

THE AMERICAS

House Applies Business Practices

By Eric Schmitt
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WASHINGTON — Just last year, a Price Waterhouse official called it "one of the worst-run organizations" the giant accounting firm had ever reviewed.

Bookkeeping practices dated to the late 1700s and were so sloppy that auditors could not account for millions of dollars.

That organization, the House of Representatives, has since hired a team of financial experts with experience at corporate titans like Toyota, IBM and AT&T to run its daily business like a Fortune 500 company—or as much like one as a conglomerate of 435 individual lawmakers' offices can be.

The idea came from the House speaker, Newt Gingrich, and the results have been startling:

- The administrative budget has dropped to \$671 million this year from \$729 million in 1995.

- The number of House administrative employees has been cut to 600 from 1,063.

- A new automated accounting system is up and running.

- Mail delivery and the House barbershop, beauty salon and shoeshine stand have been turned over to private companies, at a projected savings of more than \$1.5 million a year.

And it is not just people on Capitol Hill who have taken notice. Delegations from Bulgaria, Germany, Hungary, Jamaica, South Korea, Romaniaia and Russia have paraded through to glean managerial tips.

But the Republican-sponsored streamlining, which goes beyond similar changes the Senate is making, is upsetting the House's 200-year-old culture and traditions, leading some skeptics to warn that the initiatives may be temporary or exaggerated.

"Some of the things they've done are good, like the audit," said Representative Vic Fazio of California, the House's third-ranking Democrat and a member of the Oversight Committee, which replaced the old Administration Committee and is supervising many management changes. "But some of the things have been over-sold, and the jury is still out on others."

Mr. Fazio questioned the projections of long-term savings. Many employees dismissed in the cuts have been rehired by the new private contractors but at lower wages, prompting fears of eroding morale.

"We're like a Ritz-Carlton or a big Hyatt Regency with lots of conferences and things happening," said Scott Faulkner, who holds the newly created position of chief administrative officer. He is an antiques collector and historian and has restored the first floor of the Capitol to its 19th century splendor, down to the fringed draperies.

"We have three million visitors a year, with 35 special-event rooms that are used seven to eight times a day for breakfast meetings to cocktail receptions."

On another level, he said, he caters to the needs of more than 500 individual businesses: House committees and lawmakers' offices. "Think of a member's office as the Second District of Illinois Inc., where the legislator is the CEO with a two-year contract who can hire 22 people and have \$900,000 to

\$1 million a year for office expenses," he said. "The focus is on addressing the 236 recommendations made last year by Price Waterhouse in its \$3.2 million first-ever audit of the House."

The recommendations included improving computer security (the House hired the former head of nuclear information security for Westinghouse) and standardizing the way the House buys supplies like stationery (a new system will begin operating later this year).

Many of the changes reflect the Republican orientation toward smaller, less intrusive government.

A handbook that governed details was pared to a 58-page general guide from a three-and-a-half-inch-thick manual. The House folding room, established in the 1850s to fold material and stuff it in envelopes, was closed and replaced by a private mail service that charges an average of \$14 per thousand pieces of mail, down from \$480 per thousand.

Daily delivery of buckets of ice to House offices was ended, with an expected saving of up to \$500,000 a year.