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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

The Honorable Walter E. Washington
Commissioner of the District of Columbia

Dear Mr. Washington

We have reviewed the District of Columbia budget as submitted to the Congress for fiscal year 1974. Our objective was to ascertain the document's usefulness in assisting management to measure program effectiveness and productivity.

The budget policies for preparing the fiscal year 1974 District budget called for significant improvements such as (1) a "total resource budget" (accounting for all local, Federal, and other funds used to finance operations), (2) a budget structured along organizational lines to align accountability for programs with organizations, (3) formulation of program objectives and development of program measures, which focus on specific units of accomplishment, and (4) improved analytical justification (budget content) to insure that feasible program and funding alternatives have been considered and that the total resources invested in a program are justified in terms of actual and planned results

To test implementation of these policies, we reviewed the fiscal year 1974 budget of the Department of Human Resources (DHR) which accounts for about \$331 million -- or about one third -- of the District's operating budget. The review included examining data in budget schedules, interviewing budget officials, and reviewing the source documents used to support items included in the budget.

DHR implemented some substantial improvements in the fiscal year 1974 budget and is planning other improvements for future budgets. For example, DHR's fiscal year 1974 budget was a "total resource budget" and was structured along organizational lines. Progress was made toward implementation of other policies, such as formulating program objectives, developing program measures, and improving analytical justification. We would encourage continuation of your stated budget policies with emphasis on improving these areas.

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BUDGET POLICY

The District budget policy statement in the fiscal year 1974 Budget Preparation Manual emphasizes the need to evaluate program effectiveness in allocating resources

"Clearly, our challenge during this critical period is one of designing a budget strategy that will provide funding for priority programs while at the same time reducing financial commitments to programs of lesser priority or of questionable effectiveness "

In keeping with such policy, DHR adopted the concept of an agency budget allowance and established budgetary limits early in the budget formulation cycle as part of a strategy to encourage identifying potential savings through (1) reducing or eliminating programs of lesser priority or questionable effectiveness and (2) improving inefficient operations.

Other budget policies stated in the manual which should contribute to program effectiveness and productivity include

- Strengthening issue analysis with emphasis on program evaluation.
- Improving accounting for program costs to provide a more accurate base for cost projections and to provide a capacity to monitor actual versus planned costs.
- Structuring the budget along organizational lines to recognize the need to hold managers accountable for the cost of performance of programs under their control.
- Emphasizing the formulation of objectives and the development of program measures which focus on specific units of accomplishment, i. e. units of work and/or output.
- Emphasizing improved analytical justification based on consideration of program or funding alternatives.
- Emphasizing justification of total resources in terms of planned and actual results.

We believe that the budget policies expressed in the 1974 manual provide a reasonable basis for developing a budget process which should promote improvements in program effectiveness and productivity. We would encourage continuing these policies with emphasis on full implementation by each agency. Successful implementation should provide a sound basis for judging the relative success and merits of various programs.

DHR, in developing justification material for future budgets, should emphasize improving statements of program objectives, developing criteria to measure program accomplishment, and developing statistics which can be used in promoting efficiency in workload management. The Director, Office of Budget and Financial Management, agreed that improvements were needed and indicated that continued emphasis would be placed on enhancing the value of District budgets.

PROGRAM EFFECTIVENESS

We believe that a program's progress and effectiveness can be measured only in relation to objectives. The clearer the objectives, the greater the chance of accomplishment.

Some long-term objectives may not be measurable. For example, the fiscal year 1974 budget justification material for the Bureau of Eligibility, DHR, contains an objective "to provide assistance necessary to maintain a decent quality of life." Without further definition, this objective involves much subjective judgment. What constitutes a "decent quality of life" would vary according to the criteria applied by the individual making the judgment.

Although long-term objectives are generally desirable, measurable and achievable subobjectives should be established for each budget year and the necessary quantitative data should be accumulated and provided to insure that management can reasonably evaluate and determine whether progress has been made in achieving the subobjectives.

When reviewing the budget, we found very few quantitative measures relating to stated subobjectives. The following examples illustrate this.

Example A

The objective of increasing the assistance payment level from 80 percent to 90 percent of the 1970 cost-of-living standard can be measured in terms of dollar requirements and number of clients to be benefited. Only the dollar requirements for this objective are identified in the budget. We believe it would be relatively simple to identify the number of recipients to be benefited. By comparing the dollar payments with the number of recipients, management should be able to readily ascertain the degree of success in achieving its objective of increasing the standard of living to qualified recipients. This objective is related to the long-term objective of providing assistance necessary to maintain a decent quality of life.

Example B

The objective of reducing ineligible assistance payment cases placed on the rolls can be measured in terms of the number of (1) new applications rejected, (2) cases removed from the rolls, and (3) homes visited. The budget contains one of these -- 2,400 home visits are projected for 1974, the same level as 1973. This objective is related to the long-term objective of improving the overall public assistance delivery system. Home visits alone will not provide data necessary to adequately determine the total workload handled, the cases removed because circumstances changed after a case was placed on the rolls, and whether the payments to eligible recipients are proper.

Conclusion

The above examples illustrate program measures which can be used to evaluate progress in achieving objectives. The measurements used in the examples are illustrative and are not intended to be exhaustive. The specific measures to be used in measuring progress should be acceptable to the manager who will be responsible for accomplishing the program objective.

RECOMMENDATION TO THE COMMISSIONER OF THE DISTRICT OF COLUMBIA

We recommend that, in developing future budgets, emphasis be placed on improvements to implement budget policies which call for establishing program objectives and related program measures. Measurable objectives should be identified and appropriate measurement information included in the budget.

Proposed action by DHR

The Director, DHR, stated that, although progress had been made in improving the budget process, further improvements were desirable in establishing achievable objectives, essential measures, and related quantitative data. He said also that the justification material to be submitted to the Congress for the fiscal year 1975 budget would contain such improvements.

PRODUCTIVITY

To test how productivity data was displayed and used in DHR's budget, we looked at the Bureau of Eligibility Determination because it has functions that could produce statistics which could be used

in measuring the production of its manpower. The following discussion is indicative of the problem that needs attention in the DHR budget.

The fiscal year 1974 budget justification material for the Bureau provides information which indicated that it (1) did not request an increase in fiscal year 1974 of operating funds over the 1973 adjusted base, (2) did not request an increase in manpower, but (3) did project a significant increase in workload.

Indications of workload increases, except as noted, were as follows

- 17-percent increase in applications for categorical financial aid (31,683 to 37,068).
- Increase in staff time for completing each application (time to be spent not shown in the budget).
- 33-percent increase in applications for emergency assistance (9,000 to 12,000)
- 38-percent increase in redeterminations of eligibility (65,363 to 90,110)
- 4-percent increase in public assistance caseload (50,503 to 52,424).
- 7-percent increase in applications for food stamps (70,000 to 75,000)
- 2-percent increase in cases certified as eligible for food stamps (49,960 to 50,266).
- 1-percent decrease in cases participating in food stamp program (45,960 to 45,500).
- Increase from 66 to 70 in number of food stamp distribution outlets
- 9-percent increase in medical care -- individuals per service (168,000 to 183,000).

Small variations in workload might be absorbed without an increase in manpower. However, we believe that the increases indicated above are substantial and require special management attention in order to maintain acceptable levels of quality and prevent building up a huge backlog. The fiscal year 1974 budget offers no explanation of how the projected increases in workload will be handled expeditiously with existing resources. Will quality be sacrificed? Will a backlog develop? Will productivity increase?

Conclusion

Efficient management of the manpower available to serve the community takes on added importance when workload is increasing without a compensating increase in manpower. Thus it becomes important to contemplate

questions concerning the time required by a case worker to process an application for categorical aid or to make a redetermination of eligibility. This leads to the need for a management system which relates productive manpower to cases processed. Emphasis on productivity should not be allowed to detract from maintaining qualitative standards.

RECOMMENDATION TO THE COMMISSIONER
OF THE DISTRICT OF COLUMBIA

We recommend that, in developing budget justification material for future budgets, emphasis be placed on including workload statistics related to available productive manpower and explanation of management plans to cope with increases and decreases in workload. Budget review authorities and the public will thus be informed of management plans to improve operations and to deal with variations in workloads.

Proposed action by DHR

We discussed this matter with the Director, DHR, who agreed that better data was needed in the budget. He said that the justification material for the fiscal year 1975 budget would include data which would show more clearly how manpower would be used to handle projected workloads. He said also that he would work with the Director, Office of Budget and Financial Management, to improve future budgets.

We would be pleased to discuss with you or your staff any of the above matters and would appreciate receiving your comments on any action taken or planned on the matters discussed.

A copy of this report is being sent to the Chairman, District of Columbia City Council.

Sincerely yours,

Medico
Frank Medico
Assistant Director