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Statement of
Elmer B. Staats
Comptroller General of the United States
before the
Committee on the District of Columbia
United States Senate
on
Improvement of Financial Management of the
Government of the District of Columbia

Mr. Chairman and Members of the Committee:

We appreciate your invitation to meet with you today to present our views on H.R. 11009 and S.3608, both of which provide for improvement of the financial planning, reporting, accounting, control, and operating procedures of the District of Columbia government and for independent audits of the District government's financial condition in the future.

We fully support the efforts of this Committee and the House District Committee to strengthen the District government's financial management and to improve the credibility of its financial statements. As you know, we have issued numerous reports through the years recommending improvements in the District government's financial management and addressing many of the matters discussed in the Arthur Andersen report. In addition, to help bring about needed changes, GAO employees served on the Nelsen Commission, which issued a comprehensive

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report on the District government's financial management in August 1972. Our staff also served from 1972 to 1974 on a District government project team which obtained information needed to design new accounting systems. On several occasions, we have obtained information about the District government's financial management for the Congress. Most recently, we provided the House District Committee with our views on the improvements needed in the District government's accounting systems in a report dated February 27, 1976, which is an attachment to my statement. Because of this extensive involvement, we are very pleased at the action being taken by the Congress to improve the District government's financial management.

We believe that either H.R. 11009 or S.3608 could bring about the needed improvements in the District government's financial management systems and, of course, both bills provide for independent audits of the District government's financial condition.

At the invitation of the staff director of this Committee, we provided suggestions which have been incorporated into S.3608. We are pleased that subsection 2.(a) has been revised to require the joint committee to consult with the Comptroller General, the Mayor of the District of Columbia, and the Chairman of the Council of the District of Columbia before selecting the contractors. We believe that it is important that District

government officials be consulted regarding the nature of the systems to be designed because they will be responsible for operating the systems after they are implemented. It is important that we be consulted regarding the scope of the contracts to assure that the documentation prepared by the contractors will be sufficient for our evaluation. One purpose of our evaluation of the documentation will be to approve the accounting systems, which is required by the Budget and Accounting Procedures Act of 1950.

Subsection 2.(b) requires the contractors to prepare ongoing programs for training District government personnel. This is essential. We are aware of many cases in which systems have not been implemented, or have not functioned properly, because the contractor was released before the client's employees were trained.

Subsection 2.(e)(4) provides that the Comptroller General shall submit the plans which he approves or modifies to the Congress. We presume that it is intended that the plans will be submitted to the Congress for informational purposes only since we have the basic statutory responsibility and authority for reviewing and approving the accounting systems of the District of Columbia.

Section 4.(d)(1) establishes an Audit Control Commission consisting of members of the Congress and City Council. Although we do not have strong views on this, it might be well

to limit the period in which members of the Congress would be on the Commission. After an appropriate period, say 5 years, the two positions held by the members of Congress could be filled by citizens of the District of Columbia.

Section 5.(c) authorizes \$20 million to make the financial management improvements and the first two audits authorized by the bill. We believe--and understand that representatives of Arthur Andersen & Co. said the same thing during the hearings on June 19--that the cost of doing this work cannot be estimated with any degree of accuracy until some preliminary work has been done. As my staff informed the Subcommittee on Government Operations of the House District Committee on March 30, 1976, to make a reasonable cost estimate additional information is needed on certain factors, including:

- The number of agency systems which need little or no improvement.
- The use which can be made of systems developed for other cities.
- The use which can be made of systems developed for Federal agencies, such as payroll systems.
- The possibility of developing a system which can be adapted to several District agencies.
- The extent to which portions of existing systems, and the central system being developed by the District government, can be salvaged.

Although we have not completed our review of Arthur Andersen's report, we do not believe that it contains enough of this additional information to resolve the cost estimation problem. For reference purposes, it may be useful to know that New York has contracted for about \$14 million of improvements in its accounting system.

Because of the unknown factors, we believe the work should be accomplished in phases and that the first five tasks set forth in our February 27, 1976, report should be accomplished, under contract, before contracting for the design of the accounting systems. The information produced under the initial contract would permit the scope of the subsequent contracts to be better defined. This approach would permit the maximum use of competitive procurement methods and fixed-price contracts.

We worked closely with the House District Committee during the preparation of H.R. 11009 and believe that the bill would be adequate with the addition of a requirement for contractor-developed training programs as contained in S.3608. The only provision of the bill that concerns us is section 3, which authorizes a total of \$4.5 million for contracts to be awarded by our Office for the design and implementation of the financial systems. As we said previously, we believe that there are too many unknown factors for a meaningful estimate to be

made at this time of the cost of improving all of the District government's numerous financial management systems. We believe, however, that the cost will be considerably more than the \$4.5 million authorized by H.R. 11009. As you know, Mr. Chairman, we brought this matter to your attention and to the attention of the Chairman of the House District Committee, in letters dated June 14, 1976.

If you act on H.R. 11009, we recommend that section 3 be revised to authorize the appropriation of such sums as may be necessary. Congressional control would still be exercised over the cost, of course, in that each year the appropriations committees would determine the amount to be appropriated for continuation of the contracting effort. In our letters, we also recommended certain technical changes in H.R. 11009 which we suggest be incorporated.

That concludes my statement, Mr. Chairman. We will be pleased to try to answer any questions that you and the other members of the Committee may have.