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DISTRICT OF COLUMBIA

Weaknesses in Personnel Records and Public Schools' Management Information and Controls

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Mr. Chairman and Members of the Subcommittee:

Today, we will discuss the results of our work that you requested in two areas that greatly impact the District's financial condition: personnel and the public schools. First, we will address the District's efforts to reduce its number of personnel, other information on personnel costs such as overtime, and the quality of personnel and payroll information. Second, we discuss several issues involving the District of Columbia Public Schools (DCPS) including: (1) total expenditures, (2) per pupil costs, (3) controls over personnel information and payments, (4) data on the number of students and controls over non-resident students, and (5) funding for the capital program.

District programs and agencies are plagued with poor management information that hampers District officials' efforts to manage programs and to make difficult decisions to address the current fiscal crisis. No where is this more true than with the personnel information. Information on employees in personnel, payroll, and budget systems is error-prone and inconsistent. Managing personnel costs in DCPS is particularly problematic; here actual personnel expenditures have exceeded the budget in each of the last 5 fiscal years. DCPS also has poor management information on the number of students and does not have an effective program to identify nonresident students. In our testimony today, I have included some recommendations to both improve personnel management information as well as deal with some of the management and internal control weaknesses in the school system.

In our assessment of the District of Columbia personnel management and DCPS programs, we have analyzed both summary and detailed data from the District's Pay and Personnel Systems and various databases maintained by DCPS. We also met extensively with District officials in the Office of Financial Management and other District officials in a variety of agencies including the Office of Personnel and DCPS. This assessment built on previous work, and we conducted new work from March through June 1995. We did this work in accordance with generally accepted government auditing standards.

THE DISTRICT IS REDUCING PERSONNEL, BUT POOR INFORMATION MAKES STRATEGIC DECISIONS DIFFICULT

A key component of District spending is personnel expenditures, which total about $2 billion and constitute 45 percent of appropriated spending and 38 percent of total District spending. The District has a large number of employees, over 42,000, or 1 for every 13 residents. The Rivlin Commission Report[1] in 1990 said that, even considering state and county services, the District has 40 percent more staff per 10,000 population than the average for 12 similar cities. The Commission's report recommended staff reductions. Staff reductions have occurred since 1990,

[1]Financing the Nation's Capital: The Report of the Commission on Budget and Financial Priorities of the District of Columbia, November 1990.

but they are impossible to quantify because of poor records and changing methods of calculating the number of employees.

The District pays employees with both appropriated and five different kinds of non-appropriated funds--including federal grants, private grants, interdistrict transfers, and others. This coupled with inconsistencies among personnel, payroll, and budget information make it impossible to obtain consistent data over time on the number of employees. In addition, the District reports personnel data in a variety of ways including Full-Time Equivalents (FTEs), the number of personnel receiving paychecks, and full-time on-board staff. An FTE is used to measure the number of equivalent positions and takes into account how many hours are actually being worked. For example, two employees working half-time would be counted as one FTE.[2]

The Congress, concerned about the large number of District employees, required in the District of Columbia Fiscal Year 1995 Appropriation Act, that the total number of FTE positions financed from appropriated funds not exceed 33,588. The 33,588 FTE limit was based on cutting 2,000 FTEs from the District's original budget request of 35,588 FTEs.

After considerable effort, we have been able to calculate consistent FTEs since the beginning of fiscal year 1994. This data, which is illustrated in Table 1, shows that since the beginning of fiscal year 1994, the District has reduced the number of FTEs by more than 2,600, which equates to an overall personnel reduction of 5.8 percent. This includes a reduction of 2,031 appropriated-fund FTEs and 610 nonappropriated FTEs.

[2]OMB Circular A-11 defines FTE employment as the total number of regular hours, not including overtime and holiday hours worked by employees divided by the number of compensable hours applicable to each fiscal year (260 days or 2,080 hours in fiscal year 1995).

Table 1: District of Columbia FTEs

Agency	Fund Source	September 1994		April 1995		Difference	
		fund	total	fund	total	number	percent
Public Schools	Appr.	10,859		10,910			
	Nonappr.	1,016	11,875	1,110	12,020	+145	+1.2
Human Services	Appr.	4,718		4,175			
	Nonappr.	2,752	7,470	2,572	6,747	-723	-9.7
Police	Appr.	5,022		4,680			
	Nonappr.	2	5,024	0	4,680	-344	-6.9
Corrections	Appr.	3,832		3,766			
	Nonappr.	69	3,901	63	3,830	-71	-1.8
D.C. General	Appr.	0		0			
	Nonappr.	2,233	2,233	1,873	1,873	-360	-16.1
Public Works	Appr.	1,277		1,062			
	Nonappr.	866	2,144	739	1,802	-342	-15.9
Fire	Appr.	1,725		1,599			
	Nonappr.	1	1,726	1	1,600	-126	-7.3
Superior Court	Appr.	1,234		1,198			
	Nonappr.	1	1,235	0	1,198	-37	-3.0
Water & Sewer	Appr.	1,044		1,006			
	Nonappr.	152	1,196	141	1,147	-49	-4.14
UDC	Appr.	918		744			
	Nonappr.	327	1,244	344	1,088	-156	-12.5
Other	Appr.	4,565		4,026			
	Nonappr.	2,605	7,171	2,570	6,595	-576	-8.0
Total	Appr.	35,197		33,166			
	Nonappr.	10,023	45,220	9,413	42,579	2,641	-5.8

[a]Fund abbreviations: Appr. is appropriated funds and Nonappr. is nonappropriated funds.
Source: GAO calculations based on information from the District of Columbia Office of Financial Information Services.

Our calculations of FTEs in table 1, used data from information from the District's pay and personnel system, but recalculated FTEs to more realistically reflect actual hours worked. A revision of the District's FTE calculation was necessary because we found several errors in the District's calculations. For example, firefighters, who work a now 84-hour regular biweekly pay schedule, were calculated based on their old 96-hour schedule, which significantly understated FTEs. Also some daily school employees paid semi-monthly (usually 11 workdays) were calculated on a 15-day basis. This also understated FTEs. The most significant differences

between District FTEs and our calculations of FTEs were Public Schools (our calculations added about 140 FTEs) and the Fire department (our calculations added about 140 FTEs).

In addition to analyzing the District's FTE data, other information on personnel needs to be considered in addressing personnel costs. There are some categories of special and supplemental pay employees whose pay cannot be systematically converted to FTEs, because information on hours worked are not entered into the pay system. Using total salary earned for these employees, we estimate that these employees, who are not considered in computing FTEs, could be equivalent to more than 500 FTEs. Also, overtime hours worked are not shown as a part of FTEs. Federal government FTE calculations likewise do not include overtime hours in FTE calculations. Although overtime hours are not a part of FTE calculations, the amount of overtime worked, particularly in Corrections and Police departments, needs to be considered when assessing personnel levels. Table 2 provides information on the $38.4 million of overtime worked for the first six months of fiscal year 1995 for selected District agencies.

Table 2: Overtime for the first six months of Fiscal Year 1995

Agency	Overtime Dollars	Equivalent FTEs
Corrections	$10,610,000	463
Police	7,421,000	324
Human Services	5,366,000	234
Public Works	3,866,000	169
Fire	3,823,000	167
Schools	2,744,000	120
Other	4,570,000	201
Total	$38,400,000	1,678

Source: GAO calculations based on information from the District of Columbia Office of Financial Information Services.

A critical issue involving personnel is poor management information and the lack of effective internal controls. First, personnel records are incomplete and do not agree with payroll records. Coopers & Lybrand in its fiscal year 1993 management letter issued in April 1994 outlined numerous errors and inconsistencies in personnel and payroll records and recommended a number of internal controls improvements. From our review of various personnel files, we also found

incomplete personnel records including not up-to-date position descriptions or current pay and grade, service computation date errors, and other problems. Personnel Office officials agreed that personnel records often do not agree with actual personnel situations, and said that they are working to clean-up the personnel records. But this is a long-standing problem, and corrective actions will have to be carried through and sustained.

Second, data included in the budget are inconsistent with both personnel and payroll records. The annual budget contains a listing of all employees by agency, position and salary. Payroll records show major inconsistencies between the budget personnel list and the payroll records. For example:

-- A $23,000-a-year motor vehicle operator position is filled by a $40,000-a-year social worker.

-- A $13,000-a-year clerical typist position is filled by a $44,000-a-year training instructor.

--- A $37,000-a-year social service representative position is filled by an $80,000-a-year program analyst.

Payroll records include numerous errors in social security number, address, and other data. District officials said that an estimated 30 percent of addresses in the payroll system are incorrect. Our analysis of District payroll data found numerous errors. For example, the payroll system data indicted that District employees resided in 25 different states including Texas and Florida. Further checking of a sample of these errors showed that the employees actually lived in the Washington metropolitan area. These address errors and other factors have delayed a planned requirement for all District paychecks and wage and earning statements to be mailed to employees or electronically transferred to their bank accounts.

The net permanent FTE reductions that have been made have nearly all been from voluntary reductions largely from incentive bonus programs. The District offered its employees a variety of incentives to retire early or to resign. In February, the Mayor announced that 2,611 employees had left District of Columbia employment during fiscal year 1995. However, based on data provided by the District, we could only substantiate that 1,767 employees had left. First, the District only provided information on 2,087 employees. In addition, other errors in the data reduced this number further; for example, 308 employees who were double counted and 12 employees who were still being paid as of March 1995.

The District's fiscal year 1996 budget calls for little additional staff reductions, reducing the number of appropriated positions by 82 FTEs. The District clearly needs to develop a strategy of how best to implement staff reductions in the future. A necessary precursor to such a strategy will be to drastically improve personnel information. Before systematic reductions can occur, accurate data on personnel, including the service computation date, job description, promotion date, salary, and other information will need to be in personnel records. District agency officials have pointed to problems with personnel records as reasons for delays in personnel management initiatives. For example, Department of Corrections officials said they must complete a number

of personnel actions to clean up personnel records before a planned reduction-in-force can be completed.

Recommendations Regarding Personnel Data

We recommend that the Mayor direct District officials to address a number of problems with personnel data. First, the District needs to recalculate FTE data to make it more consistent with actual hours worked and to include both supplemental and special pay employees. Second, the district needs to undertake a major effort to correct and make complete personnel and payroll records to make sure they indicate the employees current status and history. And finally, position data included in the budget needs to be consistent with actual personnel on-board. Position and salary descriptions need to be accurate.

THE PUBLIC SCHOOLS NEED TO ADDRESS MANAGEMENT WEAKNESSES

The District of Columbia Public School system educates over a reported 80,000 students from pre-kindergarten through grade 12 and over 4,000 adults and manages 166 school facilities. Public schools expenditures for fiscal year 1994 totaled $741 million. Table 3 provides information on expenditures for the District of Columbia Public Schools.

Table 3: Total D.C. Public Schools Expenditures

(dollars in thousands)

Expenditures	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995[a]	FY 1996[a]
Appropriated	$517,628	$519,600	$515,267	$545,664	$506,270	$503,270
Nonappropriated	62,613	72,633	85,687	84,269	82,686	82,686
Capital	21,548	28,151	20,544	9,580	14,058	30,000
Teacher retirement	89,900	98,800	99,700	102,110	89,100	109,175
Total	$691,689	$718,584	$721,198	$741,603	$692,114	$725,131

[a]Budgeted amounts.

Source: D.C. Public Schools Annual Financial Statements and District of Columbia Comprehensive Annual Financial Reports

At your request, we computed per pupil cost. For fiscal year 1994, using $741 million in expenditures and a reported enrollment of 80,450 as of September 29, 1994, the District's per pupil cost was about $9,200. If you take out retirement and capital costs, the per pupil cost is about $7,800.

A critical issue facing the schools is controlling personnel costs, which comprise nearly 80 percent of total DCPS expenditures. The DCPS is the largest employer among D.C. agencies with 12,020 FTEs. Table 4 provides a breakout of the types of employees in the school system.

Table 4: Types of Employees in the District of Columbia Public Schools as of April 1995

Type of Employee	Number of FTEs
Teachers	6,182
General Schedule[a]	3,032
Federal Wage System[b]	1,704
Administration	597
Cafeteria	481
Supply clerks	24
Total	12,020

[a]General Schedule includes secretaries, security personnel, physical therapists, and educational aides.

[b]Federal Wage system includes maintenance, motor vehicle operators, and boiler plant operators.

Source: District of Columbia payroll data file.

From fiscal year 1990 through 1994, the schools overspent their personnel services budget by nearly $60 million. Most of these funds were taken from the nonpersonnel services. This means funds for textbooks, facilities maintenance, and vehicles were used to pay salaries and benefits. This pattern is continuing in fiscal year 1995 as personnel spending is projected to be $11.6 million over the budget as of April 1995.

A corollary issue is the school's inadequate internal controls over personnel. Internal controls for personnel and payroll in the District's Public Schools were severely criticized by the District Auditor in a report issued in April 1993.[3] The report contained numerous instances of internal controls problems and concluded that

[3]Audit of the District of Columbia Public School System's Personnel, Payroll, and Budget Practices, Office of the District of Columbia Auditor, April 14, 1993.

"It is apparent that the Board of Education has no credible financial controls or information checks and balances in place to oversee the planning and spending of education funds. The processes of planning, budgeting, and spending have no apparent internal controls. .... The lack of controls allows for personnel expenses to exceed authorizations, and allows positions to be created in excess of authorizations. It is clear that there is no operating reconciliation of budget, payroll and personnel."

Our work at DCPS also identified a number of problems with personnel internal controls. For example, we observed that the authorizing personnel documentation is not current with the information in the automated payroll files. In various samples, we've observed that personnel action forms are not updated, and, in some cases, personnel files are not available. Of 34 personnel folders we requested, 29 of these had appointment forms with a not-to-exceed-date that had already elapsed. Two folders could not be located. In addition to presenting a control problem because unauthorized employees could be paid, management reports based on these databases are not reliable with respect to tracking and monitoring employees. Similarly, the budget files are not integrated with the payroll files. The DCPS relies on the payroll information prepared by the District Office of Pay and Retirement to prepare its own FTEs. The schools method of computing FTEs is not based on hours or days actually worked by employees but instead is based on a predetermined assigned tour of duty. Consequently, reports prepared by the DCPS are not providing a realistic FTE count. In addition, approximately 200 employees, primarily evening school teachers who work on an hourly rate, are processed through vouchers and are not captured by the FTE computation.

In addition, the District's public schools are creating more FTEs than allowed in their budgets. The schools allow managers to create as many FTEs as they like as long as they do not exceed their dollar personnel budget. This procedure has added nearly 200 FTEs to the DCPS. As of April 1995, the DCPS' 12,020 FTEs were 306 more than authorized.

Other expenditure internal controls problems were noted. For example, controls over the validity of documents, such as the lack of use of (1) preprinted numbering, (2) procedures to account for missing vouchers, and (3) consistent matching of processing documents. Photocopies of invoices or receiving reports are used to support disbursements, purchase orders are often missing, alterations are not initialed, and source documents are not consistently canceled after being paid. We inspected a sample of 32 vouchered expenditures at the schools. Seven transactions were not coded or were miscoded, 10 had no purchase orders, and 1 voucher was a year old. Also, there are no documented accounting procedures for the activities of the Finance Division.

In addition, DCPS operates a Central Investment Fund (CIF) using nonappropriated nonfederal grants and other funds from private sources. The detailed processing of CIF transactions falls outside the District's Financial Management System. At year-end, DCPS makes a summary entry representing these transactions and adjusts the School System's cash line item in the annual financial reports. In addition, CIF cash processing and recordkeeping fall within the DCPS Controller's office. Because the duties of the controller (recordkeeping) and treasury (cash

handling) are centralized in one position, other controls over transaction processing are compromised. The same is true of various other imprest funds used at DCPS.

DCPS also has poor information on both the number of students and the identification of nonresident students. Late last month, DCPS officials counted a random sample of students to determine the accuracy of the 80,450 official student membership. DCPS' count indicated that the Student Information Membership System database included students who had not enrolled as of September 29, 1994. In addition, a number of students had transferred, but the database had not been updated. The test was limited because it was not designed to identify students who were enrolled but not in the database. In addition, there were some errors made in the sample that was selected and in the methodology. We have not evaluated the study results because we have not yet been provided a copy of the study report.

DCPS reported that the count did demonstrate that the official student membership database contained errors and was not being updated promptly. In addition, our independent analysis of the student database identified at least 340 duplicate student records. Information on the number of students by school and grade is critical to school management because staffing, textbooks, and other nonpersonal services funding are all driven by calculations based on student membership.

DCPS also has identified a potential problem with nonresident students attending DCPS without paying the required tuition. Current tuition for nonresidents ranges from $2,100 a year for half-day kindergarten to $6,200 for high school. Nonresidents have an incentive to send their children to District schools because DCPS provides full-day preschool and kindergarten at no charge to District residents. Surrounding jurisdictions generally provide one-half day kindergarten and no preschool. Our Office of Special Investigations (OSI) and DCPS officials, working together, identified potential nonresident students attending District schools. OSI and DCPS officials accomplished this by surveilling schools, researching motor vehicle registrations, reviewing school data bases and other documentation, and interviewing school-based officials. Preliminary results identified 263 students who may be nonresidents; however, further investigation by DCPS will be necessary. A review of documentation of proof of residency at two schools revealed that the records were not current. Information on the extent of the problem is unknown. However, DCPS officials previously testified that approximately 2 percent of District students, which would equate to approximately 1,600 students, may be nonresidents . If 1,600 nonresident students are attending DCPS schools, tuition payments could total more than $6 million. During the 1994-95 school year, DCPS collected approximately $173,000 from tuition payment agreements.

DCPS officials have already identified some nonresident students and attempted to collect tuition. An example of such an enforcement case involved Maryland parents who had sent their three children to DCPS schools since 1990. Both parents are District employees, and after an investigation, DCPS had billed these parents $55,718 for their children's tuition. A hearing official in ordering the payment noted that both parents were District employees who paid taxes in Maryland yet decided to educate their children at the District of Columbia's expense.

Another critical issue facing the public schools is the unfunded capital program. DCPS has about 180 facilities, most of which are old and in need of serious repairs--over half are more than 50 years old. The schools delayed opening in the fall of 1994 in order to correct fire and safety violations in many facilities. Again this spring, schools were threatened with closing in order to correct fire and safety violations. A study completed in 1992 estimated that between $522 million and $650 million was needed to correct many facilities' deficiencies. In addition, DCPS underspending of its nonpersonnel services budget, including maintenance, for the last several years may have placed even greater stress on capital improvements needs. Public school officials said the schools needed at least $50 million in capital spending annually to begin correcting these deficiencies, yet capital spending in fiscal year 1994 was just $9 million and is projected to be $14 million in fiscal year 1995 and $30 million in fiscal years 1996 through 2001. Even if no additional capital projects are identified, which is highly unlikely, planned capital spending through 2001 is less than one-third of 1992 estimated capital needs, and this does not take into consideration inflation and any further deterioration of facilities that may have occurred since 1992.

Recommendations Involving DCPS Information

The District of Columbia Public Schools need to take a number of steps to improve information on personnel and students. Accordingly, we recommend that the Superintendent of the District of Columbia Public Schools implement procedures to ensure that data in the Student Information System are up-to-date, including periodically checking the database for duplicates and ensuring that all official student count data are promptly inputted into the database. The Superintendent also needs to implement a program to identify nonresident students. Systematic procedures at the school level need to be implemented to better verify student residency and then refer cases of nonresident students to DCPS headquarters officials to obtain reimbursement or take other actions. Finally, the Superintendent needs to develop a capital projects plan that identifies specific projects and the timing of those projects that are needed to address the huge capital needs shortfall. Although, the source of funds for these capital projects has not been identified, such a plan would provide valuable information as options are developed to improve the District's schools.

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In conclusion, Mr. Chairman our work in District of Columbia personnel and Public School programs has demonstrated that information contained in crucial databases is error prone that limits its usefulness. Such information is critical to as District officials, the District of Columbia Financial Responsibility and Management Assistance Authority, and the Congress work to identify needed financial and management reforms.

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