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REPORT BY THE

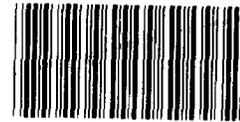
Comptroller General

OF THE UNITED STATES

Improper Accounting For Costs Of Architect Of The Capitol Projects

GAO reviewed the validity of charges to the Architect of the Capitol's appropriations for modifying and enlarging the Capitol Power Plant. The analysis confirmed that some of the funds appropriated for the power plant project were used to help finance the installation of a security system on Capitol Hill. GAO expanded its review and found that incorrect charges were also made to other appropriations.

The use of appropriations to finance projects and activities for which they are not intended is illegal and results in the Congress being provided inaccurate information regarding the use of such funds and the cost of Capitol Hill construction projects.



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PLRD-81-4
APRIL 13, 1981

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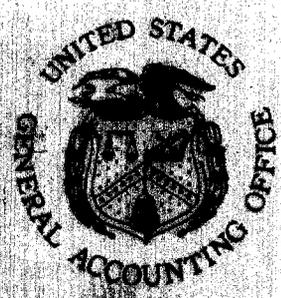
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202020

The Honorable George M. White
Architect of the Capitol

Dear Mr. White:

As part of an overall review of the Architect of the Capitol's (AOC's) construction activities, we analyzed various AOC construction projects, including the project to modify and enlarge the Capitol Power Plant. In testing the charges to the modifications project's appropriations, we found that the appropriations were being charged for work done on other projects, primarily the project to install a security system on Capitol Hill.

The use of appropriations for projects and activities for which they are not intended is a violation of 31 U.S.C. 628, which states, in part, that appropriations "shall be applied solely to the objects for which they are made, and for no other." Further, the improper charging of appropriations results in the Congress being provided inaccurate information regarding the AOC's use of funds and the cost of Capitol Hill construction projects.

When we first brought our preliminary findings to your attention, officials from your Office acknowledged that there had been some incorrect charges and certifications to the modifications project's appropriations. However, they claimed that it was on a much smaller scale than our report indicated. Specifically, they agreed that the cost of 12 manholes had been charged against the modifications project's appropriations, even though they were for installation at the power plant as part of the Capitol Hill Security System Project. The officials also acknowledged that certain electronics technicians who had worked at the power plant location had spent at least part of their time working on the security system project, even though their salaries had been charged against the modifications project.

In our subsequent audit work, we did not attempt to identify every improper charge involving the modifications and security system projects. Nor did we attempt to identify all the other projects and appropriations that have been improperly charged. Rather, because of the time and effort that would have been involved in examining such a large number of transactions, we concentrated our efforts on (1) verifying the accuracy of our preliminary findings and (2) identifying enough examples to show that the improper charges were not limited to the modifications and security system projects.



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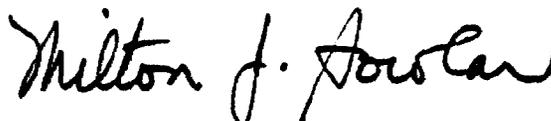
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Because of the recent nature of the corrective actions cited in your November 3, 1980, letter, it is too soon to evaluate their effectiveness in preventing or curtailing further erroneous charging of appropriations. We would point out, however, that no amount of accounting procedures or project controls will prevent the improper charging of appropriations. Concurrent with the establishment of adequate controls is the need for commitment by the responsible officials to diligently uphold and maintain the integrity of the appropriation process.

Because of the significance of the problems we found and their potential impact on the Congress' need for reliable and accurate information on the AOC's charges to appropriations, we are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations; Subcommittees on Legislative Branch of the House and Senate Committees on Appropriations; Senate Committees on Environment and Public Works, on Rules and Administration, and on Governmental Affairs; House Committees on Government Operations, on House Administration, and on Public Works and Transportation; Joint Committee on the Library; House Office Building Commission; and Senate Office Building Commission. We will make copies available to others upon request.

Sincerely yours,

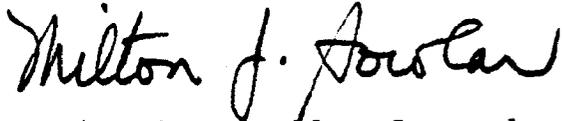
A handwritten signature in black ink that reads "Milton J. Fowler". The signature is written in a cursive, slightly slanted style.

Acting Comptroller General
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IMPROPER ACCOUNTING FOR COSTS OF
ARCHITECT OF THE CAPITOL PROJECTS

BACKGROUND

The basic purpose of the modifications and enlargement project is to increase (by using chilled water) the Capitol Power Plant's air-conditioning capacity. The enlargement will enable the plant to serve the new Madison Library and Hart Senate Office Buildings and to meet future needs resulting from additional Capitol Hill projects. The enabling legislation, the Second Supplemental Appropriations Act of 1973 (Public Law 93-50, 87 Stat. 109-110), specifically detailed the scope of the work for the project.

A total of \$30.6 million had been appropriated for the project through January 1981. As of December 1979, about \$22.8 million had been obligated against the project's appropriations: about \$20.7 million for contract work; about \$630,000 for in-house labor, materials, and equipment; and about \$1.5 million for administrative expenses.

At the February 1980 appropriation hearings, the Architect of the Capitol (AOC) estimated a potential surplus of \$1.6 million for the modifications project. Our analysis of the AOC's November 30, 1980, financial data for the project, however, shows that a surplus is no longer anticipated.

The Security System, Capitol Complex, was authorized by House Concurrent Resolution 550 (Sept. 19, 1972). It is supposed to consist primarily of three separate systems (video and motion detection, X-ray parcel inspection, and intrusion detection), plus a central control room. As of January 1981 the Congress had appropriated \$5.9 million for the project.

For fiscal year 1977 the AOC requested, and Congress approved, \$800,000 for security system work at the Capitol Power Plant. As of September 1979, the \$800,000 allotted for security system work at the power plant had a deficit balance of about \$6,700, while the entire \$5.9 million in appropriations for the Security System, Capitol Complex, had a balance of \$842.

The security system work at the plant evolved into two identifiable systems:

- A physical barrier (intrusion prevention system) consisting of a concrete wall with a chain link fence topped with barbed wire.
- A microwave detection/video confirmation system installed about 10 feet inside the physical barrier system.

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Security system at power plant

In June 1975 the AOC received a proposal from a consultant for a \$671,502 video surveillance system at the Capitol Power Plant as part of the Security System, Capitol Complex. AOC security engineering officials revised the consultant's proposal to \$900,000 to include modifications desired by the AOC. However, AOC officials stated that neither the AOC's estimate nor the consultant's proposal considered all security system site work ultimately done at the plant, particularly the work involving the physical barrier (wall/fence) system.

The AOC requested, and received from the Congress, \$800,000 for fiscal year 1977 for security system work at the Capitol Power Plant, as part of the Security System, Capitol Complex. However, due to the lack of a design and a quantity estimate in support of the \$800,000, the AOC was not able to start obligating the funds until May 1977. As a result, \$500,000 of the \$800,000 was reappropriated as no-year funds, with the \$300,000 remaining as fiscal year 1977 funds.

During June and July 1977, AOC personnel surveyed the Capitol Power Plant grounds to permit development of the plans for the perimeter wall/fence and microwave security systems and removed the stone and steel from the site.

On July 11, 1977, the AOC awarded a contract (ACbr-675) to a consulting firm to design the perimeter wall/fence and the line-of-sight capability necessary for installation of the microwave security system. The contract, which the AOC signed, specifically related the work and payments to (1) House Concurrent Resolution 550, (2) the law and committee report on the \$800,000 appropriated for security system work at the power plant, and (3) the security system account established under that appropriation.

By the close of fiscal year 1977, all but \$3,535.09 of the \$300,000 in fiscal year 1977 funds had been obligated, primarily for the removal of the stone and steel, design work for the wall/fence and microwave security systems, and purchase of equipment to evaluate the electronic surveillance design. In August 1977 the \$500,000 was reappropriated and used for obligations involving the wall/fence and microwave security systems and for building a storage and work shed.

In April 1978 AOC security engineering officials, concerned that only about \$245,000 of the \$500,000 of no-year money remained, purchased about \$130,000 of security equipment, some of which had not been delivered as of January 1981 because the AOC was not ready to install it. Also, during April 1978, AOC engineering personnel started altering purchase requisitions to charge the modifications project for costs actually related to the security system project.

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In March and April 1978 work began on the roadway to provide access for the work on the security system's perimeter wall/fence. Work was restarted in late June 1978, and the roadway was completed by late September 1978.

Although the roadway was completed in September 1978, charges against the roadway allotment continued until July 1979. In total, about \$243,000 was obligated against the roadway allotment. Our analysis of the allotment showed that most of the charges were for security system work done at the power plant.

We reviewed the \$243,000, item by item, with AOC construction officials, and found the following:

--Of the approximately \$73,000 in material purchases, only about \$12,000 was related to the roadway. The remaining \$61,000 was for security system work, including the 12 manholes, which AOC officials acknowledged in January 1980 were improperly charged to the modifications project.

--Of the approximately \$170,000 in labor charges to the roadway allotment, only about \$42,000 was for work done on the roadway. The remaining \$128,000 was for work done on the security system project.

Some specific examples of improper charges and other questionable actions are listed below:

--Although the April 1978 estimate showed a need for 141 cubic yards of concrete for the roadway, 514 cubic yards were purchased. In some cases, purchase requisitions were altered to charge the modifications project's roadway allotment instead of the security system project. AOC construction officials acknowledged that the bulk of the concrete was used on the security system's perimeter wall/fence.

--Originally, 12 manholes, costing \$7,459, were to be charged to the security system project. However, when the purchase requisition was prepared on June 20, 1978, the security system account had a balance of only \$4,730.62. The purchase requisition was altered to charge the manholes to the roadway allotment. AOC engineering officials acknowledged that the manholes were installed at the power plant as part of the security system project, and that charging their cost to the modifications project was improper.

--The April 1978 estimate anticipated rental of a loader for 3 days. Charges to the roadway allotment, however, showed that the loader was rented for a total of 66 days, including

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Electronics technicians'
salaries improperly charged

The modifications project provides for a central control system in the operations building to monitor and control the flow of steam and chilled water from the power plant. Between August 1978 and December 1979, about \$100,000 in labor costs for electronics technicians was charged against the central control system allotment of the modifications project. In discussing our preliminary observations with the Architect, an AOC security official acknowledged that the electronics technicians had spent at least "some of their time" working on the security system project at the power plant.

As of November 1979, no work had been done on the central control system for the modifications project. We verified this by two physical inspections in August and November 1979. The Director of the modifications project stated that the project was in "limbo" because the AOC had rejected the consultant's proposal. As of January 1981, the AOC had not yet decided what type of central control system should be installed.

Our analysis of labor charges for the electronics technicians showed the following:

- Beginning in September 1977, the electronics technicians were hired to work on the security system project. Four of the technicians worked continuously on the project until the spring of 1978, at which time two other electronics technicians and an administrative technician were hired.
- From September 1977 through June 1978, the technicians were paid from the security system's appropriations. (As of June 30, 1978, the security system account for the power plant had a deficit balance of over \$3,000).
- Starting with the biweekly payroll period beginning July 2, 1978, and continuing through August 12, 1978, the technicians' salaries were charged to the House Office Buildings - No Year appropriation.
- Beginning on August 13, 1978, the technicians' salaries were charged to the modifications project's central control system allotment. The salaries were continuously charged to this allotment through August 25, 1979, except for one electronics technician, whose salary, beginning on November 5, 1978, was charged against the annual appropriation for Salaries - Office of the AOC.
- Starting on August 26, 1979, the salaries of four more of the electronics technicians were charged to Salaries - Office of the AOC. The remaining electronics technician's salary continued to be charged against the modifications

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magnetic card typewriter, with 24 correctible ribbons and 4 typing elements, was charged to this account for \$8,892. The purchase requisition noted that the items were to be delivered to the AOC's Budget Office in the Capitol Building.

The AOC's Budget Officer confirmed that the machine was in his office, was being used by his secretary, and had never been used outside of his office. However, he was unaware that the cost of the machine had been charged to the administrative expense account of the modifications project.

We also found charges to other subaccounts, particularly the Drawings, Blueprints, Etc., subaccount, for items purchased for use by staffmembers who were not assigned to the modifications project.

Furniture and furnishings

Although the appropriations for the modifications project did not include specific line items for furniture and furnishings, AOC officials stated that \$40,000 of the \$30.6 million appropriated for the project could be used for furniture and furnishings.

As of September 1979, the AOC had obligated \$43,964.59 against the modifications project's appropriations for these items. Our analysis showed that \$25,778.89 (involving six purchase requisitions) of this amount was for items directly related to the security system project.

Specifically, we found that the security installation at the power plant contained a room fully equipped as a security system test and repair laboratory. Also, in the installation's main office area, we located a cabinet that provided lockable storage for security system parts and drawings. AOC security engineering officials confirmed that the furniture and furnishings for these two areas had been purchased with funds from the modifications project's appropriations.

Transfer of charges

As discussed previously, funds for the security system work at the power plant were originally appropriated as fiscal year 1977 money (\$800,000). In August 1977 \$500,000 of the \$800,000 was reappropriated as no-year money.

On May 22, 1978, the Director of Engineering sent a memorandum to the Accounting Division requesting the transfer of \$52,629 in charges from the security system's no-year account to the modifications project's account. On that date, the security system's no-year account (the reappropriated \$500,000) had a balance of \$71,420.65. However, AOC security engineering officials told us that, at that time, they knew they needed at least \$90,000 for necessary equipment purchases for the security system project.

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In an August 10, 1978, memorandum, 8 days after the proposed May 22, 1978, transfer was denied, the Director of Engineering requested the transfer of \$87,332.08 in weekly labor charges from the security system project to the modifications project. The funds supposedly represented all the weekly salary charges to the security system's no-year account through July 1, 1978. However, our analysis showed that the listing on the August 10, 1978, memorandum omitted the weekly payrolls of February 25, 1978, (\$1,065.60) and March 5, 1978 (\$1,369.92).

After the funds were transferred on August 14, 1978, the security system account went from a deficit balance of over \$3,000 to a positive balance of about \$84,000. However, by November 21, 1978, the account was back in a deficit balance of about \$6,600 primarily because of three large purchases.

Our analysis of the \$87,332.08 showed that the list included some items from the denied May 22, 1978, proposed transfer and labor costs related to items on that proposed transfer.

Some of the specific items on the Director of Engineering's August 10, 1978, memorandum that raised questions of propriety and validity included the following:

- Removal of stone and steel--\$15,423.36. This comprised five weekly payrolls in October and November 1977. The May 22, 1978, proposed transfer contained \$15,746 for the stone and steel removal. (See p. 10.) However, \$7,162 of that was for rental of equipment. Thus, the May 22, 1978, memorandum included only \$8,584 in labor charges for these two items. Further, the costs for moving these items were incurred in July 1977, not in October and November 1977. Also, they had been paid for out of the security system's fiscal year 1977 appropriation, not the no-year appropriation.
- Storage and work shed--\$9,071.78. On the May 22, 1978, memorandum, the cost of the shed was \$10,000, including \$7,500 for labor. However, by the time of the August 10 memorandum, the labor cost was increased to \$9,071.78, while the related costs for materials were excluded.
- The remaining salaries transferred (\$62,836.94) were supposedly for work on site improvements (\$41,123.83) and the roadway (\$21,713.11). We found that the majority of the salaries had actually been for work on the security system's perimeter wall/fence and for electrical work in the steam tunnel between the Cannon Building and the power plant. In the August 10 memorandum, the Director of Engineering admitted that the \$16,783 in labor costs for electricians he tried to transfer on May 22, 1978, (see

being denied because the six items were proper security system project costs.

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After the funds were transferred on August 14, 1978, the security system account went from a deficit balance of over \$3,000 to a positive balance of about \$84,000. However, by November 21, 1978, the account was back in a deficit balance of about \$6,600 primarily because of three large purchases.

Our analysis of the \$87,332.08 showed that the list included some items from the denied May 22, 1978, proposed transfer and labor costs related to items on that proposed transfer.

Some of the specific items on the Director of Engineering's August 10, 1978, memorandum that raised questions of propriety and validity included the following:

- Removal of stone and steel-\$15,423.36. This comprised five weekly payrolls in October and November 1977. The May 22, 1978, proposed transfer contained \$15,746 for the stone and steel removal. (See p. 10.) However, \$7,162 of that was for rental of equipment. Thus, the May 22, 1978, memorandum included only \$8,584 in labor charges for these two items. Further, the costs for moving these items were incurred in July 1977, not in October and November 1977. Also, they had been paid for out of the security system's fiscal year 1977 appropriation, not the no-year appropriation.
- Storage and work shed-\$9,071.78. On the May 22, 1978, memorandum, the cost of the shed was \$10,000, including \$7,500 for labor. However, by the time of the August 10 memorandum, the labor cost was increased to \$9,071.78, while the related costs for materials were excluded.
- The remaining salaries transferred (\$62,836.94) were supposedly for work on site improvements (\$41,123.83) and the roadway (\$21,713.11). We found that the majority of the salaries had actually been for work on the security system's perimeter wall/fence and for electrical work in the steam tunnel between the Cannon Building and the power plant. In the August 10 memorandum, the Director of Engineering admitted that the \$16,783 in labor costs for electricians he tried to transfer on May 22, 1978, (see

While the November 1977 memorandum anticipated the replacement of these funds through a supplemental appropriation in April or May 1978, actual replacement did not occur until September 8, 1978, with enactment of Public Law 95-355, Supplemental Appropriations Act, 1978. Then, the funds were restored as no-year funds due to the nearness of the close of the fiscal year. As of December 1979 the AOC's accounting records showed a balance of \$144,050.38 remaining in the account.

As a consequence of the reprogramming, costs which normally would have been charged to the allotments from which funds were reprogramed were charged to other allotments under other appropriations. For example, costs which normally would have been charged to the fiscal year 1978 security maintenance money were charged to the security system project's \$500,000 no-year money.

Because of our analysis of equipment purchases charged against the \$500,000 no-year security system appropriation, certain purchases were identified which were not related to security system work at the power plant. The purchases appeared to be more related to maintenance activities.

AOC security engineering officials acknowledged that they had charged maintenance work to the security system project's no-year account because of the reduced maintenance funds resulting from reprogramming the \$258,700. The officials told us that they had intended to replace the funds with the supplemental appropriation but had neglected to do so. When we inquired, the same officials said they had kept no separate accounts or other records of the scope of such charges. The officials also said that the AOC's Director of Engineering authorized them to charge maintenance costs to the security system project.

As a result of our work, the AOC's security engineering staff was able to identify \$89,403.27 in maintenance costs that had been charged to the security system project's no-year money. Of this, \$9,475 should have been charged to the House Office Buildings - No Year account. The remaining \$79,928.27 was for purchases that should have been charged against the fiscal year 1978 security system maintenance money.

On March 13, 1980, the AOC's engineering staff requested the accounting department to transfer \$69,824.27 in charges from the security system's no-year account to the no-year maintenance money appropriated in September 1978. For the balance of the charges--\$10,104--the officials stated that the Director of Engineering had decided not to include these items because of a consensus that they could have been purchased from either source of funds. Subsequently, a memorandum transferring the \$9,475 in charges to the House Office Buildings - No Year account was prepared and approved.

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The Administrative Assistant to the Architect explained that the \$930,000 probably was used for the other parts of the security system (video/motion detection and parcel inspection). He said that there was no reprogramming action, nor were the Committee on House Administration or the Senate Committee on Rules and Administration informed, since the AOC had the authority to use these funds on any part of the security system project.

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(Public Law 93-50) 1/ itemized the 16 specific elements comprising the project. The law contains no provision for constructing the perimeter wall/fence (physical barrier system), nor does it contain a general category--site development, etc.--that could be construed as including this type of construction. The only wall specifically provided for in the law--a noise abatement wall along one side of the power plant property--was later eliminated from the modifications project.

The available evidence clearly supports that the perimeter wall/fence was and is part of the Security System, Capitol Complex. Page 3 describes how, after receiving the \$800,000 for the security system work at the power plant, AOC personnel surveyed the site and removed the stone and steel. This work, done under the specific authorization of the Director of Engineering, was charged to the Security System, Capitol Complex.

On July 11, 1977, a contract for the design of the perimeter wall/fence was awarded. As stated in the contract, its purpose was for the "design of uniformly sloped ground surfaces, including all necessary structural elements, for the grounds of Capitol Power Plant so as to permit the installation of electronic surveillance equipment for this facility." (Underscoring added.)

Regarding authorization for the work and payment, the contract, which was signed by the AOC, specifically stated that

- it was authorized under the law 2/ that appropriated the \$800,000 for security system work at the power plant,
- the basic authorization came under House Concurrent Resolution 550 (the resolution that authorized the security system for the Capitol Complex), and
- the cost was to be charged against the account established for the \$800,000 appropriated for the security system work at the power plant.

We also verified the purpose of the perimeter wall/fence with the consulting firm awarded the design contract. The partner who did the actual design stated that the purpose of the work done was to prepare the power plant site to provide the line-of-sight capability necessary for installation of the electronic microwave system.

The AOC's position on the perimeter wall/fence is that the wall/fence is strictly part of the modifications project. On the

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construction officials, directed that the costs for the subject work (starting with the removal of the stone and steel and continuing through the construction of the perimeter wall/fence) be charged to the security system project. Considering the levels from which the directions for charging the costs emanated, it is difficult to imagine any confusion on the part of the operating officials.

- In November 1977 the Director of Engineering learned of the scope and continuing nature of the alleged erroneous charges when he requested an accounting of project costs. However, no AOC official started efforts to rectify the alleged erroneous charges until the known costs to purchase equipment for the security system project exceeded the available funds.
- The AOC's comments failed to mention the first attempt to transfer charges from the security system project to the modifications project. The AOC Accounting Director denied the proposed May 1978 transfer of \$52,629 because the charges (involving six items) were proper security system costs. Four of the six items had been charged to the security system's fiscal year 1977 appropriation, an appropriation that expired 8 months before the proposed transfer. One other item involved charges to an appropriation unrelated to either the security system or modifications projects. (See pp. 10 and 11.)
- The August 1978 transfer request occurred 8 days after the proposed May 1978 transfer was denied. As discussed on pages 11 and 12, the August 1978 transfer included numerous deficiencies, such as some items from the denied May 1978 proposed transfer and labor costs related to items on that proposed transfer. Also, contrary to the AOC's contention, no material charges were included in the August 1978 transfer.

On page 33, the AOC states that our "report infers that the corrections involved the Security System annual account and the Modifications and Enlargement No Year account. Since the annual funds had expired, no effort was made to transfer charges in those funds."

Our report does not infer that the August 1978 transfer involved the security system's annual account. Rather, we relate the annual account to the proposed May 1978 transfer. At that time, attempts were made to transfer four items (see p. 10) from the security system's expired fiscal year 1977 annual account to the modifications project's no-year account.

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Our analysis

We stated (see p. 1) from the start that the \$800,000 allotment for security system work at the power plant was part of a total of \$5.9 million in appropriations for the Security System, Capitol Complex. We did not claim there was a deficit balance in the total appropriations.

However, it should be noted that a deficit balance in the total appropriations was avoided only because of the improper charges to the modifications project. For example, as of September 1979, the total appropriations had a balance of \$842, while the power plant allotment had a deficit balance of about \$6,700 (see p. 1). Therefore, if the over \$525,000 in improper charges to the modifications project had been properly charged to the security system project, the total appropriations would have then had a deficit balance.

ELECTRONICALLY CONTROLLED GATES

AOC's position

"I believe that the report has misinterpreted the circumstances in connection with the purported need for the installation of six horizontally sliding, electronically controlled gates, which, it is stated, due to a lack of funds we may have to forego. This assertion assumes first, that sliding gates were approved for the project, and second, that they are part of the electronic surveillance system. Neither assumption is accurate, however * * *.

"With regard to the second assumption, gates, whether sliding or swinging, have not been considered part of the Electronic Security System project. Funds for electronically-operated locking mechanisms for the gates were included in the so-called Security System project and will be installed on the gates. However, the record is clear that we planned to relocate the gates themselves from funds available in the Modifications and Enlargement project * * *." (P. 34, paras. 3 and 4.)

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Our analysis

The AOC's statements omit several important facts. As discussed on pages 4 to 6, these facts include the following:

- After reviewing all of the costs with AOC officials, only \$54,000 of the \$243,000 was attributable to the roadway. Thus, the actual cost of the roadway work increased only by \$20,000 (from \$34,000 to \$54,000).
- The remaining \$189,000, over 75 percent of the charges to the roadway allotment, was primarily for work done on the security system's perimeter wall/fence.
- The small amount of \$7,400 cited by the AOC was originally charged to the security system project. However, at the time, the security system account's balance totaled only \$4,730.62. The purchase requisition was then altered to charge the manholes to the roadway allotment.
- Part of the charges to the roadway allotment were for electricians putting security system conduits in the steam tunnel between the power plant and the Cannon Building.

CENTRAL CONTROL SYSTEMAOC's position

"With respect to the electronic technicians and the questions of the work on the central control system, it appears that the auditors did not have the benefit of all of the information that was available on that subject * * *.

"The temporary electronics technicians charged to the Modifications and Enlargement project were, indeed, required to assist in the installation and maintenance of the facilities in other buildings in the Capitol Complex. However, this was necessary because the electronics technicians on our regular payrolls were engaged in the design, development, and testing of the central control system * * *." (P. 35, para. 4, through p. 36, para. 3.)

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The electronics technicians cited in our report were employees hired under a specific project--the Security System, Capitol Complex. Their salary costs are a direct labor cost of that project. The only way their costs could be offset against the modifications project would be if a similar group of employees hired under the security system project were working on the modifications project while directly charging their salaries to the security system project. The AOC did not identify any such group of employees.

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Regarding the temporary employees charged to the project payrolls, our report does not imply that the AOC never informed the Congress of this practice. Rather, our concern is whether the Congress has been made adequately aware of the magnitude of the situation, particularly as regards the modifications project.

Further, despite the AOC's comments that we "have always been aware of this practice" and "have not taken exception to it", the AOC was unable to provide supporting evidence for his position. ^{1/} Before the AOC's November 3, 1980, comments, other AOC officials had made similar comments. However, each time, despite our specific requests, the officials were unable to cite supporting evidence.

After receiving the AOC's comments, we again requested support for these statements. As with our prior inquiries, AOC officials stated they knew of no specific supporting evidence.

FURNITURE AND FURNISHINGS

AOC's position

"The report appears to contain an oversight by stating that "the Enlargement project did not include any specific line items for furniture and furnishings." The original authorization language was amended in the Legislative Branch Appropriations Act, 1979, Public Law 95-391, to permit the use of Modifications and Enlargement funds for the purchase of furniture and furnishings." (P. 37, paras. 2 and 3.)

Our analysis

Our report noted only the lack of a specific line item for furniture and furnishings. The report acknowledges the availability of funds for that purpose. Regarding Public Law 95-391, it specifically states that the furniture and furnishings can be used only for the modifications project.

The AOC states (see p. 37) that the furnishings purchased for the laboratory were properly charged to the modifications project because the laboratory will primarily support the central control system portion of the project. He further states that using such facilities to support the security system will save the Government the expense of providing duplicate facilities.

We do not object to avoiding duplicate facilities. We do believe, however, that the cost for any item should be charged to the project for which it was incurred. There is no question that

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"I am puzzled by the comment that suggests a failure on our part to install an intrusion detection system in connection with the "Security System, Capitol Complex." The intrusion detection system originally planned was indeed installed and has been in continuous use since 1975. The \$930,000 included in the original appropriation was used, in part, to pay the cost of the intrusion detection system. There was never a request nor did we ever receive a separate appropriation for the intrusion system covering the steam and chilled water distribution tunnels as indicated in the report. Those tunnels were included in the original program and funds were appropriated and used for that purpose.

"It thus appears that considerable confusion exists with respect to that subject. The intrusion detection system installed in connection with the tunnels was authorized, funded, and installed under authority of H. Con. Res. 550. The office intrusion alarm systems being installed with annual maintenance funds are an entirely separate matter, serve a different purpose and, indeed, began to be used in one form or another long before H. Con. Res. 550 was even introduced." (P. 38, paras. 2 and 3.)

Our analysis

The intrusion detection system cited by the AOC is not the one identified in House Concurrent Resolution 550. As discussed on page 14, that system was specifically for detecting entry into buildings where television cameras were not feasible. AOC officials told us that the installation of that system did not begin until 1978 and is being done with maintenance funds.

As the AOC's comments state, the only other intrusion detection work done was in the steam tunnels. The AOC's Administrative Assistant acknowledged to us that, contrary to the AOC's November 3, 1980, comments, a separate appropriation existed for the tunnels. Subsequently, by legislation, the tunnel's appropriation was merged with the overall Security System, Capitol Complex, appropriations.

PROCEDURES TO STRENGTHEN MANAGEMENTAOC's position

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Washington, D.C. 20515

November 3, 1980

Mr. R. W. Gutmann
Director
Logistics and Communications Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Gutmann:

This is in response to your letter of September 10, 1980, requesting our written comments on your proposed report entitled "Evaluation of the Propriety and Accuracy of the Architect of the Capitol's Charges and Certifications to Appropriated Funds."

Your letter indicates that your analysis "has confirmed that funds appropriated for the Power Plant Enlargement project have been used to finance other Architect of the Capitol activities, primarily the project to install a sophisticated security system on Capitol Hill."

I am, of course, deeply concerned that such a conclusion has been reached, particularly because the office of the Architect historically has been extremely careful to conduct its affairs within the limits of funds appropriated, and within authorized limits of cost, as well as to expend funds solely for those objects for which the funds were appropriated. My own investigation indicates that, from the standpoint of our basic accounting system, concerted efforts in that regard were made to insure that charges to the "Modifications and Enlargement, Capitol Power Plant" appropriation, and the "Security System, Capitol Complex" account, as well as to other accounts cited in the report were properly made.

There appears to be substantial evidence, however, that some charges were indeed erroneously made, although the stringency of the problem may be somewhat over-emphasized in your analysis, particularly since many of those charges were discovered by my staff and corrected several months prior to the GAO audit. It is clear that all funds were applied to work designated to be accomplished by the Architect's office, and that the line of demarcation between certain of the accounts is not easily distinguished. Proper and accurate reporting to the accounting system is the area which, in my judgment, needs improvement so that the actual funds expended for various purposes can be determined. In those instances where such compartmentation is either unnecessary or excessively difficult to achieve, the funding in the future should probably reflect that difficulty through provisions in the law.

GAO note: The footnotes in this appendix refer to GAO's analysis in appendix II.



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Washington, D.C. 20548

Dear Mr. Gutmann:

This is in response to your letter of September 10, 1980, requesting our written comments on your proposed report entitled "Evaluation of the Propriety and Accuracy of the Architect of the Capitol's Charges and Certifications to Appropriated Funds."

Your letter indicates that your analysis "has confirmed that funds appropriated for the Power Plant Enlargement project have been used to finance other Architect of the Capitol activities, primarily the project to install a sophisticated security system on Capitol Hill."

I am, of course, deeply concerned that such a conclusion has been reached, particularly because the office of the Architect historically has been extremely careful to conduct its affairs within the limits of funds appropriated, and within authorized limits of cost, as well as to expend funds solely for those objects for which the funds were appropriated. My own investigation indicates that, from the standpoint of our basic accounting system, concerted efforts in that regard were made to insure that charges to the "Modifications and Enlargement, Capitol Power Plant" appropriation, and the "Security System, Capitol Complex" account, as well as to other accounts cited in the report were properly made.

There appears to be substantial evidence, however, that some charges were indeed erroneously made, although the stringency of the problem may be somewhat over-emphasized in your analysis, particularly since many of those charges were discovered by my staff and corrected several months prior to the GAO audit. It is clear that all funds were applied to work designated to be accomplished by the Architect's office, and that the line of demarcation between certain of the accounts is not easily distinguished. Proper and accurate reporting to the accounting system is the area which, in my judgment, needs improvement so that the actual funds expended for various purposes can be determined. In those instances where such compartmentation is either unnecessary or excessively difficult to achieve, the funding in the future should probably reflect that difficulty through provisions in the law.

GAO note: The footnotes in this appendix refer to GAO's analysis in appendix II.

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computer controlled air conditioning, fire, life safety, and security systems in the James Madison Memorial Library of Congress Building; and, in cooperation with Members and officials of the House, installation of the closed-circuit television system for televising House Floor proceedings.

Electronics systems under the jurisdiction of this office cover a wide range of applications and uses, including not only the CCTV system for televising House floor proceedings, but also the closed-circuit visual surveillance and electronic intrusion detection devices, x-ray inspections and metal detection equipment, energy monitoring and control systems for HVAC operations, and data processing and data communication equipment. While the differences in the intended uses and operating characteristics of these electronic systems are generally clear and well-defined, many of the activities associated with design, installation and maintenance of these systems are often quite similar -- particularly with regard to engineering specifications, job skills, work tasks, and parts and materials. Consequently, the potential opportunity for confusion among the various systems is significant. A co-axial cable, for example, can carry thirty-five separate channels -- some for cable TV, some for security uses, some for data communication and processing, some for energy management purposes, etc. Accordingly, in a very real sense, activities undertaken for the purpose of purchasing, installing, connecting and maintaining such a cable serve all of these (and other) uses simultaneously.

As a result of these interrelationships, the high degree of project identification normally available to managers in assigning labor and material charges to particular projects simply does not exist in multi-purpose systems that are funded from several different appropriations or allotments.

It should be noted as well, that many security-related installations and activities do not involve the installation and maintenance of electronic surveillance equipment and therefore are not included among the responsibilities of the Electronics Engineering Division. For example, doors, door locks, window grilles, gates, and fences are installed for security purposes, but it was not intended that such devices or facilities be installed or maintained as a part of the "Security System, Capitol Complex" project. A review of the justifications supporting my requests for funds for the Security System will clearly demonstrate this to be the case. 1/

I believe this background is important because your report concludes, among other things, that the fence and retaining wall installed at the Capitol Power Plant, which we have charged to the Modifications and Enlargement project, should have been charged to the "Security System". In support of this conclusion, the report indicates that the "security work at the Power Plant involves two systems:

- a physical barrier system consisting of a concrete wall with a chain link fence topped with barbed wire, and

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the electronic surveillance equipment account. This error in judgment was discovered in late 1977 and in early 1978 and efforts were initiated to charge the costs to the proper Modifications and Enlargement account. It should be noted that, because no cost had been budgeted for the fence and retaining wall activity in the estimate submitted for Security System funding, it was the depletion of the account from that inappropriate charge that called attention to the problem. A complete review was thus made of the labor and materials charges and the error was corrected in August 1978, several months before the GAO audit began. I should clarify, however, that the accounts corrected were the Security System and the Modifications and Enlargement No Year appropriations. The report infers that the corrections involved the Security System annual account and the Modifications and Enlargement No Year account. Since the annual funds had expired, no effort was made to transfer charges in those funds. 1/

It is thus understandable that without the benefit of the foregoing background, the report could conclude that funds were used to finance the security system because of funding difficulties; it appears, however, that it is somewhat of an overstatement to suggest that the improper charging of appropriations is a pervasive practice of the Architect of the Capitol. I believe it would be more accurate to state that a lack of proper sensitivity to detailed and rigorous reporting on the part of construction-oriented individuals resulted in several instances of poor judgment in assigning costs that, because of the lessons thus learned, will be avoided in the future. 2/

It may be useful also to recognize, first, that the Office of the Architect of the Capitol has never been hesitant to request additional funds whenever the circumstances so required. A good historical example of this policy and practice is the installation of the security system for the Capitol Complex in which the authorized limit of cost and appropriations have increased from \$3,000,000 to \$5,500,000 during the life of the project. Thus, had it appeared necessary, I would not have been hesitant to request additional funds in the case at hand.

Secondly, the term "pervasiveness" is I believe a somewhat stringent description. In partial support of that stringency, the report states that the Architect of the Capitol made improper charges to the House Office Building, No Year account, which were labor costs for electronics technicians assigned to that account in 1978. In my view, this appears as a proper charge because the electronics technicians were actively engaged in the installation of cables and connectors for the CCTV system for televising House floor proceedings. This installation was partially funded, in the House Office Building, No Year account; the remaining costs were funded in the Capitol Buildings account. 3/

In that regard, the CCTV project was authorized by H. Res. 866 and, at the Speaker's request, the Subcommittee on Legislative Appropriations approved the reprogramming of funds in the "Architect of the Capitol, Capitol Buildings" and "Architect of the Capitol, House Office Buildings" appropriations in order that

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I believe that this is a good example of the lack of sensitivity of the construction personnel to the need for proper reporting. The designation of a "roadway" account was an internal accounting decision, having nothing to do with the basic appropriation as such, but rather was intended to enable final costs to be accurately determined for financial management and future estimating purposes. Obviously, the reporting of costs did not reflect that intended need and was viewed as reasonably unimportant by the reporting personnel since all funds were being expended "on the Power Plant" in one form or another. That judgment was obviously inappropriate and I believe that the lesson of the importance of the integrity of the accounting system has been well learned.

The difference between the original estimate for the roadway and the actual final cost resulted from the fact that the original estimate was based on an incomplete design that did not provide for the substantial changes in the roadway which had to be made in order to meet the requirements for the railroad. The need for these changes was unknown at the time of the original design. The remaining charges included primarily the costs associated with the fence and its associated retaining wall, the appropriateness of which has been previously discussed. In addition, a small amount of \$7,400 is included, which should have been charged to the security system activities. 1/

There are, in my judgment, two or three items which could or should have been charged to the Security System, Capitol Complex account. These are the consultant's contract for designing the fence and retaining wall which also allowed for creating the line of sight for installation of the electronic surveillance equipment in the amount of \$8,200; the cost of the manholes, \$7,459; and the labor and materials for the conduits in the Cannon Building tunnel, \$17,183; amounting to a total of \$32,842. Of these three items, only the cost of the manholes (\$7,459) was clearly and unequivocally chargeable to the Security System account. 2/

With respect to the electronic technicians and the questions of the work on the central control system, it appears that the auditors did not have the benefit of all of the information that was available on that subject. The central control system has indeed been under development for the last three or four years. While there was no physical evidence of the main computer control equipment being installed, the design for this very complicated system has been and is being actively pursued. Some confusion is apparent in the statement that the consultant's proposal for the system was rejected; in fact, no consultant was engaged to develop a central control system and thus no proposal was ever submitted.

As envisioned, the central control system being developed in-house has two broadly defined goals: (1) to control the machinery used at the power plant for steam and chilled water production, and (2) to monitor and control equipment throughout the entire Capitol Complex as part of a comprehensive energy management and control program. Although to date only minimal activity has

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The report appears to contain an oversight by stating that "the Enlargement project did not include any specific line items for furniture and furnishings." The original authorization language was amended in the Legislative Branch Appropriations Act, 1979, Public Law 95-391, to permit the use of Modifications and Enlargement funds for the purchase of furniture and furnishings.

On the same subject, there appears to be confusion between electronic equipment being installed in connection with the security system and electronic equipment installed as a part of the central control system. The report suggests that the furnishings purchased with Modifications and Enlargement funds were for a security system laboratory used solely for the "security system" equipment. But, as was stated above, research and development efforts are underway in connection with the central control system electronic equipment, which will require laboratory facilities for testing and other purposes. Moreover, the central control system will require an ongoing maintenance responsibility after it is fully installed at the Power Plant. It appears difficult to find an objection to using such facilities for testing and repairing security electronic equipment as well, should that become necessary, particularly since it will save the Government the expense of providing a duplicate facility. 2/

Considerable attention has been directed in the report toward the question of "Fund Transfer." Actually there was never a transfer of funds involved in these projects, but rather a transfer of charges from what was considered to be an inappropriate account to the proper account.

The request to transfer the charges was made by the Director of Engineering, but the actual transfer occurred only after a detailed analysis was conducted by our Accounting Division. Following the review of all of the charges and the analysis of projects underway, it was concluded by the Director of Engineering and the Accounting Officer that \$87,332.08 had been erroneously reported initially as charges against the Security System.

You cite several specific examples that raise questions, in your judgment, of propriety and validity. For example, there is a somewhat detailed discussion about the construction of a storage and work shed at a cost of \$10,000. The report maintains that the shed was constructed in support of the security system, and that an inspection of the shed in March 1980 confirmed that it was used solely for security system work.

The shed was, however, constructed during the period when the roadway, fence, retaining walls, and driveways were being built, and it was intended primarily to
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First, considerable semantic confusion has existed both within and outside of this office with regard to the term "security" in the context of improvements made at the Capitol Power Plant construction site. This confusion is, in my judgment, the principal cause of conflicting interpretations concerning the appropriate account to which to charge work relating to construction of the fence, retaining wall and storage shed; site improvements and landscaping treatment; removal of stone and rubble from the construction site; transfer of structural steel; and so forth. The confusion of our own operating officials apparently caused them to begin to incorrectly charge certain of these items to the Security System project. Although regrettable, and certainly erroneous, the initial judgment in this instance appears nonetheless understandable in view of the unique circumstances that were being experienced at the time.

Since much of this work was desired to provide a line of site capability for the electronic surveillance equipment, our operating officials could and did logically assume that such work was to be charged to the Security System account. As explained elsewhere, however, that assumption was fallacious because fence relocation, grading and related site development work had already been included in the scope of the Modifications and Enlargement project. Thus, although the fence and related landscaping unquestionably aid in the functioning of the electronic detection system, they are not deemed to be parts of the electronic security program approved for the Capitol Power Plant, nor were funds requested for that purpose in the Security Program budget.

When the error was discovered, largely because the high cost of the fence and associated construction work began to deplete a fund in which such costs had not been included, as stated above, steps were taken to correct the accounting records by transferring charges to the appropriate accounts. These transfers were made after considerable inquiry and upon the documented recommendations and findings of responsible officials. It is my understanding that there is a duty to initiate such corrective measures when an analysis indicates that they are warranted -- in effect, an admission to prior mistakes -- regardless of how such actions might be interpreted later on.

A second reason for a disparity stems, I believe, from the complicated interrelationships that exist among the electronics programs of the Architect of the Capitol. This condition is an explanation of why electronic technicians, electricians and laboratory and storage facilities at the Capitol Power Plant site can properly be charged to the Modifications and Enlargement project even though they also support the electronic surveillance program as well as other electronic systems such as energy management and control. Of course, this

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In addition to improved controls, we have made substantial changes in the management of major projects. As a result, project directors and top management staff have not only been assigned to these projects, but have also been delegated authority to manage project funds in a manner consistent with their respective levels of responsibility. Changes in budgeted amounts must be approved at each echelon throughout the management structure of a project and must be supported by adequate documentation justifying the change. These approaches for planning and controlling the use of approved funds are also being applied to miscellaneous improvements and certain other accounts that do not approximate the scale of the major construction projects.

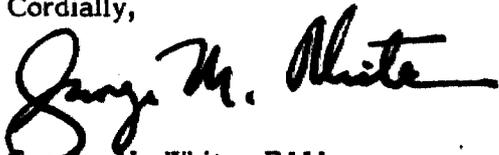
In addition, I have organized an internal audit team, using existing personnel, in order to gain control of the reporting process which is the basis for any accounting accuracy. 1/

In my judgment, this entire review has been of inestimable value in causing us to re-examine our practices, effect improvements and safeguard against any future discrepancies arising.

I appreciate the opportunity you have afforded me to review and comment on your draft report; that, and the similar submission to the GAO of a draft of this response is, in my judgment, indicative of the spirit of cooperation and the continuing search for improvement in our activities that is characteristic of our desire to better serve the Congress.

I shall, of course, be pleased to review any further comments you may have or any recommendations you may wish to make based on your findings and conclusions.

Cordially,



George M. White, FAIA
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2 Enclosures

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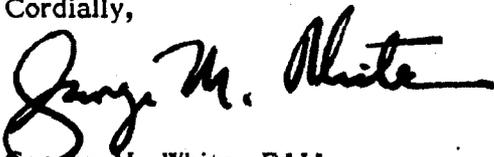
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Re: The intended scope of H. Con. Res. 550
February 1, 1980

- 2.1 The purchase and installation of additional cameras and associated electronic items to be added to the original video surveillance system.
- 2.2 The extension of the intrusion detection system to a building that was not originally encompassed (as distinguished from adding a contact alarm at an additional doorway or at an additional street man-hole within the existing system; the latter, in my judgment, would not come within H. Con. Res. 550).
- 2.3 The extension of the video-surveillance system to a building not included in the original installation.
- 2.4 Additional x-ray parcel inspection units beyond those originally purchased.

Note: Items in 2.1, 2.2, 2.3, and 2.4 could, in my judgment, be separately authorized, i.e., outside of H. Con. Res. 550, as part of any new matter, as the Congress might choose.

Examples of the kinds of items that, in my judgment, are not envisaged as coming within the purview of H. Con. Res. 550 are as follows:

- a. Intrusion alarms installed in committee or individual offices and that may be connected to the existing security control room or console for monitoring.
- b. Fire, smoke or other safety devices that may be connected to the security control room or console for monitoring.
- c. Any electronic, computerized or data processing systems that may be connected to the security control room or console for monitoring.

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- 2.4 Additional x-ray parcel inspection units beyond those originally purchased.

Note: Items in 2.1, 2.2, 2.3, and 2.4 could, in my judgment, be separately authorized, i.e., outside of H. Con. Res. 550, as part of any new matter, as the Congress might choose.

Examples of the kinds of items that, in my judgment, are not envisaged as coming within the purview of H. Con. Res. 550 are as follows:

- a. Intrusion alarms installed in committee or individual offices and that may be connected to the existing security control room or console for monitoring.
- b. Fire, smoke or other safety devices that may be connected to the security control room or console for monitoring.
- c. Any electronic, computerized or data processing systems that may be connected to the security control room or console for monitoring.



Washington, D.C. 20515 .

January 18, 1979

PROCEDURE FOR INSTALLATION
OF
OFFICE INTRUSION ALARM SYSTEMS

The following procedure is to be followed in responding to a request for installation of office intrusion alarm systems. The procedure has been approved by the Speaker of the House, the House Office Building Commission and the Chairman, Senate Committee on Rules and Administration. All recommendations made by the Security Coordination Team will be reviewed and coordinated through the Director of Engineering and then submitted to the Architect of the Capitol for approval.

REQUEST

A Member of Congress, Committee, or other office desiring the installation of an Office Intrusion Alarm System (or other means of electronic security) will submit their request to the Architect of the Capitol. A copy of the request will be forwarded to the Speaker with respect to installations on the House side of the Capitol Building, to the House Office Building Commission for installations in the House Office Buildings and Annexes, and to the Senate Committee on Rules and Administration for installations in the Senate Office Buildings and Annexes or on the Senate side of the Capitol Building.

ANALYSIS AND RECOMMENDATION

The Architect of the Capitol will direct the Security Coordination Team (described on page 2) to conduct a security analysis and to submit a report of its findings and recommendations, including a cost estimate for the work required. Should the estimated cost not exceed \$2,500, the work may proceed upon approval by the Architect of the Capitol provided necessary



Washington, D.C. 20515

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PROCEDURE FOR INSTALLATION
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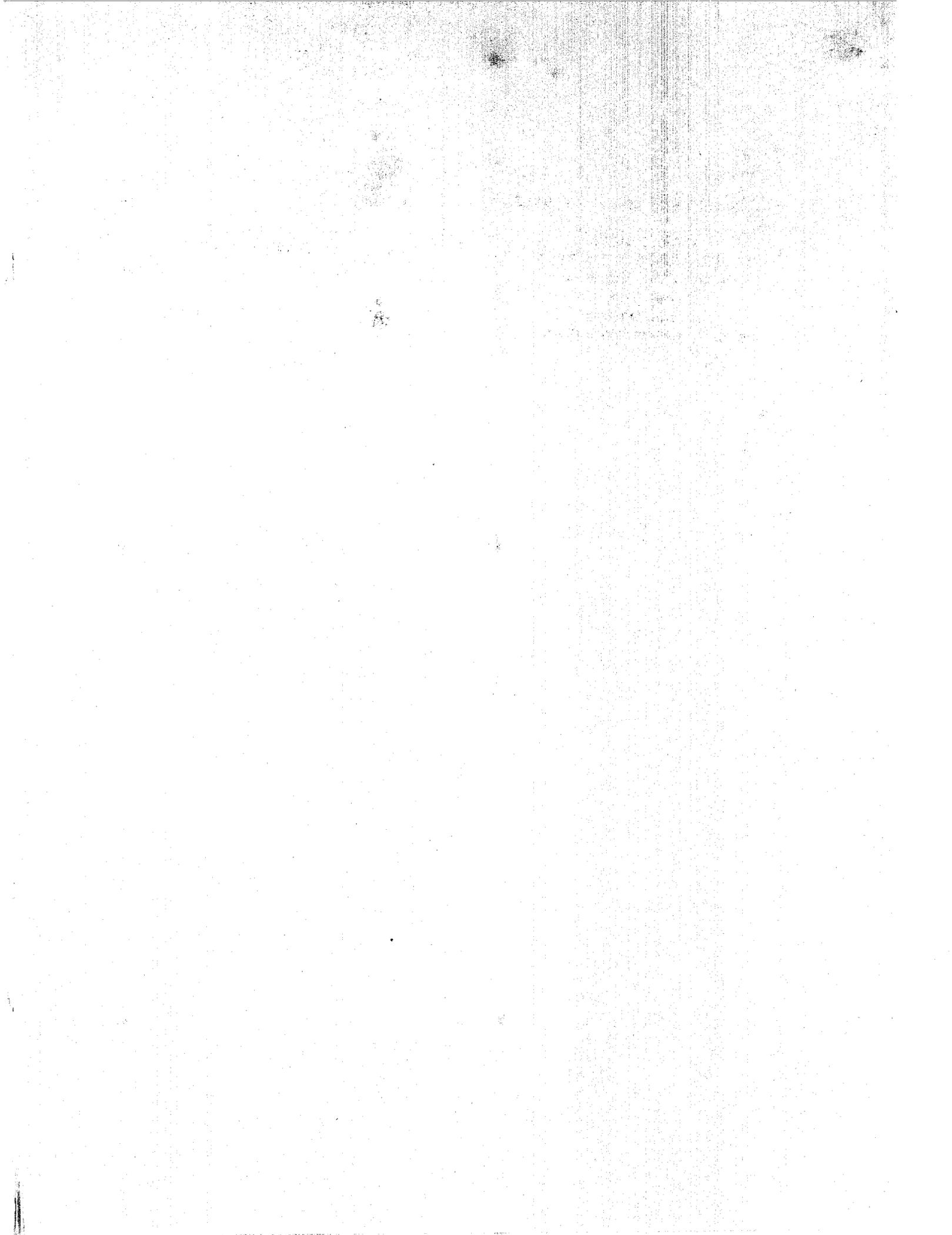
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funding is available. However, should the cost be in excess of \$2,500, or should there be unresolved questions, the project will be referred, as appropriate, to the Speaker, the House Office Building Commission, or the Senate Committee on Rules and Administration.

ACQUISITION AND INSTALLATION

Upon approval, the Security Engineering Department will proceed with the acquisition of necessary equipment and materials and will complete the installation as expeditiously as possible. Maintenance of the equipment, in addition to the dismantling, removal and re-use of equipment installed on a temporary basis, will be performed by the Security Engineering Department.

SECURITY COORDINATION TEAM

By a policy directive dated October 1, 1976 the Capitol Police Board approved the establishment of a Security Coordination Team to be composed of the Commanding Officer, U.S. Capitol Police Communications and Records Division, and the Head of the Security Engineering Department, Office of the Architect of the Capitol to review recommendations for the expansion of the CCTV and Intrusion Detection Systems. The expertise of these personnel will be applied to the analysis of security requests and the submission of recommendations.



George M. White, FAIA
Architect of the Capitol

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