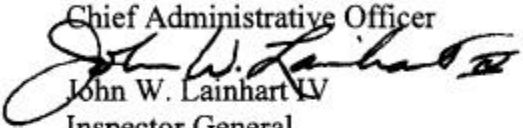


John W. Lainhart IV  
Inspector General

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

MEMORANDUM

TO: James M. Eagen III  
Chief Administrative Officer

FROM:   
John W. Lainhart IV  
Inspector General

DATE: April 21, 1998

SUBJECT: Audit Report - Controls Over Recording Studio Use Need Improvement  
(Report No. 98-CAO-04)

This is our final report on the controls over the Recording Studio. The objective of this audit was to determine if the procedures used by the Recording Studio were adequate to ensure compliance with applicable House rules and associated Committee on House Oversight policies. In this report, we found that the Recording Studio lacked formal procedures to ensure compliance and made a specific recommendation for corrective action.

In response to our February 17, 1998 draft report, your office generally concurred with our finding and recommendation. Your formal written response, dated April 7, 1998, is incorporated in this report and included in its entirety as an appendix. The corrective action completed by your office is appropriate and adequately responds to the recommendation.

We appreciate the courtesy and cooperation extended to us by your staff. If you have any questions or require additional information regarding this report, please call me or Robert B. Frey III at (202) 226-1250.

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

# Controls Over Recording Studio Use Need Improvement

## I. INTRODUCTION

The House Recording Studio (Recording Studio) provides radio and television recording services to Members, Committees, and Officers of the U.S. House of Representatives (House). Policies adopted by the Committee on House Oversight (CHO) restrict Members' use of the Recording Studio's services during election years. However, the Recording Studio has no formal mechanism to ensure compliance with these policies.

### **Background**

The Recording Studio is a division of the Chief Administrative Officer's (CAO's) Media and Support Services' Office of Communications Media. The purpose of the Recording Studio is to provide a convenient way for Members to convey information to their constituents, the media, and the general public.

The Recording Studio consists of three radio studios, one television studio, one teleconferencing studio, and tape duplication facilities. When the House is in session, the Recording Studio is open to Members by appointment Tuesday through Friday from 10:00 a.m. to 7:00 p.m. Although the Recording Studio is closed on Mondays and when the House is not in session, every effort is made to accommodate Members' requests. The services provided include basic recording services, live or recorded satellite transmissions, telephone recordings, preparation of TelePrompTer scripts, transcription of recorded material, post production services, and television makeup. Recording Studio staff also provide program production and technical assistance. Each time a Member uses the Recording Studio, the Member's official account is charged for the services provided.

### **Objective, Scope, And Methodology**

The objective of this audit was to determine if the procedures used by the Recording Studio were adequate to ensure compliance with applicable House rules and associated CHO policies. Specifically, we reviewed Recording Studio services provided to Members in 1996. The review was conducted primarily at the Office of Communications Media.

### **Internal Controls**

During this review, we evaluated the Recording Studio's internal controls pertaining to the provision of services to Members during an election year. The internal control weakness we identified is described in the *Results of Review* section of this report.

### **Prior Audit Coverage**

The Office of Inspector General has issued two reports covering operations within the Recording Studio.

One report, entitled *Changes In Operating Practices Could Save Media Services \$1.7 Million Annually* (Report No. 95-CAO-06, dated July 18, 1995), identified operational changes to House radio and TV production services that could result in \$1.48 million of annual savings. This report recommended that the savings could be realized by contracting out or taking steps to reduce the cost of radio and TV production services and by consolidating the recording studio photo lab within the photography studio.

A second report, entitled *Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer* (Report No. 96-CAO-15, dated December 31, 1996), determined that the use of services provided by Media Services was low and that certain operations were not self-supporting. This report recommended that the CAO develop a proposal for improving media services operations, addressing the hours of service required by Members, assessing technology needs, analyzing the cost of providing these services to Members, and restructuring the fee schedule accordingly.

The Exhibit at the end of this report provides a summary of the implementation status of each of the recommendations.

## **II. RESULTS OF REVIEW**

Controls over the use of Recording Studio services during restricted periods need improvement. During the 1996 election cycle, Recording Studio services were utilized during the restricted time periods prior to the primary and general elections. However, the Recording Studio did not maintain written documentation that pre-election restrictions did not apply to the services provided and, therefore, had no assurance that the services conformed to CHO policies. Also, this lack of control is a reportable condition in the audited financial statements.

### Election Year Restrictions

On October 26, 1995, CHO approved a new policy for the Recording Studio. This policy created a “60-day pre-election (both primary and general) ban” on the use of Recording Studio services. The policy stated that “both Members and Recording Studio personnel should be aware of and must follow this 60-day cut-off.” During the initial implementation period, the policy was clarified to allow Members whose names did not appear on a ballot or who had been solicited for communications (e.g., by the press or a constituent) to use Recording Studio services during restricted periods.

The following year, on May 22, 1996, CHO replaced the 60-day pre-election ban with a new policy limiting Members’ use of “all unsolicited mass communications within 90 days of any election occurring on or after November 5, 1996.” This policy applies to every Member whose name appears on an official ballot for election or re-election to public office. The new policy became effective on August 7, 1996, and includes restrictions on radio and newspaper advertisements of town hall meetings or personal appearances of the Member; purchase of broadcast time on any media; and production costs for video and audio services. Although the new policy restricts most Recording Studio uses, it does not apply to certain uses “which are not unsolicited mass communications.” These uses include: a direct response to a solicited request; communications to Members of Congress and other government officials; news releases to the media; a Member’s appearance as a media guest; and appearances in which no expenses are incurred by the Member.

The new policy became effective after the 1996 primary elections began, but before the 1996 general election. Consequently, the primary and general elections were governed by two different policies. Members whose names appeared on official ballots were restricted from using the Recording Studio 60 days prior to their respective state's primary election and 90 days prior to the November 5, 1996, general election.

#### Recording Studio Use During The Restricted Periods

Each state (as well as Territories, District of Columbia, and Commonwealth of Puerto Rico) conducts its own primary election prior to the November general election. For the 1996 election cycle, the first state primary was on March 5, 1996, and the last primaries were on September 21, 1996. Since the states conduct their primary elections on different dates, the 60-day restriction on Recording Studio services varied for each Member, as determined by the Member's respective state primary election date. The primary elections were followed by the general election on November 5, 1996.

During the 1996 primary and general election restricted periods, the Recording Studio provided communication services to a number of Members. The Recording Studio completed 233 work orders for audio or video services for Members during these pre-election periods. However, the Recording Studio had no documentation for any of these 233 work orders to show that the Members' names did not appear on an official ballot or that CHO restrictions did not apply to the services provided. Therefore, in an effort to determine Recording Studio compliance with applicable CHO policies, we compared the 233 work orders with published election results. Based on our analysis, we found that 110 work orders were for Members whose names did not appear on an election ballot and, thus, did not fall under CHO policy restrictions. The remaining 123 work orders were for Members whose names did appear on election ballots. Because the Recording Studio did not maintain documentation, there was no way for us to determine whether CHO restrictions did or did not apply in these cases.

#### Financial Statement Implications

As part of each financial statement audit of the House, compliance with applicable laws and regulations is reviewed. Since there are no controls to ensure compliance with the regulations governing the use of the Recording Studio, the House is vulnerable to improper use of Recording Studio services. As a result, this lack of control would be disclosed as a reportable condition in the Report of Independent Accountants on Compliance with Laws and Regulations in the audited financial statements.

To protect the integrity of the services provided by the Recording Studio, and to ensure compliance with applicable House rules and policies, a mechanism is needed to ensure conformity with the pre-election restrictions on Recording Studio services. Written documentation indicating that the Member's name does not appear on an official ballot or why the restriction does not apply would provide such a mechanism.

### **Recommendation**

We recommend that the Chief Administrative Officer prepare a proposal, for approval by the Committee on House Oversight, requiring the Recording Studio to obtain written documentation whenever providing services during the restricted periods. The documentation should show that: (1) the Member's name does not appear on an official ballot; or (2) the services being requested otherwise comply with the May 22, 1996, Committee on House Oversight policy.

### **Management Response**

On April 7, 1998, the CAO concurred with the recommendation in this finding. The CHO approved revised work order forms for radio and television services provided by the Recording Studio. These forms include a statement certifying either that (i) it is not within 90 days of an election in which the Member's name appears on an official ballot, or (ii) the work is within the 90 day period, but the use of the studio is not an unsolicited mass communication. In addition, the Member must sign these forms. The Recording Studio is now using these new forms.

### **Office of Inspector General Comments**

The action completed satisfies the intent of this recommendation and, therefore, we consider the recommendation closed.

Status Of Implementation Of Prior Audit Report Recommendations

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
<b>Audit Report No. 95-CAO-06, entitled Changes In Operating Practices Could Save Media Services \$1.7 Million Annually, dated July 18, 1995:</b>			
<p>A.1. Reduce the cost of House radio and TV production services, duplication services, and floor coverage by selecting and implementing one of the following options:</p> <p><b>Option 1:</b> Contract out for House radio and TV production, duplication services, and floor coverage. (The House could establish a contract with one or more commercial vendors in the Washington, D.C. area. A help desk could be established to assist Members in scheduling appointments, or Members could purchase required services directly on an as-needed Basis.)</p> <p><b>Option 2:</b> Close two to three radio studios and one TV studio and reduce staffing to reflect Member demand for radio and TV production, duplication services, and floor coverage. (The House could reduce in-house costs by eliminating excess studio capacity and reducing staffing. It would be more cost-effective to maintain a minimum level of resources necessary to satisfy routine demand. Unusual or peak demand could be contracted for from local commercial vendors.)</p> <p><b>Option 3:</b> Continue to provide in-house radio and TV production, duplication services, and floor coverage, and take steps to align in-house costs, user charges, and market value, through a combination of cost reductions and price increases. (Staff scheduling could be improved using split shifts and part-time workers to reduce idle time.)</p>	<p>Closed</p>	<p>The implementation of Option 3 and part of Option 2 have resulted in lower Recording Studio costs. Recording Studio staff was reduced and a new fee schedule was implemented in November 1995. Additionally, one television studio and one radio studio were closed. These actions reduced overall costs, however, the majority of labor costs were not recovered from the user fees collected for Recording Studio services. These cost recovery issues were also addressed in a subsequent audit report (Report No. 96-CAO-15). Therefore, the remaining cost recovery issue for this recommendation was superseded by the more recent recommendation.</p>	<p>Not Applicable</p>

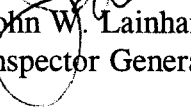
Status Of Implementation Of Prior Audit Report Recommendations

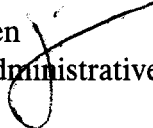
Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned	Scheduled Date of Completion
<b>Audit Report No. 96-CAO-15, entitled Improvements Are Needed In The Management And Operations Of The Office Of The Chief Administrative Officer, dated December 31, 1996:</b>			
L. Develop a proposal, for approval by the Committee on House Oversight, for improving Media Services operations, addressing the hours of service required by Members, assessing technology needs, analyzing the cost of providing these services to Members, and restructuring the fee schedule accordingly.	Some Progress	No proposal has been developed for improving Media Services operations since this recommendation was issued. However, currently an effort is underway to research comparable industry services, costs, and fees to assess whether further adjustments to cost and fee schedules are required.	December 31, 1998

James M. Eagen III  
Chief 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: Jay Eagen   
Chief Administrative Officer

SUBJECT: Discussion Draft Audit Report  
Controls Over Recording Studio Use Need Improvement

DATE: APR 7 1998

Thank you for the opportunity to comment on the Discussion Draft Audit Report, Controls Over Recording Studio Use Need Improvement. We have carefully reviewed the draft report's recommendation and are in general support of it. Our response to the recommendation is provided below.

**Recommendation:**

**We recommend that the Chief Administrative Officer prepare a proposal, for approval by the Committee on House Oversight, requiring the Recording Studio to obtain written documentation whenever providing services during the restricted periods. The documentation should show that: (1) the Member's name does not appear on an official ballot; or (2) the services being requested otherwise comply with the May 22, 1996, Committee on House Oversight policy.**

**CONCUR**

The Committee on House Oversight recently approved revised work order forms for radio and television services provided by the Recording Studio. The new forms include a statement certifying either that it is not within 90 days of an election in which the Member's name appears on an official ballot, or that the work is within the 90 day period, but the use of the studio is not an Unsolicited Mass Communication as defined in the Committee on House Oversight guidelines. In accordance with these new procedures, the revised work order forms must be signed by the Member. The new procedures and the new forms are now being used, therefore this recommendation should be considered closed.