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DISTRICT OF COLUMBIA

Improved Financial Information and Controls Are Essential to Address the Financial Crisis

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GAO/T-AIMD-95-176

Mr. Chairman and Members of the Subcommittee:

Today, we will discuss our continuing work on the District's financial situation. As we have testified before, the District's financial records are poor. The District does not have the most basic financial data, including the status of its funds, the amount of its bills owed (payables), or the balance of cash. As a result, District managers do not have fundamental financial information necessary to help control spending and costs and to estimate budget and cash needs.

Even though financial circumstances have not changed, spending and cash projections have varied widely causing us to question the validity of the estimates, particularly the Mayor's $3.89 billion spending projection in February 1995. Over a period of 6 months, District fiscal year 1995 expenditure projections have ranged from $3.25 billion to $3.89 billion, and year-end cash balance projections have ranged from a positive balance of $50 million to a negative balance of $350 million. Such wide fluctuations in the District's financial projections make it difficult, if not impossible, to know the District's true financial condition. The District currently projects it will spend $3.39 billion this fiscal year.

My testimony today focuses on four specific areas:

(1) the District's changing expenditure and cash projections for fiscal year 1995,

(2) the status of the District's request for borrowings from the U.S. Treasury,

(3) the status of the District's management initiatives to reduce spending, and

(4) the District's serious financial information and control weaknesses.

In our continuing assessment of the District's financial situation, we have analyzed both summary and detailed data from the District's Financial Management System (FMS). We also met extensively with District officials in the Office of Financial Management and other officials in a variety of District agencies, including the Office of Personnel, the District of Columbia Public Schools (DCPS), the Department of Human Services (DHS), the Department of Public Works, the Department of Corrections, Fire and Emergency Medical Services, and the Metropolitan Police Department. 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'S CHANGING FISCAL YEAR 1995 EXPENDITURE AND CASH PROJECTIONS

The District's expenditure and cash projections have changed dramatically several times since the beginning of the fiscal year.

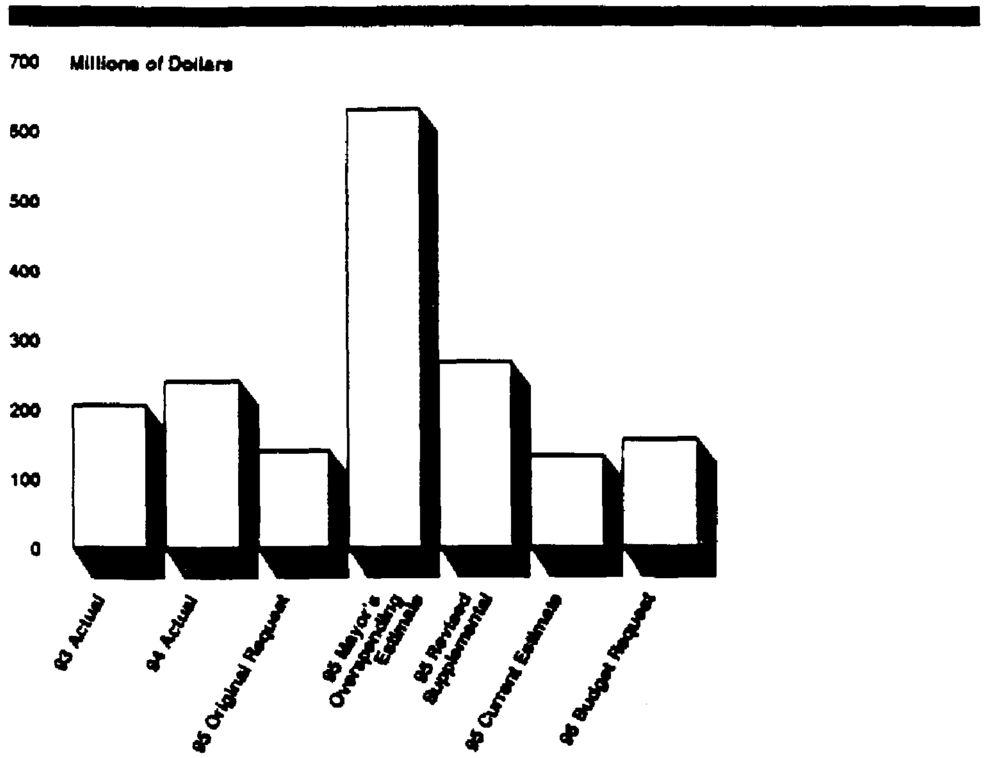
-- In December 1994, in connection with the $250 millon in short-term loans, the District used spending projections based on the Congressionally-approved budget of $3.25 billion and estimated a positive cash balance of $51 million at the end of fiscal year 1995.

-- In February 1995, District officials testified before this Subcommittee that spending for fiscal year 1995 would total almost $3.89 billion, over 20 percent above the appropriated budget.

-- And this week, the District is projecting a negative year-end cash balance of $236 million and spending of $3.39 billion.

Figure 1 compares various fiscal year 1995 spending estimates to the congressionally-approved fiscal year 1995 budget of $3.25 billion. It also shows how spending in fiscal years 1993 and 1994 and the fiscal year 1996 budget request differ from the $3.25 billion.

Figure 1: Changes From the $3.25 Billion Fiscal Year 1995 District Appropriated Budget



Source: District of Columbia Financial Statements, Budgets, and Spending Plans.

In September 1994, the Congress passed the District of Columbia Fiscal Year 1995 Appropriations Act, which capped fiscal year 1995 appropriated expenditures at $3.25 billion, $140 million below the budget that the District submitted to the Congress, and stipulated that total disbursements could not exceed total receipts.

During the first part of fiscal year 1995, the District focused on obtaining $250 million in short-term borrowing from Wall Street. The key action during this period was an agreement among the D.C. Council Chairman and the current and former Mayors that included management actions and initiatives to reduce potential overspending and cut costs, a budget with $140 million in budget cuts mandated by the Congress, and a positive cash forecast.

On February 1, 1995, the Mayor announced that overspending in District agencies could result in $3.89 billion in expenditures or $631 million over the $3.25 billion expenditure limit established by the Congress. The District said that this deficit was comprised of Medicaid cost settlements and adjustments, agency overexpenditures, and the required $140 million in congressionally mandated cuts. In addition, the Mayor explained that there was a $91 million cash shortfall, making the total shortfall $722 million.

To address the $631 million in purported agency overspending, in March 1995, the District proposed a $3.52 billion revised supplemental budget, which called for the federal government to provide an additional $267 million in cash and the Congress to rescind the $140 million in budget cuts. Rescinding the $140 million would allow the District to use the surplus budget authority built into the District budget when the Congress ordered the cuts. The remaining $364 million was to come from $224 million District spending reductions as identified in agency spending plans, $70 million in personnel savings, and $70 million in savings from refinancing the debt.

We reviewed elements of the $3.89 billion spending estimate and question the support for some of the numbers that went into this projection. We do not believe that the $3.89 billion spending projection was ever a valid number, and I note that, as of June, just four months later, the spending estimate stands at $3.39 billion, or $500 million less. For example, the estimates for Medicaid, which represented a third of the estimated $631 million increase, went from $325 million in fiscal year 1994 to $550 million in fiscal year 1995, nearly a 70 percent increase in 1 year. In June 1995, Medicaid spending projections for fiscal year 1995 were revised downward to $397 million. In addition, several agency officials told us that the spending estimates for their activities included in the $3.89 billion figure were overstated. For instance, DCPS and Corrections officials said that the spending estimates for their agencies were overstated by $13 million and $15 million, respectively. Some officials we spoke to referred to the $3.89 billion spending projection as more of a "wish list".

Spending Controls Largely Ineffective

During fiscal year 1995, the District attempted to administratively control spending by allocating budgets to agencies by quarter. These steps largely were ineffective and may have contributed to even more problematic financial information. The District directed agencies to limit spending to 25 percent of their annual budgets in the first quarter and 15 percent in the second quarter. These allocations were based on the originally submitted "pre-$140 million cut" budget.[1] The

[1]Agency budgets were included in the District's fiscal year 1995 submitted budget to Congress. The congressionally-approved budget reduced total expenditures by $140 million, but these have

reduced second quarter allocation was intended to help keep the District within the congressionally-mandated budget. The District set the third quarter allocation limits on agency spending at 75 percent of the lower of the congressionally-approved budget or the Mayor's supplemental budget--the $3.52 billion budget. The allocation process is limited. While all expenditures were allocated, only 20 percent of total expenditures were controlled. Entitlements (e.g., Medicaid and AFDC) and payroll costs were not controlled. The District continues to process both entitlements and payroll, regardless of whether the spending target has been reached.

The situation at the Department of Human Services (DHS) demonstrated some problems that resulted from the allocation process. The allocation made available during the first quarter of the fiscal year provided only a quarter of DHS's budgeted funds for purchasing good and services. So, DHS did not have enough funds to execute contracts covering more than a 3-month period. The allocation process did not take into account that many contracts are executed at the beginning of the fiscal year for a 12-month period and that sufficient funds are needed at the beginning of the year to enable this.

Not only did the allocation process exacerbate contract processing problems, this action did little to control spending. Over half of District agencies exceeded their cumulative first and second quarter allocation, many by millions of dollars. For example:

-- DCPS surpassed its allocation by $48 million,

-- the Department of Corrections exceeded its allocation by $15 million, and

-- the Metropolitan Police Department went over its allocation by $14 million.

Third-quarter allocations for personnel expenditures have been exceeded in 45 of the 66 District agencies as of May 31, a month before the end of the quarter. Most of these overages are in the other pay object class, which includes overtime. Table 1 profiles some of these overages.

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never been allocated to the agencies.

Table 1: Examples of District Agencies Exceeding Third-Quarter Other Pay Allocations

Agency	Third-quarter allocation	Expenditures through May 31, 1995
Public Works	$852,000	$2,387,460
Fire and Emergency Medical Services	$6,896,800	$8,185,039
Department of Human Services[a]	$8,964,550	$9,212,246
Public Schools	$1,873,379	$5,456,624

[a]DHS amount does not include last May payroll because of a delay in processing DHS payroll information.

Source: GAO analysis of District of Columbia Office of Financial Information data.

Overages in personnel allocations need to be made up from other object class categories if total agency spending is to stay within the total allocation.

Controlling District spending is further complicated because congressional appropriation line items are for general functions rather than agencies. For example, the Congress appropriates funds for Public Safety, but this is comprised of the Department of Corrections and Metropolitan Police Department, which are directly under the control of the Mayor, and the courts which are independent from the Mayor.

THE DISTRICT'S REQUEST FOR BORROWING FROM THE U.S. TREASURY

The Financial Responsibility and Management Assistance Act of 1995 (Authority Act) sets forth requirements for the District to request advances of funds from the U.S. Treasury as authorized in D.C. Code Section 47-3401. Under section 3401, the Mayor of the District of Columbia may requisition the Secretary of the Treasury for "such sums as may be necessary, from time to time, to meet the general expenses of said District, as authorized by Congress...". The Authority Act, in general, requires that after July 15, 1995, and in a control year, the District of Columbia Financial Responsibility and Management Assistance Authority (DCFRA) approve the Mayor's request for all such borrowing if (1) the borrowing is appropriate to meet the needs of the District government, (2) the District government is making appropriate progress toward meeting the responsibilities of the Authority Act, and (3) once a financial plan is approved, the borrowing is consistent with the plan. Before July 15, 1995, the Treasury may request any federal agency to assess the appropriateness of the District's request. GAO has agreed, in conjunction with the U.S. Treasury, Office of Management and Budget, and District officials, to assess the appropriateness of the first requisition. The following agreed upon procedures are substantially less in scope than an examination, the objective of which, is the expression of opinion on the District's requisition.

Yesterday, the District exercised its right to request funds from the U.S. Treasury pursuant to the Authority Act. In conjunction with this borrowing, we have been requested to review the District's requisition to determine if it was within the amounts that have been authorized by the Congress. Specifically, the District and U.S. Treasury agreed that the requested amounts cannot be used for (1) expenses in excess of the $3.25 billion congressionally-approved fiscal year 1995 budget, (2) fiscal year 1994 expenses paid in fiscal year 1995 that were in excess of the fiscal year 1994 congressional appropriation, and (3) any other transactions that are not in compliance with laws and regulations, such as payments without contracts that may not comply with the D.C. Code.

In order to make this determination, we reviewed the District's current spending plan and cash needs. We initially compared the District's current spending plan to previous plans to determine the impact the changes had on cash. Table 2 outlines the changes made from the $3.52 billion revised supplemental budget to the current $3.386 billion spending plan.

Table 2: Adjustments to Cash Resulting From Changes to Spending Plan
(dollars in millions)

	Budget	Impact on the fiscal year 1995 ending cash balance
Mayor's revised supplemental budget	$3,521	$(139)
Medicaid cost adjustments reductions	(133)	39
Elimination of non cash items	(79)	0
Increase in spending estimates	7	(7)
Elimination of debt restructuring savings	70	(63)
Reduction in expected revenue	0	(64)
Other	0	(2)
Resulting balance	$3,386	$ (236)
Congressionally-approved budget	$3,254	
Amount in excess of congressionally-approved budget	132	
Initial cash need identified by District		$(336)

Source: GAO analysis of District of Columbia Office of Financial Information data.

The current spending plan eliminated virtually all items in the Mayor's supplemental revised fiscal year 1995 budget that do not require cash. For example, the Mayor's supplemental revised $3.52 billion budget included a reserve fund of $79 million. These funds are generally set aside for a "rainy day" and would not affect cash. In the $3.386 billion spending plan, these amounts have been eliminated. In addition, the Medicaid estimates for cost adjustments included in the Mayor's supplemental revised budget were decreased by $133 million. In our February testimony before this Subcommittee, we indicated that $152 million of the Medicaid cost adjustments included in the Mayor's budget might not require the use of District cash in fiscal year 1995.[2] The District's current estimates indicate that of the $133 million, only $39 million is expected to impact cash outlays in fiscal year 1995.

To determine if the District's cash needs are for authorized expenses, in addition to reviewing the spending plan, we reviewed District documents related to cash needs. The cash needs include grant receipts and disbursements, payments made in the current year for prior year spending, and

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[2]District of Columbia: Financial Crisis, (GAO/T-AIMD-95-88, February 22, 1995).

cash received from certain other funds of the District. The District may also consider a separate borrowing for capital needs. At this time, the District is not requesting cash for capital needs.

The District requisitioned $146.7 million from the U.S. Treasury on June 20, 1995. Table 3 shows the factors that reduced the amount of the requisition from the District's identified cash needs as outlined in table 2 above.

Table 3: Factors That Reduced Amount of Requisition From Identified Cash Needs
(dollars in millions)

	Amount
Initial cash need identified by the District	$336
Items excluded from cash need	
Amounts paid in FY 1995 for certain FY 1994 expenses in excess of FY 1994 congressionally-approved budget	47
Amounts that are expected to exceed FY 1995 congressionally-approved budget	132
Other cash not used to pay general expenditures	8
Payments without contract in excess of amounts by which FY 1995 spending is expected to exceed the congressionally-approved budget	2
Total items excluded from cash need	$189
Cash need requisitioned	$ 147

Source: GAO analysis of District of Columbia Office of Financial Information data.

Based on the information represented to us by the District, as being complete and in accordance with congressional limitations and other pertinent laws, except as noted in the District Chief Financial Officer's representation letter to us, nothing came to our attention that caused us to believe that the amount of the requisition is unreasonable. However, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

MANY OF THE DISTRICT'S PLANNED EXPENDITURE CUTS HAVE NOT BEEN IMPLEMENTED

As we noted earlier, the District proposed a variety of cost cutting initiatives in conjunction with the $3.89 billion spending estimate. These cost cutting initiatives included $224 million in management initiatives in the agencies, $70 million in personnel savings from reductions in pay and furloughs, and $70 million in interest savings resulting from refinancing the debt. Although the District has a system to periodically update the status of the initiatives, agency managers are not accountable for making sure the initiatives are effectively implemented and the savings are realized. We reviewed selected initiatives and noted that much of the savings will not be realized this year, if ever, and a significant number of initiatives have already been dropped.

First, the District has already reduced savings estimates from these initiatives by almost one-third, or $116 million. The $70 million savings from refinancing the debt was abandoned and the projected personnel savings have been reduced by $6 million to $64 million. And finally, the District's projection of savings from agency management initiatives has been reduced by $39.6 million to $184.4 million. According to District officials, 121 of the initiatives have been completed, saving $89.6 million, and another 100 initiatives are still being implemented, with the estimated savings for these pegged at $94.8 million. However, as we outline below, some of the completed and remaining initiatives may not result in the level of savings projected.

Our preliminary analysis of the completed initiatives shows that some were unrealistic and probably did not result in as much savings as the District estimated. About $5.6 million in initiatives had costs cut in one agency or program, but the costs were transferred to another agency or program with no resulting District-wide savings. For example:

-- The Department of Employment Services planned to transfer $490,000 in costs to the Department of Human Services.

-- Fire and Emergency Medical Services planned to move 28 battalion fire chief aides back to fire fighting, saving $855,000. However, there are no cost reductions from moving staff from one assignment to another.

The District further reported $533,000 in savings by eliminating positions that were already vacant in four agencies. In another example, for four initiatives, with $500,000 in savings estimated, the District did not outline the costs to implement the initiatives.

Regarding the 100 initiatives the District reports as still being implemented, some are the same actions planned in fiscal year 1994 as gap-closing actions. For example:

-- Contracting out food services in the Department of Corrections was expected to save $3.8 million in fiscal year 1994. As of May 1995, the action still had not been implemented and projected savings for fiscal year 1995 have been reduced to $315,000.

-- Fire and Emergency Medical Services planned to close three engine companies and two rescue squads in fiscal year 1994. This did not occur, and for fiscal year 1995, the plan is to close seven companies.

-- The District of Columbia General Hospital planned to improve Medicaid billing during fiscal year 1993 by placing an income maintenance worker at the Hospital on October 1, 1993. The current plan is to establish such an office at the beginning of fiscal year 1996.

In other instances, the initiatives have been superseded by other events, but have not been updated for the impact of these events. For instance, the Department of Corrections plans included a $1.3 million savings that would be realized from closing a prison facility, halfway houses, and a drug counseling center. However, the prison facility cannot be closed because of a court order, and the Mayor's Office reversed its decision on closing the halfway houses and drug counseling center. In addition, the Corrections' plan included a reduction-in-force (RIF) of 241 employees. Prison officials said there are currently 500 vacancies for correctional officers, 300 of which are court-ordered positions. Currently, staffing levels are maintained through the extensive use of overtime. Prison officials noted that a RIF of corrections officers would add to this overtime spending.

POOR FINANCIAL INFORMATION AND CONTROLS

The District's financial information and internal controls are poor. The District does not know the status of expenditures against budgeted amounts, does not know how many bills it owes, is allowing millions of dollars of obligations to occur without required written contracts, and does not know its cash status on a daily basis. Millions of dollars of bills are not entered into the Financial Management System until months and sometimes years after they are paid. Numerous internal and external audits over a number of years have highlighted problems with various aspects of the District's financial and management controls procedures and practices. The Rivlin Commission Report[3] in November 1990 recommended a comprehensive financial management improvement program, and both the current acting Chief Financial Officer (CFO) and previous CFO have recommended major improvements in the entire financial management system, including better procedures and improved training.

The District's financial management system consists of a 15-year old central system and at least 17 separate program systems. These separate program systems are not integrated with the central system. As a result, District Controller officials must input to the central system thousands of general journal entries that were originally entered into the individual systems. For example, at DHS, benefit payments made under programs such as Medicaid, Aid to Families with Dependent Children, General Public Assistance, and Foster Care are computed by the program's own unique

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

systems, which are not integrated with the city's Financial Management System. The benefit payment amounts for these programs and the associated obligations are then manually recorded in the Financial Management System by the D.C. Controller's Office after the payments are made. The result is delays in processing and a lack of timely, accurate information on both expenditures and cash. But while the entire financial management process is antiquated and cumbersome, the lack of effective practices and procedures by District financial officials makes any system even more ineffective.

There are numerous examples of inaccurate financial information:

-- The District's fiscal year 1995 second-quarter financial report did not include at least $80 million in DHS expenditures that had been incurred.

-- District officials have said that extent of unpaid bills is unknown, but they probably total tens of millions of dollars. The District's fiscal year 1995 second-quarter financial report said that the District's accounts payable balance of $41.2 million reflects only unpaid invoices accepted into the District's Financial Management System as of March 31, 1995. Tens of millions of dollars in unknown payables also exist but are not in the Financial Management System. This Subcommittee has previously recommended that the District contract with an accounting firm to perform an interim closing of the financial records to identify all payables. The District has not yet identified funds for this contract. We continue to believe that an interim closing is necessary

-- Some expenditures at DCPS were not recorded and paid for months. For example, a 1993 invoice for $200,000 for food from the Defense Logistics Agency was not paid until at least May 1995.

-- Information provided by the DHS Controller's Office shows that Medicaid payments from October 1994 through May 1995 totaled over $400 million. It was often anywhere from 2 to 12 weeks before these payments were recorded in the Financial Management System. For example, a November 1994 payment of over $6 million went unrecorded for over 12 weeks, and a March 1995 payment of almost $8 million went unrecorded for 11 weeks.

-- AFDC payments amounting to $9.7 million and General Public Assistance payments amounting to $775,000 were made on or about January 1, 1995, but were not reflected in the Financial Management System until June 1, 1995, 5 months later.

-- In the case of Foster Care payments, from October 1994 through March 1995, the time elapsed from check issuance to recording the payments in the Financial Management System ranged from 4 to 12 weeks. The total amount of the payments recorded during this period was over $15 million.

-- As of June 8, 1995, none of the Foster Care payments for the month of December 1994 or for the period from mid-March through May 1995, had been recorded in the system.

The above examples are not isolated. Delays in entering information in the financial management system are routine. Our analysis of all general journal entries for May 1995 showed that many payments were recorded months after the checks were written. In fact, over $120 million (44 percent) of the total payments recorded in the Financial Management System using general journal entries were not recorded until over 2 months after the payments occurred. Table 4 outlines the results of our review.

Table 4: Delays in Entering Payments into the FMS

Delay in entering payments into the FMS	Number of entries	Dollar amount of entries
0 days	87	$351,639
1-30 days	2,001	73,291,999
31-60 days	691	81,697,950
61-90 days	358	100,589,894
91-150 days	428	21,319,747
greater than 150 days	192	458,831
Total	3,759	$277,710,059

Source: GAO analysis of District of Columbia Financial Management System data

Goods or Services Delivered Without Benefit of Contract

In addition to inaccurate information, the financial management process has numerous internal control weaknesses that we and others have identified. One of the most flagrant is arranging for delivery of goods and services without a written contract and the subsequent payment of vendors for delivery of such goods and services without valid contracts. Under District law,[4] no District officer or employee subordinate to the Mayor's supervision may authorize any payment for the value of goods and services received without the benefit of a valid written contract, except for payments required by a court order or a final decision of the Contract Appeals Board.

[4]D.C. Code section 1-1181.5(d)(1), 1-1181.4(a), (c).

Nevertheless, District officials stated that many vendors were asked to continue to perform even though their contracts had expired and that this was necessary for continued performance of programs, such as substance abuse treatment, housing for AIDS patients, and processing Medicaid payments. According to District officials, the amounts owed and paid to vendors without contracts as of June 12, 1995, may be as much as $46.7 million. First, as detailed in Table 5, District reports showed $12.3 million paid to contractors without contracts as of June 12, 1995, of which $2.1 million was not authorized by court orders.

Table 5: District of Columbia Payments Without Contracts
(dollars in thousands)

Agency	Payments made without benefit of contracts	Payments made authorized by court orders	Payments not in compliance with the D.C. Code
Police	$17	$0	$17
Corporation Counsel	2	0	2
Corrections	156	0	156
Department of Human Services	11,751	10,165	1,486
Public Works	365	0	365
Total	$12,291	$10,165	$2,126

Source GAO analysis of District of Columbia office of Financial Management data.

The remaining $34.3 million that the District reports are still owed to vendors, $30.2 million are for the Department of Human Services and may be subject to court orders. However, we have not received any information from the District on the remaining $4.1 million for other agencies. Over $3 million of the amounts reported as still owed to vendors without benefit of contracts are for transactions during fiscal year 1994. Until a recent effort prompted by the Congress and us to establish the accounts payables amounts, these payables were not recorded in the accounting systems.

Finally, in our testimony before this Subcommittee last week we noted internal control problems in the DCPS.[5] We pointed out weak controls over the validity of documents, including not using (1) preprinted numbering, (2) procedures to account for missing vouchers, and (3) consistent matching of processing documents. Photocopies of invoices or

[5]District of Columbia: Weaknesses in Personnel Records and Public Schools' Management Information and Controls (GAO/T-AIMD-95-170, June 14, 1995).

receiving reports were used to support disbursements, purchase orders were often missing, alterations were not initialed, and source documents were 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.

OTHER CITIES HAD TO ADDRESS FINANCIAL MANAGEMENT WEAKNESSES

In the last 2 decades, other cities have faced financial, management, and structural problems similar to those currently facing the District of Columbia. In March 1995, we testified before the House Government Reform and Oversight Subcommittee on the District of Columbia on the work we had done to look at five other cities--Boston, Chicago, Cleveland, New York, and Philadelphia--which had faced financial difficulties.[6] We found that in addition to improving their financial stability, all five cities realized that if they were to avoid more financial difficulties, they also would have to improve the efficiency of city management and operations. Some of the actions taken included: hiring new financial managers and giving them authority and responsibility to strengthen the cities' accounting, budgeting, and cash management operations; and installing or upgrading financial management systems and improving their financial reporting. Among the points most emphasized by officials from these five cities were to establish credible information and know how to use it for making hard decisions to restore financial stability. And, once improved financial systems and practices are established to use them not only to maintain credible information, but also to improve accountability and performance of government operations.

CONCLUSIONS

The District does not have needed information to monitor the spending and cash, and is not holding agency managers accountable for spending in their agencies. Specifically, agency managers are not accountable to ensure that (1) spending is within prescribed budgets and allotments and (2) management initiatives are effectively implemented with commensurate savings. The problems with District financial management are long-standing, and improvements are essential to providing credible, accurate, and timely information. The new District of Columbia Financial Responsibility and Management Assistance Authority (DCFRA) faces a difficult challenge to establish a financial baseline to monitor the District and improve the District's financial management.

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[6] District of Columbia: Actions Taken in Five Cities to Improve Their Financial Health (GAO/T-GGD-95-110, March 2, 1995).

Improvements in its financial information and controls will need to be addressed. However, simply purchasing new hardware and software will do little to improve financial information

and controls. Major improvements in financial and other management information can only be realized if they are part of an overall assessment of processes, people, and the equipment.

RECOMMENDATIONS

Based on our work, we are making a variety of recommendations to the Mayor of the District of Columbia and to the District of Columbia Financial Responsibility and Management Assistance Authority.

We recommend the Mayor of the District of Columbia:

-- Clean up existing data in the financial systems and place special emphasis on ensuring that basic accounting policies and procedures are followed.

-- Implement a meaningful process of quarterly apportionment at the agency level for all expenditures, including entitlement and personnel costs, and establish accountability for agency managers to spend in accordance with the apportioned amounts.

-- Establish a process of accountability for implementation of management initiatives.

-- Contract for an interim closing for the financial records to identify all payables and to establish a baseline of the fund status..

We recommend that the District of Columbia Financial Responsibility and Management Assistance Authority study the accounting and financial management information needs of the District of Columbia government. DCFRA should ensure that any improvements to management information be consistent with both the financial plan, and the performance plan that are required by the Authority Act, Fiscal Year 1995 Appropriation Act, and Federal Payment Reauthorization Act of 1994.

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That concludes my statement. My colleagues and I will be glad to answer any questions that you or other Members of the Subcommittee may have at this time.

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