure that the inventory system does not include items of little or no monetary value. A lack of a threshold requires the House to waste time and resources on tracking small items at the expense of appropriately monitoring high cost, high value items.

The House does not have a policy requiring contractors doing business with the House to provide a list of all equipment contractors acquire, install and use to fulfill the duties of their contracts. Assets purchased directly with House funds should normally revert to the House at the termination of the contract. The result is that contractors may be retaining assets which should revert to the ownership of the House for future operations. Since the House does not maintain accurate records on this property, it is not possible to determine the extent of the House's potential loss.

Recommendations

We recommend that the Chief Administrator Officer:

1. Consolidate responsibility for inventory control activities within the Asset Management unit of the Furniture Resource Center.
2. Consolidate the physical inventory of all House equipment owned and maintained by Members, Committees, Officers, and others.
3. Develop appropriate inventory control policies and procedures, including the minimum inventory threshold value for capital equipment, to ensure accurate inventory management.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO intends to (1) plan and implement the assets management feature of FFS in Phase III implementation of FFS, (2) address the requirements of the physical inventory of all House equipment in the plans for the implementation of the FFS assets management feature, and (3) document appropriate inventory control policies and procedures, including a proposed minimum inventory threshold value for capital equipment.

Office of Inspector General Comments

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

Finding L: Utilization Of Media Services Produces Very Poor Results And Certain Operations Are Not Self-supporting

Utilization of services provided by Media Services is low. Since much of the costs in Media Services is fixed in terms of personnel and equipment, a low utilization results in increased subsidy of photography and recording studio structures. The CHO directed the CAO to revise Media Services' pricing and policies so that fees generated from the Photography Studio and Recording Studio (consisting of both TV and Radio studios) would be sufficient to cover their expenses. However, the demand for Media Services resources from its users and its pricing structure is not sufficient to result in covering direct and variable costs.

The TV studio utilization for the 10-month period beginning December 1995 and ending September 1996 was 8.27 percent, or 1.74 working days per month. This utilization percentage is based on an average of a 21 working day month, by one available studio, and a nine hour day. Table L-1 summarizes TV studio utilization for the 10 months ended September 1996.

TV Studio					
	15 Min Units	Total Hours	Total Days	Working Days	Utilization Rate
December	155	38.75	2.15	21	10.23%
January	84	21.00	1.17	21	5.57%
February	45	11.25	0.63	20	3.15%
March	147	36.75	2.04	21	9.71%
April	97	24.25	1.35	21	6.42%
May	215	53.75	2.99	22	13.59%
June	189	47.25	2.63	20	13.15%
July	152	38.00	2.11	22	9.59%
August	117	29.25	1.63	22	7.41%
September	49	12.25	0.68	20	3.40%
	1,250	312.50	17.36	210	8.27%
Total usage per month in working days:					1.74

Table L-1

Source: Office of Media Services

Utilization in the Radio Studio, based on the same time frame and two studios, is calculated to be 2.23 percent or 0.93 working days per month. Table L-2 summarizes Radio Studio utilization for the 10 months ended September 1996.

Radio Studios					
	15 Min Units	Total Hours	Total Days	Working Days	Utilization Rate
December	89	22.25	1.24	42	2.94%
January	49	12.25	0.68	42	1.62%
February	82	20.50	1.14	40	2.85%
March	94	23.50	1.31	42	3.11%
April	51	12.75	0.71	42	1.69%
May	108	27.00	1.50	44	3.41%
June	72	18.00	1.00	40	2.50%
July	94	23.50	1.31	44	2.97%
August	20	5.00	0.28	44	0.63%
September	14	3.50	0.19	40	0.49%
	673	168.25	9.35	420	2.23%
Total usage per month in working days:					0.93

Table L-2

Source: Office of Media Services

The low utilization rate of the TV and radio studios is one of the main reasons the Office of Communications is only recouping an average 17.14 percent of their 1996 operating budget per month. Table L-3 summarizes the monthly budget and revenue for 1996 for these activities.

	Revenue	1996 Budget	Difference	1997 Budget
October	N/A	\$ 147,208	N/A	\$ 139,986
November	\$ 49,911	\$ 147,208	\$ 97,298	\$ 139,986
December	\$ 41,485	\$ 147,208	\$ 105,723	\$ 139,986
January	\$ 26,723	\$ 147,208	\$ 120,486	\$ 139,986
February	\$ 18,765	\$ 147,208	\$ 128,444	\$ 139,986
March	\$ 39,510	\$ 147,208	\$ 107,698	\$ 139,986
April	\$ 27,599	\$ 147,208	\$ 119,610	\$ 139,986
May	\$ 48,490	\$ 147,208	\$ 98,719	\$ 139,986
June	\$ 49,312	\$ 147,208	\$ 97,896	\$ 139,986
July	\$ 38,323	\$ 147,208	\$ 108,886	\$ 139,986
August	\$ 16,621	\$ 147,208	\$ 130,588	\$ 139,986
September	\$ 12,134	\$ 147,208	\$ 135,074	\$ 139,986
	\$ 277,475	\$ 1,766,500	\$ 1,250,421	\$ 1,679,831
Average Monthly Revenue:				
	\$ 25,225	17.14%		

Table L-3

Source: Office of Media Services

Similar statistics exist in the Office of Photography. The Office of Photography added two new fees in January 1996 to help cover the office's fixed and variable operating costs; however, the

Office of Photography continues to lose money with these fees. The office has instituted a \$15 appointment fee for Members, as well as a charge of \$1.60 for the first five prints. The former fees did not include any fee for appointments and the Members received the first five prints at no charge. As a result of the new fees, the Office of Photography is recouping an average 57 percent of their operating budget per month for the year ended September 30, 1996, as noted in Table L-4.

	FY 1996 Revenue	FY 1996 Budget
October	N/A	N/A
November	N/A	N/A
December	N/A	N/A
January	\$ 12,155	\$ 43,743
February	\$ 14,356	\$ 43,743
March	\$ 24,664	\$ 43,743
April	\$ 22,199	\$ 43,743
May	\$ 47,659	\$ 43,743
June	\$ 32,389	\$ 43,743
July	\$ 32,641	\$ 43,743
August	\$ 16,584	\$ 43,743
September	\$ 21,979	\$ 43,743
Total	<u>\$ 224,626</u>	<u>\$ 393,687</u>
Average Monthly	<u>\$ 24,958</u>	<u>57%</u>

Table L- 4

Source: Office of Media Services

Hours of operation contribute to the Office of Communications failure to be self supporting. Current hours of operation do not provide times which allow for “convenient and flexible services” to accommodate Members who are their principal customers. The hours of operation for the Radio and TV Recording Studio are 10:00 a.m. to 7:00 p.m. Members with districts in the Eastern time zone and Pacific time zone have difficulty scheduling live feeds during their constituents’ business hours. Media Services is unable to accommodate an East Coast Member who may want to have a live feed for a local radio or TV morning show or a West Coast Member needing a live feed during evening business hours. The Office’s mission is to “provide TV and radio services, on demand, for the Members’ use in communicating with their constituents”. Each time a Member is turned away, the Office of Communications risks losing a customer, who may never return, to another media organization which provides more convenient services.

Additional factors contributing to the lack of financial independence and the under utilization of Media Services resources include:

- **Equipment.** In some cases, operating equipment is outdated and unreliable.
- **Complimentary Service.** Media Services provides coverage of the House floor, at no charge, which consumes considerable amounts of staff and equipment time. The operation and execution of this complimentary service prohibits Media Services from becoming completely self-supporting.
- **Customer Base.** Media Services has a limited customer base. Each Member would have to spend nearly \$1,400 in photography and nearly \$3,800 in communications services for Media Services to recover its fixed operating costs for Fiscal Year 1997.
- **Pre-election Restrictions.** Recording studio use is limited for 4 months every Congress due to a 60 day pre-election restriction that is in effect for both primary and general elections every two years.

Recommendation

We recommend that the Chief Administrative Officer develop a proposal, for approval by the Committee on House Oversight, for improving Media Services operations, addressing the hours of service required by Members, assessing technology needs, analyzing the cost of providing these services to Members, and restructuring the fee schedule accordingly.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to develop a proposal, for approval by the CHO, addressing these concerns.

Office of Inspector General Comments

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

Finding M: The House Is Not Recovering The Cost Of Operating Its Retail Operations

Despite prior year audit recommendations--*Changes In Operation Practices Could Save Office Supply Store And Gift Shop \$1.3 Million Annually* (Report No. 95-CAO-07, dated July 18, 1995)--the Supply Store and Gift Shop have not adequately changed their operating practices. As a result, these House retail stores continue to incur losses from operations.

In FY 1996, the House appropriated \$998,344 to fund administrative and operating expenses for retail operations of the Supply Store and Gift Shop. Currently, merchandise in the Gift Shop is marked up 20 percent over cost, while goods in the Supply Store are sold for House business at cost. Supply Store goods bought by Members and staff for their personal use are subject to a 10 percent markup. As a result, while Gift Shop sales contribute towards covering operating costs, most sales to Members, Committees, and Administrative Officers through the Supply Store "lose" money.

Under the current budget structure, it is not possible to determine what portion of the \$998,344 budget is allocable to each store and, therefore, to what extent the Gift Shop's 20 percent markup covers actual costs of doing business. For the period January 1, 1996 through September 30, 1996, the total sales for the Supply Store and Gift Shop were \$3,797,769 and \$707,923 respectively, for total sales of \$4,505,692. Based on the established markup of 20 percent, we calculate that the Gift Shop generated a total contribution of \$117,987 to offset the \$998,344 operating budget of the House's retail operations. Thus, Supply Store and Gift Shop operations continue to be significantly subsidized by the House's appropriations.

The CAO conducted an assessment of the operations of the Supply Store and Gift Shop and concluded that privatization of the Supply Store was neither cost effective nor operationally desirable. This assessment has not been provided to the OIG; however, we plan to review it in an upcoming audit. The CAO did conclude that the Gift Shop should be outsourced and submitted a proposal to the CHO to award a sole source contract to the Capitol Historical Society. On October 21, 1996, the CHO rejected the sole source award plan and requested that the CAO conduct an open and competitive procurement for the privatization of the Gift Shop.

Since MSS currently plans to continue to operate the Supply Store internally, MSS should perform a cost of service study to determine an appropriate user fee or mark-up for store supplies. In order for the Supply Store to become self-supporting, the customers must pay prices which recoup all costs to provide the service.

Recommendations

We recommend that the Chief Administrative Officer:

1. Conduct a cost of service study for the Supply Store and develop a proposal, for approval by the House Oversight Committee, to cover all the costs of the store.
2. Expeditiously conduct the competitive procurement for the privatization of the Gift Shop.

Management Response

The Acting CAO concurred with the recommendations in this finding. The Acting CAO plans to develop a proposal, for approval by the CHO, to cover the costs of the Supply Store by assessing its operations. The RFP for the privatization of the Gift Shop was submitted to the CHO for approval.

Office of Inspector General Comments

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

Finding N: ONECall Staff Is Underutilized

Current ONECall staffing is excessive based on the volume of calls received. The operators in the ONECall office are handling less than three calls per hour. This results in large amounts of operator downtime.

For the period January to September 1996, ONECall operators handled an average of 2.09 incoming calls and 0.65 outgoing calls per hour. Tables N-1 and N-2 summarize for the nine months ended September 30, 1996, incoming and outgoing call activity respectively.

INCOMING ONECALL TRAFFIC

	Special Project	Process	General	Total	Total Days	Average Calls Per Day	Average Calls Per Hour
January	219	106	29	354	21	16.86	2.11
February	147	109	21	277	20	13.85	1.73
March	112	130	118	360	21	17.14	2.14
April	0	69	163	232	21	11.05	1.38
May	1	73	240	314	22	14.27	1.78
June	29	62	250	341	20	17.05	2.13
July	62	69	358	489	22	22.23	2.78
August	0	68	281	349	22	15.86	1.98
September	46	80	324	450	20	22.50	2.81
	616	766	1784	3,166	189	16.75	2.09
Average Incoming Calls Per:							
					Month:	351.78	
					Day:	16.75	
					Hour:	2.09	

Table N-1

Source: ONECall

OUTGOING ONECALL TRAFFIC

	Special Project	Process	General	Total	Total Days	Average Calls Per Day	Average Calls Per Hour
January	172	23	10	205	21	9.76	1.22
February	161	33	3	197	20	9.85	1.23
March	40	45	25	110	21	5.24	0.65
April	0	59	64	123	21	5.86	0.73
May	7	79	15	101	22	4.59	0.57
June	7	54	21	82	20	4.10	0.51
July	4	61	9	74	22	3.36	0.42
August	0	33	10	43	22	1.95	0.24
September	0	45	9	54	20	2.70	0.34
	391	432	166	989	189	5.23	0.65
Average Outgoing Calls Per:							
Month:					109.89		
Day:					5.23		
Hour:					0.65		

Table N-2

Source: ONECall

ONECall operators currently do not perform any other duties and have considerable downtime. The operators are located with the Meeting, Press Conference, and Special Events team of Food Services. This team schedules event rooms and provides assistance with functions as requested. The Meeting, Press Conference, and Special Events team currently lacks needed staff, and a combination of the ONECall function with this team would help increase the efficiency and effectiveness of both operations.

Recommendation

We recommend that the Chief Administrative Officer combine the ONECall unit with the Food Services' Meeting, Press Conference, and Special Events team to fully utilize available staff.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to submit a personnel proposal to the CHO to combine the ONECall unit with the Special Events unit.

Office of Inspector General Comments

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

Finding O: There Is No System To Measure Performance

There is no system to measure performance such as Member satisfaction and the utilization of rooms, to determine the efficiency and effectiveness of the Food Services' Meeting, Press Conference, and Special Events operations.

Documentation of the utilization of equipment, staff, and space will provide the House with valuable information and ensure that informed decisions are made with regard to these issues. Feedback from Members and their offices can also provide valuable information to modify and improve services.

Without performance measures the office cannot make informed decisions regarding:

- Staffing needs.
- Space requirements for meetings.
- Additional equipment or furniture needs such as tables or chairs.
- Customer satisfaction with services.
- Operational changes needed to better serve Members and their offices.

Food Services maintains strong working relationships with Members and has extensive files describing services they have provided. These files and the relationships with Members need to be documented in a formal manner to ensure that all staff have access to pertinent information in order to provide the best services possible.

Recommendation

We recommend that the Chief Administrative Officer develop service and quality tracking systems for Food Services' Meeting, Press Conference, and Special Events operations and survey customers regularly.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to develop a Special Event service and quality tracking systems and customer surveys.

Office of Inspector General Comments

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

Finding P: The Process For Acquiring Computers And Related Equipment Is Duplicative And Confusing

The current process for Members to acquire computers and related equipment involves an unnecessary number of administrative support units. Further, lack of communication and coordination between administrative office units, such as HIR, OSM, and OPP can result in poor service to Members.

The current process for Members to acquire computers and other office equipment is defined in the *Users Guide to Purchasing Equipment, Software, and Related Services by the Offices of the U.S. House of Representatives, 104th Congress*. These guidelines require Member offices to work with a number of CAO and external organizations to acquire and install equipment, including the following:

- Consulting with a Technical Service Representative (TSR) from HIR to determine the applicable technical standards for the purchase.
- Presenting the purchase request to OSM for preparing and processing the purchase order.
- OSM forwarding a purchase order to OPP for approval.
- Installing the systems by approved system integrators under the direction of OSM.
- Connecting the systems to the House information technology backbone by HIR staff or contracted support personnel.
- Troubleshooting and support by HIR, OSM and contractor staff.

Furthermore, decentralization of equipment acquisition support has created a complex process that provides opportunities for confusion and service failures. Rather than creating “pockets” of expertise that are spread throughout the organization, a centralized support process would reduce confusion and frustration of Members, Committees, House Officers and their staff.

Recommendation

The Chief Administrative Officer should develop a proposal, for approval by the Committee on House Oversight, to streamline and restructure processes related to the purchase of computers and related equipment.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to develop a proposal, for approval by the CHO, to streamline and restructure the processes related to the purchase of computers and computer related equipment.

Office of Inspector General Comments

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

OFFICE OF HUMAN RESOURCES

The Office of Human Resources (Human Resources) is responsible for overall human resources management of the House. Human Resources is comprised of five departments and an Associate Administrator. Since the inception of the Office at the start of the 104th Congress, Human Resources has provided a full range of personnel services to the employees of the House. Component departments include:

- **Department of Personnel and Benefits** (Benefits) administers employee benefits for the entire House, excluding Members. Counseling, distribution of information, and the necessary administrative tasks associated with health and life insurance, retirement plans, and the thrift savings program are provided by this department. Benefits has 17 authorized positions.
- **Office of Employee Assistance** (Employee Assistance) provides Members, employees and their immediate families with a comprehensive system of timely and confidential assessment, consultation, short-term problem resolution, referral, and follow-up services. Assistance is provided for personal, emotional, and behavioral problems to alleviate or prevent their impact on the Member or employee's job performance/productivity to enhance the House's effectiveness. Employee Assistance has 4 authorized positions.
- **Department of Policy and Administration** is responsible for coordinating human resources requirements for all CAO offices, serves as a resource for all House offices on operational matters pertaining to human resources, and supports the administrative requirements of each department under the Associate Administrator for Human Resources. The Department of Policy and Administration has 5 authorized positions.
- **Department of Training** (Training) provides House employees instruction and improvement opportunities through employee development, management development, and organization effectiveness. Training provides an array of professional, career, and self-enhancement training, as well as outplacement assistance. Training has one full-time and one part-time authorized positions.
- **Office of Fair Employment Practices** (OFEP) carries out enforcement and administration of employee rights and protections outlined in House Rule 51. As a result of the enactment of the Congressional Accountability Act, OFEP is in the process of closing, and consequently has not taken any new cases since January 23, 1996. OFEP has 3 authorized positions.

Finding Q: Separation Of The Departments Of Personnel And Benefits, And Payroll Is Not Effective In Terms Of Cost, Time, Or Customer Service

The separation of personnel and benefits and payroll activities has resulted in confusion among customers and reduced efficiency and effectiveness overall. Current responsibilities, along with expectations for the selection and implementation of a new human resources system during the 105th Congress, require closer coordination and collaboration between these units.

Human Resources was established with the enactment of H. Res. 6, 104th Congress, and the establishment of the Chief Administrative Officer. At that time, Benefits was moved from Finance to Human Resources, while the Department of Payroll (Payroll) remained in Finance. Until the 104th Congress, the Departments of Payroll and Benefits were housed together within Finance.

Benefits and Payroll provides service to approximately 500 separate hiring bodies in the House. The departments work jointly to complete the necessary human resources business of the House. Though the relationship remains dependable, the separation has led to confusion within the departments and among the House client base. Member offices, for example, are often unaware that two distinct offices must be contacted to complete personnel actions.

Currently, new employees, employees with personnel changes, and employees with questions may have to contact two separate departments, under two Associate Administrators to complete personnel actions. The flow of personnel information between departments has resulted in a decrease in efficiency and effectiveness and an increase in the time required to complete key tasks.

Since Human Resources and Finance are located in the same office in the Cannon building, transferring Payroll to Human Resources will not require a physical relocation. The shared office space allows the reconciliation of the payroll to the General Ledger, as well as other interrelated functions to continue to occur in Finance with assistance from Human Resources.

Payroll has a variable workload throughout the month. During the third and fourth weeks, the department is busy preparing the payroll. However, in the first two weeks of the month the Director of Payroll reports a staff utilization of approximately 50 percent for the first seven days. Based on the current staff of six, the department would have approximately 168 hours of downtime per month during the first seven days alone. Currently, Payroll employees are not cross-trained with other Finance department activities. Because Payroll and Benefits report to separate Associate Administrators, Payroll employees are not cross-trained with Benefits.

Benefits has seventeen employees, including nine employees who work with benefits, four retirement counselors, two staff who work with the Office of Personnel Management (OPM) on retirement issues, and two administrative personnel. There are currently 10,500 House personnel served by Benefits. Monthly, Benefits staff process approximately 280 terminations and 530 appointments. At September 30, 1996, the ratio of customers to benefits counselor was 1,167:1, while the ratio of customers to retirement counselors was 2,625:1. Furthermore, according to performance measures recorded by Benefits, they have received 2,961 walk-in inquiries and 12,934 telephone inquiries thus far during Fiscal Year 1996.

Transferring Payroll to Human Resources will allow better cross-training and will increase the utilization of Payroll employees. In addition, it will reduce the personnel paperwork process because there will be fewer steps to complete, reducing the chance of processing errors and providing customers a “one-stop shopping” for questions, paperwork, changes, etc.

Once Payroll is transferred to Human Resources, a service agreement between Finance and Human Resources is essential, to ensure that Finance receives the compensation data from Payroll at a designated time monthly. A service agreement is typically a contract between parties documenting the expectations and requirements of the customer and formal recognition by the provider.

Payroll is responsible for submitting the staff compensation data to FFS to be reconciled with the Member’s Representational Allowance (MRA) reports. It is crucial that the information be submitted promptly to enable Finance to verify that the payroll statements are complete and accurate. To comply with the customer-service orientation of the CAO’s office, MRA data is a top priority. Member’s must have prompt, accurate, and complete financial data for their required quarterly public statements. Since Finance is a customer of Payroll, timely payroll figures are essential to complete the MRA calculations so payroll information can be provided to the Members on a timely basis.

Member Services

Member Services provides payroll and personnel functions for the Representatives and Delegates of the House. A separate payroll system was developed for Members in response to the special regulatory requirements for Member benefits and pay dates. The payroll system performs basic processing of Federal and state tax withholdings, deductions, and allotments.

The duties provided by Member Services, for House Members, are the same services as provided by Payroll and Benefits for House employees. Though services are not duplicated, the responsibility of Member Services is the same as Payroll and Benefits, and therefore, this function should also be transferred to Human Resources.

Recommendations

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

1. Transfer the Payroll function to the Office of Human Resources.
2. Transfer the Member Services function to the Office of Human Resources.
3. Establish a payroll service agreement between the Offices of Human Resources and Finance.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to develop proposals, for approval by the CHO, to transfer (1) all functions of Payroll, except the accounting function, to Human Resources and (2) Member Services functions to Human Resources. In addition, the Acting CAO plans to establish appropriate service agreements to properly implement any new set-up.

Office of Inspector General Comments

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

Finding R: Human Resources System Is Needed

Finance and Human Resources have identified the need for new payroll systems replacing the existing systems for House employees and Members. Realigning Payroll with Human Resources will expedite the selection, development, and implementation of a new Human Resources System. Furthermore, Human Resources has identified the need to replace its existing personnel system.

The new financial management system, FFS, does not have a payroll component. Payroll still uses the old accounting system, Financial Management System (FMS), to calculate payroll and benefits. Human Resources uses the FileNet system to maintain personnel files. FileNet was first installed in 1987. The 1987 version was still in use until Human Resources upgraded FileNet in September 1996. The FileNet system was selected for upgrading because the old system was incurring many problems. Human Resources had no time to go through a proper system selection, installation, and possible data transfer; therefore, the only option was to upgrade the FileNet system. Member Services uses a separate payroll and benefits system.

As stated in OIG Report, *Audit of Financial Statements For The Year Ended December 31, 1995* (Report No. 96-HOC-05, dated July 30, 1996), the current payroll system in FMS is inefficient. FMS does not perform all essential payroll processing. As a result of FMS inefficiencies, manual calculations are necessary to determine:

- Government portion of Federal Employees Retirement System (FERS).
- Gross pay for multiple annuitants.
- Government portion of Civil Service Retirement System (CSRS).
- Earned income credits.
- Deduction amounts for retroactive adjustments.

Payroll uses FMS to generate a Payroll Certification Report each month. Each month errors are found in the Payroll Certification Report after it is run. However, after FMS prepares the Payroll Certification Report, no adjustments can be made. Payroll must then manually “mark-up” the Payroll Certification Report to reflect the changes.

The House is currently investigating new payroll systems and must move forward in selecting and implementing a new Human Resources System. It is crucial that both Finance and Human Resources be involved in the needs analysis to ensure effective system selection and implementation.

During the 104th Congress the primary system focus of Finance has been implementation of the new FFS software. With Payroll and Benefits housed in Human Resources, Human Resources will have the primary responsibility for overseeing the development of the new Human Resources System. A Steering Committee should be appointed to assist in the development of the new system. Steering Committee members should include: Benefits staff, Payroll staff, Human Resources staff, Finance staff, and HIR staff. Sign-off by the Finance and Human Resources

Associate Administrators should be required for all actions regarding the system, including requirements and design documents.

The new Human Resources System should include components to handle payroll, benefits, and retirement processing. System selection, development, and implementation should follow an approved System Development Lifecycle Cycle (SDLC) methodology. Included in the SDLC methodology should be a cost/benefit analysis of the new Human Resources System, compared to an option of outsourcing the function. The new system should be able to electronically interface with FFS and either interface or replace the capabilities of FileNet, the FMS payroll system, and the Member Services system.

Recommendation

We recommend that the Chief Administrative Officer develop a proposal, for approval by the Committee on House Oversight, to expedite the selection and implementation of a new comprehensive Human Resources System to accommodate all of the human resources needs of the House.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO has entered into a contract with a consulting firm to analyze the functions of the Finance Office and to make recommendations for organizational changes. Analysis of a new comprehensive human resources system will be included in the contract, and upon completion of this analysis, a proposal will be submitted based on the contractor's recommendations.

Office of Inspector General Comments

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

Finding S: Decentralized Processing Of Worker's Compensation And Unemployment Compensation Can Result In Costly Errors

There is no central processing or central control of worker's and unemployment compensation actions. Worker's compensation claims are processed by individual offices and paid by Finance. Unemployment compensation claims currently are processed in Finance but are not thoroughly verified prior to payment. This distribution of authority has the potential to create substantial financial and operational risks to the House.

Finance does not have policies and procedures in place regarding worker's compensation and unemployment compensation claims and payments in the House. The Department of Labor (DOL) reports a preliminary balance-owed figure of over \$5 million dollars, for both worker's and unemployment compensation.

Worker's compensation

Worker's compensation cases have traditionally been handled by each House office and Finance. As required by law, the House's Worker's Compensation Program is managed by DOL. Therefore, worker's compensation claims are submitted to DOL, which is responsible for processing the claims and sending chargebacks to Finance quarterly.

Each Member, Committee, and Administrative office has a designated employee responsible for filing worker's compensation claims. The designated employee is required to complete DOL training. Their responsibilities include:

- Helping employees complete forms,
- Authorizing visits to doctors,
- Submitting claims to DOL, and
- Maintaining the office's compensation files.

Because each office is responsible for submitting and maintaining worker's compensation files, there are approximately 500 offices in the House with this responsibility.

The decentralized processing of worker's compensation claims has created the potential for fraud, waste, and abuse concerning these claims. As a result, the total number of claims and the amount spent on worker's compensation annually is not determinable. Also, records are not maintained for worker's compensation claims. Problems with claims include:

- Managing claims: Claims are initiated by any one of three procedures (see Table S-1). After the claims are filed, they are paid by Finance which has no previous record of the claim.
- Filing claims: Records of claims are retained in each office. There is no standard filing format or central repository for this information.

- Training and consistency of handling claims: Not all designated employees have completed the required DOL training.
- Medical verification of claims: Processes are not in place to determine the medical validity of claims.

The process of tracking a claim and managing claim flow varies. Table S-1 summarizes the workers' compensation claim processes.

House Worker's Compensation Claim Flow

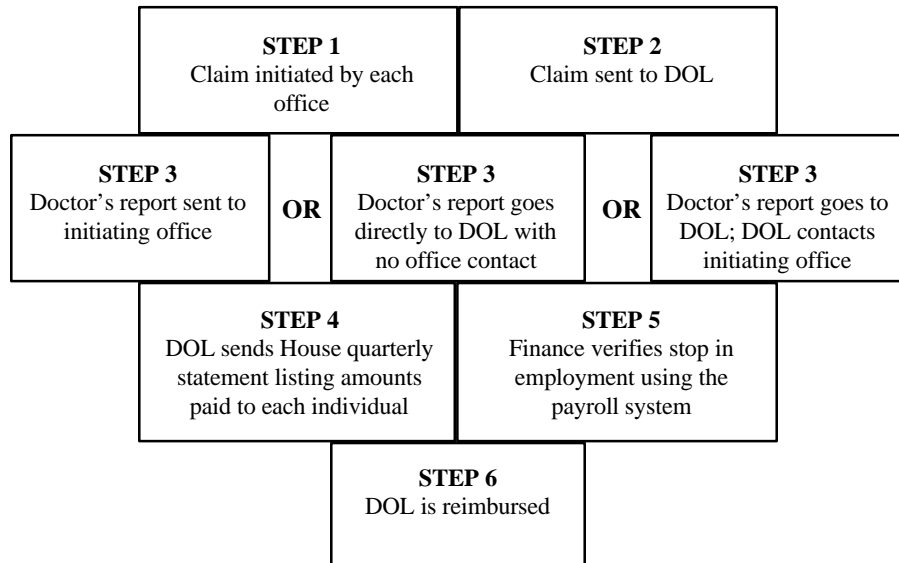


Table S-1

The designated employee is also involved with processing reimbursements for medication, leave buy back, and payroll actions. The designated employee usually contacts Payroll in the event of an injury.

There is no official notification of Human Resources or Finance (aside from Payroll notification) by the initiating office, injured employee, or DOL. Payroll is neither responsible for notifying other departments nor does Payroll keep separate records of worker's compensation payroll disruption.

Finance checks each claimant's file and looks for a break in employment. If found, Finance reimburses DOL for the claim. There is no communication between Finance or offices where the claims are filed and held. Hence, there is no medical verification by Finance that the employee is injured.

Centralizing worker's compensation will include the following advantages:

- Decrease in dollar value of claims currently outstanding due to faster and more accurate processing.
- Increase in customer service levels with claim experts handling problems with DOL and managing processes such as payroll and leave.
- Reduction in the potential number of false claims.

Although there is no information regarding suspected false claims, the potential is high due to the current decentralized process and lack of medical verification by Finance.

Other Federal agencies including the Senate use a centralized worker's compensation process (see Table S-2). The Senate has also appointed a dedicated Program Coordinator. The responsibilities of the Program Coordinator include:

- Filing claims (including claims in district offices).
- Monitoring claims.
- Dealing directly with the claimant and DOL.

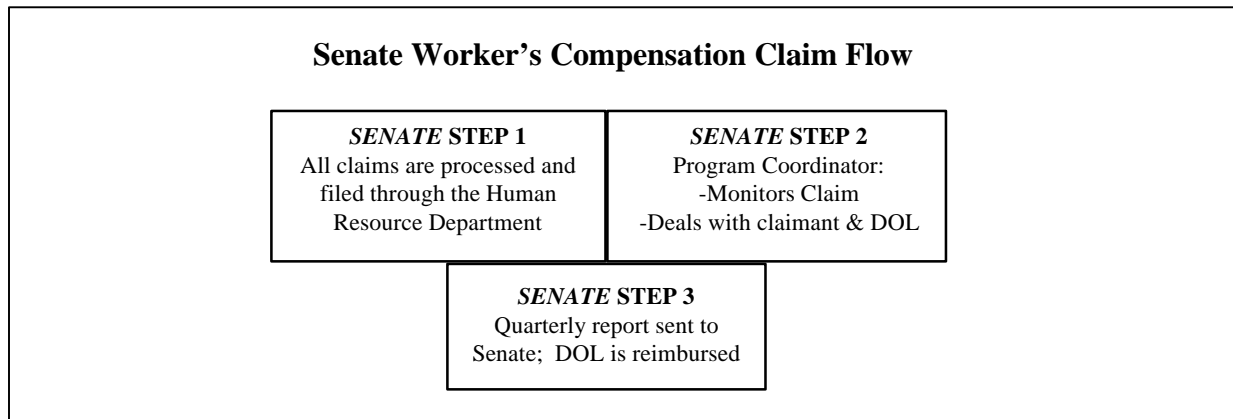


Table S-2

The Senate Program Coordinator also provides:

- Guidance to office staff on planned actions related to claims.
- Seminars in conjunction with the Senate Physicians office, OSHA, and DOL.
- Monthly and annual reports.

The advantages to the Senate's centralized system include verification of medical conditions when the claim is paid to DOL and the ability to track trends, identify common problems, and develop programs to address these problems.

As a result of better education and management, the Senate has seen the number of new cases decrease from 10 percent to 5 percent of the employed population since the Program Coordinator was appointed in the early 1990's.

Unemployment compensation

The House takes a reactive stand on unemployment compensation, waiting for receipt of the state's records. As is the situation with worker's compensation, it is impossible to determine the number of unemployment claims, or the amount spent on unemployment annually. Records for unemployment compensation are not maintained centrally.

Title V U.S.C., Chapter 85, specifies a program of unemployment compensation for Unemployed Federal Civilian Employees (UCFE). This title authorizes the Secretary of Labor to enter into agreements with state agencies overseeing the unemployment compensation law of the state. DOL has an agreement with the District of Columbia to process unemployment compensation claims for all Federal employees whose work location is Washington, D.C. The agency which administers claims in Washington, D.C. is the District of Columbia Department of Employment Services (DCDES). Unemployment compensation claims are filed in the home state for employees working in Members' district offices.

The UCFE program operates on a reimbursable basis. States and DCDES provide DOL and Finance with *UCFE Quarterly Charge Summaries* which list the individuals collecting unemployment compensation, the amount collected, and the amount charged to the House. DOL reimburses the states and DCDES and sends Finance the *UCFE Quarterly Statements of Expenditures of Federal Funds for Reimbursable Unemployment Compensation Benefits Paid to UCFE Claimants*. Finance is to pay DOL within thirty days.

The current process in the House is detailed in Table S-3.

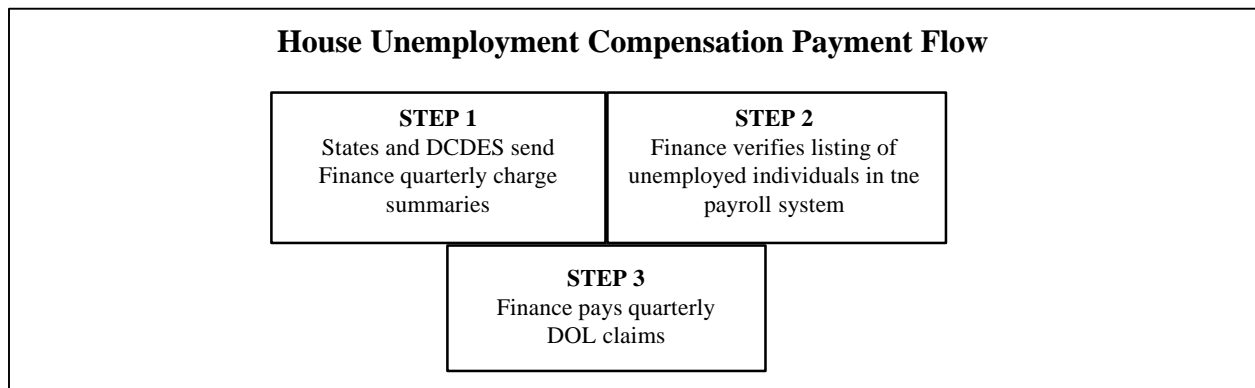


Table S-3

Problems with unemployment compensation were previously reviewed by the OIG with respect to the House Restaurant System (HRS), *Improved Controls Could Prevent Abuse of the House Restaurant System Unemployment Compensation Program* (Report No. 95-CAO-26, dated August 11, 1995). Though the report was specific to issues with HRS, it does give a thorough examination of the potential for fraud in a decentralized, poorly maintained unemployment compensation system.

Employee work status is reviewed using the Payroll system when Finance receives states or DCDES *UCFE Quarterly Charge Summaries*. However, Finance officials stated that the resources are not available to thoroughly check unemployment compensation claims. The responsibility has been assigned a low priority within Finance. As a result, DOL is not receiving payment from the House within thirty days.

Like the worker's compensation process, the Senate's unemployment compensation process is centralized and monitored by a dedicated Program Coordinator. The Senate Program Coordinator checks UD399s (*Employer Notice of Claim Filed or Benefits Paid*) and *Monetary Determination Forms* against the payroll listing on the day the forms are received from the states. The Program Coordinator reports this takes less than 30 minutes a day, and has saved an estimated \$50,000 a year in false claims. The Senate process also saves time because these verifications often mean that the false claims will be deleted from the quarterly DOL billing. Since the standard procedure for DOL unemployment compensation billing is to pay first and adjust later, reducing the number of claims on the quarterly statements lessens the likelihood of errors, such as overpayments.

The Program Coordinator checks all names on the quarterly statements sent by the states. The Senate discovered, by checking all names, they can identify claims that continue despite employees work recall. The current process of the House is to check only new names on the UD399s and *Monetary Determination Forms*.

The advantages to the House of centralizing unemployment compensation include:

- Improved service with simplified handling of problems with DOL.
- Reduction in the number of potential false claims.

Recommendations

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

1. Centralize responsibilities for processing and monitoring worker's compensation in the Office of Human Resources.
2. Centralize responsibilities for processing and monitoring unemployment compensation in the Office of Human Resources.

3. Appoint a Program Coordinator to manage worker's compensation and unemployment compensation programs.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to develop a proposal, for approval by the CHO, to centralize responsibility for the processing of Worker's Compensation and Unemployment Compensation within the Office of Human Resources. Included in this proposal will be the appointment of a Program Coordinator whose function will be the management and verification of both processes.

Office of Inspector General Comments

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

OFFICE OF PROCUREMENT AND PURCHASING

The Office of Procurement and Purchasing (OPP) was established by the CAO with the approval of the CHO at the start of the 104th Congress to provide the House with a fair, accountable, competitive acquisition process. Key responsibilities of OPP include the following:

- Developing and implementing standard procurement policies and procedures.
- Coordinating and monitoring procurement actions.
- Developing and implementing standardized contract management policies and procedures.
- Establishing appropriate systems of internal controls over procurement activity.
- Developing and implementing procurement planning systems.
- Ensuring that staff with procurement responsibilities throughout the House are adequately trained.
- Developing and implementing automated procurement systems.

OPP carries out these responsibilities with 12 authorized positions.

Finding T: Contract Management Policies And Procedures Have Yet To Be Established To Protect House Interests

Standard contract management policies and procedures have not been put in place at the House. The lack of standard policies and procedures increases both the financial and operational risk to administrative support services in the House.

OPP was established by the CAO in January of 1995 to develop, implement, and manage a procurement structure at the House that would provide Members, Committees, and administrative operations with effective, efficient, fair, and competitive procurement services. Beginning with one staff member and growing to a total of 12 full-time staff as of November 1996, significant progress has been made to design and implement standardized procurement structures and controls.

During this same period, the House began to rely on more and larger contracts to provide a wide variety of administrative and support services. Examples include the \$2.5 million annual contract with Pitney Bowes Management Services to provide internal mail and delivery services for the House and contracts for the barber and beauty shops.

To date, only limited attention has been given to tracking, monitoring, and managing House contracts, as compared to the efforts applied to track, monitor, and manage general procurement and purchase order processing. Specifically, we found problems with policies and procedures, contract tracking and management, and training programs as discussed in the following sections.

No structured contract management policies and procedures have been developed to complement existing procurement policies and procedures

No formal, written policies and procedures have been developed to support contract management activities at the House. Discussions with procurement personnel indicated there was a clear understanding that such policies and procedures were necessary. However, none had yet been developed due to other priorities and requirements, such as the design and implementation of basic procurement and purchasing guidelines.

Formal contract management policies and procedures are critical to the effective and efficient management and monitoring of contacts with vendors. They provide for the following:

- Established project/contract monitoring and management tools.
- Problem identification and resolution processes.
- Regular quality control of vendor performance.
- Cost monitoring and control.

Typical contract management policies and procedures address such critical management and performance issues as the following:

- Standard terms and conditions.
- Contract management and monitoring.
- Problem and dispute resolution.
- Quality assessment and control.
- OPP roles and responsibilities.
- Contracting Officers Representative (COR) roles and responsibilities.

The lack of effective contract management policies and procedures can increase the House's financial and operational risk, especially with the growth in contract services experienced during the 104th Congress.

Financial risk comes from the House paying for services or goods that are not being delivered in a timely and effective manner. The operational risk derives from the House depending on contractors to provide a wide variety of services for its normal daily operations and for which the House may not have the capacity to operate internally on short notice.

During the 104th Congress, the House has undertaken a number of initiatives to contract out services that had previously been provided by House employees, such as internal postal operations. This management approach, while proven in other organizations to improve efficiency and effectiveness, requires strong contract policies and procedures to minimize the increased financial and operational risks.

The current contract tracking system cannot adequately manage and track all House contracts

The current contract tracking and management tools available to OPP staff and CORs are limited. Currently, there is no complete database of House contracts. In addition, because Members, Committees, and other offices throughout the House have independent contracting authority, OPP does not maintain a complete list of all contracts. OPP staff were unable to provide the current number or value of all House contracts.

Current policies and procedures do not call for the creation of a purchase order record within the FFS Purchasing Subsystem for contracts. However, the capabilities available in FFS could:

- Provide a tracking baseline for all procurement actions--both contracts and purchase orders.
- Serve as a first step in consolidating and streamlining policies and procedures related to the development and management of contracts throughout the House.

Currently, OPP is in the process of developing a contract tracking system to be maintained on a desktop computer. While this system may serve as an effective interim tool to track and manage

contracts, there are no policies and procedures currently in place to ensure that OPP is or will be informed of the entire population of contracts.

While contracting authority continues to be distributed to Members, Committees, and other offices throughout the House, a central repository of contract information is a critical tool in managing the overall financial and operational risk of the organization. By maintaining such a centralized list of contracts, the House can more effectively leverage its procurement budget to obtain favorable rates, terms, and conditions that its much smaller component organizations may not be able to negotiate individually.

No standardized training for contracting officers and CORs has been developed and implemented

CORs are responsible for the daily oversight and management of service contracts and other types of contracts. Generally, CORs reside in operating units and work closely with members of OPP to actively track and manage contractor performance.

Historically, individuals have been trained to serve as CORs individually, as the need has arisen. Typically, an individual identified as a COR will generally meet informally with a procurement specialist from OPP to review the responsibilities of the position and determine the appropriate level of monitoring and oversight necessary for the particular contract. This method of training, while it may ensure that minimum contract management activities are in place, does not provide for a consistent, high quality training program House-wide.

Comprehensive, consistent COR training programs are a critical component in effective contract management. Training programs in other Federal agencies include both baseline training for new CORs and annual refresher and update training for experienced CORs. Formal appointment as a COR generally requires skills based and dependent on the successful completion of established course work and related tests.

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop procedures to ensure that each contract issued is covered with a purchase order in the FFS Purchasing Subsystem.
2. Develop comprehensive management policies and procedures with respect to contracts within the purview of the CAO.
3. Develop and implement a comprehensive tracking system with respect to contracts within the purview of the CAO.
4. Develop and deliver COR training programs.

Management Response

The Acting CAO concurred with the intent of the recommendations in this finding. As an alternative course of action, OPP has proposed the use of “commitment accounting” in the FFS system setup, which will result in the ability to use the full tracking capabilities of the FFS Purchasing Subsystem. In addition, OPP plans to (1) develop structured interim contract management policies and procedures and finalize those policies and procedures by the end of 1997 when Procurement Desktop is implemented, (2) establish and implement rules, procedures, processes, reports, and forms to manage OPP’s central contract files and its Contract Tracking System by December 31, 1997, and (3) develop standardized training for CORs no later than June 30, 1997 and implement by the end of the year, and by August 15, 1997, provide information on and/or recommendations for attendance at appropriate non-House courses to CORs and their supervisors.

Office of Inspector General Comments

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

Finding U: The CAO's Procurement Authority And Delegation Structure Creates Bottlenecks And Results In Unnecessarily Lengthy Processes

The procurement approval process requires an excessive number of approvals at high levels within the CAO organization, for even the smallest purchases. These numerous bureaucratic approvals generate bottlenecks, delay purchases, and create an atmosphere where employees do not perceive that they are empowered and trusted.

Review of procurement practices at other Federal entities revealed that most governmental agencies delegate purchase order (PO) approvals further down the management chain in their organizations. For example, at the National Aeronautics and Space Administration (NASA), General Services Administration (GSA), and National Park Service, any individual can be granted small purchase authority of up to \$2,500 through the use of electronic purchase cards. Similar delegation of authority is in place for high value contracts. At GSA for example, Division Directors may have procurement authority up to and in excess of \$1 million. Critical controls for such delegation of procurement authority are based on the following:

- Automated system capabilities, such as the ability to limit purchase card use to only certain accounts, amounts, and types of purchases.
- Extensive training of personnel with delegated procurement authority.
- Linking procurement authority to overall organizational levels and responsibilities.
- Audit and review of selected transactions by procurement professionals.

Specific benefits of such distribution of procurement approval authority include the following:

- Reduction in OPP workloads, enabling resources to be reallocated to higher priority tasks.
- Reduction in CAO workloads, enabling management to focus on high value activities.
- Reduction in time to process the majority of transactions.

The CAO needs to reduce review levels and distribute small purchase authority to staff. However, this is dependent on the complete implementation of the Procurement Desktop system. The legacy systems and processes currently in place are not capable of the level of management tracking and reporting necessary to support the proposed delegation of procurement authority. These legacy systems generate a paper purchase order which is then transmitted via the internal mail system to a variety of offices throughout the CAO for review and approval. The current systems and procedures also require a duplicate data entry and approval process into the FFS Procurement Subsystem. Furthermore, the current systems do not provide management with adequate reports and other information, such as tracking of procurement activity by buyer, procurement specialist, vendor, and commodity, to effectively manage financial and operational risk.

The current House procurement policies and procedures provide an adequate framework for ensuring financial and operational control. The actual delegation of procurement authority by the CAO, however, limits the flexibility and empowerment of individual units and managers throughout the House.

OPP processed almost 16,500 individual purchase orders in FY 1996. Over 86 percent of these purchase orders were for purchases of less than \$2,500. Table U-1 below presents purchase order volumes by transaction and value for FY 1996.

PO Value	Number	% of Transactions	Value	% of Value
< \$2,500	14,267	86.8%	\$6.1 M	14.2%
\$2,500 to \$50,000	2,046	12.4%	\$23.3 M	54.2%
> \$50,000	<u>122</u>	<u>0.7%</u>	<u>\$13.6M</u>	<u>31.6%</u>
Total	16,435	99.9%	\$43.0M	100.0%

Table U-1

Source: OPP

Current policies and procedures require all purchase orders to be generated, processed, and approved within each operating unit and then forwarded to OPP for further review and approval. Following processing by OPP, purchase orders are forwarded for additional approval depending on their value. Current approval levels are:

- > \$100,000 CHO.
- \$10,001 - \$100,000 CAO.
- \$2,501 - \$10,000 Associate Administrator - OPP.
- ≤ \$2,500 Procurement Specialists - OPP.

In addition, all purchase orders to acquire goods or services for use by any portion of the CAO's operation are reviewed personally by the CAO. These approval processes and controls add delays, limit the flexibility of line managers in responding to immediate day-to-day needs, and communicate a lack of trust in subordinates. While the evidence suggests that both OPP and the CAO process the majority of purchase orders in less than two days, these approvals, including routing of manual purchase orders can add up to a week to the overall approval process.

Recommendation

We recommend that the CAO, upon the successful implementation of Procurement Desktop, prepare a proposal, for approval by the Committee of House Oversight, to revise procurement approval authorities to reduce review levels and distribute small purchase authority to users according to the following schedule:

- > \$250,000 House Oversight Committee.
- \$100,001 - \$250,000 Chief Administrative Officer.

- \$25,001 - \$100,000 Associate Administrator, Procurement and Purchasing.
- \$2,501 - \$25,000 Procurement Specialists, Procurement and Purchasing.
- ≤ \$2,500 Associate Administrators.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to (1) consider delegating approval authority for small purchase orders for CAO offices to a level or levels below that of the CAO, (2) implement, by December 31, 1997, those aspects of Procurement Desktop necessary to support the level of management tracking and reporting to enable further delegations of authority, and (3) prepare a proposal, for approval by the CHO, to revise procurement approval authorities to reduce review levels and distribute small purchase authority to users.

Office of Inspector General Comments

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

OFFICE OF PUBLICATIONS AND DISTRIBUTION

The Office of Publications and Distribution (Publications and Distribution) is currently authorized 22 positions and consists of an Immediate Office, the Office of Postal Operations, and the Office of Printing Services. In December 1995, the CHO undertook a series of significant changes during the 104th Congress. In particular, it voted to privatize internal mail services and awarded a contract to Pitney Bowes Management Services (PBMS) for internal postal services. The contract took effect February 1996. With the successful outsourcing of the internal mail services and other changes, Publications and Distribution was able to reduce its staff from 329 FTEs to 22 FTEs while still maintaining the high level of service required by the House. Component departments include:

- **Office of Postal Operations** (Postal Operations) is responsible for the management of the PBMS mail operations contract, as well as the U.S. Postal Service (USPS) Retail Windows contract, passport services, lost or mis-routed mail tracking services, liaison services between the House and USPS, and list processing/addressing services for the House. Postal Operations includes five positions, including the Assistant Director (who reports to the Associate Administrator), two technical contract administrators, a manager of support services, and a passport liaison.
- **Office of Printing Services** (OPS) provides printing services to Members, Committees, Officers, and administrative offices. OPS currently assists the Clerk in the production of legislative documents, as well as all non-legislative formatting and printing for the House. OPS has 11 positions including the Director, the Deputy Director, a Braille publications and graphics specialist, multi-media specialist, programmer/systems analyst, 3 printing specialists, and 3 publications specialists.

Finding V: Inconsistent Fees Charged For Publications Delivery Services

The House has approved a standard fee structure for delivery of publications to Members, Committees, and other House offices. However, this fee structure is not being applied to all publications equally. If the House charged all vendors for delivery services according to the stated rates, revenue totaling \$168,000 would be available to offset postal costs.

On April 21, 1994, the Subcommittee on Administrative Oversight of the Committee on House Administration approved the collection of mail delivery fees for all external publications using inside mail for delivery. Despite the ruling, there were a number of periodicals that were excluded from the fee-for-delivery service. According to a prior OIG audit report--*Changes In Operating Practices Could Save Publications & Distribution \$5.5 Million Annually* (Report No. 95-CAO-04, dated July 18, 1995)--the House lost approximately \$42,000 in delivery fees for magazines and newspapers between October and December 1994 and thus, projected an annual loss of \$168,000. The report recommended that the House collect a uniform \$.10 fee, per periodical, for delivering all newspapers, magazines, and publications. Despite the recommendation, periodicals are still being delivered free as noted in Table V-1 below.

Daily Subscription Newspapers		
Atlanta Constitution	Boston Globe	Chicago Sun Times
Chicago Tribune	Cleveland Plain Dealer	Dallas Morning News
Dallas Times Herald	Detroit News	Fort Worth Star Telegram
Los Angeles Times	Milwaukee Journal	Minneapolis Star Tribune
Mobile Register	New York Newsday	New York Times
Star Ledger	Times Picayunne	Wall Street Journal
Washington Post	Washington Times	
Weekly, Non-subscription Newspapers		
Roll Call (twice a week)		The Hill
Weekly, Non-subscription Magazines		
Business Week	Sports Illustrated	Time
People	Newsweek	U.S. News & World Report
Bi-Weekly Non-Subscription Magazines		
Fortune	Forbes	The New Republic
Monthly Non-subscription Magazines		
	Money	

Table V-1

Source: Office of Printing Services

The following corrective actions have occurred regarding this problem:

- HR 2492, Section 101, dated November 1, 1995 authorized the House to collect fees equal to applicable postage for internal delivery of mail from external origins.

“Sec. 101. Effective with respect to fiscal years beginning with fiscal year 1995, in the case of mail from outside sources presented to the Chief Administrative Officer of the House of Representatives (other than mail through the Postal Service and mail with postage paid) for internal delivery in the House of Representatives, the Chief Administrative Officer is authorized to collect fees equal to the applicable postage. Amounts received by the Chief Administrative Officer fees under the preceding sentence shall be deposited in the Treasury as miscellaneous receipts.”

- A March 6, 1995 memorandum from the CAO to the CHO requested approval of a uniform delivery fee for all external publications and staff organizations mailing material to House offices.
- A CHO memorandum dated March 27, 1995 advised the CAO to continue the current practice until a “modified version of the proposed policy is approved.” However, resolution of this matter has not been achieved.

Recommendation

We recommend that the Chief Administrative Officer submit a revised delivery service policy, for approval by the Committee on House Oversight, to collect a uniform fee, per periodical, for delivering all unsolicited newspapers, magazines, and publications received in bulk.

Management Response

The Acting CAO concurred with the recommendation in this finding. The Acting CAO plans to resubmit a proposed delivery service policy for the collection of a uniform fee, per periodical, for delivering unsolicited newspapers, magazines, and publications received in bulk.

Office of Inspector General Comments

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

CAO Baseline Initiatives

	Done	In Process	Not Started	Total
Privatization	7			7
1 Abolish In-House Printers	X			
2 Privatize Postal Operations	X			
3 Eliminate Folding Room	X			
4 Outsource Photography	X			
5 Outsource House Recording Studios	X			
6 Privatize Barber/Beauty Shops	X			
7 Bringing in Other "Vendors" to Campus	X			X
Accountability	6	4		10
8 Financial Statement Revision		X		
9 Monthly Clerk's Report	X			
10 Combine Member Payroll With Other House Payroll		X		
11 Develop Accountability Act Policies		X		
12 Make Cardholders Responsible for American Express Payments	X			
13 Revise Congressional Handbook	X			
14 Recommend Policies for Office Furniture		X		
15 Submit Procurement Guidelines	X			
16 Develop Guidelines for the Purchase of Equipment, Software and Related Services	X			
17 Implement Drug-Free Work Place Plan	X			
The Open Congress	7	3	1	11
18 Camera Policy for House Floor	X			
19 Review Satellite Path from Recording Studio	X			
20 Direct Satellite Link		X		
21 Periodic/Press Internet Connection		X		
22 Move Ford Videoconferencing Facility	X			
23 Press Gallery Renovation	X			
24 Robotic Cameras in Committee Rooms	X			
25 Internet/Scanners in Committee Rooms		X		
26 House Broadcasting System	X			
27 Photo Locations for Members with Large Groups			X	
28 Provide Remote Access to Systems	X			

CAO Baseline Initiatives

	Done	In Process	Not Started	Total
Efficiency	13	7		20
29 Move Postal Operations to Longworth	X			
30 Analyze/Recommend Supply Store Operation		X		
31 Gift Shop Review		X		
32 Streamline Warehouse Management	X			
33 Customer Service Guide	X			
34 Demonstrate Office 2000		X		
35 HIS Quality Responsiveness	X			
36 HIS Revenue from External Clients	X			
37 Establish Automated Acquisition System		X		
38 Conduct Feasibility Study of Human Resource Positions	X			
39 Consolidate Human Resource Functions	X			
40 Restructure House Placement Office	X			
41 Establish Flex-time Policy	X			
42 Transfer Signature Authority to CAO	X			
43 Establish Service Centers	X			
44 Paperless Systems		X		
45 Develop New Payroll System for Staff		X		
46 Return of Unused Funds to the Treasury	X			
47 Formulate Training Program	X			
48 Conduct OSHA Survey of Facilities		X		
Internal CAO Actions	4	2		6
49 Develop Interim Hiring/Termination Process	X			
50 Prohibit the Use of Official Funds for Business Cards	X			
51 Prohibit Names on Stationery	X			
52 Ethics Policy	X			
53 Paperless Office		X		
54 Cross-functional Teams		X		
	37	16	1	54

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Changes In Operating Practices Could Save Publications And Distribution \$5.5 Million Annually
Report No. 95-CAO-04

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
A.	Develop a proposal, for approval, to close the Folding Unit and contract for outside services.	1			House Resolution (H.R.) 2739, adopted June 14, 1995, resolved that all operations of the Publications Distribution Service shall be terminated as of the close of business August 31, 1995. Publications Distribution included the Folding Unit.	Not applicable
B.	Develop a proposal, for approval, to close Mail Operations and competitively procure from private vendors.	1			H.R. 2739, adopted June 14, 1995, authorized the cessation of House Postal Operations and resulted in a contract awarded to Pitney Bowes Management Services on February 13, 1996.	Not applicable
C.	Develop a proposal, for approval, to collect a uniform \$0.10 fee for delivering all newspapers, magazines, and publications.	1			H.R. 2492, Section 101, authorized the House to collect fees equal to applicable postage for internal delivery of mail from outside sources for which postage has not been paid. Delivery fees are \$.10 for unaddressed and \$.13 for addressed mail.	Not applicable
D.1.	Develop a proposal, for approval, to discontinue Postal Window Operations.	1			H.R. 2739, adopted June 14, 1995, authorized the Chief Administrative Officer (CAO) to provide for operation of the these facilities of House Postal Operations by the U.S. Postal Service. Services contracted with U.S. Postal Service under contract No. CAO 95-R-004 are in effect.	Not applicable
D.2.	Develop a proposal, for approval, to install a U.S. Postal Service Self Service Postal Center in the Longworth Building.	1			H.R. 2739, adopted June 14, 1995, authorized the CAO to provide for operation of the window facilities of House Postal Operations by the U. S. Postal Service. Services contracted with U.S. Postal Service under contract No. CAO 95-R-004 are in effect.	Not applicable
D.3.	Develop a proposal, for approval, to install stamp vending machines in four other buildings, with maintenance provided by U.S. Postal Service.	1			H.R. 2739, adopted June 14, 1995 authorized the CAO to provide for operation of the window facilities of House Postal Operations by the U. S. Postal Service. Services contracted with U.S. Postal Service under contract No. CAO 95-R-004 are in effect.	Not applicable
E.	Develop a proposal, for approval, to cancel the existing contracts and competitively procure House Printers with specified rental rates.	1			H.R. 2739, adopted June 14, 1995, directed the CAO to terminate the contracts for printing services. Letters issued June 30, 1995, to two private contractors terminated the respective contracts with the U.S. House of Representatives as of December 31, 1995.	Not applicable
7	Total recommendations	<u>7</u>				

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
The House Gift Shop's Internal Controls Need to be Improved
Report No. 95-CAO-05

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
A.1.	Develop an adequate chart of accounts that will include all necessary accounts to provide monthly financial statements.	1			CAO management prepared a chart of accounts. In addition, on October 21, 1996, the Committee on House Oversight (CHO) granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
A.2.	Develop transaction sets used by the financial system; determine the adequacy of the reporting requirements; and if necessary ensure any needed changes are made.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
B.1.	Implement a cash management policy which ensures: (a) individual accountability over cash management; (b) safe combinations are changed periodically; (c) checks are endorsed upon receipt; and (d) on-hand cash resources do not exceed requirements.	1			Policy Memorandums regarding these topics were issued on May 3 and May 15, 1996. On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
B.2.	Change the current safe combination.	1			The safe combination has been changed and a policy is in place to change the combination upon change in responsible employees and at least annually.	Not applicable
C.1.	Implement a policy for capitalization of appropriate costs, regardless of fund source.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
C.2.	Identify the amount of start-up capital costs of the Gift Shop and record amount in the accounting records and financial statements.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
D.1.	Request the CHO to provide: (a) formal clarification of recoverable costs; (b) formal clarification on the markup policy; (c) formal clarification on the rounding policy; and (d) approval to sell items with House seal.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition. The CHO required a review of inventory items that will be embroidered with the Congressional Seal.	Not applicable
D.2.	Develop and document operational policies incorporating results for implementation of recommendations in D.1.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable
E.	Continue current efforts to document Gift Shop operating procedures, to ensure completeness of procedures, and to review for adequacy.	1			On October 21, 1996, the CHO granted approval to outsource the House Gift Shop utilizing full and open competition.	Not applicable

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
The House Gift Shop's Internal Controls Need To Be Improved
Report No. 95-CAO-05

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
F.	Develop a contingency plan for the Gift Shop's automated system.	1			Policy Memorandum dated May 3, 1996 details the automated system contingency plan. On October 21, 1996, the CHO granted approval to outsource the House Gift Shop.	Not applicable
10	Total recommendations	<u>10</u>	<u>0</u>	<u>0</u>		

Footnote: Recommendations are considered fully implemented under the presumption the House Gift Shop will be outsourced.

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Changes In Operating Practices Could Save Media Services \$1.7 Million Annually
Report No. 95-CAO-06

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
A.1.	Reduce the cost of the House radio and TV production services, duplication services, and floor coverage by selecting and implementing one of three specified options: (a) Contract out the above services for all studios; (b) close two to three radio studios and one TV studio and reduce staff, and (c) continue as is with additional cost cutting measures.		1		Under H.R. 2739 photo services provided by the House Recording Studio were terminated on August 1, 1995. Member ID photo operations were transferred to the SAA. The CAO also reduced staff during the year.	To be determined (TBD)
A.2.	Prepare proposals, for approval, to consolidate all photo lab services within the Photography Studio.		1		Under H.R. 2739, 35 positions were abolished, and a "break even" pricing schedule was implemented. SAA received Member ID photo operations on August 1, 1995.	Not applicable
B.1.	Improve efficiency and effectiveness of in-house photo by: (a) charging Members and committees on an hourly basis; (b) utilizing part-time photographers; (c) establishing inventory controls over cameras and film; and (d) establishing accounting and reporting system.		1		H.R. 2739 implemented a break-even price schedule, estimated hours of operation and flexible work schedule. Inventory controls such as monthly counts, locked storage, and equipment and film daily assignments were also initiated. There are no reports which indicate that a break-even price schedule has been implemented.	TBD
B.2.	Implement improvements in efficiency and effectiveness of photo lab services by selecting and implementing one of two options: (a) Improve in-house photo lab services; or (b) contract with outside vendor for photo lab services.		1		H.R. 2739 implemented a break-even price schedule, estimated hours of operation and flexible work schedule. The CAO also established a policy to properly collect and dispose of "toxic" waste, and prepare monthly inventory counts. There are no reports which indicate that a break-even price schedule has been implemented.	TBD
4	Total recommendations	<u>1</u>	<u>3</u>	<u>0</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Changes In Operating Practices Could Save Office Supply Store and Gift Shop \$1.3 Million Annually
Report No. 95-CAO-07

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
A.	Prepare a proposal, for approval, for closing the Supply Store and replacing it with an outside contractor.			1	Supply store is still maintained in house. The CAO needs to submit the cost/benefit analysis that supports this alternative to the CHO and OIG for review.	TBD
B.	Prepare a proposal, for approval, to modify the pricing policy to recover the full cost of flags sold to the public.			1	Currently a pricing policy has not be implemented to ensure the cost of U.S. flags is recovered.	TBD
C.	Prepare a proposal, for approval, to implement one of two options: (1) contract out the Gift Shop, (2) continue to operate the Gift Shop and address the four fundamental problems of pricing policy, labor costs, merchandise, and location.	1			Gift shop is in process of being contracted out. Approval for outsourcing, utilizing full and open competition, was granted on October 21, 1996.	Not applicable
3	Total recommendations	<u>1</u>	<u>0</u>	<u>2</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies
Report No. 95-CAO-08

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
A.1.	Develop a proposal, for approval, to implement one of the following: (a) ensure that adequate internal controls are in place and operating if election to procure a commercial off-the-shelf payroll package, or (b) require certification and include the right to audit if payroll services are contracted from an outside source.		1		The payroll process will remain in-house with purchased software and the internal control structure will be addressed as part of the Federal Financial System (FFS) implementation.	TBD
A.2.	Immediately implement those recommendations, below which involve serious integrity exposures.		1		See the comments in recommendations D.2. through D.5., F.1. through F.3., G.3., G.4., H.2., I.1., and I.2. below.	TBD
B.1.	Implement adequate security measures, including: (a) timely updating of authorized individuals and adequate accounting of keys, to ensure that improper disclosure of sensitive Member information will not occur; and (b) limiting access to Room HB-1 to those individuals whose specific job functions require such access.	1			The key list was updated on October 2, 1995, the access list was updated February 16, 1996, and a peephole was installed. The access listing is updated as needed.	Not applicable
B.2.	Establish and implement adequate environmental controls and procedures to ensure the safety of office personnel and to minimize potential loss of equipment, data, and Member information.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
B.3.	Implement a vendor preventive maintenance schedule to reduce potential equipment failure or interruption which may delay monthly distribution of Members' paychecks.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
B.4.	Establish and implement backup and recovery procedures to ensure that computer operations, for significant hardware processes, can continue uninterrupted.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
C.1.	Establish a business resumption and contingency plan and assign responsibilities to appropriate individuals.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
C.2.	Ensure that Member Services disaster recovery policies and procedures are developed, routinely tested, and adequately maintained.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies
Report No. 95-CAO-08

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
D.1.	Review and evaluate the entire security administration functions of the AS/400.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
D.2.	Modify system installed default values to reflect a secure and controlled environment.	1			Security defaults were adjusted to include a limit of three sign-on attempts allowed, password must be changed every 60 days, and password must be a minimum of 6 characters.	Not applicable
D.3.	Modify the system security level so that access is adequately restricted and system integrity can be achieved.	1			This recommendation is addressed by recommendations D.2., D.4., and D.5.	Not applicable
D.4.	Change the IBM supplied user profiles default passwords.	1			The user profiles default passwords have been changed by System Administrator.	Not applicable
D.5.	Develop and implement procedures for monitoring the system key lock as well as the physical security of the keys.	1			Internal Policy Statement No. FIN-001-95 was approved on February 26, 1996, which requires the Associate Administrator, Finance to set the system key to the "Secure" position, remove the key and maintain it in a secure location, and visually inspect the lock position on a routine basis.	Not applicable
E.1.	Obtain technical assistance to help Member Services staff review the payroll process and application documentation in order to implement application program changes to eliminate the processing on parallel systems.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
E.2.	Obtain technical assistance to help Member Services staff evaluate current and future system requirements and upgrade system software to meet the requirements of the House of Representatives.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD
F.1.	Obtain qualified assistance to help Member Services staff review the source code and related data for state tax withholding to ensure the accuracy and reliability of the formulas and data related to tax deductions.			1	Internal Policy Statement No. FIN-004-95 was approved on February 26, 1996, which provides for a review of all House Members' payroll transactions. However, a review of the source code and related data for state tax withholding was not included.	TBD

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies
Report No. 95-CAO-08

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
F.2.	Direct Member Services to implement procedures to ensure that taxes are withheld from formerly elected members during transition periods.	1			Internal Policy Statement No. FIN-004-95 was approved on February 26, 1996, which requires the Associate Administrator, Finance, or designee, to monitor, review, and approve all House Members' payroll transactions in order to verify and validate data supporting the payroll payments made to the House Members.	Not applicable
F.3.	Ensure that thrift savings and other deductions are properly identified.	1			Internal Policy Statement No. FIN-004-95 provides for the review of all House Members' payroll transactions.	Not applicable
G.1.	Establish and implement adequate procedures to separate duties and responsibilities over the Member payroll check process and implement dual control for check processing procedures.	1			Internal Policy Statement No. FIN-004-95 provides for the review of all House Members' payroll transactions by the Associate Administrator, Finance, or designated person other than a House Members' payroll employee.	Not applicable
G.2.	Limit access to resources to authorized individuals and periodically monitor and keep the authorization listing current.	1			Internal Policy Statement No. FIN-003-95 which was approved on February 26, 1996, addressed this recommendation, and the vault was moved out of Room 141.	Not applicable
G.3.	Establish periodic combination lock changes for the Finance vault, particularly when key individuals change jobs.	1			Internal Policy Statement No. FIN-003-95 provides for the change in the combination lock on an annual basis or an as needed basis due to either separation of authorized vault employees or change in personnel assigned to the department.	Not applicable
G.4.	Ensure that backup tapes for monthly payroll are stored in an off-site location with adequate security.	1			Internal Policy Statement No. FIN-005-95 which was approved on February 26, 1996, requires the back-up of all payroll data to disk storage upon the completion of each payroll cycle. The payroll data back-up is stored at a secured, external site.	Not applicable
G.5.	Implement procedures so that an independent review of checks is performed to ensure the accuracy of the check log and integrity of checks processed.			1	Internal Policy Statement No. FIN-004-95 was to address this recommendation, however, this statement does not address controls over check processing.	TBD
H.1.	Obtain technical assistance to help Member Services staff review the responsibilities between the data entry, hardware operations, application programming, and security functions for the AS/400 computer system and Liberty application software.			1	This recommendation is to be addressed as part of the FFS implementation.	TBD

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Continuation Of Member Services Operations Threatened By High Operating Costs And Numerous Internal Control Deficiencies
Report No. 95-CAO-08

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
H.2.	Obtain technical assistance to help Member Services staff identify and implement compensating controls that would improve separation of duties for each job responsibility.	1			Internal Policy Statement No. FIN-004-95 provides a compensating control to the lack of segregation of duties by requiring the review of all House Members' payroll transactions by the Associate Administrator, Finance, or designee.	Not applicable
I.1.	Determine the extent and eliminate the use of unlicensed software in Member Services.	1			All unlicensed software was replaced in Member Services by June 24, 1996.	Not applicable
I.2.	Implement procedures to ensure compliance with the copyright laws and prevent the use of unauthorized software.	1			Internal Policy Statement No. FIN-002-95 which was approved on February 26, 1996, states that all commercially purchased software packages will be used in compliance with the copyright laws of the applicable software packages purchased. Per department personnel software use is in compliance.	Not applicable
27	Total recommendations	<u>14</u>	<u>2</u>	<u>11</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Storage Space Occupied By Old, Outdated Items Costs The House \$170,000 Annually
Report No. 95-CAO-09

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
1.	Prepare a proposal, for approval, to establish storage space fees.	1			This recommendation is no longer applicable as the Star Warehouse was vacated on September 30, 1995.	Not applicable
2.	Prepare a proposal, to approve a formal, written policy to establish guidelines for the removal of obsolete and outdated items.		1		A formal written policy has been established as evidenced by a memo to the Associate Administrator for Media and Support Services, from the Acting Chief, dated May 6, 1996. However, CHO approval has not yet been obtained.	TBD
3.	Prepare a proposal, for approval, to modify the Star Warehouse lease by initiating one of two options: (a) discontinue the lease of three floors, or (b) terminate the lease.	1			The lease was terminated and the property was vacated on September 31, 1995.	Not applicable
3	Total recommendations	<u>2</u>	<u>1</u>	<u>0</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Lack Of Sound Personnel Policies and Procedures Could Cost the House Millions
Report No. 95-CCS-10

No.	Recommendations (Addressed to CAO, House Clerk and SAA)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
A.	Develop legislation and guidelines, for approval, on lump-sum payments for unused annual leave. Proposed guidelines should be consistent across House offices.	1			CHO Resolution dated June 14, 1995, on employee assistance, developed the guidelines for payment of unused annual leave.	Not applicable
B.	Prepare a proposal, for approval, to implement one of the following options: (1) require all House offices to request assistance from the House Placement Office (HPO) for all job openings, (2) use the HPO to refer applicants for non-legislative House positions only, or (3) eliminate the HPO.	1			The HPO was closed in August of 1995. With closure of the HPO, one staff person performs a résumé referral function.	Not applicable
C.1.	Develop a proposal, for approval, to amend the Classification Guidelines to require documentation supporting pay increases, other than longevity increases, be kept in Official Personnel Files.	1			The March 12, 1996 "Personnel Policies and Procedures for Officers and Inspector General of the U.S. House of Representatives" manual, requires merit increases for non-legislative employees to be supported by an Employee Evaluation Form, which provides documentation in employee files.	Not applicable
C.2.	Develop a proposal, for approval, to amend the Classification Guidelines to revise the Payroll Authorization Form to include such information as the type of pay increase (e.g., promotion, reclassification).			1	The CHO is aware that the March 15, 1979 Classification Guidelines of the House Employee Position Classification Act will need to be revised. However, changes will not occur until the 105th Congress.	During 105th Congress
C.3.	Develop a proposal, for approval, to amend the Classification Guidelines to require periodic independent audits of personnel files.	1			Personnel policies were developed and adopted by the CAO on March 12, 1996.	Not applicable
	Recommendations D.1., D.2., and D.3.	1	2		Reviewed in Report No. 96-HOC-05, dated July 30, 1996.	
E.	Develop a manual of uniform human resources policies and procedures, for approval, addressing the following six areas of personnel administration: (a) hiring procedures to include job announcements, closing dates, current position descriptions, and evaluation criteria; (b) performance appraisal system; (c) employee dismissal procedures; (d) description instructions on documentation requirements; (e) centralization of records in the Benefits Office; (f) periodic independent audits of personnel files.	1			Personnel policies were developed and adopted by the CAO on March 12, 1996.	Not applicable
9	Total recommendations	<u>6</u>	<u>2</u>	<u>1</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Standardized Processes Are Needed To Create An Efficient And Effective Procurement System
Report No. 95-CAO-11

No. Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
	Fully	Partially	None		
A.2. Develop a proposal, for approval, to implement a systematic and coordinated planning process for procurement activities.		1		A working draft has been created.	November 30, 1996
A.5. Develop a proposal, for approval, to implement a standardized vendor selection and monitoring process and a computerized vendor database system.		1		The CHO mandated in its <i>Guidelines for the Purchase of Equipment, Software and Related Services by Offices of the U.S. House of Representatives</i> , that a vendor certification program be implemented by the beginning of the 105th Congress. A task team has been established to develop and implement a proposal.	December 31, 1996
A.6. Develop a proposal, for approval, to incorporate performance criteria into all contract and purchase order agreements.	1			A proposal to incorporate performance criteria into acquisition agreements was approved by the CHO on March 22, 1996.	Not applicable
B. Develop a proposal, for approval, to include integrated procurement information specifications, in accordance with the Joint Financial Management Improvement Program, and remote access to administrative office users in the new financial management system.		1		An automated acquisition system is to be fully operational in Phase III of the FFS implementation. The first phase of the project, the Purchasing Subsystem, was implemented on June 1, 1996. The next phase, Procurement Desktop, is in development.	TBD
C. Develop a proposal, for approval, to resolve the labor costs dispute associated with the Marriott/Thompson food services contract.	1			Contract dispute settlement was submitted to the CHO and approved in November of 1995.	Not applicable
Recommendations A.1., A.3., and A.4.	2	1		Reviewed in Report No. 96-HOC-05, dated July 30, 1996.	
8 Total recommendations	4	4	0		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
The House Needs To Integrate Planning And Financial Management To Improve Productivity, Performance, And Accountability
Report No. 95-CCS-12

No.	Recommendations (Addressed to CAO, House Clerk and SAA)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
A.	The CAO in conjunction with the Clerk of the House and the Sergeant at Arms, develop a proposal, for approval by the CHO, to implement policies and procedures to establish a performance measurement process.			1	The CAO stated that they meet regarding specific issues but do not have meetings to develop joint efforts on policies, procedures or planning. The CAO does not have the authority to require actions of the Clerk or the Sergeant at Arms.	TBD
B.	The CAO in conjunction with the Clerk of the House and the Sergeant at Arms, develop a proposal, for approval by the CHO, to integrate budget formulation and financial management into the planning process.			1	The CAO stated that they meet regarding specific issues but do not have meetings to develop joint efforts on policies, procedures or planning. The CAO does not have the authority to require actions of the Clerk or the Sergeant at Arms.	TBD
2	Total recommendations	0	0	2		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Changes In Operating Practices Could Save Office Furnishings \$1 Million Annually
Report No. 95-CAO-15

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
A.1.	Evaluate customer furnishings needs and preferences on an ongoing basis.	1			A survey was distributed on May 30, 1996, and is scheduled to be performed on a quarterly basis.	Not applicable
A.2.	Phase out old non-functional furnishings with ergonomic, modern furnishings over the next nine years.	1			For Fiscal Year 1995, 34% of the seating budget was expended on ergonomic seating. For Fiscal Year 1996, 48% of the budget was expended for ergonomic furnishings.	Not applicable
A.3.	Develop a staffing plan for Office Furnishings which is more closely aligned to maintain minimum levels of resources to satisfy routine demands.	1			A master scheduling document was developed. In addition each division has monitored the workload and communicated staffing needs.	Not applicable
A.4.	Specifically address continued need for Office Furnishings in-house resources, reduce staffing down to minimum levels, supplementing staff levels with overtime, temporary staff, or contractors during peak periods; or eliminate and contract out.		1		A master scheduling document was developed. In addition each division has monitored the workload and communicated staffing needs. Out-sourcing of the Office Furnishings function is not anticipated.	TBD
A.5.	Implement, within the future management system, an automated cost accounting module that includes all relevant overhead costs, and supports furnishings acquisition decisions and management reporting needs.			1	An automated cost accounting module is planned in a future phase of the comprehensive implementation of the new FFS financial management system.	TBD
B.1.	Identify Office Furnishings' work order system needs. The current work order system requires excessive resources to process transactions and track the location of assets.		1		House Information Resources staff agreed to improve the current work order subsystem, however work done in this area has been limited.	TBD
B.2.	Develop a proposal, for approval by the CHO, to procure a commercially available computer package with capabilities to meet needs identified.			1	An automated cost accounting module is planned in a future phase of the comprehensive implementation of the new FFS financial management system.	TBD
7	Total recommendations	<u>3</u>	<u>2</u>	<u>2</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Problems Plagued The House's Financial Operations
Report No. 95-CAO-16

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
B.1.	Take advantage of implementation of the new Federal Financial System to redesign and streamline the Finance processes.		1		Corrective action is not completely responsive. Federal Financial System is being implemented. Automation of payroll has not been addressed.	TBD
B.2.	Develop a system for measuring Finance's performance that is integrated with the Federal Financial System.		1		Produced performance measurement reports to measure voucher processing time, the number of vouchers processed, etc. Further improvements will be implemented with Phase III of the Federal Financial System. Cost to perform duties has not been addressed.	Spring 1997
F.	Develop proposals, for approval by the CHO, to enforce the rules in the Congressional Handbook prohibiting retroactive salary adjustments for Members' staff and establish written rules prohibiting them for other House employees.		1		The Members' Congressional Handbook has been restated to include specific language which prohibits retroactive pay adjustments for Members' staff. However, there has been no consistent enforcement of the policy. The March 12, 1996 "Personnel Policies and Procedures for the Officers and Inspector General of the U.S. House of Representatives" manual prohibits retroactive salary adjustments for Non-Member staff.	TBD
G.4.	If the decision is made to contract for payroll processing, use competitive bidding.		1		There are no plan to contract for payroll processing; however, if the decision eventually is made to contract for payroll processing, the House will follow Committee procurement guidelines.	NA
	Recommendations A.1-5., C.1. and 2., D.1-6., E.1-6., and G.1-3.	8	11	3	Reviewed in Report No. 96-HOC-05, dated July 30, 1996.	
26	Total recommendations	<u>9</u>	<u>14</u>	<u>3</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost \$2.0 Million In Payments For Outdated Equipment
Report No. 95-CAO-17

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Fully	Partially	None		
B.1.	Track office equipment inventory by operable units, rather than component parts.			1	Office of System Management stated that its policy is that all equipment is tracked by bundles of components rather than by individual parts. However this is not currently being done.	TBD
B.2.	Conduct periodic physical inspections of equipment inventory.	1			Office of System Management stated that as of December 1995, equipment inventory was inspected and future sample physical inventories are planned.	Not applicable
C.2.	Implement a policy for terminating maintenance agreements as equipment becomes outdated.		1		A policy for terminating maintenance agreements as equipment becomes outdated has met with resistance from Members, however, maintenance agreements are being terminated on obsolete (unused) equipment.	TBD
	Recommendations A.1., A.2., A.3., C.1., C.3. ,D.1., D.2.		6	1	Reviewed in Report No. 96-HOC-05, dated July 30, 1996.	
10	Total recommendations	<u>1</u>	<u>7</u>	<u>2</u>		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
The House Beauty Shop's Management Controls Do Not Adequately Safeguard Assets Or Ensure Compliance With The Law
Report No. 95-CAO-21

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
A.1.	Develop, implement, and utilize budgetary controls which ensure that funds are available for obligation or expenditure before they are authorized.	1			Beauty Shop has been outsourced.	Not applicable
A.2.	Ensure that financial information is timely, complete, and accurate to assist in making sound business decisions.	1			Beauty Shop has been outsourced.	Not applicable
A.3.	Implement policies for adequate segregation of functions which separate operational and record-keeping responsibility.	1			Beauty Shop has been outsourced.	Not applicable
B.1.	Limit employees access to the computerized cash register.	1			Beauty Shop has been outsourced.	Not applicable
B.2.	Ensure that the House Beauty Shop (HBS) deposits all cash receipts intact by 1:00 p.m. on the next work day.	1			Beauty Shop has been outsourced.	Not applicable
B.3.	Develop and implement policies for adequate delegation of functions which separate custody, authorization of transactions, and operational responsibility from record keeping responsibility.	1			Beauty Shop has been outsourced.	Not applicable
B.4.	Develop a comprehensive manual that identifies management's policies and procedures and provides detailed guidance for processing all transactions.	1			Beauty Shop has been outsourced.	Not applicable
B.5.	Ensure that documentation such as authorized service and retail price lists and completed customer tickets are maintained and readily available for examination.	1			Beauty Shop has been outsourced.	Not applicable
B.6.	Implement an independent verification policy which assures that management's internal control policies and procedures are effective and consistently being followed.	1			Beauty Shop has been outsourced.	Not applicable
C.1.	Modify the HBS computer's logon procedures to require employees to enter a password and limit unauthorized access to record/change transactions.	1			Beauty Shop has been outsourced.	Not applicable

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
The House Beauty Shop's Management Controls Do Not Adequately Safeguard Assets Or Ensure Compliance With The Law
Report No. 95-CAO-21

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Expected Implementation Date
		Fully	Partially	None		
C.2.	Document the HBS computer system and provide this document to the user.	1			Beauty Shop has been outsourced.	Not applicable
C.3.	Establish and implement backup procedures and a data recovery plan for the HBS computer system.	1			Beauty Shop has been outsourced.	Not applicable
C.4.	Modify the HBS computer's financial reports subsystem to provide the capability of generating complete financial statements.	1			Beauty Shop has been outsourced.	Not applicable
D.1	Ensure HBS management routinely performs periodic reconciliations of the computerized perpetual inventory reports with the physical inventory on-hand and adjusts the balances accordingly.	1			Beauty Shop has been outsourced.	Not applicable
D.2.	Develop and implement a retail inventory pricing policy and ensure this policy is available for examination.	1			Beauty Shop has been outsourced.	Not applicable
D.3.	Record professional inventory used on customer sales tickets and enter these when recording sales.	1			Beauty Shop has been outsourced.	Not applicable
D.4.	Modify the HBS computer's inventory subsystem to provide the cost of items purchased; aggregate cost of quantities on hand; and, subtotals of each class of inventory.	1			Beauty Shop has been outsourced.	Not applicable
E.	Ensure that monthly cash reconciliations between the HBS and Office of Finance records are performed and discrepancies corrected.	1			Beauty Shop has been outsourced.	Not applicable
F.	Ensure that disbursements made from the HBS Revolving Fund are only for HBS expenses.	1			Beauty Shop has been outsourced.	Not applicable
19	Total recommendations	19	0	0		

Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Improved Controls Could Prevent Abuse of the House Restaurant System Unemployment Compensation Program
Report No. 95-CAO-26

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Complete	In Process	Not Started		
A.1.	Resolve the audit adjustments identified in this report with the Department of Labor (DOL).		1		Accountability for the implementation of this recommendation is being established.	TBD
A.2.	Reimburse DOL the outstanding unemployment from July 1, 1992 to March 31, 1995.		1		Accountability for the implementation of this recommendation is being established.	TBD
A.3.	Develop, implement, and document detailed procedures to clarify responsibility on the management and control of the unemployment compensation administration.	1			Restaurant operations are currently outsourced. This makes this recommendation not applicable.	Not applicable
A.4.	Ensure that the following activities pertaining to unemployment compensation administration are performed regularly: (a) Compare District of Columbia Department of Employment Service (DCDES) quarterly charge summaries to payroll records to ensure that claimants are not concurrently employed by the House Restaurant System (HRS) and collecting unemployment compensation benefits and that HRS is charged only for HRS employees; (b) Reconcile Quarterly Statements provided by DOL to DCDES Quarterly Charge Summaries to confirm that DOL billings are accurate; (c) Promptly pay the appropriate amount of the quarterly billings to DOL for the reimbursable benefits paid to unemployment compensation for unemployed Federal civilian employees (UCFE) claimants; (d) Complete and return correct wage and separation information to DCDES in a timely manner; (e) Review and compare Monetary Determinations to wage information to ensure claimants are eligible for unemployment compensation benefits; (f) Take appropriate action in the proper time frame to resolve any discrepancies regarding DOL billing and DCDES determinations; and (g) Maintain records for the proper administration of unemployment compensation claims which include UCFE form files and logs, and pertinent correspondence regarding appeals and other significant matters.	1			Restaurant operations are currently outsourced. This makes this recommendation not applicable.	Not applicable


Chief Administrative Officer
Status of Implementation of Prior Audit Recommendations
Improved Controls Could Prevent Abuse of the House Restaurant System Unemployment Compensation Program
Report No. 95-CAO-26

No.	Recommendations (Addressed to Chief Administrative Officer)	Implementation Status			Comments	Estimated Implementation Date
		Complete	In Process	Not Started		
A.5.	Assign responsibility for conducting periodic internal reviews of UCFE activities to personnel who do not have record-keeping responsibilities responsibilities.	1			Restaurant operations are currently outsourced. This makes this recommendation not applicable.	Not applicable
B.1.	Seek a formal coverage ruling from the Assistant Secretary for Employment and Training, DOL, to determine whether HRS contract employees are eligible to receive unemployment compensation benefits under Title 5 of the U.S. Code.	1			Coverage Ruling was issued by DOL, dated August 28, 1996. The result was in favor of the contract employees, not the House.	Not applicable
B.2.	Request, in the event that a favorable formal coverage ruling is received from DOL, a reduction of \$200,557 for previously billed unemployment compensation paid to HRS contract employees.	1			Coverage Ruling was issued by DOL, dated August 28, 1996. The result was in favor of the contract employees, not the House.	Not applicable
7	Total Recommendations	<u>5</u>	<u>2</u>	<u>0</u>		

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

MEMORANDUM

TO: Robert B. Frey III. Deputy Director
Office of the Inspector General

FROM: Jeff Trandahl 
Acting Chief Administrative Officer

DATE: DEC 18 2016

SUBJECT: Draft Audit Report - Improvements Are Needed In The Management
And Operations Of The Office Of The Chief Administrative Officer

Thank you for the opportunity to comment on your draft report. We have carefully reviewed the draft audit report, "Improvement Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer" and carefully considered the recommendations contained therein. We appreciate the thought that has gone into the document and we are generally supportive of the recommendations. Our specific responses with relevant discussion are indicated in the following:

IMMEDIATE OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER:

Finding A: CAO Communications, Planning And Analysis, Goal Setting, And Monitoring Should Be Strengthened

Recommendations

We recommend that the Chief Administrative Officer:

1. Encourage regular communications between Members, Committees, and other customers and CAO operational units. **Concur.**

Response: There is now regular communication at the office level with Member offices, Committees, and other customers. Counselors in Finance, OSM, and HIR communicate regularly and effectively with their customers. Communication needs to be improved at the policy-making level. The CAO needs to know that a meeting is taking place and needs to know what, if any, commitments are made. This should not be accomplished by prohibiting such meetings or by requiring attendance by an outside monitor. Instead, communications should be reported internally and commitments to produce a product tracked. Staff should be reminded that any policy proposals must be reviewed by the CAO and approved before submission to the CHO, even in draft form.

We also believe that effective communications within the Office builds trust among all CAO employees. We support open and frank communications with direct staff from the CAO through all levels of employees. To that end, we will establish a written policy concerning full and open communications with both CAO internal and external customers. Also, we will communicate broadly throughout the Office the vision, strategy, and goals and objectives of the CHO and the CAO.

2. Develop, for the Committee on House Oversight approval, a standard planning and decision-making package addressing all aspects of policy and operational reviews. **Concur.**

Response: We agree that a standard planning and decision-making package needs to be agreed upon by the CAO and the CHO and then used consistently across the organization. We will work with CHO to develop a package and submit it for CHO review and approval.

3. Strengthen the annual CAO goal setting and monitoring process to include:

- * Development of initial goals and objectives by the CAO.
- * Continuous review and monitoring of goals, objectives, and assignments of priorities by the CHO, and
- * Quarterly reporting by CAO on status of all goals and objectives. **Concur.**

Response: We will improve our strategic planning process to accomplish the desired results. The CAO has an established and documented a strategic plan which includes the CAO vision and values, mission statement, strategic focus, critical success indicators, goals, strategies, objectives, plans of action, and monthly status reports on these plans of action.

We concur that the process we have needs to be expanded, used more consistently in the CAO, and be in support of CHO strategy. The elimination of the dual reporting relationship between the CAO and both the Speaker and CHO is key to improving goal setting and monitoring. It will allow CHO and CAO to agree on direction and priorities

resulting in coordinated goals and objectives. As an alternative to quarterly reporting, we suggest that existing monthly status reports and the semi-annual CAO Report to the Committee on House Oversight be relied upon.

Finding B: Improvements Needed In Follow-up Of Audit Recommendations

Recommendations

We recommend that the Chief Administrative Officer:

1. Take lead responsibility for coordinating with the Clerk and Sergeant at Arms to establish a consistent system for tracking and managing the implementation of prior audit recommendations. **Concur.**

Response: We understand that this recommendation only suggests that the CAO should have lead responsibility for coordinating the establishment of a system and not for the actual tracking and implementing of prior audit recommendations for the Clerk and the Sergeant at Arms, since the CAO has no authority relative to those Offices. We do concur that a consistent tracking system should be used and that the CAO can coordinate the establishment of such a system.

2. Establish target dates for all unimplemented prior audit recommendations. **Concur.**

Response: We concur with the need to establish detailed implementation plans with target dates. We will develop these plans in conjunction with the continuing strategic planning which will help determine priorities and resource allocations.

HOUSE INFORMATION RESOURCES:

Finding C: The House Lacks A Single Vision and Strategy Resulting In System Development That Lacks Consistent Prioritization and Coordination

Recommendations:

We recommend that the Chief Administrative Officer:

1. Update the *Plan* strategy and establish a conceptual direction based on the most current needs analysis, for approval by the CHO. **Concur.**

Response: The HIR Planning Manager has written a draft of an updated version of the *Plan* strategy. This strategy will establish a conceptual direction for HIR. The new *Plan* will be submitted to the CHO in a timely fashion.

2. Communicate *Plan* objectives and related goals and priorities to all HIR employees. **Concur.**

Response: The *Plan* has been communicated in the past year and substantial progress toward *Plan* objectives has been made in a number of areas. There has been confusion over specific elements of the *Plan* which have been clarified. When the updated *Plan* is approved by the CHO every effort will be made to communicate it more effectively throughout the HIR organization. The priority setting issue will be handled in conjunction with the Computer and Information Services Working Group (CISWG) who will be actively involved in setting priorities for IT initiatives.

3. Ensure that all systems development and other automation efforts are coordinated through HIR. **Concur**

Response: The Associate Administrator for HIR will be responsible for all systems development and other automation efforts and will be accountable to the Acting CAO for accomplishing his goals and objectives in his areas of responsibility. This recommendation has been implemented.

4. Assess and re-align HIR staffing in order to ensure that a current needs analysis is prepared as a basis for the technical strategy of the *Plan*. **Concur.**

Response: Internal resources are being realigned and a staffing recommendation has been put forward to CHO to respond to the need.

5. Review the overall HIR management structure to ensure that all major projects are properly planned, organized and coordinated effectively and approved by the CHO. **Concur**

Response: The CAO will examine the HIR management structure to determine the best organization of skill sets to staff major IT projects. Part of reorganization efforts will focus on the reporting structure of individual project team leaders, increased accountability for performance of team members, and the ability of the HIR Project Manager to effectively plan, organize, and coordinate project teams effectively across the enterprise level. The CyberCongress Project Manager will also include coordinating HIR projects with joint efforts across other legislative branches and organizations.

There are numerous large projects such as the new messaging system, the new telephone system, and the paperless transactions initiatives that have been properly planned, organized, coordinated and approved by the CHO but the need to address all major initiatives with a set of well structured and adhered to procedures is vital to the success of the CyberCongress.

Finding D: The House Lacks Adequate Policies And Procedures To Manage Systems Development Activities Resulting In Implementation Delays And Cost

Overruns

Recommendations:

We recommend that the Chief Administrative Officer:

1. Develop, for approval by the Committee on House Oversight, detailed project management policies and procedures based on a formal SDLC methodology which establishes a structured approach for managing and implementing information systems projects. These policies and procedures should also address change management. **Concur.**

Response: The CAO agrees to implement the interim guidelines for system development previously agreed to by HIR and the Inspector General of the House. For the long term, we will analyze and select a formal methodology that more precisely meets our needs.

2. Develop and provide training for Directors and technical staff in order to implement the newly developed project management policies and procedures. **Concur.**

Response: As the Life Cycle process and procedures are being developed and prepared for review by the CHO, CISWG, and the Inspector General staff, the training syllabus and materials for Directors, managers, and technical staff will be built. Once the process is approved the training will be initiated and become part of the system development culture in HIR.

3. Ensure that all systems and development projects are managed according to these project management policies and procedures. **Concur.**

Response: When the Life Cycle process and procedures are approved and the training is complete, all new systems development projects will adhere to these procedures. Projects already underway will incorporate the Life Cycle procedures at the appropriate time.

Finding E: HIR Mainframe Migration Project Requires Additional Research

Recommendations:

We recommend that the Chief Administrative Officer:

1. Conduct a comprehensive needs analysis and cost-benefit analysis to determine the best approach to mainframe migration. **Concur.**

Response: The CAO concurs with this recommendation with the understanding that it is not a recommendation to do further analysis of **whether** to migrate from the **present** mainframe environment, but rather **the best approach** to the migration. The decision

to migrate was made when the *Plan* was approved by the Committee on House Oversight in November 1995. The *Plan* established that the House would migrate to smaller computers over the next several years. The CAO will prepare a comprehensive needs analysis and cost/benefit analysis to document this course of action and present it to the Committee on House Oversight for approval by March 1, 1997.

2. Adopt an implementation plan that balances the need for an aggressive timeline with user needs and hardware, software, personnel and budget requirements. **Concur.**

Response: HIR will adopt an implementation plan based on the migration strategy and direction provided by the Committee on House Oversight. The plan will balance the need for the agreed upon timeline as approved by the Committee which will accommodate user needs, and hardware, software, personnel and budget requirements.

Finding F: HIR Does Not Have A Plan To Address The Year 2000 Issue

Recommendations:

We recommend that the Chief Administrative Officer prepare a plan addressing the potential impact of the Year 2000 issue, for review and approval by the Committee on House Oversight.
Concur

Response: HIR concurs that its Plan to address the Year 2000 Issue needs to be strengthened. HIR has determined that two major legacy systems will carry into the year 2000 and has identified the applications that fall outside the main legacy systems. A small MVS enterprise server will continue to run as a node on the network-centric environment if external customers and NCOA users will continue to be supported. Enterprise Computing Group has been doing the pre-positioning work on the mainframe-based operating system software to ensure that "Year 2000 Compliant" software will be installed prior to December 1998. Integration Group will address the applications or services for possible conversion. We will work with the Committee and with House vendors to ensure that office level systems are year 2000 compliant.

HIR will adopt project management policies and procedures to ensure appropriate planning and conversion for year 2000 issues addressing the establishment of priorities and target dates for the phases of conversion, and adequate testing for all the systems. A project manager will be assigned the responsibility for the conversion team, which will have representatives for all areas of HIR.

OFFICE OF FINANCE:

Finding G: The Office Of Finance Did Not Adequately Plan, Track, And Report On Performance Results

Recommendations

We recommend that the Chief Administrative Officer:

1. Establish realistic performance measures for key finance processes with quantitative indicators and track actual performance against those indicators. **Concur.**

Response: The CAO will establish more realistic quantitative process performance measures and track actual performance.

2. Establish realistic milestones and targeted completion dates for financial systems projects and process implementations, and track actual performance and accomplishments accordingly. **Concur.**

Response: Through the strategic planning process, more realistic milestones and completion dates will be established and then tracked by the project management system.

3. Track and report qualitative outcomes (efficiencies and effectiveness) of key performance indicators for financial operations. **Concur.**

Response: The CAO will track and report qualitative outcomes of key performance indicators for financial operations.

4. Provide the CHO with sufficient detailed information in order to make informed decisions regarding Finance operations. **Concur.**

Response: The CAO agrees to establish realistic performance measures for finance processes and milestones and completion dates for financial systems projects. We will also track the actual performance, which will allow for the reporting of sufficient information to the CHO for informed financial decisions.

Finding H: Financial Operations Are Not Being Effectively Managed

Recommendation

We recommend that the Chief Administrative Officer expedite the re-submission of Finance's reorganization package including sufficient details in support of the proposed reorganization. **Concur.**

Response: We agree that improvements are needed in most facets of Finance Office operations and will address those improvements with some specificity in a proposal to the CHO dealing with staffing levels and alignment. We would expect, however, to revisit every aspect, including those features of the recently submitted reorganization that the audit found favorable.

Finding I: Finance Has Hired Contractors To Perform Functions Customarily Performed By In-House Staff

Recommendation

We recommend that the Chief Administrative Officer reassess the need for continued contractor services after the recently proposed reorganization is approved and implemented and, to the extent that continued services are needed, prepare a new comprehensive contracting proposal, based on that assessment, for approval by the CHO. **Concur.**

Response: A reassessment of the need for contractors will be conducted after the study and proposal for Office of Finance staffing levels and alignment is completed. Based on that assessment and on an identified need for continued services, a comprehensive contracting proposal will be prepared for CHO approval.

Finding J: Documentation, Retention, And Distribution Of Financial Operating Policies And Procedures Can Be Improved.

Recommendation

Establish a single point of contact within Finance for documentation retention and distribution of all financial operating policies and procedures. **Concur.**

Response: A single point of contact within Finance for documentation retention and distribution of all financial operating policies and procedures will be established.

OFFICE OF MEDIA AND SUPPORT SERVICES

Finding K: Multiple Inventory Control Systems For Capital Equipment Result In Duplication Of Effort And Risks Of Misplaced Equipment

Recommendations

1. Consolidate responsibility for inventory control activities within the Asset Management unit of the Furniture Resource Center. **Concur.**

Response: OSM and FRC have separate inventory systems. We believe the present unique circumstances require us for the near term to maintain the systems as they are until an electronic inventory system can be implemented.

The CAO agrees that a common assets tracking computer system would maximize the House's control over its assets. The CAO agrees to properly plan and implement such a system in a timely fashion. The capability must tie in with our financial systems, so our present approach is to implement the assets management feature of FFS in Phase III of the FFS implementation. Our plans will address the consolidation of responsibility for inventory control activities.

2. Consolidate the physical inventory of all House equipment owned and maintained by Members, Committees, Officers, and others. **Concur.**

Response: The CAO agrees to address the requirements for consolidation of the physical inventory of all House equipment in the plans for the implementation of the FFS assets management feature, as discussed in the response to Recommendation #1 above. However, we are unable at this time to change existing procedures due to present requirements and complexities.

3. Develop appropriate inventory control policies and procedures, including the minimum inventory threshold value for capital equipment, to ensure accurate inventory management. **Concur.**

Response: We will document appropriate inventory control policies and procedures, including a proposed minimum inventory threshold value for capital equipment. Also, we will develop necessary additional policies and procedures.

Finding L: Utilization Of Media Services Produces Very Poor Results And Certain Operations Are Not Self-supporting

Recommendation

Develop a proposal, for approval by the CHO, for improving Media Services operations, addressing the hours of service required by Members, assessing technology needs, and analyzing the cost of providing these services [to] Members, and restructuring the fee schedule accordingly. **Concur.**

Response: We will develop a proposal, for approval by the CHO, addressing these concerns.

Finding M: The House Is Not Recovering The Cost Of Operating Its Retail Operations

Recommendations

1. Conduct a cost of service study for the Supply Store and develop a proposal, for approval by the Committee On House Oversight, to cover all the costs of the store. **Concur.**

Response: We will develop a proposal for approval by CHO to cover the costs of the supply store by assessing its operations.

2. Expeditiously conduct the competitive procurement for the privatization of the Gift Shop. **Concur.**

Response: RFP submitted to CHO for approval.

Finding N: OneCall Staff Is Underutilized

Recommendation

Combine the ONECall unit with the Restaurant Service's Meeting, Press Conference, and Special Events team to fully utilize available staff. **Concur.**

Response: The CAO will submit a personnel proposal to CHO to combine the ONECall unit with the Special Events unit.

Finding O: There Is No System To Track And Generate Special Events Customer Feedback

Recommendation

Develop special event service and quality tracking systems and survey customers regularly. **Concur.**

Response: A benefit of the recommendation in "N" above to combine ONECall with Special Events will be to better utilize staff from both areas. This will allow appropriate planning and prioritization to be undertaken to determine what enhancements to the tracking system need to be made and what surveys are appropriate. When the approval is received for the proposal to be presented in response to "N" above, a plan will be developed for Special Event service and quality tracking systems and customer surveys.

Finding P: The Process For Acquiring Computers And Related Equipment For Members Offices Is Duplicative And Confusing.

Recommendation

Develop a proposal, for approval by the Committee on House Oversight, to streamline and restructure processes related to the purchase of computers and computer related equipment.
Concur.

Response: We concur that the new procurement process is confusing and in conjunction with HIR and the Office of Procurement and Purchasing will develop a proposal to streamline and restructure the processes.

HUMAN RESOURCES:

Finding Q: Separation Of The Departments Of Personnel And Benefits, And Payroll Is Neither Cost, Time Nor Customer Service-Effective

Recommendations

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

1. Transfer certain functions of the Department of Payroll to the Office of Human Resources. **Concur.**

Response: The CAO will develop a proposal for approval by the CHO which will propose transferring all functions of Payroll except the accounting function itself to Human Resources.

2. Transfer Member Services functions to the Office of Human Resources. **Concur.**

Response: Transfer of Member Services functions to the Office of Human Resources will consolidate all payroll and benefits information within one department. This transfer will not cause any interruption or degradation of services while formalizing the close interaction operationally between Members Services and HR.

3. Establish a Payroll Service agreement between the Offices of Finance and Human Resources. **Concur.**

Response: Based on our response in #1 above, we will use the analysis in the KPMG report to determine the approach to be proposed for the possible transfer of the Office of Payroll. Appropriate service agreements will be established to properly implement any new set-up.

Finding R: Human Resources System is Needed

Recommendation

We recommend that the Chief Administrative Officer develop a proposal, for approval by the Committee on House Oversight, to expedite the selection and implementation of a new comprehensive human resources system to accommodate all of the human resources needs of the House. **Concur**

Response: The CAO acknowledges the need for a comprehensive study for a replacement for the Human Resources FileNet System and the FFS Payroll System.

The CAO has entered into a contract with KPMG to analyze the functions of the Finance Office and to make recommendations for organizational changes. Analysis of this system will be included in their tasks. Upon completion of their analysis, a proposal will be submitted based on their recommendations.

Finding S: **Decentralized Processing Of Worker's Compensation And Unemployment Compensation Can Result In Costly Errors**

Recommendations

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

1. Centralize responsibilities for processing and monitoring worker's compensation in the Office of Human Resources.
2. Centralize responsibilities for processing and monitoring unemployment compensation in the Office of Human Resources.
3. Appoint a Program Coordinator to manage worker's compensation and unemployment compensation programs.

Concur.

Response: The CAO will develop a proposal, for approval by the CHO, to centralize responsibility for the processing of Worker's Compensation and Unemployment Compensation within the Office of Human Resources. Included in this proposal will be the appointment of a Program Coordinator whose function will be the management and verification of both processes.

As the first priority, the Program Coordinator must completely reconcile the current Worker's Compensation and Unemployment Compensation system so that all accounts are balanced and current. Any personnel or external resources necessary to accomplish this reconciliation should be utilized so that all accounts are certified as balanced.

OFFICE OF PROCUREMENT AND PURCHASING:

Finding T: Contract Management Policies And Procedures Have Yet To Be Established To Protect House Interests

Recommendations

We recommend that the Chief Administrative Officer:

1. Develop procedures to ensure that each contract issued is covered with a purchase order in the FFS Procurement Subsystem. **Concur.**

Response: OPP, in fact, is now creating a purchase order in FFS for each contract approved. However, this is being done only as a stop gap method pending changes requested in FFS to allow us to enter contracts in an appropriate manner. It is the only way to reflect the pending obligations under the existing setup of FFS, which provides only for obligation accounting and not for commitment accounting.

Unfortunately, entering contracts as "purchases" results in an overstatement of House obligations, since contracts are commitments to purchase under a written arrangement, and only authorized delivery orders or task orders are actual obligating actions. By entering only delivery orders and task orders, OPP can utilize the system records to determine actual obligations against a contract. At present, only expenditures can be tracked, and payment vouchers do not refer to an equivalent delivery order or task order, as the reference FFS document is for the entire amount of the contract.

Contracts, as FFS is now set up, cannot be reliably tracked within FFS, so OPP maintains an Access data base which captures summary contract data. The data base is not an adequate alternative to a more complete use of FFS, and a far less satisfactory system than can be provided by Procurement Desktop. In addition, the physical process of entering this information is redundant and consumes valuable staff resources. At this time, OPP's Access data base system is the only available method for OPP to maintain a summary level data base of the major elements within House Contracts.

As an alternative course of action, OPP has proposed the use of "commitment accounting" in the FFS system setup, which will result in the ability to use the full tracking capabilities of the FFS Purchasing Subsystem. OPP has made a presentation to the Finance Steering Committee proposing the introduction of commitment accounting specifically for the purpose of accurately tracking both requisitions and contracts as House commitments. If OPP's proposal is approved by the Acting CAO, and agreed to by the Finance Steering Committee, accurate tracking of both requisitions and contracts can take place within FFS. At that point, OPP will provide a clear policy and corresponding procedures delineating the proper method for tracking contracts within FFS. By March 31, 1997, we will propose, and if approved, implement this new

policy and corresponding procedures.

2. Develop comprehensive contract management policies and procedures, with respect to those contracts within the purview of the CAO. **Concur.**

Response: By December 31, 1997, OPP will develop and implement structured contract management policies and procedures to complement those procurement policies and procedures already in place. Typical contract management policies and procedures currently existing include standard terms and conditions and those for problem and dispute resolution, which have already been utilized.

In response to an earlier audit recommendation, OPP has developed, for CHO approval, a proposal to implement standardized procurement procedures that include: "Detailed contract administration procedures, including contract monitoring and close-out procedures." This proposal has recently been sent to the CHO. On approval, it will be implemented.

By September 30, 1997, OPP will develop structured interim contract management policies and procedures for inclusion in the Interim Instructions for the Procurement of Goods and Services. Because of necessary interfaces with contract administration functions of Procurement Desktop (PD), the new automated acquisition system, final policies and procedures will be developed as PD is implemented during the course of 1997. Implementation of the policies and procedures will be targeted for completion by the end of that year.

A Task Force on Equipment Maintenance and Leasing Contracts, the largest single category of House contracts, is in the final stages of preparing a number of proposals relative to such contracts, to include the establishment of formal contract management policies and procedures critical to the effective and efficient management and monitoring of such contracts with vendors, as well as the implementation of a vendor certification program. On approval, they will be implemented.

3. Develop and implement a comprehensive contract tracking system with respect to those contracts within the purview of the CAO. **Concur.**

Response: Presently, all contracts and purchase orders within the purview of the CAO are to flow through OPP. Additionally, OPP reports monthly to the CAO on their Contract Management Plan of Action -- To manage new and existing House contracts in a documentable and measurable manner. During the course of 1996 efforts have been accelerating on this project to establish and implement rules, procedures, processes, reports and forms to manage OPP's central contract files and its Contract Tracking System. At present, numerous staff are devoting part or all of their time to accomplishing this effort. By December 31, 1997, this project will be fully

implemented.

4. Develop and deliver COR training programs. **Concur.**

Response: OPP will develop and implement standardized training for CORs.

The CAO currently has a request pending before the CHO for the provision of consultant services for OPP. The statement of work includes the provision of classroom training on procurement related matters. On approval, we will focus this training initially on CORs. Standardized training for CORs will be developed no later than June 30, 1997, and implemented by the end of the year.

To supplement CAO provided training, OPP will ensure that a review is conducted of non-House courses pertinent to CORs, such as those offered by area universities and government agencies. By August 15, 1997, OPP will begin providing information on and/or recommendations for attendance at appropriate courses to CORs and their supervisors.

Finding U: Procurement Authority and Delegation Structure Creates Bottlenecks And Results In Unnecessarily Lengthy Processes

Recommendation

We recommend that the CAO, on successful implementation of Procurement Desktop, prepare a proposal, for approval by the CHO, to revise procurement approval authorities to reduce review levels and distribute small purchase authority to users according to the following schedule:

- * \$250,000 House Oversight Committee
- * \$100,000 - \$250,000 Chief Administrative Officer
- * \$25,000 - \$100,000 Associate Administrator, Procurement and Purchasing
- * \$2,500 - \$25,000 Procurement Specialists, Procurement and Purchasing
- * <\$2,500 Associate Administrators

Concur

Response: Since our research and process analysis of orders both by Members and by CAO units indicates that most delays occur during the requisition process, most of the effort within the Procurement Desktop re-engineering planning focuses on improving and expediting the requisition process. We will implement the following corrective actions:

- (1) In a timely fashion, OPP will prepare a proposal for consideration by the CAO to delegate approval authority for small purchase orders for CAO offices to a level or

levels below that of the CAO.

(2) By December 31, 1997, we will implement in the House those aspects of Procurement Desktop necessary to support the level of management tracking and reporting to enable further delegations of authority. In the interim, we will continue ongoing efforts to improve the current systems so that they increasingly provide management with adequate reports and other financial information, such as tracking of procurement activity by buyer, procurement specialist, vendor and commodity, to effectively manage financial and operational risk. Much of the improvements in process through Procurement Desktop will be in the requisitioning process.

(3) As recommended, upon successful implementation of Procurement Desktop, the CAO will prepare a proposal, for approval by the Committee on House Oversight, to revise procurement approval authorities to reduce review levels and distribute small purchase authority to users. The recommended schedule of approval authority will be an option presented to the Committee.

OFFICE OF PUBLICATIONS AND DISTRIBUTION

Finding V: Inconsistent Fees Charged For Delivery Services

Recommendation

We recommend that the CAO resubmit a proposed delivery service policy, for approval by the CHO, to collect a uniform fee, per periodical, for delivering unsolicited newspapers, magazines, and publications received in bulk. **Concur.**

Response: The CAO will resubmit a proposed delivery service policy, for approval by the CHO, to collect a uniform fee, per periodical, for delivering unsolicited newspapers, magazines, and publications received in bulk.