

Thomas W. Pugh
State Representative

District 39A
Dakota County



Minnesota House of Representatives

Dee Long, Speaker

COMMITTEES: ENVIRONMENT AND NATURAL RESOURCES FINANCE; JUDICIARY;
JUDICIARY FINANCE DIVISION ; LOCAL GOVERNMENT AND METROPOLITAN AFFAIRS

April 14, 1993

To: Members of the House

From: Representative Tom Pugh, Chair
Special Committee on House Management Practices

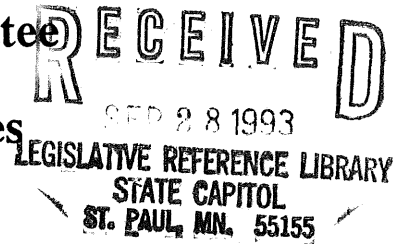
Re: Special Committee Report on House Telephone Controls

Attached you will find the first report of the Special Committee on this subject. As the report states, the Committee expects to complete its work and issue a final report on telephone controls by May 3.

The attachments referred to in the report are being duplicated and will be delivered separately to all House members tomorrow, April 15. The attachments include documents provided to the committee from various sources. These documents are provided for the information of members. You should understand that the Committee does not endorse or accept as fact the information presented in these documents. The Committee has not yet concluded gathering information on these subjects, nor has the Committee arrived at any findings of fact, conclusions, or recommendations on the subject of telephone controls.



**Report of the Special Committee
on
House Management Practices**



April 14, 1993

The Special Committee on House Management Practices was established on March 24, 1993, by House Resolution No. 5, and charged with two tasks.

- The first task relates specifically to the recent breakdown in House controls over long distance telephone charges. The committee was directed to report to the House by April 14, 1993, on "the practices which permitted the breakdown in controls and the extent to which such practices have been changed."
- The second charge of the committee is more general. The committee was directed to report to the House by December 31, 1993, recommending other improvements in House management practices. (Attachment 1)

The members of the committee were duly appointed by the Speaker, also on March 24, 1993.

The members are:

Representative Thomas Pugh, Chair
Representative Marc Asch
Representative Dave Bishop
Representative John Dorn
Representative Dave Gruenes
Representative Sidney Pauly
Representative Tim Pawlenty
Representative Ann Rest

This is the first report of the committee on the subject of telephone controls, in response to the directive requiring a report to the House on this subject by April 14, 1993.

This is an interim report, on the committee's work to date. The committee has not completed its review of telephone controls, due to the complexity of the subject and the pressure of other legislative deadlines.

The committee expects to complete its work on telephone controls and issue its final report on the subject by May 3, 1993.

The committee wishes to complete its work soon enough to allow time before recess for any House action on the subject that may be warranted by the report. The committee's final report to the House will include the committee's findings, conclusions, and recommendations on telephone controls.

The committee has met four times in the three weeks since it was created.

At its first meeting, on March 30, 1993:

The committee discussed its charge and developed goals and work plans for its first report.

- The committee approved a letter to House leadership requesting detailed information from House administrators on the telephone systems and bill review procedures and policies used by the House from 1985 to the present. (Attachment 2)
- The committee decided to request advice from the Legislative Auditor, because of the expertise and experience of the Auditor in evaluating internal management control systems.
- The committee requested legal analysis of pertinent topics from House Research.

At its second meeting, on April 6, 1993:

- The committee received and distributed the material submitted by House administrators, in response to the committee's request to House leadership. The information was delivered to the committee by the end of the business day on April 2, 1993, as requested. (Attachment 3)
- The committee approved a formal request for assistance from the Legislative Auditor. The committee requested advice on how to evaluate internal controls and help in gathering and summarizing factual information on House telephone controls. This request was subsequently considered by the Executive Committee of the Legislative Audit Commission, which established appropriate limits on the Auditor's assistance. (Attachments 4 and 5)
- The committee viewed a half-hour video tape provided by MCI on telephone fraud. The tape demonstrated the substantial and widespread risk of such fraud, the law enforcement problems and initiatives related to it, and prevention methods available to organizations subject to it. (The tape is available for viewing, from the committee chair.)

At its third meeting, on April 13, 1993:

The committee heard approximately three hours of testimony from Department of Administration officials on the subject of state and House telephone systems and contracts. Testifying were: the Commissioner, Dana Badgerow; Bernie Conlin, Assistant Commissioner, Intertechnologies Group; Bill Schnellman, Director, Telecommunications Division; and Bonnie Plummer, Manager, Network Services Management.

- A complete description was presented of the telephone systems used by the House since the mid-1980s. The descriptions included: (1) the system that was in effect at the time of the fraudulent use in November of 1991; (2) the system that was in effect prior to that time; and (3) the system that replaced the system under which the problems occurred. The Department also briefed the committee on new service options that will soon offer more security and accountability. (Attachment 6)
- Members of the Department testified about other fraudulent use of the state phones in the late 1980s and early 1990s, about the Department's discovery methods, and about policies and procedures for dealing with incidents of fraud.
- Members of the Department testified in detail about the Department's perspective on events in November and December of 1991, between the time that the fraudulent use of House phones was discovered and the time that House officials decided to pay the bill. (Attachments 7 and 8)

The committee intends to hear more testimony and gather more information on all of these subjects.

At its fourth meeting, on April 14, 1993:

The committee received, from Representative Bishop, documents copied from orientation materials given to new members since 1983 on House phone policy. (Attachment 9)

The committee reviewed, amended, and approved this interim report to the House on the committee's work-in-progress. At this meeting, the committee also laid plans for meetings that will allow the committee to finish gathering information and complete its report and recommendations to the House by May 3, 1993.

The committee plans to complete the following additional work before issuing its final report on telephone controls on May 3, 1993.

The subject of the fifth meeting of the committee, scheduled for April 20, 1993, is internal House control systems. House Research will present: a summary of the general internal control environment and structure in the House; a description, for the period from the mid-1980s to the present, of internal control systems relating to House spending in general and

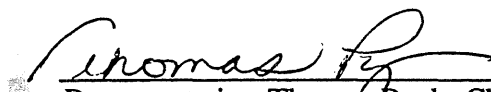
telephone spending in particular; and fiscal information supplied by House administration on telephone expenditures. This summary will be based on interviews and information collected from House administrative staff. House administrative staff will then testify and respond to questions from the committee. The committee will also request testimony at this time from the House's independent auditor, Peat Marwick.

At its sixth meeting, the committee expects to take any necessary follow up testimony from the Department of Administration and House administrative staff. The committee also plans to take testimony from the Legislative Auditor on the Department of Administration's proper role in overseeing state agency administrative practices and on the Auditor's investigation of the 1991 phone fraud involving the Department of Natural Resources; from MCI on next generation phone systems and fraud investigation practices; and from other witnesses.

At its seventh meeting, the committee expects to review and discuss the information on telephone controls collected by the committee, develop preliminary findings, conclusions, and recommendations and instruct staff in the preparation of an initial draft of the committee's report.

At its eighth and final meeting during this legislative session, the committee expects to review the draft report prepared by staff, make necessary amendments, and approve the report on telephone system controls.

**This report is submitted to the House on April 14, 1993,
for the Special Committee on House Management
Practices.**



Representative Thomas Pugh, Chair

