

**Statement of James J. Cornell, Inspector General
Office of the Inspector General
U.S. House of Representatives**

**Before the Committee on House Administration
May 21, 2008**

Chairman Brady, Ranking Member Ehlers and Members of the Committee, I am both pleased and honored to appear before you today in my capacity as the Inspector General of the House.

My office plays a vital role in helping to ensure integrity and identify opportunities for improvement in our House financial and administrative processes. In the past few months, we have completed work on several initiatives that have revealed significant deficiencies in the controls over shared employees. Shared employees fulfill a legitimate need. They provide technical expertise in the areas of finances, information technology (IT), or general office administration through part-time positions. Recently, we identified 51 shared employees that were on the payroll of at least three and up to fourteen offices each. Their availability allows congressional offices to meet their support needs without having to hire full-time personnel with the requisite skills and experience. However, through our audit and investigative work, we have found three major areas where the current controls over the practices of shared employees are either unenforced or weak and in need of significant improvement. If not addressed, these control weaknesses place congressional offices at significant risk of illegal or other improper activity occurring within their financial and administrative functions.

The first of the three areas of control weakness with shared employees is inadequate oversight over their activities. In most instances, they have all the freedom of a vendor and all the benefits of an employee, without the accountability one would expect with an employee. Current practices do not provide for other office staff to review their day-to-day work, ensure they attend appropriate training, or stay current on House policies and procedures. Congressional offices may know their shared employee works for other offices, but they do not know how many or which ones. Therefore, they can not determine if there are conflicts of interests within the functions performed or with the other offices served. We identified seven financial shared employees that were employed by ten or more offices and eight IT shared employees that were serving as system administrators for eleven or more offices. In both disciplines, a few served both Majority and Minority offices simultaneously. Under current practices, the work schedules of shared employees are also not monitored; most of them are paid a flat monthly fee by the offices regardless of the time and effort expended. IT shared employees with administrator rights present additional risk in that they often have access to multiple offices' data outside of both the oversight of other congressional office staff and the visibility of House security personnel. Each of these factors points to an inappropriate employer/employee relationship.

A second area where controls over shared employees need significant improvement is having mechanisms in place to ensure that the practices of this small group of personnel are in compliance with current laws and House rules.

- Subletting or passing work to another individual not employed by the Member office violates US Code and House rules. A growing number of shared employees are working in illegal teaming arrangements where they pass the work off to other shared employees not on the payroll of the congressional office they are serving. For example, three members of one financial shared employee team each work on the finances of 15 offices. However, one of the team members is only officially on the payroll of three of the offices. Six IT shared employee teams have members with administrator rights to multiple offices they are not employed by. One such team member has administrator rights to 28 congressional offices but is only on the payroll of ten offices. We suspect that many of these employees we identified may not even know this practice violates current law and associated rules.
- Telecommuting, without an approved telecommuting plan detailing the procedures to be followed, violates House rules. Working in a commercial or any unapproved personal space, in addition to violating House rules, may also place congressional offices at risk for workers compensation and Congressional Accountability Act claims.
- Storing official House documents off site, a common practice amongst the financial shared employees we interviewed, violates the guidance provided in the Model House Employee Handbook and increases the risk of sensitive information being lost, mishandled, or inappropriately shared with others.
- Using their House positions and access as a means to market their outside employment interests to the congressional offices is another practice of some shared employees that could be a violation of the House Ethics Rules. Some shared employees can also log into Document Direct; a system not available to House vendors. This access to internal House vouchers and other privileged information could create an unfair practice, since some shared employees are also House vendors.

The absence of compliance with the existing laws and House rules in each of the above stated areas has occurred, in part, because of the lack of adequate attention to building in controls over the practices of employees serving multiple offices. The Government Accountability Office has noted that internal controls serve as a defense for preventing and detecting violations of laws and regulations and preventing abuse.

Ensuring adequate separation of duties is the third area of control that needs significant improvement. We identified several IT shared employees serving as system administrators for multiple offices, who are set up as the only person to be alerted or notified if questionable activity occurs within the office IT systems they are servicing.

Basically, without another staff member being included in the alert group, a shared IT employee could violate the confidentiality, availability, and integrity standards by inappropriately sharing, deleting, or changing data without anyone knowing.

In the financial arena, we found in most instances the shared employees were authorizing purchases they initiated and approving financial reports on the items they recorded. Some shared employees routinely provided office approval for reimbursements to themselves, entered the transactions into the office accounting system, prepared the monthly financial reports, and kept the records of the individual transactions. Any congressional office with inappropriate separation of duties in their financial functions and inadequate compensating internal controls is operating in an environment conducive to fraud. I cannot stress enough the need for offices to examine their internal operations and practices to ensure they are operating with the appropriate controls.

Through our audit work, we uncovered a fraud perpetrated by a shared financial administrator who provided services for three Member offices. In each of her offices, this individual performed the full range of financial services without any other Member office staff reviewing or approving her work. Through manipulation of the trust misplaced in her and the excessive authority she was granted, she defrauded the three offices of more than \$169,000. In another ongoing investigation, we found a second financial administrator who was paid for thousands of dollars of improper expense reimbursements and bonuses that were self-approved and resulted in improper payments.

The three areas of control weaknesses we have identified work together to create an environment that presents significant risk to the integrity of our House financial processes and the congressional offices' ability to properly execute their fiduciary responsibilities. To address them, we recommend that the Committee take steps directly or through the Chief Administrative Officer (CAO) to:

- Explore options for augmenting House provided financial services to Member and Committee offices that will both enhance the control environment and reduce the administrative burden on the individual offices.
- Develop *Official Guidelines for Shared Employees* that address specific employment limitations and conditions based on current employment laws, House rules, policies, and other CHA guidance. All shared employees should sign an acknowledgement that they have read and agree to abide by the guidelines.
- Prohibit shared employees from serving as both House employees and vendors to the House. We found this to be especially troubling with IT shared employees who generally have administrator rights and access to all records for the Member offices they are employed by or otherwise set up to service.
- Have the Chief Administrative Officer of the House provide Member and Committee offices with quarterly reports identifying the full scope of employment for all of their shared employees. This will allow them to make any staffing adjustments they deem appropriate due to incompatible interests or excessive workload.

- Require shared employees to file Financial Disclosure statements, regardless of House compensation earned. In addition, depending on the nature of their functions, background investigations may be appropriate. These steps will help the House identify potential conflicts of interest and avoid undue risks.
- Review and update, as appropriate, the content of the New Member Orientation, especially as it applies to shared employees.
- Lastly and perhaps most importantly, advise Members to utilize separation of duties internal controls in their office's financial functions and provide them examples of what has happened when controls have not been in place.

Mr. Chairman, I wish to thank you, Congressman Ehlers, and the Members of the Committee for this opportunity to address some specific and significant control weaknesses we have found during the course of our recent work. We look forward to continuing our role of providing value-added advice and counsel to the Committee, House Officers, and joint entities of the House, as we focus on issues of strategic importance to the House. At this time, I would be happy to answer any questions you may have.