John W. Lainhart IV
Inspector General

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

MEMORANDUM

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

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

FROM: John W. Lainhart IV
Inspector General

DATE: July 30, 1996

SUBJECT: Final Report - Audit of the Financial Statements for the Year Ended December 31, 1995 (Report No. 96-HOC-05)

Attached is our final report presenting the results of Price Waterhouse LLP's (Price Waterhouse) audit of the House of Representatives' (House) consolidating financial statements for the year ended December 31, 1995. The report includes the House's financial statements and the *Report of Independent Accountants* encompassing Price Waterhouse's opinion on the financial statements. Also included is the *Report of Independent Accountants on Compliance with Laws and Regulations* and *Report of Independent Accountants on the Internal Control Structure*.

Objectives and Scope of Audit

The objectives of this audit were to assess whether the House's consolidating financial statements present fairly, as of December 31, 1995, the overall financial position, results of operations, and cash flows in accordance with generally accepted accounting principles. This report also presents findings on the House's compliance with applicable laws and regulations, and the fairness of management's assertion about whether the House's internal control structure provides reasonable assurance of achieving generally accepted control objectives. In addition, the report discloses problems associated with the House's financial management activities and includes recommendations to improve those activities.

This audit was part of our 1996 Annual Audit Plan that was approved by the Committee on House Oversight on November 15, 1995. To complete this audit, we contracted with the independent certified public accounting firm of Price Waterhouse. We approved the scope of the audit work, monitored its progress at key points, and performed other procedures we deemed necessary. This audit was conducted in accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States.

Results of Price Waterhouse's Audit

The House has made significant progress in improving its financial management and operations since last year's financial statements audit. The House completed the implementation of the core components of its new financial management system. Once this system is fully implemented, it will provide the House with more relevant, understandable, and usable financial information, consistent with information used by public and private sector organizations. In addition, of the 94 financial-related recommendations contained in 9 of last year's audit reports--which were part of the comprehensive House audit--the House closed (i.e., fully implemented or otherwise resolved) 21 recommendations and partially implemented 53 recommendations. Furthermore, the remaining 20 recommendations are scheduled for future implementation. As a result, the 14 material weaknesses identified in last year's report have been reduced to four material weaknesses in this year's report.

Material weaknesses in the House's internal controls precluded Price Waterhouse from expressing an "unqualified opinion" on the House's financial statements. However, the "qualified opinion" Price Waterhouse is expressing on the 1995 financial statements is a very significant improvement over the "disclaimer" they expressed last year. To achieve an "unqualified"--or "clean"--opinion on its financial statements, and, more importantly, to fully realize the day-to-day benefits of improved financial management, the House must sustain its commitment to build upon the solid foundation that has been set over the past 18 months.

Since last July, the House has been aggressively striving to replace its old, cash-based accounting system. This system, together with the organizational structure surrounding it, necessitated the use of manual record keeping and limited the House's ability to apply generally accepted accounting principles and its ability to prepare financial statements in a usable, commonly recognizable accrual format. As of the date of this report, the House has implemented the core components of a new financial management system, and has loaded transaction data into the new system retroactive to October 1, 1995. But a systemic infrastructure is not fully in place to record obligations and commitments when goods and services are ordered and received, or to routinely prepare accrual-based financial statements and information. As a result, the House had to engage contractor staff to compile its financial statements, reconstruct financial records, and convert cash transactions to accrual-based information for the year ended December 31, 1995. Until all key functions of the new system are implemented, and the House builds its organizational capacity to use the new system, it must continue to use manual information and rely on contractors to prepare financial and accounting information. The efforts of the contractors compensated for, but did not correct, all aspects of the material weaknesses in the House's financial systems and records, since given the volume of the financial information processed and managed by the House, correcting these weaknesses ultimately depends upon instituting systemic improvements to processes and procedures. However, except as discussed in the following paragraph, these efforts did enable Price Waterhouse to obtain sufficient evidence supporting the amounts and disclosures in the consolidating financial statements.

As of December 31, 1995, the House did not have procedures in place to fully capture costs and commitments incurred by individual House entities, including Member offices, when they were incurred or to assure that information about these costs and commitments was reported on a timely basis. As a result, costs attributable to the Members' Representational Allowances (MRAs) were not always identified until significantly after the date the goods and services were incurred. For example, in May 1996, the House paid over $120,000 in printing and folding charges attributable to 25 Members' 1995 MRAs. These charges ranged from around $20 to more than $25,000, and four Members had charges in excess of $10,000. Also, more than $2.6 million net charges for 1995 Official Mail were reported by the U.S. Postal Service as late as May 16 and June 3, 1996. Because these charges are recorded in the accounting records and in reports provided to Members when they are paid instead of when they are incurred, Members may unexpectedly exceed the limitations on their MRAs if there are delays in submitting bills for payment. While this weakness will likely be solved once the House's new financial management system is fully implemented, for 1995, Price Waterhouse was unable to obtain sufficient evidence to determine whether all costs and commitments incurred by House entities were reported in the House's 1995 consolidating statement of operations, or whether all Members remained in compliance with 1995 MRA spending limitations.

In the *Report of Independent Accountants on Compliance With Laws and Regulations,* Price Waterhouse identified only one instance of significant noncompliance. Specifically, they noted that Office of Finance records indicated that certain Members overspent their MRAs. However, no public funds were at risk because, under the *Members' Congressional Handbook,* Members are personally responsible for the amounts by which they overspend their MRAs.

Of the 14 material weaknesses identified in Price Waterhouse's report on internal controls for the 15 months ended December 31, 1994, four remain as material weaknesses because major corrective actions are yet to be completed. Of the remaining ten material weaknesses from last year, one has been closed, and nine are still considered reportable conditions, although actions have been initiated on all of the weaknesses. The four material weaknesses in Price Waterhouse's *Report of Independent Accountants on the Internal Control Structure* relate to the following areas:

- Lack of a system that provides for full accounting of obligations and accruals.
- Lack of sufficient information with which to manage and maintain accountability over property and equipment.
- Deficiencies in monitoring and accounting for MRAs.
- Insufficient controls and security over computers and data.

These weaknesses and other deficiencies are discussed in greater detail in sections of this audit report entitled *Report of Independent Accountants, Report of Independent Accountants on*

Compliance with Laws and Regulations, and *Report of Independent Accountants on the Internal Control Structure*.

Prior Audit Coverage

The House Is Ready To Implement The Core Federal Financial System (Report No. 96-CAO-04, dated June 3, 1996) identified that although tasks critical to the implementation of the new financial management system had been completed, additional tasks needed to be completed to fully implement Phase II of the system. The House is currently in the process of implementing the recommendations in this report.

House Experiencing Problems With The Implementation Of The Core Federal Financial System (Report No. 96-CAO-02, dated March 1, 1996) identified deficiencies in the project management, testing, and other system development activities related to the implementation of the new financial management system. The House has implemented or initiated action on all of the recommendations in this report.

Followup On Outstanding Issues From The Comprehensive House Audit (Report No. 96-HOC-01, dated January 2, 1996) identified internal control weaknesses related to deficiencies found in the comprehensive House audit, such as duplicate travel-related payments, uncollected catering receivables, overdue accounts and personal usage related to charge card activity, Member overspending, and salary overpayments. The status of each recommendation affecting financial operations in Report No. 96-HOC-01 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Audit of Financial Statements for the 15-Month Period Ended December 31, 1994 (Report No. 95-HOC-22, dated July 18, 1995) identified 14 material weaknesses that could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The status of each recommendation in Report No. 95-HOC-22 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems (Report No. 95-CAO-20, dated July 18, 1995) identified internal control weaknesses related to the House's system development and maintenance activities. The status of each recommendation affecting financial operations in Report No. 95-CAO-20 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

The Management And Control Of The House's Information Systems Operations Should Be Improved To Better Meet Members' Needs (Report No. 95-CAO-19, dated July 18, 1995) identified internal control weaknesses concerning top management oversight, organization structure, training, and technology management related to the House's information systems operations. The status of each recommendation affecting financial operations in Report No. 95-CAO-19 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction (Report No. 95-CAO-18, dated July 18, 1995) identified internal control weaknesses related to the integrity, confidentiality, and availability of information and systems. The status of each recommendation affecting financial operations in Report No. 95-CAO-18 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Split Responsibility For Equipment Leasing And Maintenance Cost The House Almost $2.0 Million Annually In Payments For Outdated Equipment (Report No. 95-CAO-17, dated July 18, 1995) identified internal control weaknesses related to the management, maintenance, and inventory of leases of office and computer equipment. The status of each recommendation affecting financial operations in Report No. 95-CAO-17 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Problems Plagued The House's Financial Operations (Report No. 95-CAO-16, dated July 18, 1995) identified internal control weaknesses related to accounting policies, methods, and financial management systems. The status of each recommendation in Report No. 95-CAO-16 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Standardized Processes Are Needed To Create An Efficient And Effective Procurement System (Report No. 95-CAO-11, dated July 18, 1995) identified internal control weaknesses related to the procurement planning and budget process. The status of each recommendation affecting financial operations in Report No. 95-CAO-11 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Lack Of Sound Personnel Policies And Procedures Could Cost The House Millions (Report No. 95-CCS-10, dated July 18, 1995) identified internal control weaknesses related to personnel and payroll files and records. The status of each recommendation affecting financial operations in Report No. 95-CCS-10 is addressed in the section entitled *Report of Independent Accountants on the Internal Control Structure* of this audit report.

Proposed New Financial Management System Will Not Meet The House's Needs And Should Be Terminated (Report No. 95-CAO-02, dated May 12, 1995) identified internal control weaknesses in the project management, requirements definition, and system development methodology related to the design of the proposed new financial management system. The House has implemented or initiated action on all of the recommendations in this report.

Recommendations

This report contains 81 recommendations, including 73 repeat recommendations (94 prior audit recommendations less the 21 that were closed) for those that were not fully implemented during the past year and 8 new recommendations. These recommendations, when fully implemented, should correct each remaining weakness identified in this report.

Comments of House Management

The Director of Internal Controls and Continuous Improvement formally responded to our draft report for the Chief Administrative Officer on July 19, 1995. In his response, which is included in its entirety as an appendix to this report, the Director fully concurred with the findings, conclusions, and recommendations contained herein. Management's completed, ongoing, and planned actions are thus responsive and, when fully implemented, should satisfy the intent of our recommendations. In accordance with the *Government Auditing Standards*, we will continue to track the implementation of these corrective actions.

Attachments

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

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Report of Independent Accountants

Report of Independent Accountants

To the Inspector General
U.S. House of Representatives

We have audited the accompanying consolidating statement of financial position of the United States House of Representatives (the House) as of December 31, 1995, and the related consolidating statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Members and administrative management of the House. Our responsibility is to express an opinion on these financial statements based on our audit. As part of this audit, we have issued separate reports dated July 25, 1996, on the internal control structure of the House and on the House=s compliance with applicable laws, rules, and regulations.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with generally accepted auditing standards and with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During calendar year 1995, the House was in the process of replacing its old, cash-based accounting system. This system, together with the organizational structure surrounding it, necessitated the use of manual record keeping and limited the House=s ability to apply generally accepted accounting principles and its ability to prepare financial statements in a usable, commonly recognizable accrual format. As of the date of this report, the House has implemented major components of a new automated accounting system, and has loaded transaction data into the new system retroactive to October 1, 1995. But a systemic infrastructure is not fully in place to record obligations and commitments when goods and services are ordered and received, or to routinely prepare accrual-based financial statements and information. As such, the House had to engage contractors to compile its financial statements, reconstruct financial records and convert cash transactions to accrual-based information for the year ended December 31, 1995. Until all key functions of the new accounting systems are implemented, and the House builds its organizational capacity to use the new system, it must continue to use manual information and rely on contractors to prepare financial and accounting information. The efforts of the contractors compensated for, but did not correct, all aspects of the material weaknesses in the House=s financial systems and records, since, given the volume of the financial information processed and managed by the House, correcting these weaknesses ultimately depends upon instituting systemic improvements to processes and procedures. However, except as discussed in the following paragraph, these efforts did enable us to obtain sufficient evidence supporting the amounts and disclosures in the consolidating financial statements.

As of December 31, 1995, the House did not have procedures in place to fully capture costs and purchase commitments incurred by individual House entities, including Member offices, when they were incurred or to assure that information about these costs and commitments was reported on a timely basis. As a result, costs attributable to the Members= Representational Allowance (MRA) were not always identified until significantly after the date the good or service was received. For example, in May 1996, the House paid over $120,000 in printing and folding charges attributable to 25 Members= 1995 MRA. These charges ranged from around $20 to more than $25,000, and 4 Members had charges in excess of $10,000. Also, more than $2.6 million net charges for 1995 Official Mail were reported by the U.S. Postal Service as late as May 16 and June 3, 1996. Because these charges are recorded in the accounting records and in reports provided to Members when they are paid instead of when they are incurred, Members may unexpectedly exceed the limitations on their MRA spending allowance if there are delays in submitting bills for payment. While this weakness will likely be solved once the House=s new financial management system is fully implemented, until then, we are unable to obtain sufficient evidence to determine whether all costs and commitments incurred by House entities are reported in the House=s 1995 consolidating statement of operations, or whether all Members remained in compliance with 1995 MRA spending limitations.

In our opinion, except for the effects of adjustments to the consolidating financial statements, if any, that might have been determined to be necessary had we been able to examine evidence regarding all of the costs and commitments that may have been incurred by the House during the year ended December 31, 1995, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of the United States House of Representatives as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis of the consolidating financial statements rather than to present the financial position, results of operations, and cash flows of individual entities within the House. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the consolidating financial statements and, in our opinion, except for the reasons stated in the preceding paragraph, such information is fairly stated in all material respects, in relation to the consolidating financial statements taken as a whole.

Washington, D.C.
July 25, 1996

Financial Statements

U.S. House of Representatives
Consolidating Statement of Financial Position
As of December 31, 1995

	Members	Committees	Leadership Offices
ASSETS			
Fund Balance with the U.S. Treasury (Note 4)	$ 0	$ 0	$ 0
Cash (Note 4)	0	600	0
Fund Balance with U.S. Treasury and Cash	0	600	0
Accounts Receivable	0	0	0
Interoffice Receivable	0	0	0
Appropriations Receivable (Note 2)	38,314,002	3,822,363	704,216
Advances and Prepayments	1,715,724	188,949	38,956
Inventory	0	0	0
Property and Equipment, Net (Note 5)	13,682,234	3,994,463	1,403,017
Total Assets	$ 53,711,960	$ 8,006,375	$ 2,146,189
LIABILITIES AND NET POSITION			
Accounts Payable (Note 6)	$ 21,159,607	$ 4,658,672	$ 47,564
Interoffice Payable	7,937,944	803,269	656,652
Appropriations Payable (Note 2)	0	0	0
Capital Lease Liabilities (Note 9)	0	24,006	0
Intragovernmental Liabilities (Note 2)	0	0	0
Accrued Leave and Payroll (Note 10)	6,214,898	0	0
Unfunded Workers' Compensation Liability (Note 10)	0	0	0
Total Liabilities	35,312,449	5,485,947	704,216
Unexpended Appropriations	10,932,175	(1,450,029)	38,956
Invested Capital	13,682,234	3,994,463	1,403,017
Future Funding Requirements	(6,214,898)	(24,006)	0
Total Net Position (Note 8)	18,399,511	2,520,428	1,441,973
Total Liabilities and Net Position	$ 53,711,960	$ 8,006,375	$ 2,146,189

The accompanying notes are an integral part of these financial statements

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 719,888,772	$ 42,660,875	$ 1,241,574	$ 0	$ 763,791,221
36,503	19,500	0	0	56,603
719,925,275	42,680,375	1,241,574	0	763,847,824
1,568,294	2,269	0	0	1,570,563
9,606,948	0	0	(9,606,948)	0
17,290,566	0	0	(60,131,147)	0
2,228,644	112,225	0	0	4,284,498
994,577	0	0	0	994,577
16,031,059	1,916,677	0	0	37,027,450
$ 767,645,363	$ 44,711,546	$ 1,241,574	$ (69,738,095)	$ 807,724,912
$ 22,039,891	$ 606,866	$ 207,211	$ 0	$ 48,719,811
193,015	16,068	0	(9,606,948)	0
60,131,147	0	0	(60,131,147)	0
1,875,461	0	0	0	1,899,467
112,792	0	1,241,574	0	1,354,366
2,744,230	1,025,386	0	0	9,984,514
17,421,321	0	0	0	17,421,321
104,517,857	1,648,320	1,448,785	(69,738,095)	79,379,479
668,255,674	42,171,935	1,034,363	0	720,983,074
17,025,636	1,916,677	0	0	38,022,027
(22,153,804)	(1,025,386)	(1,241,574)	0	(30,659,668)
663,127,506	43,063,226	(207,211)	0	728,345,433
$ 767,645,363	$ 44,711,546	$ 1,241,574	$ (69,738,095)	$ 807,724,912

U.S. House of Representatives
Consolidating Statement of Operations
For the Year Ended December 31, 1995

	Members	Committees	Leadership Offices
REVENUE AND FINANCING SOURCES			
Revenue from Operations			
Sales of Goods	$ 0	$ 0	$ 0
Sales of Services to Federal Agencies	0	0	0
Sales of Services to the Public	0	0	0
Interoffice Sales (Note 7)	0	0	0
Revenue From Operations	0	0	0
Financing Sources			
Appropriations to Cover Expenses	495,903,942	107,913,537	14,687,753
Total Revenue and Financing Sources	495,903,942	107,913,537	14,687,753
EXPENSES			
Personnel Compensation	300,484,515	73,996,108	9,658,861
Benefits (Note 10)	84,549,897	20,157,028	2,605,810
Postage and Delivery	27,724,564	230,546	30,745
Repairs and Maintenance	16,157,237	2,833,562	859,297
Depreciation and Amortization (Note 5)	9,094,585	2,017,400	508,012
Rent, Utilities, and Communications	15,953,336	279,711	111,236
Telecommunications	13,048,214	610,028	242,470
Supplies and Materials	7,187,512	1,212,049	502,314
Travel and Transportation	10,962,506	643,829	37,764
Contract, Consulting, and Other Services	703,066	5,503,643	8,596
Printing and Reproduction	6,866,037	17,259	24,733
Subscriptions and Publications	3,172,473	410,931	97,915
Cost of Goods Sold	0	0	0
Interest on Capital Leases (Note 9)	0	1,443	0
Total Expenses	495,903,942	107,913,537	14,687,753
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0

The accompanying notes are an integral part of these financial statements

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 3,107,534	$ 0	$ 0	$ 0	$ 3,107,534
4,611,544	0	0	0	4,611,544
1,586,269	61,778	0	0	1,648,047
59,893,984	0	0	(59,893,984)	0
69,199,331	61,778	0	(59,893,984)	9,367,125
94,237,333	41,881,330	549,886	0	755,173,781
163,436,664	41,943,108	549,886	(59,893,984)	764,540,906
54,587,730	30,275,684	216,137	0	469,219,035
21,666,871	7,948,228	262,488	0	137,190,322
413,820	12,950	0	0	28,412,625
43,903,358	478,146	40,800	(36,195,988)	28,076,412
7,151,940	670,107	0	0	19,442,044
1,710,130	62,689	107	(1,075,863)	17,041,346
13,555,589	65,187	2,281	(13,354,957)	14,168,812
10,776,717	974,039	15,891	(9,120,576)	11,547,946
173,554	414,381	0	0	12,232,034
6,423,749	873,183	0	(19,524)	13,492,713
130,998	38,989	78	(127,076)	6,951,018
697,253	128,253	12,104	0	4,518,929
2,083,638	0	0	0	2,083,638
161,317	1,272	0	0	164,032
163,436,664	41,943,108	549,886	(59,893,984)	764,540,906
$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Consolidating Statement of Cash Flows
For the Year Ended December 31, 1995

	Members	Committees	Leadership Offices
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (Deficiency) of Revenue and Financing Sources over Expenses	$ 0	$ 0	$ 0
Adjustments affecting Cash Flow			
Appropriations to Cover Expenses	(495,903,942)	(107,913,537)	(14,687,753)
(Increase)/Decrease in Accounts, Interoffice and Appropriations Receivable	(3,573,425)	(2,177,550)	(486,005)
(Increase)/Decrease in Advances and Prepayments	(761,620)	25,946	(16,865)
(Increase)/Decrease in Inventory	0	0	0
Increase/(Decrease) in Accounts, Interoffice and Appropriations Payable	5,662,617	4,141,725	486,005
Increase/(Decrease) in Other Accrued Liabilities	(18,932)	0	0
Depreciation and Amortization	9,094,585	2,017,400	508,012
Net Cash Provided (Used) by Operating Activities	(485,500,717)	(103,906,016)	(14,196,606)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property and Equipment, Net	(10,500,855)	(2,049,545)	(1,529,747)
Net Cash Provided (Used) by Investing Activities	(10,500,855)	(2,049,545)	(1,529,747)
CASH FLOWS FROM FINANCING ACTIVITIES			
Appropriations Received (Note 8)	0	0	0
Funds Returned to the U.S. Treasury (Note 8)	0	0	0
Appropriated Funds Allocated (Note 8)	496,001,572	105,957,572	15,726,253
Principal Payments on Capital Lease Obligations	0	(2,761)	0
Net Cash Provided (Used) by Financing Activities	496,001,572	105,954,811	15,726,253
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	0	(750)	(100)
Fund Balance with U.S. Treasury and Cash, Beginning	0	1,350	100
Fund Balance with U.S. Treasury and Cash, Ending	$ 0	$ 600	$ 0

The accompanying notes are an integral part of these financial statements.

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Legislative Service Organizations	Eliminations	Consolidated
$ 0	$ 0	$ 0	$ 0	$ 0
(94,237,333)	(41,881,330)	(549,886)	0	(755,173,781)
(6,478,199)	985,903	23,133	11,212,497	(493,646)
(1,876,071)	(66,677)	12,023	0	(2,683,264)
773,450	0	0	0	773,450
11,647,446	(304,525)	184,078	(11,212,497)	10,604,849
4,471,347	1,025,386	1,241,574	0	6,719,375
7,151,940	670,107	0	0	19,442,044
(78,547,420)	(39,571,136)	910,922	0	(720,810,973)
(9,878,104)	(1,203,096)	151,516	0	(25,009,831)
(9,878,104)	(1,203,096)	151,516	0	(25,009,831)
745,709,600	47,258,195	0	0	792,967,795
(22,547,992)	(540,876)	0	0	(23,088,868)
(622,345,768)	6,002,672	(1,342,301)	0	0
(269,653)	(13,613)	0	0	(286,027)
100,546,187	52,706,378	(1,342,301)	0	769,592,900
12,120,663	11,932,146	(279,863)	0	23,772,096
707,804,612	30,748,229	1,521,437	0	740,075,728
$ 719,925,275	$ 42,680,375	$ 1,241,574	$ 0	$ 763,847,824

Notes to the Financial Statements

Note 1 - Description of the Reporting Entity

The U.S. House of Representatives (House) is one of two separate legislative chambers that comprise the Congress of the United States. The other is the U.S. Senate (Senate). All lawmaking powers of the Federal government are given to the Congress under Article I of the Constitution of the United States. The House and Senate jointly agree on a budget for the Legislative Branch and submit it to the President of the United States. The Members of the House serve two-year terms of office, which coincide with the sequential numbering of the entire Congress. These financial statements cover the year ended December 31, 1995. During this period, the 103rd Congress was in office from January 1, 1995 through January 3, 1995. The 104th Congress took office on January 4, 1995.

To help carry out its constitutional duties, the House creates committees of Members and assigns them responsibility for gathering information, identifying policy problems, proposing solutions, and reporting bills to the full chamber to consider. The House appoints unelected officers to administer both legislative and non-legislative functions which support the institution and its Members in carrying out its legislative duties. The consolidating financial statements of the House provide financial information on the activities of all entities which are subject to the authority vested in the House by the U.S. Constitution, public laws, and rules and regulations adopted by the membership of the House.

The financial statements reflect the organizational structure of the House under the 104th Congress. The following is a summary of the entity groupings as they appear in the 1995 consolidating financial statements:

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

The **Committees** column aggregates accounts and financial transactions of the standing, select or special committees of the House's 104th Congress. Committees are organized at the beginning of each Congress according to their jurisdictional boundaries incorporated in the Rules of the House. Members are assigned to committees by a committee appointed by the House leadership. Standing committees of the House were affected by the reorganization of the House. The standing committees of the House under the 103rd Congress, and as reorganized effective January 4, 1995, under the 104th Congress, are as listed in the following table.

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

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

House **Leadership Offices** include the financial activity of the Speaker, Majority and Minority leaders, Majority and Minority whips, and the party caucus or conference, which consist of representatives of the same political party.

Officers and Legislative Offices aggregates financial information with regard to the Clerk of the House, Sergeant at Arms, Chaplain, Parliamentarian, Office of Inspector General, Chief Administrative Officer (CAO), Office of the Law Revision Counsel, and Office of the Legislative Counsel. This column reports financial information with respect to all the legislative support and administrative functions provided to Members, committees, and leadership offices. These include House Postal Operations; printing and folding services; Furniture Resource Center, which constructs and refurbishes furniture for Members and staff; Office Supply Services, which provides office supplies; and Office Systems Management, which provides office equipment.

After the reorganization of the House for the 104th Congress, the CAO replaced the Director of Non-Legislative and Financial Services Office. The Doorkeeper's responsibilities were divided between the Office of the Clerk, the Sergeant at Arms and the Office of the CAO. The Historian and the General Counsel are now under the Office of the Clerk. The Officers and Legislative Offices of the House under the 103rd Congress, and as reorganized effective January 4, 1995, under the 104th Congress, are outlined below.

103rd Congress	104th Congress
Clerk Sergeant at Arms Chaplain Parliamentarian Office of Inspector General Director of Non-Legislative and Financial Services Office of Law Revision Counsel Office of the Legislative Counsel Doorkeeper Historian General Counsel	Clerk Sergeant at Arms Chaplain Parliamentarian Office of Inspector General CAO Office of Law Revision Counsel Office of the Legislative Counsel

The House Information Systems (HIS) was also affected by the organizational changes made by the 104th Congress. HIS was under the direction and control of the Committee on House Administration. Under the new organizational structure of the House, HIS is referred to as House Information Resources (HIR) and HIR is now under the responsibility of the CAO.

HIR provides information technology and related computer service to the Members, committees, and staff of the House. In 1994, HIS was included as a column in the Consolidating Financial Statements in order to show its proprietary activities and charges to other Federal entities for usage of its computer systems. The 1995 financial statements do not break out HIR's activity at the consolidating statement level because the activity for each of the CAO's reporting entities is indicated in the supplemental schedules of the financial statements of the Office of the CAO.

Additional changes include: 1) the House Placement Office has been renamed Human Resources; 2) the Office of Telecommunications was formerly under the Clerk and is now under HIR; however, for financial reporting purposes, separate activity for the Office of Telecommunications was reported; 3) the Office of Photography was previously under the Doorkeeper and is now the responsibility of the CAO; and 4) the House Recording Studio was previously under the Clerk and is now the responsibility of the CAO.

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

Legislative Service Organizations (LSOs) were unincorporated associations of Members that assisted participating Members in carrying out activities of mutual interest. They were funded chiefly through Members' clerk-hire and official expense allowances. LSOs were disbanded pursuant to

House Resolution No. 6 enacted on January 4, 1995. Consequently, only minimal financial activity is reflected in the financial statements. At December 31, 1995, $1,241,574 of unspent LSO funds remained at the U.S. Treasury. The Legislative Branch Appropriations Act, 1996 enacted in November 1995 stipulated that the unspent funds (i.e., the budget authority for usage of the funds) be returned to the U.S. Treasury.

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

Note 2 - Summary of Significant Accounting Policies

A. Basis of Consolidation

The financial statements include the accounts and significant activities of the House. The consolidating financial statements do not include legislative agencies that support the House and Senate, and receive separate appropriations to do so. These agencies include the Library of Congress, Congressional Budget Office (CBO), General Accounting Office (GAO), Government Printing Office (GPO), Office of Technology Assessment (OTA), U.S. Botanic Garden, Congressional Research Service (CRS), and the Architect of the Capitol. Functions jointly shared between the House and the Senate are included in the consolidating financial statements to the extent their operations are funded by monies appropriated to the House. These consist of the Capitol Police, the Attending Physician, and the Joint Committee on Taxation, which has Members from both the House and the Senate. All significant intra-office balances and transactions have been eliminated to arrive at consolidating financial information.

B. Basis of Accounting

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

C. Fund Balance with the U.S. Treasury and Cash

Funds available to the House to pay current liabilities and finance authorized purchase commitments are on deposit principally with the U.S. Treasury. Most of the House=s accounts at the U.S. Treasury are maintained by the Office of Finance; these accounts are reported in the financial statements under Officers and Legislative Offices. Neither Members nor committees pay their own bills or have separate U.S. Treasury accounts. Instead, Member's staff and committee payroll and purchases are paid by the Office of Finance. Because the Capitol Police and Other Joint Functions and Legislative

Service Organizations have separate U.S. Treasury accounts, those entities separately report fund balances. Cash represents petty cash as well as amounts on deposit with a commercial banking institution by the Office of Finance for the purpose of making change for the House's retail entities and an account for mailings that require address corrections or additional postage. For the purposes of the consolidating statement of cash flows, funds with the U.S. Treasury are considered cash. Intragovernmental Liabilities represent House funds which have been identified in the Legislative Branch Appropriations Act, 1996 to be returned to the U.S. Treasury general fund; however, the funds have not been returned. Intragovernmental liabilities consist of the LSO revolving fund balance of $1,241,574 and miscellaneous receipts from outside postage and the Charge Card Travel Rebate Program of $112,792.

D. Accounts Receivable

Receivables have been reconstructed from receipts information and from records maintained by various entities within the Officers and Legislative Offices and by contractors. No allowances for doubtful collections are recorded because the identified receivables were either collected before the preparation of these financial statements or because the collection is not in doubt.

E. Advances and Prepayments

Advances and prepayments consist mostly of prepaid subscriptions for publications and for data communication services.

F. Inventory

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

G. Property and Equipment

The House's accounting records are maintained on a cash basis and the House has no systematic means of accounting for the value of property and equipment held for more than one year. However, for the purposes of presenting accrual-based financial statements, property and equipment amounts have been estimated and adjustments have been made based on information maintained in various systems. Because of the estimation methods used to reconstruct the property and equipment amounts, many items older than five years but still owned by the House are not reported as assets in these financial statements, although they may still have value. Equipment purchases (except computer equipment) were capitalized, based on House policy, if their original acquisition cost exceeded $5,000. Computer equipment and software were capitalized if their original cost exceeded $500.

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

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

Accumulated depreciation and depreciation expense have been estimated based on available records. Depreciation expense is a periodic charge for property and equipment based on their estimated useful lives. It was calculated by applying the straight-line method over the estimated useful life of the asset. Estimated useful lives ranged from three to ten years. See Note 5 for the composition of property held by the House.

H. Leases

The House enters into leases for office space and vehicles, and for computer and other equipment. Most of these leases are for temporary usage. For example, House regulations require that leases entered into by Members for space and vehicles be no longer than two years, which is the elected term of the Member. These are referred to as operating leases. Rent expense for operating leases is recorded over the period the leased item is used, which generally closely corresponds to the periodic rent payments. The House has other leases which are structured such that their terms effectively finance the purchase of the item and convey its ownership. These kinds of lease arrangements closely resemble a loan. They are referred to as capital leases, and the leased item is accounted for as if it were purchased and the lease agreement as if it were a debt instrument. The House=s leasing arrangements are further described in Note 9.

I. Revenue From Operations

Revenues are the result of an earnings processXselling goods or services. Sales of goods to customers take place at the Gift Shop, Supply Store, and House Restaurant. Sales of services to Federal agencies comprise HIR computer services which are charged to users such as the GAO and CBO. Sales of services to the public comprise House publications sold to the public, telephone usage by contractors within the House, rental of House equipment by contractors, mail delivery charges for public distributors, recording studio services for Member or officer personal use, as well as child care, barber shop, beauty salon, and page school services. The components of the House engaged in business activities are unique in that appropriations are available to cover expenses to the extent revenues do not. Interoffice sales are entirely eliminated on consolidation because they reflect sales by one entity within the House to another.

J. Appropriations to Cover Expenses, Appropriations Receivable, and Appropriations Payable

Like most governmental organizations, the House finances most of its expenses with appropriations. For example, as shown in the Consolidating Statement of Operations, the expenses of Members, committees, and House leadership are entirely financed with appropriations. Other House entities require appropriations to the extent the revenue they generate does not cover their expenses. Appropriations are referred to as a financing source instead of as revenue, since they do not result from an earnings process. In all but the most unusual circumstances, the House will show no excess or deficiency of revenues over expenses, because appropriations will exactly cover any excess expenses. The House=s revolving funds, which all incurred deficits for the year ended December 31, 1995, are further described in Note 7.

As discussed in Note 2C, the Office of Finance maintains most of the House=s accounts with the U.S. Treasury. The Office of Finance is the entity responsible for allocating appropriations to the other

House entities to cover expenses. Appropriations receivable are amounts allocated to the various House entities by the Office of Finance in order to pay each entity=s liabilities. A corresponding appropriations payable arises in the Office of Finance. The appropriations receivable and payable eliminate upon consolidation.

K. Postage and Delivery

Postage and delivery principally consists of Members' postage, including their use of the frank, which is charged to the Members' Representational Allowance.

L. Repairs and Maintenance

The repairs and maintenance caption includes all expenses related to the maintenance and upkeep of House equipment in both Washington, D.C. and in Members' district offices, as well as related operating lease payments on various types of equipment. In addition, equipment purchases below the capitalization thresholds discussed in Note 2G above, such as office furniture, are classified as repairs and maintenance.

M. Depreciation and Amortization

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

N. Supplies and Materials

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

O. Rent, Utilities, and Communications

Rent and utilities primarily consist of the rental of district offices by Members, and any related utility payments. This caption also includes communications costs which consist of charges for news wire services, satellite fees, and external network access services.

P. Telecommunications

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

Q. Travel and Transportation

Travel and transportation expenses include travel by Members, for example: to their districts; travel by other House officers and employees; freight and shipping costs; and expenses related to the lease and maintenance of automobiles.

R. Contract, Consulting, and Other Services

Contract, consulting, and other services are primarily comprised of annual audit fees, the cost of studies and analyses requested by committees, as well as computer, recording, janitorial, and catering services.

S. Printing and Reproduction

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

T. Subscriptions and Publications

Subscriptions and publications are for periodicals and news services.

U. Cost of Goods Sold

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

V. Annual, Sick and Other Leave

For House officers, annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken. The liability recorded at December 31, 1995, reflects cumulative leave earned but not taken, priced at current wage rates. Sick and other types of paid leave are expensed as taken. See Note 10 for specific rules and laws governing accruals for annual leave and other benefits.

Note 3 - Intragovernmental Financial Activities

During the year ended December 31, 1995, the House was exempt from many of the laws and regulations that apply to the Executive Branch of government and the private sector. The laws that did not apply included those that require management and control by the Executive Branch's Office of Management and Budget (OMB). The House is not subject to the Antideficiency Act, which prohibits agencies from overspending their appropriations, nor to various OMB policies and procedures that require adherence to budgetary control measures that prevent overspending compared to the funds appropriated for the period. Thus, unlike most government entities, the House was not under significant management control or influence from an external oversight body. The House's consolidating financial statements are not intended to report its proportional share of the total federal deficit or of public borrowing by the U.S. Treasury, including interest.

Transactions with Executive Branch Agencies

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

Significant cash disbursements to the Executive Branch during the year ended December 31, 1995, were:

U.S. Postal Service	$26,582,723
U.S. Department of Labor	4,330,958
GSA 4,169,390	
Federal Bureau of Investigation	428,747
Other Executive Branch agencies	313,365

Transactions with Other Congressional Organizations

The House has significant transactions with other Congressional organizations, some of which are shared with the Senate. These organizations receive their own appropriations, and operate autonomously from the House's administrative functions. The Architect of the Capitol provides building-related services for the U.S. Capitol and House Office Buildings, including power, landscaping, janitorial services, and maintenance. The House also receives support services from GAO, Library of Congress, CBO, GPO, OTA, and U.S. Botanic Garden. Significant cash disbursements to legislative branch entities during the year ended December 31, 1995, were:

GAO	$5,047,350
GPO 577,684	

The House provides computer services to government agencies for a user fee. Of total HIR services provided to federal agencies of $4,611,544 for the year ended December 31, 1995, user fees charged to the GAO and CBO were approximately $2,672,000 and $1,318,000, respectively.

Note 4 - Fund Balance with the U.S. Treasury and Cash

The House's appropriated and revolving fund balances with the U.S. Treasury and cash balances as of December 31, 1995, were:

Fund balances with the U.S. Treasury	$763,791,221
Cash and commercial bank accounts	56,603
Total Fund balances with the U.S. Treasury and Cash	$763,847,824

Fund balances with the U.S. Treasury, as maintained on the House=s financial management system, are not adjusted to conform with balances reported by the U.S. Treasury. At December 31, 1995, the U.S. Treasury reported the House=s fund balance as $767,132,729. The difference of approximately $3.3 million can be attributed to two items. The first relates to an identified difference of approximately $2.7 million in a Budget Clearing Account, resulting from a reporting error by the House. This reporting error caused the $2.7 million to be included in the U.S. Treasury=s fund balance as a Members= Salary appropriation. However, this difference does not represent actual cash balances of the House. The second issue concerns a net unidentified difference of approximately $.6 million, which represents transactions currently unreconciled by the House between the House=s financial management system and the U.S. Treasury=s records.

The fund balance with the U.S. Treasury is relatively large at December 31, 1995, because the House receives its entire annual appropriation in October. Unlike Executive Branch departments and agencies, the House's appropriation is not apportioned by quarter. Additionally, a distinction between the obligated fund balance not yet disbursed and the unobligated fund balance cannot be determined since the House does not record obligations.

Cash balances represent petty cash on hand at various House offices and committees. The Office of Finance also maintains funds in a commercial bank account for the purpose of making change for the House's retail entities and an account for mailings that require address corrections or additional postage. In addition, funds remain in a commercial bank account that was established for use by the House Restaurant during the period in which it was operated internally by the House. Petty cash and funds in commercial bank accounts as of December 31, 1995, were:

Petty Cash	$45,260
Commercial bank accounts:	
Office of Finance	11,215
House Restaurant	128
Total cash and commercial bank accounts	$56,603

Note 5 - Property and Equipment

At present, the House's accounting records do not systemically accumulate or summarize financial information with respect to property and equipment. Property and equipment balances have been reconstructed predominantly from disbursement records based on purchasing patterns during the last 5 years. An estimate of property and equipment as of December 31, 1995, and depreciation expense for the year then ended is shown in the following table.

Classes of Property and Equipment	Service Life (years)	Estimated Acquisition Value	Accumulated Amortization/ Depreciation	Estimated Net Book Value	1995 Amortization/ Depreciation Expense
Office Equipment	3, 5 or 10	$112,880,374	$ 81,259,767	$31,620,607	$17,487,879
Telecommunications Equipment	7	20,308,195	17,106,931	3,201,264	994,325
Office Furnishings	5	56,700	45,345	11,355	3,718
Media Equipment	5 or 10	2,190,995	1,540,880	650,115	161,866
Software	3 or 5	4,350,816	3,793,358	557,458	406,036
Motor Vehicles	3, 5 or 7	1,656,717	942,909	713,808	247,173
Medical Equipment	5 or 10	1,212,596	939,753	272,843	141,047
Totals		$142,656,393	$105,628,943	$37,027,450	$19,442,044

Included in office equipment are assets acquired under lease agreements that effectively finance the purchase of equipment and convey ownership to the House. These are referred to as capital leases and are for computer and other equipment. The acquisition value of equipment acquired under capital lease is estimated to be $3,687,320 against which $1,730,056 of depreciation has been subtracted at December 31, 1995; however, the House has no centralized means of accumulating and accounting for all leases in effect.

Note 6 - Accounts Payable

The House does not maintain accrual-based records, either manual or automated, which would enable the House to accumulate or summarize the House's outstanding bills as of December 31, 1995. Accordingly, to estimate the accounts payable at December 31, 1995, all payments through April 1996 for goods and services received before December 31, 1995, have been accrued as accounts payable totaling $48,719,811. This amount also includes Department of Labor billings received for unemployment compensation and workers= compensation.

The House pays a significant number of bills three months or more after goods and services are received. Also, expenses can be charged against appropriations up to two years after the close of the fiscal year. In the absence of the systematic means to accumulate these liabilities, no estimate of them has been recorded in the financial statements as of December 31, 1995. However, the House has recorded those calendar year 1995 expenses which were paid during the first four months of calendar year 1996 as accounts payable.

Note 7 - Revolving Funds, Interoffice Sales, and Transfers

Some entities of the House transfer costs to Members and committees for goods and services provided. These entities are primarily Office Systems Management, which transfers costs of equipment to the

Members and committees, the Office of Telecommunications, which transfers phone charges, and the Office Supply Service, which accounts for office supply purchases and flag sales. However, many expenses are incurred by House entities that are not fully charged to Members or committees, including certain telecommunication services, office furnishings and computer services. Records maintained by the House are not sufficient to readily attribute the full costs of these expenses to Members or committees.

In particular, some of the House's business-like activities which have operated in a revolving fund structure, have reported deficits, and have required appropriated funds to make up the shortfall. A revolving fund is a budgetary structure set by statute that is frequently used by components of Executive Branch agencies to collect user fees or revenue from which they finance operating expenses. Normally, such funds are designed to at least break even. The deficits of the House's revolving funds, under the accrual basis of accounting and before taking into consideration appropriations to cover expenses, were as follows for the year ended December 31, 1995:

Revolving Fund	**Revenue From Operations**	**Expenses**	**Deficit**
House Recording Studio	$ 555,051	$ 2,593,898	$ (2,038,847)
Page School	263,405	2,376,757	(2,113,352)
House Barber Shop*	37,104	88,600	(51,496)
House Beauty Salon*	134,823	189,874	(55,051)
House Restaurant**	699,944	825,316	(125,372)
Office Supply Service (Stationery Fund)	8,881,220	9,552,297	(671,077)
Child Care Center (Special Fund)	480,188	629,711	(149,523)
Total Revolving Funds' Deficit	$ 11,051,735	$ 16,256,453	$ (5,204,718)

* These entities are currently managed and operated by external contractors.
** The House Restaurant is currently managed and operated by external contractors; however, vending machine sales are still managed by the House.

The Child Care Center is not legally a revolving fund, but its authorizing legislation stated that it should be operated in a similar manner to a revolving fund.

The House Restaurant Revolving Fund owed approximately $1,048,000, which is included in Accounts Payable, to the U.S. Department of Labor (DOL) at December 31, 1995, for unemployment compensation benefits paid by DOL on the Fund's behalf to the District of Columbia. The House Restaurant Revolving Fund does not currently have the means to pay this liability and legislative action by the House may be necessary to provide funds to the House Restaurant Revolving Fund to repay the DOL.

Under provisions of the Legislative Branch Appropriations Act of 1970, the House Beauty Salon Revolving Fund owed approximately $101,000 to the U.S. Treasury at December 31, 1995, which is included in Accounts Payable.

Note 8 - Net Position

The House has never accumulated or reported Net Position or Government Equity in the past. Most simply, Net Position is the difference between assets and liabilities, but its components normally are comprised of appropriated, but unspent funds, referred to as unexpended appropriations; funds used to finance property, equipment, inventory and other capital assets, are referred to as invested capital; and balances retained in revolving funds as a result of their operating activities. Unexpended Appropriations totaled nearly $721 million as of December 31, 1995, for the same reason the fund balance at the U.S. Treasury is at a similar level on that date, because a 12 month appropriation was entirely received in October 1995. Net Position in the Statement of Financial Position at December 31, 1995, has been reconstructed based on estimates of certain assets and liabilities. Therefore, the balances comprising Net Position must also be considered estimates.

The Net Position for the Appropriated Funds and the Revolving Funds, including the House Recording Studio, Page School, Barber Shop, Beauty Salon, House Restaurant, Office Supply Service, and the Child Care Center (which is not a revolving fund but is authorized to act as one), are as shown in the following table.

	Revolving Funds	Appropriated Funds	Totals
Unexpended Appropriations	$ 8,460,596	$ 712,522,478	$ 720,983,074
Cumulative Invested Capital	1,726,053	36,295,974	38,022,027
Future Funding Requirements	(161,240)	(30,498,428)	(30,659,668)
Net Position	$ 10,025,409	$ 718,320,024	$ 728,345,433

The following reclassifications and adjustments, as discussed below, were made to properly restate the December 31, 1994, Net Position:

Organization	Net Position Dec. 31, 1994 Previously Reported	Reporting Entity Reclassification Entry	Net Adjusting Entries	Net Position Dec. 31, 1994, as Restated
Members	$ 12,284,547	$ 0	$ 6,017,334	$ 18,301,881
Committees	2,949,290	0	1,527,103	4,476,393
Leadership Offices	297,686	0	105,787	403,473
Offices and Legislative Offices	678,831,377	5,164,238	(27,446,616)	656,548,999
House Information Resources	5,164,238	(5,164,238)	0	0
Capitol Police and Other Joint Functions	31,358,561	0	866,004	32,224,565
LSOs	1,706,666	0	(21,690)	1,684,976

Consolidated	$ 732,592,365	$ 0	$ (18,952,078)	$ 713,640,287

As discussed in Note 1, HIR is now the responsibility of the CAO. Accordingly, HIR Net Position of $5,164,238 as of December 31, 1994, was reclassified for financial statement presentation.

In addition to the reclassification entry discussed above, prior period adjustments were also recorded to capture additional information. These prior period adjustments resulted primarily from corrections of errors or omissions and a change in accounting policy which required restatement of several financial statement balances. Corrections of errors and omissions in the previously issued financial statements resulted from a variety of reasons including, but not limited to, a lack of accrual based record keeping (i.e., obligations are not recorded) by the House and the reconstruction of property and equipment records. As additional facts came to the attention of management during the current year, adjustments were made to correct the errors or omissions and to properly restate the December 31, 1994, Net Position. For example, additional accounts payable in existence as of December 31, 1994, were identified by House management as paid during fiscal year 1995 or 1996, that were not previously recognized in the December 31, 1994, accounts payable balance. Further, an adjustment was recorded for the estimated future unfunded workers= compensation liability, of which approximately $15.8 million related to fiscal years prior to 1995. Certain adjustments also resulted from a change in accounting policy. The House revised its capitalization threshold to include computer equipment purchases of $500 or more, which resulted in a restatement of the computer equipment estimated acquisition values, accumulated depreciation, and depreciation expense for the prior period.

The changes in Net Position during the year ended December 31, 1995, were:

Organization	Net Position Dec. 31, 1994, as Restated	Appropriations Received	Funds Returned to the U.S. Treasury	Appropriated Funds Allocated	Appropriations to Cover Expenses	Net Position Dec. 31, 1995
Members	$ 18,301,881	$ 0	$ 0	$ 496,001,572	$ (495,903,942)	$ 18,399,511
Committees	4,476,393	0	0	105,957,572	(107,913,537)	2,520,428
Leadership Offices	403,473	0	0	15,726,253	(14,687,753)	1,441,973
Officers and Legislative Offices	656,548,999	745,709,600	(22,547,992)	(622,345,768)	(94,237,333)	663,127,506
Capitol Police and Other Joint Functions	32,224,565	47,258,195	(540,876)	6,002,672	(41,881,330)	43,063,226
LSOs	1,684,976	0	0	(1,342,301)	(549,886)	(207,211)
Consolidated	$ 713,640,287	$ 792,967,795	$ (23,088,868)	$ 0	$ (755,173,781)	$ 728,345,433

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

Funds returned to the U.S. Treasury consist of appropriated funds which were unexpended at the end of a specified term and thus are required by law to be returned to the U.S. Treasury. Funds totaling

$22,547,992 were returned to the U.S. Treasury by Officers and Legislative Offices, which represent appropriated funds held by the CAO unexpended within the legal term. Similarly, $540,876 in funds returned to the U.S. Treasury by Capitol Police and Other Joint Functions represent unexpended amounts withdrawn as follows:

Attending Physician	$282,146
Capitol Police	198,748
Joint Committee on Taxation	59,982
Total	$540,876

Note 9 - Lease Commitments

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

The House does not systematically or comprehensively accumulate or track its current and future lease commitments. However, through extensive efforts, the House was able to determine a population of capital and operating leases. Currently, the House does not perform an analysis as to whether leasing was more advantageous than purchasing the asset.

With respect to House capital leases, the future lease payments at December 31, 1995, and the capital lease liabilities are as follows:

Future Lease Payments:	
Within one year	$1,282,196
two years	386,814
three years	210,206
four years	20,251
Capital lease liabilities	$1,899,467

Interest paid on capital leases during the year ended December 31, 1995, was $164,032.

With respect to House operating leases, the future lease payments at December 31, 1995, and the operating lease obligation are as follows:

Future Lease Payments:	
Within one year	$814,467
two years	551,789
three years	509,401
four years	506,748
Operating lease obligation	$2,382,405

The records of the House do not accumulate all leases for space. The Members may lease space in their districts through GSA, an Executive Branch agency that operates Federal buildings and leases space from the private sector, or the Member may directly lease space from the private sector. The *Members= Congressional Handbook* states that Members can not enter into a lease for longer than two years, and in no case may a lease period exceed the current Constitutional term of the Congress to which the Member is elected. Lease expense for office space for the year ended December 31, 1995, was $14,548,736. Assuming Members adhered to the *Members= Congressional Handbook* limitations, the lease commitments at December 31, 1995, should be no more than $14,550,000, consistent with 1995 lease expense for office space.

The House has also entered into leases to rent vehicles for official business purposes, without purchasing these items. The records of the House do not accumulate all leases for vehicles. Assuming the Members adhered to the two-year or Congressional term limitation as the lease term, the House=s commitment to make future lease payments on rental vehicles has been estimated as $614,000, as of December 31, 1995.

Note 10 - Benefits

A. Member and Employee Benefits

Member and employee benefit expenses for the year ended December 31, 1995, included:

Retirement Savings	$ 76,516,529
Social Security	27,175,488
Health Insurance	19,215,466
Unemployment and Worker's Compensation	9,558,408
Accrued Annual Leave	3,769,616
Life Insurance	594,336
Death Benefits	360,479
Total	$137,190,322

B. Member and Employee Pensions

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

For CSRS employees, the House withholds a portion of their base earnings. Employees' contributions are then matched by the House and the sum is transferred to the Civil Service Retirement Fund, from which the CSRS employees will receive retirement benefits. For FERS employees, the House withholds, in addition to social security withholdings, a portion of their base earnings. The House contributes an amount proportional to the employees' base earnings toward retirement, and in addition a scaled amount toward each individual FERS employee's Thrift Savings Plan, depending upon the employee's level of savings. The FERS employees will receive retirement benefits from the Federal Employees Retirement System, the Social Security System, and Thrift Savings Plan deposits that have accumulated in their accounts.

Total House (employer) contributions to the Thrift Savings Plan, Civil Service Retirement System, and Federal Employees Retirement System for all Members and employees were $76,516,529 for the year ended December 31, 1995.

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

C. Member, Committee, and Leadership Offices Accrued Leave

Currently, annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken for House officers only. However, the *Members= Congressional Handbook*, effective September 1, 1995, allows Members to adopt personnel policies which provide for accrual of annual leave and use of such leave. Similar policies have also been adopted by committees and leadership offices. While leave is tracked from one pay period to the next, a consistent policy has not been formally adopted by these entities regarding the accrual and payment of leave time. As a result, an accrued leave liability for Members, committees, and leadership offices cannot be reasonably estimated and is not recorded on the financial statements.

D. Accrued Unfunded Workers= Compensation Liability

The Federal Employees= Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job and beneficiaries of employees whose death is attributable to a job-related injury. Claims incurred for benefits for House employees under FECA are administered by the DOL and later billed to the House. The House accrued its workers= compensation costs that were unbilled or unpaid as of December 31, 1995, and established an unfunded liability for future costs totaling $17,421,321.

Note 11 - Subsequent Event

Effective June 4, 1996, the House implemented the Federal Financial System (FFS), a new financial management system. The House has been working on establishing the core FFS since September 1995. The implementation of the core FFS includes the Budget Execution, Planning, Purchasing, Accounts Payable, Accounts Receivable, Project Cost Accounting, Automated Disbursements, and General Ledger subsystems. Custom interfaces were also implemented to charge Members, committees and

House offices for goods and services ordered through Office of Telecommunications, House Recording Studio, Office Supply Service, Office of Photography, Office Systems Management, and GSA.

In addition, a custom interface was implemented to record payroll data into FFS from the House's payroll system. Monthly and quarterly custom reports were also implemented for reporting budget, allowance, disbursement and receipt data. The data recorded in the House's old financial management system was converted into FFS for the last three months of calendar year 1995 and the first five months of calendar year 1996. Therefore, all expenditures and cash receipts recorded during fiscal year 1996 will be available through FFS. Additional features are planned for implementation during calendar year 1996 and 1997. For example, the Procurement Desktop is scheduled to be implemented and the House plans to expand the use of obligation-based accounting.

Note 12 - Supplemental Financial Schedules

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

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

Additional financial information with respect to areas under the **Chief Administrative Officer** has also been provided. These include the House Child Care Center, Barber Shop, Beauty Salon, Postal Operations, House Restaurant, Office of Finance, Furniture Resource Center, Office Systems Management, Office Supply Service, Office of Human Resources, House Information Resources, Office of Telecommunications, Office of Photography, House Recording Studio, and the immediate Office of the CAO. The legislative support and administrative functions provided by these entities include day care services for children of Members and employees, as well as non-House employees on a space-available basis; barber and salon services; House postal operations; printing and folding services; the House Restaurant, which provides vending services; accounting services; Furniture Resource Center, which constructs and refurbishes furniture for Members and staff; Office Systems Management, which provides office and computer equipment; and Office Supply Service, which provides office supplies.

Capitol Police and Other Joint Functions include joint activities of the House and Senate. The House's financial statements report only that portion of these functions accounted for by the House. The joint functions include the Capitol Police, the Attending Physician, and the Joint Committee on Taxation, which has Members from both the House and the Senate. The House's management does not exert direct control over the expenditures of these functions.

Note 13 - Supplemental Schedule: Statement of Budget And Actual Expenditures (Unaudited)

The budget of the House is prepared on a fiscal year basis as of September 30, rather than on a calendar year basis, even though the calendar year coincides with the legislative year and the election cycle. As a result, the consolidating Statement of Budget and Actual Expenditures can only be shown for the fiscal year ended September 30, 1995. Non-personnel expenditures are shown net of earned revenues, for example from the Child Care Center, House Restaurant, Gift Shop, and the Supply Store. The statement reflects expenditures that were disbursed through April 1996 that related to purchases made or services delivered in fiscal year 1995. The $101.4 million remaining at September 30, 1995, is available to pay for additional future disbursements with respect to these commitments.

Each Member is subject to individual allowance limits on spending for the Members= Representational Allowance. These are internal, administrative limitations, and in 1995 were set by the Committee on House Oversight. However, the Committee does not set its Members= Representational Allowance limits for the legislative year based on budget amounts established by the Committee on Appropriations for the fiscal year. Instead, it has been the House's practice to set the Members= Representational Allowance significantly higher than the requested appropriation. The allowances were set with the expectation that many Members would not spend the full amount authorized. The House does not maintain separate U.S. Treasury accounts for individual Members, nor does it allocate appropriations to them. Instead, the appropriation is managed on an aggregate basis and the Office of Finance has one U.S. Treasury account for all Members from which funds are drawn to pay bills as Members submit vouchers. Thus, the amount of any individual Member's unspent allowance does not necessarily represent funds available to be returned to the U.S. Treasury.

The column entitled "Benefits and Other" includes the House's budgetary resources and expenditures for its contributions toward Member and employee benefits, as well as other less significant amounts related to gratuities and interparliamentary receptions. Because the House's budgetary records aggregate these amounts, they can not be aligned with the individual House entities to which they relate.

Supplemental Schedules

Organization and Composition of Consolidating Financial Statements

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

Members

Members, Delegates, and Resident Commissioner
Members= Allowances and Expenses

Committees

Committee on Agriculture
Committee on Appropriations
Committee on National Security
Committee on Banking and Financial Services
Committee on the Budget
Committee on Economic and Educational Opportunities
Committee on Commerce
Committee on Government Reform and Oversight
Committee on International Relations
Committee on House Oversight
Committee on Judiciary
Committee on Resources
Committee on Transportation and Infrastructure
Committee on Rules
Committee on Science
Committee on Small Business
Committee on Standards of Official Conduct
Committee on Veterans' Affairs
Committee on Ways and Means
Permanent Select Committee on Intelligence

Committee on the District of Columbia*
Committee on the Special and Select Committees Funerals*
Committee on Post Office and Civil Service*
Committee on Merchant Marine and Fisheries*

* These committees were disbanded during the 104th Congress

Capitol Police and Other Joint Functions

Office of the Attending Physician
Attending Physician User Fees
Joint Committee on Taxation
Capitol Police
Capitol Police - Uniforms and Equipment

Leadership Offices

Office of the Speaker
Office of the Majority Floor Leader
Office of the Majority Whip
Office of the Chief Majority Whip - Kennelly
Office of the Chief Majority Whip - Derrick
Office of the Chief Majority Whip - Lewis, J.
Office of the Chief Majority Whip - Richardson
Office of the Minority Floor Leader
Office of the Minority Whip
Offices of Chief Deputy Minority Whip - Lewis
Office of the Former Speaker - Albert
Office of the Former Speaker - Wright
Office of the Former Speaker - Foley
Republican Conference
Democratic Steering Committee
Minority Employees
Democratic Caucus
Republican Steering Committee

Officers and Legislative Offices

Clerk

Office for the Historian
Office of the Clerk
Office of the General Counsel
Official Reporters to House Committees
Official Reporters of Debates
Office of Legislative Operations
Office of Legislative Information
Records and Registration Office
Legislative Resource Center
Office of Official Reporters
House Library
Service Group
Office of Legislative Computer Systems
Stenographic Reporting
House Document Room
House Floor Services
Reporting Hearings for Stenographic Reports
Office of the Doorkeeper*
House Page School - including revolving fund
Office of Chief Page
House Page Program

Sergeant at Arms

Office of the Sergeant at Arms

Chaplain

Office of the Chaplain

Inspector General

Office of Inspector General

Law Revision Counsel

Office of the Law Revision Counsel

Legislative Counsel

Office of the Legislative Counsel

Parliamentarian

Office of the Parliamentarian

Chief Administrative Officer (CAO)

Child Care Center

House of Representatives - Child Care Center

CAO

Chief Administrative Officer of the House
Internal Controls and Continuous Improvement
Legal
Media Galleries - Radio TV Gallery
Media Galleries - Periodical Press Gallery
Media Galleries - House Press Gallery
Periodical Press Gallery
Radio TV Correspondence Gallery
Immediate Office - Director of Non-Legislative and Financial Services*

* These offices were reorganized during the 104th Congress. See Note 1 to the Financial Statements.

House Barber Shop

House Barber Shop, including revolving fund

House Beauty Salon

House Beauty Salon, including revolving fund

House Postal Operations

House Postal Operations

House Restaurant

House Restaurant, including revolving fund

Office of Finance

Office of Finance
Members Clerk Hire
Allowances and Expenses - Supplies and Materials
Allowances and Expenses - Government Contribution
Allowances and Expenses - Reemployeed Annuitants

Furniture Resource Center

Furniture Resource Center
Net Expenses of Furniture and Furnishings
Department of Office Furnishings

Office Supply Service

Office Supply Service
Stationery - revolving fund

Office Systems Management

Net Expenses of Equipment
Office Equipment

Office of Photography

Media Service - Office of Photography
Office of Photography

House Recording Studio

House Recording Studio - House Floor Coverage
House Recording Studio - including revolving fund

House Information Resources

House Information Resources - Immediate Office
Client Services

Office of Telecommunications

Net Expenses of Telecommunications
Office of Telecommunications
Telephone Exchange

The Office of Telecommunications was previously under the Clerk and is currently under House Information Resources. However, for financial reporting purposes, separate activity for the Office of Telecommunications was reported.

Human Resources

P/D Immediate Office
Human Resources
Personnel and Benefits
Office of Training
Policy and Administration

Facilities Management
Media Support Services
Media Services - Communications Media
Retailing - Supply
Property Asset Management
Laundry Expenses
Procurement and Purchasing
Office of Employee Assistance
Office of Fair Employment Practices
One Call
Office of Printing and Mail Services
Publications and Distribution Service
Majority and Minority Printers - Deposit Fund
Office of Support Operations
House Placement Office

Legislative Service Organizations (LSOs)

The LSOs were disbanded as a result of House Resolution No. 6 dated January 4, 1995. Activity resulting from disbanding the LSOs is included in the consolidating financial statements for the year ended December 31, 1995.

Officers and Legislative Offices

U.S. House of Representatives
Combining Statement of Financial Position
Of Officers and Legislative Offices
As of December 31, 1995

	Clerk	Sergeant at Arms	Chaplain	Chief Administrative Officer
ASSETS				
Fund Balance with the U.S. Treasury	$ 1,536,573	$ 0	$ 0	$ 718,352,199
Cash	0	0	0	36,503
Fund Balance with U.S. Treasury and Cash	1,536,573	0	0	718,388,702
Accounts Receivable	0	0	0	1,568,294
Interoffice Receivable	0	0	0	9,606,948
Appropriations Receivable	490,507	98,648	268	16,502,218
Advances and Prepayments	16,674	0	0	2,208,769
Inventory	0	0	0	994,577
Property and Equipment, Net	1,463,126	458,306	0	13,723,145
Total Assets	$ 3,506,880	$ 556,954	$ 268	$ 762,992,653
LIABILITIES AND NET POSITION				
Accounts Payable	$ 910,055	$ 87,581	$ 141	$ 20,841,185
Interoffice Payable	37,752	11,067	127	145,045
Appropriations Payable	0	0	0	60,131,147
Capital Lease Liabilities	0	0	0	1,875,461
Intragovernmental Liabilities	0	0	0	112,792
Accrued Leave and Payroll	620,056	100,907	0	1,949,402
Unfunded Workers' Compensation Liability	0	0	0	17,421,321
Total Liabilities	1,567,863	199,555	268	102,476,353
Unexpended Appropriations	1,095,947	0	0	667,157,554
Invested Capital	1,463,126	458,306	0	14,717,722
Future Funding Requirements	(620,056)	(100,907)	0	(21,358,976)
Total Net Position	1,939,017	357,399	0	660,516,300
Total Liabilities and Net Position	$ 3,506,880	$ 556,954	$ 268	$ 762,992,653

Parliamentarian	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 0	$ 0	$ 0	$ 0	$ 719,888,772
0	0	0	0	36,503
0	0	0	0	719,925,275
0	0	0	0	1,568,294
0	0	0	0	9,606,948
(496)	6,388	193,240	(207)	17,290,566
0	3,168	0	33	2,228,644
0	0	0	0	994,577
6,984	128,152	155,403	95,943	16,031,059
$ 6,488	$ 137,708	$ 348,643	$ 95,769	$ 767,645,363
$ 2,765	$ 4,652	$ 193,080	$ 432	$ 22,039,891
(2,233)	1,736	160	(639)	193,015
0	0	0	0	60,131,147
0	0	0	0	1,875,461
0	0	0	0	112,792
0	0	0	73,865	2,744,230
0	0	0	0	17,421,321
532	6,388	193,240	73,658	104,517,857
(1,028)	3,168	0	33	668,255,674
6,984	128,152	155,403	95,943	17,025,636
0	0	0	(73,865)	(22,153,804)
5,956	131,320	155,403	22,111	663,127,506
$ 6,488	$ 137,708	$ 348,643	$ 95,769	$ 767,645,363

U.S. House of Representatives
Combining Statement of Operations
Of Officers and Legislative Offices
For the Year Ended December 31, 1995

	Clerk	Sergeant at Arms	Chaplain	Chief Administrative Officer
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Goods	$ 0	$ 0	$ 0	$ 3,107,534
Sales of Services to Federal Agencies	0	0	0	4,611,544
Sales of Services to the Public	329,029	0	0	1,257,240
Interoffice Sales	0	0	0	59,893,984
Revenue from Operations	329,029	0	0	68,870,302
Financing Sources				
Appropriations to Cover Expenses	18,368,161	2,572,252	139,344	58,428,030
Total Revenue and Financing Sources	18,697,190	2,572,252	139,344	127,298,332
EXPENSES				
Personnel Compensation	10,740,476	1,752,053	122,932	34,543,432
Benefits	3,563,580	501,839	14,763	16,107,477
Postage and Delivery	42,960	770	227	364,986
Repairs and Maintenance	937,315	59,413	0	42,329,525
Depreciation and Amortization	804,946	124,163	0	5,948,636
Rent, Utilities, and Communications	690,873	0	0	1,013,673
Telecommunications	69,349	63,158	1,379	13,378,937
Supplies and Materials	1,258,273	24,602	43	9,357,741
Travel and Transportation	56,607	36,121	0	80,645
Contract, Consulting, and Other Services	352,227	1,918	0	1,352,980
Printing and Reproduction	4,735	7,515	0	70,230
Subscriptions and Publications	175,849	700	0	505,115
Cost of Goods Sold	0	0	0	2,083,638
Interest on Capital Leases	0	0	0	161,317
Total Expenses	18,697,190	2,572,252	139,344	127,298,332
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0

Parliamentarian	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 0	$ 0	$ 0	$ 0	$ 3,107,534
0	0	0	0	4,611,544
0	0	0	0	1,586,269
0	0	0	0	59,893,984
0	0	0	0	69,199,331
1,050,956	5,189,974	2,255,984	6,232,632	94,237,333
1,050,956	5,189,974	2,255,984	6,232,632	163,436,664
835,180	4,033,613	1,433,834	1,126,210	54,587,730
108,439	762,360	307,103	301,310	21,666,871
0	222	4,083	572	413,820
62,077	122,535	382,286	10,207	43,903,358
8,673	191,303	32,238	41,981	7,151,940
0	0	687	4,897	1,710,130
5,932	15,546	1,919	19,369	13,555,589
7,437	49,740	50,191	28,690	10,776,717
0	0	181	0	173,554
23,218	4,883	38,250	4,650,273	6,423,749
0	0	0	48,518	130,998
0	9,772	5,212	605	697,253
0	0	0	0	2,083,638
0	0	0	0	161,317
1,050,956	5,189,974	2,255,984	6,232,632	163,436,664
$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of Officers and Legislative Offices
For the Year Ended December 31, 1995

	Clerk	Sergeant at Arms	Chaplain	Chief Administrative Officer
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(18,368,161)	(2,572,252)	(139,344)	(58,428,030)
(Increase)/Decrease in Accounts, Interoffice and Appropriations Receivable	(10,767)	(60,047)	(44)	(6,248,086)
(Increase)/Decrease in Advances and Prepayments	6,381	658	0	(1,882,851)
(Increase)/Decrease in Inventory	0	0	0	773,450
Increase/(Decrease) in Accounts, Interoffice and Appropriations Payable	501,594	60,047	44	10,925,479
Increase/(Decrease) in Other Accrued Liabilities	620,056	100,907	0	3,676,519
Depreciation and Amortization	804,946	124,163	0	5,948,636
Net Cash Provided (Used) by Operating Activities	(16,445,951)	(2,346,524)	(139,344)	(45,234,883)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment, Net	(968,297)	(289,462)	0	(8,404,562)
Net Cash Provided (Used) by Investing Activities	(968,297)	(289,462)	0	(8,404,562)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	0	0	0	745,709,600
Funds Returned to the U.S. Treasury	0	0	0	(22,547,992)
Appropriated Funds Allocated	17,461,017	2,635,986	139,344	(657,178,616)
Principal Payments on Capital Lease Obligations	0	0	0	(269,653)
Net Cash Provided (Used) by Financing Activities	17,461,017	2,635,986	139,344	65,713,339
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	46,769	0	0	12,073,894
Fund Balance with U.S. Treasury and Cash, Beginning	1,489,804	0	0	706,314,808
Fund Balance with U.S. Treasury and Cash, Ending	$ 1,536,573	$ 0	$ 0	$ 718,388,702

Parliamentarian	Legislative Counsel	Law Revision Counsel	Inspector General	Combined
$ 0	$ 0	$ 0	$ 0	$ 0
(1,050,956)	(5,189,974)	(2,255,984)	(6,232,632)	(94,237,333)
2,630	(5,279)	(189,236)	32,630	(6,478,199)
0	(530)	148	123	(1,876,071)
0	0	0	0	773,450
(1,603)	5,279	189,236	(32,630)	11,647,446
0	0	0	73,865	4,471,347
8,673	191,303	32,238	41,981	7,151,940
(1,041,256)	(4,999,201)	(2,223,598)	(6,116,663)	(78,547,420)
0	(45,679)	(87,988)	(82,116)	(9,878,104)
0	(45,679)	(87,988)	(82,116)	(9,878,104)
0	0	0	0	745,709,600
0	0	0	0	(22,547,992)
1,041,256	5,044,880	2,311,586	6,198,779	(622,345,768)
0	0	0	0	(269,653)
1,041,256	5,044,880	2,311,586	6,198,779	100,546,187
0	0	0	0	12,120,663
0	0	0	0	707,804,612
$ 0	$ 0	$ 0	$ 0	$ 719,925,275

Chief Administrative Officer

U.S. House of Representatives
Combining Statement of Financial Position
Of the Chief Administrative Officer
As of December 31, 1995

	Child Care Center	CAO	House Barber Shop	House Beauty Salon	House Postal Operations	House Restaurant	Office of Finance
ASSETS							
Fund Balance with the U.S. Treasury	$ 0	$ 0	$ 43,220	$ 0	$ 0	$ 371,314	$ 711,858,894
Cash	100	0	0	0	100	1,160	32,443
Total Fund Balance and Cash	100	0	43,220	0	100	372,474	711,891,337
Accounts Receivable	0	0	0	0	0	121,993	19,897
Interoffice Receivable	0	0	0	0	0	0	0
Appropriations Receivable	8,188	389,958	0	0	37,403	1,101,525	0
Advances and Prepayments	0	0	0	0	362	0	188
Inventory	0	0	0	0	0	44,177	0
Property and Equipment, Net	0	523,324	0	0	553,512	3,219	290,211
Total Assets	$ 8,288	$ 913,282	$ 43,220	$ 0	$ 591,377	$ 1,643,388	$ 712,201,633
LIABILITIES AND NET POSITION							
Accounts Payable	$ 8,150	$ 352,855	$ 0	$ 101,135	$ 4,114	$ 1,047,816	$ 3,480,783
Interoffice Payable	38	37,103	0	0	33,289	4,367	730
Appropriations Payable	0	0	0	0	0	0	60,131,147
Capital Lease Liabilities	0	0	0	0	0	0	0
Intragovernmental Liabilities	0	0	0	0	90,232	0	22,560
Accrued Leave and Payroll	3,422	179,511	0	0	147,241	9,682	147,658
Unfunded Workers' Compensation Liability	0	0	0	0	0	0	17,421,321
Total Liabilities	11,610	569,469	0	101,135	274,876	1,061,865	81,204,199
Unexpended Appropriations	100	0	43,220	(101,135)	462	543,809	648,298,762
Invested Capital	0	523,324	0	0	553,512	47,396	290,211
Future Funding Requirements	(3,422)	(179,511)	0	0	(237,473)	(9,682)	(17,591,539)
Total Net Position	(3,322)	343,813	43,220	(101,135)	316,501	581,523	630,997,434
Total Liabilities and Net Position	$ 8,288	$ 913,282	$ 43,220	$ 0	$ 591,377	$ 1,643,388	$ 712,201,633

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecom-munications	Office of Photography	House Recording Studio	Combined
$ 0	$ 4,671,810	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,406,961	$ 718,352,199
0	2,500	0	0	0	0	0	200	36,503
0	4,674,310	0	0	0	0	0	1,407,161	718,388,702
0	18,756	15,323	0	1,336,546	55,284	495	0	1,568,294
0	345,724	8,079,160	0	83,315	1,058,487	0	40,262	9,606,948
368,110	337,424	5,834,394	121,050	2,834,924	5,448,230	6,227	14,785	16,502,218
0	0	934	182	172,918	2,034,103	0	82	2,208,769
269,791	680,609	0	0	0	0	0	0	994,577
121,718	122,842	937,737	89,608	6,169,535	3,897,029	206,652	807,758	13,723,145
$ 759,619	$ 6,179,665	$ 14,867,548	$ 210,840	$ 10,597,238	$ 12,493,133	$ 213,374	$ 2,270,048	$ 762,992,653
$ 285,616	$ 382,891	$ 6,710,892	$ 98,907	$ 2,919,576	$ 5,437,955	$ 132	$ 10,363	$ 20,841,185
862	2,833	6,228	22,143	23,869	3,066	6,095	4,422	145,045
0	0	0	0	0	0	0	0	60,131,147
0	0	0	0	1,875,461	0	0	0	1,875,461
0	0	0	0	0	0	0	0	112,792
270,331	63,766	102,289	140,147	623,615	165,771	19,628	76,341	1,949,402
0	0	0	0	0	0	0	0	17,421,321
556,809	449,490	6,819,409	261,197	5,442,521	5,606,792	25,855	91,126	102,476,353
81,632	4,990,490	7,212,691	182	1,484,258	3,155,083	495	1,447,505	667,157,554
391,509	803,451	937,737	89,608	6,169,535	3,897,029	206,652	807,758	14,717,722
(270,331)	(63,766)	(102,289)	(140,147)	(2,499,076)	(165,771)	(19,628)	(76,341)	(21,358,976)
202,810	5,730,175	8,048,139	(50,357)	5,154,717	6,886,341	187,519	2,178,922	660,516,300
$ 759,619	$ 6,179,665	$ 14,867,548	$ 210,840	$ 10,597,238	$ 12,493,133	$ 213,374	$ 2,270,048	$ 762,992,653

U.S. House of Representatives
Combining Statement of Operations
Of the Chief Administrative Officer
For the Year Ended December 31, 1995

	Child Care Center	CAO	House Barber Shop	House Beauty Salon	House Postal Operations	House Restaurant	Office of Finance
REVENUE AND FINANCING SOURCES							
Revenue from Operations							
Sales of Goods	$ 0	$ 0	$ 0	$ 0	$ 0	$ 699,944	$ 0
Sales of Services to Federal Agencies	0	0	0	0	0	0	0
Sales of Services to the Public	480,188	0	37,104	134,823	90,232	0	0
Interoffice Sales	0	0	0	0	0	0	0
Revenue from Operations	480,188	0	37,104	134,823	90,232	699,944	0
Financing Sources							
Appropriations to Cover Expenses	149,523	3,986,667	51,496	55,051	5,043,634	125,372	9,799,811
Total Revenue and Financing Sources	629,711	3,986,667	88,600	189,874	5,133,866	825,316	9,799,811
EXPENSES							
Personnel Compensation	448,590	2,441,486	74,333	146,262	3,512,017	193,363	2,117,751
Benefits	153,810	754,089	13,201	40,115	1,220,931	324,104	6,144,130
Postage and Delivery	97	264,624	0	0	1,180	0	0
Repairs and Maintenance	0	159,202	363	0	127,376	16,214	189,210
Depreciation and Amortization	0	119,517	0	0	193,838	4,048	53,671
Rent,Utilities, and Communications	0	3,403	0	0	427	0	147,945
Telecommunications	505	77,661	703	813	13,984	3,446	20,796
Supplies and Materials	24,041	140,277	0	2,684	12,689	2,603	105,554
Travel and Transportation	0	1,511	0	0	8,576	2,267	6,621
Contract, Consulting, and Other Services	2,668	22,018	0	0	39,888	11,206	1,011,995
Printing and Reproduction	0	720	0	0	0	0	310
Subscriptions and Publications	0	2,159	0	0	2,960	0	1,828
Cost of Goods Sold	0	0	0	0	0	268,065	0
Interest on Capital Leases	0	0	0	0	0	0	0
Total Expenses	629,711	3,986,667	88,600	189,874	5,133,866	825,316	9,799,811
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecom-munications	Office of Photography	House Recording Studio	Combined
$ 0	$ 2,407,590	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,107,534
0	0	0	0	4,611,544	0	0	0	4,611,544
0	0	117,136	115,500	0	248,146	7,143	26,968	1,257,240
19,524	6,473,630	38,842,934	0	547,780	13,354,957	127,076	528,083	59,893,984
19,524	8,881,220	38,960,070	115,500	5,159,324	13,603,103	134,219	555,051	68,870,302
7,052,058	671,077	(524,932)	7,340,568	15,638,971	6,290,465	709,422	2,038,847	58,428,030
7,071,582	9,552,297	38,435,138	7,456,068	20,798,295	19,893,568	843,641	2,593,898	127,298,332
3,777,846	897,319	1,574,690	4,369,642	10,174,991	2,728,089	509,129	1,577,924	34,543,432
1,190,187	222,232	431,287	1,480,015	2,933,639	705,385	130,963	363,389	16,107,477
378	963	0	86,217	8,361	3,166	0	0	364,986
49,069	6,747	35,826,126	917,071	2,552,730	2,398,221	45,939	41,257	42,329,525
38,800	67,891	556,844	362,390	3,077,401	1,113,406	33,589	327,241	5,948,636
0	100	310	18,245	742,606	0	0	100,637	1,013,673
11,187	5,254	17,569	17,942	265,849	12,927,315	2,850	13,063	13,378,937
1,952,984	6,533,852	17,393	52,441	219,226	4,921	119,277	169,799	9,357,741
9,933	2,024	1,525	10,143	34,959	3,086	0	0	80,645
40,766	297	7,465	58,437	153,915	4,325	0	0	1,352,980
0	0	0	64,223	3,083	0	1,894	0	70,230
432	45	1,929	19,302	470,218	5,654	0	588	505,115
0	1,815,573	0	0	0	0	0	0	2,083,638
0	0	0	0	161,317	0	0	0	161,317
7,071,582	9,552,297	38,435,138	7,456,068	20,798,295	19,893,568	843,641	2,593,898	127,298,332
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of the Chief Administrative Officer
For the Year Ended December 31, 1995

	Child Care Center	CAO	House Barber Shop	House Beauty Salon	House Postal Operations	House Restaurant	Office of Finance
CASH FLOWS FROM OPERATING ACTIVITIES							
Excess (Deficiency) of Revenue and							
Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Adjustments affecting Cash Flow							
Appropriations to Cover Expenses	(149,523)	(3,986,667)	(51,496)	(55,051)	(5,043,634)	(125,372)	(9,799,811)
(Increase)/Decrease in Accounts, Interoffice							
and Appropriations Receivable	2,847	(199,303)	170	12,403	42,684	(344,254)	(19,897)
(Increase)/Decrease in Advances and Prepayments	0	0	0	0	2,477	0	1,056
(Increase)/Decrease in Inventory	0	0	0	0	0	(3,203)	0
Increase/(Decrease) in Accounts, Interoffice							
and Appropriations Payable	(2,847)	199,303	(170)	88,732	(42,684)	257,656	6,693,174
Increase/(Decrease) in Other Accrued Liabilities	3,422	179,511	0	0	237,473	9,682	1,784,543
Depreciation and Amortization	0	119,517	0	0	193,838	4,048	53,671
Net Cash Provided (Used) by Operating Activities	(146,101)	(3,687,639)	(51,496)	46,084	(4,609,846)	(201,443)	(1,287,264)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Property and Equipment, Net	0	(567,192)	0	0	(275,287)	(431)	(101,783)
Net Cash Provided (Used) by Investing Activities	0	(567,192)	0	0	(275,287)	(431)	(101,783)
CASH FLOWS FROM FINANCING ACTIVITIES							
Appropriations Received	0	0	0	0	0	0	745,709,600
Funds Returned to the U.S. Treasury	0	0	0	0	0	0	(22,547,992)
Appropriated Funds Allocated	104,360	4,254,781	77,796	(12,425)	4,885,133	496,474	(710,521,380)
Principal Payments on Capital Lease Obligations	0	0	0	0	0	0	0
Net Cash Provided (Used) by Financing Activities	104,360	4,254,781	77,796	(12,425)	4,885,133	496,474	12,640,228
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	(41,741)	(50)	26,300	33,659	0	294,600	11,251,181
Fund Balance with U.S. Treasury and Cash, Beginning	41,841	50	16,920	(33,659)	100	77,874	700,640,156
Fund Balance with U.S. Treasury and Cash, Ending	$ 100	$ 0	$ 43,220	$ 0	$ 100	$ 372,474	$ 711,891,337

	Furniture Resource Center	Office Supply Service	Office Systems Management	Human Resources	House Information Resources	Office of Telecom-munications	Office of Photography	House Recording Studio	Combined
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	(7,052,058)	(671,077)	524,932	(7,340,568)	(15,638,971)	(6,290,465)	(709,422)	(2,038,847)	(58,428,030)
	158,216	(558,796)	(1,977,115)	18,413	(1,517,985)	(1,904,271)	(4,964)	43,766	(6,248,086)
	0	0	995	(182)	140,826	(2,028,449)	0	426	(1,882,851)
	75,627	701,026	0	0	0	0	0	0	773,450
	(230,398)	362,665	610,491	(7,913)	1,096,634	1,956,493	5,683	(61,340)	10,925,479
	270,331	63,766	102,289	140,147	623,615	165,771	19,628	76,341	3,676,519
	38,800	67,891	556,844	362,390	3,077,401	1,113,406	33,589	327,241	5,948,636
	(6,739,482)	(34,525)	(181,564)	(6,827,713)	(12,218,480)	(6,987,515)	(655,486)	(1,652,413)	(45,234,883)
	(50,264)	(60,170)	(804,502)	(1,568)	(3,708,611)	(2,599,952)	(239,204)	4,402	(8,404,562)
	(50,264)	(60,170)	(804,502)	(1,568)	(3,708,611)	(2,599,952)	(239,204)	4,402	(8,404,562)
	0	0	0	0	0	0	0	0	745,709,600
	0	0	0	0	0	0	0	0	(22,547,992)
	6,789,746	1,448,587	(184,165)	6,829,281	16,196,744	9,587,467	894,690	1,974,295	(657,178,616)
	0	0	0	0	(269,653)	0	0	0	(269,653)
	6,789,746	1,448,587	(184,165)	6,829,281	15,927,091	9,587,467	894,690	1,974,295	65,713,339
	0	1,353,892	(1,170,231)	0	0	0	0	326,284	12,073,894
	0	3,320,418	1,170,231	0	0	0	0	1,080,877	706,314,808
	$ 0	$ 4,674,310	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,407,161	$ 718,388,702

Capitol Police and Other Joint Functions

U.S. House of Representatives
Combining Statement of Financial Position
Of the Capitol Police and Other Joint Functions
As of December 31, 1995

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
ASSETS				
Fund Balance with the U.S. Treasury	$ 1,684,722	$ 36,761,477	$ 4,214,676	$ 42,660,875
Cash	200	19,200	100	19,500
Total Fund Balance and Cash	1,684,922	36,780,677	4,214,776	42,680,375
Accounts Receivable	2,269	0	0	2,269
Advances and Prepayments	9,126	5,636	97,463	112,225
Property and Equipment, Net	311,607	985,924	619,146	1,916,677
Total Assets	$ 2,007,924	$ 37,772,237	$ 4,931,385	$ 44,711,546
LIABILITIES AND NET POSITION				
Accounts Payable	$ 26,144	$ 504,757	$ 75,965	$ 606,866
Interoffice Payable	4,382	2,048	9,638	16,068
Accrued Leave and Payroll	0	1,025,386	0	1,025,386
Total Liabilities	30,526	1,532,191	85,603	1,648,320
Unexpended Appropriations	1,665,791	36,279,508	4,226,636	42,171,935
Invested Capital	311,607	985,924	619,146	1,916,677
Future Funding Requirements	0	(1,025,386)	0	(1,025,386)
Total Net Position	1,977,398	36,240,046	4,845,782	43,063,226
Total Liabilities and Net Position	$ 2,007,924	$ 37,772,237	$ 4,931,385	$ 44,711,546

U.S. House of Representatives
Combining Statement of Operations
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1995

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
REVENUE AND FINANCING SOURCES				
Revenue from Operations				
Sales of Services to the Public	$ 61,778	$ 0	$ 0	$ 61,778
Revenue from Operations	61,778	0	0	61,778
Financing Sources				
Appropriations to Cover Expenses	1,301,696	34,124,186	6,455,448	41,881,330
Total Revenue and Financing Sources	1,363,474	34,124,186	6,455,448	41,943,108
EXPENSES				
Personnel Compensation	237,383	25,366,910	4,671,391	30,275,684
Benefits	42,241	6,784,376	1,121,611	7,948,228
Postage and Delivery	701	6,245	6,004	12,950
Repairs and Maintenance	71,126	187,061	219,959	478,146
Depreciation and Amortization	164,062	304,709	201,336	670,107
Rent, Utilities, and Communications	1,200	3,440	58,049	62,689
Telecommunications	10,932	26,142	28,113	65,187
Supplies and Materials	130,378	798,158	45,503	974,039
Travel and Transportation	2,856	410,132	1,393	414,381
Contract, Consulting, and Other Services	689,875	182,694	614	873,183
Printing and Reproduction	451	38,113	425	38,989
Subscriptions and Publications	12,269	14,934	101,050	128,253
Interest on Capital Leases	0	1,272	0	1,272
Total Expenses	1,363,474	34,124,186	6,455,448	41,943,108
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0

U.S. House of Representatives
Combining Statement of Cash Flows
Of the Capitol Police and Other Joint Functions
For the Year Ended December 31, 1995

	Attending Physician	Capitol Police	Joint Committee on Taxation	Combined
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (Deficiency) of Revenue and Financing Sources Over Expenses	$ 0	$ 0	$ 0	$ 0
Adjustments affecting Cash Flow				
Appropriations to Cover Expenses	(1,301,696)	(34,124,186)	(6,455,448)	(41,881,330)
(Increase)/Decrease in Accounts, Interoffice and Appropriations Receivable	265,607	669,015	51,281	985,903
(Increase)/Decrease in Advances and Prepayments	(2,293)	(3,359)	(61,025)	(66,677)
Increase/(Decrease) in Accounts, Interoffice and Appropriations Payable	(235,835)	(103,012)	34,322	(304,525)
Increase/(Decrease) in Other Accrued Liabilities	0	1,025,386	0	1,025,386
Depreciation and Amortization	164,062	304,709	201,336	670,107
Net Cash Provided (Used) by Operating Activities	(1,110,155)	(32,231,447)	(6,229,534)	(39,571,136)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property and Equipment, Net	(40,741)	(578,663)	(583,692)	(1,203,096)
Net Cash Provided (Used) by Investing Activities	(40,741)	(578,663)	(583,692)	(1,203,096)
CASH FLOWS FROM FINANCING ACTIVITIES				
Appropriations Received	1,260,000	40,882,195	5,116,000	47,258,195
Funds Returned to the U.S. Treasury	(282,146)	(198,748)	(59,982)	(540,876)
Appropriated Funds Allocated	1,857,764	(1,826,976)	5,971,884	6,002,672
Principal Payments on Capital Lease Obligations	0	(13,613)	0	(13,613)
Net Cash Provided (Used) by Financing Activities	2,835,618	38,842,858	11,027,902	52,706,378
Net Cash Provided (Used) by Operating, Investing, and Financing Activities	1,684,722	6,032,748	4,214,676	11,932,146
Fund Balance with U.S. Treasury and Cash, Beginning	200	30,747,929	100	30,748,229
Fund Balance with U.S. Treasury and Cash, Ending	$ 1,684,922	$ 36,780,677	$ 4,214,776	$ 42,680,375

Consolidating Statement of Budget and Actual Expenditures (Unaudited)

U.S. House of Representatives
Consolidating Statement of Budget and Actual Expenditures
For the Fiscal Year Ended September 30, 1995
(Unaudited)

	Members	Committees	Leadership Offices
BUDGETARY RESOURCES			
Net Fiscal Year 1995 House Appropriations	$ 320,217,000	$ 109,388,000	$ 6,128,826
Fiscal Year 1995 Members' Salaries Appropriations	78,318,000	0	0
Total Budgetary Resources	398,535,000	109,388,000	6,128,826
EXPENDITURES			
Personnel	238,323,089	83,912,157	4,989,767
Member Salaries	72,858,548	0	0
Non-Personnel, Net of Earned Revenues	77,619,006	11,636,620	271,876
Total Expenditures	388,800,643	95,548,777	5,261,643
Fiscal Year 1995 Resources Remaining Available	$ 9,734,357	$ 13,839,223	$ 867,183

Officers and Legislative Offices	Capitol Police and Other Joint Functions	Benefits and Other	1995 Consolidated	1994 Consolidated
$ 85,561,067	$ 42,817,000	$ 207,138,174	$ 771,250,067	$ 737,561,135
0	0	0	78,318,000	75,078,000
85,561,067	42,817,000	207,138,174	849,568,067	812,639,135
54,972,656	36,715,160	114,440,709	533,353,538	571,751,614
0	0	0	72,858,548	73,208,826
14,863,906	3,124,244	34,363,372	141,879,024	151,072,673
69,836,562	39,839,404	148,804,081	748,091,110	796,033,113
$ 15,724,505	$ 2,977,596	$ 58,334,093	$ 101,476,957	$ 16,606,022

Report of Independent Accountants on Compliance with Laws and Regulations

Report of Independent Accountants
on Compliance With Laws and Regulations

To the Inspector General
U.S. House of Representatives

We have audited the consolidating financial statements of the U.S. House of Representatives (House) as of and for the year ended December 31, 1995, and have issued our report thereon dated July 25, 1996. In that report, we qualified our opinion with respect to the effects of adjustments to the consolidating financial statements, if any, that might have been determined to be necessary had we been able to examine evidence regarding all of the costs and commitments that may have been incurred by the House during the year ended December 31, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Testing for compliance with laws and regulations at the House is significantly different than it is for Executive Branch departments and agencies. First, many of the laws that apply to the Executive Branch, such as the Federal Managers' Financial Integrity Act of 1982 and the Chief Financial Officers Act of 1990, do not apply to the House. Second, while Executive Branch departments and agencies are subject to regulations that implement their authorizing statutes and to regulations imposed by other agencies, such as the Office of Management and Budget and the Office of Personnel Management, the House is subject to specific laws, its own rules and to procedures contained in its *Members= Congressional Handbook*. Effective June 1, 1996, the House is also subject to the rules and procedures contained in the *Committees= Congressional Handbook.*

During our audit we noted four instances where Office of Finance records indicate that certain Members overspent their Members= Representational Allowance (MRA). The MRA is used to pay for staff salaries, official expenses, and official mail. The *Members= Congressional Handbook* states that Members are personally responsible for the amounts by which they overspend their MRAs.

Except as noted in the preceding paragraph, our tests for compliance with selected provisions of applicable laws, rules and regulations disclosed no other instances of non-compliance that are required to be reported herein under *Government Auditing Standards* or the U.S. General Accounting Office's *Financial Audit Manual*.

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

Washington, D.C.
July 25, 1996

Report of Independent Accountants on the Internal Control Structure

Report of Independent Accountants
on Management=s Assertion About Internal Controls

To the Inspector General
U.S. House of Representatives

In its Management Report on Financial and Internal Controls (Management Report), which is presented in Attachment 1, the Office of the Chief Administrative Officer (CAO) of the U.S. House of Representatives (House) has asserted that, except for the material weaknesses in internal controls[1] described in the Management Report and below, the House=s internal controls provided reasonable assurance that, as of December 31, 1995, the following objectives were being met:

- Safeguarding assets against loss from unauthorized acquisition, use, or disposition;
- Assuring the execution of transactions in accordance with management authority and with laws and regulations that have a direct and material effect on the consolidating financial statements; and,
- Properly recording, processing, and summarizing transactions to permit the preparation of reliable financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets.

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[1] A material weakness is a condition that precludes the internal controls from providing reasonable assurance that material misstatements in the financial statements will be prevented or detected on a timely basis. Material misstatements are those that, in the judgment of independent accountants, might cause a large dollar impact in the financial statements being audited, or might be qualitatively important to a reasonable person relying on those financial statements. Certain less severe deficiencies in internal controls are considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal controls that, in our judgment, could adversely affect the House's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We have examined the CAO=s assertion included in the Management Report. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included obtaining an understanding of internal controls over financial reporting, testing, and evaluating the design and operating effectiveness of internal controls, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of internal controls to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, the CAO=s assertion that, except for the material weaknesses in internal controls, described in its report, the House=s internal controls provided reasonable assurance that, as of December 31, 1995, the three objectives referred to in the first paragraph were being met, is fairly stated, in all material respects, in accordance with the Federal Managers= Financial Integrity Act and the criteria for controls in the federal government contained in Office of Management and Budget Circular A-123, *Management Accountability and Control.*

The CAO=s Management Report identified four material weaknesses in internal controls relating to (1) the use of obligations and accrual-basis accounting, (2) accountability for property and equipment, (3) monitoring and accounting for Members= Representational Allowances, and (4) security over the House=s computers and data.

Status of material weaknesses in internal controls

Of the 14 material weaknesses identified in our report on internal controls for the 15 months ended December 31, 1994, the following four are still considered to be material weaknesses, because steps taken to correct them are only partially complete.

- Archaic accounting policies, methods, practices, and systems contributed to poor financial management.
- The House lacked sufficient information with which to manage and maintain accountability over its property and equipment.
- Deficiencies in budgeting, monitoring and accounting for Member allowances increased the risk of overspending and impaired accountability.
- Poor controls over computers and data expose the House to the risk of unauthorized transactions, incorrect data, misuse of assets, and loss of data and programs.

Since last year=s audit, the House=s principal efforts in improving its financial management have been directed towards implementing the core components of a new financial management system, which became operational June 4, 1996. As part of that implementation, it converted financial data that had originally been entered into its old financial management system to the new system. This conversion included transactions from October 1, 1995, through December 31, 1995. The new financial management system thus constitutes the official record of the House=s financial transactions as of December 31, 1995. This implementation and conversion:

- Eliminated the use of the old automated disbursing system and the manual Ageneral ledger cards.≅

- Established a chart of accounts that classifies expenses in accordance with accepted federal accounting standards.
- Enabled the House to automatically generate financial reports to be submitted to the U.S. Treasury.
- Enabled the House to monitor more closely the expenditure of its fiscal year 1996 appropriations.

But the components of the system that have been implemented and the records as of December 31, 1995, do not constitute a full accrual-basis system of accounting. Specifically, the system implementation efforts completed so far have not:

- Implemented major components of the new system, including components for fixed assets, accounts receivable, and executive reporting.
- Provided for full accounting of obligations and accruals.
- Fully implemented the reporting and information requirements of all House Offices.

To prepare its 1995 Consolidating Financial Statements, the House hired an accounting contractor to compensate for weaknesses that had not been fully corrected. As discussed in our report on the House=s 1995 Consolidating Financial Statements, the contractor=s procedures partially compensated for these weaknesses, and, as a result, we were able to obtain sufficient evidence to support our qualified opinion on the 1995 Consolidating Financial Statements.

As reported by the House Inspector General (Report No. 96-CAO-04), the implementation of the core components of the new financial management system represented the completion of critical tasks from Phase II of the House=s plan to implement an integrated financial management system. The Inspector General reported that additional tasks from Phase II had not been completed. These tasks include: (1) conversion and verification of the remaining months (January - May) of data originally entered into the Financial Management System (FMS); (2) modification and testing of custom interface programs to resolve outstanding program editing deficiencies; (3) resolution of problems with custom reports identified during the unit testing of the custom report programs; (4) enhancements to custom reports and associated testing; and (5) development and documentation of policies and procedures. These tasks were not completed because the CAO=s implementation team concentrated on completing the Phase II tasks critical to having the new system ready for the Office of Finance to use on the earliest possible cut-over date. The remaining tasks do not have a direct impact on the system=s being ready for use; however, the Inspector General cautioned that these tasks must be completed expeditiously to maintain user confidence and trust in the financial management system. As of July 25, 1996, these tasks had not been fully completed.

The Inspector General=s report also advised that strong planning and management is needed for Phase III of the implementation project. Now that the core system is in use, the project implementation team has the opportunity to adopt a formal System Development Life Cycle (SDLC) methodology to plan and manage Phase III. Without following a formal SDLC methodology, delays, unrealistic completion estimates, additional costs, and inefficiencies could occur in the Phase III efforts. Such a methodology provides an orderly and structured approach that helps in the development of a system that meets users= needs in a more timely and cost-effective manner. On June 30, 1996, the CAO adopted a SDLC methodology for use on all system development and modification projects.

Criteria for assessing progress in correcting material weaknesses

Exhibit 1 to this report presents the current status of the 14 material weaknesses in internal controls we identified in our prior report on internal controls. Of the 14 material weaknesses identified in 1994, 4 remain material weaknesses; 9 no longer are material weaknesses, but continue to be reportable conditions; and 1 has been resolved. In determining the current status of these weaknesses we applied the following criteria:

Closed	Procedures performed in the follow up audit and changes in House operations remedied this weakness or eliminated the operations affected by the weakness.
Substantial progress	New financial system and/or new policies and procedures put in place ***substantially*** address the ***more significant*** recommendations made in the prior audit.
Some progress	New financial system and/or new policies and procedures put in place ***partially*** address the ***more significant*** recommendations made in the prior audit.
Limited progress	Steps taken to address ***less significant*** recommendations; more significant recommendations addressed only with ***proposals*** or remain open.
Open	***No actions*** taken on the ***more significant*** recommendations made in the prior audit, or only initial plans to address these recommendations have been made.

The results of our analysis are presented in Exhibit 1. We based this analysis on a review of the House=s progress towards implementing the 94 financial-related recommendations we made in the prior year audits. The following are the criteria we used to assess that progress and the number of recommendations that met each criteria:

Full implementation	Actions fully address the significant concerns underlying the recommendation. (15 recommendations)
Otherwise resolved	Changes in nature of House operations eliminated the significant concerns underlying the recommendation. (6 recommendations)
Substantial progress	***Concrete*** steps taken to ***substantially*** address the ***significant*** concerns underlying the recommendation. (20 recommendations)
Some progress	***Concrete*** steps taken to ***partially*** address the ***significant*** concerns underlying the recommendation. (28 recommendations)
Limited progress	Steps taken or proposed, but do not address the significant concerns underlying the recommendation. (5 recommendations)

Open	No steps taken, or steps are limited to inclusion on list of items to be addressed in the next phase of the financial system implementation. An orderly and structured approach to plan and manage this phase has not yet been established. (20 recommendations)

The status of each of these recommendations is presented in the detailed discussions of each weakness, which follow this report. In addition, we have added 8 new recommendations related to Weaknesses 5, 6, 7, 9, and 15.

Our examination of the CAO=s assertion and our audit of the 1995 consolidating financial statements also identified a reportable condition concerning the inadequate documentation of reconciliations of the House=s fund balance accounts with the U.S. Treasury=s records. This condition is also summarized in Exhibit 1, and a detailed discussion of it and two related recommendations follows the discussion of the status of our prior year findings.

Washington, D.C.
July 25, 1996

Exhibit 1 - Summary of Status of Internal Control Findings

Weakness	Status as of July 25, 1996					
	Closed	**Substantial Progress**	**Some Progress**	**Limited Progress**	**Open**	**New Finding**
1. Archaic Accounting Policies, Methods, Practices, And Systems Contributed To Poor Financial Management (Material Weakness)			X			
2. The House Did Not Properly Track The Goods And Services It Ordered, And Frequently Paid Vendors Late (Reportable Condition)			X			
3. Current Methods Of Charging Costs To Members' Allowances Obscured The True Costs Of Operating Member Offices (Reportable Condition)			X			
4. The House Lacked Sufficient Information With Which To Manage And Maintain Accountability Over Its Property And Equipment (Material Weakness)				X		
5. Poor Funds Control Put The House At Risk Of Overspending Its Appropriation (Reportable Condition)			X			
6. Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased Risk Of Overspending And Impaired Accountability (Material Weakness)				X		
7. Inconsistent Record Keeping Hampered Efforts To Assure That Mass Mailings Complied With The Rules, And Franked Mail From District Offices Was Not Well Controlled (Reportable Condition)		X				
8. Poor Controls Over Computers And Data Exposed The House To Risk Of Unauthorized Transactions, Incorrect Data, Misuse Of Assets, And Loss Of Data And Programs (Material Weakness)			X			
9. Ineffective Controls And Policies Existed Relating To Travel Reimbursement And Government-Furnished Charge Cards (Reportable Condition)		X				
10. Late Submissions And Inadequacies In The Payroll System Added To Manual Processing And Led To $332,000 In Overpayments To Employees (Reportable Condition)					X	
11. Controls Over Purchasing And Procurement Were Weak And Inconsistent (Reportable Condition)		X				
12. Lack Of Information And Ineffective Control Procedures Exposed The House To Excess Costs On Its Leasing And Maintenance Agreements (Reportable Condition)			X			
13. House Catering Operations Had Little Control Over Amounts It Was Owed Because It Did Not Maintain	X					

Exhibit 1 - Summary of Status of Internal Control Findings

Weakness	Status as of July 25, 1996					
	Closed	Substantial Progress	Some Progress	Limited Progress	Open	New Finding
Complete Credit Records Or Properly Track Subsequent Collections (Weakness Closed)						
14. The House Was Unable To Accurately Determine Employee Benefits Due To Incomplete Manual Leave Records (Reportable Condition)			X			
15. Reconciliations Of Fund Balance With The U.S. Treasury To The Financial Management System Balances Are Not Routinely Performed Or Adequately Documented (Reportable Condition)						X

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

Summary Status: Some Progress Towards Correction

The House has implemented core components of a new financial management system, which includes some important steps towards establishing an integrated financial management system that meets appropriate Federal requirements:

- It eliminated the use of the old automated disbursing system and the manual Ageneral ledger cards.≅
- It established a chart of accounts that classifies expenses in accordance with accepted Federal accounting standards.
- It enabled the House to automatically generate financial reports to be submitted to the U.S. Treasury.

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

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

Comprehensive guidance for establishing financial management systems like that needed by the House is provided by the Joint Financial Management Improvement Program (JFMIP), an interagency task force that promotes sound financial management in the Federal government. The guidance stipulates functional system requirements for managing financial transactions and reporting. Its central focus is an integrated systems environment with a standard general ledger and accrual-based accounting.

If Office of Finance continues to establish the House=s central financial management system (FMS) in accordance with JFMIP=s AFramework for Federal Financial Management Systems≅ and ACore Financial System Requirements,≅ Office of Finance will be better able to implement standard accounting practices and provide House decision-makers with understandable and reliable financial information. In fact, every troubled Office of Finance function discussed below is addressed by JFMIP and could be improved by adopting its system standards. Implicit in adopting these new system standards is the need to train financial personnel in them, including the latest applicable accounting principles and practices. Training is particularly important for the House=s Office of Finance personnel, since adoption of these new system standards and accounting principles will constitute a considerable change from present practices.

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

Most Federal agencies and private sector entities use a comprehensive, accrual-based general ledger to accumulate and summarize transactions and to prepare internal and external financial reports. Financial reports provide information for employees to manage their operations cost-effectively and inform the public of the organization=s financial condition. The general ledger is the central control function of a financial management system. The Executive Branch=s Office of Management and Budget (OMB) issues financial management guidance under circulars.

Office of Finance=s ledger did not summarize accrual or obligation-based transactions by asset, liability, equity, budgetary, revenue, and expense accounts. It recorded financial transactions as cash receipts or expenditures conceptually. The existing accounting process was, a large checkbook, limited to keeping a running balance of cash received and cash disbursed.

Though the new FMS employs a comprehensive chart of accounts consistent with Federal accounting standards, our testing noted several instances where Office of Finance classified transactions in the wrong accounts. These classification errors could affect the reliability of internal financial reports.

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

Office of Finance did not recognize revenues when earned or expenditures when incurred

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

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

As a result, Office of Finance did not always have assurance that sufficient funds would be available to pay liabilities that had been incurred and not yet paid. As of September 30, 1995, Office of Finance had not recorded at least $25 million in expenditures that had been incurred but not yet paid. Thus, by understating expenditures, Office of Finance risked a deficiency in funds.

Furthermore, Office of Finance could not readily or easily identify its debtors or creditors, nor did it know amounts owed to or by the House. For example, we found that receivable information was maintained in manual systems by individual offices, and that such information was not summarized and given to Office of Finance. Ignorance of debtors, debts, creditors, and collections limited Office of Finance=s ability to determine who was owed money from the House, how much money was owed to the House, who owed money to the House, and how much was owed to the House. As discussed in Weakness 5, the House did not record obligations for goods and services it ordered. Without information about payables, receivables, and obligations, Office of Finance was limited in planning or budgeting for expenditures and receipts.

Office of Finance did not allocate the cost of operations consistently or completely

As further discussed in Weakness 3, the costs to run the House were not fully attributed to the final user. Fully allocating or attributing costs to the end user induces decision-making that is more sensitive to balancing quality and cost. Cost accounting, allocation, and distribution provide an approach for measuring the total cost of performing an activity. This is achieved by attributing all financial resources used for an activity to the cost of performing the activity. For example, cost accounting allocates all costs, including overhead costs of space, utilities, and maintenance to the organizational unit that incurred them. In turn, this allows organizational units to transfer or recoup these costs from others, to the extent they sell or provide goods and services to them.

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

- Office Systems Management=s (OSM) policies allowed Members to choose whether to incur the full cost of computer equipment in the year it was purchased or to spread that cost over three years.
- Office of Telecommunications paid vendors= bills for telecommunications services, but charged only a portion of those costs to the Members who used those services.
- Member staff benefits are not charged against the Members= Representational Allowance (MRA), only salaries are charged.

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

House spending reports could provide additional accountability and information for management decision making

In November 1995, Office of Finance began issuing redesigned Members= Monthly Financial Statements, which provide information about actual and projected spending and available amounts of MRA. As discussed in Weakness 6, however, the projections in this report were extrapolations of past spending and did not take into account major spending commitments, such as for mass mailings. As a result, these projections did not provide sufficient information for making spending decisions. Office of Finance also provided a Personnel Certification Report to the offices. This report included a list of employees and their associated monthly payroll costs. However, the report did not give offices a breakdown of hours worked by employee or employee leave status since this information was not required to be reported to Office of Finance.

The Quarterly Statement of Disbursements of the House detailed and summarized all disbursements and receipts by Member, committee, and office. This report replaced the Report of the Clerk of the House, and improved upon that report by adding summaries of each office=s expenses by category, presenting year-to-date information for each office, and organizing spending detail by type of expenditure.

The financial reports did not provide the House with meaningful or relevant information to make prudent decisions about resource planning, or to assess the performance of the House and individual offices.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Ensure that the integrated financial management system, which the Chief Administrative Officer already committed to implement, complies with JFMIP requirements and is coordinated with the efforts and needs of other House offices. (OIG Report No. 95-CAO-16.)	Status: Substantial progress Discussion: On June 4, 1996, the House implemented core components of a new FMS. This included conversion of transactions from October 1, 1995, through December 31, 1995. The new system: • eliminated the old automated disbursing system and the manual Ageneral ledger cards.≅ • established a chart of accounts that classifies expenses in accordance with accepted Federal accounting standards. • enabled the House to automatically generate financial reports to be submitted to the U.S. Treasury. • enabled the House to monitor more closely the expenditure of its fiscal 1996 appropriations. However, components of the system have not been implemented, and the corresponding Office of Finance records do not yet constitute a full accrual-basis system and do not fully comply with JFMIP requirements. Specifically, the system implementation efforts completed so far have not: • Implemented major components of the new system, including components for fixed assets, accounts receivable, and executive reporting. • Provided for full accounting of obligations and accruals fully considered and documented. • Fully implemented the reporting and information requirements of all House Offices.
2. Implement accrual basis accounting and accounting principles and standards generally accepted in the Federal government and the private sector. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: See status of Recommendation 1.
3. Implement a cost accounting system	Status: Open

Recommendation	Current Status of Recommendation
that properly allocates or attributes costs to end users. (OIG Report No. 95-CAO-16.)	Discussion: Targeted for next phase of implementation. However, the CAO has not yet established a formal implementation plan for this phase.
4. Provide staff with training on the new financial management system and standard accounting methods. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: Staff have been trained on core components of the new financial system implemented to date.
5. Redesign internal and external management reports based on user requirements. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: In November 1995, Office of Finance began issuing redesigned Members= Monthly Financial Statements, which provide information about actual and projected spending and available amounts of MRA. However, the projections in this report were extrapolations of past spending and did not take into account major spending commitments, such as for mass mailings. The Quarterly Statement of Disbursements of the House replaced the Report of the Clerk of the House, and improved upon that report by adding summaries of each office=s expenses by category, presenting year to date information for each office, and organizing spending detail by type of expenditure. However, the following steps need to be taken to ensure this recommendation is fully addressed: • User information requirements, particularly those of Members, need to be further addressed to ensure the new system will meet their financial information needs. • The Final Phase of the new system implementation project needs to be completed to assure all JFMIP requirements are met.

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

Summary Status: Some Progress Towards Correction

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

Last year, we found that the House was frequently late in paying its bills, in some cases over a year late. Our current year testing indicated that some bills are still paid after the due date. For example, of the 98 non-travel related vouchers sampled for testing during the current audit, 27 transactions resulted in payments past the due date and another 14 resulted in payments at least 30 days or more past the invoice date. Furthermore, the House did not take advantage of three trade discounts that were available. Late submission and payment of bills may be indicative of policies and procedures that are either ineffective, not being enforced, or of inefficiencies in the payment processing.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Initiate a system of accounting and control that captures data and tracks transactions by vendor and ordering office when goods and services are: • Ordered • Received • Paid for (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: The Accounts Payable Subsystem of the new financial management system has the capability of recording payment transactions, including data such as vendor, type of expense, service dates, amount of payment and the date the payment was made. The Purchasing Subsystem has the capability of recording obligation information for goods ordered. These new capabilities were installed in June 1996, and have not been in operation long enough for us to determine if they are being used correctly. A new procurement system, known as AProcurement Desktop≅ has the capability to assist in contract and purchase order monitoring. Procurement Desktop has the capability to assist in standardizing documentation prepared by procuring divisions and the authorization/approval process for these documents. In addition, it provides a means to track goods and services ordered. The new financial management system has the capability to track real-time on goods received; the House intends to implement this feature in the next phase.
2. In conjunction with acquiring a new financial management system, ensure it has the capability to: • compare orders against the available budget by office	Status: Some progress Discussion: The new FMS is capable of comparing orders against available funds since the Purchasing Subsystem was implemented in June 1996. This new capability was installed in June 1996, and has not been in operation long enough for us to determine if it is being used correctly.

Recommendation	Current Status of Recommendation
• prompt offices when orders have not been received or when bills have not been paid after a specified period of time. (OIG Report No. 95-HOC-22.)	A new procurement system, known as AProcurement Desktop≅ has the capability to assist in contract and purchase order monitoring. Procurement Desktop has the capability to assist in standardizing documentation prepared by procuring divisions and the authorization/approval process for these documents. The new FMS does not yet detect and monitor if orders have not been received or if bills are not paid after a specified time period.

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

Summary Status: Some Progress Towards Correction

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

Within the units of the House, numerous examples of situations occurred where costs were not fully allocated to end users. For example, the Office of Telecommunications charged Members only part of the cost of telecommunication services they used. In other instances, costs were not assessed to Members= offices at all, so amounts charged to MRAs understated the true costs of running their offices. For example, the MRA was charged for staff salaries, but not for staff benefits, which amounted to approximately 29% of salary costs. In addition, the costs of furnishings for Members= Washington, D.C. offices and of many House-provided computer services were not charged to the MRA. While these costs were not charged to Members, they were ultimately paid with funds appropriated to non-Member areas.

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

- When Members acquire office equipment from OSM, they are offered the choice of one-time or 3-year purchase plans, as well as various lease plans. These plans are not true allocations of the cost of the equipment, but ways the Members can manage the timing of charges against their MRAs. Assume, for example, two Members bought identical office computer systems on December 1, 1995, for which the House paid the vendor $60,000 each. Assume further that one of these Members had $75,000 in unspent Official Expense Allowance at the time of the purchase, and the other had only $2,000 available. The Member with $75,000 elected a one-time purchase plan, using up $60,000 of his remaining 1995 allowance. The other Member elected a 3-year purchase plan, so his 1995 allowance was charged only $1,667Xthe first of 36 monthly installments. He will then incur charges for this computer system of $20,000 in 1996 and, if he is re-elected, $20,000 in 1997 and $18,333 in 1998. However, his colleague will incur no charges against his allowance in 1996 through 1998. While the substance of both transactions is identical, each Member reports substantially different charges against his MRA for 1995 through 1998. This policy makes it difficult to equitably compare one Member=s equipment costs to another=s. Also, if a Member who chooses the three-year payment option retires or is not re-elected to office, the remaining costs of his or her equipment may end up being borne by OSM.

- The Office of Telecommunications pays vendors for the cost of telecommunications services the Members use. Office of Telecommunications then bills the Members for these services, applying a flat rate that is generally lower than the rates vendors charge the Office of Telecommunications. As a result, telecommunication costs of Members are understated, while those of the Office of Telecommunications are overstated.

- The Office Supply Service (OSS) buys office supplies from commercial vendors and resells them to Members. If Members buy the supplies for official business, OSS only charges them the price OSS paid the vendors for those supplies. That is, the price OSS charges Members includes no markup to cover the cost of its centralized purchasing and delivery services. In our 1994 performance audit, we determined that OSS would need to mark up its products by nearly 20% to recover all of its costs. If these costs were allocated to the Member, the Member might prefer to exercise the option of shopping around for supplies.

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

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Establish cost accounting policies and procedures that define how costs will be accounted for and fully allocated to end users. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: Certain costs, such as those formerly absorbed by the Folding Room and Photography Studio, are now charged to Members= offices. However, full allocation of costs is still not performed.
2. Ensure the new financial management system includes a cost accounting component suitable for the House=s requirements. (OIG Report No. 95-HOC-22.)	Status: Open Discussion: Targeted for next phase of implementation. However, the CAO has not yet established a formal implementation plan for this phase. The House is in the process of determining whether the cost allocation subsystem component in the new FMS will meet its needs. In doing so, the House should appropriately define the information requirements of its users.

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

Summary Status: Limited Progress Towards Correction

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

Office of Finance did not have centralized accounting control over the House=s property and equipment. Instead, responsibility for accounting for property and equipment was dispersed among 11 different entities. The House offices that accounted for most of the House=s property and equipment were:

- OSM, which was responsible for computers, copiers, and other office equipment used by Members, committees, and House officers
- House Information Resources, which was responsible for computer equipment that supports the House=s central electronic data processing environment
- Office of Telecommunications, now under House Information Resources, which was responsible for telecommunications equipment used by Members (both in their Washington, D.C. and district offices), committees, and House officers.

No two offices accounted for their equipment the same way. Of the three offices responsible for accounting for most of the House=s property and equipment, none kept property ledgers that met all of the requirements followed by Executive Branch agencies. Consequently, none could readily provide all of the information and balances needed for the House=s financial statements. We also found property records to be inaccurate. For example, disposed items were not cleared from OSM=s database in a timely manner. OSM often does not receive timely information from Member offices about the delivery and installation of equipment. When this happens, the assignment of permanent control numbers and the payment of vendor invoices can be delayed for several days to several months after equipment installation. OSM records did not reflect the installation in Members= offices of equipment worth nearly $2 million, while other property records lacked information about the cost of equipment, and others had no cost information at all. In other cases, property records did not include the dates equipment was purchased or the equipment=s estimated useful life. Some offices, such as the Office of Telecommunications, had no property ledgers.

In addition, property ledgers could not be reconciled to the House=s FMS because Office of Finance did not distinguish payments for equipment purchases from those for maintenance or leasing costs. As a result, Office of Finance was unable to track maintenance costs or to identify payments on leases that would reduce the House=s lease liability. In addition, at December 31, 1995, the House did not have available project cost accounting tools that would help accumulate cost data associated with long term capital projects, such as telecommunications infrastructure improvements. If such projects are infrequent and acquiring computer software is not cost effective, accumulating such capital costs could be done manually by Office of Finance.

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

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

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Ensure the new financial management system is capable of accumulating and providing information with respect to property and equipment including: • cost or value information • description and acquisition date • useful life and depreciation method and amount • scheduled replacement • location (OIG Report No. 95-HOC-22.)	Status: Open Discussion: Targeted for next phase of implementation. However, the CAO has not yet established a formal implementation plan for this phase.
2. Establish a policy stipulating the dollar level and types of purchases that should be capitalized. (OIG Report No. 95-HOC-22.)	Status: Substantial progress Discussion: The House established a policy calling for capitalization of the purchase of equipment with a useful life of one year or more and a purchase price of $5,000 or more. All computers and computer equipment with a purchase price of $500 or more shall be capitalized.
3. Require an analysis of all leases over a specified dollar amount to determine whether: • the leases effectively convey ownership • it is cost-beneficial to enter into the leasing arrangement (OIG Report No. 95-HOC-22.)	Status: Open Discussion: Targeted for next phase of implementation. However, the CAO has not yet established a formal implementation plan for this phase.
4. Establish a policy for periodically counting assets with high dollar values. (OIG Report No. 95-	Status: Some progress

Recommendation	Current Status of Recommendation
HOC-22.)	Discussion: Office of Finance issued an Internal Policy Statement - FIN-003-96 (Inventory Policy) which is applicable to all House entities. However, the policy is vague in that it does not provide specific procedures or time frames for counting assets.

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

Summary Status: Some Progress Towards Correction

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

Federal agencies are required to track in their general ledgers when goods or services are ordered so that funds received through the budget process can be set aside or Aobligated.≅ In fact, a common control for most government organizations is to check for the availability of funds before a good or service is ordered, and not at the time a bill is presented for payment. This reduces the risk that funds will be insufficient or already committed for other purposes.

Because the House did not manage its finances proactively, Office of Finance did not know how much the House was committing to and whether it was in danger of not having enough funds to cover expenditures. Office of Finance=s budget and system controls did not provide an infrastructure to reserve and limit funds to those authorized. The House was particularly vulnerable to overspending appropriations for Members= allowances, as discussed in Weakness 6. Office of Finance lacked sufficient procedures to ensure voucher and payroll disbursements were under budgetary control. It did not:

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

Office of Finance also did not have controls in place to ensure that it returned to the U.S. Treasury funds that are not available for the House=s use. These funds included certain miscellaneous receipts, such as postage fees and charge card travel rebates, as well as long-inactive cash and fund balance accounts totaling more than $80,000. Office of Finance personnel represented that they intend to return these funds to the U.S. Treasury, but have not yet done so.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Institute budget controls to obligate, or reserve, funds before ordering goods and services and verify that funds are available before they are obligated. (OIG Report No. 95-CAO-16.)	Status: Substantial progress Discussion: The new FMS has the capability to obligate, or reserve, funds before ordering goods and services, and verify that funds are available before they are obligated. This new capability was installed in June 1996, and has not been in operation long enough for us to determine if it is being used correctly.
2. Provide information to Members, committees, and other House offices on how much money they have spent versus what they were budgeted. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: In November 1995, Office of Finance began issuing redesigned Members= Monthly Financial Statements, which provide information about actual and projected spending and available amounts of MRA. However, the projections in this report were extrapolations of past spending and did not take into account major

Recommendation	Current Status of Recommendation
	spending commitments, such as for mass mailings. The Quarterly Statement of Disbursements of the House replaced the Report of the Clerk of the House, and improved upon that report by adding summaries of each office=s expenses by category, presenting year-to-date information for each office, and organizing spending detail by type of expenditure.
3. Establish controls to ensure that the House adheres to any provisions of law requiring the remittance of funds to the U.S. Treasury. These policies and procedures should also address the review of inactive cash accounts that may need to be returned to the U.S. Treasury.	Status: New recommendation

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

Summary Status: Limited Progress Towards Correction

Members are subject to two different types of limitations on what they can spend on staff salaries, office operations, and franked mail. These are the *appropriations* for the fiscal year, which ends on September 30, and the *allowances* for the session, which runs January 3 through January 2. The annual appropriations are legal limitations on Members= spending, as the appropriations are enacted into law in the annual Legislative Branch Appropriations Act. The appropriations represent funds legally set aside in the U.S. Treasury to pay for the personnel, office, and mailing costs of the Members. The appropriation limits apply to the House as a whole; there are no separate accounts at the U.S. Treasury for individual Members. In contrast, each Member is subject to limitations on his/her MRA. Spending for Clerk Hire (i.e., staff salaries), Official Expenses, and Official Mail is charged to the MRA. Within the MRA, there are also established limits on Official Mail expenses. These are internal, administrative limitations which were set by the Committee on House Oversight in 1995. If a Member overspends the MRA, the *Members= Congressional Handbook* states that he or she is personally liable for the amount of the overspending.

It has been the House=s practice to set the appropriations for Clerk Hire, Official Expenses, and Official Mail significantly lower than the sum of the individual Members= allowances. For example, the fiscal year 1995 appropriation for Official Mail was $31 million, and the sum of all the Members= Legislative Year 1995 Official Mail Allowances was $48 million; the appropriation for Clerk Hire was $240 million, while the sum of allowances was $299 million; and the appropriation for Official Expenses was $79.8 million, while the sum of the allowances was $86 million. The appropriations were set with the expectation that many Members would not spend the full amounts of their allowances. Thus, the amount of any individual Member=s unspent allowance did not represent funds available to be returned to the U.S. Treasury. Even if Members collectively spent less than had been appropriated, those unspent funds could be Areprogrammed,≅ or made available for spending on other items, rather than returned to the U.S. Treasury. This approach to appropriating less than Members= aggregate allowances created the risk that MembersXwho managed with the expectation that they could spend up to the amount of their allowances, instead of to some other amount of which they were not made awareXcollectively would overspend the appropriations while individually staying within their allowances**.** Office of Finance records indicate that in fiscal 1995, MRA spending did not exceed amounts appropriated.

Figure 1 summarizes the key differences between the appropriations and the allowances for Members= spending.

	Member Appropriations	Member Allowances
What is it?	This is how much money is legally set aside in the U.S. budget to pay for aggregate personnel, office, and mailing costs of Members. It is the amount of funds available at the U.S. Treasury to pay for those costs.	This is how much money the Committee on House Oversight told each Member he or she could spend by type of expenditure. (It is similar to an authorization for an Executive Branch agency.)
Is there money at the U.S. Treasury for it?	Yes, for the House as a whole. However, Members do not have individual U.S. Treasury accounts. The overall U.S. Treasury account is maintained by Office of Finance, which pays Members= payrolls and bills.	No. In fact, the sum of all the Members= allowances is greater than the funds available at the U.S. Treasury to pay the Members= payrolls and bills.
How is it monitored?	Office of Finance uses information about amounts already spent to determine how much money remains available at the U.S. Treasury. It does not estimate Members= spending to project funds= availability. Office of Finance does not inform Members= offices of the impact of their spending on the House=s appropriations.	Office of Finance provides Members information about their spending to date in relation to their allowances. Members manage their spending with the goal of staying within their allowance limits.

Office of Finance=s monitoring efforts of Members= spending were not sufficient to prevent Members= overspending their MRAs because:

- Controls were inadequate to ensure the completeness and accuracy of charges to the MRAs. Specifically:

  ✓ The Office of Telecommunications did not charge two members for an entire month of usage (over $2,400). Additionally, the Office of Telecommunications charged one member twice for over $10,000 of telecommunications equipment, while another member was never credited for approximately $23,000 of fraudulent calls that the telephone vendor remitted to the Office of Telecommunications.

  ✓ Office of Financeɘs controls over data input into FMS of U.S. Postal Service (USPS) franked mail usage were weak, resulting in two members not being charged at all for one month of mail usage for over $3,000 and $800, respectively. In addition, six other members= monthly mail usage amounts were input into FMS inaccurately. Office of Finance did not adequately reconcile its data input of USPS reports to the USPS reports or invoices.

  ✓ OSM did not charge two members for installation and/or maintenance fees.

  ✓ When a Member elects a 3-year purchase plan for equipment, there may be delays in OSM receiving timely information about its delivery and installation. Such delayed reporting may have the effect of shifting equipment charges from one year=s allowance to the next. As of December 31, 1995, OSM records did not reflect the installation in Members= offices of equipment worth nearly $2 million; however, the impact on Members= 1995 allowances is minimal since only about 10% of equipment purchases are under 3-year plans.

- Projections of Members= spending to help them comply with their individual allowance limitations did not begin until November 1995. These projections were extrapolated from Members= past spending. But, they did not take into account obligations Members had incurred when they ordered goods or services. Thus, they did not have sufficient information about MRA funds that were committed for goods or services already ordered. This problem was exacerbated by the late reporting of charges by the USPS and by vendors processing Members= mailings. Postage costs of a mass mailing can be in the tens of thousands of dollars and folding charges for official mail, which prior to August 1995 had been absorbed by the Folding Room, approximated $3,000 per mass mailing.

- Although the MRA is treated as one combined allowance for compliance purposes, the House still had to monitor the MRA by the three major expense components: Clerk Hire, Official Expenses, and Official Mail. During 1995, these expense components were tracked by two different systems which were not integrated and could not easily share information regarding these expenses. The lack of integration of these systems, combined with the lack of obligation-based accounting, increased the risk that Members would not comply with MRA spending limitations.

- Time lags and errors in the recordation of transfers by the Office of Finance and the USPS made it difficult to assess how much money could be transferred out of Official Mail for alternative uses. This situation was further aggravated by: (1) vendors submitting late permit mailing charges to be applied against the official mail portion of the MRAs due to their unfamiliarity with procedures for remitting permit reports to the USPS, and (2) late, large dollar amount and unplanned folding charges applied against the MRA submitted by the same vendors.

As a result of these control weaknesses, Office of Finance records indicated that 17 Members initially overspent their 1995 allowances, of which 13 were resolved as follows. Office of Finance identified equipment purchases that could be restructured to be paid over three years, thus reducing the amount charged against the 1995 MRA. The resulting adjustments for equipment purchase restructuring brought five Members back into compliance. With a revision of the USPS year end statement that updated or corrected inaccurate postal charges, an additional four Members= compliance was restored. The remaining four Members= compliance was reinstated after errors and/or lags in the reporting and recordation of transfers between Office of Finance and USPS were resolved.

After these actions, Office of Finance=s records indicate that four Members overspent their allowances in 1995 and could not resolve that overspending by adjustments to their equipment purchases, canceling subscriptions, or returning goods to vendors. According to these records, three Members overspent their entire MRAs ranging from approximately $2,300 to $285. The other Member overspent the official mail expenses portion of his/her MRA by over $4,800. This member had over $18,000 of unspent MRA funds, but the *Members= Congressional Handbook* limitations on transfers to cover official mail expenses prevented this Member from using unspent funds to cure the mail deficiency. We understand that Office of Finance is writing letters to each of these four Members requesting reimbursement by personal check for the amount of their overspending.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Align the amounts appropriated for Members= staff salaries, office expenses, and mail costs with the amounts of the Members= allowances. (OIG Report No. 95-CAO-16.)	Status: Substantial progress Discussion: In the FY97 Justification of the Budget Estimates, the House=s request for appropriations includes increases for full funding of the MRA authorization amount.
2. Develop proposals for approval by the Committee on House Oversight to refine budget formulation procedures to develop budgets by individual Member that are reflective of their actual spending patterns, and that appropriately consider full cost allocation of goods and services provided by the CAO. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: Certain costs, such as those formerly absorbed by the Folding Room and Photography Studio, are now charged to Members= offices. In the FY 97 Justification of the Budget Estimates, the House=s request for appropriations includes increases for full funding of the MRA authorization amount.
3. Combine all three allowances into one to save Members and Office of Finance the time and effort currently used to process transfers among the allowance accounts. (OIG Report No. 95-CAO-16.)	Status: Full implementation Discussion: Completed; however, see recommendation 9 below.
4. Make available to the public information about the amount of each Member=s allowance and how much of it was spent, as a means of achieving greater public accountability. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: The December 31, 1995 Clerk=s Report presented summarized information about spending by each Member=s office, showing spending for the quarter and year to date. However, the report did not disclose the authorized amount of each Member=s MRA and Official Mail allowance.
5. Provide Members with more detailed financial information about the status of their allowance based on both commitments they have made and money they have spent. (OIG Report No. 95-CAO-16.)	Status: Limited progress Discussion: Since November 1995, Office of Finance has issued Members more detailed monthly statements that included projections; however, the projections in this report were extrapolations of past spending and did not take into account major spending commitments, such as for mass mailings. Obligation-based accounting has not been implemented for Members= offices.
6. Initiate an in-depth evaluation of Office of Finance and Member records of the five Members who appear to have overspent their 1994 allowances, and take appropriate actions as warranted. (OIG Report No. 95-CAO-16.)	Status: Full implementation Discussion: Three members used personal funds to reimburse the House for their overspending. The other two members received legitimate refunds from vendors and/or credits for prepaid subscriptions. (OIG Report No. 96-HOC-01.)
7. Office of Finance should work with Members= offices to establish obligations for estimated postage, printing, and folding costs for mass mailings and for other costs, such as rent, that will recur throughout the year. Obligations for mail-related costs should be done before the August 7, 1996 deadline for mailings before the general election.	Status: New recommendation
8. Office of Finance should perform a detailed analysis of	Status: New recommendation

Recommendation	Current Status of Recommendation
1996 MRA spending and obligations to ensure that Members have complete information about their 1996 MRA status before November 1996. That information will help prevent Members from incurring significant costs, such as for new equipment or mass mailings, that might cause them to exceed their 1996 MRA limitation.	
9. Office of Finance should work with the USPS to ensure that USPS reports are timely, accurate, and provide meaningful presentation and summarization of official mail usage. Once cumulative USPS information is available, Office of Finance should reconcile net transfers monthly. Additionally, Office of Finance should ensure that accurate transfer and available spending data are included on the Members monthly statements.	Status: New Recommendation.

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

Summary Status: Substantial Progress Towards Correction

Prior to the closing of the Folding Room on August 31, 1995, record keeping was inadequate to provide reasonable assurance that Members complied with the laws and rules that:

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

However, the *Members= Congressional Handbook* established new regulations which mitigated the risks that Members mailed unsolicited mass mailings of 500 or more pieces without Franking Commission approval. Specifically, these regulations stipulated that printing and reproduction expenses are reimbursable from the MRA only if the printed materials are in compliance with the Franking Commission. As such, it is unlikely that Members would not obtain Franking Commission approval for mass mailings since processing costs associated with such mailings would not be reimbursable from their MRA without a final franking advisory opinion.

In addition, now that private vendors process franked mail, a postmark date can be identified on the envelope. As a result, the risk of mass mailings being sent after the election cut-off is mitigated since all recipients can review the post mark and file a formal complaint with the Franking Commission for apparent violations. In addition, beginning in 1996, all franked mail advisories are subject to the Freedom of Information Act, thereby allowing interested parties to compare the final mailed version of a document to the document that received the initial, oral advisory from the Franking Commission.

In addition, during 1995, the House did not have adequate means of determining if all franked mail sent from district offices was accurately reported to Office of Finance and the cost of that mail charged to MRAs.

A Member=s district office accounts for franked mail on a manually prepared ACertification of Franked Mail≅ form completed monthly. This form is the basis for charging the MRAs for Official Mail expenses related to the cost of mail sent from the district office. From September 1995 through March 1996 there was no monitoring or follow-up of Member offices that failed to submit certification of Franked Mail forms. Even though monitoring resumed in March 1996, Office of Finance records indicate that 10 Members have not submitted a total of 40 monthly district office mailing reports. Thus, to date, these Member=s 1995 MRAs have not been charged for the related district office mailing costs, if any.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Develop a proposal, for approval by the Committee on House Oversight, to establish policies and procedures whereby control numbers are pre-assigned by the Franking Commission to	Status: Otherwise resolved Discussion: Changes in regulations and consistent use of postmarked dates mitigated the risks that Members sent unsolicited mass mailings without Franking

Recommendation	Current Status of Recommendation
each mailing of 500 or more pieces. (OIG Report No. 95-HOC-22.)	Commission approval or within the 60 day cut-off for primary or general elections.
2. Assign responsibility for tracking mass mailings as they are processed and mailed. (OIG Report No. 95-HOC-22.)	Status: Otherwise resolved Discussion: Changes in regulations and consistent use of postmarked dates mitigated the risks that Members sent unsolicited mass mailings without Franking Commission approval or within the 60 day cut-off for primary or general elections.
3. Inquire about any mass mailings for which Office of Finance has not paid processing or mailing costs. (OIG Report No. 95-HOC-22.)	Status: Otherwise resolved Discussion: Mail processing costs, formerly free of charge, are now reimbursable from the MRA only if the voucher is accompanied by a final Franking Commission advisory opinion.
4. Follow up with the 10 Members= offices that have not submitted 1995 Certification of Franked Mail forms to determine if related costs affect 1995 MRA compliance.	Status: New recommendation

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

Summary Status: Some Progress Towards Correction

In the prior audit, we identified a number of findings and internal control weaknesses related to FMS, to its subsidiary financial management systems, and to its overall information systems processing environment. On June 4, 1996, the House implemented core components of a new FMS. This new FMS was implemented to correct many of the control weaknesses associated with the old system. Specifically, the implementation of the new system provides the following improvements:

- Utilization of a commercial software packages in lieu of in-house systems because the implementation of that commercial software was cost-beneficial
- Documented security policies and procedures for the new FMS
- Security officer and backup to maintain users= access to the new FMS
- Comprehensive disaster recovery plan for the new FMS data stored on the mainframe system at the U.S. Geological Survey (USGS) General Purpose Computer Center in Reston, VA, which maintains the system for the House under a cross-servicing agreement
- Authorization log for user access to the new FMS
- Standard length passwords for users of the new FMS
- Freezing of the new FMS after unauthorized access attempts
- Logical access controls over House financial data residing at USGS
- Automated interface statistic and error reports that are used to reconcile data loaded into the new FMS to input data files
- User procedures for most functional areas of the new FMS
- Appropriate scheduling of production jobs that are run at USGS.

These policies and procedures have not been in operation long enough for us to test whether they are being carried out effectively. The following table summarizes the status of recommendations made to the Chief Administrative Officer in our prior report on internal controls and performance audits of House information systems operations and controls:

- OIG Audit Report - ***House Computer Systems Were Vulnerable To Unauthorized Access, Modification, And Destruction*** (Report No.95-CAO-18)
- OIG Audit Report - ***The Management And Control Of The House=s Information Systems Operations Should Be Improved To Better Meet Members= Needs*** (Report No. 95-CAO-19)
- OIG Audit Report - ***The House Needs To Follow A Structured Approach For Managing And Controlling System Development Life Cycle Activities Of Its Computer Systems*** (Report No. 95-CAO-20)

- OIG Audit Report - ***U.S. House of Representatives Audit of Financial Statements for the 15-Month Period Ended December 31, 1994*** (Report No.95-HOC-22).

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Keep a log of authorizations for access showing the level of access assigned to each person. Integrate the log with Human Resources so that all terminations and transfers are updated in the log. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: In 1996, the HIR Security Division started to maintain documentation on new user access authorizations and a software program is being utilized which facilitates the complete removal of a user=s access rights in the system. However, there is no log or process in place to verify with Human Resources that all terminations and transfers are updated in HIR=s records. Issue addressed for new FMS, as discussed on page 105.
2. Change password controls to require at least five digits, and to revise passwords each month. (OIG Report No. 95-HOC-22.)	Status: Substantial progress Discussion: Users of applications residing on the HIR mainframe which have been defined under ACF2 (e.g., FMS) are now required to utilize passwords with a minimum of 5 characters, and must change their passwords every 30 days. Applications and programs which have not been defined under ACF2 do not have these password controls. Issue addressed for new FMS, as discussed on page 105.
3. Prepare and provide a document and computer security awareness training to all employees stating the password policies regarding not sharing passwords or writing them in a conspicuous place, and regarding selecting and changing a password, logging off, checking for viruses, and prohibiting the use of unauthorized software. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: A new HIR Information Security Policy, including a computer security awareness training program, is currently being drafted.
4. Freeze access after three attempts at unauthorized access are made from any one terminal, individual, account, or file. (OIG Report No. 95-HOC-22.)	Status: Substantial progress Discussion: For non-FMS applications, HIR will consider reducing the maximum allowable sign-on attempts from 5 to 3 once users become more familiar with the new procedures requiring 5-character passwords of at least 5 characters, which are changed every 30 days. Issue addressed for new FMS, as discussed on page 105.
5. Have terminals automatically log out after a predetermined time of inactivity for the system onto which users are logged. Maintain and review, at least weekly, logs of attempted access. The log should show the terminal or port being used, the passwords used, and the date and time. All such attempts should be followed up with a call to the person responsible for that terminal, account, or file.	Status: Full implementation Discussion: HIR programmed the mainframe to lockout terminals accessing FMS after 15 minutes of inactivity and lockout terminals accessing other resources after 30 minutes of inactivity. The new FMS, in process of implementation, will freeze after unauthorized access attempts. Further, the new system will lockout terminals accessing the system after 15 minutes of inactivity. Security logs are reviewed daily and weekly by the ACF2

Recommendation	Current Status of Recommendation
(OIG Report No. 95-HOC-22.)	Administrator. Unauthorized access attempts are followed up with the responsible persons as needed.
6. Establish controls to validate all dial-in access. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: HIR is currently implementing the use of smartcards, which authenticate remote users via SecureID tokens and secret PINs.
7. Prohibit programmers from accessing actual data and ensure they have access in a non-production environment, only to the programs they are responsible for changing. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: ACF2 access rules for production applications such as FMS, OES and OFS have not been reviewed this year. HIR plans to establish and implement a comprehensive audit of data access rules in conjunction with implementing the new House Information Security Policy currently being drafted. Issue addressed for new FMS, as discussed on page 105.
8. Enhance systems within the House that transfer data to one another so that they automatically reconcile the data sent and received. (OIG Report No. 95-HOC-22.)	Status: Substantial progress Discussion: The new FFS implemented in June 1996 has automated interface statistic and error reports that are used to reconcile data loaded into the new FMS to input data files. We will test the effectiveness of controls over this reconciliation process during next year=s audit.
9. In conjunction with the overall action plan for systems update and integration, improve data entry controls with respect to weaknesses in entering data such as incomplete data for purchasing equipment and a lack of approved vendor codes. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: Office of Finance eliminated the dual entry of voucher and cash receipt transactions in FMS. However, as further discussed in Weakness 10, data entry controls over payroll functions have not changed. The payroll system lacks data entry or edit check controls to detect potential errors or anomalies. The new FFS implemented in June 1996 has various application controls lacking in the House=s proprietary FMS, such as audit trails, error suspense files, complete purchases module, and obligation-based accounting to reduce the risk of duplicate payments. In addition, controls over the vendor file will be enforced, e.g., access limited to 3-4 persons independent of data entry, supervisory review of changes, and independent maintenance of master files. We will test the effectiveness of these controls during next year=s audit.
10. Update user manuals for all the House=s significant systems in any action plan for systems improvement. (OIG Report No. 95-HOC-22.)	Status: Some progress Discussion: User manuals have been prepared for the new FMS, as discussed on page 105. User manuals for other House financial systems were not updated since our prior year audit.
11. Implement a formal, comprehensive data security program. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: A new HIR Information Security Policy is currently being drafted. Issue addressed for new FMS, as discussed on page 105.

Recommendation	Current Status of Recommendation
12. Establish a plan for adequately staffing a formal data security officer function. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: A Security Manager and two staff were hired in the HIR Security Division after 1995. However, no plan has been established to identify adequate staffing. Issue addressed for new FMS, as discussed on page 105.
13. Establish a plan for expanding the data security function to include broader authority to address security on all office-level systems. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: HIR is rewriting existing security policies to address data security requirements over office-level systems. Plans are underway to augment the HIR security staff with an outside contractor who will perform security audits of Unix systems in Member offices.
14. Implement an information security awareness program to communicate employee and vendor security responsibilities. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: A new HIR Information Security Policy, including a computer security awareness training program, is currently being drafted. In addition, a vendor policy has been drafted to incorporate security provisions in all future HIR contracts.
15. Implement a data security compliance structure and enforcement mechanism. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: A Security Manager and two staff were hired in the HIR Security Division after 1995.
16. Implement a formal risk assessment model and data classification scheme. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: A risk assessment software package was selected and is currently being procured as part of HIR=s risk assessment program.
17. Review staff positions to determine the associated level of risk and need for employee security clearances. (OIG Report No. 95-CAO-18.)	Status: Substantial progress Discussion: Final procedures for employee background checks and security clearances are scheduled for implementation by the end of 1996.
18. Establish vendor contracts that include provisions to support House security standards, policies and procedures. (OIG Report No. 95-CAO-18.)	Status: Substantial progress Discussion: Draft is currently being reviewed by the House Oversight Committee.
19. Implement a comprehensive disaster recovery plan. (OIG Report No. 95-CAO-18.)	Status: Open Discussion: Disaster recovery planning for the House=s information systems environment has been put on hold due to the lack of funding. Issue addressed for new FMS, as discussed on page 105.
20. Implement and update the business impact analysis. (OIG Report No. 95-CAO-18.)	Status: Open Discussion: See discussion of recommendation 19, above.
21. Evaluate backup and business recovery alternatives. (OIG Report No. 95-CAO-18.)	Status: Open Discussion: See discussion of recommendation 19, above.

Recommendation	**Current Status of Recommendation**
22. Implement procedures for the ongoing maintenance of the business impact analysis and business recovery plan as well as comprehensive, routine testing of the plan. (OIG Report No. 95-CAO-18.)	Status: Open Discussion: See discussion of recommendation 19, above.
23. Implement an e-mail system that supports DES encryption. (OIG Report No. 95-CAO-18.)	Status: Substantial progress Discussion: A standard House-wide e-mail package was selected and approved by the Committee on House Oversight.
24. Establish data security procedures for LANs, standalone computers, and other distributed computing systems. (OIG Report No. 95-CAO-18.)	Status: Some progress Discussion: HIR developed security procedures for in-office systems and Internet access, which the Committee on House Oversight approved in August 1995.
25. Implement appropriate physical and environmental controls surrounding computer equipment and facilities. (OIG Report No. 95-CAO-18.)	Status: Limited Progress Discussion: A new HIR Information Security Policy is currently being drafted.
26. Establish the following controls to improve HIR=s management and implementation of ACF2 security: • Implement ACF2 over all online mainframe applications, including FMS	Status: Substantial progress Discussion: The CICS regions brought under ACF2 control beginning in August 1995 are: • CICS2 - FMS Production • CICSB - GAO Production • CICSG - FMS Test • CICSH - GAO Test • CICSL - CBO Test CICS regions which have not been placed under ACF2 control are: • CICS1 - MIN Test • CICS3 - MIN Production • CICS4 - CBO Production • CICS6 - LEGIS Production • CICSE - Monies and Studio Systems The CICS Administrator stated that there are no scheduled dates for the conversion of the remaining regions. Issue addressed for new FMS, as discussed on page 105.
• • Remove the online access to the CICS password file	Discussion: Online access to the CICS password file was removed from the FMS and LEGIS CICS regions in August 1995. It has not been removed from the MIN and CBO CICS regions.

Recommendation	Current Status of Recommendation
• Administer all passwords through ACF2	Discussion: Passwords are not administered by ACF2 for the CICS regions which have not been defined under ACF2.
• Justify the need for all special ACF2 access privileges	Discussion: The ACF2 Administrator is currently reviewing and updating logon IDs granted special privileges.
• Limit the NON-CNCL privilege to only those users who require this access	Discussion: The ACF2 Administrator is currently reviewing and updating logon IDs granted the NON-CNCL attribute.
• Create an ACF2 emergency logon ID for occasions that require sensitive access	Discussion: The HIR Security Division is in the process of setting up an emergency logon ID and drafting procedures for its usage.
• Record and review detail activities during use of emergency logon IDs	
• Remove the ACCOUNT privilege from divisional security administrators	Discussion: Divisional security administrators were removed from the HIR organizational structure prior to 1995. The ACF2 Administrator is currently reviewing and updating logon IDs granted the ACCOUNT attribute.
• Review and restrict, where appropriate, ACF2 access privileges to production libraries. (OIG Report No. 95-CAO-18.)	Discussion: ACF2 access rules for production libraries have not been reviewed this year. HIR plans to establish and implement a comprehensive audit of data access rules in the new House Information Security Policy currently being drafted.
27. Schedule all production jobs, including ad hoc jobs, through the Control/M scheduling software package. (OIG Report No. 95-CAO-18.)	Status: Full implementation Discussion: All major production jobs are currently scheduled through the Control/M package. Numerous ad hoc and test jobs do not need to be run through the scheduler. Issue addressed for new FMS, as discussed on page 105.
28. Enhance controls surrounding CMS systems to ensure that users can only access data through the designed application features and not by other means that circumvent the application system. (OIG Report No. 95-CAO-18.)	Status: Substantial progress Discussion: Outside contractors, who provide most of the CMS systems used in Member offices, are required to address access security by the vendor security requirements provision of HIR contracts. HIR will discontinue its own MicroMIN CMS after December 1996.
29. Develop a plan for approval by the Committee on House Oversight to perform periodic security reviews to ensure that adequate controls are in place to protect House data and other sensitive system files. (OIG Report No. 95-CAO-18.)	Status: Limited progress Discussion: The new HIR Information Security Policy is currently being drafted and will address the scope and frequency of periodic security reviews.
30. Establish a charter for an IRM executive steering committee, chaired by a representative from Members, committees, House Officers and HIR. (OIG Report No. 95-CAO-19.)	Status: Full implementation Discussion: The Committee on House Oversight established a AWorking Group on Computers≅ to provide strategic direction.
31. Develop and implement a comprehensive strategic information systems plan for the	Status: Full implementation

Recommendation	Current Status of Recommendation
House, including a formal process to identify, document, channel, analyze, prioritize, and manage a core set of common Member requirements. (OIG Report No. 95-CAO-19.)	Discussion: The Working Group on Computers developed an Information Systems Program Plan, which was approved by resolution of the Committee on House Oversight.
32. Develop a proposal for a reorganization of HIS, for approval by the Committee on House Oversight, to: • Consolidate and streamline systems development into one system development division or integration group	Status: Substantial progress Discussion: With the reorganization of HIS into HIR, systems development staff were consolidated into the new Integration Division consisting of five subgroups: Desktop Systems, Information Systems, Institutional Systems, Technical Services, and Application Services.
• Implement an independent quality assurance function • Staff the change control administrator position. (OIG Report No. 95-CAO-19.)	Discussion: With the reorganization of HIS into HIR, Quality Assurance and Configuration Management Change Control areas were developed. Thus, no central quality assurance or change control policies and procedures have been implemented as yet.
33. Migrate HIR employees from the unique HIR merit-based pay scale to the House Employees Schedule. (OIG Report No. 95-CAO-19.)	Status: Full implementation Discussion: This was accomplished with the reorganization of HIS into HIR.
34. Identify and document critical processes and develop a comprehensive training program for HIR employees. (OIG Report No. 95-CAO-19.)	Status: Limited progress Discussion: A new HIR Information Security Policy, including a computer security awareness training program, is currently being drafted.
35. Develop and implement chargeback rates that reflect current processing costs. (OIG Report No. 95-CAO-19.)	Status: Open Discussion: Chargeback rates for mainframe usage have not yet been reviewed.
36. Establish policies and detailed procedures covering the maintenance, administration, and documentation of equitable chargeback rates and billing processes for internal and external customers. (OIG Report No. 95-CAO-19.)	Status: Open Discussion: Chargeback rates for mainframe usage have not yet been reviewed.
37. Develop a plan, for approval by the Committee on House Oversight, to replace older and duplicate technologies, including: • Migrating the remaining Members from the Sprint private line network to the MCI frame relay network • Migrating to one backbone network technology • Disposing of unused DEC/VAX equipment. (OIG Report No. 95-CAO-19.)	Status: Some progress Discussion: A specific plan has not yet been drafted by HIR and funding has not been secured. However, HIR is continuing with its plans to migrate House offices to a single backbone network. Also, HIR disposed of one of the three DEC/VAX computers in May 1996 and is in the process of removing/excessing the remaining two.

Recommendation	Current Status of Recommendation
38. Develop proposals, for approval by the Committee on House Oversight, to: Clearly define roles and responsibilities of the HIR support functions versus vendor support functions. (OIG Report No. 95-CAO-19.)	Status: Full implementation Discussion: The User=s Guide to Purchasing Equipment, Software, and Related Services was approved by the Committee on House Oversight in April 1996.
39. Implement a plan for notifying House offices of the content and schedule of training class offerings.(OIG Report No. 95-CAO-19.)	Status: Full implementation Discussion: The HIR Training Department has implemented various initiatives to distribute its monthly course schedule. House offices can now receive the schedule by mail (implemented in fall of 1995), through the fax gateway (June 1996), via the Internet home page (January 1996), MIN bulletin board (June 1996), and the automated phone line (July 1996).
40. Provide additional forms of training, such as computer based training (CBT). (OIG Report No. 95-CAO-19.)	Status: Substantial progress Discussion: The HIR Training Department currently offers a library of courses on videotape and will be offering broadcast video PC software courses in August 1996.
41. Adopt a formal SDLC methodology that meets the requirements of NIST=s FIPS Publications and Special Publication 500-153 for all system development efforts. (OIG Report No. 95-CAO-20.)	Status: Substantial progress Discussion: HIR=s June 1996 Management Policy for Systems Development Life Cycle provides for the implementation of a formal SDLC process in accordance with NIST=s FIPS Publications and Special Publication 500-153.
42. Adhere to Federal government guidelines and use commercial software packages in lieu of in-house systems whenever cost-beneficial. (OIG Report No. 95-CAO-20.)	Status: Full implementation Discussion: HIR=s June 1996 Management Policy for Systems Development Life Cycle requires adherence to Federal government guidelines and the use of commercial software packages in lieu of in-house systems whenever cost-beneficial.
43. Perform a cost-benefit analysis to determine whether existing HIR systems that compete with commercially available off-the-shelf packages should continue to be maintained by HIR, and if not, present a migration plan to the Committee on House Oversight. (OIG Report No. 95-CAO-20.)	Status: Open Discussion: With guidance from the Committee on House Oversight=s Computer Information Systems Working Group, HIR is planning a House Intranet to encompass the computer systems and services that are provided centrally to the House. However, HIR has not performed a cost-benefit analysis of existing in-house systems.

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

Summary Status: Substantial Progress Towards Correction

In our prior audit, we reported that ineffective enforcement of the travel expense policies, liberal deadlines for submitting travel claims, and deficiencies in the FMS contributed to many Members and staff being paid twice for some travel costs, and government-furnished charge cards being frequently delinquent. We also reported recurring apparent personal use of government-furnished charge cards, which would be a violation of both House rules and the cardholder agreement. Our review of travel expenses for 1995 and the related controls indicate that these problems did not recur.

- Using computer assisted audit techniques, we ran an analysis of 1995 travel disbursements to locate potential duplicate payments. Our initial population was approximately 2,200 potential duplicate payments, totaling $375,000. We used information included in the data files - such as airline ticket numbers - to target for detail examination payments that seemed likely to be duplicates. As a result, we identified 10 instances of apparent duplicate payments totaling $3,883. These duplicate payments were referred to Office of Finance, which provided evidence that all 10 had been refunded to the House as of July 2, 1996.

- In contrast, a similar analysis performed in the prior year audit identified over 40 apparent duplicate payments amounting to $10,000 which had not been refunded at the time of our audit.

- Procedural changes have occurred, effective September 1995, with respect to Member and staff travel. Office of Finance discontinued its practice of Aprotecting≅ delinquent cardholders from having their cards suspended or revoked by the charge card vendor. Also, review of travel reimbursements during Calendar Year 1995 revealed an overall improvement in the submission of vouchers on a timely basis. An indicator of timeliness is the degree to which travel reimbursements are seriously delinquent. For 1995, 3% of all travel reimbursements were over 120 days delinquent, compared to 9% as noted in our 1994 audit.

- Apparent personal usage of government-furnished charge cards declined. Extensive review of 2 months= detailed spending reports from the House=s charge card vendors identified no cardholder with recurring patterns of frequent apparent personal charges. In contrast, the follow-up to last year=s comprehensive House audit (OIG Report No. 96-HOC-01) identified four Members= offices with a total of nine cardholders who appeared to have made 128 apparent personal charges.

Though the environment within the House for processing travel charges appears to have improved significantly, perhaps in part due to the publicity surrounding the results of prior audits, it still does not employ any systematic means of identifying duplicate travel reimbursements and determining if unprocessed travel vouchers remain outstanding.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Require travel vouchers to be filed within 30 business days of completing the travel or within seven business days of receipt of supporting	Status: Otherwise resolved Discussion: The *Congressional Handbook* required that travel vouchers be filed within 30 days of the end of the calendar

Recommendation	Current Status of Recommendation
documentation, whichever is later. (OIG Report No. 95-CAO-16.)	quarter in which the travel occurred. During 1995, the House amended its policy to require submission of travel envelopes Aas soon as possible≅ after completing travel. Analysis of all travel disbursements during calendar year 1995 revealed an overall improvement in the timely submission of vouchers.
2. Stop paying the Members= and staff=s charge card bills for them, and instead, require that Members and staff pay their own bills and then seek reimbursement from Office of Finance. (OIG Report No. 95-CAO-16.)	Status: Full implementation
3. Initiate an in-depth evaluation of travel vouchers that are missing original receipts to determine whether the House has already paid those costs. (OIG Report No. 95-CAO-16.)	Status: Otherwise resolved Discussion: As discussed in the status of recommendation 1, the House implemented a new policy to accelerate the submission of travel vouchers. Analysis of all travel disbursements during calendar year 1995 revealed an overall improvement in the timely submission of vouchers and a reduction in the number of duplicate reimbursements.
4. End the practice of granting exceptions to rules, procedures, and guidelines. (OIG Report No. 95-CAO-16.)	Status: Full implementation Discussion: The Members= *Congressional Handbook* specifically states that Ano waivers will be granted for expenses which are specifically prohibited.≅ This was evidenced by our testing of travel vouchers during 1995, where we noted no instances where exemptions to rules, procedures, and guidelines were granted. Office of Finance also discontinued its practice of Aprotecting≅ delinquent cardholder from having their cards suspended or revoked by the charge card vendor.
5. Remind Members and staff that the government-furnished charge cards are not to be used for personal items. (OIG Report No. 95-CAO-16.)	Status: Full implementation Discussion: An August 3, 1995, ADear Colleague≅ letter from the House Oversight Committee reminded Members that the government-furnished charge cards are not to be used for personal items.
6. Initiate an in-depth review of Office of Finance, Member, and staff records of the 2,200 pairs of potentially duplicate travel payments, and take appropriate actions, as warranted; and implement computer analyses to review potential duplicates on an ongoing basis. (OIG Report No. 95-CAO-16.)	Status: Full implementation Discussion: During follow-up of the comprehensive 1994 House Audit, 134 of the potential 2,200 duplicate travel payments were identified as duplicates requiring further investigation. As of December 31, 1995, 55 potential duplicate travel payments totaling $13,724 had not been repaid or otherwise resolved. (OIG Report No. 96-HOC-01.)
7. Take advantage of obligation accounting features available in the new financial management system to help Members to better manage and account for their travel expenses.	Status: New recommendation

Weakness 10: Late Submission And Inadequacies In The Payroll System Added To Manual Processing And Led To $332,000 In Overpayments To Employees

Summary Status: Open

Office of Finance overpaid terminated employees and employees whose salaries had been lowered, by $332,000 during the year ended December 31, 1995. In addition, the House distributed approximately 4,700 supplemental paychecks, amounting to $2.5 million, to correct transactions that were submitted to Office of Finance past the deadline for submitting salary changes. Overpayments and supplemental payments occurred because:

- Offices submitted salary changes after the published deadline
- Office of Finance prepared payroll checks for employees before the end of the month for work completed during that month.

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

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

A policy option used by many employers is to introduce a lag between the end of the pay period and the date paychecks are produced. Most organizations have a lag of at least one week between the end of the pay period and the date paychecks are produced. All general schedule employees in the Federal government are paid on a one week lag basis. This minimizes the risk that paychecks would be issued before changes to pay rates and employment status had been processed. In our audit, we have noted several significant problems with the current payroll system. Several manual calculations must be performed in order to process the monthly payroll.

The House overpaid employees by $332,000

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

As a result of the current payroll policy, the Payroll Department overpaid 255 employees during the 12 months ended December 31, 1995. As of July 25, 1996, approximately $11,000 in overpayments remained uncollected. Payroll voided 116 incorrect checks and the payroll supervisor manually updated the system to reflect the related late changes. Paying on a current basis meant that the Payroll

Department could not enter all changes into the system before it distributed paychecks, and necessitated the laborious manual processing of payroll corrections.

The House distributed a significant number of supplemental paychecks every month

When employing offices submitted employee hires or salary increases after paychecks had been distributed to employees, employees were underpaid. Therefore, Office of Finance had to process a supplemental payroll to pay these employees the full amounts they earned. The House distributed approximately 4,700 supplemental paychecks for a total of $2.5 million during the audit period.

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

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

Office of Finance distributed supplemental paychecks every month during the audit period. As a result of running the supplemental payroll, Office of Finance incurred additional costs to manually produce and reconcile extra checks.

The House=s current payroll system is inefficient and ineffective

Payroll pertaining to employees of Members, Committees, and Offices is performed by FMS in the Payroll Department. We have noted significant problems with the House=s FMS payroll system, specifically:

- If an employee goes from non-permanent to permanent status in a given month, FMS automatically calculates the Federal Employees Retirement System (FERS) deduction for the entire month including the portion of the month in which the individual was a non-permanent employee, thereby requiring a manual adjustment to the FMS for reversal of the FERS deduction.

- FMS does not perform all necessary payroll calculations, therefore manual calculations are needed for the following:

  ✓ Earned income credits

  ✓ Garnishments that are based on a percentage of disposable income

  ✓ Deduction amounts for retroactive adjustments

  ✓ Gross pay for multiple annuitants

  ✓ Beauty and barber shop commissions

  ✓ Attending physician stipends

  ✓ Part-time child care employees

  - ✓ Government portion of Civil Service Retirement System (CSRS) - Offset once the employee=s FICA maximum level has been reached
  - ✓ Government portion of FERS.

- Once adjustments to the FMS-generated Payroll Certification report have been made (i.e., handwritten checks, voids, adjustments, and suspense items), the report cannot be re-run to reflect the adjustments. Payroll Counselors must manually Amark up≅ the original report to reflect the changes.
- An extract of information from the payroll system reported employees as being eligible for step increases before their appropriate anniversary dates. Even though our testing of 59 step increases identified none that were awarded improperly, the anomalies in this report suggest a risk that the system might grant increases prematurely.
- The FMS payroll system does not flag data that should be reviewed for possible violations of House payroll requirements. For example, it permitted the processing of a salary increase for a member of a House Officer=s staff that would cause his salary to exceed the maximum permitted under the Speaker=s pay order. Additionally, in presenting the number of employees on an office=s payroll in the monthly payroll certification, it double counts employees who have received overtime pay.

These weaknesses underscore the need for the House to replace its internally developed payroll system. This remains an item under consideration as the House continues to implement additional phases of its integrated FMS.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Enforce both the Members= *Congressional Handbook* and the *Committee= Congressional Handbook* rules and require Members, committees, and House offices to submit PAFs on time. (OIG Report No. 95-CAO-16.)	Status: Some progress Discussion: Our testing on 1995 records indicates that the practice of accepting and processing late PAFs occurred throughout 1995; however, no abuses were identified.
2. Do away with the Areal-time≅ payroll and institute a lag between the end of the pay period and the date the payroll is processed and paychecks are distributed. (OIG Report No. 95-CAO-16.)	Status: Open
3. Assign responsibility to Office of Finance for pursuing collection of salary overpayments if the employing office=s efforts prove unsuccessful after one month. (OIG Report No. 95-CAO-16.)	Status: Open
4. Continue to pursue and resolve remaining outstanding salary overpayments. (OIG Report No. 96-HOC-01)	Status: Open Discussion: As of December 31, 1995, the House reported total unreturned overpayments of almost $20,000. As of July 1996, approximately $11,000 remained outstanding.
5. Establish and implement a policy requiring that the	Status: Open

Recommendation	Current Status of Recommendation
debts of individuals who do not respond to the House=s initial efforts to collect salary overpayments be referred to a collection agency. (OIG Report No. 96-HOC-01)	

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

Summary Status: Substantial Progress Towards Correction

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

Decentralized procurement process created inconsistent practices throughout administrative offices

In the prior audit, we found that the House had no central procurement office to coordinate, control, or oversee procurement activities. Purchasing decisions were decentralized and not coordinated among the administrative offices. OSS, OSM, HIR and Office Furnishings each procured computer software independently. OSM bought furniture for district offices, while Office Furnishings bought furniture for House offices in the Capitol and other House office buildings. Office Furnishings also procured office supplies for Members= offices similar to items procured by OSS, such as supplies, stationery, and subscriptions to periodicals. The following illustrates the decentralized procurement process that existed:

- Each of these administrative offices had its own procurement policies. For example, administrative offices purchased items on a sole-sourced basis, when their policies called for competitive bidding. House offices also did not have consistent requirements for seeking multiple price quotes, dollar thresholds for putting purchases out to bid, or bid specification processes.
- In many instances, offices failed to comply with their own procurement policies because of the lack of central monitoring of House procurement activities.

During the current audit, the Office of Procurement and Purchasing (OPP), under the CAO, was designated as the central office to coordinate, control and monitor procurement activities. Standardized procurement procedures were implemented to ensure consistency between the various procuring divisions. Except for HIR, which did not always follow procedures established by the Office of Procurement and Purchasing, this weakness has been effectively addressed.

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

During the prior year audit, the Approved Vendor List existed to provide an efficient and economical way for Members to buy office equipment and software. However, the Committee on House Administration routinely granted exceptions to Members, letting them buy equipment and software from vendors not on the Approved Vendor List. In the 103rd Congress, the Committee received 1,026 requests for exceptions and denied only 3 percent of the requests. The Committee granted 234 exceptions totaling $5.6 million, in purchase orders processed by OSM, during the audit period ended December 31, 1994.

On May 10, 1995, the Committee on House Oversight adopted AGuidelines for the Purchase of Equipment, Software and Related Services by Offices of the U.S. House of Representatives≅ (Equipment Guidelines) to eliminate the House Approved Vendor List and created a vendor certification program and a Supported Software List. This new policy allows the flexibility the House desires over purchasing and eliminates the need for exceptions.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Designate the Office of Procurement and Purchasing as the central office with the responsibility and authority to institute and maintain an effective and economical program for purchasing. Among the Office=s responsibilities should be monitoring procurements to ensure they are conducted in a fair and competitive manner. (OIG Report No. 95-CAO-11.)	Status: Substantial progress Discussion: The CAO has been assigned as the Contracting Officer for the House, and as such, has designated OPP as the centralized purchasing center. Since July 1995, all purchase orders are forwarded by the initiating procurement division to OPP for approval. The approval process facilitates in ensuring that the procurements are conducted in a fair and competitive manner.
2. Include definitional requirements for the information needed to integrate a procurement budgeting and planning process in a new FMS. (OIG Report No. 95-CAO-11.) 3. Implement standardized procurement procedures that include: • Detailed steps to conduct solicitations, standard forms for request for proposal documents, and standardized language for terms and conditions	Status: Substantial progress Discussion: Office of Procurement and Purchasing has drafted proposed definitional requirements, which are being reviewed by Finance and the Office of Internal Controls and Continuous Improvement. Status: Substantial progress Discussion: In 1995, OPP, under the CAO=s authority, implemented standardized procurement procedures regarding furniture, carpets, equipment materials and supplies for the House. All procuring House entities are now subject to these standardized guidelines, which established criteria regarding standard terms and conditions, competitive proposal and bidding procedures, controls over sole-source purchasing, enforcement of vendor performance, contract term limitations, and required levels of approval.
• Standardized procurement forms including requisitions, purchase orders, contracts, and vouchers	Although the procuring divisions do not currently use standardized forms, the forms utilized are consistent with the revised policies and procedures. Our testing during the audit period revealed that adequate documentation existed regarding purchasing/receiving information for all entities with the exception of House Information Resources (HIR). We found that HIR did not adequately document whether contracts entered into during 1995 were obtained through competitive bidding or sole source. To address this issue, OPP assisted in the hiring of a full time Procurement Officer, specifically for HIR, to serve as direct liaison with OPP and supervise/coordinate HIR procurement. We therefore

Recommendation	Current Status of Recommendation
	consider this issue resolved.
• Detailed contract administration procedures, including contract monitoring and close-out procedures	A new procurement system, known as AProcurement Desktop≅ has the capability to assist in contract and purchase order monitoring. However, since the implementation of this system is in its early stages, this recommendation is considered open.
• Standard documentation procedures to strengthen internal controls, including the type of documents to be prepared, the authorization/approval process for these documents, and the retention period. (OIG Report No. 95-CAO-11.)	Procurement Desktop has the capability to assist in standardizing documentation prepared by procuring divisions and the authorization/approval process for these documents. However, since implementation is in its early stages, this recommendation is still considered open. Also, OPP has not defined a retention period regarding purchasing/receiving documents.

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

Summary Status: Some Progress Towards Correction

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

The House did not evaluate equipment leases at their inception to determine whether leasing would be more cost-effective than buying. Additionally, the 1994 performance audits identified 69 remaining leases that were initiated prior to 1989. During the current audit, our testing revealed that the House has continued to make payments on leases of outdated equipment.

OSM did not use a formal cost analysis in negotiating and renegotiating maintenance fees. When negotiating with vendors, OSM management reviewed proposed maintenance fees to ensure that the annual maintenance cost on any item was consistent with that of other vendors. OSM renegotiations were largely limited to determining whether vendor price increases were limited to increases in the Consumer Price Index. In addition, OSM did not monitor maintenance costs over time. In general, maintenance fees were constant as the equipment aged. After a few years, accumulated maintenance costs exceeded the original acquisition cost in many instances.

During our prior audit, the responsibility for monitoring vendor performance was not a part of OSM=s or any other House organization=s functions. Even if an office had been responsible for monitoring vendor performance, the maintenance agreements the House used often did not provide a clear basis for doing so. Generic maintenance agreements that did not outline specific vendor responsibilities were often used. These agreements failed to include terms and conditions to resolve performance issues should they arise. However, effective February 1996, the House modified its equipment maintenance and service agreements to include specific criteria to assist in its assessment of vendor performance. Furthermore, these agreements were more clearly defined and placed more responsibility on the vendor. For example, (1) the House can now ensure that it receives quality service since the new maintenance agreement provides the House with the right to Aconduct any inspection and tests it deems reasonably necessary to assure that the services provided conform in all respects to the contract specifications≅ and (2) the vendor Amust contact OSM for approval before servicing any equipment if the estimated cost of repair is equal to or greater than sixty (60) percent of the equipment replacement cost.≅

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	Current Status of Recommendation
1. Establish formal policies and procedures to evaluate cost and service considerations in deciding whether to lease or buy equipment. (OIG Report No. 95-HOC-22.)	Status: Open Discussion: No formal policies or procedures have been established.
2. Establish formal policies and procedures to monitor lease agreements on outdated equipment. (OIG	Status: Open Discussion: No formal policies or procedures have been

Recommendation	Current Status of Recommendation
Report No. 95-CAO-17.)	established.
3. Alert House offices when equipment becomes outdated. (OIG Report No. 95-CAO-17.)	Status: Open Discussion: House offices were not alerted when equipment became obsolete.
4. Ensure that the new financial management system is configured to prompt Member offices when maintenance or lease payments are being made on equipment over a specified age. (OIG Report No. 95-CAO-17.)	Status: Open Discussion: The new FMS is not yet configured to perform this function.
5. Establish formal policies and procedures to compare equipment=s maintenance cost to its usefulness. (OIG Report No. 95-CAO-17.)	Status: Some progress Discussion: While OSM reviewed proposed maintenance fees for consistency with other vendors, no formal policies or procedures were established to compare maintenance costs to equipment usefulness.
6. Establish contracts with explicit vendor responsibilities and terms and conditions to resolve performance issues. (OIG Report No. 95-CAO-17.)	Status: Substantial progress Discussion: For new contracts and those subject to renewals since February 1996, OSM utilized revised standard maintenance and service agreements which assist in assessing vendor performance. However, revised agreements alone do not assure that vendor performance issues have been resolved.
7. Use vendor cost and performance information in annual renegotiations of maintenance and support fees. (OIG Report No. 95-CAO-17.)	Status: Open Discussion: Costs and performance information is not used to evaluate new contracts.
8. Assign responsibility for vendor monitoring in accordance with one of these options: **Option 1:** Realign OSM=s function with its mission to include vendor monitoring **Option 2:** Assign the vendor monitoring role to another Chief Administrative Officer entity (OIG Report No. 95-CAO-17.)	Status: Substantial progress Discussion: The responsibility for monitoring vendors and resolving problems with vendor performance has been assigned to OSM, which is working with HIR to refine the data base of vendor service reports.

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

Summary Status: Closed

Prior to being outsourced to a private contractor on July 5, 1994, the House Restaurant Systems (HRS) operated its own catering services, and effectively granted credit to Members and non-Members for unpaid amounts. However, HRS records for resulting receivable balances and subsequent account activity were incomplete, or missing altogether.

To identify amounts the House may still have been owed, a more detailed follow-up audit was performed by the OIG. Among other things, this audit identified 95 events for which HRS catering services were used but where there was no record of a receipt or an outstanding account receivable. Confirmation letters were sent to Members, former Members and third party users of catering services to ascertain amounts they may have still owed the House. Of these 95 events, 79 were resolved either through identifying prior payments or through recouping amounts the House had not been paid. Amounts recouped via the follow-up audit aggregated $33,606. The remaining outstanding catering receivables balance of $4,030 related to 17* events is unresolved.

Recommendations

We recommend that the Chief Administrative Officer:

Recommendation	**Current Status of Recommendation**
1. Perform an in-depth review of HRS receivables to ascertain whether any amounts are still owed the House. (OIG Report No. 95-HOC-22.)	Status: Full implementation Discussion: Addressed in the follow-up to the 1995 comprehensive House audit (Report No. 96-HOC-01.)
2. Ensure that the new financial management system includes the capability to record and track receivables by individual creditors. (OIG Report No. 95-HOC-22.)	Status: Otherwise resolved Discussion: Catering operations contracted out in 1994 and no new receivables are being generated. Accounting for receivables generated by other House operations is targeted for the next phase of financial system implementation.

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

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

Summary Status: Some Progress Towards Correction

Records of the hours House employees worked and of their time off, known as leave cards, were often incomplete because they did not include the employee=s signature or the House Officer=s signature evidencing supervisory review. Most offices continue to track and maintain time and leave information independently on manual cards. With a decentralized system of maintaining time and leave data, the House had to manually recalculate overtime, compensatory time, and annual leave benefits to which employees were entitled based on the time they worked.

Under Section 109 of the Legislative Branch Appropriations Act, 1996, neither Members nor Committees are required to make provisions for employees to earn or accrue leave time; although they have the option to pay for leave time out of their Clerk Hire Allowances or appropriations. But other House entities should maintain complete and consistent leave records to ensure compliance with this new law.

Most employers document how many hours employees work to accurately determine how much overtime pay, compensatory time, or paid vacation days to which their employees are entitled. Executive Branch organizations are required to keep records of earned leave time for individual employees. The House=s 1978 Leave Regulations specify that: (1) employees must initial their leave cards at the end of every month; (2) House Officers must approve leave cards at year end; and (3) Office of Finance must keep employee leave cards in the employees Official Personnel Files.

Recommendations

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

Recommendation	**Current Status of Recommendation**
1. Establish new time and leave tracking procedures that capture information needed to accurately compute overtime, compensatory time, and annual leave due to employees. This may include eliminating existing leave cards, and replacing them with timesheets. (OIG Report No. 95-CCS-10.)	Status: Some progress Discussion: During 1995, most offices did not consistently maintain leave records, and supervisory review was not always evident. In March 1996, the Committee on House Oversight adopted new personnel policies and procedures that applied to House officers. These required that House officers accrue annual leave and maintain records reflecting accrual and use of leave. Because of its recent adoption, we have not evaluated whether this new policy is being comprehensively followed.
2. Require each work location to establish one designee to collect and verify time and leave data. (OIG Report No. 95-CCS-10.)	Status: Some progress Discussion: Same as above
3. Assign responsibility within each office for the periodic audit of time and leave records. (OIG Report No. 95-CCS-10.)	Status: Limited progress Discussion: Subsequent to December 1995, Human Resources requested that House officers certify their compliance with policies on time and leave records.

Weakness 15: Reconciliations Of Fund Balance With The U.S. Treasury To The Financial Management System Balances Are Not Routinely Performed Or Adequately Documented

Summary Status: New Finding

Office of Finance does not properly reconcile cash payment and receipt information from the system used to prepare the Statement of Disbursements (formerly the AClerk=s Report≅) with information processed in its account at the U.S. Treasury. The significance of this is that absent such a reconciliation, the House cannot be assured that disbursement information included in publicly disseminated reports is consistent with disbursements from its U.S. Treasury account.

Lack of a formal reconciliation between records used to prepare external reports and the U.S. Treasury resulted in a difference between the House=s and the U.S. Treasury=s reported fund balance. At December 31, 1995, the U.S. Treasury reported the House=s fund balance as $767,132,729, while the House=s records reported a fund balance of $763,791,221. Based on work we performed, this difference of approximately $3.3 million can be attributed to two issues. One relates to a difference in which the House incorrectly reported an amount to the U.S. Treasury. This had the effect of misapplying $2.7 million to the wrong U.S. Treasury account. While our work indicated this difference did not affect amounts reported by the House, it is important to track and document why these differences occur to prevent other errors that could have a more significant impact. The second is a net unidentified difference of approximately $.6 million between the House=s FMS and the U.S. Treasury=s records. Such an unexplained difference means that either the U.S. Treasury records or amounts externally reported by the House contain errors; but with no reconciliation process, there is no way to tell which records are correct.

With the implementation of the new FMS in 1996, opportunities for efficiencies in the reconciliation process exist as the accounting records are now automated. This should reduce the effort needed to manually create formal documentation of the reconciliation as well as increase accuracy of the reconciliation process.

Recommendations:

We recommend that the Chief Administrative Officer direct Office of Finance to:

1. Identify the nature of the $.6 million net unidentified difference by appropriation year. If the difference relates to a prior year appropriation, Office of Finance should report a reduction in budget authority to the U.S. Treasury. Otherwise, clear significant differences on reports to the U.S. Treasury.

2. Perform monthly reconciliations between the new FMS and the U.S. Treasury. Identify and document all differences and resolutions, if any.

Attachments: Management Comments

Attachment 1:

Management Report on Financial and Internal Controls

The House of Representatives

Management Report on Financial and Internal Controls

The U.S. House of Representatives has made significant progress in the past 18 months. Although the House of Representatives is a legislative body, and not required to comply with Joint Financial Management Improvement Program (JFMIP), Chief Financial Officers Act (CFO), Government Management Reform Act (GMRA) we have chosen to follow these Acts in a manner which is consistent with a legislative body in order to fulfill its Internal Control objectives.

The internal control objectives are:

Transactions are properly recorded and summarized to permit the preparation of reliable financial statements and maintain accountability for assets.

Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Transactions are executed in accordance with budget authority and with laws and regulations that could have a direct and material effect on the financial statements.

Management believes that the House has made significant improvements to the internal control structure within the past year. There are still areas for which resolution needs to be complete, however most are not material. In evaluating internal controls against the above objectives, management has identified the following material deficiencies, for which necessary corrective action is being taken:

The House could not accurately account for all of the fixed assets during the course of the year. However, a physical inventory related to the fixed assets was taken as of December 31, 1995. Phase III implementation of the Federal Financial System (FFS) may include a fixed asset subsystem which should greatly enhance the ability of the House to ensure that all assets are safeguarded and accounted for properly.

House Information Resources (HIR) current security practices expose the House to a higher level of possible risk than desired. House Information Resources recently completed the staffing of a Security Office and is implementing further initiatives to ensure that information is safeguarded.

Due to a significant delay (as late as six months after the event) in the reporting of postage expenses by the U.S. Postal Service, it was possible for a Member to exceed the MRA for mailings. The Committee on House Oversight is currently reviewing a proposal submitted by the CAO to correct this issue. The proposal includes a joint effort by the Office of Finance and the Franking Commission to establish a system whereby the Office of Finance will ultimately maintain control over obligation of funds for mailings.

The House has not implemented full obligation and accrual accounting. Because this was a year of transition to the new system, preparation of financial statements required assistance from outside accountants. With the implementation of FFS, the House expects to be capable of full obligation accounting. A significant portion of the remaining problem will be remedied with the obligation of monies for mailings as described above. The remainder will be rectified with the full implementation of FFS and all applicable subsystems. The implementation of this system is scheduled throughout 1996.

When the Inspector General performed the first ever audit of the House of Representatives 226 recommendations, 14 Material Weaknesses, and numerous other reportable conditions were identified. The House has been able to initiate action on all of these items and document forward progress. With the exceptions noted above, we believe internal controls were generally effective as of December 31, 1995 in meeting the objectives.

Scot Faulkner
Chief Administrative Officer

Thomas E. Anfinson
Associate Administrator, Finance

Thomas J. Simon
Director, Internal Controls and Continuous Improvement

Attachment 2:

Management Response to Audit Reports

rt M. Faulkner
Administrative Officer

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

MEMORANDUM

TO: John W. Lainhart IV
Inspector General

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

DATE: July 19, 1996

SUBJECT: Draft Audit Report - Audit of Financial Statements for the 12-Month Period Ended December 31, 1996

We have received your Draft Audit Report of July 15, 1996, and appreciate this opportunity to respond to the specifics of the Report prior to its final issuance. In many respects, this Report is a chronicle of the challenges presented to both of our operations with the start of the 104th Congress. It is important that the "record" reflect the accomplishments both organizations have made in responding to Leadership's promises to the American public that the House would henceforth operate according to the best practices American businesses have to offer. Because it is the House of Representatives, these promises necessarily embraced public accountability, as well as relentless scrutiny of the tax dollar spent versus value received.

We would like to thank the Inspector General staff and Price Waterhouse for their efforts in producing this historic and monumental report. Their professionalism and consideration for the needs of ongoing operations are to be commended. This report, like its predecessor, presents a mandate and road map for continuing improvement of the administration of the House of Representatives. We are in general agreement with the findings and recommendations. Any differences in opinion and judgment are not a reflection on the value and quality of the audit. We appreciate this opportunity to clarify and provide additional information.

Our comments and reactions in the next sections represent our best and reasoned reactions to the conclusions of your Draft Report.

OVERVIEW

The first ever independent audit of the House, issued July 18,1995, provided a "snapshot" of operations as they existed on December 31, 1994. The results could not have been comforting to taxpayers, showing not so much the "waste, fraud and abuse" but a long-term disinterest in and even disregard for any return on investment for the American public. The House literally operated much as it had at its inception more than 205 years ago. The following are offered as examples:

- Financial records tracking nearly $800 million annually were kept in large handwritten ledgers whose size and format dated from the Continental Congress. Pages had as many as six different handwritings, different colored pens and errors scratched out by hand.

- The House's check writing machine and blank checks were stored in the same room; the key was left in the machine to accommodate people who had lost their keys. The people who authorized the checks to be cut could also write the checks.

- The House Folding Room, created in the 1850s, continued to fold and stuff material into envelopes at costs ranging as high as $480 per thousand pieces, while comparable services from private companies averaged between $8.50 and $14 per thousand.

- Furniture, unused and not in demand for more than thirty years, plus obsolete publications, were stored in a warehouse leased for $235,000 a year.

- The House offered on-site services to Members - beauty salon, barber shop and even shoe shine - whose real cost was subsidized even though customers paid a subsidized rate for those services.

- The photography studio and the recording studio were fully staffed for maximum demand, which happened only several weeks a year. Personnel could sit idle for weeks on end, but be paid overtime to maintain an "on demand" force.

The audit was set in motion in February 1995. While the audit was taking place, the new CAO organization was making real-time operational decisions to implement best business practices in the House. The CAO proposed and ultimately acquired approval from the Committee on House Oversight to close the Folding Room, privatize postal operations and such personal service establishments as the beauty salon and barber shop and shoe shine, and fundamentally restructure the administrative operations and services of the House.

The audit issued July 18, 1995, fully validated those initiatives.

More importantly, the audit provided impetus and urgency to the acquisition of a new financial management system for the House. The pivotal 1995 document recommended that the House select a commercially proven, off-the-shelf financial management software package used extensively in federal agency applications. To accomplish this, the House entered into a crosservicing agreement with the Washington Area Service Center of the U.S. Geological Survey of ne Department of Interior, whose Federal Financial System (FFS) satisfies standard federal equirements as defined by the Joint Financial Management Improvement Program (JFMIP).

he implementation of this new system was accomplished in eight months and represents one of he most aggressive implementations by an agency of this magnitude. Moving an 18th century inancial system to the brink of the 21st century, without degrading hourly service requirements, equired countless hours of difficult and complex work by dozens of committed professionals. he old paper-intensive system had to be maintained and operated while implementing the new nodern system. With the able assistance of external contractors, this historic task was completed n time to be reviewed as part of this second annual audit of the House.

REPORT OF INDEPENDENT ACCOUNTANTS ON THE INTERNAL CONTROL STRUCTURE

As noted above, 1995 was a year of transition. The report accurately reflects conditions which existed at various times during the year, frequently late into the year. Because of the dynamic environment in which change was and is taking place, we believe that statements in the report, if taken out of context, could understate the progress that has been made and documented in 1995.

We have commented on each recommendation in the Internal Control report.

Weakness 1 **Archaic Accounting Policies, Methods, Practices, and Systems Contributed to Poor Financial Management.**

Recommendation 1 Concur

Substantial progress has been achieved regarding efforts taken to date to meet the objectives of the Recommendation; additional efforts to complete those areas (in order to achieve full compliance with JFMIP requirements) are part of the planned multi-phased implementation and integration of the FFS and Procurement Desktop systems.

Recommendation 2 Concur

Accrual basis accounting will be achieved with the full implementation of the multi-phased implementation and integration of the FFS and Procurement Desktop systems. As noted in status of Recommendation 1, the June 4, 1996, House implementation of the core components of a new FMS established a chart of accounts that classifies expenses in accordance with accepted Federal accounting standards. Additional incremental progress toward achieving generally accepted Federal government and private sector standards is planned throughout the continued implementation and integration of the above referenced systems.

Recommendation 3 Concur

Implementation of a cost accounting system that properly allocates or attributes costs to end users is being evaluated. After evaluation, the necessary recommendations will be submitted to the Committee on House Oversight (CHO).

Recommendation 4 Concur

All Office of Finance employees have been trained in the new Financial Management System. We have trained all contract employees as well. An individual development plan is being established for each Office of Finance employee. Included in this plan is a training schedule for their professional development.

Recommendation 5 Concur

Fully redesigned *Members Monthly Financial Statement* reports were implemented effective with the November 1995 *Financial Statement*. As recommended, the newly designed financial reports are based on user requirements and incorporate budget to actual and reflect year-to-date expenses, obligations, and available balances for each individual Member. The second report in the monthly set of reports is an *Expenditure Summary* which lists the Members' official expenses on a current and year-to-date basis. A third report titled *Detailed Report* lists date, reference number, payee description, from and to service dates, check number, voucher number, amount and totals.

The financial information required for the *Monthly Financial Statement* reports is essentially complete to date. The information contained within the obligations column of the Budgeted to Actual report is not available, but the required information in the obligations column will be provided by the procurement section of the new FFS system. After Member offices have had a chance to work with these reports, additional user input will be obtained.

Weakness 2 **The House Did Not Properly Track The Goods and Services It Ordered, And Frequently Paid Vendors Late**

Recommendation 1 Concur

We believe that Procurement Desktop with FFS will fully resolve this issue.

Recommendation 2 Concur

In the last quarter of CY 1995 a separate manual system was maintained to track purchases and verify that monies were available. In April 1996, a study group reported on how to eliminate unnecessary steps and assure prompt payment of equipment invoices. Their report is being implemented, and development continues on reporting to identify overdue payments, with an estimated completion date of August 31, 1996.

Note: Measuring promptness of payment by invoice date alone to measure promptness of payment may provide an incomplete picture. Some equipment vendors invoice significantly before actual equipment acceptance by the end user.

Weakness 3 **Current Methods of Charging Costs to Members Allowances Obscured the True Cost of Operating Members Offices**

Recommendation 1 Concur

Resolution of this Recommendation is part of the comprehensive project to implement the new FFS system. A proposal for establishing cost accounting policies and procedures which would fully allocate costs to end users will be developed subsequent to Phase III completion of FFS implementation for submission to the CHO.

Further allocation of costs to MRAs would also require that the Appropriations Committee take action on this issue. We believe that the only major issue to be allocated is staff benefits associated with employment.

Recommendation 2 Concur

A Cost Allocation Subsystem is available in the new FFS system and could be implemented in Phase III of the comprehensive implementation. Approval by CHO and the Appropriation Committee would need to be obtained to utilize this component of the FFS system.

Weakness 4 **The House Lacked Sufficient Information with Which to Manage and Maintain Accountability Over its Property and Equipment**

Recommendation 1 Concur

The new policies and procedures, outlined in the recommendations above, will be addressed in Phase III of the comprehensive implementation of the new financial management system including a Fixed Asset Subsystem. Much of this information is captured in the current multiple fixed asset systems.

Recommendation 2 Concur

While we agree that the policy needs refinement, it was fully utilized in the Financial Statement preparation. The Office of Finance in conjunction and consultation with Price Waterhouse and the Office of Inspector General instituted a capitalization policy. As stated, the policy is to capitalize all purchases of $5,000 or more except the computer equipment. Computer equipment with a purchase price of $500 or more is capitalized.

Recommendation 3 Concur

The new policies and procedures, outlined in the recommendations above, will be addressed in Phase III of the comprehensive implementation of the new financial management system.

Recommendation 4 Concur

The Office of Finance has issued a policy requiring that periodic inventories be taken of all assets. A complete inventory of all highly valued assets was taken this year, the first time there has been such accountability.

Weakness 5 **Poor funds control put the House at risk of overspending its appropriations.**

Recommendation 1 Concur

A cash basis of accounting existed throughout 1995 during which time the new FFS was being planned. Proper controls to ensure that the overall House Appropriation is not exceeded are being implemented with the FFS accounting system. Effective June 4, 1996, internal controls at the general ledger level are in effect to ensure that the FY 96 funds appropriated at that level are not exceeded.

It is important to note that the appropriation for Members' Representational Allowance does not in any way limit the Member's overall spending. It is an estimate of the amount of the authorization to be spent. Approximately 92 percent of the total Members' authorization is funded in the annual Appropriation Bill. Should the appropriated funding prove to be insufficient, reprogramming authority is requested from the Appropriations Committee as provided in section 101 (c)(1) of Public Law 102-392. The House has one appropriation with the Treasury Department for all House operations.

Recommendation 2 Concur

Since November 1995, the Office of Finance has been issuing redesigned monthly financial statements which provide information to Members, Committees, and House Officers on how much money they have spent versus what they were budgeted.

Recommendation 3 Concur

Miscellaneous receipts required to be deposited to Treasury in the FY 96 Legislative Branch Appropriation Bill were completed beginning in March 1996 for FY 96. The FY 95 receipts will be completed in July 1996. One of the inactive accounts was an appropriated $100,000 in the FY 58 Legislative Branch Appropriations Bill (Public Law 85-75; 71 Stat.249) "to remain available until expended". The remaining balance of $80,913.65 will be returned to Treasury no later than the end of August 1996. All inactive General Ledger accounts will be closed by the same time period. A letter to Treasury will be submitted by the CAO within the next accounting period instructing Treasury to take the necessary action.

A written policy will be drafted for implementatiom before the beginning of the new fiscal year. Inactive accounts will be closed immediately with unobligated balances returned to Treasury.

Weakness 6 **Deficiencies In Budgeting, Monitoring, And Accounting For Member Allowances Increased Risk of Overspending And Impaired Accountability.**

Recommendation 1 Concur

Member's Allowances reflect additional cost allocations for the FY 97 budget. In all areas where costs are not fully charged to users, the FY 98 budget will reflect direct charging to all users.

Recommendation 2 Concur

Information on actual costs allocations has been provided to the Appropriations Committee which has allowed increased consideration of actual spending patterns in the budget formulation process. The MRA takes into consideration the distance from Washington DC to each Members' District and the number of registered voters in the District. The MRA formulation is the sole responsibility of the CHO.

Recommendation 3 Concur

Implementation is complete.

Recommendation 4 Concur

The Statement of Disbursements of the House achieves fuller and clearer disclosure to the public. Each Member's Mail Allowance and total MRA is disclosed. Refinements are being made.

Recommendation 5 Concur

Implementation of obligation-based accounting for Members' offices is part of the multi-phased implementation of the new FFS and Desktop Procurement systems.

Recommendation 6 Concur

Implementation is complete.

Recommendation 7 New Recommendation Concur

A proposal to implement mail obligation is before the CHO. Rent and other material recurring costs will be added to the FFS system.

Recommendation 8 New Recommendation Concur

All purchase orders were obligated in the manual process in the Office of Budget. Future monthly statements will show obligations. Obligation accounting for purchase orders has been implemented. A proposal to expand this to mail as well has been submitted to the CHO. Tools to assist Member offices in developing their office budgets will be included in FFS Phase III.

Recommendation 9 New Recommendation Concur

The Office of Finance has been and will continue to work with USPS. A proposal to obligate mail is before the CHO.

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

Recommendation 1 Concur

Procedures implemented that require the use of postmark dates have significantly diminished the possible impact of unsolicited mass mailing. When the Folding Room was closed, at a substantial savings to the House, Member's allowances became more readily charged for mailings by private printers and mail houses.

Recommendation 2 Concur

See Recommendation 1.

Recommendation 3 Concur

See Recommendation 1. This more accurately reflects the true cost of running Member Offices.

Recommendation 4 New Recommendation Concur

Prior to the closing of the Folding Room on August 31, 1995, record keeping was inadequate to provide reasonable assurance that Members complied with the laws and rules that:

- *require Members to obtain Franking Commission approval for unsolicited mass mailings to constituents of, at least, 500 pieces; and,*

- *prohibit Members from sending unsolicited mass mailings less than 60 days before a primary or general election.*

This is true. Prior practice of the Franking Commission included inconsistent enforcement of franking procedures and sporatic documentation. Member staffers constantly thought that if the folding room processed a mailing, franking approval was not necessary. Staffers would pull a job midway through the job because the Franking Commission had not approved the design, which meant reprinting the entire run and reprocessing the job. Staffers were known to look through the trash for extra copies of a newsletter to take to the Franking Commission for approval after the newsletter was mailed.

A proposal to CHO was submitted in June 1996 requiring all Members to seek policy and financial approvals. Each job would be assigned a unique account number and obligated in real time against Member MRAs.

However, the Members' Congressional Handbook established new regulations . . . . These regulations stipulated that . . . expenses are reimbursable from the MRA only if the printed materials are in compliance with the Franking Commission.

The *Congressional Handbook* in effect prior to the 104th Congress also required that a copy of the Franking Commission's advisory opinion support reimbursement claims.

In addition, during 1995, the House did not have adequate means of determining if all franked mail sent from the district offices was accurately reported to Office of Finance and the cost of that mail charged to MRAs.

The only possible verification of the accuracy of data submitted is a mathematical check of the forms. There is no USPS count or sampling of district office mail to proof. The district office mail is reported to USPS and becomes the basis for USPS statements to Members and charges to the MRAs. MRA charges are reported back to Members. This reports process gives a Member two opportunities to verify the information initially filed with Finance.

From September 1995 through March 1996 there was no monitoring or follow-up of Member offices that failed to submit certification of Franked Mail forms.

The Office of Finance has always monitored the submission of Franked mail forms from Member offices. Since several offices used postage meters in the district office and did not file Franked mail reports directly to the Office of Finance. The Office of Finance relied on reporting from USPS for these Members' mail usage. The Office of Finance kept in constant contact with USPS regarding this information. The CHO was advised in mid 1995 that a procedure was required to charge nonfiling offices (offices using postage meters). The subject was discussed in meetings involving Finance, CHO, and USPS staff.

In September of 1995 USPS created a delinquency report which was sent to Finance and CHO. Finance stopped making calls to offices not filing reports; rather, Members were advised by USPS when they had not filed their monthly report.

On July 2, 1996, USPS advised Finance and CHO that eight Members were 37 months delinquent. On July 17, USPS advised Finance and CHO that five Members were 11 months delinquent. When Finance staff asked USPS what had happened to resolve the 24 months not filed by two indicted/resigned Members, they were advised that USPS had been given the authority to charge these offices an amount. CHO staff confirmed that this was correct.

Not only have delinquent offices not had charges against their MRAs, all Members charged additional amounts on the USPS "Revised" 1995 statement have not been charged. Both USPS and CHO have been reminded that the "Revised" statement reflects a total charge of original plus any changes and that to post these charges against MRAs, a report reflecting additional charges or revisions is required. The necessary information has not yet been provided.

One Member overspent the Mail portion of the 1995 MRA. The Member and CHO (majority and minority) were advised in September that USPS reported permit mailings for August of approximately $55,000, leaving a deficit. While discussions between the Member and CHO have taken place, the matter is not yet resolved.

The Office of Finance will follow up with Members who have not filed mailing certificates. We believe the proposal before the CHO to obligate mail expense will assist in resolving this issue.

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

Recommendation 1 Concur

Security in House Information Resources (HIR), Chief Administrative Officer (CAO) plans to initiate a routine follow-up system to ensure employee terminations and transfers are handled in a timely manner, and to conduct an annual review of employee Resource Identification Codes (RIC) assignments to ensure accuracy.

Preliminary investigations reveal that the Office of Finance may have the most timely data relative to employee transfers and terminations. By August 31, 1996, HIR/CAO Security intends to establish a routine follow-up system to use Office of Finance information to take the necessary actions to delete or revise employee access to all systems.

By September 30, 1996, CAO/HIR Security plans to complete the initial review of the RIC assignment log for all House employees to ensure accuracy.

Recommendation 2 Concur

CAO/HIR Security will implement the password parameters consistent with implementing ACF2 on the remaining applications. CAO/HIR Security plans to issue a letter by August 31, 1996, to the "owners" of the remaining applications (i.e., MIN, MIN Test (CHO), LEGIS (Clerk), CBO Production (Congressional Budget Office), and Monies and Studio (CAO/HIR)). The letter will identify HIR's desire to place these under ACF2 controls, and request their concurrence or nonconcurrence in writing. A schedule will be developed four weeks after feedback is received.

Recommendation 3 Concur

CAO/HIR Security plans to utilize a number of communication methods to disseminate and increase computer security awareness including WEB Pages, Channel 25 and news groups. CAO/HIR Security published an action plan to complete the following Channel 25 presentations:

June 28, 1996	Overall House Security Architecture
September 30, 1996	Passwords
December 27, 1996	Environmental Factors

Since we are awaiting approval of the April 24, Channel 25 Program Guidance, the June 28 video has not been shown.

Complete HIR/Security WEB Page - July 15, 1996

Complete HIR/Security Password PowerPoint presentation - July 12, 1996

This presentation will be carried to offices as a training aid for HIR Technical Service Representatives (TSR's). CAO/HIR is investigating software to place these types of training materials on Web pages to foster distance learning.

Recommendation 4 Concur

While a cost/benefit analysis has not been performed, statistics for the number of requests for passwords to be reset under ACF2 and non-ACF2 systems are available. CAO/HIR Security staff, on the average, spends four hours a day servicing various access control requests, with a significant portion of password resets. CAO/HIR Security is concerned that implementation of passwords changed monthly would lock even more users out of their accounts within three logon attempts. This parameter can be changed from five to three as users become familiar with the new procedures.

Recommendation 5 Concur

Fully implemented.

Recommendation 6 Concur

CAO/HIR Communications has taken action to eliminate the Asynchronous Network Dial-in service, and with Security will announce the availability of the new SecurID card and modem bank. This system will provide one-time password cards to all users and provide for authenticated access via the modem pool within CAO/HIR. The SecurID/modem bank has been utilized in a testing phase for several months. We are in the process of issuing new ID cards and a general announcement will be made during the August recess.

The CAO will be recommending to CHO that by the end of 1997 the House of Representatives eliminate modem access unless the SecureID access system is used.

Recommendation 7 Concur

Firm policy governing staff access to data is in place. A formal review of all access controls for financial systems, both file and terminal access, is planned for the end of August 1996 concurrent with the reconfiguration of the Office of Finance local area networks now in progress.

Recommendation 8 Concur

Financial data are being transferred to the new FFS system electronically and programmatically now, and interface statistics and error reports are used to reconcile data.

Recommendation 9 Concur

There was a decision to utilize all available staff resources in the Office of Finance and in HIR on the earliest possible implementation of the new voucher processing system, the area where the risk was judged to be greatest. Total replacement of the entire FMS payroll system with an off-the-shelf package or external system that is fully compliant with generally accepted accounting standards and controls is a very high priority and will be accomplished no later than December 1998.

Recommendation 10 Concur

User manuals for legacy financial systems have not undergone extensive updates. In fact, only those system modifications necessary to maintain accurate operations have been made as requirements relative to these legacy systems undergo redefinition. The CAO is committed to replacing all the legacy systems as soon as possible with modern, commercial off-the-shelf systems. Definition and documentation of requirements preparatory to initiating system replacement action has taken precedence over updating existing manuals.

Recommendation 11 Concur

We plan to develop the overall House Security Policy by September 30, 1996, including:

- Scope and purpose of the policy and facilities, systems, and personnel covered by the policy
- Data security standards, policies, and procedures
- Security strategy and how it links to overall information technology strategy
- Objectives of security strategies and methods to achieve success
- Accountability and responsibility at all levels of the organization
- User security awareness program
- User statement of responsibility.

Recommendation 12 Concur

HIR took the necessary action to staff the security office by June 3, 1996. The staff of one manager and three professionals has been making progress, and it is too early to assess the need for additional staff. CAO/HIR will assess personnel needs on a continuing basis and request additional staff in the next appropriation, if necessary.

Recommendation 13 Concur

We have undertaken an aggressive and proactive system review process. One review action resulted in new policy for office-level systems: (i.e., Audix Voice Mail Policy). This trend will continue as CAO/HIR Security continues to expand its UNIX reviews into office-level systems.

Additionally, the "In-Office Computer Security Policy" and "Internet Security Policy and Internet Access Procedure" were approved for use by the CHO in August 1995. These documents need to be updated for technical changes and additions, and to "strengthen" the language in areas that affect the security posture of the House. We plan to reissue these documents for the CHO approval by August 30, 1996.

Recommendation 14 Concur

The status of the various security awareness program elements is as follows:

<u>Data</u>	
PowerPoint Password Presentation	Completed: July 15, 1996
Establish a House Security Web Page	Completed: July 15, 1996
Establish a House Computer Security Response Team (CERT) Web Page	Revised Schedule: July 31, 1996
<u>Voice</u>	
Bi-Monthly Vendor UNIX Meetings	Completed
<u>Video</u>	
Channel 25	
Security architecture	Revised Schedule: August 30, 1996

Passwords — By: September 30, 1996
Environmental factors — By: December 27, 1996

Vendor

Security Requirements for HIR Contracts — resubmitted to CAO/Procurement by CHO with comments: July 12, 1996

Recommendation 15 Concur

We believe a compliance and enforcement mechanism is comprised of:

A policy for House employees that identifies the types of incidents, roles and responsibilities, and a reporting structure. CAO/HIR Security plans to issue the DRAFT "Security Policy for Information System-Related Security Incidents" for CHO approval by July 31, 1996. This policy has been reviewed by the Inspector General's Office (OIG), and their comments have been incorporated.

A plan and schedule for continuing reviews and oversight actions. We are developing a plan to conduct periodic security reviews to ensure that adequate protections are in place. CAO/HIR Security considers this a "living" document that will require continuous revision to address new security concerns. CAO/HIR Security plans to provide the overall House Security Review Schedule for CHO and OIG approval by September 30, 1996.

Recommendation 16 Concur

The risk assessment software package "RiskWatch" has wide industry acceptance and compliance with Federal regulations and guidelines. In addition, training for all security staff is included as part of the price. CAO/HIR Security has also requested funds to obtain membership in the "RiskWatch" user group. The price of membership includes a seat at the annual conference, updates to the risk question databases, and participation in an overall support structure.

Recommendation 17 Concur

CAO/HIR Security has clarified the OIG's position on security clearances and will develop a policy for employee background checks and clearances consistent with OIG expectations, including DoD Top Secret clearances for all security staff. We expect this policy to be completed by December 31, 1996.

CAO/HIR Security worked with CAO/HIR- Enterprise Computing and CAO Counsel to develop a revised "Non-disclosure" statement which will be part of the December 31, 1996, policy.

Recommendation 18 Concur

No additional status required - next step subsequent to CHO approval is full implementation.

Recommendation 19 Concur

CAO/HIR Security will be developing a business impact analysis to include business processes and systems that are critical to the business continuity of organizations supported by HIR, as well as office-level systems and telecommunication links supporting Member, Committee, and other House operations not addressed by the existing mainframe data center disaster recovery plan. Member, Committee, and other House office representatives will be included in this re-evaluation.

Working with SUNGUARD, we are assessing their Comprehensive Business Recovery (CBR) software package to facilitate the production of a business continuity and impact analysis as well as a disaster recovery plan. CAO/HIR Security plans to complete the evaluation of the CBR (or equivalent) software by August 30, 1996.

CAO/HIR Security considers that the business impact/continuity analysis, disaster recovery plan, and test plan, will be a "living" document that will require continuous updates as the computing environment changes. For instance, the CyberCongress initiatives include the migration from the mainframe platforms and applications to a distributed, network-centric environment. We are in discussions with IBM to evaluate the ADSTAR Directory Storage Management (ADSM) system. The ADSM solution would include backup and recovery services for House offices as well as the distributed systems within CAO/HIR. Implementation of the business impact analysis process methodology will be completed by December 31, 1996, with business impact analysis including alternatives for backup and recovery of critical business processes and systems by March 31, 1997.

Recommendation 20 Concur

See Recommendation 19.

Recommendation 21 Concur

See Recommendation 19.

Recommendation 22 Concur

See Recommendation 19.

Recommendation 23 Concur

The new e-mail package is in the process of being implemented..

Recommendation 24 Concur

The security procedures for "In-Office Systems" and "Internet Access" were approved by the CHO in August 1995. These documents were designed to address technical setups for various operating systems in use in House offices (UNIX, Novell, Windows NT, etc.).

Recommendation 25 Concur

No additional status at this time.

Recommendation 26 Concur

We agree with the ACF2 assessment and offer the following additional information:

> CAO/HIR Security plans to issue a letter by August 31, 1996, to advise the owners of the remaining systems of the need to place their systems under the control of ACF2. They will be asked to concur or advise in writing of their non-concurrence.
>
> Action Complete - CAO/HIR Security has established the ACF2 emergency logon ID and user procedures.

Recommendation 27 Concur

Recommendation 28 Concur

CAO/HIR Security considers that this stipulation should apply, to the greatest extent practicable, to all new projects and not only to the Correspondence Management System (CMS). Since the majority of CMS systems in use in Member offices are provided by outside contractors, language for this item is specified in the "Vendor Security Requirements for HIR Contracts". CAO/HIR Security notes that the HIR-provided MicroMIN will no longer be supported after December 1996.

Recommendation 29 Concur

No additional status at this time.

Recommendation 30 Concur

Recommendation 31 Concur

Recommendation 32 Concur

A Quality Coordinator position was created with as much independence as feasible within HIR. The incumbent will be part of the Strategic Planning team and report directly to the Associate Administrator for HIR.

HIR has changed its approach from developing systems to integrating technology components to provide information services. Change control is essential for Client Services, Communications, and Enterprise Computing (operations) as well as for integration. Each Group of the reorganized HIR is responsible for change control, and coordination of change control among Groups is the responsibility of the Technology Assessment Analyst on the Strategic Planning team.

Recommendation 33 Concur

This recommendation was accomplished with the reorganization of House Information Systems into House Information Resources.

Recommendation 34 Concur

HIR employees underwent intense training to build their knowledge base to support Member needs and services. HIR developed a training matrix for FY 95 and FY 96 detailing training by employee. HIR will implement Individual Development Plans (IDPs) for each employee by September 30, 1996, and annually evaluate each employee for performance.

Recommendation 35 Concur

Review of charge back rates for mainframe usage began on July 10, 1996; analysis and recommendation is scheduled for completion August 9, 1996. The revised rate structure is scheduled for implementation by October 1, 1996.

Recommendation 36 Concur

Scheduled for completion October 31, 1996.

Recommendation 37 Concur

The Flagship Data program designed to provide incentive for Members to migrate from Sprint private lines to the more cost-effective MCI frame relay network was approved by the CHO in the FY 95 Year End Reprogramming and instituted on schedule on January 1, 1996. To date, 35 members have migrated from private lines to frame relay. The House version of the Appropriations Bill would fund this program for $2,146,800 in FY 97 .

Noted that replacing private lines with frame relay service is directly dependent upon the type of in-office system used in individual Member offices. HIR has no control or jurisdiction over the type of systems used within Member offices, which is why an "incentive" program has been utilized.

The House interface to Tymnet was eliminated on January 31, 1996. Specific project plans are in place and on-schedule to eliminate both the House Asynchronous Services Network (ASN) and the House Ethernet backbone by December 31, 1996.

Price Waterhouse indicated in their original findings that there were three unused DEC/VAX systems eligible for disposal. There is only one such system, as indicated in the report, and it has been removed in accordance with operating procedures. A cluster of two Micro VAX 3300 systems is still in use.

These systems provide an environment to assist with trouble shooting problems encountered by the Joint Committee on Taxation, particularly with communications through the DECnet/SNA gateway to MIN, and a platform for testing solutions to support the Joint Committee on Taxation in a TCP/IP environment (allowing HIR to shut down the DECnet/SNA gateway).

Because the disk drives used by the systems are in both cabinets; considerable effort would be required to reconfigure the hardware so that one of the MicroVAX 3300s could be disconnected from the cluster and turned in. The systems are not covered by either hardware or software maintenance contracts. While we had hoped to be able to remove these systems early in 1996, the Joint Committee on Taxation has not been able to replace all of its current functionality--dependent on DECnet protocol--with equivalent functionality that uses TCP/IP protocol. This cluster will be turned in when the Joint Committee on Taxation no longer requires DECnet protocol.

Recommendation 38 Concur

Fully implemented.

Recommendation 39 Concur

Fully implemented.

Recommendation 40 Concur

In addition to the video tape and television training referenced in the report, the HIR Learning Center is actively pursuing computer-based training (CBT) opportunities. Microsoft "Getting Started" training is available on CD-ROM, and other interactive CBT alternatives are being reviewed for inclusion on the HIR CD tower and at the Learning Center. Adding new programs is an ongoing function and will continue to expand as such programs become readily available. Plans for Exchange messaging training include developing a CBT program for late fall 1996.

Recommendation 41 Concur

HIR has adopted and is actively implementing a formal SDLC process. In addition, HIR is receiving informal assistance from OIG staff to develop and implement system documentation standards. All current system development and enhancement activity at HIR will be fully compliant with the new SDLC methodology by September 30, 1996.

Recommendation 42 Concur

HIR has fully embraced the use of commercial off-the-shelf software wherever possible.

Recommendation 43 Concur

Plans and activities with respect to integrating current services into the Intranet paradigm mandated by the CHO are under continuing review. A report addressing the specific issues relative to the retirement of certain legacy systems will be provided to the CHO by July 31, 1996.

<u>Weakness 9</u> **Ineffective Controls And Policies Existed Relating To Travel Reimbursement And Government Furnished Charge Cards**

Recommendation 1 Concur

Otherwise resolved.

Recommendation 2 Concur

Fully implemented.

Recommendation 3 Concur

Otherwise resolved.

Recommendation 4 Concur

Fully implemented.

Recommendation 5 Concur

Fully implemented.

Recommendation 6 Concur

The institution of reimbursement to the traveler and the "one trip one voucher" policy have prevented a reoccurrence of the problem. Current policies and procedures ensure that all vouchers are examined before they are processed. This audit process will detect duplications. The number of vouchers that were erroneously duplicated in 1995 versus 1994 was insignificant (134 in 1994; 4 in 1995).

Recommendation 7 New Recommendation Concur

Travel management options available with the new Financial Management System will be evaluated and hopefully implemented. The Office of Finance intends to fully utilize the new FFS and all its functionality to its fullest potential.

Weakness 10 **Late Submission and Inadequacies In The Payroll System**

The supplemental Payroll is used primarily for appointments received after the 15th of the month. The Committees' and Members' *Congressional Handbooks* indicate that a payroll authorization form (PAF) for an appointment must be submitted to the Office of Finance no later than the last business day of the month in which the appointment is effective. Most salary overpayments occur because offices inform the Office of Finance of terminations after paychecks have been released.

The supplemental payroll is not intended to correct earlier transactions. Supplemental payroll is used primarily for appointments received after the 15th. Salary adjustments received by the last working day of the month are required by the CHO to be processed in the same month. When a PAF is received prior to the release of an already produced regular payroll, the Office of Finance can easily void the employee's check and produce a supplemental payroll check to replace it.

House overpaid employees by $332,000.

The vast majority of these overpayments occur because of inconsistent reporting by Member offices regarding payroll. In addition, informal waivers by CHO are granted for personnel actions within the month. And when employees of House Officers leave, the CHO approval takes additional time.

While these overpayments were made, they were immediately detected, resolved, and most funds recovered. Recovery is in process on the remaining $11,000 dollars.

If an employing office does not collect an overpayment from an employee in a month's time, the procedure is to send a certified letter to the overpaid employee notifying him/her of overpayment. If the employee is still active on another House employing office's payroll, the employee's wages are garnished in the next pay period. The Office of Finance can also contact the Office of Personnel Management to attach retirement funds before an employee withdraws them.

There are two ways payroll checks can be voided. The first is to void an employee's regular pay check in FMS, then produce a supplemental check for the employee. The second is to void a check on the payroll's end-of-month balancing sheet. A manual adjustment may have to made in FMS.

House 's current payroll system is inefficient and ineffective.

We are aware of the deficiencies in the current House payroll system. Alternative systems will be evaluated and implementation of a new system will be part of the new FMS, upon approval of the CHO and the Appropriations Committee.

Recommendation 1 Concur

The Office of Finance complies with the Dear Colleague issued January 4, 1995, that prohibits retroactive pay increases, and will not accept PAF's in accordance with this policy. Not accepting a PAF submitted after the 15th of the month could place a Member in violation of Rule 45.

Recommendation 2 Concur

We are aware of the deficiencies in the current House payroll system. Alternative systems will be evaluated and implementation of a new system will be part of the new Financial Management System, upon approval of the CHO and the Appropriations Committee.

Recommendation 3 Concur

A proposed policy assigning responsibility to the Office of Finance is in review for submission to CHO.

Recommendation 4 Concur

Policies and procedures will be developed.

Recommendation 5 Concur

This will be discussed further with legal counsel for a determination of whether House employees, who have received overpayments, could be referred to a collection agency.

Weakness 11 **Controls Over Purchasing and Procurement Were Weak And Inconsistent**

The correction process began when the CHO adopted House-wide procurement regulations on January 9, 1995. New Guidelines were adopted in May, and the CAO was designated the Contracting Officer for the House in July.

The CAO and the Office of Procurement and Purchasing (OPP) developed and are implementing a procurement and purchasing system. The policies, procedures and systems that have been developed and implemented significantly improve the service and the controls of the prior audit period. Now all acquisitions and supporting documents, including purchase orders, contracts, modifications, solicitations, etc., are reviewed by OPP for compliance with acquisition rules.

In addition, the development and beginning implementation of the Purchasing Subsystem and Procurement Desktop modernize the House from a disparate paper-intensive acquisition system to a unified highly sophisticated system. This is an ambitious project on an even more ambitious timetable--and it is being accomplished.

The substantial progress that has been made includes:

Developing and obtaining CHO approval for a proposal to incorporate performance criteria into acquisition agreements. Implementation is underway and on target for October 1, 1996, including the development and incorporation of standard terms and conditions in all purchase orders.

Developed a proposal to incorporate security provisions in all HIR contracts, now at CHO.

Developed of a proposal to clearly define the roles and responsibilities of HIR versus vendor support functions, pending at the CHO.

Implementation of the Purchasing Subsystem, with to date approximately $1.5 million obligated. A monthly purchase order report is produced to monitor and demonstrate the volume and turn-around time for purchase orders in OPP.

Conducted systems acceptance testing for Procurement Desktop and initiated the pre-pilot phase of the project.

Developed training program for Procurement Desktop and conducted extensive training in the Purchasing Subsystem. Developed training for CAO staff on acquisition Guidelines and procedures.

Spearheaded a task force to re-engineer the requisition, purchase order and payables processes in OSM.

Developed implementing instructions for the Procurement Guidelines, revised implementing instructions for the Equipment Purchase Guidelines, and with the CHO produced an improved User's Guide to purchasing equipment, software and related services.

Implemented the new contract for outsourcing postal operations with PBMS.

Negotiated over 42 contracts for equipment maintenance, leasing and systems integrators: 20 are awaiting approval by the Committee; over 21 more are in negotiation.

Negotiated five additional software site licenses.

Conducted a competitive procurement to establish BPA's for stationary and business cards.

Developed RFP's and/or executed contracts for numerous significant procurements including: data entry services to support the Office of Finance's conversion to the new FFS; an Appropriations Decisions Support System for the Appropriations Committee; extension of the AT&T master contract for telephone equipment for Washington, DC offices; Systems Development Life Cycle services for HIR in support of an OIG recommendation; and Capitol Police physical security services.

Reorganized OPP, with CHO approval, and hired additional staff to help assure deadlines are met and to support the new automated acquisition system.

Provided guidance on a daily basis to CAO offices and personnel on compliance with acquisition rules.

Recommendation 1 Concur

In September 1995, the CAO submitted a proposal to the CHO in accordance with OIG Report 95-CAO-11, Finding A-1. The proposal would designate OPP as the central procurement office with enumerated authorities and responsibilities. In December 1995, following discussions with CHO staff, the Sergeant at Arms and staff of the Clerk of the House, a revised proposal was submitted. Upon approval by the CHO, full implementation of this recommendation can occur in the year following approval.

Recommendation 2 Concur

OIG Report No. 95-CAO-11, Finding A-3, tasked the CAO with developing a proposal for CHO approval to fulfill this recommendation. The CAO has completed the required proposal and will implement upon CHO approval.

Recommendation 3 Concur

OIG Report No. 95-CAO-11, Finding A-4, tasked the CAO with developing a proposal for CHO approval to fulfill this recommendation. The target date for finishing development of this proposal is August 31, 1996. Upon CHO approval, full implementation of this recommendation, including definition of *a retention period regarding purchasing/receiving documents*, will be completed in the year following approval, and in conjunction with the deployment of Procurement Desktop.

Additional Action: Regarding the findings on procurement activities of the Office of Furnishings, the CAO has approved in concept the transference of non-furnishing related acquisition functions to other appropriate CAO entities, and the proposal is under consideration by CHO.

Weakness 12 **Lack of Information and Ineffective Control Procedures Exposed The House to Excess Costs On Its Leasing And Maintenance Agreements**

Lead responsibility on all eight recommendations has been jointly assigned to OPP and OSM.

The CAO has approved in concept the establishment of a Senior Acquisition Officer, based on the HIR model, for Media and Support Services. As in HIR, this employee would serve as the direct liaison with OPP and would supervise/coordinate all MSS procurement.

OPP chairs a Task Force on Equipment Maintenance and Leasing Contracts. The responsibilities include: full implementation of all eight Audit recommendations, including establishment of relevant policies and procedures; review and modification of all pre-February 1996 contracts to ensure necessary performance criteria; the establishment of procedures and methods to better capture and utilize vendor cost and performance information in enforcing contract compliance and in negotiating contracts and pricing.

Recommendation 1 Concur

New policies and procedures, outlined in the recommendations above, will be addressed in Phase III of the comprehensive implementation of the new financial management system.

Recommendation 2 Concur

In CY 1996 on an interim basis and until the new financial system is implemented, OSM counselors will utilize the "end commitment date" and the "assign and commitment begin" dates on the *Equipment Inventory R*eports to advise offices of the age of equipment and maintenance and lease cost effectiveness.

In CY 1996 OSM modified the *Equipment InventoryR*eport to break out the maintenance and purchase costs for each piece of equipment. A memo was sent to all offices explaining the changes and offering maintenance plans guidance from their counselors. As part of OSM's proposed reorganization, counselor positions were revised to include an advisory role on the cost effectiveness of maintenance and leasing programs.

Recommendation 3 Concur

See Recommendation 2 above.

Recommendation 4 Concur

See Recommendation 2 above.

Recommendation 5 Concur

See Recommendation 2 above.

Recommendation 6 Concur

New master contracts for maintenance, leasing and systems integrators have been approved and are being utilized. To date, 22 contracts have been fully executed, 20 are at the Committee on House Oversight awaiting approval, and 21 others are in negotiation. In addition, OIG Report 95-CAO-11, Finding A-6, which called for a proposal to incorporate performance criteria in all contracts, has been approved by the CHO and is being implemented on target for the October 1, 1996, deadline. This will include actions to remedy all pre-February 1996 maintenance and leasing contracts for adequate performance criteria.

Recommendation 7 Concur

This recommendation is closely related to OIG Report No. 95-CAO-11, Finding A-5, which called for developing a proposal to implement a standardized vendor selection and monitoring process including procedures to systematically gather and use ongoing performance information on vendors, and a computerized vendor database system to manage a vendor's list and provide specific performance information. Both recommendations have an end-of-year completion date, chosen due to the CHO's direction in the Equipment Guidelines that the CAO develop a vendor certification process no later than the beginning of the 105th Congress. Completion of these recommendations is on target.

Recommendation 8 Concur

OSM has been assigned the primary responsibility for vendor monitoring and vendor problems resolution. Beginning in February 1995, OSM has required the Approved List Vendors to submit service reports and is working with HIR to refine the data base system used to store and access this information.

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

Recommendation 1 Concur

Fully implemented.

Recommendation 2 Concur

Otherwise resolved.

Weakness 14 **The House Was Unable To Accurately Determine Employee Benefits Due To Incomplete Manual Leave Records**

On March 12, 1996, the CHO adopted the "Personnel Policies and Procedures for the Officers and Inspector General of the U.S. House of Representatives," which contains the basic criteria that the CAO used to establish its internal standardized time and attendance/leave tracking system. The Office of Human Resources is working with the Office of Finance and HIR to establish requirements for a comprehensive automated time and attendance/leave tracking system.

To complement the March 12, 1996, "Personnel Policies and Procedures," and to comply with the Fair Labor Standards Act provisions of the Congressional Accountability Act of 1995, on April 5, 1996, the Office of the CAO implemented the "CAO Work Schedule Policies," which apply to all CAO offices and employees.

Using the March 12, 1996, "Personnel Policies and Procedures" and April 5, 1996, "CAO Work Schedule Policies" as guides, the Human Resources' Office of Policy and Administration, the Office of the Administrative Counsel, and the Office of Finance Payroll Office are working together to ensure the accurate computation and documentation of overtime and other leave, as well as attendance and leave within the CAO.

With regard to issuing and adhering to standardized leave record keeping and reporting requirements, and as a matter of practice, on July 12, 1995, the CHO adopted the "Interim Leave Policies and Procedures for the Officers and Inspector General of the U.S. House of Representatives." These record keeping procedures, similar to those outlined in the House's 1978 Leave Regulations, specifically addressed the record keeping requirements for the Officers of the House and the IG.

Recommendation 1 Concur

Section H, Recording and Reporting, of the interim policies stated, "An Attendance and Leave Record (including compensatory time) will be maintained for each employee by the Department Supervisor. The form is to be kept current and available for inspection by the employee. At the end of each month the Supervisor will complete the monthly total columns and have the employee initial the monthly record. . . ." The policy continued, "At the conclusion of each calendar year, the Attendance and Leave Record shall be signed by the employee and the Supervisor, and forwarded to the employing Officer or their designee for approval. A copy of the leave record will be maintained in the employee's personnel record and the original will be filed in the employee's Official Personnel Folder, maintained in the Office of Human Resources. If the employee refuses to sign the record, such reasons shall be stated on the form by the Supervisor prior to the submission to the House Officer. A new Attendance and Leave Record will be created for each continuing employee for the following calendar year with balances brought forward from the prior year's record reflecting the annual accumulation policy."

Recommendation 2 Concur

During the period of change through which the House moved and adapted during 1995, which included the implementation of historic initiatives, office reorganizations and shifting of administrative priorities, strict adherence to the leave record keeping and reporting requirements slipped in the administrative offices of the House. With the adoption of the current "Personnel Policies and Procedures" and implementation of the "CAO Work Schedule Policies," we are once again ensuring strict compliance to time, attendance, and leave tracking procedures.

Until a comprehensive automated time and attendance/leave tracking system is identified, procured and implemented, the Office of Human Resources will reissue the detailed procedures for leave record keeping and reporting requirements for the CAO and will provide copies of these procedures to the other Officers and IG of the House. In conjunction with issuing procedures, we have identified an administrative point-of-contact (POC) in each functional area in the CAO who will be responsible for collecting and verifying time, attendance and leave data. Furthermore, the Office of Human Resources will seek to establish a similar single point of contact in each of the other Officer's and the IG's office.

To standardize the current House Officer and IG processes for maintaining accurate time and attendance and leave tracking systems, the Office of Human Resources will recommend that the CHO issue a memorandum to these offices clarifying their record keeping and reporting requirements.

Recommendation 3 Concur

See Recommendation 2.

<u>Weakness 15</u> **Reconciliations of Fund Balance With The U.S. Treasury To The Financial Management System Balances Are Not Routinely Performed Or Adequately Documented**

The House and Nations Bank report cash receipts and debit vouchers to the Treasury Department monthly. The Treasury Department prepares a Statement of Differences (TFS 6652) if there are discrepancies. The House reconciles monthly the TFS 6652 with House accounts, as described below. Any errors on the House side are resolved in the next monthly reporting cycle. If any errors are a result of the bank, the Accounting Department contacts Nations Bank with supporting documentation of the differences. It is up to the bank to resolve the differences with Treasury. In most cases the differences are a result of input errors recorded by Nations Bank. Each month the differences remain unresolved, the Accounting Department contacts Nations Bank notifying them of the outstanding items.

When a modification was made to a document in FMS, the original record was adjusted. Accounting maintains all documentation to support the adjustment. In addition, the manual General Ledger reflected the adjustment. Since the manual General Ledger was frozen at month-end close, any adjustments to an account after the monthly close were reflected as a journal voucher in the appropriate accounting period. To reconcile an FMS data download with Treasury, manual journal vouchers posted to the General Ledger must be included. This methodology was provided to Price Waterhouse for balancing FMS with Treasury. Accounting stated that although the methodology is very time consuming, all the above steps must be followed to balance properly. Price Waterhouse responded that time could be a problem.

Recommendation 1 Concur

Differences between House accounts and Treasury should be identified. Upon examination of work papers and the methodology used in identifying the $.6 million difference, we will address the issue.

Recommendation 2 Concur

The general reconciliation process remains the same with FFS. However, FFS gives us an audit trail and mechanizes reports to replace the ledger cards.