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Washington, DC 20515-9990

MEMORANDUM

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

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

FROM: John W. Lainhart IV 
Inspector General

DATE: January 2, 1996

SUBJECT: Audit Report - Followup On Outstanding Issues From The
Comprehensive House Audit (Report No. 96-HOC-01)

In response to House Resolution 192, this is our final report on the additional auditing required to ensure the completion of outstanding issues from the July 18, 1995 Office of Inspector General report on the comprehensive audit of House financial records and administrative operations. The outstanding issues were related to nine potential problem areas which were not resolved during the comprehensive House audit.

The objective of this audit was to perform sufficient additional audit work with respect to each of the potential problem areas to bring them to resolution. Depending on the area, that resolution included: (a) the preparation of information to enable the House to require compliance with established policies and procedures or enforce claims against persons owing it money; or (b) the referral of unresolved matters to the Committee on House Oversight or Committee on Standards of Official Conduct.

Should you desire to discuss this report further, I am available at your convenience.

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

**FOLLOWUP ON OUTSTANDING ISSUES
FROM THE COMPREHENSIVE HOUSE AUDIT**

*Report No. 96-HOC-01
January 2, 1996*

RESULTS IN BRIEF

On July 18, 1995, the Inspector General of the House of Representatives and Price Waterhouse LLP presented to the Committee on House Oversight the results of the comprehensive House audit addressing a wide range of financial and administrative activities of the House of Representatives. However, the audit did not reach conclusions in some areas primarily due to the extreme difficulty in reconstructing financial and administrative information from the House's deficient records. As a result, the House unanimously approved House Resolution 192 directing the Inspector General to carry out any additional auditing required to ensure completion of the comprehensive House audit. The Resolution provided the impetus to perform the additional audit work needed to fully address the outstanding issues related to the following nine potential problem areas: (1) duplicate travel-related payments; (2) uncollected catering receivables; (3) overdue accounts and personal usage related to charge card activity; (4) Member overspending; (5) salary overpayments; (6) missing Certificates of Relationship to Members; (7) nondisclosure of personal debts on Financial Disclosure Forms; (8) inappropriate mail allowance changes; and (9) inappropriate receipt of campaign contributions. The results of our followup audit work in these areas are discussed in the following paragraphs.

Duplicate Travel-Related Payments

Based on our analysis of Finance records for the period October 1, 1993 through December 31, 1994, Finance made 134 potential duplicate travel payments in 88 Member offices totaling \$22,814 to Members, staff, and third party vendors that had not been repaid as of October 1, 1995. Approximately 70 percent, or almost \$16,000 of the \$22,814 in potential duplicate payments, is due from third party vendors such as charge card companies, travel agencies, and car rental companies. To verify the potential duplicate payments, we mailed letters to current Members, former Members, and third party vendors related to potential duplicate travel payments we identified and requested confirmation and payment, if appropriate. As of December 30, 1995, we obtained reimbursements or documentation resolving 79 potential duplicate payments amounting to \$9,090. Thus, as of December 30, 1995, we determined that 55 potential duplicate travel payments in 39 Member offices totaling \$13,724 to Members, staff, and third party vendors had not been repaid or otherwise resolved. However, the total amount for the House and the amount per Member was not significant (i.e., during the 15-month audit period the House processed approximately 84,500 travel-related transactions totaling over \$14.8 million). Systemic problems involving inadequate controls, failure to enforce travel expense policies, and poor tracking of expenses enabled reimbursements to be paid more than once for the

same transaction.

Uncollected Catering Receivables

Although we extended the audit procedures of the comprehensive House audit by performing a more detailed analysis and review of catering records, reconstruction of an accurate catering receivables balance was still not possible. Based on our review of the available House Restaurant System (HRS) catering records (i.e., HRS Catering System and limited source documentation), we identified 95 catering events amounting to \$37,636 of catering receivables which had no record of payment. However, the records were not complete or reliable. As a result, HRS officials were unable to determine which accounts had been paid and which had not been paid. Consequently, collections of outstanding receivables were not pursued. Nevertheless, we mailed letters to current Members, former Members, and third parties responsible for the events we identified as outstanding, requesting confirmation and payment, if appropriate. As of December 30, 1995, we obtained documentation supporting prior payments or remittances for 79 events amounting to \$33,606. Thus, the remaining outstanding catering receivables balance as of December 30, 1995 was \$4,030 related to 17 events¹. The unreliable records were due to: (1) missing or lost source documents; (2) lack of periodic reconciliations of accounting and catering records; and (3) improper decentralization of catering receivables activities, which included recording of receivables, receipt and deposit of cash, and follow up on past due accounts.

Overdue Accounts And Personal Usage Related To Charge Card Activity

Our review of House charge card activity was performed in two primary areas--analysis of delinquent balances and identification of possible personal usage. Reports from the House's current and former charge card vendors indicated that as of October 1995, 43 accounts had balances delinquent over 120 days relating to charges incurred during the 103rd Congress. These included 5 current and 10 former Members, as well as 6 current and 22 former staff. Based on the 27 responses to our confirmation letters, 12 of these accounts were paid, 4 of the cardholders agreed with balances due but had not yet paid, and 11 of the cardholders with unpaid balances disagreed that they owed a balance to the charge card vendors. For the remaining 16 letters mailed, 4 were returned as undeliverable; 3 former Members and 8 former staff did not reply to our confirmation requests; and we were informed that 1 former staff was deceased.

We also identified four Members' offices with a total of nine cardholders who appeared to have made recurring personal charges. These charges ranged from \$5 to \$3,200. The 9 cardholders identified (1 former Member (who resigned in the 104th Congress), 3 current staff, and 5 former staff) had 128 apparent personal charges--50 of the 128 apparent personal charges, ranging from \$5 to \$250, were made by 1 current staff person. These transactions included charges made at

¹One of the events was partially resolved and is thus counted twice.

clothing stores, toy stores, and music shops. Only one former staff admitted to making personal charges in response to our confirmation request. In addition, the charge card statements of one former Member and one current staff included notations stating that certain charges were for personal expenses. However, we found no evidence that the House paid for these apparent or actual personal charges.

Member Overspending

Of the five Members identified as overspending their allowances, three used personal funds to reimburse the House for their overspending. We examined source documents evidencing their payments to the U.S. Treasury of \$1,644.66 for the Official Expense Allowance (OEA) of one Member, \$1,066.26 for the OEA of the second Member, and \$836.84 for the Official Mail Allowance (OMA) of the third Member. These payments were sufficient to remedy the overspending of 1994 allowances for all three Members. We found that the fourth Member had refunds resulting from one canceled and two overpaid periodical subscriptions applied to the Member's 1994 OEA. We examined source documents evidencing the publishers' refunds of \$2,209.95. These refunds were attributable to subscriptions the Member had paid for in 1994, and the amount of the refunds was sufficient to remedy this overspending of the Member's 1994 OEA.

The lack of integration of the three Members' allowances systems² contributed to questions about the fifth Member's allowances, as the Member attempted to transfer funds from the Member's OEA to provide sufficient funds in the Member's Clerk Hire Allowance (CHA). Finance recorded the transfer of funds into the Member's CHA, but never recorded the transfer out of the Member's OEA. At the time the transfer was requested sufficient funds were available in the Member's OEA to cover it. Later, however, additional expenses were charged against the Member's 1994 OEA. By the time we performed our audit, Finance records indicated that this Member no longer had sufficient funds to cover this transfer to the Member's CHA. The systems for tracking the Member's OEA and the Member's CHA never detected the failure to record this transfer, and the Member's office did not become aware of this discrepancy until we identified it in our audit. A detailed review of the office's account activity identified credits that should have been posted to the Member's 1994 OEA. After giving effect to these credits, the net overspending of the fifth Member's 1994 OEA was \$204.37. Thus, the Member elected to reclassify a subscription prepayment as a charge to the Member's 1995 OEA. As a result of this reclassification, sufficient funds were available to allow the transfer from the Member's 1994 OEA to the Member's 1994 CHA, and the Member's 1994 OEA ended with a positive account balance.

Salary Overpayments

Based on our review of Finance's records as of November 17, 1995, 20 former employees still

²Finance tracked Members' allowances on three different systems, one for each type of allowance.

owed the House \$16,865 for salary overpayments which had been outstanding since December 31, 1994. On November 17, 1995, we sent confirmation letters to each of these employees asking them to confirm the amount of the overpayment and remit a check or money order payable to the U.S. Treasury for that amount. We received 9 replies to these 20 confirmation letters. Three former staff remitted payment in full, totaling \$1,676. Four former staff agreed to pay back salary overpayments totaling \$3,596. Two former employees, who received salary overpayments totaling \$1,003, did not agree with the determination that they owed the House money. However, neither of these employees provided documentation to support their disagreements. Eight former employees did not reply, two letters were undeliverable, and we were informed that one former employee was deceased. The total salary overpayments to these 11 former employees were \$10,590.

Missing Certificates Of Relationship To Members

We identified 18 employees of Members' offices or Committees who had their payroll certifications signed by Members with the same or similar last names during the 15 months ended December 31, 1994. As part of the current audit, we searched Finance files to determine if these employees' Certificates of Relationship/Nonrelationship had subsequently been forwarded to Finance. We found that Finance had no certificates on file for these employees. On November 18, 1995, we sent letters to 12 Members, 2 Committees, and 1 Leadership office requesting copies of the completed Certificates of Relationship/Nonrelationship for these 18 employees. All of these offices responded, providing completed certificates for all of these employees. We examined these certificates and relevant personnel records maintained by Finance. That examination disclosed no violations of the law prohibiting the appointment or promotion of relatives (5 U.S.C. § 3110).

Nondisclosure Of Personal Debts On Financial Disclosure Forms

In the comprehensive House audit, we reported that Members' 1994 financial disclosure forms did not disclose certain debts that were identified during the audit. Reports from the House's charge card vendor indicated that at December 31, 1994, a current and former Member (who resigned in the 104th Congress) owed more than \$10,000 on their government-furnished charge cards. Revolving charge card accounts with debts over \$10,000 as of the end of the year are required to be disclosed in accordance with The Ethics in Government Act (5 U.S.C. appendix 6 §§101-111).

In the followup audit, we determined that the current Member did not owe more than \$10,000. However, the former Member did owe more than \$10,000 on the Member's charge card, did not file the required financial disclosure form, and thus, did not disclose the debt as required by the Act. On September 14, 1995, the Committee on Standards of Official Conduct informed us that it interpreted the Act as not requiring disclosure of debts incurred in connection with official business. We did not find personal charges totaling \$10,000 or more on the former Member's charge card balance at December 31, 1994.

Inappropriate Mail Allowance Changes

During the comprehensive House audit we found that one Member received an adjustment to the Member's 1994 OMA which did not appear to be adequately supported. In our followup audit, we found that the May 1994 U.S. Postal Service (USPS) Franked Mail Monthly Statement erroneously reported the Member had an OMA balance of \$118,225.05. However, in September 1994, the USPS issued a corrected May 1994 statement, which included a mailing cost of \$38,758.30 that had not been previously charged. With this charge included, the Member's 1994 OMA had been overspent by \$5,499.82. The Member was unable to correct the overspending by transferring funds from the Member's other allowances because the maximum allowable amount under House rules had already been transferred. Therefore, to offset the overspending, the Member requested the then-Chairman of the Committee on House Administration to grant an increase of \$6,043 to the Member's OMA to coincide with the USPS' February 1994 updated number of postal delivery sites in the Member's district. The Chairman granted the increase to the Member's OMA which was enough to overcome the deficit. We found no evidence that the actions taken by the then-Chairman or Member were in violation of House rules.

Inappropriate Receipt Of Campaign Contributions

The one remaining potential problem area identified in the comprehensive House audit involved questions about whether a Member may have violated standards of conduct that are enforced by the Committee on Standards of Official Conduct. These questions pertained to one Member receiving campaign contributions from House vendors. As part of the current audit, we obtained additional information about this matter. In accordance with Rule VI clause 3(e) of the *Rules of the House of Representatives*, we will be forwarding that information to the Committee on Standards of Official Conduct for its review and its determination if further investigation is warranted.

Conclusion

During the course of this followup audit we fully addressed all nine potential problem areas; mailed out over 300 confirmation letters to current and former Members, current and former staff, and third party vendors; and recovered over \$23,000 owed to the U.S. Treasury. However, 55 potential duplicate travel payments, 17 catering receivables, 31 delinquent charge card balances, and 17 salary overpayments still remain unresolved. These need to be pursued and resolved by the Chief Administrative Officer. The primary causes for most of the deficiencies identified in this report were: (1) missing, incomplete, inaccurate financial records; (2) inadequate automated and manual controls; (3) lack of an integrated financial management system; (4) poor tracking of expenses; (5) lax enforcement of policies; and (6) inadequate policies with respect to salary overpayments and payroll files.

Recommendations

We recommend that the Committee on House Oversight direct the Chief Administrative Officer to: (1) continue to pursue and resolve the remaining 55 outstanding potential duplicate travel payments, 17 outstanding catering receivables, 31 outstanding delinquent charge card balances, and 17 outstanding salary overpayments; (2) request the cardholders' statements from the charge card companies and reconcile accounts in those cases where the cardholders did not have adequate records; (3) establish and implement a policy requiring that the debts of individuals who do not respond to the House's initial efforts to collect salary overpayments be referred to a collection agency; and (4) establish a policy to require that completed Certificates of Relationship/Nonrelationship be submitted to the Office of Human Resources for retention in employees' personnel files. In addition, we recommend that the Committee on House Oversight remind Members, Officers, and staff that charge cards are only for official House travel and travel-related expenses.

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I. INTRODUCTION

Background

On the first day of the 104th Congress, the House passed Section 107 of House Resolution 6--with 430 Members voting in the affirmative--requiring a comprehensive audit of House financial records and administrative operations (comprehensive House audit). On July 18, 1995, the Inspector General of the House of Representatives and Price Waterhouse LLP presented to the Committee on House Oversight the results of the comprehensive House audit addressing a wide range of financial and administrative activities of the House of Representatives. However, the audit did not reach conclusions in some areas primarily due to the extreme difficulty in reconstructing financial and administrative information from the House's deficient records. As a result, the House unanimously approved House Resolution 192 directing the Inspector General to carry out any additional auditing required to ensure completion of the comprehensive House audit. House Resolution 192 stated:

That the Inspector General is authorized and directed to take such steps as necessary to carry out any additional auditing required to ensure the completion of the audit of House financial and administrative operations authorized during the One Hundred Fourth Congress by House Resolution 6, Section 107....The Inspector General shall complete such additional auditing expeditiously, but in no case later than November 30, 1995....The results of such auditing shall be submitted in accordance with House rule VI, clause 3(d), which provides "simultaneously submitting to the Speaker, the majority leader, the minority leader, and the chairman and ranking minority party member of the Committee on House Oversight a report on each audit conducted under this rule."....The results of such auditing, shall to the extent appropriate, be reported by the Inspector General in accordance with House rule VI, clause 3(e), which provides "reporting to the Committee on Standards of Official Conduct information involving possible violations by any Member, officer, or employee of the House of any rule of the House or any law applicable to the performance of official duties or the discharge of official responsibilities which may require referral to the appropriate Federal or State authorities pursuant to clause 4(e)(1)(C) of rule X."

In a memorandum dated November 29, 1995, the Inspector General requested a maximum 30-day extension to report the final results of the followup audit. The extension was needed primarily to receive and analyze confirmation letters. Confirmation letters were sent out in mid-November requesting responses by November 29, 1995. However, as of that date, a significant number of the responses had not been received. The Committee on House Oversight agreed with the requested extension.

The Resolution provided the impetus to perform the additional audit work needed to fully address the outstanding issues related to the following potential problem areas:

- Duplicate travel-related payments
- Uncollected catering receivables
- Overdue accounts and personal usage related to charge card activity
- Member overspending
- Salary overpayments
- Missing Certificates of Relationship to Members
- Nondisclosure of personal debts on Financial Disclosure Forms
- Inappropriate mail allowance changes
- Inappropriate receipt of campaign contributions

Objectives, Scope, And Methodology

The objective of this audit was to perform sufficient testing of each of the above potential problem areas to bring them to resolution. Depending on the area, that resolution included: (a) the preparation of information to enable the House to require compliance with established policies and procedures or enforce claims against persons owing it money; or (b) the referral of a matter to the Committee on House Oversight or Committee on Standards of Official Conduct.

The audit of the first eight potential problem areas was conducted for the period of October 1, 1993 through December 31, 1994, and the scope of the audit was limited to these areas. For the purpose of determining if any reimbursements had been made, the audit period of coverage was extended to December 30, 1995, in the cases of claims against persons owing the House money. The audit involved interviews, detailed examinations and analyses of accounting reports, records, and source documentation, and issuance of confirmation letters. Computer assisted audit techniques were used to download, sort, and summarize mainframe-based records.

The remaining one potential problem area identified in the comprehensive House audit involved questions about whether a Member may have violated standards of conduct that are enforced by the Committee on Standards of Official Conduct. These questions pertained to one Member receiving campaign contributions from House vendors. As part of the current audit, we obtained additional information about this matter. In accordance with Rule VI, clause 3(e) of the *Rules of the House of Representatives*, we will be forwarding that information to the Committee on Standards of Official Conduct for its review and its determination if further investigation is

warranted.

Within the limited scope of our audit, we conducted our review in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted our fieldwork in the House's Washington, D.C. offices, primarily in the Office of Finance (Finance) and House Restaurant System, during the 5-month period of August through December 1995.

Internal Controls

The internal control deficiencies identified in this report were related to the deficiencies found in the comprehensive House audit. The cognizant House officials reported that they implemented or initiated action to implement the internal control recommendations identified in that comprehensive House audit, which we will follow up on and test in our future audit work.

Prior Audit Coverage

Office of Inspector General (OIG) report entitled *Problems Plagued The House's Financial Operations* (Report No. 95-CAO-16, dated July 18, 1995), which was part of the comprehensive House audit, identified the following deficiencies in House financial operations: (a) archaic accounting policies, methods, practices, and systems contributed to poor financial management; (b) Finance operated in an outdated, inefficient, and paper driven environment; (c) poor funds control placed the House at risk of overspending its appropriations; (d) deficiencies in budgeting, monitoring, and accounting for Member allowances increased the risk of overspending and impaired accountability; (e) ineffective controls and policies existed for travel reimbursement and government-furnished charge cards; and (f) payroll policy and late submissions added to manual processing and led to \$299,000 in overpayments to employees. The audit contained 26 recommendations to correct the deficiencies identified in the report. The Chief Administrative Officer's (CAO) completed and planned actions were responsive to the issues we identified.

OIG report entitled *U.S. House of Representatives Audit of Financial Statements for the 15-Month Period Ended December 31, 1994* (Report No. 95-HOC-22, dated July 18, 1995), which was part of the comprehensive House audit, identified that the House lacked the organization and structure to periodically prepare financial statements that, even after significant audit adjustment and reconstruction, were accurate and reliable. In addition, the report identified significant weaknesses in the internal control structure of the House and instances of noncompliance with laws, regulations, and rules. The *Report of Independent Accountants* issued by Price Waterhouse on the House Financial Statements included the following:

...in the absence of an effective internal control structure, there can be no assurance that all House transactions were properly recorded, accumulated and reported in accordance with the rules, policies, and procedures established by the House...the shortcomings in the House's information systems and the weaknesses in its internal control structure were so severe that they affected the availability and reliability of data and information supporting the financial statements...

The audit contained 24 additional recommendations to correct the deficiencies identified in the report. The CAO's completed and planned actions were responsive to the issues we identified.

II. FINDINGS AND RECOMMENDATIONS

Finding A: Duplicate Travel-Related Payments

Based on our analysis of Finance records for the period October 1, 1993 through December 31, 1994, Finance made 134 potential duplicate travel payments in 88 Member offices totaling \$22,814 to Members, staff, and third party vendors that had not been repaid as of October 1, 1995. Approximately 70 percent, or almost \$16,000 of the \$22,814 in potential duplicate travel payments, was due from third party vendors such as charge card companies, travel agencies, and car rental companies. To verify the potential duplicate travel payments, we mailed letters to current Members, former Members, and third party vendors related to the potential duplicate travel payments we identified and requested confirmation and payment, if appropriate. As of December 30, 1995, we obtained reimbursements or documentation resolving 79 potential duplicate travel payments amounting to \$9,090. Thus, as of December 30, 1995, we determined that 55 potential duplicate travel payments in 39 Member offices totaling \$13,724 to Members, staff, and third party vendors had not been repaid or otherwise resolved. However, the total amount for the House and the amount per Member was not significant (i.e., during the 15-month audit period the House processed approximately 84,500 travel-related transactions totaling over \$14.8 million). Systemic problems involving inadequate controls, failure to enforce travel expense policies, and poor tracking of expenses enabled reimbursements to be paid more than once for the same transaction.

Background

During the comprehensive House audit, Price Waterhouse analyzed travel-related cost centers to identify disbursements with same office names, beginning travel dates, and amounts paid. This analysis resulted in 4,423 transactions consisting of 2,020 sets of disbursements which Finance potentially paid more than once. (A set is not necessarily a pair because it can include more than two transactions.) Price Waterhouse selected 50 of the largest payment sets that appeared to be duplicates based on information obtained from Finance, and found 43 instances where the House reimbursed the Member, staff, or third party more than once.

The comprehensive House audit used computer analysis to match identical office names, beginning travel dates, and amounts paid to identify potential duplicate travel payments. However, because more than one person can incur travel expenses under a particular office name, we reviewed each transaction's available supporting documentation to determine who had incurred the travel. Consequently, what originally appeared to be duplicate travel payments to one office were, in fact, valid payments to, or for various individuals employed by, that office. The following hypothetical example illustrates this situation. Representative Doe is the initiating office and submits a voucher with five transactions. Each transaction begins on the same date and is for the same amount. The original computer analysis would flag these transactions as potential duplicate travel payments. However, a detailed review of each transaction would reveal that Representative Doe and four of her staff flew to a constituent meeting by commercial airline on the same day and for the same amount. The voucher lists five separate payees: Doe, three of her staff members, and a government charge card used by a fourth staff member. Because the

Representative and staff members each submitted an original receipt for the airline ticket, each receipt had a different ticket number and passenger name. Therefore, we would conclude that these transactions were valid payments.

The objective of this portion of the followup audit was to review the 2,020 sets of disbursements to determine if they were duplicates and if they were repaid. We also reviewed an additional 12 sets (consisting of 25 transactions) not identified in the comprehensive House audit. These transactions were charged to a cost center called "official expenses" that had not been analyzed previously because the cost center was not specifically related to travel. From this analysis, we identified three additional potential duplicate travel payments.

Criteria For Processing Travel Vouchers

The June 1993 *Congressional Handbook*³ was the policy in effect when these potential duplicate travel payments were made. The June 1993 *Handbook* stated that, "All claims for the reimbursement of transportation and travel-related expenses shall be submitted on a completed voucher, signed by the Member, accompanied by the required supporting documentation....All claims must be received by the Finance Office within 30 days after the end of the calendar quarter during which the travel was performed. Failure to submit timely claims will result in forfeiture of entitlement to such reimbursement, unless such failure is excused by the Committee on House Administration for good cause shown." The June 1993 *Handbook* required original receipts to be submitted for each travel expense claimed except mileage claims and expenses such as subway fares. The June 1993 *Handbook* also stated that an untimely claim may be honored if the Committee on House Administration decided that the claim was late due to a good cause. However, the *Handbook* was silent about making exceptions for the payment of unsupported or improperly supported claims. Nevertheless, Finance indicated they reimbursed these types of claims when accompanied by a letter from the Committee on House Administration approving such payment. Finance further explained that the Committee on House Administration had written the travel policies and, therefore, could revise them as they saw fit.

Duplicate Travel Payments Not Reimbursed

Results of Followup Audit

We analyzed 4,448 transactions totaling \$786,020 and concluded that 201 potential duplicate travel payments had been made totaling \$33,791. To determine whether any of these potential duplicate travel payments had been refunded, we reviewed the Clerk of the House Reports for the quarters ended December 31, 1993 through June 30, 1995 (the latest report available) for any adjustments to the Members' expense accounts. We also reviewed credit reports obtained from Finance's Financial Management System's (FMS) disbursements database for the period October 1, 1993 through October 1, 1995. We identified 67 adjustments and credits amounting

³The June 1993 *Handbook* was totally rewritten and replaced by the new *Members' Congressional Handbook*, effective September 1, 1995.

to \$10,977.

After accounting for the adjustments and credits, we concluded that during the 15-month audit period 88 Member offices processed 134 potential duplicate travel payments totaling \$22,813.64.

Of the 88 offices, 62 offices each processed 1 potential duplicate travel payment (totaling \$11,289.92); 16 processed 2 potential duplicate travel payments (totaling \$5,350.08); 6 processed 3 potential duplicate travel payments (totaling \$3,628.99); 3 processed 5 potential duplicate travel payments (totaling \$1,441.33); and 1 processed 7 potential duplicate travel payments (totaling \$1,103.32). This is depicted in the following table.

Number of Potential Duplicate Payments in Office	Number of Offices per Number of Potential Duplicate Payments	Percentage of Total Number of Offices	Total Number of Potential Duplicate Payments	Percentage of Total Number Potential Duplicate Payments	Dollar Amount of Potential Duplicate Payments	Percentage of Total Amount of Potential Duplicate Payments	Dollar Range of Potential Duplicate Payments
1	62	70.45%	62	46.27%	\$11,289.92	49.49%	\$2.90 - \$600.00
2	16	18.18%	32	23.88%	\$5,350.08	23.45%	\$8.70 - \$568.79
3	6	6.82%	18	13.43%	\$3,628.99	15.91%	\$2.00 - \$496.50
5	3	3.41%	15	11.20%	\$1,441.33	6.32%	\$15.37 - \$214.00
7	1	1.14%	7	5.22%	\$1,103.32	4.83%	\$30.00 - \$292.00
	88	100.00%	134	100.00%	\$22,813.64	100.00%	

The above potential duplicate travel payments were made to Members, staff, and third party vendors. Approximately 70 percent, or almost \$16,000 of the \$22,814 in potential duplicate travel payments were made to third party vendors such as charge card companies, travel agencies, and car rental companies. We found no trends of potential duplicate travel payments to individuals from any of the offices. For example, for the one Member office with seven potential duplicate travel payments, one payment was to staff and one was to the Member for in-district reimbursements of \$149.82 and \$30.00, respectively. The other five potential duplicate travel payments were to vendors ranging from \$101.00 to \$292.00.

In addition, we noted that the majority of the 134 potential duplicate travel payments, both in dollar amount and number of occurrences, were reimbursements for airline tickets and mileage. Fifty-six potential duplicate payments of airfare totaling over \$17,200 and 55 potential duplicate reimbursements of mileage totaling over \$4,000 were incurred. The remaining 23 potential duplicate payments, approximately \$1,600, involved payments for such items as car rentals, lodging, taxi charges, tolls, train tickets, and parking.

Based on our review of the documentation, we found 56 potential duplicate travel payments of airfare. The June 1993 *Handbook* stated that in addition to original receipts, when a claim was made for the cost of common carrier transportation, the ticket stub or passenger coupon issued was required to be attached to the voucher. The airline ticket stub or coupon typically included a unique 10 digit form and document number. To establish whether an airline expense had been submitted for payment more than once, we reviewed those receipts. If two or more receipts had the same number, we identified those beyond the first one as potential duplicate travel payments. We then compared those particular airline receipts for the same passenger names, travel dates, destinations, and amounts. We also noted whether the transactions were supported by copies because copies could indicate a second submission. Invariably, one of the transactions in the set was supported by a copy of the airline ticket or the travel agent's coupon. The voucher often was accompanied by a letter from the Member explaining why he/she was submitting a copy of the receipt instead of the original and a letter from the Committee on House Administration approving payment based upon the copy. We concluded the same transaction had been presented for payment more than once when the airline receipts had the same number. The other information (i.e., same names, dates, amounts) provided additional evidence that the ticket had been submitted twice.

We also determined that mileage had been potentially overpaid on 55 occasions. The June 1993 *Handbook* directed the traveller to maintain a log but did not require this to be submitted with the voucher. Some Members and staff did submit travel logs or records. In those instances, we were able to conclude mileage had been reimbursed more than once for the same event if the payees, travel dates, destinations, and miles travelled were identical on the logs. In other cases, no supporting documentation was submitted except for a description on the voucher, such as "in-district mileage." If the payees, travel dates, and mileage claimed were the same, we classified these as potential duplicate travel payments. The description, "in-district mileage," was too vague for us to determine whether different destinations were involved. However, if a traveller submitted two vouchers with the same dates and same distance travelled but listed different destinations, we concluded that these were valid transactions.

For the remaining 23 travel-related potential duplicate payments totaling \$1,600, we looked for unique identifying characteristics. For example, with lodging, we compared hotel receipts, noting folio and room numbers where available. A folio number should be unique to a transaction, like an invoice number. Similar to the airline receipts, if we found two (or more) transactions with the same folio number, we questioned the validity of the second transaction. We also reviewed the documentation for lodger names, check-in and check-out dates, and amounts. If all data elements reviewed were identical, we concluded that these transactions were potential duplicate submissions. In some cases, two people shared a hotel room and one person charged the entire amount to his/her charge card. Pursuant to the June 1993 *Handbook*, each traveller was required to submit a voucher for his or her share of the expense. Therefore, even though these transactions had identical office names, travel dates, amounts, and payees (the charge card company), we did not identify them as potential duplicate travel payments based on the circumstances.

In deciding whether the same automobile rental expense had been paid more than once, we

examined the supporting documentation such as rental agreements for customer names, rental dates, and amounts. For tolls, we compared dates and times reported on the receipts where available, to determine whether they had been submitted a second time. For those taxi expenses which were supported by receipts, we examined the receipts for dates, destinations, taxi company names or any information which would distinguish the receipts.

Results of Confirmation Letters

We mailed confirmation letters to 41 current Members and 12 former Members who received potential duplicate travel payments or whose staff received potential duplicate travel payments. In addition, we mailed confirmation letters to 8 third party vendors who received potential duplicate travel payments in connection with 42 Member offices. (Four current Members and 3 former Members had potential duplicate travel payments both within their offices and to third party vendors.) We requested that each review their records and either confirm the overpayment(s) or provide additional documentation to support that a duplicate travel payment was not made or was previously reimbursed. In conjunction with the confirmation requests, we requested that any reimbursements be remitted made payable to the U.S. Treasury. The remittances were subsequently forwarded to Finance for credit to the Member's account. The following table summarizes the results of our efforts.

	Current Members		Former Members		Third Party Vendors		Totals	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Reimbursed/Resolved (Agreed)	48	\$3,465.47	9	\$491.37	0	\$0.00	57	\$3,956.84
Reimbursed/Resolved (Did Not Agree)	5	\$469.38	1	\$11.50	0	\$0.00	6	\$480.88
Otherwise Resolved*	2	\$619.14	4	\$939.63	10	\$3,093.63	16	\$4,652.40
Not Reimbursed (Agreed)	0	\$0.00	0	\$0.00	1	\$57.55	1	\$57.55
Not Reimbursed (Did Not Agree/Still Investigating)	4	\$136.15	3	\$808.25	11	\$2,243.82	18	\$3,188.22
Not Resolved (No Written Response)	0	\$0.00	0	\$0.00	36	\$10,477.75	36	\$10,477.75
Totals	59	\$4,690.14	17	\$2,250.75	58	\$15,872.75	134	\$22,813.64

*The "otherwise resolved" category refers to potential duplicate travel payments which have been adequately explained and resolved by documentation provided by current Members, former Members, or third party vendors.

In summary, as of December 30, 1995, we received reimbursement or documentation resolving 79 potential duplicate travel payments totaling \$9,090. Thus, as of December 30, 1995, 55 potential duplicate travel payments in 39 Member offices totaling \$13,724 to Members, staff, and third party vendors still had not been repaid or otherwise resolved. However, the total amount for the House and the amount per Member office were not material when compared to the total House

travel related expenses during the 15-month audit period, which totaled over \$14.8 million.

Systemic Problems Included Inadequate Automated And Manual Controls, Lax Enforcement Of Travel Policies, And Poor Tracking Of Expenses

Finance, in conjunction with House Information Systems (now known as House Information Resources or HIR), utilized an automated input validation routine or program to check the validity and accuracy of input data. This program, also called an edit program, performed specific types of accuracy checks known as edit checks. According to Finance, the computer reviewed the disbursements database for the following elements: initiating office, beginning and ending dates, amount, and vendor for transactions up to a 3-month period--the two prior months and the current month. (At the end of each month, any information more than two months old was deleted. HIR personnel told us the 2-month prior restriction on the storage of historical data had been in place for at least the past five years due to the lack of available disk storage capacity.) If these fields matched the fields of another transaction, the computer flagged the transaction as a potential duplicate payment. The data entry clerk then notified the financial counselor who decided whether the transaction was valid or not based on information provided by the Member office. However, we identified examples where Finance apparently did not follow up on these types of transactions.

Finance also maintained a manual travel log for each Member office. The log listed the dates and points of travel, the traveller's name, and amount. Finance officials stated that the log had been kept through the last quarter of the audit period and then had been discontinued. They noted that this log essentially served as an edit check because the financial counselor could review earlier entries to see if the current expense had been submitted previously. Finance claimed they had identified potential duplicate transactions with this method, although they apparently missed the potential duplicate travel payments we identified.

Because the June 1993 *Handbook* regulations allowed the traveller to submit reimbursement claims up to 30 days after the end of the calendar quarter in which the travel was performed, the 2-month prior restriction on the automated edit check limited the effectiveness of this control. In addition, neither the edit check nor the manual logs proved effective as control mechanisms. Furthermore, neither the system edit check nor the manual logs were designed to match the Member office with the Committee office. Therefore, a Member or staff could claim an expense under the Committee's name, which was incurred while performing Committee business, and also under the Member office name without a control to flag the transaction.

The June 1993 *Handbook* stipulated that expenses must be accompanied by original receipts, passenger coupons, or ticket stubs, within 30 days after the end of the calendar quarter during which the travel was performed. All 79 potential duplicate travel payments that required documentation were improperly supported either because only copies of receipts, no receipts, or the wrong receipts were submitted. (The June 1993 *Handbook* did not require submission of documentation for the 55 mileage claims.) In 55 cases, the Committee on House Administration approved payment even though the expense was not submitted in compliance with the travel

policies. In the remaining 24 cases, the claims were paid but we could not find any letters of approval from the Committee on House Administration with the vouchers. In certain instances, the Member offices may have thought they were submitting proper documentation, such as a past due statement, and therefore, did not request the Committee on House Administration's approval. However, Finance should have questioned the validity of the documentation since the original invoice could have been submitted previously for payment. Because the Committee on House Administration routinely authorized payment of expenses without proper support, they created an environment which encouraged disregard of travel policies and procedures. Thus, the Committee on House Administration's instructions to Finance to pay improperly supported claims as well as late filers' claims undermined already weak controls. If the Committee on House Administration had strictly enforced payment based on original receipts, the number of potential duplicate travel payments would have been reduced substantially. In addition, Member offices' prompt filing of expenses may have reduced the incidence of lost receipts.

In the cases we identified, Member offices' did not review expenses as thoroughly as needed, which contributed to the number of potential duplicate travel payments. For example, of the seven potential duplicate car rental payments, we found two cases where the identical transactions had been submitted for payment within one week of each other and three cases where they had been submitted for payment within one month of each other (the remaining two were beyond these timeframes). Finance noted they provided Member offices with a monthly statement of official expenses, usually within the first week after the close of the month. If the Member offices had adequately reviewed their expenses, they could have flagged these potential duplicate travel payments, particularly for the transactions submitted in the same month. Similarly, we also noted instances where the same claims for mileage reimbursement had been submitted within a week of each other.

We do not have any recommendations to address the internal control deficiencies we noted in this finding because the comprehensive House audit made a number of recommendations that when fully implemented should adequately address the concerns we identified. Additionally, we did not see any pattern which would indicate fraud or abuse with respect to potential duplicate travel payments.

Recommendation

We recommend that the Committee on House Oversight direct the Chief Administrative Officer to pursue and resolve the remaining 55 outstanding potential duplicate travel payments.

Finding B: Uncollected Catering Receivables

Although we extended the audit procedures of the comprehensive House audit by performing a more detailed analysis and review of catering records, reconstruction of an accurate catering receivables balance was still not possible. Based on our review of the available House Restaurant System (HRS) catering records (i.e., HRS Catering System and limited source documentation), we identified 95 catering events amounting to \$37,636 of catering receivables which had no record of payment. However, the records were not complete or reliable. As a result, HRS officials were unable to determine which accounts had been paid and which had not been paid. Consequently, collections of outstanding receivables were not pursued. Nevertheless, we mailed letters to current Members, former Members, and third parties responsible for the events we identified as outstanding, requesting confirmation and payment, if appropriate. As of December 30, 1995, we obtained documentation supporting prior payments or remittances for 79 events amounting to \$33,606. Thus, the remaining outstanding catering receivables balance as of December 30, 1995 was \$4,030 related to 17 events⁴. The unreliable records were due to: (1) missing or lost source documents; (2) lack of periodic reconciliations of accounting and catering records; and (3) improper decentralization of catering receivables activities, which included recording of receivables, receipt and deposit of cash, and follow up on past due accounts.

Background

Prior to being outsourced to a private contractor on July 5, 1994, HRS operated its own catering services (Capitol Catering and Rayburn Catering), and granted credit to Members and third parties for unpaid amounts. According to the HRS Catering System, during the period of July 1, 1992 through July 5, 1994, Capitol Catering accounted for total sales of \$1,371,012 related to 3,355 catering events. Rayburn Catering accounted for total sales of \$5,596,030 related to 4,902 catering events during the same period. (System records were not available and other records were very limited prior to July 1992.)

The comprehensive House audit found that HRS records for resulting receivables balances and subsequent account activity were incomplete, or missing altogether. Price Waterhouse was unable to audit the yearend catering receivables balance or corroborate HRS personnel's explanations of activity in the receivables accounts because the records for catering receivables and collections were in disarray. The only documentation HRS was able to provide were cash deposit slips, which did not distinguish collections of catering receivables from other types of cash receipts, and a drawer full of check stubs that had accompanied payments of catering receivables. These check stubs were not organized in any manner and were commingled with records related to other types of HRS transactions. As a result, no practicable procedure or method existed to determine how much of the July 5, 1994 balance was due from current and former Members and third parties, or to determine the composition of the yearend catering receivables balance.

⁴One of the events was partially resolved and is thus counted twice.

The objective of this portion of the followup audit was to perform a more detailed analysis and review to determine the current catering receivables balance as of September 30, 1995. The scope of our review included catering events which occurred during the period of July 1, 1992 through July 5, 1994. Calendar Year (CY) 1992 was included in the scope because it involved receivables which were considered as outstanding during the 15-month audit period (i.e., October 1, 1993 through December 31, 1994). We attempted to reconstruct the catering receivables balance using the most reliable information available which included additional catering receivables records obtained from HRS and information in the HRS Catering System, which consisted of the Capitol Catering Database (Capitol Database) and the Rayburn Catering Database (Rayburn Database). In addition, we mailed confirmation letters on November 17, 1995 to current and former Members and third parties requesting confirmations and payments for amounts due HRS, if appropriate.

We were only able to review the accuracy and completeness of the Rayburn Catering receivables balance by tracing all available check receipts, charge slips, and deposit slips for the period of January 1, 1994 through September 30, 1995. Due to the lack of records (as discussed later in this finding), we were unable to perform any testing of the accuracy and completeness of the Capitol Catering receivables balance for CY 1992 through CY 1994, and we were able to perform only limited testing on the Rayburn Catering receivables balance for CY 1992 and CY 1993.

Financial Management Requirements

According to Chapter 3, *Internal Control Standards*, of the General Accounting Office's Title 2, *Accounting*, revenues and expenditures applicable to agency operations should be recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of assets may be maintained. Additionally, in accordance with the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255), Federal agencies are responsible for the adequacy of their operations by ensuring that a system of internal controls is established and maintained to minimize waste, fraud, and mismanagement. The above requirements, although not specifically applicable to the House, are good guidelines to follow and the House should have implemented comparable measures to establish accountability for assets, achieve reliable financial statements, and minimize waste, fraud, and mismanagement.

Catering Receivables Were Not Recorded Or Accounted For Properly

Results of Followup Audit

Although we extended the audit procedures of the comprehensive House audit by performing a more detailed analysis and review of catering records, reconstruction of a more accurate catering receivables balance was still not possible. Our review was severely limited due to missing or lost records. We were only able to obtain minimal Capitol Catering source documentation (i.e., contracts, deposit slips, charge slips, or check receipts) for the period CY 1992 through CY 1994. However, we recovered from storage most of the Rayburn Catering source documentation for CY 1994, but only some of the CY 1992 and CY 1993 source documentation could be located.

Based on our review of the available HRS catering records (i.e., HRS Catering System and limited source documentation) for the period of July 1, 1992 through July 5, 1994, we identified 95 catering events (of the total 8,257 events during the period) totaling \$37,636 of catering receivables which had no record of payments (i.e., HRS Catering System information or source documentation) associated with them. Since records were not reliable, we mailed letters to current and former Members and third parties responsible for the events, requesting confirmation and payment of past due catering receivables, if appropriate.

For CY 1994, we identified that \$1,648,372 of payments were received for \$1,777,424 in sales. We reviewed 1,628 receipt transactions which included all the receipts for events contracted in CY 1994 regarding Rayburn Catering. Of these transactions, we were able to find source documentation for 1,468 (90 percent) of the receipt transactions. Eight hundred and sixty-seven (867) transactions were supported by check receipts and/or deposit slips that identified their associated contracts and payments. The other 601 transactions were supported by deposit slips that included date of payment and amount, but had no identification for which contracts the payments were applied.

We also found that information recorded in the Rayburn Database was not always accurate. The following seven discrepancies, which were related to CY 1994 catering activities and found in the Rayburn Database, illustrate this point.

	CONTRACT NUMBER	EXCEPTION
1.	6548	The event was recorded in the database as cancelled. Contract records indicated that event was not canceled. A check receipt (#3422) of \$245 dated 1/12/94 was deposited for this event.
2.	7906	The contract was not recorded in the database. Evidence indicated that an event was sponsored by one Member on 6/29/94. However, the database indicated that Contract #7906 was an event sponsored by a different Member on 9/15/94.
3.	6588	The deposit slip showed only \$24 received as opposed to the \$48 recorded in the database as received on 1/14/94.
	CONTRACT NUMBER	EXCEPTION
4.	6912	The deposit slip showed \$992.50 as opposed to \$922.50 recorded in the database.

5.	7283	The check receipt record showed that \$150 was received on 4/15/94 as opposed to \$95 recorded in the database.
6.	7343	Check #1887 dated 4/13/94 for \$54 was never deposited, however, the check was recorded in the database. We found the check in the 1994 box of records and remitted it to HRS for immediate deposit.
7.	7832	The total contract was \$2,560 as opposed \$2,420 as recorded in the database.

We used the information in the Capitol Database and the Rayburn Database to identify the current outstanding balances related to the events during the period of July 1, 1992 through July 5, 1994. However, we were unable to evaluate the accuracy of information in the Capitol Database for any period as well as the information in the Rayburn Database for CY 1992 and CY 1993 due to the lack of source documents.

Additionally, based on source documents that were available, we identified cases where payments had been made, but not recorded. As of September 30, 1995, the Capitol Database and Rayburn Database had recorded catering receivables balances of \$5,142 and \$61,396, respectively. Of these amounts, we found \$1,415 of Capitol Catering receipts and \$27,487 of Rayburn Catering receipts that had not been recorded as received. We provided this information to HRS to update their databases. As a result, the Capitol and Rayburn Catering receivables balances should have been \$3,727 and \$33,909, respectively, totaling \$37,636 as of September 30, 1995. Thus, we mailed confirmation letters to resolve these balances and obtain reimbursements as appropriate.

Without reliable catering receivables information that was recorded or accounted for properly, HRS officials were unable to determine which accounts had been paid and which had not been paid. As a result, collections of outstanding receivables were not pursued. Additionally, the unreliable HRS catering receivables balance negatively impacted the House's financial statements.

Results of Confirmation Letters

We followed up with 55 letters to current Members, former Members, and third parties regarding the \$37,636 (95 events) outstanding receivables balance. As of December 30, 1995, we obtained documentation supporting prior payments or remittances for 79 events amounting to \$33,606. Thus, the remaining outstanding catering receivables balance as of December 30, 1995 was \$4,030 related to 17 events⁵. The results of our effort are presented in the following chart.

	No. of	*No. of	*No. of	*No. of	Total	% of Total
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⁵One of the events was partially resolved and is thus counted twice.

Followup To Comprehensive House Audit

	Events	Current Members	Former Members	Third Parties	Dollars	Dollars
Obtained Supporting Documentation Of Prior Payment Or Cancellation	62	14	4	18	\$29,477	79%
Remitted Payment	16	9	3	1	\$3,129	8%
Obtained Documentation To Support That A Portion Of A Contract Was Paid	1	0	0	1	\$1,165 [®]	3%
Did Not Receive Requested Documentation Or Payment	13	0	2	9	\$3,035	8%
Could Not Identify Sponsor [#]	3	0	0	0	\$830	2%
Totals	95	23	9	29	\$37,636	100%
Remaining Outstanding Receivables	17	0	2	10	\$4,030	11%

*Some current Members, former Members, and third parties held more than one event.

[®]We received documentation supporting \$1,000 of this amount as previously paid.

[#]Member names provided in the Capitol and Rayburn Databases were incomplete. These three contracts provided last names only, which related to more than one Member in the House.

Controls Over Receivables Were Not Adequate

HRS could not support the existing catering receivables balance. Many source documents were either missing or lost. Source documents should have been maintained to support the existing catering receivables balance. In November 1994, HRS attempted to determine the actual catering receivables balance by collecting catering receivables due from Member offices and outside organizations that sponsored events. According to HRS officials, some of the collection letters included payments for events identified in the HRS Catering System as already paid.

Unfortunately, HRS did not keep the responses to the collection letters.

Additionally, HRS did not periodically reconcile the catering subsidiary accounts receivable records to Finance's Cash Receipt Deposit Journal (CRDJ). However, the Finance CRDJ did not always identify Capitol and Rayburn Catering deposits. For some months, reconciliations were possible; yet, for other months, adequate information in the CRDJ was not available to perform reconciliations.

Furthermore, responsibility for catering receivables activities, which included recording of receivables, receipt and deposit of cash, and follow up on past due accounts, should have been centralized in the HRS Accounting Office. Prior to July 5, 1995, before HRS operations were

contracted out to Marriott/Thompson, Inc., the catering receivables activities were performed by two separate offices, Capitol Catering and Rayburn Catering, under HRS. These two catering offices performed catering receivables activities as well as sales, customer service, and other operational activities for their respective offices. The HRS Accounting Office should have been responsible for all catering receivables activities and the responsibilities of Capitol Catering and Rayburn Catering should have been limited to operational activities, including sales and customer service. Accounting functions, such as catering receivables activities, are not functions which are compatible with operational activities. As a result, many open accounts were not pursued.

Also, the functions in Capitol Catering and Rayburn Catering were not adequately segregated. Without segregation of duties or compensating controls, misappropriation of unrecorded receivables could go undetected. Controls to list cash receipts and segregate duties should have been established. At Rayburn Catering, three individuals created the catering contracts and any one of the three was able to receive, record, and deposit all the cash receipts without any segregation of duties that reduces the opportunities to allow any person to be in a position to both perpetuate and conceal errors or irregularities in the normal course of carrying out his/her duties. Similarly, at Capitol Catering, one individual created the catering contracts and received, recorded, and deposited all cash receipts.

Finally, the automated HRS Catering System was not adequately tested prior to use and lacked proper controls to ensure data integrity. For example, contracts which were changed or deleted in the system lacked proper audit trails, such as a record of what changes were made, when they were made, and who made the changes. HIR was requested to develop the HRS Catering System for Capitol Catering and Rayburn Catering in May 1992 and the system was completed within six weeks; however, there was no formal acceptance by HRS. Furthermore, no formal System Development Life Cycle (SDLC) methodology was used to develop the catering software. If a proper SDLC methodology had been used, an empowered group representing all users and thorough user testing would have helped to ensure internal controls were in place.

We also reviewed the internal controls implemented by Marriott/Thompson Inc. as they related to catering receivables, and found they adequately addressed the weaknesses we identified in this finding. Therefore, we do not have any recommendations addressing the identified internal control deficiencies. Additionally, we did not see any pattern which would indicate fraud or abuse with respect to catering receivables.

Recommendation

We recommend that the Committee on House Oversight direct the Chief Administrative Officer to resolve the remaining 17 outstanding catering receivables.

Finding C: Overdue Accounts And Personal Usage Related To Charge Card Activity

Our review of House charge card activity was performed in two primary areas--analysis of delinquent balances and identification of possible personal usage. Reports from the House's current and former charge card vendors indicated that as of October 1995, 43 accounts had balances delinquent over 120 days relating to charges incurred during the 103rd Congress. These included 5 current and 10 former Members, as well as 6 current and 22 former staff. Based on the 27 responses to our confirmation letters, 12 of these accounts were paid, 4 of the cardholders agreed that a balance was due but had not yet paid, and 11 of the cardholders with unpaid balances disagreed that they owed a balance to the charge card vendors. For the remaining 16 letters mailed, 4 were returned as undeliverable; 3 former Members and 8 former staff did not reply to our confirmation requests; and we were informed that 1 former staff was deceased.

We also identified four Members' offices with nine cardholders who appeared to have made recurring personal charges. These charges ranged from \$5 to \$3,200. The 9 cardholders identified (1 former Member (who resigned in the 104th Congress), 3 current staff, and 5 former staff) had 128 apparent personal charges--50 of the 128 apparent personal charges, ranging from \$5 to \$250, were made by 1 current staff person. These transactions included charges made at clothing stores, toy stores, and music shops. Only one former staff admitted to making personal charges in response to our confirmation request. In addition, the charge card statements of one former Member and one of the staff included notations stating that certain charges were for personal expenses. However, we found no evidence that the House paid for these apparent or actual personal charges.

Background

As part of the comprehensive House audit, we found that lenient House rules and Finance practices created an environment where Members and staff became complacent about paying their charge card bills on time or submitting them to Finance promptly. During CY 1994, Members and staff often had past due balances of 120 days or more on their accounts with the House's current charge card vendor. In addition, the comprehensive House audit found that detailed spending reports from the House's current charge card vendor disclosed that Members and staff used their cards to purchase items from retail stores and other vendors whose merchandise and services probably would not be allowable travel-related expenses under the June 1993 *Handbook* and the Charge Card Agreement.

The objectives of this portion of the followup audit were to determine: (1) the current payment status of Members and staff in the 103rd Congress who had past due balances on their government-furnished charge cards as of December 31, 1994; and (2) if the House had paid Members' or staffs' personal charges incurred during the 15 months ended December 31, 1994, either by paying the charge card vendor directly or by reimbursing the Member or staff incurring

those charges. We examined in greater depth transactions that occurred during the period of the comprehensive House audit. We did not examine charges to government-furnished charge cards subsequent to December 31, 1994.

Delinquent Charge Card Balances

On November 20, 1995, we mailed 43 confirmation letters to 5 current Members, 10 former Members, 6 current staff, and 22 former staff whom the charge card vendors reported as still having past due balances relating to charges incurred during the 103rd Congress. We requested that they review their balances and payment status information provided by the charge card vendors. We further requested them to validate whether their outstanding balances represented charges incurred in connection with official House business and whether all outstanding vouchers for such expenses had been submitted to the House for payment. In addition, we requested that they submit any vouchers or supporting documentation for outstanding House expenses.

Of the 43 confirmation letters sent, we received 27 responses. All five current Members and all six current staff, as well as seven former Members and nine former staff responded. Of the remaining 16 letters: 4 were returned as undeliverable; 3 former Members and 8 former staff did not reply to our confirmation requests; and we were informed that 1 former staff was deceased. The average reported balance on these 16 accounts was \$3,684. However, this average is skewed by one former Member who resigned in the 104th Congress and did not respond to our letter and one former staff with total balances due to both charge card vendors of \$16,541 and \$22,942, respectively. The other 14 balances ranged from \$150 to \$5,228. The Office of the Clerk of the House of Representatives was winding down the operations of one of the former Member's offices (the Member who resigned in the 104th Congress) and informed us that the former charge card vendor initiated legal proceedings against that former Member.

We categorized each of the 27 responses based on the documentation provided by the cardholder as follows:

	Agree That Balance Was Due at 10/95		Disagree That Balance Was Due at 10/95		Totals
	Number	Ranges of Balances	Number	Ranges of Balances	
Paid	6	\$73 - \$7,102	6	\$28 - \$5,702	12
Not Paid at 12/30/95	4	\$395 - \$10,234	11	\$163 - \$6,196	15
Totals	10	\$73 - \$10,234	17	\$28 - \$6,196	27

All five current Members we contacted responded to our letters. Four Members disagreed that

they had balances due at October 1995 and provided supporting documentation indicating that the charges (ranging from \$146 to \$5,702) were paid. One Member submitted payment in full for the \$5,334 balance due the former charge card vendor. This Member also submitted payment of \$1,378 towards a balance of \$1,768 reported by the current charge card vendor. That Member reported that the remaining balance of \$390 represented refunds due for returned airline tickets, and the Member provided us copies of the airline ticket refund receipts.

Of the six current staff, two staff provided documentation which indicated their outstanding balances of \$28 and \$290 had been paid. One staff agreed with the reported balance of \$395 but did not remit payment. Three others disagreed with the reported balances of \$191, \$500, and \$6,196.

Of the seven former Members who responded, three provided documentation showing that charges comprising their balances, which ranged from \$73 to \$830, had been paid. Four former Members disagreed that they owed balances ranging from \$163 to \$2,054.

Of the nine former staff who responded, two agreed that balances of \$374 and \$449 were due in October 1995 and remitted payment or provided documentation which indicated the charges had been paid. Three other former staff agreed that balances of \$1,392, \$4,171, and \$10,234 were due in October 1995 but had not yet remitted payments. The former staff who owes \$4,171 claimed to be on a payment plan with the charge card company, and we were advised by the Clerk of the House that a legal judgment was obtained against the other former staff for arrearage and that staff's wages were garnished. Four former staff disagreed that balances (ranging from \$306 to \$1,126) were due in October 1995.

Eleven of the 27 responses we received indicated that all or a portion of the charges which were reported as delinquent in October 1995 were disputed by the cardholder. Some respondents provided documentation showing charge card vendors occasionally misapplied charges and payments to their accounts. Others provided documentation of the correspondence they have had with the charge card vendor attempting to determine the nature of the delinquent charges. In many cases the cardholders did not have the records necessary to reconcile their accounts since many of the charges were paid by the House through the voucher system. However, it should be noted, that some of these accounts will not be able to be reconciled because of the age of the charges which are in dispute. Per discussion with representatives of the former charge card company, they purge their records periodically and are unable to provide statements for all former cardholders.

Possible Personal Use of Charge Cards

Identifying Possible Personal Charges

The June 1993 *Handbook* stated that the "Government Charge Card is made available to support the conduct of official U.S. Government business only. This card should not be used to support the conduct of personal, political, campaign related, or other than official U.S. Government business." To identify apparent personal charges, we reviewed the detailed activity for each Member's and staff's charge card account reported in the Account Activity Report that the current charge card vendor provided to the House each month. We reviewed reports covering activity from October 1993 to December 1994. Finance could not locate the report for March 1994. The current charge card vendor informed us that it would be impracticable to recreate this report. The House did not have detailed spending reports from its former charge card vendor, whose contract with the House expired at the end of November 1993. The former charge card vendor was not willing to provide this information without a subpoena.

We identified charges as being apparent personal charges if they were to vendors who were providers of goods and services that would unlikely be allowable charges to official expenses under the June 1993 *Handbook*. We also included charges to other vendors whose names suggested that the goods or services they provided may not have been allowable charges under the June 1993 *Handbook*. These included charges to vendors such as: clothing stores, toy stores, music stores, universities, leather goods stores, and health care providers.

We did not have a basis to judge whether charges that appeared to be for travel and related costs, meals, subscriptions to publications or on-line computer services, purchases from office supply or equipment dealers, or express delivery services were for official business or for personal, political, or campaign purposes. Thus, we did not include such charges on our listing of apparent personal charges.

In connection with our inquiries about apparent past-due charge card balances, we asked all 43 cardholders we contacted whether the charges comprising their balances were incurred in connection with official House business. We also asked four of these cardholders about specific apparent personal charges we had identified on their charge cards. Only one of these four cardholders responded to our request. The former staff agreed that personal charges had been made and stated that a payment plan has been established with the charge card company to pay these charges. No other respondents indicated that their balances included personal charges.

Determining if the House Paid for Personal Items

Our review of the Account Activity Report from the current charge card vendor identified 77 cardholders (26 Members and 51 staff) with 1 to 50 apparent personal charges. The charge card vendor reported a delinquent balance for four of these cardholders as of October 1995. We attempted to contact each of these individuals to inquire about the nature of their charges. The remaining 73 cardholders had a current balance on their charge cards and therefore, were not contacted to inquire about the nature of their charges. For each of these charges, we examined information in Finance's FMS for evidence that the House may have paid those charges. FMS allocates the House's payments to the charge card vendor according to the nature of each of the charges comprising the Member's or staff's balance. It also lists payments to individual Members and staff for direct reimbursements of their expenses. We created a database of all disbursements made from October 1, 1993 to September 30, 1995, having service dates prior to January 1, 1995, and charged to the offices in which the 77 cardholders worked. For each apparent personal charge, we searched this database for charges that were in the same amount, charged to the cardholder's employing office, and with a service date on or after the date of the charge on the charge card vendor's report. We found no instances where the House appears to have paid either the charge card vendor or the Member or staff for any of these apparent personal charges.

From this listing of 77 cardholders, we identified 4 Members' offices with 9 cardholders who appeared to have made recurring personal charges. These charges ranged from \$5 to \$3,200. The 9 cardholders identified (1 former Member (who resigned in the 104th Congress), 3 current staff, and 5 former staff) had 128 apparent personal charges--50 of the 128 apparent personal charges, ranging from \$5 to \$250, were made by 1 current staff person. Over two-thirds of these charges were made before May 1994, when the charge card vendor was directed by the House to impose a "retail" block to curb use of cards for non-travel purchases.

To determine if the House had paid for any of these apparent personal charges, we examined all vouchers paid during CY 1994 to the charge card vendor and charged to the offices in which the cardholders worked. We also examined vouchers for payments to the individuals with recurring apparent personal charges. This review disclosed the following:

- None of the Members or staff requested Finance to pay for the apparent personal charges we identified.
- Charge card statements of 1 former Member and 1 current staff included notations stating that certain charges were for personal expenses and requesting Finance not to pay those charges.

Additionally, we reviewed a data file of all House payments to the current charge card vendor for charges incurred during the audit period and allocated to non-travel cost centers. The non-travel cost centers contained approximately 2,400 transactions totaling nearly \$250,000. For each of

these 2,400 transactions, we reviewed information included in FMS. We evaluated the amount of each transaction, the frequency of charges by office, and the descriptions of the transactions included in the comment field, and found no charges that, in our judgment, appeared to be for personal items. Of these 2,400 transactions, 754 transactions, totaling over \$37,000 were clearly non-travel related. While these 754 non-travel related transactions appeared to comply with House rules, they did not appear to be in compliance with the charge card agreement. That agreement states that "You [the cardholder] agree to use the Government Card only for official travel and official travel-related expenses away from your official station/duty station (lodging, meals, incidentals) and submit the charges for same for Agency reimbursement in accordance with Agency policy. You understand that the Card and the Account are not to be used for personal purposes." These non-travel charges included items such as on-line computer services, software, office supplies, subscriptions, postage, printing, and telephone calls and, therefore, appeared to violate the terms of the charge card agreement.

Conclusion

The House's former practice of paying Members' and staffs' charge card bills for them created a climate where Members and staff became complacent about paying their bills on time or submitting them to Finance for payment. It also appears to have contributed to errors in the charge card vendors' posting of payments to cardholder accounts. Because Finance retains many of the records of payment for Members' and staffs' charge cards, no determination of the validity of reported delinquent balances can be made until Finance reconciles its records to those of the charge card vendors. We do not have any other recommendations to address the internal control deficiencies we noted in this finding because the comprehensive House audit made a number of recommendations that, when fully implemented, should address the concerns identified in this finding.

Recommendations

We recommend that the Committee on House Oversight remind Members, Officers, and staff that charge cards are only for official House travel and travel-related expenses.

We also recommend that the Committee on House Oversight direct the Chief Administrative Officer to:

1. Continue to pursue and resolve the remaining 31 outstanding delinquent charge card balances.
2. Request the cardholders' statements from the charge card companies and reconcile accounts in those cases where the cardholders did not have adequate records.

Finding D: Member Overspending

In the comprehensive House audit, we found that records maintained by Finance indicated that in 1994 three Members overspent their Official Expense Allowances (OEA), one overspent the Official Mail Allowance (OMA), and one overspent the Clerk Hire Allowance (CHA). The June 1993 *Handbook* stated that "Each Member is personally responsible for the payment of any expenses incurred in the support of the conduct of official and representational duties which exceed the provided allowances." In the followup audit, we examined Finance's records of activity in these five Members' 1994 allowance accounts through December 30, 1995.

We found that subsequent to the comprehensive House audit, three of the five Members used personal funds to reimburse the House for their overspending. We examined source documents evidencing their payments to the U.S. Treasury of \$1,644.66 for the OEA of one Member, \$1,066.26 for the OEA of the second Member, and \$836.84 for the OMA of the third Member. These payments were sufficient to remedy the overspending of 1994 allowances for all three Members. We found that another of these five Members had refunds from one canceled and two overpaid periodical subscriptions applied to the Member's 1994 OEA. We examined source documents evidencing the publishers' refunds of \$2,209.95. These refunds were attributable to subscriptions the Member had paid for in CY 1994, and the amount of the refunds was sufficient to remedy this overspending of the Member's 1994 OEA.

The lack of integration of the three Members' allowances systems⁶ contributed to questions about the fifth Member's allowances, as the Member attempted to transfer funds from the OEA to provide sufficient funds in the CHA. Finance recorded the transfer of funds into the CHA, but never recorded the transfer out of the OEA. At the time the transfer was requested sufficient funds were available in the OEA to cover it. Later, however, additional expenses were charged against the 1994 OEA. By the time we performed our audit, Finance records indicated that this Member no longer had sufficient funds to cover this transfer to the Member's CHA. The systems for tracking OEA and CHA never detected the failure to record this transfer, and the Member's office did not become aware of this discrepancy until we identified it in our audit.

A detailed review of the office's account activity identified credits that should have been posted to the 1994 OEA. After giving effect to these credits, the net overspending of the fifth Member's 1994 OEA was \$204.37. The Member's 1994 OEA included a pre-payment for a CY 1995 subscription. The decision to make this prepayment was based on records provided by Finance

⁶Finance tracked Members' allowances on three different systems, one for each type of allowance.

which indicated that sufficient funds were available for the pre-paid expense as well as for all other 1994 expenses. However, when informed of the results of our audit, the Member elected to reclassify the subscription pre-payment as a charge to the Member's 1995 OEA. We examined documentation and verified that the service period for this subscription was CY 1995 and that the subscription was originally charged to the Member's 1994 OEA. As a result of this reclassification, there were sufficient funds to allow the transfer from the Member's 1994 OEA to the Member's 1994 CHA, and the Member's 1994 OEA ended with a positive account balance.

We did not see any pattern that would indicate fraud or abuse with respect to Member overspending. We do not have any recommendations to address the internal control deficiencies we noted in this finding because the comprehensive House audit made a number of recommendations that, when fully implemented, should address the concerns identified in this finding.

Finding E: Salary Overpayments

During the comprehensive House audit, we determined that the House overpaid a total of \$299,000 to 300 employees who had been terminated, placed on leave without pay, or given salary reductions during the 15 months ended December 31, 1994. When these overpayments were identified, Finance notified the employing offices of the overpayments and asked that these offices pursue collection from their employees. At the end of the year, if any overpayments were still outstanding, Finance would file Form 1099s (Miscellaneous Income) with the Internal Revenue Service for those amounts. After this action was taken, no additional effort was made to collect these overpayments. While these overpayments were not significant (i.e., less than one percent) with respect to the House's total payroll during that period, the House did not have a policy to ensure that overpayments were pursued and collected.

In our followup audit, we verified the status of salary overpayments as of November 17, 1995. According to Finance's records as of that date, 20 former employees still owed the House \$16,865 for salary overpayments which had been outstanding since December 31, 1994. On November 17, 1995, we sent confirmation letters to each of these employees asking them to confirm the amount of the overpayment and remit a check or money order payable to the U.S. Treasury for that amount.

We received 9 replies to these 20 confirmation letters. Three former staff remitted payment in full, totaling \$1,676. Four former staff agreed to pay back salary overpayments totaling \$3,596. Two former employees, who received salary overpayments totaling \$1,003, did not agree with the determination that they owed the House money. However, neither of these employees provided documentation to support their disagreements. Eight former employees did not reply, two letters were undeliverable, and we were informed that 1 former staff was deceased. The total of the salary overpayments to these 11 former employees was \$10,590.

While we did not see any pattern that would indicate fraud or abuse with respect to salary overpayments, in our view, the overpayments most likely occurred because offices submitted salary changes after the established deadline or because Finance processed them late. Employing offices used Payroll Authorization Forms (PAFs) to notify Finance's Payroll Department of salary changes, including employee hires and terminations, salary increases and decreases, leave without pay status, and deaths. The June 1993 *Handbook* required employee terminations to be submitted by the last business day of the month the termination was effective, and other payroll change information to be submitted by the 15th of the month in which the adjustment was to be effective. This allowed enough time for the Payroll Department to enter payroll changes into the FMS before paychecks were produced. If a PAF was submitted or processed late, the employee was overpaid. Of the 20 overpaid employees who still had balances due to the House at November 17, 1995, we noted that 8 had PAFs dated after the date required by the June 1993 *Handbook*, and 2 had PAFs that were not dated at all.

Recommendations

We recommend that the Committee on House Oversight direct the Chief Administrative Officer to:

1. Continue to pursue and resolve the remaining 17 outstanding salary overpayments.
2. Establish and implement a policy requiring that the debts of individuals who do not respond to the House's initial efforts to collect salary overpayments be referred to a collection agency.

Finding F: Missing Certificates Of Relationship To Members

In the comprehensive House audit, we reported instances where neither Members' offices nor Finance retained employees' Certificates of Relationship/Nonrelationship in employee personnel files.⁷ (Since the comprehensive House audit, responsibility for maintaining the House's personnel files has been transferred from Finance to the Office of Human Resources.) Because these certificates were not retained, we were unable to determine if Members complied with laws and House rules governing the hiring and promotion of relatives. The June 1993 *Handbook* stated that "a Member (or others with appointing or pay authority) is prohibited by law from appointing, promoting, or recommending for appointment or promotion relatives." In addition, the June 1993 *Handbook* required that a "Certificate of Relationship/Nonrelationship to Any Current Member of Congress Form" be executed and signed by each employee being appointed, and that the completed form be retained by the Member's office in the employee's permanent personnel file.

We identified 18 employees of Members' offices or of Committees who had their payroll certifications signed by Members with the same or similar last names during the 15 months ended December 31, 1994. As part of the current audit, we searched Office of Human Resources files to determine if these employees' Certificates of Relationship/Nonrelationship had subsequently been forwarded to the Office of Human Resources. We found that the Office of Human Resources had no certificates on file for these employees.

On November 18, 1995, we sent letters to 12 Members, 2 Committees, and 1 Leadership office requesting copies of the completed Certificates of Relationship/Nonrelationship for these 18 employees. All of these offices responded, providing completed certificates for all of these employees. We examined these certificates and relevant personnel records maintained by the Office of Human Resources. That examination disclosed no violations of the law prohibiting the appointment or promotion of relatives (5 U.S.C. § 3110).

Recommendation

⁷ The 1993 edition of the *Congressional Handbook* did not require Finance to retain these certificates. However, Finance personnel and staff in Members' offices stated that copies of the forms often were submitted to Finance when a new employee was hired.

We recommend that the Committee on House Oversight direct the Chief Administrative Officer to establish a policy to require that completed Certificates of Relationship/Nonrelationship be submitted to the Office of Human Resources for retention in employees' personnel files.

Finding G: Nondisclosure of Personal Debts On Financial Disclosure Forms

In the comprehensive House audit, we reported that Members' CY 1994 financial disclosure forms did not disclose certain debts that were identified during the audit. Reports from the House's charge card vendor indicated that at December 31, 1994, a current and former Member (who resigned in the 104th Congress) owed more than \$10,000 on their government-furnished charge cards. In the followup audit, we determined that the current Member did not owe more than \$10,000. However, the former Member did owe more than \$10,000 on the charge card, did not file the required financial disclosure form, and thus, did not disclose the debt. Although it had been the House's practice to pay Member's and staff's charge card bills, the standard agreement between cardholders and the charge card vendor stated that the cardholder was personally liable for payment.

All Members and selected House staff are subject to the financial disclosure requirements of the Ethics in Government Act (5 U.S.C. appendix 6 §§101-111). The Act requires disclosure of debts over \$10,000 on revolving charge card accounts as of the end of the year. However, on September 14, 1995, the Committee on Standards of Official Conduct informed us that it interpreted the Act as not requiring disclosure of debts incurred in connection with official business. Based on our review of the charge card vendor's reports of individual charge card activity during CY 1994, we did not find personal charges totaling \$10,000 or more on the former Member's charge card balance at December 31, 1994.

We also identified two staff whom the House's charge card vendor reported as owing more than \$10,000 at December 31, 1994. However, neither of these staff were subject to the financial disclosure requirements because their salaries were below the threshold that triggers those requirements. Furthermore, based on our review of the charge card vendor's reports of individual charge card activity during CY 1994, we did not find personal charges totaling \$10,000 or more on either of these staff's charge card balances at December 31, 1994.

Finding H: Inappropriate Mail Allowance Changes

As part of the comprehensive House audit performed for the 15-month period ended December 31, 1994, we performed tests of the House's compliance with certain provisions of laws and House rules and procedures. During our audit we found that one Member received an adjustment to the Official Mail Allowance (OMA) that did not appear to be adequately supported. In the followup audit, we obtained documentation of the circumstances leading to that adjustment from the Member, the then-Chairman (Chairman) of the Committee on House Administration, and the United States Postal Service (USPS).

By law, OMA allocations for the 103rd Congress were established by the Committee on House Administration. On May 20, 1993, the Committee on House Administration adopted a resolution establishing OMA allocations for Members of Congress for the First Session of the 103rd Congress. Each Member was allocated an OMA based on the Congressional district's postal delivery sites as reported to the Committee by the USPS. The resolution stated that these allowances were effective from January 3, 1993, until otherwise provided by the Committee. Despite being informed by the USPS on February 15, 1994 of the updated number of postal delivery sites in each Member's district, the full Committee took no action adjusting Members' OMAs for the Second Session of the 103rd Congress. Instead, by letter dated July 27, 1994, the Chairman transmitted to the Postmaster General the OMA allocations for the Second Session. This letter cited the May 20, 1993, Committee Resolution as the basis for the allocations which were the same as those provided for the First Session.

In addition to providing the count of the postal delivery sites for the Congressional districts, the USPS also reports the Official Mail costs and tracks allowances of the Members. Therefore, the Members base their mailing decisions on the monthly reports they receive from the USPS. In the case of the Member whose OMA was increased, the May 1994 USPS Franked Mail Monthly Statement erroneously reported the Member had an OMA balance of \$118,225.05. However, in September 1994, the USPS issued a corrected May 1994 statement, showing a May 1994 OMA balance of \$79,466.75, which included a mailing cost of \$38,758.30 that had not been previously charged. By the time the Member had received the corrected May 1994 statement, the Member's OMA had been overspent by \$5,499.82. The Member was unable to correct the overspending by transferring funds from other allowances because the maximum allowable amount under House rules had already been transferred.

Therefore, to offset the overspending, the Member requested the Chairman to grant an increase of \$6,043 to the Member's OMA to coincide with the USPS' February 1994 updated number of postal delivery sites in the Member's district. The Chairman granted the increase to the Member's OMA which was enough to overcome the deficit.

On November 23, 1994, the Chairman notified the Acting Director of the Office of

Non-Legislative and Financial Services of an error in the Member's OMA due to an incorrect USPS address count in the Member's district, and the Chairman's approval of an increase in the Member's OMA. However, the Chairman's letter to the Acting Director incorrectly indicated that the increase in the Member's OMA was due to a USPS error, when in fact, it actually reflected the updated count of postal delivery sites in the Member's district. The Chairman advised us that he increased the Member's OMA after he received the Member's request, which described the impact of the error in the USPS reports, and "thought it proper to grant it". The Chairman stated that no other Members had requested an increase in their mail allowance, and we determined that no other increases were granted.

We found no evidence that the actions taken by the Chairman or Member were in violation of House rules. We do not have any recommendations to address the internal control deficiencies we noted in this finding because the comprehensive House audit made a number of recommendations that, when fully implemented, should address the concerns identified in this finding.