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United States General Accounting Office
Washington, DC 20548

May 16, 2001

The Honorable Joe Knollenberg
Chairman
The Honorable Chaka Fattah
Ranking Minority Member
Subcommittee on the District of Columbia
Committee on Appropriations
House of Representatives

The Honorable Mike DeWine
Chairman
The Honorable Mary Landrieu
Ranking Member
Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate

Subject: District of Columbia: Compensation Simplification Contracting Requirements

The District of Columbia Appropriations Act, 2001 (Appropriations Act) (Public Law 106-522, Nov. 22, 2000) provided a federal payment of \$250,000 to the Mayor of the District of Columbia (DC) for a contract to study and then develop a plan to simplify the compensation systems, schedules, and work rules applicable to DC government employees. The act placed several conditions on the appropriation, one of which was that the Comptroller General review the proposed solicitation for the contract to ensure that it adequately addressed all of the elements stipulated in the act. As requested by your staff, this letter summarizes the actions that we took in response to this mandated review.

Results in Brief

District government officials initially told us that they planned to apply the \$250,000 payment to existing contracts that were being used in the District's independent effort to reform its classification and compensation systems—and therefore would not carry out the conditions that Congress had established for receipt of the funds. However, the officials more recently said the District no longer planned to use the funds because doing so would delay its reform effort. The City Administrator said

that he would request the District's Chief Financial Officer to make a formal rescission request to Congress.

Requirements in the Appropriations Act

The Appropriations Act provided a \$250,000 payment to the District Mayor for a contract "for the study and development of a plan to simplify the compensation systems, schedules, and work rules applicable to employees of the District government." The act placed several conditions on the appropriation.

First, the plan developed pursuant to the contract was required to include, at a minimum, (1) a review of the current compensation systems, schedules, and work rules applicable to DC government employees, (2) a review of the best practices of state and local governments and other appropriate organizations regarding compensation systems, schedules, and work rules, (3) a proposal for simplifying the systems, schedules, and rules applicable to DC government employees, and (4) the development of strategies for implementing the proposal, including the identification of any statutory, contractual, or other barriers to implementing the proposal and an estimated time frame for implementation.

Second, the Appropriations Act required the contractor to submit the plan to the Mayor and to the committees on appropriations of the House of Representatives and the Senate.

Third, the act required the Mayor to develop a proposed solicitation within 90 days after enactment and submit a copy of the proposed solicitation to the Comptroller General at least 90 days before its issuance.

Fourth, the act provided that within 45 days after receipt of the proposed solicitation, the Comptroller General must review the solicitation to ensure that it adequately addresses all of the required elements and report on the results to the committees on appropriations of the House and the Senate.

The conference report for the Appropriations Act indicated that the conferees expected the District government to supplement the \$250,000 appropriated, if necessary, with local funds, and that the Mayor would allocate the contract costs as he deemed appropriate.¹

District Government No Longer Plans To Use Funds

Because the Appropriations Act required the Mayor to develop the proposed solicitation within 90 days after the act's enactment (i.e., by February 20, 2001), we began checking with the DC Office of Personnel in late February 2001 to determine whether the proposed solicitation had been developed. In early March 2001, officials from the Office of Personnel told us that the District government did not plan to develop a solicitation. Instead, they said the District planned to use the funds to help pay the costs associated with existing contracts related to human resources reform initiatives that had been started before the Appropriations Act was passed. They said

¹H.R. Rep. No. 106-1005, at 54-55 (2000).

the DC Office of Personnel began to rethink its civil service classification and compensation systems in 1999, and that the language in the Appropriations Act was based on an erroneous assumption that nothing was being done to improve the condition of the District's human resource management system. Therefore, one official said, the appropriators were trying to provide "seed money" to initiate a process that had already begun.

The officials said that the goals of their contracting initiative were substantively similar to the goals delineated in the Appropriations Act. They provided us with a copy of the June 26, 2000, request for proposals (RFP) that led to the existing contracts. The RFP stated that the DC Office of Personnel "seeks a contractor to assist with a variety of workforce initiatives including the redesign of its compensation and classification system and its collective bargaining agreements," and stipulated a minimum (40 work hours) and a maximum (\$900,000) requirement under the contract. Particular requirements delineated in the RFP included (1) a compensation analysis comparing the cost and competitiveness of employee compensation in various occupational groups with other governments and with other employers in the Washington, D.C., area and elsewhere, (2) benchmarking and best practices research looking for successful practices in the public or private sectors that can be used as models or guides, and (3) assisting management in the development of implementation plans and strategies.

On March 23, 2001, we met with the Director of the DC Office of Personnel and other DC government officials to discuss the District government's actions in response to the requirements in the Appropriations Act. At that meeting, the officials again told us that the District government planned to use the \$250,000 to pay for tasks pursuant to existing contracts related to its human resources reform initiatives and did not plan to develop a new RFP. They said the \$250,000 had been deposited in a general fund account controlled by the Mayor, but no federal money had been spent under the existing contracts.

The DC government officials said that "indefinite delivery/indefinite quantity" contracts had been awarded in September 2000 to three firms that submitted bids in response to the June 2000 RFP: (1) PricewaterhouseCoopers; (2) the Segal Company, and (3) Public Financial Management, which partnered with Fox Lawson and Star Mountain for its bid. They also said that as of March 23, 2001, five task orders had been issued pursuant to the contracts: (1) a preliminary assessment of the classification and compensation practices in the District, (2) an evaluation of a possible transition to the federal government's classification and pay system, (3) phases I and II of a plan to simplify District pay schedules, (4) the development of training on rewarding high performance, and (5) the delivery of training on rewarding high performance. They said that three other task orders had been developed but not issued for (1) phase III of the plan to simplify District pay schedules, (2) the development of a classification and compensation strategy, and (3) the identification and review of best practices in classification, compensation, and rewards in similar governments or organizations.

On April 2, 2001, the Director of the DC Office of Personnel sent us a letter stating that "we are no longer planning to use the \$250,000 allocated to us in (the Appropriations Act)." She said that her office decided not to use the money because

the District was further ahead in its classification and compensation reform effort than the functional requirements of the act contemplated, and that the office could not fulfill the detailed requirements outlined in the act without delaying its project. She also said that she would formally notify Congress of the District's plans to no longer use the money "in a letter to be sent later this week."

On May 2, 2001, the Director of the DC Office of Personnel sent a letter to a staff member of the Subcommittee on the District of Columbia, House Committee on Appropriations, stating that "we have decided not to use the \$250,000 allocated to us by the Congress." The Director described the progress that her office had made in the District's classification and compensation reform initiative, issuing the RFP the previous summer, signing contracts with three firms, issuing 13 task orders pursuant to the contracts, and gaining the support of two large labor unions. She said that her office would lose valuable time if it stopped its work to refocus on another procurement effort, and that it was unlikely that it could have a new contract in place in time to responsibly spend the money allocated to the District. However, she said her office expects to have the "deliverables required by the Congress" by the end of this fiscal year. Enclosed with the letter were, among other things, the three contracts that the District had signed as part of the initiative.

The Director's May 2, 2001, letter to a congressional staff member did not represent formal notification of Congress. We informed District government officials that they should report the withholding of these funds from obligation as either a rescission or a deferral in a manner similar to that outlined in the Impoundment Control Act of 1974.

Agency Comments

We provided a draft of this letter to the City Administrator of the District of Columbia for his review and comment. In a May 10, 2001, letter, the City Administrator said that the Director of the District Office of Personnel had informed him that she no longer planned to use the \$250,000, and that he would request the District's Chief Financial Officer to make a formal rescission request to Congress.

Scope and Methodology

We conducted this review by interviewing DC government officials and, where possible, obtaining and reviewing relevant documents. We conducted this review from February through mid-May 2001 in accordance with generally accepted government auditing standards.

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We are sending copies of this letter to Representative Constance A. Morella, Chairwoman, and Representative Eleanor Holmes Norton, Ranking Minority Member, Subcommittee on the District of Columbia, House Committee on Government Reform; Senator George V. Voinovich, Chairman, and Senator Richard J. Durbin, Ranking Member, Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia, Senate Committee on Governmental

Affairs; the Honorable Anthony A. Williams, Mayor, District of Columbia, and the Honorable John A. Koskinen, City Administrator, District of Columbia. The letter is also available on GAO's home page at <http://www.gao.gov>. If you have questions, please contact me or Curtis Copeland at (202) 512-6806.

A handwritten signature in black ink, appearing to read "J. Christopher Mihm". The signature is fluid and cursive, with the first name "J." and last name "Mihm" clearly legible.

J. Christopher Mihm
Director, Strategic Issues

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