

The original documents are located in Box 54, folder “9/4/76 HR11009 District of Columbia Financial Systems Audit” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED
SEP 4 - 1976

89/4/76

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: September 7

September 2, 1976

Posted 9/6
To ARCHIVES 9/7

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J. Cannon*

SUBJECT: H.R. 11009 - District of Columbia
Financial Systems Audit

Attached for your consideration is H.R. 11009, sponsored by Representative Diggs.

The enrolled bill would establish a "Temporary Commission on Financial Oversight of the District of Columbia" and would provide for an independent audit of the financial condition of the D.C. Government.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 11009 at Tab B.

SEP 3 1976



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 1 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11009 - District of Columbia
Financial Systems Audit
Sponsor - Rep. Diggs (D) Michigan

Last Day for Action

September 7, 1976 - Tuesday

Purpose

To establish a commission to improve the financial systems of the District of Columbia Government and to provide for an independent audit of the financial condition of the D.C. Government.

Agency Recommendations

Office of Management and Budget	Approval
District of Columbia Government	Approval
Department of the Treasury	No objection
Department of Justice	No objection

Discussion

The Congress and the General Accounting Office (GAO) have long been concerned over the quality of the District Government's financial management. In the wake of New York City's financial crisis, Senator Eagleton, Chairman of the Senate Committee on the District of Columbia, halted a proposed sale of D.C. municipal bonds and contracted with the public accounting firm of Arthur Andersen and Company for a survey of the accounting and financial management practices of the District. The Andersen survey found much of the city's bookkeeping to be unreliable, inefficient, and poorly controlled. While the

basic soundness of revenue sources and their estimation was affirmed, the report identified a number of improvements needed in the financial controls and reporting of the District Government before an independent audit could be undertaken. It concluded that a full audit would not be possible for at least two years. Senator Eagleton subsequently introduced S. 3608, a bill to insure that the necessary improvements were designed and implemented by the District in accordance with the timetable outlined in the Andersen report. Earlier, after the Senate Committee had blocked the city's bond sale, Representative Diggs had introduced H.R. 11009, requiring congressionally approved changes to the city's financial management systems, regular progress reports on them, and annual audits. The enrolled bill combines features of each bill, relying heavily on the recommendations of the Andersen report to describe the work to be accomplished.

Major Provisions

H.R. 11009 is intended to institute, as soon as possible, improvements to the financial planning, reporting, and control systems of the District of Columbia Government. To initiate and oversee this activity, the enrolled bill would establish a "Temporary Commission on Financial Oversight of the District of Columbia." The Commission would consist of eight members: three members of the Senate, appointed by the President of the Senate, three members of the House, appointed by the Speaker, and the Mayor and the Chairman of the Council of the District of Columbia. Each member may designate an individual to act in his or her stead.

The enrolled bill would authorize the Commission (with the advice of the Comptroller General) to select contractors to develop plans, on behalf of the District of Columbia Government, to improve the city's financial systems. The plans would also include procedures for establishing training programs for D.C. government personnel involved in the operation of the systems. The recommended plans of each contractor would be submitted to the Comptroller General for his review and approval, disapproval, or modification, after consultation with the Commission, within 60 days. If approved by the Comptroller General, the plan would have to be implemented by the D.C. Government. Plans modified by the Comptroller General

and approved by Congress would also be required to be implemented by the D.C. Government. Action by the Comptroller General disapproving or modifying a plan could be overturned by concurrent resolution of the Congress within 45 legislative days.

The enrolled bill would also authorize the Commission to contract for a "balance sheet" audit of the financial position of the District of Columbia as of September 30, 1977, and for full audits in fiscal years 1978 and 1979, if practicable. The results of each audit would be submitted to the President, the Congress, the Mayor, the D.C. Council, and the Comptroller General. After fiscal year 1979, the enrolled bill would require that an audit be conducted annually by the District Government. If the Mayor and City Council cannot agree on the selection of an independent auditor, the Chairmen of the House and Senate Appropriations Committees would jointly select an auditor, with whom the Mayor would be required to contract.

Finally, the enrolled bill would authorize the appropriation of \$16 million to the Commission -- \$8 million in Federal funds and \$8 million in "funds in the Treasury to the credit of the District of Columbia." Staff support for the Commission would be provided by the D.C. Government, several congressional committees, and the General Accounting Office.

Comment

Committee reports cite a history of congressional responsibility and continuing congressional financial involvement as justification for the Commission. Despite the bill's provisions imposing considerable short-term (perhaps 3-4 years), Federal control over some of the District Government's internal management, the legislative history calls the bill supportive of home rule. That is, given the irregular Federal-local relationships of the past, these are seen as one-time improvements that should have been made before home rule took effect. It is argued that such improvements can only "enhance the independence of the elected Government..." and "... minimize the future requirements for federal support." The bill is also intended to improve investor confidence in the local government and to inform Congress better with regard to local financial conditions.

With home rule, Federal responsibility for District finances -- through the Federal appropriations process -- did not disappear. The District Government, at the same time, retains the day-to-day control over the financial management systems (now under scrutiny), which it has always had. Because these financial relationships are not significantly altered -- with the exception of the new local bonding authority -- there remains a strong Federal interest in reliable statistics and reports on the financial condition of the District.

On the other hand, several provisions are obnoxious to the exercise of maximum self-government under the Home Rule Act. The enrolled bill calls only for local government "consultation," it structures a Federal (congressional) majority on the Commission, and it does not require the D.C. Government's consent to implement contractor recommendations. It therefore conflicts with the general authorities for financial management vested in the Mayor by the Home Rule Act. Some progress has already been made by the District, with the help of the GAO, in instituting better financial systems. But the activity of the Commission will supercede these efforts and keep Congress involved -- although it might choose to remain so anyway -- while this work is being carried out.

On balance, now that the D.C. Committees have taken such a forceful posture toward quick improvement of local financial management shortcomings, it would be difficult to regularize the Federal financial contributions to the District, envisioned in the Home Rule Act, without taking the actions outlined in the enrolled bill. That is, phase-out of Federal short-term cash advances and loans for capital improvements, and entry of the District into the municipal bond market for these purposes, will be nearly impossible in the immediate future without improvements to basic fiscal controls and recordkeeping. In addition, the investment and commercial community will remain skeptical of the District's financial stability -- regardless of indicators to the contrary -- as long as these concerns are current and there are no explicit Federal guarantees for local obligations.

Given the fact that the Constitution vests plenary legislative power in the Congress over the District of Columbia, Justice informally advises that it does not believe that the provisions of this bill providing for congressional membership on the

Commission and for concurrent resolution override of the Comptroller General's determinations present the kind of constitutional issues that would be involved if the bill dealt with agencies or functions of the Executive branch.

In its attached views letter, the District of Columbia Government states that there should be an increased Federal payment to the District to finance the additional responsibilities placed upon it by the enrolled bill "... since the problems which are sought to be remedied had their origin during the period when the Federal Government proscribed the city's financial management systems." We believe that the regular annual budget process is the appropriate forum in which to take up this issue.

James M. Frey
Assistant Director for
Legislative Reference

Enclosures



THE DISTRICT OF COLUMBIA

WALTER E. WASHINGTON
MAYOR

WASHINGTON, D. C. 20004

September 1, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Frey:

This is in reference to the facsimile of an enrolled enactment of Congress entitled:

H.R. 11009 - To provide for an independent audit of the financial condition of the government of the District of Columbia.

The enrolled bill establishes a Temporary Commission on Financial Oversight of the District of Columbia to develop plans and to assist in the implementation by the Mayor of such plans to improve the financial planning, reporting, and control systems of the Government of the District of Columbia.

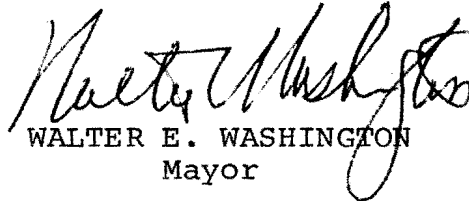
While many of the District Government's suggestions offered during the legislative process have been incorporated into H.R. 11009, the enrolled bill will pose an additional burden on the city's limited resources. The bill authorizes to be appropriated \$16 million, of which \$8 million is to be from funds in the Treasury to the credit of the District of Columbia, to finance the systems development and audits required by sections 2 and 3 of the bill. Under the terms of the bill, the requirements of sections 2 and 3 are to be executed by the close of fiscal year 1979. Accordingly, the District

will have to provide \$8 million over the course of the next three fiscal years.

The District Government believes that there should be an increased Federal payment to finance the additional responsibilities placed upon it by the requirements of H.R. 11009. The Federal payment is an appropriate source of funds for this purpose since the problems which are sought to be remedied had their origin during the period when the Federal Government proscribed the city's financial management systems.

Nonetheless, the District Government recommends the approval of H.R. 11009.

Sincerely yours,



WALTER E. WASHINGTON
Mayor

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: ~~September~~ 1, 1976

Time: 700pm

FOR ACTION: Steve McConahey
Max Friederick *mf*
Ken Lazarus *kl*
~~Robert~~

cc (for information):

Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: ~~September~~ 2

Time: 500pm

SUBJECT:

Syd 9/4/76

H.R. 11009-DC Financial Systems Audith

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D.C. 20220

AUG 27 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

Sir:

This letter responds to your request for the views of this Department on the enrolled enactment of H.R. 11009, "To provide for an independent audit of the financial condition of the government of the District of Columbia."

The enrolled enactment would establish the Temporary Commission on Financial Oversight of the District of Columbia consisting of Members of Congress and District officials. The Commission would select qualified persons to develop and implement plans for the improvement of certain functions performed by the District. The Commission would also arrange for an audit of the District as of September 30, 1977. In addition, the enrolled enactment would require an audit for the fiscal year beginning October 1, 1979 and each fiscal year thereafter. There would be authorized to be appropriated to the Commission the sum of \$16,000,000, of which \$8,000,000 would be from funds in the Treasury not otherwise appropriated, and \$8,000,000 from District funds.

The Department would have no objection to a recommendation that the enrolled enactment be approved by the President.

Sincerely yours,


Richard R. Albrecht
General Counsel

Department of Justice
Washington, D.C. 20530

August 31, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 11009, "To provide for an independent audit of the financial condition of the government of the District of Columbia."

The bill establishes a "Temporary Commission on Financial Oversight of the District of Columbia," which is charged to improve the system of financial planning and management of that government by arranging management contracts and studies for it. The bill also authorizes the commission to conduct audits of the District's accounts and operations through October 1, 1979, and provides that thereafter the District government itself shall conduct continuing annual audits through an auditor appointed by the Mayor and Council of the District.

The Constitution vests Congress with the exclusive power of legislation over the seat of government of the United States, Art. I, Section 8, clause 17. Under that authority, the Congress has long exercised a special role in the close oversight of District government. That role continues even under the recent Home Rule provisions of Public Law 93-198, 87 Stat. 774. See, e.g., §§ 601, 602, 604, 731 of that Act. The need for congressional oversight is particularly acute in view of the very significant role which annual federal contributions play in the District's budget process. In consequence, the Department of Justice has no objection to Executive approval of this bill.

Sincerely,



Michael M. Uhlmann
Assistant Attorney General

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 1, 1976

Time: 700pm

FOR ACTION: Steve McConahey
Max Friedersdorf
Ken Lazarus

cc (for information): Jack Marsh
Jim Cavanaugh
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 2

Time: 500pm

SUBJECT:

H.R. 11009-DC Financial Systems Audit

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 9/2/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon

THE WHITE HOUSE

WASHINGTON

September 3, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: H.R. 11009 - DC Financial Systems Audit

The Office of Legislative Affairs concurs with the agencies that the subject bill be signed.

Attachments

FINANCIAL PLANNING, REPORTING AND CONTROL
SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT
OF COLUMBIA

MAY 6, 1976.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. DIGGS, from the Committee on the District of Columbia,
submitted the following

REPORT

[To accompany H.R. 11009]

The Committee on the District of Columbia, to whom was referred the bill (H.R. 11009), to provide for an independent audit of the financial condition of the government of the District of Columbia, having considered the same, reports favorable thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in italic type in the reported bill.

PURPOSE OF THE BILL

The purpose of H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the Government of the District of Columbia to insure that the financial statements of the Government of the District of Columbia accurately reflect the financial condition of the District of Columbia, and in order that an independent audit of the financial condition of the District of Columbia can be conducted with meaningful results.

BACKGROUND

H.R. 11009, a bill to provide for an independent audit of the government of the District of Columbia, was introduced by Chairman Diggs with seven cosponsors, including the ranking minority Member of the District Committee. It was introduced because there has never been an audit of the District of Columbia by an independent entity, and Members of the Committee recognize that an audit of the city's finances will provide all who share responsibility for the effective administration

and management of the city with a common set of data which will fairly present the financial position of the city; and thus avoid confusion occasioned by using inconsistent or spurious data.

When the District officials elected under home rule took office, they inherited from the Congress vast and complex financial management systems, along with the new governmental responsibilities for these systems.

The audit incorporated in this bill is necessary in order to provide the new local government with the information necessary to ascertain the financial condition of the city and make appropriate management judgments and adjustments. It is also necessary to assure the Congress that the city's management systems and financial situation are sound.

The sponsors of the bill opted for an outside audit conducted by an independent auditor, rather than utilize the services of the General Accounting Office, because it was felt that an independent auditor would be able to devote a full staff to the audit, and also perhaps bring a new and different approach to the review of the District's finances.

NEED FOR THIS LEGISLATION.

The Comptroller General of the United States, in his testimony before the Committee on December 8, 1975, stated that the District's problems are such that if an audit of the financial operations and statements was made, the auditor would most likely conclude that the records and controls were not adequate to enable him to indicate whether or not the financial statements derived from them presented fairly the District Government's financial condition and results of operations.

Because of this situation, neither the District Government nor the Congress can attest to the validity or the accuracy of financial reports issued by the District Government and whether they reflect planning, reporting and control systems, the Council shall provide for an independent audit of the District Government's accounting records and procedures in order for an opinion to be rendered that the financial statements fairly present the financial position of the funds and accounting records of the D.C. Government. Such an independent audit would be required every three years thereafter.

The Comptroller General in his testimony before the Committee, emphasizing the prime importance of getting the systems in shape before traditional audit is made, stated:

STATEMENT OF THE COMPTROLLER GENERAL

SYSTEMS IMPROVEMENT NEEDED

The old saw says "first things first." Trite but true. And we believe—as we have long believed—that the "first" need here is systems improvement. Indeed, we have been working with District personnel for several years to get their accounting systems improved to the point that we can approve them. As you know, these systems are subject to our approval across Government.

We were encouraged with the interest shown by the District in developing an adequate financial management system fol-

lowing the rather extensive study of its financial affairs about 3 years ago by the Nelson Commission.

Shortly thereafter, in February 1972, we approved a statement of accounting principles and standards for the District, which set forth the major concepts and accounting principles that were to serve as the framework for the improvement of its financial accounting; that is, its systems.

The District has made some progress since that time. However, we have been disappointed that its accounting systems are still far from acceptable. In September 1975, I brought our disappointment to the attention of the Mayor. A copy of my letter to him and his response are attached (attachments III and IV).

We believe that a systems improvement effort must be undertaken before an efficient and effective audit of the District of Columbia financial situation can be accomplished. If additional resources are to be provided, we urge they be applied first to improving the procedures and systems.

While an outside contractor can no doubt be of considerable help in this process, there must also be significant involvement by District personnel. We would urge also that any such contract provide for contractor help in implementing the new procedures, including training of District of Columbia personnel.

GAO ACTIVITIES RE THE DISTRICT

The Comptroller General testified that GAO has long been concerned over the quality of the financial management of the District of Columbia Government. GAO has a staff of 25 working on a continuing basis reviewing the District's activities in an effort to improve the management of District operations.

The following exchange of correspondence between the Comptroller General and the Mayor of the District illustrates the concerns of both about the problems this bill seeks to address.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., September 23, 1975.

HON. WALTER E. WASHINGTON,
Mayor of the District of Columbia.

DEAR MAYOR WASHINGTON: I have recently reviewed the status of your accounting systems improvement effort and am disappointed, as I am sure you must be, at the slow progress being made.

When we approved your accounting principles and standards almost 3½ years ago, we had high hopes that that was the beginning of a vigorous systems improvement effort in the District of Columbia.

I realize that following our report of March 18, 1972, on violations of the Anti-Deficiency Act, you were under pressure to do a lot of "dike-patching." I am also aware of the reorganization and strengthening of your financial management structure that has since taken place. Nevertheless, progress in developing systems which meet our requirements for approval appear minimal, as indicated in the enclosed summary which is to be included in our 1975 report to the Congress on our accounting system work.

From our point of view—based on observing accounting systems developments in Federal agencies—we believe that a major obstacle to progress in the District has been the problem of clearly identifying and defining boundaries of the various accounting systems and subsystems used by District of Columbia organizations. This must be done to permit several designs to be prepared simultaneously, which is necessary if all of the District's numerous accounting systems are to be approved and operating within a reasonable period of time. This information is also necessary to determine whether the system which has been informally submitted for our evaluation meets our standards and is therefore approvable.

We urge that you and your staff, as soon as possible, address this issue and the related issues of what level in the District organizations will be responsible for designing and operating the various systems and segments. Once these basic issues are settled, the design and documentation work can be planned and undertaken more effectively.

We are appealing to you again on this matter because we are very much interested in seeing that the District has an effective accounting and financial management system. You can count on our continued cooperation.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

THE DISTRICT OF COLUMBIA,
Washington, D.C., October 21, 1975.

HON. ELMER B. STAATS,
*Comptroller General of the United States, General Accounting Office,
Washington, D.C.*

DEAR MR. STAATS: Thank you for your letter of September 23, 1975, in which you expressed your concern regarding the District of Columbia's progress in improving its accounting systems. In my judgment, the District has been moving in a responsible and timely manner in that area, especially when the District's efforts are viewed in the context of its particular requirements as a municipal government.

In your letter you cite experiences with Federal departments and agencies in evaluating the District's efforts:

"From our point of view—based on observing accounting systems developments in Federal agencies—we believe that a major obstacle to progress in the District has been the problem of clearly identifying and defining boundaries of the various accounting systems and subsystems used by District of Columbia organizations."

The District is subject to pressures that are different in many important ways from those being felt by Federal departments, however. The city must operate within stringent funding constraints, thus putting a premium on effective monitoring of obligations and revenues. In addition, city officials and managers need highly detailed program and financial data to respond to the public's demands for accountability by those officials.

In response to the city's special requirements and the overall requirements of sound financial management, we are carrying out concur-

rently a number of systems development projects, including the work that you have suggested defining the various systems and subsystems in the District.

As the attachment to your letter points out, the city is planning to put in operation by October 1, 1976, a new appropriation-allotment system. That system will improve the timeliness, availability, and accuracy of information on obligations and financial plans at the agency level and at the central level. It will also provide for better safeguards against over-obligations. A more detailed description of the planned system is included in the attachment to this letter.

At the same time, we are planning to make major improvements in personnel management and position control by October 1, 1976. The personnel management system will provide for better information and control.

Preliminary meetings have been held on the development of a new revenue accounting system.

We are also working to identify and define all accounting subsystems in the District, as called for by your letter.

I strongly believe that it is essential that these various improvement efforts be carried out concurrently. The planned improvements in obligation and personnel control are vital to responsible financial management in the District Government and cannot be delayed until all accounting subsystems have been identified and defined. Because of the complexity of the programming and systems design required, it will be difficult to achieve the planned starting date of October 1, 1976, for the systems. Any delay would push the starting date back to Fiscal Year 1978 or later. I believe that such a delay should be avoided if at all possible.

I am hopeful that the concurrent work on the inventory and systems definition will provide the necessary information for the development of the new system. Agencies will be better able to assess their needs as a result of their experience with the design of the new obligation and personnel systems. They will also gain a better understanding of how the new system will meet their needs if they see the system itself under development rather than the design documents for the system.

While we may not agree on the specific steps to be taken in the development of the new system, I am confident that we share the same goal of significantly improving the District's financial management system. I appreciate the ongoing assistance provided by your office in this effort.

Sincerely yours,

WALTER E. WASHINGTON, *Mayor.*

FINANCIAL PROBLEMS OF THE DISTRICT

The Comptroller General stated a few specific examples of some of the financial problems which GAO has found in the District.

(1) GAO over the years issued several reports on inadequacies in the District's payroll system; the most recent of which was issued in October 1972. This report recited numerous instances of persistent and widespread pay and leave errors.

(2) A 1974 review of the District school system's procedures for controlling personnel and funds showed that substantial problems existed including an inability, as one example, even to determine the number of employees at each school.

(3) In April 1974 GAO reported that its audit of the District's Forest Haven Home for the Retarded had been hampered and limited because of inadequacies in the accounting system, the unavailability of accounting records and unreliable and inaccurate accounting data.

GAO reported that the Department of Human Resources, which runs Forest Haven, may have improperly spent grant funds. Errors and shortcomings in the District's accounting records for Forest Haven raised questions concerning the Department's ability to effectively control the use of its funds.

(4) In August 1975 GAO reported to the District that a proposed billing system for water and sewer services would result in overcharging many of the 41,000 households in one section of the city. The amount of the potential overcharge could have been as much as \$300,000. GAO assisted the District in developing a billing system that would result in correct charges for water and sewer services.

(5) The District assumed added problems when it acquired the Redevelopment Land Agency. GAO's recent review of the Agency's 14th Street Urban Renewal Project was hampered by the lack of records. The agency did not know the number of properties acquired, or their acquisition cost. The rent accounts included duplicate charges as well as improper charges for vacant properties.

There was a loss of between \$9,000 and \$12,000 on 232 apartments for which the Agency collected no rent because lease agreements had not been obtained. These cases were identified by a GAO search.

(6) During the past few years various in-house task force teams and auditors have identified deficiencies in billings and collections at Department of Human Resources health facilities. GAO's work showed that \$5 million in billings on 8,000 patient accounts had not been submitted for medicare reimbursement because the accounts did not contain zip codes or complete addresses. Bills were submitted as a result of GAO's findings. In April 1974 one of these task forces reported several problems in accounts receivable. It said that the balance was uncertain—between \$100 and \$125 million, and that collections were very slow. Some accounts had been outstanding since before 1966; backlogs existed in posting payments to accounts; bad debts had not been written off; and collection efforts were minimal. The task force said that a detailed analysis of all the accounts—a very time-consuming task—would be necessary to come up with an accurate figure of the accounts receivable.

These examples, the Comptroller General testified, are supportive of his findings of the need for major improvements in the District's financial management system. And he insisted: "Clean up the records and straighten up the system before undertaking a post audit to issue an opinion on the financial statements."

In the past 4 years GAO has provided 27 reports to the Congress, Congressional Committees, and Members on the problems and needed improvements of the District of Columbia Government. In addition, it has issued 12 reports to District officials.

Attached is a listing of these reports (Appendix I). GAO staff is currently working on a number of other assignments not yet reported. The more important of these are listed in Appendix II. These reports illustrate quite clearly that there is a need for major improvement in the financial management system of the District.

JUSTIFICATIONS FOR THE LEGISLATION

The General Accounting Office, in its report of February 27, 1976 to the House District Committee, entitled "Improvements Needed in Accounting Systems and Suggestions for Their Improvements", identified the existing problems of the District government management systems; the extent to which attempts by the District have been successful, and the recommendations for design and implementation improvements.

The report had been requested by the Chairman, and it outlines the improvements needed in the District Government's accounting system, District Government's plans for improvement, and an evaluation of those plans on the basis of planned time frame, costs, and technical approach. The report concludes with suggested priorities if a contractor is hired to improve the accounting systems and suggestions for improved financial management and financial reporting for the District through their efforts, combined with the efforts of Congress and GAO.

APPENDIX I

Title	B-number	Date
GAO reports to Congress, congressional committees, and individual members:		
Study of child care activities in the District of Columbia	174895	Jan. 24, 1972
Letter report on whether or not the District of Columbia was in violation of the Anti-Deficiency Act in connection with its fiscal year 1971 appropriations or allotments	118638	Mar. 13, 1972
Activities of Blackman's Development Center	164031	Apr. 28, 1972
Examination into financing and other matters related to preliminary surveys and construction services for the capital improvements program	118638	May 5, 1972
Problems in financial and property management at the District of Columbia Teachers College	167006	May 16, 1972
Improvements needed in policy for establishing regulatory fees	118638	July 12, 1972
Violations of the Anti-Deficiency Act	118638	Sept 15, 1972
Problems in financial and property administration at Washington Technical Institute, District of Columbia	167006	Oct. 27, 1972
Payroll operations of the District of Columbia government need improvement	118638	Oct. 30, 1972
Controls over funds available to the District of Columbia public schools	118638	Oct. 31, 1972
Child-care activities in Chicago, Ill., and St. Louis, Mo.	174895	Nov. 17, 1972
Study of Federal programs for manpower services for the disadvantaged in the District of Columbia	145879	Jan. 30, 1973
Regarding personnel need for new correctional facilities, District of Columbia	118638	Mar. 7, 1973
Municipal audit and inspection (OMAI) of the expenditure of funds by the District of Columbia public schools (DCPS) during fiscal years 1970 and 1971	118638	Mar. 8, 1973
Review of the solid waste collection program	118638	May 2, 1973
District of Columbia courts' personnel needs	175429	May 10, 1973
District's expenditures for telephone services and the adequacy of its controls over such services	118638	May 31, 1973
Study of programs for health services in outpatient health centers in the District of Columbia	118638	July 31, 1973
Review of the District's police and firemen retirement and relief system	118638	Apr 10, 1974
Better management needed for tighter security at Lorton Correctional Institutions	118638	June 21, 1974
Review of inmate and employees' welfare funds and Department of Corrections and Bureau of Prisons selected costs	118638	Do.
Solid waste disposal activities (Lorton landfill)	118638	Sept. 26, 1974
Out-of-city travel, Department of Human Resources Public School System, District of Columbia	118638	Dec. 4, 1974
What is being done about individuals who fail to file a District income tax return	118638	Mar. 20, 1975
Resource management can be improved by greater use of productivity techniques in the District of Columbia	163762	Apr. 16, 1975
Comprehensive child care plan	118638	Oct. 8, 1975
A case for providing pay-as-you-go privileges to military personnel for State income taxes.	125036	Nov. 19, 1975

APPENDIX I—Continue

Title	B-number	Date
GAO reports to District officials:		
Implementation of the supplemental food program, District of Columbia government.....	118638	Feb. 1, 1972
Closeout letter—Review of billings and collections.....		Feb. 10, 1972
Lead-based paint poisoning of children in the District of Columbia.....	118638	Mar. 20, 1972
Review of licensing and inspection activities, District of Columbia government.....		May 30, 1973
Review of the award of negotiated personal services contracts and controls over non-appropriated funds, District of Columbia public schools.....		Aug. 31, 1973
Improvements needed in assigning Metropolitan Police Department officers.....	118638	Dec. 21, 1973
Survey of the District of Columbia budget as a management device to improve effectiveness and productivity.....		Mar. 20, 1974
Department of Human Resources, administration of the medicaid program.....	164031	Aug. 22, 1974
District of Columbia public schools warehousing operations.....		Jan. 24, 1975
Correction of water and sewer overcharges to northwest county customers.....		Aug. 21, 1975
Supply management in the Department of Environmental Services, District of Columbia.....		July 18, 1975
Housing issues which need consideration by the District government.....		Oct. 20, 1975

APPENDIX II

DISTRICT OF COLUMBIA GOVERNMENT AUDIT—ACTIVE JOBS,
NOVEMBER 1975*Public safety*

Office of Youth Opportunity Services.
Motor Equipment Management.
Solid Waste Collection Program.

Finance and revenue

Administration of Self-Assessed Taxes.
Property Tax Administration.

Housing

Urban Renewal Activities, 14th Street.
Abandoned and Vacant Housing in District of Columbia.

Public schools

Long Range Capital Improvement Plan.
Resource Management Systems.

Procurement activities

Procurement and Supply Activities.

Health and welfare

Eligibility in the District AFDC Program.
Program to Reduce Welfare Rolls by Providing Employment with Career Potential.

ACCOUNTING SYSTEMS OPERATED BY AGENCIES OF THE
DISTRICT GOVERNMENT

Some indication of the need for overhaul of the financial management and accounting systems of the District of Columbia Government is readily apparent from the GAO's listing of the 16 various accounting systems presently operated by agencies of the District Government, as follows:

Armory Board: Multipurpose accounting (Stadium operating fund); Revolving fund accounting (Armory working capital fund).

H.R. 1094

Department of Corrections: Grant accounting; Multipurpose accounting (Capital outlay); Multipurpose accounting (Inmate welfare fund).

Department of Environmental Services: Cost accounting; Revenue accounting.

Department of General Services: Multipurpose accounting (Educational surplus property); Project accounting (Construction services); Revolving fund accounting (Postage); Revolving fund accounting (Printing and reproduction); Revolving fund accounting (Plant repairs and improvement).

Department of Human Resources: Multipurpose accounting (D.C. General Hospital); Multipurpose accounting (Glendale Hospital); Multipurpose accounting (Departmental central system).

Department of Manpower: Grant accounting.

Department of Recreation: Multipurpose accounting.

Department of Transportation: Project accounting (Highway construction); Revolving fund accounting (Maintenance and repair of vehicles); Revolving fund accounting (Street restoration).

Executive Office of the Mayor: Multipurpose accounting (Publications fund).

Metropolitan Police Department: Cost accounting.

Office of Human Rights: Grant accounting.

Office of Planning and Management: Multipurpose accounting (Share computer center).

Office of the Surveyor: Cost accounting.

Public Schools: Multipurpose accounting (Food services fund).

Washington Technical Institute: Multipurpose accounting.

Youth Opportunity Services: Multipurpose accounting.

GAO SUGGESTED PRIORITIES IF A CONTRACTOR IS HIRED TO IMPROVE THE
ACCOUNTING SYSTEMS

The sequence of tasks in this chapter represents our suggested priorities for the work which can best be accomplished with a contractor during the next 2 years. The objectives of most of these tasks were explained in chapter four.

The sequence of tasks which we are suggesting includes an identification of the financial information which must be produced and, if necessary, a restructuring of the accounting systems. Although these tasks may duplicate or negate certain work that has been performed on the financial management information system (FMIS), we believe that they are necessary to insure that the District government's improved accounting systems will be capable of producing all needed financial information and will produce it most effectively and efficiently. These tasks were not adequately performed before the FMIS design was started.

Our suggested sequence of tasks follows.

1. Design, in conformity with generally accepted accounting principles, financial statements which will present fairly the financial position and results of operations of the respective District government funds.

H.R. 1094

2. Identify the financial information needed by the congressional committees with responsibilities for the District government, the City Council, and the Mayor and his staff.

3. With the assistance of District government personnel, identify all financial information needed by each District agency. A special effort should be made to identify the information needed by the heads of the agencies and their staffs, intermediate level managers, and the managers of major programs and functions, because little attention has been given to their needs in the past.

4. Prepare formats of the reports that must be produced to satisfy the identified needs for financial information and obtain verification from the intended recipients that the reports will be adequate. In performing this task, the reports formats prepared for FMIS should be used to the extent possible.

5. Identify the most logical source for each item of financial information on the formats of the financial statements and reports.

6. Group the identified sources of information into a logical structure of accounting systems, establish the boundaries for each system, prepare a description of each system, and identify the interfaces between systems.

7. Evaluate the work that has been performed on FMIS and incorporate as much as possible into the new structure of systems.

8. Design as many of the new systems as possible during the remainder of the 2-year period, starting with those most vital to producing the information needed to prepare financial statements and reports to the Congress, City Council, and Mayor.

9. After the designs have been approved by our Office, the contractor should help the District government implement the systems, train District government personnel to operate the systems, and prepare an accounting manual for each system.

Although a contractor could possibly apply sufficient resources in 2 years to design and implement all of the new accounting systems, it is not probable. If the work is not completed in 2 years, we believe that the tasks which we have suggested would bring the work to a point where it could be completed within a relatively short time by the same contractor, another contractor, or by District government personnel.

HISTORY OF H.R. 11009

Hearings on this bill were held by the Full Committee on December 8, 1975, and March 1, 1976.

From the testimony elicited, particularly from the Comptroller General and other representatives of the General Accounting Office, it was the consensus that the initial emphasis should be placed on improving the financial management system of the District.

On March 24 and 30, 1976, the Subcommittee on Government Operations held further hearings on the proposed legislation. Among those testifying as to the need for the major provisions of this bill were the Budget Officer and Special Assistant to the Mayor; a representative of the Chairman of the Council of the District of Columbia; the Director, Financial and General Management Studies Division of the General Accounting Office; and the President of the District of Columbia Institute of Certified Public Accountants. Also written testimony

was submitted by the Office of Management and Budget, and by the President of the American Institute of Certified Public Accountants.

Thereafter, the Subcommittee on Government Operations approved an amendment to H.R. 11009 in the nature of a substitute. The substitute alters the scope of the bill in order to encompass a financial systems analysis, design, and implementation, which is essential if a meaningful audit of the District Government's financial situation is to take place. Provisions for such an audit are retained in the bill.

The Full Committee approved the substitute as reported herewith, amending the funding provision to provide that the cost for the management systems study and implementation shall be shared by both the Federal and the District Government. Once the system is in place, the cost for the conduct of an independent audit shall be assumed by the District Government.

SECTION-BY-SECTION ANALYSIS

Section 1

(a) Provides for the Comptroller General to determine the scope of the work to be contracted, select the contractor to perform each contract, and determine completion schedule. He is required to consult with the Chairmen and ranking Members of the House District of Columbia Committee, House Committee on Appropriations, Senate District of Columbia Committee, Committee on Appropriations of the Senate, and also the Chairman of the District of Columbia Council.

(b) The scope and schedule for each contract shall be set forth.

(c) Contractors shall have full access to District records, files, and other resources.

(d) Quarterly schedule for issuance of reports on the status of each contract to the Congress, the President, the District of Columbia Council, and the Comptroller General.

(e) Upon completion of each contract, contractor shall submit reports to the District Government, the Congress, the President, and the Comptroller General with recommendations, and time schedule for improvements.

(f) Mayor to implement recommended changes in accordance with time frame, and submit reports to the same parties as to the status of the implementation thereof.

Section 2

Requires that the District of Columbia Council appropriate funds to conduct an independent audit of the financial position of the Government of the District of Columbia. Such funds must be allocated within six months after the first day of the first elapsed fiscal year following complete implementation by the Mayor of the recommendations of the contractors. Such an independent audit must be conducted every three years thereafter.

Section 3

Requires the District to provide 50 percent of the costs of the financial systems improvement contracts and limits the Federal contribution to \$750,000 for each of the fiscal years from 1977 through 1979.

Section 4

Makes the bill applicable to the Mayor, the Council, and all independent and subordinate agencies and departments of the District.

STATEMENTS REQUIRED BY RULE XI(1)(3) OF HOUSE RULES

OVERSIGHT FINDINGS AND RECOMMENDATIONS

The Committee's oversight findings with respect to the matters with which the bill is concerned remain as a part of its continuing Congressional oversight required by the Constitution and specifically provided for in the Home Rule Act (Sections 601, 602, 604 and 731 of Public Law 93-198; 87 Stat. 774).

BUDGET AUTHORITY

This local legislation for the District of Columbia creates no new budget authority or tax expenditure by the Federal Government. Therefore, a statement required by Section 308(a) of the Congressional Budget and Impoundment Control Act of 1974 is not necessary.

CONGRESSIONAL BUDGET OFFICE ESTIMATE AND COMPARISON

No estimate and comparison of costs has been received by the Committee from the Director of the Congressional Budget Office, pursuant to Section 403 of the Congressional Budget and Impoundment Control Act of 1974. (See cost estimate below by this Committee.)

COMMITTEE ON GOVERNMENT OPERATIONS SUMMARY

No oversight findings and recommendations have been received which relate to this measure from the Committee on Government Operations under Clause 2(b) (2) of Rule X.

INFLATIONARY IMPACT

The bill, if enacted into law, will have no foreseeable inflationary impact on prices or costs in the operation of the national economy.

COSTS

Various estimates as to the cost of this legislation were made to the Committee, from the GAO rough estimate of a total of \$2 to \$3 million for a 2- to 3-years undertaking, to the District Government figures of \$6 to \$9 million (\$2 to \$3 million each year for 3 years).

The Committee having weighed the testimony and the nature of the project decided to go along with the GAO estimate since GAO will define the scope of the work and will be the contracting agent. However, the Committee amended the Subcommittee substitute to require that the District should provide 50 percent of the costs of the financial systems improvement contracts and that, in any event, the Federal Government shall appropriate no more than \$750,000 in any one year,

and no more than \$2,250,000 over three years, as the Federal share of the costs.

The District will pay the costs of the audits.

COMMITTEE VOTE

The bill, H.R. 11009, as amended, was favorably reported to the House on May 3, 1976, by unanimous voice vote of the Committee.

○

Calendar No. 956

94TH CONGRESS }
2d Session }

SENATE

} REPORT
No. 94-1015

FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

JUNE 29 (legislation day, JUNE 18), 1976.—Ordered to be printed

Mr. EAGLETON, from the Committee on the District of Columbia, submitted the following

REPORT

[To accompany H.R. 11009]

The Committee on the District of Columbia, to which was referred the bill (H.R. 11009) having considered the same, reports favorably thereon with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

The purpose of H.R. 11009, as amended, is to provide for a financial systems analysis, design, and implementation for the Government of the District of Columbia to insure that the financial statements of the Government of the District of Columbia accurately reflect the financial condition of the District of Columbia, and in order that an independent audit of the financial condition of the District of Columbia can be conducted with meaningful results.

BACKGROUND

As a result of the state and local government fiscal crises of 1975-76, many governments have had to re-examine their financial structures, their economic base, and their ability to meet the increasing economic demands which are being placed on them. The need for sound financial reporting in the public sector has become increasingly apparent, both as warning device and management tool. Washington, D.C., is no exception to this pattern. It is unique in one respect, however: As the nation's capital, it has been under the control of Congress, and therefore the responsibility of Congress. There was thus an urgent need for Congressional action.

On February 24, 1976, the Committee on the District of Columbia entered into a contract with the public accounting firm of Arthur Andersen & Co. to perform a survey of the accounting and financial

management practices of the District of Columbia government. Andersen submitted its report to the Committee on June 19, 1976. It listed a series of problems, many of them previously disclosed, which Andersen concluded make "[a]n audit of the District * * * not practicable at this time." The firm also noted that the "lack of reliable financial information results from weaknesses in financial controls which have evolved over a long period of time."

The Andersen report describes a number of improvements which must be made in the area of financial controls and reporting if the District is to receive an unqualified opinion on an annual independent audit. It is necessary to redirect the current effort to replace existing systems, and to train District personnel in the new systems which may be installed. As these systems are being developed, immediate improvements must be made in the present accounting system to provide as much information as possible on the financial situation of the District of Columbia.

To enable such work to be carried out, the Chairman and Ranking Minority Member of the Committee and the Chairman of the D.C. Appropriations Subcommittee introduced S. 3608 on June 23, 1976.

NEED FOR LEGISLATION

The Constitution requires that Congress maintain an oversight function with respect to the District of Columbia. While the city is substantially self-governing, the Federal Government does contribute sizeable amounts of support in recognition of the special demands placed on the Nation's Capital. Hence the Congress must ensure that the elected District Government is able to make efficient use of the available resources to meet the needs of its citizens and those of the Federal Government within its boundaries.

Historically, the District has used the federal system of accounting and financial controls. This was completely appropriate prior to home rule. The Andersen report, however, indicated a number of changes in the financial systems that would have to be made in order to meet the requirements of a municipality, requirements which did not exist when the District was treated as an arm of the Federal Government. These changes should have been implemented prior to the granting of home rule, but the need was not foreseen at that time.

This legislation is intended to assure the continued viability of the District of Columbia, enhance the independence of the elected Government in the District, and minimize the future requirements for federal support. These are important goals, and are entirely consistent with Congressional oversight requirements.

The Andersen report noted deficiencies in a number of areas. Inadequacies in billing procedures, records of accounts receivable and grant accounting reduce the revenues which are collected by the District Government from various sources. Deficiencies in payroll control, purchasing and material management, and welfare payment accounting can lead to expenditures in excess of those actually required. Improvements in these areas would be useful in closing the projected gap between income and spending.

Efficiencies in the operation of government can be realized, thus reducing cost and increasing productivity. For example, the provision of timely financial information to District management, and the

elimination of duplicate or wasteful systems, would permit fewer employees to be even more responsive to changing needs.

Finally, the provision of accurate financial reports to the public can have beneficial effects. Such information, especially if attested to by an independent public accountant, would undoubtedly improve investor confidence in District securities. The District will have to go to the municipal bond market to finance capital improvements, and the improvements to be wrought through this legislation could substantially increase demand and reduce borrowing costs.

It should also be pointed out that such information would permit Congress to exercise more effectively its oversight function. The Committees on Appropriations could have greater confidence in the budget data presented to them, and the Committees on the District of Columbia would be in a better position to evaluate District requests for additional sources and amounts of funding.

The General Accounting Office, which by law has a key role in monitoring the financial operations of the District, has repeatedly stated the need for improvements in the District's bookkeeping and reporting practices. The Comptroller General of the United States has expressed his support for this legislation.

Many of these potential cost-benefit improvements are specified later in this report.

DESCRIPTION OF THE LEGISLATION

The legislation reported to the Senate is designed to facilitate the upgrading of the financial management and reporting system of the District of Columbia. H.R. 11009, as amended by the Committee, would provide both a method for Congressional oversight of the development of new systems and financing with federal funds, since the Committee believes that this work should have been done prior to the granting of home rule.

In order that this modernization program be properly implemented, it is the view of the Committee that experts from outside the government should be retained to design the needed new systems. This view is shared by the consultants to the Committee (Arthur Andersen & Co.) and by the Comptroller General.

Especially important in such a program is the training of the operational personnel who will be called upon to operate such new systems as are installed. The legislation therefore requires consultation with the District during the design phase and training of District employees during the installation of new systems, thus placing an obligation on any contractor not only to install a system but also to ensure its proper use. The Mayor and the Council of the District of Columbia would of course be kept informed of the progress of all such work.

It is expected that the design and implementation of the new systems will take three to four years. For this period, a joint Congressional committee will be created, composed of the chairmen of the Senate and House District Committees and the chairmen or their designees of the Senate and House Appropriations Committees.

It is our hope that the chairmen of the Appropriations Committees will designate the chairmen of the subcommittees on the District of

Columbia (if such a committee continues to exist) as his delegate on such joint committee. The joint committee in consultation with the Mayor, Chairman of the D.C. Council and with the advice and technical assistance of the Comptroller General and his staff will determine how best to proceed to update the financial reporting system of the District of Columbia.

It is the Committee's hope that the Andersen report will form a basis for the discussion of how to proceed and that, as in the Andersen report, the job will be subdivided into a number of contracts so that various of the certified public accounting firms which might be used by the District to conduct the annual audit will gain experience in working with the District Government. It is also hoped that local and minority firms will be able to take part in this process, not only as subcontractors, but also as a prime contractor on at least one of the contracts.

Although the legislation provides for substantially all of the work that is thought at this time to be necessary, that is not meant to imply that all of the projects are to be undertaken simultaneously. Rather, it is expected that the joint committee, relying heavily on the expertise of the Comptroller General and his staff, will seek to establish interim goals to be achieved, awarding additional contracts only upon successful completion of earlier steps. In his report of February 27, 1976, the Comptroller General suggested a sequence of tasks that may be an appropriate method of pacing the work to be done:

1. Design, in conformity with generally accepted accounting principles, financial statements which will present fairly the financial position and results of operations of the respective District Government funds.

2. Identify the financial information needed by the Congressional committees with responsibilities for the District government, the City Council, and the Mayor and his staff.

3. With the assistance of District Government personnel, identify all financial information needed by each District agency. A special effort should be made to identify the information needed by the heads of the agencies and their staffs, intermediate level managers, and the managers of major programs and functions, because little attention has been given to their needs in the past.

4. Prepare formats of the reports that must be produced to satisfy the identified needs for financial information and obtain verification from the intended recipients that the reports will be adequate. In performing this task, the report formats prepared for FMIS should be used to the extent possible.

5. Identify the most logical source for each item of financial information on the formats of the financial statements and reports.

6. Group the identified sources of information into a logical structure of accounting systems, establish the boundaries for each system, prepare a description of each system, and identify the interfaces between systems.

7. Evaluate the work that has been performed on FMIS and incorporate as much as possible into the new structure of systems.

8. Design as many of the new systems as possible during the remainder of the 2-year period, starting with those most vital to producing the information needed to prepare financial statements and reports to the Congress, City Council, and Mayor.

9. After the designs have been approved by our office, the contractor should help the District Government implement the systems, train District Government personnel to operate the systems, and prepare an accounting manual for each system. The requirements of the District of Columbia to meet ongoing needs must not be ignored while new systems are being designed and installed.

While the chairman of the joint committee will be the official responsible for signing the contracts, it is expected that the actual work of supervising the contracts and their implementation will fall upon the Comptroller General and his staff. This is not only because he ultimately will be responsible for approving any system changes, but also because he is the Congressional advisor on accounting and financial systems. Of course, prior to the implementation of any system, the approval of the Comptroller General will be required.

The bill further indicates that a balance sheet audit and as many as two complete audits will be conducted under contracts entered into by the joint committee. The Committee hopes that a limited balance sheet audit of the books and records of the District of Columbia can be undertaken for Fiscal Year 1977, and that fairly complete audits can be performed at the close of Fiscal 1978 and Fiscal 1979. As it is conceivable that unforeseen events would make any or all of such audits either impossible or prohibitively expensive, the Comptroller General is empowered to specify what auditing requirements are to be met for Fiscal Years 1977, 1978, and 1979. The joint committee should determine the desirability of having the firm, which is awarded the contract to create and implement the financial management information system, do these audits. Such firm will by the nature of the work be the lead firm charged with the responsibility of harmonizing the work of other firms. However, we would expect that the joint committee will award the other major components of the system to different firms.

When the Mayor, who is elected in November, 1978, assumes office, it will be his responsibility with the advice and consent of the Council to select an auditing firm which will conduct an annual audit for each of the four succeeding years. At the end of that period, a new firm will be selected, and the firm which had the previous contract may not succeed itself. If a firm were to resign or be replaced for cause during the four-year period, a new firm could be chosen to continue the contract. That successor firm, it is expected would be allowed to bid for a full contract period.

The bill also creates an audit commission, modeled after audit committees which have been created in many large corporations which would be composed of the Chairman or his designee of the Senate and House and Senate Appropriations Committee, the Chairman of the D.C. Council, and the Chairmen of the Council Committees on Budget and on Finance and Revenue. It is expected that, as in the private sector, it is to this commission that the auditors will report. And if there should be any problems that the auditors are unable to resolve with the executive, it would be to this commission which ultimately holds the purse strings of the District that the auditors would turn. Of course, at the time that the District takes over the choice of selecting the auditor, it will also take over the obligation of paying for such work.

The Committee believes that a maximum of \$20,000,000 will be required for the systems improvement work and up to three annual audits. Such amounts would be authorized to be appropriated to the District, in addition to all other payments, for the compensation of the contractors retained by the joint committee.

HISTORY OF H.R. 11009

Hearings on H.R. 11009, as it passed the House of Representatives, and S. 3608, the text of which was substituted as the Committee amendment, were held on June 28, 1976. The Comptroller General of the United States, the Mayor of the District of Columbia, the Chairman of the City Council and representatives of various private groups all testified in favor of legislation which would improve the financial reporting and management capabilities of the District of Columbia.

The Committee unanimously approved reporting H.R. 11009 with the text of S. 3608 substituted on June 29, 1976.

COST ESTIMATES, PURSUANT TO SECTION 252(a) OF THE LEGISLATIVE REORGANIZATION ACT OF 1970

Pursuant to Section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510), the Committee estimates the cost that would be incurred in carrying out this legislation is as follows:

For the fiscal year 1977.....	\$5,000,000
For the fiscal year 1978.....	10,000,000
For the fiscal year 1979.....	5,000,000

SUMMARY OF POTENTIAL SAVINGS IF THE ANDERSEN REPORT RECOMMENDATIONS ARE FOLLOWED

Andersen report		Description of problem	Possible savings
Volume No.	Page		
I	11	Possible loss of water/sewer billings and cash flow from interest on money.	Thousands if not several millions. ¹
VI	20		
VI	26-29	Loss of solid waste and special services revenue.	Several millions. ¹
IV	10	Neighborhood health clinics lacks billing and collection efforts.	Several hundred thousands, possibly millions. ¹
I	13	3d-party reimbursements for medicare, medicaid, and insurance programs are inadequate.	Probably several million. ¹
I	13	Hospital receivables for delinquent accounts are over \$100,000,000.	\$10,000,000 to \$20,000,000 (plus medicaid reimbursements ¹).
IV	11		
I	14	Grant programs can be overspent causing claim disallowances or advances can be underspent resulting in refund.	Several millions. ¹
III	117, 171		
I	15	Inaccurate accumulation of cost being incurred for grants are resulting in disallowance of reimbursement.	Do.
III	118		
I	17	Erroneous public assistance payments could be reduced by improved information systems.	Hundreds of thousands. ¹
IV	20		
I	18	Loss of interest due to inability to properly plan and use cash float.	Do.
IV	45		
I	24	Poor internal controls over payroll system resulting in potential fraud.	Unknown, probably hundreds of thousands. ¹
II	92		
III	79, 80		
I	25	High operating cost of present payroll system.	Thousands. ¹
II	67, 71	Duplicate parallel financial systems at major agencies.	Hundreds of thousands. ¹
IV	40		
V	13		
II	71, 85	Budgetary controls are inadequate which allows authorized spending levels to be overspent.	Several thousands. ¹
III	46	Numerous activities are still performed manually requiring substantial clerical effort. Some of these include—	Several millions. ¹
IV	46		
	47		

See footnote at end of table.

SUMMARY OF POTENTIAL SAVINGS IF THE ANDERSEN REPORT RECOMMENDATIONS ARE FOLLOWED—Con.

Andersen report		Description of problem	Possible savings
Volume No.	Page		
II	84	Budget preparation.	
	100	Annual and sick leave balances.	
	111	Various tax revenue systems.	
	120	Vendor invoice processing.	
	139, 140	Procurement.	
II	119	The disbursement system is cumbersome and redundant and substantially manual.	Thousands. ¹
III	144		
II	109, 112	Tax revenues from income and business taxes (i.e. sales and use) could be increased.	Several millions. ¹
	114	Collection of tax receivables could be improved.	Hundreds of thousands. ¹
	128	Cash management improvements could generate less interest expense or greater interest income.	Several millions. ¹
II	141	Proper inventory planning and control could reduce current and future investment levels.	Millions. ¹
III	198-200		
VI	32	Depreciation accounting computations could increase revenues.	Possibly millions. ¹
	148		
	152	Improved controls for intragovernmental services could reduce cost.	Thousands. ¹
	156	Using a service bureau for motor fleet management instead of in-house resources.	\$50,000. ¹
	160-169	Improved central management of ADP efforts, equipment and organization.	Several millions. ¹
VII	12, 13	RLA and NCHA billings are not controlled.	Thousands. ¹

¹ Represents estimated annual possible savings for a minimum of 5 subsequent years.

SECTION-BY-SECTION ANALYSIS

The first section of the bill establishes a Temporary Joint Committee on Financial Oversight of the District of Columbia. The joint committee will consist of four members, the respective Chairmen of the Committees on the District of Columbia and the Committees on Appropriations of the Senate and the House of Representatives. The joint committee will be authorized, with the approval of the appropriate chairman thereof, to utilize employees of such Committees in carrying out its functions.

Section 2

Section 2(a) of the bill imposes on the joint committee the function to select such qualified persons as the joint committee determines necessary for the development and implementation of certain plans on behalf of the government of the District of Columbia for the purpose of improving the financial planning, reporting, and control systems of such government. The joint committee is required to consult with the Comptroller General, the Mayor, and the Chairman of the Council of the District of Columbia prior to selecting such persons.

Subsection (b) of section 2 requires each such contract for the development and implementation of a system improvements plan to contain a provision requiring the contractor to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan in order to provide training for such personnel in connection with the operation of such system.

Subsection (c) of section 2 provides that, after selection by the joint committee of each qualified person to develop and implement any such plan, the chairman of the joint committee shall enter into a

contract with that person for the development and implementation of such plan.

Subsection (d) (1) of section 2 sets forth certain provisions which are required to be included within each such contract, including, among others, scope of work to be performed and schedules for reporting, and completion and implementation dates.

Subsection (d) (2) of section 2 requires periodic reports by the contractor to the joint committee and the city concerning progress toward completion of such contract.

Subsection (e) (1) of section 2 requires the contractor, upon completion of any such plan or part thereof relating to the design of any such system to submit such plan or part to the Comptroller General for his consideration.

Subsection (e) (2) of section 2 requires the contractor, upon the completion of any such plan or part thereof relating to work other than design of such a system to submit such plan or part to the Comptroller General for his consideration.

Subsection (e)(3) of section 2 requires each contractor, prior to submitting any such plan or part to the Comptroller General, to submit such plan or part to the lead contractor (the contractor having responsibility for the development and implementation of a financial management system improvements plan pursuant to section 2(a) of the bill) for his review, comments, and recommendations in order to coordinate such plans. A copy of such comments and recommendations shall be made available to the Comptroller General.

Subsection (e)(4) of section 2 authorizes the Comptroller General, within the sixty-day period following the receipt by him of any such plan or part, to approve, disapprove, or modify any such plan or part thereof, in whole or in part, after he has first consulted with the Mayor, the Council of the District of Columbia, and the joint committee. Any such plan or part approved or modified by the Comptroller General shall be submitted by him, as so approved or modified, to the Congress for its information. With respect to any such plan or part which the Comptroller General disapproves, the Comptroller General is required to submit such plan or part so disapproved to the Congress for its information, together with his reasons for such disapproval.

Subsection (f) of section 2 deems each such plan or part so approved or modified by the Comptroller General to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia as so approved or modified. No plan or part disapproved by the Comptroller General shall take effect.

Subsection (g) of section 2 requires the District Government, with the assistance of the appropriate contractor, to implement such plan or part so approved or modified in accordance therewith. The Comptroller General has the responsibility of monitoring such implementation and reporting to the joint committee.

Section 3

Subsection (a) of section 3 requires the joint committee to undertake if the Comptroller General advises that such work is feasible, by means of a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the

District of Columbia as of September 30, 1977, and prescribes the manner in which such audit is to be carried out.

Subsection (b) of section 3 requires the joint committee to undertake if the Comptroller General advises that such work is feasible, by the same means as provided under subsection (a) of section 3, an audit of the financial position and results of operations for Fiscal Years commencing October 1, 1977, and October 1, 1978, and prescribes the manner in which such audits are to be carried out.

Subsection (c) of section 3 provides that such audits are to be carried out in accordance with generally accepted auditing standards and the financial statements are to be prepared in accordance with generally accepted accounting principles. The results of such audits are to be submitted to the Congress, the President, the Council, the Mayor, and the Comptroller General.

Subsection (d) of section 3 gives each contractor access to books, accounts, records, etc., of the government of the District of Columbia.

Section 4

Subsection (a) of section 4 requires the government of the District of Columbia, commencing with the fiscal year beginning October 1, 1979, and each fiscal year thereafter, to conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of the government of the District of Columbia. Such audits are required to be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements prepared in accordance with generally accepted accounting principles.

Subsection (b) of section 4 requires such audits under subsection (a) of section 4 to be carried out by a qualified person selected by the Mayor, subject to the advice and consent of the Council. Each person so selected shall conduct audits for each of four fiscal years. The person selected for one four-year period shall not succeed himself. The Council shall have 30 days within which to act on any such selection. If the Council rejects any such person so selected, the Mayor is required to submit a second selection. If such second selection is rejected by the Council, the Chairman of the Committee on Appropriations of the House of Representatives shall, jointly, select a qualified person to conduct such audits. If the Council fails, within the prescribed time, to act on any such person so selected by the Mayor and submitted to the Council, the Mayor is authorized to enter into a contract with that person providing for the conduct of such audits.

Subsection (c) of section 4 requires the Mayor to submit copies of each such audit so conducted to the Congress, the President, the Council, the Mayor, and the Comptroller General.

Subsection (d) of section 4 establishes an Audit Control Commission of the District of Columbia to be comprised of the Chairman of the Appropriations Committee of the Senate or his designee, the Chairman of the Appropriations Committee of the House of Representatives or his designee, the Chairman of the Council of the District of Columbia, the Chairman of the Committee on the Budget of the Council of the District of Columbia, and the Chairman of the Committee on Finance and Revenue of the Council of the District of Columbia. The functions of the Commission shall be to discuss with the auditing firm prior to

the beginning of an audit, the scope of the audit, the District's accounting principles, policies, and practices, recent developments in accounting principles or reporting practices that may affect the District, and other relevant matters. The Commission is further required to discuss with the auditing firm after the completion of each year's audit, the results of the audit, and other relevant matters. The Commission shall come into existence on the date of the execution by the Mayor of a contract for the conduct of such audits pursuant to the first sentence of subsection (b) of section 4.

Section 5

Subsection (a) of section 5 provides that all costs and expenses arising out of any contract entered into pursuant to the bill for the development of a systems improvement plan (including its implementation) referred to in section 2 of the bill shall be an obligation of the District of Columbia to be paid out of federal appropriations authorized in subsection (c).

Such subsection further provides that any and all assistance provided by the Comptroller General in connection with the carrying out of this Act shall be on a reimbursable basis.

Subsection (b) of section 5 provides that, upon certification by the Chairman of the joint committee to the Mayor of any amounts due and payable to any person on the basis of a contract entered into pursuant to section 2 of this Act, or to the Comptroller General on the basis of assistance furnished by him pursuant to this Act, that the Mayor shall pay such amount to that person or to the Comptroller General in accordance with such certification.

Subsection (c) of section 5 authorizes appropriations for making payments under contracts entered into by the chairman of the joint committee pursuant to section 2 of the bill, including audits contracted for by the joint committee pursuant to section 3 of the bill, and for making payments to the Comptroller General by way of reimbursement to him for costs which he incurs in providing assistance under the bill. The amount authorized to be appropriated is such sum as may be necessary, but not to exceed \$20,000,000.

Section 6

Section 6 defines "person" as any individual, partnership, firm, corporation, or other entity, and defines "government of the District of Columbia" to include the Mayor of the District of Columbia, the Council of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedures Act (D.C. Code, sec. 1-1502 (3), (4), and (5))).

Section 7

Section 7 provides for the termination of the joint committee thirty days after notification by the Comptroller General to the joint committee of the completion and implementation of all plans and designs and after final payment of all contracts entered into pursuant to section 2 and 3 of the bill.

FINANCIAL PLANNING, REPORTING AND CONTROL SYSTEMS FOR THE GOVERNMENT OF THE DISTRICT OF COLUMBIA

AUGUST 3, 1976.—Ordered to be printed

Mr. DIEGS, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 11009]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That there is hereby established the Temporary Commission on Financial Oversight of the District of Columbia (hereinafter referred to as the "commission").

(b) *The commission shall consist of eight members as follows:*

(1) *three Members of the Senate appointed by the President of the Senate (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);*

(2) *three Members of the House of Representatives appointed by the Speaker of the House of Representatives (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);*

(3) *the Mayor of the District of Columbia (or any designee of the Mayor, which designee shall act for the Mayor in his stead);*

(4) *the Chairman of the Council of the District of Columbia (or any designee of the Chairman, which designee shall act for the Chairman in his stead).*

(c) *Five members of the commission shall constitute a quorum.*

(d) (1) *A chairman and vice chairman of the commission shall be selected by a majority vote of the full commission from among the*

members thereof. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman.

(2) The commission is authorized to establish such operating procedures as it determines necessary to enable it to carry out its functions under this Act.

(e) The first meeting of the commission shall be called by the Majority Leader of the Senate and the Speaker of the House of Representatives, jointly.

(f) The commission is authorized to utilize the personnel of the government of the District of Columbia, with the approval of the Mayor, or the Chairman of the Council of the District of Columbia, as the case may be, and the Committee on the District of Columbia of the Senate, the Committee on the District of Columbia of the House of Representatives, the Committee on Appropriations of the Senate, or the Committee on Appropriations of the House of Representatives, with the approval of the Chairman of such Committee. The commission is authorized to utilize, on a reimbursable basis, the services and personnel of the General Accounting Office to assist the commission in carrying out its functions under this Act.

SEC. 2. (a) For the purpose of meeting the responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, it shall be the function of the commission, after consultation with the Comptroller General, to select such qualified persons as the commission may determine necessary for the development of certain plans on behalf of the government of the District of Columbia (including assistance in the implementation thereof) for the purpose of improving the financial planning, reporting, and control systems of such government. Plans to be considered for development and implementation pursuant to this Act shall include, among others, plans for the following: immediate improvement in financial control and reporting; assessing the scope of further necessary improvements; financial management system improvements; personnel-payroll system improvements; water-sewage billing and information system improvements; purchasing and material management system improvements; property accounting system improvements; real property system improvements; welfare payments system improvements; human resources eligibility, payment, and reporting system improvements; health care financial system improvements; and traffic ticket system control improvements.

(b) Each contract entered into with a person pursuant to subsection (c) of this section for the development of a system improvements plan shall contain a provision requiring that person to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan or part thereof in order to provide training for such personnel in connection with the operation of such system. Each such contract shall further contain provisions comparable to those provided by Standard Form 32, section 1-16.901-32 of title 41, Code of Federal Regulations.

(c) Upon the selection by the commission of each qualified person to develop and implement a plan pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract or

contracts with that person for the development and implementation of such plan.

(d) (1) Each such contract so entered into shall set forth the scope of the work to be performed, amounts to be paid thereunder, and a schedule of reporting and completion dates, including a schedule of implementation dates, for each portion of such work. Each contractor shall have full access to such books, individuals, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contract. The Comptroller General shall have full access to all documents produced under each contract.

(2) After establishment of the schedule for completing each such contract and until the completion of such contract, each contractor shall report, at such time as such contract shall provide, to the commission and the Comptroller General on the progress toward completion of such contract, except that each such contractor shall report at least once during the one-hundred-and-eighty-day period after establishment of such schedule for completion of such contract.

(e) (1) With respect to any such contract or part thereof involving the design (including a preliminary design) of a system referred to in subsection (a) of this section, the contractor, upon the completion of the plan or part relating to such design (including procedures for its implementation), shall submit such plan or part, together with a schedule for its implementation, to the Comptroller General.

(2) With respect to any such contract involving work other than the design of such a system, the contractor, upon the completion of the plan or part thereof relating to such work, shall submit such plan or part thereof, together with a schedule for implementing such plan or part, to the Comptroller General.

(3) Notwithstanding the foregoing provisions of paragraphs (1) and (2) of this subsection, in no case shall any contractor under this Act submit a plan, part, or schedule to the Comptroller General unless such plan, part, or schedule has first been submitted by that contractor to the contractor responsible for the development and implementation of a financial management system improvements plan for such contractor's review, comments, and recommendations. A copy of such comments and recommendations, if any, shall be submitted, together with such plan, part, or schedule, to the Comptroller General in accordance with paragraphs (1) and (2) of this subsection.

(4) Within the sixty-day period following the date of the receipt by him of such plan or part thereof, and after consultation with the commission, the Comptroller General shall approve, disapprove, or modify such plan or part (including any schedule for the implementation thereof), in whole or in part. On or before the expiration of such sixty-day period, the Comptroller General shall submit such plan or part, as so approved, modified, or disapproved to the Congress for its consideration, together with his reason for such modification or disapproval.

(f) (1) Each such plan or part thereof so approved by the Comptroller General without modification shall be deemed on the date of such approval, to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the

District of Columbia. Each such plan or part thereof modified by the Comptroller General shall, upon the expiration of the forty-five-day period of continuous session of the Congress following the date on which such modified plan or part thereof is so submitted to the Congress, be deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia, unless within such forty-five-day period, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General with respect to such modifications. In any case in which any such concurrent resolution is so adopted by the Congress, such plan or part thereof, as it existed immediately prior to any such modification, shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution. No such plan or part thereof disapproved by the Comptroller General shall take effect, unless, within such forty-five-day period following the date of its submission to the Congress, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General in disapproving such plan or part thereof. If such action of the Comptroller General is so disapproved, such plan or part thereof shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution.

(2) For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in computation of such forty-five-day period.

(g) With respect to any such plan or part so deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia under subsection (f) (1), the Mayor of the District of Columbia, with the assistance of the contractor responsible for such plan or part, shall implement such plan or part for the government of the District of Columbia in accordance therewith. The Comptroller General shall monitor such implementation and report as he deems appropriate to the commission.

SEC. 3. (a) (1) For the purpose of meeting the oversight responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, the Congress hereby authorizes the commission, in accordance with the provisions of paragraph (2) of this subsection, to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the District of Columbia as of September 30, 1977. Such audit may—

(A) include an identification of assets, liabilities, accumulated surplus or deficit; and

(B) exclude statements of revenues and expenses, changes in fund balances, statements of changes in financial position for enterprise funds, and property and equipment.

(2) The balance sheet audit authorized by paragraph (1) of this subsection shall cover the financial position of the District of Columbia as of September 30, 1977, unless the commission, on or before

August 1, 1977, is notified by the Comptroller General to the effect that such an audit as of that date is not practicable, in which case the commission is authorized to cause to be undertaken a balance sheet audit of the financial position of the District of Columbia as of such date as the Comptroller General shall recommend to the commission.

(b) The commission is further authorized to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, an audit or audits of the financial position and results of operations of the District of Columbia for each fiscal year or years next following September 30, 1977, or the date recommended by the Comptroller General for the conduct of a balance sheet audit pursuant to subsection (a) of this section, whichever last occurs, and which precede the fiscal year commencing October 1, 1979.

(c) Upon the selection by the commission of each qualified person to conduct an audit pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract with that person for that purpose. Each such audit shall be carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles. The results of each such audit shall be submitted to the Congress, the President of the United States, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General.

(d) Such contractor shall have full access to such books, individuals, accounts, financial records, reports, files, tax returns, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete each such audit required by such contract.

SEC. 4. (a) For the fiscal year beginning October 1, 1979, and each fiscal year thereafter, the government of the District of Columbia shall conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of such government. Each such audit shall be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles.

(b) For the purpose of conducting an audit for each such fiscal year as required by subsection (a) of this section, the Mayor of the District of Columbia shall, on or after January 2, 1979, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1, 1979, and the next following three fiscal years. Thereafter, each individual elected as Mayor in a general election held for Mayor of the District of Columbia shall, on or after January 2 next following his or her election to, and the assuming of, the Office of Mayor, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1 of the calendar year in which such Mayor takes office, and the next following three fiscal years. The person previously selected for a four-year period shall not succeed himself or herself. If the Council fails to act on any such selection within

a thirty-day period following the date on which it receives from the Mayor the name of such person so selected, the Mayor shall be authorized to enter into a contract with that person for the conduct of such audits. If any person so selected by the Mayor to conduct any such audits for such fiscal years is rejected by the Council, the Mayor shall submit to the Council the name of another qualified person selected by the Mayor to conduct such audits. In the event that the Council rejects the second person so selected by the Mayor, the Mayor shall, within thirty days following that rejection, notify the chairman of the Committee on Appropriations of the Senate and the chairman of the Committee on Appropriations of the House of Representatives, in writing, of that fact. Within fifteen days following the receipt of that notice, such chairmen shall jointly select a person to conduct such audits and shall inform the Mayor, in writing, of the name of the person so selected. Within ten days following the receipt by the Mayor of such name, the Mayor shall enter into a contract with such person pursuant to which that person shall conduct such audits for such fiscal years as herein provided.

(c) The Mayor shall submit a copy of the audit report with respect to each such audit so conducted to the Congress, the President of the United States, the Council of the District of Columbia, and the Comptroller General.

SEC. 5. (a) For the purpose of making payments under contracts entered into under sections 2 and 3 of this Act, for reimbursing the Comptroller General under subsection (f) of the first section of this Act, and for meeting other expenses incurred by the commission under this Act, there is authorized to be appropriated to the commission the sum of \$16,000,000, of which \$8,000,000 shall be from funds in the Treasury not otherwise appropriated, and \$8,000,000 shall be from funds in the Treasury to the credit of the District of Columbia. Sums appropriated pursuant to this section are authorized to remain available until expended.

(b) No funds appropriated pursuant to subsection (a) of this section out of funds in the Treasury to the credit of the District of Columbia may be used for any payment under any contract entered into pursuant to section 2 or 3 of this Act, for any payment as reimbursement to the General Accounting Office, or for expenses of the commission, in an amount greater than 50 per centum of the total amount of any such payment.

(c) The chairman of the commission may enter into contracts under sections 2 and 3 of this Act only to the extent and in such amounts as are provided in appropriation Acts.

SEC. 6. As used in this Act, the term—

(1) "person" means any individual, partnership, firm, corporation, or other entity; and

(2) "government of the District of Columbia" includes the Mayor of the District of Columbia, the Council of the District of Columbia, the courts of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502 (3))).

SEC. 7. Thirty days after notification by the Comptroller General to the commission of the completion and implementation of all plans

and designs under this Act, or thirty days after final payment of all contracts entered into pursuant to sections 2 and 3 of this Act, whichever last occurs, the commission shall cease to exist.

And the Senate agree to the same.

CHARLES C. DIGGS, JR.,
WALTER E. FAUNTROY,
THOMAS M. REES,
ROMAN L. MAZZOLI,
JAMES R. MANN,
HERBERT E. HARRIS II,
DAN DANIEL,
GILBERT GUDE,
CHARLES W. WHALEN, JR.,
S. B. MCKINNEY,
Managers on the Part of the House.

THOMAS F. EAGLETON,
DANIEL K. INOUYE,
ADLAI E. STEVENSON,
JOHN GLENN,
CHARLES McC. MATHIAS, JR.,
DEWEY F. BARTLETT,
JAKE GARN,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE
COMMITTEE OF CONFERENCE

The managers on the part of the House and Senate at the Conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 11009) to provide for an independent audit of the financial condition of the government of the District of Columbia, submit the following joint statement to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report.

The Senate amendment struck out all the House bill after the enacting clause and inserted a substitute text.

The Committee of Conference has agreed to a substitute for both the House bill and the Senate amendment to the text of the bill. The Conference substitute conforms to the format of the Senate amendment. Except for clarifying, clerical, and conforming changes, the major differences are noted below.

COMMISSION

The House bill and the Senate amendment differed in the provisions establishing the contracting authority for the design, development and implementation of financial planning, reporting and control systems for the District of Columbia in the following respects:

The House bill authorized the Comptroller General of the United States (after consultation with the Chairmen and ranking minority members of the Senate and House Committees on the District of Columbia and the Appropriations Committees, and the Chairman of the Council of the District of Columbia) to determine the scope of the work to be contracted, select the contractor to perform each contract, and determine the completion schedule.

The Senate amendment established a 4-member Joint Congressional Committee (called the Temporary Joint Committee on Financial Oversight of the District of Columbia) to consist of the Chairman of the Senate and House Committees on the District of Columbia, and of the Appropriations Committees, or the latter's delegates, and authorized the Committee (after consultation with the Comptroller General, the Mayor of the District of Columbia and the Chairman of the Council of the District of Columbia) to select one or more contractors to develop plans (and assist in the implementation thereof) in specific areas to improve the financial planning, reporting and control systems of the District of Columbia Government.

The Conference substitute establishes an eight-member Commission (called the Temporary Commission on Financial Oversight of the District of Columbia) to consist of three members of the House appointed by the Speaker of the House, three members of the Senate appointed by the President of the Senate, and the Mayor and the

Chairman of the Council of the District of Columbia. The Conference Committee stated its expectations that the Congressional appointees shall be the Chairmen of the Senate and House Committees on the District of Columbia and Chairmen of the Senate and House District of Columbia Appropriations Subcommittees, and one ranking minority Member from either the District of Columbia Committee or the Appropriations Subcommittee on the District of Columbia of each House. Each Member of the Commission is authorized to name a designee to act in his absence.

The Conference substitute (Section 1) conforms to the Senate amendment regarding the selection and functions of a Chairman and Vice Chairman of the Commission. The Conference substitute authorizes the Commission to establish its own procedures for carrying out its duties and to utilize the personnel responsible to the Members of the Commission with that Member's consent.

The House bill designated the Comptroller General as the actual contracting officer. The Conference substitute conforms to the Senate amendment in designating the Chairman of the Commission as the person to sign all contracts authorized by the Commission.

SCOPE OF CONTRACTS

(1) Both the House bill and the Senate amendment provided for contracts to be entered into for plans for improving the financial planning, reporting, and control systems for the Government of the District of Columbia.

The House bill authorized the Comptroller General to determine the scope of the contracts. The Senate amendment authorized the Joint Committee to negotiate the scope of each contract, the amounts to be paid, and the schedule for completion and implementation. The Senate amendment also itemized certain plans, among others, to be considered for development and implementation and imposed a requirement on all contractors to establish an ongoing training program for operating personnel of the District of Columbia, whose duties involve matters covered by the system improvement plans developed by the contractor.

The Conference substitute (Section 2) conforms to the Senate amendment. The Conference substitute provides for negotiated fixed price contracts. The Conference Committee agreed that there shall be periodic reports by the contractors on their expenses to date, their estimate of additional costs which may be incurred, and their estimate of total cost of the job.

It is the Conference Committee's belief that while a fixed cost contract is most desirable, the Commission should be given some leeway in determining contract details, since price is one factor to be considered. To permit the effective control of the contractor cost associated with systems improvement work, the Commission should have the authority to cancel contracts at any time. The liability for payment to the contractor is limited to the charges for work actually performed, even though the amount allocated for the work may be higher.

It is the intent of the Conference Committee that any contract entered into as provided herein shall be executed by the Chairman of the Commission and not by any person designated by him.

(2) The House bill required the contractor to make progress reports at least once each quarter to the Congress, the President, the District of Columbia Council and the Comptroller General.

The Senate amendment required each contractor to make progress reports at least once every 180 days until the termination of the contract to the Joint Committee and the Mayor and Council of the District of Columbia.

The Conference substitute (Section 2) conforms to the Senate amendment and requires the contractor to make progress reports according to the terms of the contract but requires such reports at least once during the 180-day period after the establishment of the schedule for completion of the contract.

(3) The House bill required contractors, upon completing each contract, to report to the Congress, the President, the Mayor and Council of the District of Columbia (1) his recommendations for changes in the financial planning, reporting, and control systems of the District of Columbia Government deemed necessary before an audit could be conducted and (2) his schedule for implementation of such changes by the District of Columbia employees (Sec. 1).

The Senate amendment required the contractors to submit their plans and schedule for implementation to the Comptroller General for his consideration.

The Conference substitute conforms to the Senate amendment and (Section 2(e)) requires (1) the contractor to submit to the Comptroller General his plans, together with procedures for implementing same, with respect to any contract involving the design of a systems improvement plan, or other work, upon completion of such plan or part thereof; and (2) prior to such submission to the Comptroller General, the contractor shall submit such plan, part or schedule to the contractor responsible for the development and implementation of a financial management system improvements plan for his review; his comments and recommendations thereon shall thereafter be submitted to the Comptroller General along with such plan, part or schedule of the contractor as per (1) above.

ROLE OF COMPTROLLER GENERAL AND CONGRESS

The Senate amendment authorized the Comptroller General (after consultation with the Mayor and Council of the District of Columbia) to approve, disapprove or modify plans within 60 days of receipt. Plans and parts of plans so approved shall be submitted to the Congress for its information within the 60-day period. Plans disapproved by the Comptroller General were also to be submitted to Congress within the same time period together with reasons for the disapproval. The Senate amendment provided that approved plans and parts thereof were to be deemed part of the District of Columbia's systems. Plans disapproved were not to take effect.

The House bill contained no such provisions.

The Conference substitute generally conforms to the Senate amendment by authorizing the Comptroller General (after consultation with the Commission) to approve, disapprove, or modify plans within 60 days of receipt (including a schedule of implementation). The same requirements for reporting to Congress are imposed within the same 60 days.

Each plan or part thereof modified by the Comptroller General shall not become effective until receipt by Congress and the expiration of a 45-day period when the Congress is in continuous session, and provided that during such time, the Congress does not adopt a concurrent resolution disapproving the action of the Comptroller General. If such disapproval resolution is adopted, then the plan or part, as it existed prior to modification, becomes effective.

Any plan disapproved by the Comptroller General is also subject to the 45-day lay-over referred to, and the disapproval becomes final if no concurrent resolution of disapproval is adopted by the Congress. If, however, a resolution is adopted disapproving the Comptroller General's action, then such plan or part thereof is effective immediately.

The Comptroller General is directed to monitor and report on the implementation of plans.

ROLE OF THE DISTRICT GOVERNMENT

The House bill provided that: (1) the Mayor, assisted by the contractors, should implement the changes in the District's financial planning, reporting, and control systems, as recommended by the contractors, and make quarterly reports on the status thereof to the Congress, the President, the District of Columbia Council and the Comptroller General; (2) the Council would contract for an audit by an independent certified public accountant upon completion of the implementation of the changes, and once every three years thereafter; and the results of the audits to be submitted to the Congress, the President, the Mayor and Council of the District of Columbia, and the Comptroller General; (3) the District Government would provide each contractor full access to its books and necessary records.

The Senate amendment provided that: (1) the Mayor implement plans as approved by the Comptroller General; (2) the District Government undertake and finance annual audits for the fiscal year commencing October 1, 1979; (3) the District Government shall provide each contractor full access to its books and records, and the GAO access to all documents produced under each contract.

The conference substitute (Section 2(g)) generally conforms to the Senate amendment in that it provides that the Mayor, assisted by the contractor responsible for such plan or part, shall implement same for the District Government; and the Comptroller General shall monitor same, and, as he deems appropriate, report to the Commission.

The District Government is required to provide full access to its books and records, and the Comptroller General such access to all documents produced under each contract.

The initial audits (Section 3) are to be by contractor selected and paid for by the Commission.

Audits of the District's financial operations for the fiscal year beginning October 1, 1979 and thereafter are to be conducted by an auditor selected by the Mayor with the advice and consent of the Council of the District of Columbia, and paid for by the District of Columbia Government (Section 4).

AUDITS

The Senate amendment authorized the Joint Committee: (1) to contract with a Certified Public Accountant for a balance sheet audit of the District's financial position as of September 30, 1977, or such other date as the Comptroller General recommends; (2) to contract with a Certified Public Accountant for audit of the District's financial position and results of operations for fiscal years commencing October 1, 1977 and October 1, 1978; and (3) to submit the results of such audits to the Congress, the President, the Mayor and Council of the District of Columbia and the Comptroller General. The Senate amendment also provided that the Mayor, with advice and consent of the Council, should, after January 2, 1979, select an auditor to serve for 4 years and conduct the annual audits beginning with the fiscal year commencing October 1, 1979. A new auditor was to be selected every four years. If the Mayor and the Council failed to agree, the selection was to be made by the Chairmen of the Senate and House Committees on Appropriations.

The House bill provided that the Council of the District of Columbia authorize funds for an audit within six months after the first day of the first full fiscal year after the Mayor had implemented the plans and recommendations of the contractors. The House bill provided for an audit every three years thereafter.

The Conference substitute (Section 3) conforms to the Senate amendment and authorizes the Commission to contract for such audits as are authorized in the Senate amendment language referred to above. The Conference substitute also conforms to the Senate amendment regarding the annual audit by the District Government.

AUDIT CONTROL COMMISSION

The Senate amendment established (Section 4(d)) a 5-member Audit Control Commission to whom auditing firms would report prior to beginning an audit, as to the scope thereof, and, after completion of the audit as to the results thereof.

Neither the House bill nor the Conference substitute contains such provision.

COSTS

The House bill required the District of Columbia to pay 50 percent of the costs of the financial systems improvement contracts and authorized the appropriation of no more than \$750,000 in any one year, and no more than \$2.25 million over 3 years, as the Federal share of the costs. Also, the District would pay the costs of the audits required by the Act.

The Senate amendment authorized a Federal payment of not in excess of \$20 million of Federal funds to be appropriated to the District to cover (1) all costs and expenses arising out of contracts made pursuant to the Act and implementation thereof, which would be obligations of the District of Columbia Government; (2) any assistance

furnished by the Comptroller General in connection with his review of plans called for by this Act; (3) cost of the balance sheet audit of September 30, 1977, and the audits of the financial position and results of operations for fiscal years commencing October 1, 1977 and October 1, 1978.

The Conference substitute (Section 5) provides that all costs and expenses from contracts made pursuant to this Act, and in connection with the implementation thereof, shall be paid from the funds provided by the Act, namely, by authorization for the appropriation of a total of \$16 million, of which \$8 million should be from the Treasury (as the Federal share) and \$8 million from Treasury funds credited to the District of Columbia (as the District's share); and further, that the Treasury funds to the credit of the District may not be used for more than 50 percent of the total payment under any contract or reimbursement to the General Accounting Office.

TERMINATION OF CONTRACT

The Senate amendment provided that thirty days after notification by the Comptroller General of completion and implementation of all plans or 30 days after the final payments are made to contractors, whichever occurs last, the Joint Committee would cease to exist.

The House bill contained no such provision.

The Conference substitute (Section 7) conforms to the Senate amendment with respect to the termination of the Commission.

CHARLES C. DIGGS,
WALTER E. FAUNTROY,
THOMAS M. REES,
ROMAN L. MAZZOLI,
JAMES R. MANN,
HERBERT E. HARRIS,
DAN DANIEL,
GILBERT GUDE,
CHARLES W. WHALEN, Jr.,
S. B. MCKINNEY,
Managers on the Part of the House.

THOMAS F. EAGLETON,
DANIEL K. INOUE,
ADLAI E. STEVENSON,
JOHN GLENN,
CHARLES McC. MATHIAS, Jr.,
DEWEY F. BARTLETT,
JAKE GARN,
Managers on the Part of the Senate.

Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To provide for an independent audit of the financial condition of the government of the District of Columbia.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established the Temporary Commission on Financial Oversight of the District of Columbia (hereinafter referred to as the "commission").

(b) The commission shall consist of eight members as follows:

(1) three Members of the Senate appointed by the President of the Senate (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);

(2) three Members of the House of Representatives appointed by the Speaker of the House of Representatives (or any designee of any such Member so appointed, which designee shall act for such Member in his stead);

(3) the Mayor of the District of Columbia (or any designee of the Mayor, which designee shall act for the Mayor in his stead); and

(4) the Chairman of the Council of the District of Columbia (or any designee of the Chairman, which designee shall act for the Chairman in his stead).

(c) Five members of the commission shall constitute a quorum.

(d) (1) A chairman and vice chairman of the commission shall be selected by a majority vote of the full commission from among the members thereof. The vice chairman shall act in the place and stead of the chairman in the absence of the chairman.

(2) The commission is authorized to establish such operating procedures as it determines necessary to enable it to carry out its functions under this Act.

(e) The first meeting of the commission shall be called by the majority leader of the Senate and the Speaker of the House of Representatives, jointly.

(f) The commission is authorized to utilize the personnel of the government of the District of Columbia, with the approval of the Mayor, or the Chairman of the Council of the District of Columbia, as the case may be, and the Committee on the District of Columbia of the Senate, the Committee on the District of Columbia of the House of Representatives, the Committee on Appropriations of the Senate, or the Committee on Appropriations of the House of Representatives, with the approval of the chairman of such committee. The commission is authorized to utilize, on a reimbursable basis, the services and personnel of the General Accounting Office to assist the commission in carrying out its functions under this Act.

SEC. 2. (a) For the purpose of meeting the responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, it shall be the function of the commission, after consultation with the Comptroller General, to select such qualified persons as the commission may determine necessary for the development of certain plans on behalf of the government of the District of Columbia (including assistance in the implementation thereof) for the purpose

of improving the financial planning, reporting, and control systems of such government. Plans to be considered for development and implementation pursuant to this Act shall include, among others, plans for the following: immediate improvement in financial control and reporting; assessing the scope of further necessary improvements; financial management system improvements; personnel-payroll system improvements; water-sewage billing and information system improvements; purchasing and material management system improvements; property accounting system improvements; real property system improvements; welfare payments system improvements; human resources eligibility, payment, and reporting system improvements; health care financial system improvements; and traffic ticket system control improvements.

(b) Each contract entered into with a person pursuant to subsection (c) of this section for the development of a system improvements plan shall contain a provision requiring that person to include within such plan procedures for the establishment of an ongoing training program for operating personnel of the government of the District of Columbia whose duties involve matters covered by such plan or part thereof in order to provide training for such personnel in connection with the operation of such system. Each such contract shall further contain provisions comparable to those provided by Standard Form 32, section 1-16.901-32 of title 41, Code of Federal Regulations.

(c) Upon the selection by the commission of each qualified person to develop and implement a plan pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract or contracts with that person for the development and implementation of such plan.

(d) (1) Each such contract so entered into shall set forth the scope of the work to be performed, amounts to be paid thereunder, and a schedule of reporting and completion dates, including a schedule of implementation dates, for each portion of such work. Each contractor shall have full access to such books, individuals, accounts, financial records, reports, files, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete such contract. The Comptroller General shall have full access to all documents produced under each contract.

(2) After establishment of the schedule for completing each such contract and until the completion of such contract, each contractor shall report, at such time as such contract shall provide, to the commission and the Comptroller General on the progress toward completion of such contract, except that each such contractor shall report at least once during the one-hundred-and-eighty-day period after establishment of such schedule for completion of such contract.

(e) (1) With respect to any such contract or part thereof involving the design (including a preliminary design) of a system referred to in subsection (a) of this section, the contractor, upon the completion of the plan or part relating to such design (including procedures for its implementation), shall submit such plan or part, together with a schedule for its implementation, to the Comptroller General.

(2) With respect to any such contract involving work other than the design of such a system, the contractor, upon the completion of the plan or part thereof relating to such work, shall submit such plan or part thereof, together with a schedule for implementing such plan or part, to the Comptroller General.

(3) Notwithstanding the foregoing provisions of paragraphs (1) and (2) of this subsection, in no case shall any contractor under this Act submit a plan, part, or schedule to the Comptroller General unless such plan, part, or schedule has first been submitted by that contractor to the contractor responsible for the development and implementation of a financial management system improvements plan for such contractor's review, comments, and recommendations. A copy of such comments and recommendations, if any, shall be submitted, together with such plan, part, or schedule, to the Comptroller General in accordance with paragraphs (1) and (2) of this subsection.

(4) Within the sixty-day period following the date of the receipt by him of such plan or part thereof, and after consultation with the commission, the Comptroller General shall approve, disapprove, or modify such plan or part (including any schedule for the implementation thereof), in whole or in part. On or before the expiration of such sixty-day period, the Comptroller General shall submit such plan or part, as so approved, modified, or disapproved to the Congress for its consideration, together with his reasons for such modification or disapproval.

(f)(1) Each such plan or part thereof so approved by the Comptroller General without modification shall be deemed on the date of such approval, to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia. Each such plan or part thereof modified by the Comptroller General shall, upon the expiration of the forty-five-day period of continuous session of the Congress following the date on which such modified plan or part thereof is so submitted to the Congress, be deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia, unless within such forty-five-day period, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General with respect to such modifications. In any case in which any such concurrent resolution is so adopted by the Congress, such plan or part thereof, as it existed immediately prior to any such modification, shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution. No such plan or part thereof disapproved by the Comptroller General shall take effect, unless, within such forty-five-day period following the date of its submission to the Congress, the Congress adopts a concurrent resolution disapproving the action of the Comptroller General in disapproving such plan or part thereof. If such action of the Comptroller General is so disapproved, such plan or part thereof shall be deemed a part of such procedures as of the date of the adoption by Congress of such concurrent resolution.

(2) For purposes of this section, the continuity of a session of Congress is broken only by an adjournment of the Congress sine die, and the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in computation of such forty-five-day period.

(g) With respect to any such plan or part so deemed to be a part of the financial planning, reporting, accounting, control, and operating procedures of the government of the District of Columbia under subsection (f)(1), the Mayor of the District of Columbia, with the assistance of the contractor responsible for such plan or part, shall implement such plan or part for the government of the District of Columbia in accordance therewith. The Comptroller General shall

monitor such implementation and report as he deems appropriate to the commission.

SEC. 3. (a) (1) For the purpose of meeting the oversight responsibilities imposed by the Constitution on the Congress with respect to the District of Columbia, the Congress hereby authorizes the commission, in accordance with the provisions of paragraph (2) of this subsection, to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, a balance sheet audit of the financial position of the District of Columbia as of September 30, 1977. Such audit may—

(A) include an identification of assets, liabilities, accumulated surplus or deficit; and

(B) exclude statements of revenues and expenses, changes in fund balances, statements of changes in financial position for enterprise funds, and property and equipment.

(2) The balance sheet audit authorized by paragraph (1) of this subsection shall cover the financial position of the District of Columbia as of September 30, 1977, unless the commission, on or before August 1, 1977, is notified by the Comptroller General to the effect that such an audit as of that date is not practicable, in which case the commission is authorized to cause to be undertaken a balance sheet audit of the financial position of the District of Columbia as of such date as the Comptroller General shall recommend to the commission.

(b) The commission is further authorized to cause to be undertaken, on behalf of the government of the District of Columbia, by a certified public accountant licensed in the District of Columbia, an audit or audits of the financial position and results of operations of the District of Columbia for each fiscal year or years next following September 30, 1977, or the date recommended by the Comptroller General for the conduct of a balance sheet audit pursuant to subsection (a) of this section, whichever last occurs, and which precede the fiscal year commencing October 1, 1979.

(c) Upon the selection by the commission of each qualified person to conduct an audit pursuant to this section, the chairman of the commission shall enter into a negotiated fixed price contract with that person for that purpose. Each such audit shall be carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles. The results of each such audit shall be submitted to the Congress, the President of the United States, the Council of the District of Columbia, the Mayor of the District of Columbia, and the Comptroller General.

(d) Such contractor shall have full access to such books, individuals, accounts, financial records, reports, files, tax returns, and other papers, things, or property of the government of the District of Columbia as such contractor deems necessary to complete each such audit required by such contract.

SEC. 4. (a) For the fiscal year beginning October 1, 1979, and each fiscal year thereafter, the government of the District of Columbia shall conduct, out of funds of the government of the District of Columbia, an audit of the financial operations of such government. Each such audit shall be conducted by a certified public accountant licensed in the District of Columbia and carried out in accordance with generally accepted auditing standards and the financial statements shall be prepared in accordance with generally accepted accounting principles.

(b) For the purpose of conducting an audit for each such fiscal year as required by subsection (a) of this section, the Mayor of the District of Columbia shall, on or after January 2, 1979, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1, 1979, and the next following three fiscal years. Thereafter, each individual elected as Mayor in a general election held for Mayor of the District of Columbia shall, on or after January 2 next following his or her election to, and the assuming of, the Office of Mayor, select, subject to the advice and consent of the Council of the District of Columbia, a qualified person to conduct such audits for the fiscal year commencing October 1 of the calendar year in which such Mayor takes office, and the next following three fiscal years. The person previously selected for a four-year period shall not succeed himself or herself. If the Council fails to act on any such selection within a thirty-day period following the date on which it receives from the Mayor the name of such person so selected, the Mayor shall be authorized to enter into a contract with that person for the conduct of such audits. If any person so selected by the Mayor to conduct any such audits for such fiscal years is rejected by the Council, the Mayor shall submit to the Council the name of another qualified person selected by the Mayor to conduct such audits. In the event that the Council rejects the second person so selected by the Mayor, the Mayor shall, within thirty days following that rejection, notify the chairman of the Committee on Appropriations of the Senate and the chairman of the Committee on Appropriations of the House of Representatives, in writing, of that fact. Within fifteen days following the receipt of that notice, such chairmen shall jointly select a person to conduct such audits and shall inform the Mayor, in writing, of the name of the person so selected. Within ten days following the receipt by the Mayor of such name, the Mayor shall enter into a contract with such person pursuant to which that person shall conduct such audits for such fiscal years as herein provided.

(c) The Mayor shall submit a copy of the audit report with respect to each such audit so conducted to the Congress, the President of the United States, the Council of the District of Columbia, and the Comptroller General.

SEC. 5. (a) For the purpose of making payments under contracts entered into under sections 2 and 3 of this Act, for reimbursing the Comptroller General under subsection (f) of the first section of this Act, and for meeting other expenses incurred by the commission under this Act, there is authorized to be appropriated to the commission the sum of \$16,000,000, of which \$8,000,000 shall be from funds in the Treasury not otherwise appropriated, and \$8,000,000 shall be from funds in the Treasury to the credit of the District of Columbia. Sums appropriated pursuant to this section are authorized to remain available until expended.

(b) No funds appropriated pursuant to subsection (a) of this section out of funds in the Treasury to the credit of the District of Columbia may be used for any payment under any contract entered into pursuant to section 2 or 3 of this Act, for any payment as reimbursement to the General Accounting Office, or for expenses of the commission, in an amount greater than 50 per centum of the total amount of any such payment.

(c) The chairman of the commission may enter into contracts under sections 2 and 3 of this Act only to the extent and in such amounts as are provided in appropriation Acts.

H. R. 11009—6

SEC. 6. As used in this Act, the term—

(1) “person” means any individual, partnership, firm, corporation, or other entity; and

(2) “government of the District of Columbia” includes the Mayor of the District of Columbia, the Council of the District of Columbia, the courts of the District of Columbia, and all agencies (as defined in paragraph (3) of section 3 of the District of Columbia Administrative Procedure Act (D.C. Code, sec. 1-1502(3))).

SEC. 7. Thirty days after notification by the Comptroller General to the commission of the completion and implementation of all plans and designs under this Act, or thirty days after final payment of all contracts entered into pursuant to sections 2 and 3 of this Act, whichever last occurs, the commission shall cease to exist.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*