

**PUBLIC HEARING ON
SALARIES AND CLASSIFICATION LEVELS IN THE
DISTRICT OF COLUMBIA GOVERNMENT**

**Before the
Committee on Government Operations
Council of the District of Columbia**

The Honorable Vincent B. Orange, Sr., Chairman

**June 23, 2003, 10:00 a.m.
Council Chambers, 5th Floor
The John A. Wilson Building**



**Testimony of
Jo Ann Smoak, Director
Office of Management and Administration**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Mr. Chairman and members of the committee. My name is Jo Ann Smoak, and I am the director of management and administration in the Office of the Chief Financial Officer (OCFO). I am responsible for OCFO matters relating to personnel, procurement, training and facilities management. I am here today to testify about salary patterns in the OCFO. With me are Diane Camilleri, my deputy and director of human resources, and Lucille Dickinson, OCFO chief of staff.

As you know, under current law, the OCFO exercises independent personnel authority over all employees in those organizations reporting to the Chief Financial Officer. It is my job to ensure that proper systems are in place to administer our personnel responsibilities. At the same time, as part of “one government,” the OCFO generally follows Districtwide personnel policies and practices in administering its authority. This includes use of the District’s grade classification standards and pay tables.

Over the past few months, a number of concerns have been raised regarding the number of highly paid personnel on the rolls of the District government. This is a valid area for oversight concern. All managers should be focused on delivering approved government services and programs at the least cost to the taxpayer. Employee salaries are an important component of program cost.

As Dr. Gandhi has testified on other occasions, our first priority is to protect the financial integrity of the District. Initially, this meant using a “brute strength” approach to shoring up financial organizations that were clearly broken several

years ago. For example, the Office of Tax and Revenue in 1997 could not collect delinquent accounts, find tax returns or account for tax revenue. This situation demanded that we find highly qualified people who could manage and motivate a work force to perform at the required level.

This task is well on its way to being accomplished. Here are a few examples. The Office of Tax and Revenue, which accounts for approximately one-third of all employees reporting to the OCFO, has tripled the collection of delinquent taxes since 1997, issues refunds in two weeks rather than three months, and has moved approximately 25 percent of individual income tax filers to electronic filing. The Office of Finance and Treasury has reduced our overall cost of borrowing, cut the number of District bank accounts by two-thirds since 2000, securitized the District's tobacco settlement funds, and provided Internet access to its unclaimed property database. The Office of Financial Operations and Systems has instituted financial controls that are responsible for routine unqualified opinions of the District's financial records, implemented a new accounting system and a new accounting method under GASB 34, and stabilized the District's payroll system.

From January 1999 through May 2003, the number of OCFO employees under the budget authority of the CFO who are being paid \$100,000 or more has increased from 13 to 45. As of May of this year, there were 13 employees under the direct budget authority of the CFO making between \$95,000 and \$100,000. The number of OCFO employees earning over \$100,000 who are either under direct budget authority of the CFO or are employees in the offices of the agency and associate CFO officers has increased from 19 to 77.

There are two immediate questions to ask. First, “Did the District get its money’s worth?” I think the answer is “yes”. Second, “Could our accomplishments have been achieved without the managers who received these amounts?” To that question, I believe the answer is “no”.

A portion of this increase in high-salaried employees was driven by the District’s policy decisions to improve the rates of pay for District managers, and not by independent decisions of the CFO. The MSS conversion accounts for 35 of the 58 additional positions with salaries more than \$100,000 for employees under the personnel authority of the CFO. Of the total increase in high-salaried positions since January 1999, only 13 are in this category solely because of decisions made by the CFO and his predecessors.

Having installed new information and management systems to improve productivity, the District is now seeing a payback in the form of reduced cost. The FY 2000 congressionally approved budget for the OCFO program offices provided for 1,069 FTEs. The FY 2004 budget submitted to Congress provides for 930 FTEs, a 13 percent reduction. The Office of Tax and Revenue expects a 16 percent reduction in FTEs in FY 2004, down to 500 FTEs from 594 FTEs in FY 2000. I think this shows that a smaller, more highly qualified work force, properly equipped with technology, can outperform larger organizations that rely on mere numbers to get the job done.

The OCFO pays managers a competitive salary for public sector work. We also hold them accountable for results. The OCFO’s record shows that managers who are not able to meet job expectations do not remain on the rolls. At the same time overall staffing levels are being reduced, improved management has also cut

overtime expenditures. In FY 2000, total OCFO overtime costs were \$1.1 million. In FY 2003 through June, total expenditures are only \$146,000, a reduction of nearly \$1 million.

We also continue to look at how we are structured. In FY 2002 we reorganized accounting services into five shared services centers. This allowed the OCFO to make a \$2 million reduction in the cost of managing accounting services for agencies. The OCFO has also set a minimum standard for supervisory span of control. As a result, we will be removing approximately 75 positions from MSS classification. My own office was reorganized and its overall staffing reduced by 20 percent, even as we fully expect to maintain and improve service to our customers. As we continue to augment OCFO systemic financial oversight capabilities, I expect we will be able to make further reductions to our overall staffing levels. However, we fully expect that this smaller, more flexible work force will be more highly paid.

There are a number of factors causing this trend. The first is that, relative to many other activities of local government, financial management demands a technical/professional workforce. OCFO employees, because of the nature of their work, will have a higher grade structure than many other agencies.

Second, the general trend in the workplace is that information technology and other sophisticated tools are replacing low wage jobs and demanding a better-educated work force. This trend toward professionalization has been going on for some time in both the private and the public sectors. In the federal government, which for some time has been ahead of the District in the application of technology in the workplace, the average grade increased from GS 8.4 in 1985 to GS 9.7 in 2001.

You should expect that a similar pattern will continue in the District government as well, with fewer, more highly paid and highly skilled employees performing the public's business.

Third, in a competitive recruiting environment, professional financial skills do not come cheap. A beginning MSS-15 makes \$84,441. His federal counterpart working next door makes \$95,987 — a 14 percent differential. It is not uncommon for a beginning college graduate working with a consulting firm to start employment at \$65,000.

Finally, there are certain irreducible tasks that must be done to maintain the financial integrity of the District. There are only two ways to acquire the skills to do these tasks — we can buy them or we can rent them. For a period of time the overall skill level of OCFO employees and the tools they had to do their jobs were such that the CFO and his predecessors were forced to enter into contractual arrangements to accomplish many basic CFO functions — processing tax returns, posting accurate accounting information, gathering closing data, and programming financial information systems. The OCFO has significantly reduced reliance on contractors to perform key functions. The trade-off has been that we are paying critical employees more. I can assure you however, from my own experience, that the hourly rate we pay our employees in senior grades does not remotely approach that which contractors charge.

Mr. Chairman, this concludes my testimony. My associates and I would be pleased to answer any questions you might have.

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