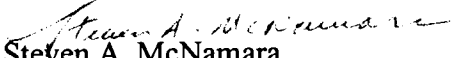


Office of Inspector General  
U.S. House of Representatives  
Washington, DC 20515-9990

**MEMORANDUM**

TO: James M. Eagen III  
Chief Administrative Officer

FROM:   
Steven A. McNamara  
Inspector General

DATE: September 17, 2003

SUBJECT: House Payment Process (Report No. 03-CAO-02)

This is our final report on the House payment process. The objective of this audit was to review the payment process within the offices of the Chief Administrative Officer (CAO). Specifically, the audit built upon the annual financial statement audit, and focused on whether the payment process is efficient, and if the payments are accurate, timely, and free of duplications. In this report, we found overall that the payment process administered by the CAO's Office of Finance is functioning satisfactorily. However, with respect to processing travel-related payments, the House could benefit from additional improvements, and we made specific recommendations for corrective actions.

In response to our January 7, 2003 draft report, your office concurred with our finding, recommendations, and other matters. The June 27, 2003 management response is incorporated in this final report and included in its entirety as an appendix. The corrective actions taken by your office are adequate and the recommendations are considered closed.

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 Christian Hendricks at (202) 226-1250.

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

# HOUSE PAYMENT PROCESS

## I. INTRODUCTION

### Summary of Results

The payment process administered by the Chief Administrative Officer's (CAO) Office of Finance (Finance) is functioning satisfactorily. For example, our audit results demonstrated that payments have supporting documentation and are submitted timely with the exception of some travel-related reimbursements. To improve the payment process, Finance has introduced initiatives such as (1) paying the travel credit card company directly, (2) consolidating payments to certain vendors with a high volume of activity for goods and services, such as bottled water and express mail services, and (3) reducing payments by check by expanding the use of EFT payments. However, with respect to processing travel-related payments, the House could benefit from additional improvements.

### Background

Finance is the primary provider of financial support services to Members, Committees, Leadership Offices and Officers of the House of Representatives (House). Finance is also responsible for disbursing and recording the procurement activity of the House and certain Joint House-Senate activities. To accomplish its mission, Finance is organized around four functional departments: Accounting, Financial Counseling, Financial Systems, and Budget.

Finance's payment process is a significant portion of the House business process and an element of the annual financial statement audit. Payments may be processed in five basic ways: (1) hard copy vouchers submitted for payments and reimbursements, (2) electronic vouchers processed through the Procurement Desktop System where funds are obligated in advance and authorized electronic signatures are used to approve the purchase, receive the supplies or services, and authorize payment, (3) electronic transfer payments, internal to the House, executed through the Federal Financial System (FFS) to transfer funds from Member's Representational Allowance (MRA) to other House Offices that provide supplies, equipment, and photographic and recording studio services, (4) electronic transfer of funds to other government agencies for expenditures such as GSA rent for district offices and transit benefits, and (5) consolidated billings.

Approximately 59 percent of the House's line item payments for 2001 were processed using hard copy vouchers of which approximately 29 percent were for travel-related expenditures. The vouchering process begins when a House entity incurs an expense. The House entity prepares a voucher recording the following information: office name, office identification, date voucher was prepared, payee name, payee address, payee invoice number, description of expense, and amount. Once this information is recorded and supporting documentation is attached, the Member or approving official from that House entity must approve the voucher with an original signature. After the voucher is signed, it is forwarded to Finance where it is stamped with the date and time. These expense vouchers are the source documents for payments to vendors or for reimbursements to Members and their staff. The Financial Counseling Department reviews the

vouchers to (1) determine the nature of the expense, (2) verify compliance with regulations, (3) verify that House vouchers are properly supported by an original receipt or invoice, (4) recalculate the amounts on the invoices and House vouchers for accuracy, (5) ensure that voucher information is complete, (6) add the appropriate coding (Organization, Program, and Budget Object Code) for each transaction before it is input into FFS, and (7) check if the data is accurately entered into FFS before the transaction is released for payment. Once the information is released, a payment in the form of a check or electronic payment is generated overnight and issued the following day.

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

The objective of this audit was to review the payment process within the offices of the Chief Administrative Officer. Specifically, the audit built on the financial statement audit, and focused on whether the payment process is efficient, and if the payments were accurate, timely, and free of duplications. This audit covered all payments, excluding payroll, in the FFS database during the period January through December 2001.

To evaluate whether the payment process is efficient, accurate, timely, and free of duplications, we reviewed the policies and procedures, provided to us by Finance, covering the payment process. Additionally, we examined the cycle memos, walkthroughs, interviews, and flowcharts prepared by Cotton and Company, LLP for the 2001 financial statement audit, and used ACL software to run commands on the vendor file and the FFS database of payments made during calendar year 2001. Finally, we reviewed the supporting documentation for 72 payments totaling \$3,036,711. We selected our sample using the ACL sample selection feature and criteria including MRA expenditures, payments to P.O. Box addresses, miscellaneous vendors, foreign vendors, high dollar amounts, transit benefits, payments to vendors not in the vendor file, payments with unusual descriptions, possible duplicate payments, and payments with a high number of days between the invoice date and the acceptance date. After reviewing the 72 selected payments, we interviewed Finance personnel involved with the payments that needed further explanation.

This audit was conducted in accordance with Government Auditing Standards as implemented by the House Office of Inspector General Policies and Procedures.

### **Internal Controls**

Since this audit built upon the 2001 Financial Statement Audit conducted by the contractor, Cotton and Company, LLP, we relied on their evaluation of the internal controls as reported in the Independent Auditor's Report on Internal Controls, *Audit Of The Financial Statements For The Year Ended December 31, 2001* (Report No. 02-HOC-06, October 10, 2002).

### **Prior Audit Coverage**

Two recommendations contained in two prior audit reports were followed-up during the audit. They addressed the need for the CAO to (1) develop a financial management plan and (2) identify instances where initiating offices have possession of vendor invoices that have not

been submitted for payment to Finance. The CAO has completed corrective action on both of these recommendations. Information on these two recommendations is contained in the exhibit to this report.

## **II. RESULTS OF REVIEW**

The House payment process of travel-related expenses needs improvement. The major problems identified in this area were duplicate payments and timeliness in submitting the vouchers for reimbursement. These problems exist because the House has not established an effective process to manage travel-related expenditures, and the *Members' Congressional Handbook* does not have a requirement with respect to timely submissions of vouchers for reimbursements. Improvements in the travel payment process would minimize the occurrence of duplicate payments and improve the ability of Member and House offices to keep track of their fund balances.

### **Duplicate Payments**

Duplicate payments may be defined as payments made for expenditures for which earlier payments were made. Finance has established procedures to prevent, identify, and recover duplicate payments. However, the process is very labor intensive.

During 2001, Finance identified 795 duplicate payments for travel-related expenses totaling \$139,708. These duplicate travel payments represent 43% of all duplicate payments identified and 20% of the dollar amount. In order to minimize duplicate travel payments and to save Finance and Member offices the labor-intensive task of identifying, researching, and recovering duplicate payments, the CAO should implement an automated travel vouchering system within the House. A travel vouchering system integrated with FFS (the House accounting system) would provide paperless vouchers for authorized travel payments made directly to the travel card company. In addition, a travel vouchering system could incorporate setting aside the expected travel-related funds when the trip is planned and reservations are made. Therefore, an automated travel vouchering system would streamline voucher processing, provide for better accountability and control, and reduce the potential for duplicate travel-related payments.

### **Timeliness**

We also found requests for travel-related reimbursement that were not submitted in a timely manner. Approximately 42% of the vouchers were submitted for payment 30 days or more after the trip was completed. For example, one staff member submitted receipts in 2001 for lodging that took place in 1998 while another submitted auto mileage that covered an entire year.

The *Members' Congressional Handbook* states "The Committee strongly recommends that Member offices submit their vouchers for travel reimbursements at least 15 days before the payment due date to assist the Office of Finance in providing timely reimbursements and prevent Members from incurring late fees or delinquency problems." To ensure a more timely submission of travel vouchers, a definitive standard (i.e. set number of days) could be established for when they are due after each trip. The number of days to set as the standard will need to

consider the House's calendar, travel history and payment cycles. Setting a standard, may provide a benefit to the House if it could assist Finance and enhance the ability of Member and House offices to avoid late fees, delinquency problems, and more accurately keep track of their fund balances. In addition, the establishment of an automated travel vouchering system could facilitate voucher processing.

### **Conclusion**

Overall, the payment process administered by Finance is functioning satisfactorily. However, our review found that the House payment process could benefit from improvements with travel-related payments in the areas of duplicate payments and timeliness of submitting vouchers for reimbursement. These problems exist because the House has not established an effective process to manage travel-related expenditures, and the *Members' Congressional Handbook* does not establish a requirement with respect to timely submissions of vouchers for reimbursements. Improvements in the travel payment and reimbursement process would minimize the occurrence of duplicate payments, improve the ability of Member and House offices to avoid late fees and delinquency problems, and more accurately keep track of their fund balances.

### **Recommendations**

We recommend that the Chief Administrative Officer:

1. Prepare a proposal for Committee on House Administration approval to implement an automated travel vouchering system within the House.
2. Perform a study to determine if establishing a time standard for submitting travel vouchers would provide a benefit to Member and House offices.

### **Management Response**

On June 27, 2003, the Chief Administrative Officer (CAO) concurred with the finding and recommendations contained in this report. In response to the first recommendation, the CAO has already received approval from the Committee on House Administration (CHA) to undertake a project intended to improve the travel services available to House offices. The project would be accomplished in two stages. Stage 1 will consist of a feasibility study to examine the specifics of the demand for travel services, comparing those requirements to the capabilities of the travel management marketplace, and a cost/benefit analysis for all viable alternatives. The results will be presented to the CHA for review and a decision on follow-up activities. Stage 2 will be the implementation of the alternative chosen. In response to the second recommendation, the CAO included in the travel management study the requirement to study the establishment of time standards for travel vouchers. Any resulting recommendations from the study will be forwarded to CHA by November 2003.

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

The actions taken by the Chief Administrative Officer are responsive to the issues identified. The actions taken with regard to the recommendations are adequate and these recommendations are considered closed.

### **III. OTHER MATTERS**

A potential exists for Members, House staff, and employees to simultaneously receive transit benefits and use a House parking permit which is contrary to the monthly certification contained on the *US House of Representatives Application for Washington DC Office Transit Benefits*. The Department of Transportation (DOT) provides the Sergeant at Arms a monthly hard copy report of transit benefits recipients. The December 2001 report included the names of 872 Members, House employees, and staff who receive transit benefits. By comparing the names on the report with the parking database, we found 51 duplications, or 5.85% of the recipients could potentially hold parking passes as well. It would be helpful if DOT would provide this monthly report in electronic format to the Office of House Garages and Parking Security (House Parking). If the CAO could obtain the monthly report of transit benefits recipients from DOT in an electronic format, it would facilitate House Parking's ability to compare DOT's report with the parking database. This comparison would identify anomalies to be researched.

#### **Management Response**

The Chief Administrative Officer has requested that the Department of Transportation (DOT) provide the House's *Monthly Report of Transit Benefit Recipients* in an electronic format that is compatible with existing House Systems. DOT has agreed to the request and began submitting the report in a compatible format to the House on March 31, 2003.

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

The actions taken by the Chief Administrative Officer are responsive to the issue identified. The action taken with regard to the suggestion is adequate and this issue is considered closed.

**Status Of Implementation Of Prior Audit Report Recommendations**

Audit Report/Recommendations	Implementation Status	Comments on Corrective Actions Taken And/Or Planned
<b>Audit Report No. 96-CAO-11, entitled <i>Opportunities Exist To Improve The House's Payment Process</i>, dated December 16, 1998:</b>		
A.3. Use FFS reports depicting receiving information to identify instances where initiating offices have possession of vendor invoices that have not yet been submitted for payment to Finance.	Closed	The CAO is using Procurement Desktop Document Direct reports to identify the invoices that have not been submitted for services or products that have been
<b>Audit Report No. 98-CAO-19, entitled <i>Significant Improvements In The Management And Operations Of The Office Of The Administrative Officer</i>, dated December 16, 1998:</b>		
A. Develop a financial management plan, including a needs analysis/requirements definition and a BPR analysis, to address the House's financial management goals, objectives, and needs on a comprehensive and long-term basis.	Closed	The CAO has prepared a plan to replace financial system. The Project Definition Document is dated May 2002.

James M. Eagen III  
Chief Administrative Officer

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

**TO:** Steve McNamara  
Inspector General

**FROM:** Jay Eagen  
Chief Administrative Officer

**SUBJECT:** Response to Draft Audit Report - House Payment Process

**DATE:** JUN 27 2003

Thank you for the opportunity to review and comment on your draft audit report on the House payment process, forwarded to us by your memorandum of January 7, 2003. We have reviewed the report's two recommendations and are in general agreement with both. Our comments on each of the recommendations are provided below.

**Recommendation 1:** Prepare a proposal for Committee on House Administration approval to implement an automated travel vouchering system within the House.

**CONCUR.**

The CAO has received approval from the Committee on House Administration to undertake a project intended to improve the travel services available to House offices. The project is being accomplished in two stages. Stage 1 is a feasibility study, examining the specifics of demand for travel services and comparing those requirements to the capabilities of the travel management marketplace. At the completion of Stage 1, cost/benefit analyses for all viable alternatives will be presented to the Committee on House Administration for review and a decision on follow-up activities. Stage II would be implementation of the alternative chosen.

The CAO believes we have taken appropriate steps to close this recommendation.

**Recommendation 2:** Perform a study to determine if establishing a time standard for submitting travel vouchers would provide a benefit to Member and House offices.

**CONCUR.**

The travel management study referenced in the CAO response to recommendation 1 will study the establishment of time standards for travel vouchers. The study is scheduled to be completed and any resulting recommendations forwarded to the Committee on House Administration by November 2003.



**Other Matters**

**Suggestion:** It would be helpful if the Department of Transportation (DOT) would provide an electronic report to the Office of House Garages and Parking Security (House Parking). The CAO should obtain from DOT the monthly report of transit benefits recipients in an electronic format that would facilitate House Parking's ability to compare DOT's report with the Parking database.

**CONCUR.** The CAO has requested that the Department of Transportation (DOT) provide the House's *Monthly Report of Transit Benefit Recipients* in an electronic format that is compatible with existing House systems. The Department of Transportation has agreed to the request and began submitting the file in a compatible format to the House of Representatives on March 31, 2003.