

DOCUMENT RESUME

02176 - [A1392382]

Misuse of Unexpended Capital Outlay Fund Balances. SGD-77-39;
B-118638. May 10, 1977. 19 pp.

Report to Walter E. Washington, Mayor, District of Columbia; by
Victor L. Lowe, Director, General Government Div.

Issue Area: Facilities and Material Management (700).

Contact: General Government Div.

Budget Function: Revenue Sharing and General Purpose Fiscal

Assistance: Other General Purpose Fiscal Assistance (852).

Organization Concerned: District of Columbia: Dept. of
Recreation; National Park Service.

Congressional Relevance: House Committee on District of
Columbia; Senate Committee on Governmental Affairs.

Authority: District of Columbia Self-Government and Governmental
Reorganization Act; Home Rule Act (31 U.S.C. 685a).

Anti-deficiency Act (31 U.S.C. 665(a)).

The District of Columbia Department of Recreation
misused unexpended capital outlay fund balances.
Findings/Conclusions: The Department spent or committed, as of
December 31, 1976, \$175,841 of \$205,035 in unexpended capital
outlay funds for: (1) operation and maintenance expenses not
authorized under appropriations, including work on remodeling a
kitchen and bathroom; (2) capital projects without District and
congressional committee reprogramming approval; and (3)
administrative costs of the National Park Service under an
agreement not approved by the Mayor and the Federal Office of
Management and Budget. Procedures for reprogramming (application
of funds for purposes other than specified in appropriations)
are nonstatutory and to be resolved by the District and
congressional committees. Agreement to pay a 15% administrative
fee to the Park Service was arbitrary and did not conform to
requirements of the Home Rule Act. Recommendations: The Mayor
should: (1) emphasize statutory requirements concerning use of
funds; (2) adjust accounts to properly record expenditures; (3)
insure that reprogramming procedures are followed and resolve
unapproved reprogramming of funds with appropriate bodies; and
(4) seek to have the Park Service adjust fee, if necessary,
based upon cost of services. (HTW)

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*UNITED STATES
GENERAL ACCOUNTING OFFICE*

Misuse Of Unexpended Capital
Outlay Fund Balances

Department of Recreation
District of Columbia Government

The Department used capital outlay appropriations for

- operation and maintenance expenses which are not authorized under the appropriations,
- capital projects without District and congressional committee reprogramming approval, and
- administrative costs of the National Park Service under an agreement which was not approved by the Mayor and the Federal Office of Management and Budget.

The District's planned actions, when implemented, should correct these deficiencies and should prevent similar misuse of funds.

GGD-77-39

MAY 10, 1977



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-118638

The Honorable Walter E. Washington
Mayor of the District of Columbia
Washington, D.C. 20004

Dear Mayor Washington:

The Comptroller General's letter of January 24, 1977, to the Chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations, (see app. I) summarized the Department of Recreation's misuse of unexpended capital outlay fund balances. The report stated that details on the use of all capital fund balances would be included in a separate report to the Mayor. Appendix II contains the details including our conclusions and recommendations. This letter and appendixes complete our review. Your letter of February 10, 1977, to the subcommittee Chairman stated that the actions to be taken by the Office of Budget and Management Systems on our recommendations will, when implemented, assure compliance with established procedures. (See app. III.)

Section 736(b)(3) of the District of Columbia Self-Government and Governmental Reorganization Act of 1973 requires the Mayor, within 90 days after receiving a General Accounting Office report, to state in writing to the District Council, with a copy to the Congress, what has been done to comply with the recommendations made in the report. Section 442(a)(5) of the same act requires the Mayor to set forth in the District of Columbia's annual budget request to the Congress the status of efforts to comply with such recommendations.

We are sending copies of this letter and appendixes to interested congressional committees; the Director, Office of Management and Budget; the Council of the District of Columbia; the District of Columbia Auditor; and the Director, Office of Municipal Audit and Inspection.

Sincerely yours,

A handwritten signature in cursive script that reads "Victor L. Lowe".

Victor L. Lowe
Director



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-118638

January 24, 1977

The Honorable Lawton Chiles
Chairman, Subcommittee on the
District of Columbia
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

Your letter of September 22, 1976, requested us to determine the legality of using capital project funds from a National Park Service account to remodel a kitchen and a washroom which adjoin the office of the Director, Department of Recreation, District of Columbia. Your office subsequently agreed that we should expand the scope of our inquiry to include an examination of all capital funds spent by the Service on behalf of the Department of Recreation.

By agreement with the District of Columbia, the National Park Service performed maintenance and improvement services of recreation areas and facilities under the District's control. Funds appropriated to the District were transferred by the District to the Service, as authorized by law, for reimbursement for the work performed.

On June 10, 1975, the Service returned to the District \$205,035 which consisted of unexpended capital project fund balances of fiscal years 1966-1968 District appropriations. These funds were returned by the District to the Service. The funds were spent by the Service as authorized by the Department of Recreation.

Capital funds, once appropriated, usually remain available until expended. Capital projects usually include sites, plans, new construction and expansion of existing facilities. We reviewed appropriate law, policies, procedures and available records and discussed the use of the funds with District and Service officials.

In summary we determined that as of December 31, 1976:

--\$132,013 of capital funds were spent for operation and maintenance which are not legally authorized by the appropriation acts.

--About \$23,970 was spent or committed for capital projects without District and congressional committee reprogramming approval as required by District policy.

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--Another \$19,858 was spent for administrative costs of the Service under an agreement which was not approved by the Mayor or the Federal Office of Management and Budget as required by the District of Columbia Self-Government and Governmental Reorganization Act.

The Director, Department of Recreation, on October 4, 1976, placed a moratorium on further use of these funds; \$29,194 remains unexpended.

Regarding your specific questions about the kitchen and the washroom, we determined that:

--The total cost is \$2,644 and not \$1,548, as reported to you by the District. The difference is primarily the cost of labor performed by the Department and which had been excluded.

--About \$1,081, primarily for labor and materials, was paid from the District's fiscal year 1976 operating expense appropriation. The remaining \$1,563 was paid from capital funds with the Service. About \$430 out of the \$1,563 was spent for such items as a refrigerator and window blinds which the District considers to be operation and maintenance items and therefore they are not legally authorized by the appropriation acts. The rest of the \$1,563; that is, \$1,133 was spent for kitchen and washroom capital costs without required District and congressional committees' approval.

Details on the use of all the capital fund balances discussed in this letter will be presented in a report we are preparing to the Mayor. We will send you a copy when it is issued.

We conclude that the District Department of Recreation circumvented the intent for which the capital funds were appropriated and supplemented the District's appropriations. Adjustments required to transfer charges to the proper appropriation accounts could cause violations of the Anti-deficiency Act if sufficient funds are not available in prior years' appropriations.

We are recommending that the Mayor adjust the appropriation accounts as necessary to properly record the expenditures discussed in this letter and emphasize to all concerned that they must adhere to laws, policies, regulations, and sound financial management procedures concerning the proper use of public funds.

On January 17, 1977, we discussed the contents of this letter with officials of the District's Office of Budget and Management Systems and

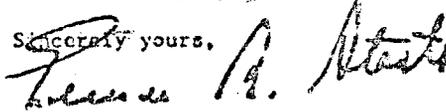
APPENDIX I

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Department of Recreation. They agreed to implement the recommendation.
The views of the Service were also considered in preparing this letter.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas A. Mott".

Comptroller General
of the United States

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS CONCERNING THE
MISUSE OF UNEXPENDED CAPITAL
OUTLAY FUND BALANCES

DEPARTMENT OF RECREATION

DISTRICT OF COLUMBIA GOVERNMENT

INTRODUCTION

On September 22, 1976, the Chairman, Subcommittee on District of Columbia, Senate Committee on Appropriations, requested that GAO determine the legality of using capital outlay funds from a National Park Service account to remodel a kitchen and a washroom which adjoin the office of the Director, Department of Recreation, District of Columbia. It was later agreed that the review should be expanded to include an examination of all capital outlay funds spent by the Service for the Department of Recreation.

On January 24, 1977, the results of the review were included in a letter to the subcommittee Chairman. This appendix provides details on the use of the capital funds in question.

BACKGROUND

Before June 30, 1968, the Recreation Board, which operated as a relatively independent unit within the District, set policy and provided overall control, while the Superintendent of Recreation provided day-to-day oversight of the District's recreation activities. The functions of the Recreation Board and the Superintendent were transferred to the Commissioner of the District of Columbia by Reorganization Plan No. 3 of 1963. On June 30, 1963, the Commissioner established under his control the Department of Recreation headed by the Director of Recreation.

Before June 30, 1968, the National Park Service, under agreement with the District's Recreation Board, provided for

the construction of capital projects ^{1/} and the day-to-day maintenance and rehabilitation of playgrounds, recreational areas, and facilities under the District's control. As authorized by law, the District transferred funds from its appropriations to the Service for reimbursement for performed work.

The District assumed responsibility for capital improvement work during fiscal year 1969. From July 1, 1968, through July 1, 1970, the Department of Recreation continued to contract with the Service for maintenance work on its playgrounds, recreational areas, and facilities. The Department started to assume responsibility for this work on January 1, 1970, and completely took over on July 1, 1970. The Service did not return the fund balances of completed capital projects to the Department until June 1975.

CAPITAL OUTLAY FUND BALANCES

Appropriations for recreation capital improvement projects are available until expended and can only be used for capital projects. When capital projects are completed, any unused funds are either to be returned to the U.S. Treasury or, if reprogramming is approved, used for other capital projects. The term "reprogramming" of capital outlay funds refers to applying funds within a capital outlay appropriation to purposes, or in amounts, other than those justified or requested in connection with the enactment of the appropriation act. It is the District's policy that reprogramming of capital outlay funds be approved by the City Council and congressional appropriation committees.

On June 10, 1975, the Service returned about \$205,035 to the Department which consisted of unexpended capital outlay fund balances of fiscal years 1966 through 1968 District appropriations. The Department returned the funds for adjustment, and the Service, by agreement with the Department, deducted about \$72,645 for reimbursement for work performed by the Service in prior years and in October 1975 returned about \$132,390 to the Department. By memorandum of January 12, 1975, the Department returned the \$132,390 to the Service for deposit into a reimbursable account to be used for future District recreation work. The memorandum did not limit the

^{1/}Capital outlay funds are available for sites, preliminary surveys, plans, construction (erection of structures, night-lights, and treatment of grounds), and equipment and furniture for new facilities or expansion of existing facilities.

use of the funds for capital project construction. The memorandum also authorized the Service to charge a 15-percent fee for administrative services.

Use of capital outlay fund balances

The Department spent or committed, as of December 31, 1976, \$175,841 (including the \$72,645 reimbursement discussed above) of the \$205,035 unexpended capital outlay funds as follows.

- Operation and maintenance expenses which are not authorized under the appropriations.
- Capital projects without District and congressional committee reprogramming approval.
- Administrative costs of the Service under an agreement which was not approved by the Mayor and the Federal Office of Management and Budget.

The status of the unexpended capital outlay fund balances as of December 31, 1976, was as follows.

Total funds available		\$205,035
Less funds spent or committed for:		
Unauthorized operation and maintenance expenses		
Remodeling kitchen and washroom	\$ 430	
Other	131,583	
Capital projects without reprogramming approval		
Remodeling kitchen and washroom	1,133	
Other	22,837	
Unapproved administrative fee	<u>19,858</u>	
Total funds spent or committed		<u>175,841</u>
Balance		<u><u>\$ 29,194</u></u>

The cost of remodeling the kitchen and washroom is discussed separately in response to the Chairman's request.

Cost to remodel kitchen and washroom

In March 1976 the Department remodeled the kitchen and the washroom adjoining the Director's office for \$2,644. The work included installing kitchen cabinets, new washroom

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fixtures, a partition between the two rooms, and a kitchen sink. Department maintenance personnel did most of the work.

The Department, in a memorandum to the Director, Office of Budget and Management Systems, dated September 20, 1976, and made available to the Chairman, stated that the remodeling cost was \$1,548. We determined that, primarily because other costs were excluded, the total cost was \$2,644, and the breakdown for this figure follows.

	<u>District</u>	<u>GAO</u>
Supplies and materials	1/\$1,548	\$1,826
Labor	-	770
Equipment	-	48
Total	<u>\$1,548</u>	<u>\$2,644</u>

1/Net adjusted cost should be \$1,563.

The labor and equipment costs and about \$227 of supplies and materials were charged to the Department's fiscal year 1976 operating appropriation. Another \$36 of supplies and materials was improperly charged to a trust fund, but after we discussed it with Department officials, the amount was charged to the 1976 appropriation. The remaining \$1,563 was paid with the unexpended capital outlay fund balances.

Of the \$1,563 paid with capital outlay funds, about \$430 was for expenses which the District considered, and we concur, operation and maintenance, and therefore they were not authorized under the appropriations involved; about \$1,133 was used for kitchen and washroom capital costs without obtaining District and congressional committee reprogramming approval.

Use of capital outlay funds not authorized

The Department of Recreation used \$132,013 (including \$430 for the kitchen and the washroom) of the unexpended balances of funds appropriated for capital outlay for the payment of operation and maintenance expenses, although appropriations for capital outlay are not available for such expenditures. The Congress usually authorizes the use of funds for operating expenses in appropriations which are separate from capital outlay appropriations.

Appropriations enacted by the Congress to carry out a particular object are available for carrying out that object

and no other. A review of the language of the acts appropriating funds for capital outlay to the District of Columbia for fiscal years 1967 through 1969, as well as their legislative histories, establishes that capital outlay funds are available for sites, preliminary surveys, plans, construction (erection of structures, nightlights, and treatment of grounds), and equipment and furniture for new facilities or expansion of existing facilities. There is nothing in the language of these acts or their legislative histories indicating a congressional intent that funds appropriated for capital outlay be applied to payment for other purposes, such as operation and maintenance expenses. Accordingly, capital outlay funds are not available for operation and maintenance expenditures.

At our request, District Office of Budget and Management Systems' officials concluded, and we concur, that \$132,013 was spent for operation and maintenance type work. They concluded this using guidelines issued by the Mayor concerning whether projects should be treated as capital improvements. The following is a list showing the use of these funds.

<u>Purpose</u>	<u>Amount</u>
Materials and equipment for Director's office (\$324) and kitchen and washroom (\$430)	\$ 754
Painting and equipment for Senior Citizens Centers	4,648
Cost to colorcoat basketball and tennis courts	17,409
Labor costs for driving and repairing Department mobile equipment, such as showmobiles	36,746
Supplies (such as gloves, rakes, brooms) for Washington Youth Corps	9,129
Equipment (saw, table, sanders) for Department's maintenance shops	9,932
Operation and maintenance (such as asphalt, repairs to drinking fountains) of Department's recreational areas	<u>53,395</u>
Total	<u>\$132,013</u>

About \$59,368 of the \$132,013 was used for operation and maintenance expenses incurred in the second half of fiscal year 1975 and the transition quarter. The remaining \$72,645 was for operation and maintenance expenses incurred in fiscal years prior to 1976.

The District of Columbia, in its annual appropriations act, receives funds to pay for the Department's operation and maintenance activities. The Department should have charged the \$132,013 operation and maintenance expenses to the appropriation for the year in which the expenses were incurred.

The Department should adjust the appropriation accounts to properly record these expenditures. However, if sufficient fund resources are not available in each year to cover the amount applicable to that year, a potential violation of the Anti-deficiency Act (31 U.S.C. 665(a)) could occur.

We did not analyze whether there was a violation of the Anti-deficiency Act. The District should determine this and, if a violation exists, report, as required by the act, to the President, through the Director, Office of Management and Budget, and to the Congress, all pertinent data together with a statement of the action taken thereon.

Unapproved use of funds

District Office of Budget and Management Systems officials, using the previously mentioned guidelines, concluded, and we concur, that about \$23,970 of the unexpended capital outlay fund balances was spent or committed for capital improvement projects. These capital improvements were made in calendar year 1976. However, the Department did not adhere to established District policy and obtain District and congressional committee reprogramming approval before using the money.

A summary of improvements made follows.

<u>Purpose</u>	<u>Amount</u>
Capital improvements to the Department Director's office, including \$1,133 for the kitchen and the washroom	\$ 3,760
Capital improvements to playgrounds (such as concrete walls, swimming pool furniture, security doors)	17,505
New metal storage sheds	<u>2,705</u>
 Total	 <u>\$23,970</u>

The District's policy of obtaining congressional committee approval for reprogramming capital outlay funds is not a statutory requirement but instead is derived from an agreement between the Senate Appropriations Committee and the

District. The practice of reprogramming, and committee reviewing and approving, attempts to accommodate both the District and the congressional committees by providing flexibility and administrative discretion to the agency and some control over expenditures to the Congress. Therefore, in light of the nonstatutory nature of reprogramming procedures, the failure to obtain prior committee approval for the reprogramming of funds would not be legally objectionable but rather would be a matter of resolution between the District and the cognizant congressional committees.

Agreement to establish the reimbursable account was not approved

By a January 12, 1976, memorandum from the Department of Recreation to the National Capital Parks, the Service established a reimbursable account for the Department for \$132,390, representing unexpended capital outlay fund balances. Arrangements to establish the account were discussed previously with the Service.

Section 731(a) of the District of Columbia Self-Government and Governmental Reorganization Act (31 U.S.C. 685a (a)) (hereinafter referred to as the Home Rule Act) states:

"For the purpose of preventing duplication of effort or for the purpose of otherwise promoting efficiency and economy, any Federal officer or agency may furnish services to the District government and any District officer or agency may furnish services to the Federal Government. Except where the terms and conditions governing the furnishing of such services are prescribed by other provisions of law, such services shall be furnished pursuant to an agreement (1) negotiated by the Federal and District authorities concerned, and (2) approved by the Director of the Federal Office of Management and Budget and by the Mayor. Each such agreement shall provide that the cost of furnishing such services shall be borne in the manner provided in subsection (c) by the government to which such services are furnished at rates or charges based on the actual cost of furnishing such services."

The terms and conditions for performing the service under the \$132,390 reimbursable account are not prescribed anywhere in law. Also, there is nothing to indicate that the January 12, 1976, memorandum agreement was approved by

the Mayor and the Federal Office of Management and Budget. Thus, the Home Rule Act's requirements were not met.

Arbitrary administrative fee
paid to the Service

The January 12, 1976, memorandum provided that 15 percent of the reimbursable account funds be withheld by the Service for administrative costs; a total of \$19,858 was withheld (\$132,390 x 15 percent).

The services provided by the Service were

- preparing documents for the purchase of goods and services,
- reviewing bids if any were received,
- preparing and processing vouchers for the payment of received goods and services,
- maintaining the account, and
- preparing a monthly computer report on the account's status.

Section 731(a) of the Home Rule Act states that for agreements between the District and Federal agencies, the cost of providing services will be at rates or charges based on the actual cost of furnishing such services.

The Department did not determine whether the fee paid to the Service was reasonable. The Director, Maintenance Division, the Department of Recreation, told us that the Service proposed a 15-percent fee, and the Department accepted it. According to a cognizant Service official, the fee was determined arbitrarily. Information was unavailable enabling us to determine whether the fee was adequate, less, or more than the actual costs to handle the reimbursable account. He also said that on other reimbursable account agreements with Federal agencies, it is usual for the Service to determine the fee when most of the services called for under the agreement are completed. The fee is based on the actual cost of the services provided, and he said it can vary from 5 to 15 percent.

The Service deviated from this practice by collecting the 15-percent fee, which was \$19,858, at the time they established the reimbursable account. However, assuming

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REVENUE 11

the 15 percent is reasonable and based on the amount, \$83,338, which was spent or committed from the account as of December 31, 1976, the fee would be \$12,501. Thus, the Service withheld about \$7,357 too much.

To satisfy the requirements of the Home Rule Act, the District should seek to have the Service adjust the fee charged, if necessary, based upon the actual cost of services provided.

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The Director, Office of Budget and Management Systems, stated that no specific authority was granted through his office for using the unexpended capital outlay fund balances. He said that these funds were not under the control of the District's accounting system and, consequently, the funds expended from the Service account and their use for purposes other than capital projects was not known by his office. (The Service sent monthly reports to the Department on the status of the account, including such items as the amount of expenditures, obligations, and the unobligated balance.)

The Director, Department of Recreation, told us that he assumed that position on January 12, 1976, and at that time he was informed that the funds were available for use. He said that he signed the memorandum establishing the reimbursable account with the understanding that arrangements for the funds' uses had been made by his predecessor. Although he had been Deputy Director, he said that he had no prior knowledge of the arrangement between his department and the Service.

CONCLUSIONS

The Department used funds appropriated for capital outlay to pay for operation and maintenance expenses which were not authorized under the appropriations. As a result, these funds supplemented the appropriations made for operating expenses of the District of Columbia. Also, there could be a potential violation of the requirements of the Anti-deficiency Act.

The Department did not adhere to District policy and spent or committed, without Council and congressional approval, capital outlay funds for projects other than those which the funds were originally justified. The Department entered into an agreement with the Service without obtaining approval by the Mayor and the Director, Federal Office of Management

and Budget, as required by the Home Rule Act. Further, the fee paid to the Service was not based on the actual cost of the services provided, as the Home Rule Act requires.

The Department should adjust the appropriation accounts to properly record the operation and maintenance expenditures discussed in this report. The Department should seek to have the Service adjust the fee charged, if necessary, based upon the actual cost of services provided. The Department should also resolve, with the cognizant appropriation committees, the unapproved reprogramming of capital outlay funds.

RECOMMENDATIONS

We recommend that the Mayor:

- Emphasize, to District departments, the statutory requirements concerning the proper use and control of appropriated funds.
- Adjust the appropriation accounts to properly record the expenditures and determine if there are any violations of the Anti-deficiency Act.
- Insure that the District's policy and procedures concerning the reprogramming of funds are followed.
- Resolve, with the Council and the cognizant appropriation committees, the unapproved reprogramming of funds.
- Seek to have the Service adjust the fee charged, if necessary, based upon the actual cost of services provided.

AGENCY COMMENTS

The Mayor, in a February 10, 1977, letter to the subcommittee Chairman, stated that the actions to be taken on our recommendations, by the Office of Budget and Management Systems, will assure compliance with established procedures. The Director, Office of Budget and Management Systems, in a report to the Mayor, stated that his office will implement the actions as recommended by us. He stated that his office is taking steps to strengthen the budget process and the spending of funds through implementing revised procedures regarding the statutory and administrative controls governing appropriated funds. This will include guidelines for reprogramming requirements, apportionments, and financial plan reporting.

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Details on the actions to be taken by the District are included in appendix III.



THE DISTRICT OF COLUMBIA

WALTER E. WASHINGTON
Mayor

WASHINGTON, D.C. 20004

FEB 10 1977

Honorable Lawton M. Chiles, Jr.
Chairman
Subcommittee on Appropriations for
the District of Columbia
United States Senate
Room 2107 - Dirksen Office Building
Washington, D. C. 20510

Dear Senator Chiles:

In further response to my letter of January 26, 1977, I am enclosing a report from Mr. Comer S. Coppia, my Special Assistant for Budget and Management Systems, regarding the use of funds by the Department of Recreation, which was not in accordance with established rules and regulations.

Mr. Coppia's report highlights the actions to be taken based on the recommendations made by the General Accounting Office (GAO). We support these actions, which when implemented will assure compliance with established procedures.

In response to your concern regarding the interview granted to WTOP-TV by Dr. Rumsey, Director of the Department of Recreation, I am informed that the interview was granted at the request of Mr. Bruce Johnson of WTOP, who summoned Dr. Rumsey from a meeting at the Martin Luther King Library on Monday, January 24, 1977. Mr. Johnson indicated that he had been briefed on the report by another source and was requesting an explanation of the facts and figures in the report. The reporter emphasized

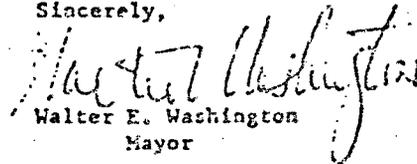
APPENDIX III

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that the station would be airing the report whether or not Dr. Rumsey responded to the inquiry. Based on the fact that he believed Mr. Johnson had already been informed of the report and was quite familiar with its substance, Dr. Rumsey granted him the interview.

If you have any questions, please feel free to contact us.

Sincerely,


Walter E. Washington
Mayor

Enclosure

cc: Mr. Michael Hall

D.A. 1977
May 1967**Memorandum** ○ Government of the District of ColumbiaTO: Walter E. Washington
MayorDepartment, Executive Office
Agency, Office: Budget and Management
SystemsFROM: Comer S. Coppie *CS*
Special Assistant to the Mayor

Date Feb. 9, 1977

SUBJECT: General Accounting Office Report Regarding Use of Funds by the
Department of Recreation

Senator Chiles has requested a response to the General Accounting Office (GAO) letter report, regarding the legality of the use of funds from a National Park Service Account for remodeling a kitchen and a washroom which adjoin the Office of the Director of the Department of Recreation. The area in question contained a toilet stool, hot plate, cabinet, faulty refrigerator, leaking sink, and cracked flooring which were both unsanitary and unhealthy. This area was renovated to meet minimum health requirements of separating the toilet from the kitchen facilities.

The review by GAO was later expanded to include an examination of all funds spent by the Service on behalf of the Department. The funds in question represented unexpended capital project balances in the amount of \$205,035 of funds previously transferred to the National Park Service when the Service had the responsibility for the Department's Capital Program. GAO determined that \$1,563 of the \$205,035 had been used to renovate the kitchen and washroom area.

The larger issue was the use of the \$205,035 to perform work for the Department of Recreation by the National Park Service. In its review, GAO determined that \$175,841 of the \$205,035 had not been spent in accordance with established laws, policies and regulations. The balance, or \$29,194, is unobligated.

APPENDIX III

APPENDIX III

1. Regarding the expenditure of the \$175,841:

Findings

Proposed Action

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| <p>a. \$132,013 of capital funds was spent for operation and maintenance which are not legally authorized by the appropriation acts. This amount includes \$430 spent for the kitchen and washroom.</p> <p>b. About another \$19,858 was spent for administrative fees paid to the Service under an agreement which was not approved by the Mayor or the Federal Office of Management and Budget as required by the District of Columbia Self-Government and Governmental Reorganization Act (Section 731 (a)).</p> <p>c. About \$23,970 was spent for capital projects without District and congressional committee reprogramming approval as required by District policy. This amount includes \$1,133 spent for the kitchen and the washroom.</p> | <p>a. In cooperation with GAO, identification will be made as to the fiscal year in which these expenditures occurred and a determination made as to the availability of funds in order to transfer these charges to the operating budget.</p> <p>b. The costs will be reviewed to determine if they are allowable. If it is determined that any portion of this cost is not allowable, a request will be made to the National Park Service for a refund.</p> <p>c. Financial Management procedures have been established in order to assure compliance with requirements for the expenditure of capital funds.</p> |
|--|---|

2. Regarding the unobligated balance of the \$29,194:

Findings

Proposed Action

The \$29,194 is unobligated because on October 4, 1976, the Director, Department of Recreation, placed a moratorium on the further use of these funds when he learned their use was in question. The arrangement between the Department of Recreation and the National Park Service was begun under the former director.

A request will be made to the National Park Service to return the unobligated funds of \$29,194 for deposit in the General Fund of the District of Columbia.

APPENDIX III

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Senator Chiles stated in his letter that because of this apparent misuse of funds, he and the Subcommittee were eager to learn what steps are being taken to insure the integrity of the budget process and insure that funds appropriated are spent consistent with the intent of Congress. The Office of Budget and Management Systems wishes to assure both Senator Chiles and the Subcommittee that we are committed to the integrity of the budget process and the spending of funds consistent with the intent of Congress. We are taking steps to strengthen this process through the implementation of revised procedures regarding the Statutory and Administrative Controls Governing Appropriations to the District of Columbia. This will include guidelines for reprogramming requirements, apportionments and financial plan reporting. In addition, the design of a new Financial Management System, which will be the primary responsibility of the Temporary Commission of Financial Oversight of the District of Columbia, should go even further in addressing these concerns.

We will move forward immediately to implement the actions as recommended by GAO.