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Office of Inspector General
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Before the House Subcommittee on Legislative Branch Appropriations

Chairman Crenshaw, Ranking Member Honda, and Members of the Subcommittee, I am both pleased and honored to appear before you today in my capacity as Inspector General of the U.S. House of Representatives (House). Thank you for this opportunity to highlight the important work of the Office of Inspector General (OIG).

The OIG was established by the U.S. House of Representatives during the 103rd Congress to conduct periodic audits of the financial and administrative functions of the House and of joint entities. Over the past 18 years, the OIG has added value by working closely with the Committee on House Administration and House Officers to improve the operations of the House, to reduce inefficiencies, and to minimize costs. In addition to providing traditional audit and investigative services, the OIG also provides proactive analysis and guidance in the improvement of House operations through its management advisory services.

The OIG also plays a leading role in educating individuals on the use of Lean Six Sigma at the House and other Legislative Branch entities. Lean Six Sigma is a globally recognized methodology for identifying waste and inefficiencies; streamlining, monitoring, and controlling processes; and setting the stage for continual improvement. In 2011, the OIG facilitated the training of 16 non-OIG House staff members who will be able to utilize these new skills to help improve Legislative Branch operations.

In the FY 2012 appropriations language, this subcommittee asked Legislative Branch entities to convert to a zero-based budgeting methodology for FY 2013. The OIG used this opportunity to thoroughly review its programs and historic budget expenditures and to strategically align personnel, contracting, equipment, and administrative budgets to the associated programs within the OIG. Although the OIG has been operating under a self-imposed flat budget since FY 2010, the OIG has proactively reduced its overall budget request by 7 percent for FY 2013. The largest cuts included a 20% reduction in our contract budget, a 36% reduction in supplies and materials, and a 33% reduction in travel-related costs for training. Because of training investments made in our staff and efficiencies gained in automating many of our internal processes, we are able to reduce the OIG budget without adversely impacting our ability to accomplish our core mission and functions.

Last year, this subcommittee asked the House Officers to report back on their operations as they relate to diversity and recruitment. The OIG continues to carry out its Diversity Plan. The OIG plan addresses the benefits of diversity in the workplace, the challenges in developing a diverse workplace, and outlines specific strategies and goals with measurable steps to successfully build a diverse workforce and work environment. The OIG executes proactive recruitment efforts to

solicit qualified candidates from a broad range of racial, cultural, and industrial backgrounds. Consistent with our view that diversity enriches the work environment and our staff, the OIG is participating in the Congressional Internship Program for Individuals with Intellectual Disabilities. The OIG is also establishing a Volunteer Educational Program to provide young people with an opportunity to gain first-hand knowledge and experience in the audit, advisory, and investigative career fields.

Currently, the OIG has 23 ongoing audits, advisories, and investigations in various stages of completion. The OIG staff consists of twenty-four experienced and dedicated professionals, all of whom possess advanced degrees, one or more professional certifications, and extensive public or private sector work experience.

Highlights During the First Session of the 112th Congress

The OIG's objective, value-added reviews have helped to significantly improve House financial management, administrative processes, workplace safety and security, the security of House data, and the information technology infrastructure. During the first session of the 112th Congress, the OIG issued 19 reports and other products that spanned the diverse range of services it offers including financial, performance, and information systems auditing services; management advisory services; and investigative services.

Financial Auditing Services. Financial audits review the effectiveness and efficiency of House financial operations. A major portion of this effort involves the oversight of an independent, external certified public accounting firm's annual audit of the House Financial Statements. The House is in the process of wrapping up the FY 2011 report where the external auditors have found the financial statements were presented fairly in all material respects, in conformity with generally accepted accounting principles. This is the fourteenth consecutive year the external auditors have expressed an unqualified (or "clean") opinion on the House's financial statements. This is especially significant because the House also implemented a new core financial system. Financial system conversions are the leading cause for loss of a clean opinion on financial statements and internal controls over financial reporting. After receiving an adverse opinion on internal controls over financial reporting in the FY 2009 and FY 2010 financial statements, the House will also receive an unqualified opinion on its internal controls over financial reporting in the FY 2011 financial statements. This is the result of a significant effort by the Office of the Chief Administrative Officer (CAO) to implement a comprehensive internal controls program which has considerably improved the processes and controls over financial management of the House.

Performance Auditing Services. Performance audits evaluate the efficiency and effectiveness of the House administrative functions and the adequacy of internal controls over these functions, to include benchmarking these functions against "best business" practices. We performed a variety of performance audits to assist the House in improving the efficiency and effectiveness of House administrative operations. For example, to help ensure the security of House offices' and staff's personally identifiable information, we reviewed the controls over this data at the Sergeant at Arms. Effective controls over personally identifiable information helps ensure this data is protected from disclosure and reduces the likelihood of misuse or abuse. We also accomplished multiple reviews of the CAO's acquisitions management processes to ensure the

House was receiving the goods and services for which it had contracted. Effective acquisition management processes and procedures, including adequate oversight of contractors, are essential to ensure the House receives the best value for the goods and/or services for which it has contracted. We also performed a House-wide review of the controls over contractor background checks to ensure that security and screening policy and procedures that pertain to obtaining contractor services are effective and consistently applied. The use of contractors to perform certain functions often provides substantial benefits; however, there are risks associated with using contractor personnel that have not been subjected to background checks. These risks include, but are not limited to, potential damage of House facilities and records and jeopardizing the health, safety, and welfare of Members and House staff.

Information System Auditing Services. The OIG conducts information systems audits of computer security, operating systems, information systems, network hardware and software, and the information resources management function in the House. These audits assess the confidentiality, integrity, and availability of House information resources and evaluate the adequacy and effectiveness of House policies and procedures related to information systems. For example, we reviewed key controls of Active Directory, a service built into Microsoft Windows that stores information about users, devices, and resources on a network, to ensure that only authorized users can access House systems and resources. We also reviewed the controls over the use of Peer-to-Peer (P2P) software, also known as file-sharing software. Peer-to-Peer software is distributed over the Internet; therefore, there are associated security risks that if not adequately mitigated, could ultimately place House data at risk of unauthorized disclosure, disrupt Member or House operations, or cause embarrassment to the House. This audit evaluated whether the CAO had sufficient controls in place to mitigate risks related to Peer-to-Peer software usage on the House network. We also evaluated risk mitigation strategies for video-conferencing software. Another example includes our House-wide review of the controls over software licensing to evaluate the adequacy and effectiveness of House policies and procedures over software asset management. Management of software licenses is an essential activity to ensure that licenses are purchased, installed, and retired from use in a cost-effective, efficient manner.

Management Advisory Services. In the advisory services area, the OIG continues to assist the House to identify ways to improve the effectiveness and efficiency of House processes and operations. Historically, advisory services have included work in the areas of emerging technology, systems development, business process improvement, and risk management. During the first session of the 112th Congress, examples of our advisory projects included examining the CAO's plans for enhancing House financial systems, enhancing and standardizing record retention practices, improving House payroll operations, and assisting the CAO with their expansion of the House Procurement Card program.

House Financial Systems. Having recently completed its implementation of PeopleSoft, the CAO plans to increase the functionality and capabilities of the new House financial system to better meet the needs of the House community. As the CAO moves forward, the OIG has recommended that the CAO revisit and monitor strategic goals and objectives, continue to strengthen communication between business owners and users, and assess resource utilization when planning to reduce risk and increase the likelihood of success.

Records Retention Practices. The House Officers are independent organizations that store and dispose of records on a routine basis. The goal of a records management program should be to keep records long enough to meet both the needs of the House and the applicable statutory and policy requirements, but not to the extent that they exceed the necessary retention period. The OIG identified a number of best practices and provided the House Officers with a series of recommendations that when implemented will provide greater consistency and improve the efficiency of these programs at the House.

House Payroll and Benefits Operations. The OIG also engaged with the Payroll and Benefits organization in the CAO to identify opportunities to improve the effectiveness and efficiency of payroll and benefits administration for the House. Payroll is the largest portion of the House operating budget. We performed an analysis of payroll and benefits best practices of several external payroll and benefits processing third party administrators, reviewed the current House payroll and benefits functions, and identified several opportunities for improvement in the administration of House payroll that would both increase internal controls and also reduce the risk of incorrect payments.

House Procurement Card Program. As the CAO works to expand the usage of procurement cards at the House, the OIG has been proactively working with the CAO to help ensure policies and procedures are clearly defined, training and communications materials address important requirements needed to effectively manage risks, and the House achieves the maximum possible process improvement benefits through the expanded use of these tools. In addition to meeting with a number of Member offices that were part of the initial pilot, the OIG has continued to provide the CAO with recommendations on process improvements as well as on their training and communications efforts.

Investigative Services. Generally through the result of audit outcomes, advisory activity, or anonymous tips, the OIG, in coordination with the Committee on House Administration, executes investigations into sensitive allegations of fraud, waste, and abuse in the administrative operations of the House. During the first session of this Congress, in addition to responding to anonymous tips and conducting other investigations and inquiries, the OIG also coordinated a fraud awareness educational outreach campaign to protect offices against unscrupulous vendors. The OIG coordinated these efforts with the CAO and the Office of General Counsel to implement controls to protect House offices. As a result of these efforts, there has been a significant decrease in the number of these attempted fraud occurrences by unscrupulous vendors.

Focus for Second Session of the 112th Congress

A number of important challenges face the House during the 112th Congress. The OIG continues to do its part to contribute to a more effective and efficient House support structure by identifying and helping to mitigate significant risks to the House and highlighting opportunities for improving the efficiency of House operations. Some of these include: (1) ensuring sensitive data is protected from disclosure over information systems, mobile computing devices, and virtual server environments; (2) reviewing policies and procedures to assess the financial controls over funds received and receipt of payments due to the House; (3) reviewing policies and procedures to determine their adequacy and effectiveness in the recovery of crucial House

systems following disasters, and the efficiency of security operations and controls; and (4) streamlining administrative support functions and optimizing efficiencies by leveraging best practices in emergency communications, warehousing and storage, zero-based budgeting methodologies, and documenting and sharing best practices in office administration for Member Offices.

Preventing Data Disclosure. As technologies change and efficiencies are gained by consolidation and virtualization, the House needs to be able to identify and mitigate information systems security risks. Mobile computing and virtualized server environments, as well as use of new media applications pose risks to information security and if not implemented with effective controls could result in data disclosure and unauthorized access. The OIG plans to perform several reviews that will evaluate the House's ability to identify and mitigate data disclosure vulnerabilities. In addition, the OIG is wrapping up an advisory effort looking at the data security risks that exist within the operations of individual Member Offices and Committees. The OIG will outline potential strategies that could be leveraged to reduce data disclosure risks.

Review of Financial Controls. The annual independent audit of the House financial statements will be conducted for FY2012's statements during FY2013 to determine whether the financial statements, including accompanying notes, present fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles, the House's assets, liabilities, and net position as of the end of the fiscal year. In addition, the OIG will audit the controls over accounts receivable to determine whether implemented policies and procedures ensure collection of accounts receivable balances. In addition, part of another review will focus on the financial controls over tuition collected for children enrolled at the House Child Care Center.

Adequacy and Effectiveness of Policies and Procedures. Policies and Procedures are the strategic link between an organization's mission and its day-to-day operations. We plan to review the controls over operations of the Sergeant at Arms Security Office to evaluate the effectiveness of their policies and procedures used to safeguard classified information and for obtaining security clearances for House employees. The OIG also plans to evaluate the effectiveness of the CAO's policies and procedures for protecting personally identifiable information to help ensure the security of House offices' and staff's personally identifiable information. To complete the House-wide reviews of the disaster recovery plans, policies, and procedures, the OIG will review the Sergeant at Arms Disaster Recovery Plan to determine whether it is adequate, effective, and will support the prompt recovery of crucial House functions and IT facilities in the event of a major failure or disaster.

Streamlining Administrative Support Functions. The OIG plans to conduct a number of advisory services projects to help the House optimize and gain efficiencies in administrative processes by leveraging best practices or identifying new ways of increasing the effectiveness of House operations. For example, the OIG is in the process of examining the CAO furniture warehousing process to identify opportunities to reduce storage utilization and costs while also optimizing furniture deployment practices at the House.

The OIG will also examine the House Officers' zero-based budgeting methodology to determine if improvements in the approach and tools can be developed to better prepare and guide the

House Officers through the formulation of budgets and spending plans. In addition, the OIG is also working to develop standard cost/benefit models with consistent criteria that will allow House decision-makers to effectively compare proposed projects and programs.

During the second session, the OIG will also conduct a “Member Office Administration Better Practice Study” with the goal of having better practices documented and shared. Member offices are likely employing different tools and processes to administer their financial and human resource functions. Some offices may have developed efficient and effective procedures that, if documented and shared, could help improve the overall House efficiency and effectiveness. Consolidation of better practices for potential use by Member offices could result in better toolsets, more standardized practices, and more efficient and effective processing of administrative tasks.

In the coming year, the OIG will also conduct an advisory review of office emergency communications and coordination. The OIG will review and advise on the education of Office Emergency Coordinators, the dissemination of emergency communication protocols through the coordinators to their offices, the effectiveness of the emergency communications testing process, and the coordination of emergency communication responsibilities across the multiple entities involved.

I believe that the OIG’s proactive, value-added audit, advisory, and investigative services will continue to help shield the House from significant financial losses, damage to the House’s reputation, and delays and disruption to House financial and administrative operations.

FY 2013 Budget Request

The OIG’s FY 2013 budget request calls for total funding of \$4.692 million, a self-imposed decrease of (\$353,000) or 7 percent below the FY 2012 appropriation. This amount includes \$3.371 million in mandatory items associated with current staff; \$1.321 million for non-personnel expenses necessary to fulfill the OIG’s primary mission of providing audit, advisory, and investigative services, which includes contract funding for the annual independent audit of the House Financial Statements and specialized subject matter experts to support the wide-range of information security and technology engagements and management advisories handled by our office

Chairman Crenshaw, I wish to thank you, Ranking Member Honda, and the Members of the Subcommittee for this opportunity to present the work of the OIG and its FY 2013 budget request. The OIG looks forward to continuing our role of providing value-added advice and counsel to House Leadership, the Committee on House Administration, House Officers, and joint entities of the House as we focus on issues of strategic importance to the House and its ability to efficiently and effectively conduct its operations in accordance with best business practices. We are proud to be able to serve the People’s House in this way. I would be happy to answer any questions you may have.