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Accounting and Information
Management Division

B-272474

July 9, 1996

The Honorable James T. Walsh
Chairman, Subcommittee on the District
of Columbia
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In your April 25, 1996, letter, you asked us to respond to a number of questions concerning the District of Columbia's current financial condition and the efforts of the District of Columbia Financial Responsibility and Management Assistance Authority (Authority) to resolve the financial and management problems facing the District. You also asked us to look at actions taken by the control boards of New York City and Philadelphia—two cities that successfully overcame financial crises. In testimony given today before your Subcommittee, we provided our response to your request. This letter transmits additional information on the (1) recommendations made by the Authority in fiscal years 1996 and 1997 and (2) studies performed on each of the cities—the District, New York City, and Philadelphia—which we reviewed in our effort to respond to your request.

In enclosure I, we provide a list of the Authority's recommendations for fiscal years 1996 and 1997, which cover all aspects of the District's budget and operations. In performing our review of the Authority and the control boards of New York City and Philadelphia, we conducted extensive reviews of all the published information we could identify that described the nature of each city's financial and management problems and the related actions taken by each city's control board to resolve the problems. The published reports, testimonies, and other documents for the District of Columbia, New York City, and Philadelphia are listed in enclosures II, III, and IV, respectively.

GAO/AIMD-96-131R Information on the District of Columbia

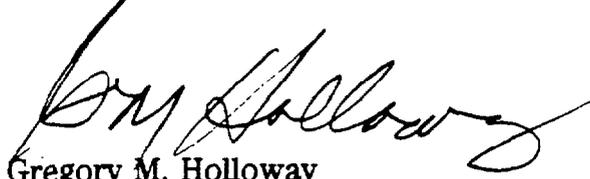
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B-272474

We are sending copies of this letter to the Ranking Minority Member of your Subcommittee, the Executive Director of the Authority, and the Mayor of the District of Columbia. Copies will be made available to others upon request.

If you have any questions regarding the information in this letter, please contact me at (202) 512-9510 or Hodge Herry of my staff at (202) 512-9469.

Sincerely yours,



Gregory M. Holloway
Director, Governmentwide Audits

Enclosures

AUTHORITY'S RECOMMENDATIONS FOR FISCAL YEARS 1996 AND 1997

Report date	Recommendation	Budget function	Agency name
July 15, 1995	The budget needs to include all funds of the District. (modified in the August 15, 1995 report)	Programmatic	Districtwide*
July 15, 1995	List all internal and external audit functions and resources. (modified in the August 15, 1995 report)	Programmatic	Districtwide
July 15, 1995	The District should implement pilot performance management/results-oriented programs in DPW, DAS, and the Office of Personnel. These pilots should incorporate business process reengineering and quality management principles.	Programmatic	Districtwide
July 15, 1995	Specific plans and milestones for achieving \$70 million of management initiatives need to be provided and the initiatives should be implemented. (modified in the August 15, 1995 report)	Financial	Districtwide
July 15, 1995	The District should reduce the fiscal year 1996 Budget by 5,600 FTEs. This represents a reduction of 1,957 FTEs below the actual level of FTEs as of June 1995. Such a reduction should be accompanied by an aggressive outplacement program.	Financial	Districtwide
July 15, 1995	The District needs to immediately develop and implement an improved financial management information system. Such a system needs to include not only equipment and software improvements, but also improved financial controls, procedures and training of financial management employees.	Programmatic	Districtwide
August 15, 1995	The Authority's Executive Director will work with the City Administrator's staff and contractors hired by the city to develop the financial plan and budget in accordance with the Authority's guidance that is under development.	Programmatic	Districtwide
August 15, 1995	Develop information on the costs associated with court orders.	Programmatic	Districtwide

August 15, 1995	Include information on all active grants and develop a list of grants that the District has not yet applied for but for which it may be eligible. Identify the grant funding that is at risk because of staff reductions.	Programmatic	Districtwide
August 15, 1995	Include cash flow estimates for all funds.	Programmatic	Districtwide
August 15, 1995	Develop a schedule that links the District's current financing obligations with its long-term financial plan.	Programmatic	Districtwide
August 15, 1995	Develop a capital plan that identifies total capital needs.	Programmatic	Districtwide
August 15, 1995	Based on the current information, the total expenditure for fiscal year 1996 should be \$5.016 billion.	Programmatic/ Financial	Districtwide
August 15, 1995	The District should allocate the reduction of an additional 704 FTEs before the congressional mark-up of the District's fiscal year 1996 budget. The Authority will make these allocations if this information is not provided timely.	Programmatic/ Financial	Districtwide
August 15, 1995	The District should reduce 160 FTEs from the Government Direction and Support of the Council's revised fiscal year 1996 budget.	Programmatic/ Financial	Districtwide
August 15, 1995	Eliminate \$70 million in reductions from the budget for debt restructuring. Also, make sure that cost savings from government reengineering, alternate service delivery, and rescissions of board and commission members stipends are achieved.	Financial	Districtwide
August 15, 1995	Section 601 of the Enrolled Original Legislation that prevents backfilling of FTE positions resulting from any incentive program should be modified.	Programmatic	Districtwide

August 15, 1995	The District should set the level of FTEs for the University of the District of Columbia (UDC) at 1,079 FTEs, which is the Mayor's budget less 48 FTEs.	Programmatic/ Financial	University of the District of Columbia
August 15, 1995	The District should set the level of FTEs for the D.C. Public Schools at 10,167, which is the Mayor's revised budget adjusted for the Council's contracting out initiatives.	Programmatic/ Financial	District of Columbia Public Schools
August 15, 1995	Agency FTE budgets are reduced by the total amount of the contracting out initiatives (1,519 FTEs); however only 5 percent (77FTEs) of the privatization should be counted toward the recommended 5,239 reductions.	Programmatic/ Financial	Districtwide
August 15, 1995	Transfer D.C. General to a PBC and continue to address restructuring of health care service.	Programmatic	D.C. General Hospital
August 15, 1995	Reduce the original budget base for the 2,926 FTEs related to Dept. of Public and Assisted Housing, Public Defender Service, Wash. Aqueduct, and D.C. Hospital.	Programmatic/ Financial	Districtwide
August 15, 1995	Detail all major revenue and expenditure assumptions and include them in the budget documents.	Programmatic	Districtwide
August 15, 1995	The District should transfer to the Inspector General FTEs currently allocated in other agencies.	Programmatic/ Financial	Districtwide
March 21, 1996	Restructure Corporation Counsel and Executive Deputy position.	Programmatic	Office of Corporation Counsel
March 21, 1996	The Department should explore developing an incentive and reward program that ties bonuses to measurable outcomes.	Programmatic	District of Columbia Police Department

March 21, 1996	Institute dual role cross training of fire and emergency medical service personnel.	Programmatic	District of Columbia Fire Department
March 21, 1996	Evaluate proposal to use "Quick Response Vehicles" as first responders.	Programmatic	District of Columbia Fire Department
March 21, 1996	The Authority supports the initiative of assistance from the U.S. Attorney's Office to the Parole Board.	Programmatic	Parole Board
March 21, 1996	Consider authorizing additional parole officers.	Programmatic	Parole Board
March 21, 1996	Recommends that funding for drug testing be added to the Parole Board's 1997 budget.	Financial	Parole Board
March 21, 1996	Recommend that the Mayor's plan provide additional funding and FTEs to assume responsibility for services provided by third party custody contractors.	Financial	Pretrial Services Agency
March 21, 1996	When hiring freezes or resignations result in vacancies, the vacancies should be consolidated into a central pool.	Programmatic	Office of Personnel
March 21, 1996	The Authority supports assistance from the Department of Justice.	Programmatic	Office of Corporation Counsel
March 21, 1996	The National Guard summer camp should be consolidated with other District summer camps.	Programmatic	District of Columbia National Guard

March 21, 1996	Consolidate court orders and consent decrees.	Programmatic	Department of Corrections
March 21, 1996	Enhance training.	Programmatic	Department of Corrections
March 21, 1996	Institute entrance exam for correctional officers.	Programmatic	Department of Corrections
March 21, 1996	Develop a leadership training program.	Programmatic	Department of Corrections
March 21, 1996	Recommends additional funds to meet court-ordered requirements.	Programmatic/ Financial	Department of Corrections
March 21, 1996	Pursue federal and private grants.	Financial	District of Columbia Fire Department
March 21, 1996	Increase Medicare allowable to more closely reflect actual costs of fire and EMS services.	Financial	District of Columbia Fire Department
March 21, 1996	Endorses the implementation of a medical priority dispatch system.	Programmatic	District of Columbia Fire Department
March 21, 1996	Recommends that funds for equipment also be provided in the FY 1997 budget.	Programmatic/ Financial	District of Columbia Fire Department

March 21, 1996	Ensure performance evaluations of police officers are accomplished.	Programmatic	District of Columbia Police Department
March 21, 1996	The Authority supports the Public Defender Service internship program.	Programmatic	Public Defender Service
March 21, 1996	Phased reduction of School subsidy.	Financial	University of the District of Columbia
March 21, 1996	The Department of Employment Services implement an automated system which will more rapidly determine eligibility and process benefits at a lower costs.	Programmatic/ Financial	Department of Employment Services
March 21, 1996	The District investigate opportunities to eliminate differential in its taxes that are disincentives for attracting and retaining business.	Programmatic	Office of Business and Economic Development
March 21, 1996	The zoning and planning regulations, policies and practices of the Office of Zoning, Zoning Commission, and other offices with land use planning and zoning functions be reviewed.	Programmatic	Office of Business and Economic Development
March 21, 1996	The District incorporate the cost of technology requirements for the BS&ED as part of the operations or capital budget rather as a proposed surcharge.	Programmatic	Office of Business and Economic Development
March 21, 1996	The Mayor's plan and transformation document for Economic Development be modified to include implementation plans, revenue and benefit analysis, and performance measures, and identify a qualified, experienced individual to organize and implement the initiatives.	Programmatic	Office of Business and Economic Development
March 21, 1996	Conduct a cost comparison of the District printing plant to determine if printing should be contracted out.	Programmatic	Department of Administrative Services

March 21, 1996	The target date for the consolidation of the personnel function should be advanced.	Programmatic/ Financial	Office of Personnel
March 21, 1996	Increase tuition.	Financial	University of the District of Columbia
March 21, 1996	The Department of Consumer and Regulatory Affairs modify current regulations and policies to reduce processing time to levels comparable to those in neighboring jurisdictions.	Programmatic	Department of Consumer and Regulatory Affairs
March 21, 1996	Recommends that DPW become a pilot department to test results oriented management in the District.	Programmatic	Department of Public Works
March 21, 1996	Close/consolidate underutilized schools.	Financial	District of Columbia Public Schools
March 21, 1996	The Authority supports enhance training for the Police Department.	Programmatic	District of Columbia Police Department
March 21, 1996	DPW conduct a competitive cost comparison to determine whether waste and refuse collection should be privatized.	Programmatic	Department of Public Works
March 21, 1996	Privatize administrative component of child support enforcement.	Programmatic	Department of Human Services
March 21, 1996	Expand initiatives of fleet management to include all aspects of fleet management in the District and the feasibility of privatizing the fleet.	Programmatic	Department of Public Works

March 21, 1996	The Authority recommends that the District decrease the maximum benefit (Unemployment Insurance) to \$309, with the intent of eventually equalizing the District's maximum rates with regional norms over the planning period.	Financial	Department of Employment Services
March 21, 1996	Create a quality assurance/contractor compliance program.	Programmatic	Department of Administrative Services
March 21, 1996	Privatize Blue Plains.	Financial	Department of Public Works
March 21, 1996	Sale and lease back of Correctional Treatment Facility.	Programmatic	Department of Corrections
March 21, 1996	Small and disadvantaged business legislation and regulations be reviewed to estimate the net fiscal impact on the District and determine the associated impact on benefits derived by small and disadvantaged business.	Programmatic	Office of Business and Economic Development
March 21, 1996	Examine residency rules.	Programmatic	University of the District of Columbia
May 8, 1996	The Authority recommends for the National Guard keeping the same level of funding and FTEs in FY 1997 as in FY 1996.	Financial	District of Columbia National Guard
May 8, 1996	The Authority recommends a funding level \$2.8 million less than the Mayor's FY 1997 request.	Financial	University of the District of Columbia
May 8, 1996	The Authority supports activities by the Lottery aimed at increasing the agency's transfer to the General Fund; additional information and analysis must be transmitted to the Authority.	Programmatic	Lottery and Charitable Games Control Board

May 8, 1996	Congress should authorize the District to borrow long term up to a maximum amount during fiscal year 1997. The Authority should be given the power to decide: (a) when, (b) the amount, (c) the terms, (d) the collateral, and (e) the specific uses.	Financial	Districtwide
May 8, 1996	The Authority recommends that DAS provide responses to the Authority's March 21, 1996, recommendations on the Mayor's plan and its allocation of fiscal year 1996 and 1997 occupancy costs to agencies within 15 days.	Programmatic	Department of Administrative Services
May 8, 1996	The Authority recommends a study of small, local and disadvantaged business legislation and regulation.	Programmatic	Office of Business and Economic Development
May 8, 1996	The Authority recommends that the District of Columbia construct a plan and strategy for economic development which provides a comprehensive and unified approach to the District's expansion of business, economic and community growth.	Programmatic	Office of Business and Economic Development
May 8, 1996	The Authority recommends that the information that the Authority requested in its November 1995 guidance on capital budgeting and planning be incorporated into the capital plan and submitted to the Authority within 15 days.	Programmatic	Districtwide
May 8, 1996	The fiscal year 1997 Financial Plan and Budget should include the additional funding and FTEs needed to enable the Pretrial Services Agency to assume responsibility for services currently provided by the third party custody contractors.	Financial	Pretrial Services Agency
May 8, 1996	The Authority recommends that DFR's initiatives be continued and that additional information as discussed above be transmitted. The Authority recommends that these recommendations for revenue increase be forwarded to the D.C. Tax Revision Commission.	Programmatic	Department of Finance and Revenue
May 8, 1996	The Authority continues to recommend that the FTE reductions be allocated to individual agencies. In addition, other personnel savings that do not involve union negotiations, should also be allocated.	Programmatic	Districtwide
May 8, 1996	The Authority recommends that the Department of Human Services intensify its review of all program operations to reduce costs and improve District services. In addition, the Authority requests that DHS conduct an assessment of the items listed in the report.	Programmatic	Department of Human Services

May 8, 1996	The Authority therefore recommends that the appropriated budget available to the non-Medicaid health and human services areas be reduced by \$29.5 million.	Financial	Department of Human Services
May 8, 1996	The Authority recommends that \$798 million be allocated for Medicaid program and administrative costs for fiscal year 1997. This is a \$59 million increase over the latest Medicaid budget proposed by the Mayor.	Financial	Department of Human Services
May 8, 1996	The Authority recommends a 3.2 percent increase in the D.C. Public Library (DCPL)'s fiscal year 1997 budget to \$22,438,000. The Authority notes that DCPL would play an important role in making information about government services on-line.	Financial	Public Library
May 8, 1996	The Authority believes that the Mayor's fiscal year 1997 funding request for the D.C. Public Schools (DCPS) of \$568,790,000 must be modified in the ways described below. The changes would increase DCPS' fiscal year 1997 budget to \$589,630,000.	Financial	District of Columbia Public Schools
May 8, 1996	The fiscal year 1997 Financial Plan and Budget should reflect the proposed deployment plan, and the capital plan should include the \$3.97 million in authority needed to meet the Department's apparatus replacement schedule.	Financial	District of Columbia Fire Department
May 8, 1996	The fiscal year 1997 Financial Plan and Budget should include the additional funding needed to hire, train, and equip the 137 additional officers, and reflect the Authority's recommended reductions in estimated savings.	Financial	District of Columbia Police Department
May 8, 1996	The savings associated with housing inmates at Bureau of Prisons (BOP) at no cost to the District should be eliminated from the fiscal year 1997 Financial Plan and Budget. The plan should reflect the cost of sending these inmates to contract facilities.	Financial	Department of Corrections
May 8, 1996	It is imperative that the Department of Employment Services transmit to the Authority within 15 days, a copy of its transformation and reorganization plan for evaluation and review.	Programmatic	Department of Employment Services

*Recommendations which involved multiple District agencies were identified as Districtwide.

REPORTS AND TESTIMONIES ON
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Report on the District of Columbia Fiscal Year 1996 Budget, August 15, 1995.

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ENCLOSURE IV

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