



Date: October 2, 2014
To: Council of the District of Columbia
From: Lawrence Perry 
Acting District of Columbia Auditor
Subject: Activity Report – September 2014

This report provides information on the activities of the Office of the District of Columbia Auditor (ODCA) for September 2014. The report includes reports issued, announcements, the status of current audit projects, and a summary of Fiscal Year 2014 audits.

[Audit Reports:](#)

[District of Columbia Agencies' Compliance with Fiscal Year 2014 Small Business Enterprise Expenditure Goals through the 3rd Quarter of Fiscal Year 2014](#)

Released: September 3, 2014

Summary: ODCA examined and assessed District of Columbia government agencies' compliance with fiscal year (FY) 2014 Small Business Enterprise (SBE) expenditure goals through the 3rd quarter of FY 2014 (October 1, 2013 through June 30, 2014).

We found that 82 agencies collectively spent \$83,884,615 with SBEs through the 3rd quarter of FY 2014 or 17 percent of the cumulative reported SBE goal of \$495,102,237. It should be noted that each of the recommendations cited herein have been included in our prior compliance reports. On August 12, 2014, we received written notification from the Department of Small and Local Business Development (DSLBD) detailing the positive actions they are now taking to remedy the findings contained in this and prior reports. We will continue working with DSLBD, while monitoring the implementation of our recommendations, in our combined effort to eliminate the issues cited in this report.

[DC Public Education Reform Amendment Act \(PERAA\) Report No. 4](#)

Released: September 5, 2014

Summary: "A Closer look at Student Achievement trends in the District of Columbia, School Years 2006-2007 & 2012-2013" is the fourth in a series of interim reports prepared by the Education Consortium for Research and Evaluation (EdCORE) at the George Washington University. This fourth report focuses solely on trend analysis in student achievement.

District of Columbia Public Schools' Budget Development and Execution Processes Were Not Sufficient to Avoid Divisional Over-and Under-Spending

Released: September 10, 2014

Summary: This audit was conducted as the result of the D.C. Auditor's annual risk assessment which identified the District of Columbia Public Schools' (DCPS) School System Management division as a division that presented significant risk to the District government. The objectives of this audit were to determine whether DCPS' budget development and execution processes were (1) sufficient to avoid over-and under-spending and (2) transparent.

We found that the DCPS' School System Management (SSM) division overspent its budget by 8.4 percent in fiscal year (FY) 2013. Two of the SSM division's five activities came in under budget and three of the activities came in over budget. Also, DCPS could not provide sufficient evidence that they regularly reported on and retained documentation on FY 2013 SSM division spending in relation to the budget. Additionally, in FY 2013, DCPS' budgetary divisions did not align with DCPS' operational divisions as presented in the DCPS organizational chart. We formulated three recommendations to address these weaknesses and strengthen DCPS' budget development and execution processes.

Management Letter Regarding the Office of Unified Communications' 311 Operations Division

Released: September 11, 2014

Summary: ODCA initiated an audit of the 311 Operations Division of the Office of Unified Communications (OUC). Once the survey phase of the audit was completed, we concluded that the internal controls in place were sufficient and were being implemented effectively.

Due to this, we informed OUC that we terminated the audit. Our preliminary audit objectives were to determine whether OUC managed the 311 Operations Division in an effective and efficient manner and complied with rules, regulations and law. During the survey phase, we reviewed relevant rules, regulations and laws; conducted interviews with staff; analyzed data; observed program operations; conducted a risk assessment; and spoke with OUC partner agencies. Based upon our survey review and test results, we identified implemented internal controls, which were operating effectively, that are detailed in this letter report.

Certification of Revised Fiscal Year 2014 Total Local Source General Fund Revenues (Net of Dedicated Taxes) in Support of the District's Issuance of General Obligation Bonds (Series 2014A and 2014B)

Released: September 15, 2014

Summary: Based on an analysis of information provided by the Chief Financial Officer (CFO) of the District of Columbia, as of June 25, 2014; the assumptions supporting the fiscal year (FY) 2014 revenue estimate; and other relevant data, ODCA concluded that the February 26, 2014, FY 2014 revised local source revenue (net of Dedicated Taxes) estimate of \$6,334,067,000 appeared to be reasonable and achievable. Therefore, on June 26, 2014, ODCA

certified the \$6,334,067,000 FY 2014 revised local source revenue (net of Dedicated Taxes) estimate submitted by the CFO.

[Metropolitan Police Department First Amendment Investigations Complied with District Law in 2013](#)

Released: September 16, 2014

Survey: ODCA conducted this audit to determine whether the Metropolitan Police Department (MPD) was in compliance with the Act during 2013. We examined records of the four qualifying investigations that were conducted by MPD in 2013. In addition, we interviewed MPD officials and examined the policies and procedures of MPD. We found that in 2013, MPD was in compliance with the Act. Our second objective in the audit was to determine whether MPD effectively and has continually implemented all of the recommendations made by ODCA on September 27, 2012 in the audit report entitled "[Audit of the Metropolitan Police Department's Investigations and Preliminary Inquiries Involving First Amendment Activities.](#)" We are pleased that MPD has continually implemented these recommendations.

[District Special Events Processes Can Be Improved](#)

Released: September 17, 2014

Summary: The audit was conducted per the request of Ward 4 Councilmember Muriel Bowser. The objectives of this audit were to (1) determine and evaluate the Special Events process; (2) examine the criteria used to determine costs; (3) determine whether for special events held, all necessary approvals and licenses were obtained prior to event being held; and (4) determine whether appropriate costs were charged and collected from special events held.

We found several instances in which the amount of fees paid was less than the fee amount identified for that period. Our audit also found that agencies do not have control activities in place to ensure payments are received prior to the event taking place and a number of event organizers did not pay for event services before the event was held. Additionally, we found agencies' internal processes and procedures were not documented or formalized. As a result, agencies had untimely, uncollected, and incorrect payments, as well as missing documentation. We formulated recommendations to address these weaknesses and strengthen the program. We are pleased to note that the agencies identified in our report generally agreed with the recommendations and presented, in written responses, the steps they have begun to take to implement the recommendations.

[Improved Oversight of the UDC Land Grant Endowment Fund is Required](#)

Released: September 19, 2014

Summary: The objective of this audit was to determine if the UDC's Land-Grant Endowment Fund is being managed in accordance with policies and procedures, in addition to the university's own guidelines for how endowment funds are to be managed and used.

We identified numerous deficiencies. Historical records for the Fund lacked sufficient detail to segregate and identify each of UDC's Endowment Funds, including the Land-Grant Endowment

Fund. We found that UDC's Endowment Funds have not been administered in a manner consistent with the policies and procedures outlined in UDC's Investment and Spending Policy, and noted management fees and non-allowable expenses which may have been paid out of the Land-Grant Endowment Fund in violation of the Morrill Act of 1862. Our audit yielded a detailed recommendation for the Office of the Chief Financial Officer (OCFO) and Investment Advisory Committee (IAC) to implement. We are pleased that the OCFO's office has reviewed the recommendation and is taking steps to implement a majority of the recommendations.

[Nursing Facility Quality of Care Fund is Improving the Lives of District Residents but Additional Oversight is Necessary](#)

Released: September 22, 2014

Summary: This audit was conducted at the request of Ward 7 Councilmember Yvette Alexander. The objectives of this audit were to determine if the Nursing Facility Quality of Care Fund (the Fund) is being expended in accordance with D.C. Code; to verify that the Fund is being audited as required; and to assess the District's monitoring procedures over the external consultants it uses to process payments from the Fund.

Specifically, we found that the Department of Health Care Finance did not establish an allowance for doubtful accounts specific to the Fund in FYs 2011 or 2012. This is problematic because ODCA's review of financial transactions in FY 2011 indicated that provider assessments for the Fund in prior years were not always collected in full. We further found that the Nursing Facility Quality of Care Fund has not been audited since its inception, as required by D.C. Code. The Mayor, or a designated representative, must perform this audit to maintain accountability, transparency and oversight over the Fund. Otherwise, the Council of the District of Columbia cannot effectively evaluate the Fund's expenditures to determine if they are reasonable and appropriate.

[Status Report on Implementation of District of Columbia Auditor Recommendations](#)

Released: September 26, 2014

Summary: This report provides the status of all recommendations issued between the start of Fiscal Year 2012 and January 2014. The intent of this report is to keep the Council of the District of Columbia informed about the implementation status of recommendations made by the Office of the District of Columbia Auditor. We welcome any suggestions or recommendations for improving upon this report to enhance your ability to monitor the effective implementation of ODCA recommendations.

[The Department of Motor Vehicles' Performance Measures Were Effective but Lacked Proper Controls](#)

Released: September 29, 2014

Summary: The audit was conducted pursuant to D.C. Code § 1-614.14 (c), which states that "The Office of the District of Columbia Auditor shall conduct an audit of selected performance measures presented in performance reports of certain agencies each fiscal year." For fiscal year (FY) 2014, it was determined that ODCA would conduct a review of the Department of Motor

Vehicles' (DMV) FY 2012 Performance Accountability Report (PAR). Pursuant to the Government Manager's Accountability Act of 1995, the DMV annually publishes a PAR. The PAR provides information about agency progress in achieving its goals for the previous year.

Overall, we found control deficiencies while determining whether the DMV's performance measures were accurately reported in their FY 2012 PAR. These deficiencies were related mainly to the lack of a validation process to ensure the accuracy of performance measure results and insufficient document retention. Our review to determine whether the DMV's performance measures met the Office of the City Administrator standards as effective indicated that all the fully achieved measures reported in the FY 2012 PAR were effective performance measures.

The D.C. Lottery and Charitable Games Control Board was Substantially in Compliance with the D.C. Official Code for Fiscal Year 2013 but Action is Required for Full Compliance

Released: September 29, 2014

Summary: The District of Columbia Lottery and Charitable Games Control Board (the Lottery) seeks "to provide revenue-generating entertainment through the sale of innovative lottery products and promotions that directly benefits the residents and the economic vitality of the District of Columbia."

Overall, we found that the Lottery substantially complied with the D.C. Official Code for fiscal year (FY) 2013. However, action is required for the Lottery to attain full compliance. However, the Lottery did not comply with D.C. Official Code in that the Lottery's employees were employed prior to the Lottery's receipt of pre-employment background and fingerprint check results. Additionally, the Lottery did not comply with D.C. Official Code to ensure that lottery sales agents held in trust all money received from lottery and daily numbers games tickets sales until the money was transferred to the Lottery account. We also found that the Lottery failed to comply with D.C. Official Code by not spending unclaimed prize money in FYs 2012 and 2013 as legally required. Finally, we determined that the Lottery did not comply with the Quick Payment Act. The Lottery made late payments to 14 vendors amounting to \$128,814 which could have resulted in possible interest penalties amounting to \$86.

ANC 8B Financial Operations Were Not Fully Compliant with Law

Released: September 30, 2014

Summary: The objectives of this audit were to determine whether ANC 8B was in compliance with the requirements of the Act and whether they had established adequate internal controls to ensure proper stewardship of the public funds allocated to them.

We found that ANC 8B was not fully compliant with the ANC Act during the period of our audit. Our audit identified many instances of failure to adequately justify, approve, and/or document expenditures. While none of these expenditures was for an especially large amount, taken together, the failure to follow required procedures represents a disturbing trend for ANC 8B. These shortcomings led directly to ANC 8B losing portions of their quarterly allotments on

several occasions during the audit period. The residents of ANC 8B were thus denied community benefits that could have resulted if the responsible ANC 8B Commissioners and officers had been more diligent in carrying out their duties.

We recognize that the ANC 8B officers have changed and some of those responsible for the violations mentioned in this report are no longer Commissioners and/or officers of ANC 8B. We encourage the current commissioners and officers of ANC 8B to use this report as a learning tool so as not to repeat the deficiencies cited in this report.

[District of Columbia Agencies' and Contractors' Compliance with Subcontracting Requirements Needs Significant Improvement](#)

Released: September 30, 2014

Summary: ODCA examined and assessed District of Columbia government agencies' and contractors' compliance with subcontracting requirements of the Small, Local, and Disadvantaged Business Enterprise Development and Assistance Act of 2005 (the Act), as amended.

Overall, we found that both agencies and contractors are not complying with the requirements of the Act. Based on our limited sample, agencies often execute contracts without valid CBE subcontracting plans in place. Even when CBE subcontracting plans do exist, agencies are not adequately monitoring compliance with the plans. Furthermore, contractors may not be aware of the reporting requirements to DSLBD and ODCA as there is rampant violation of those specific requirements.

Announcements:

As reported last month, ODCA is nearing completion of a comprehensive risk assessment, in which we assigned a score to potential audit areas based upon specific risk factors related to an agency's operations, internal controls, and liability to the District. In July, we provided a list of the agency divisions with the highest risk scores to each member of the Council, as well as to the agency directors who oversee the divisions.

We asked each member of the Council for input on whether they have any specific areas of concern related to the divisions. To date, we received valuable input from two Council members. We also asked the agency directors, overseeing the divisions, to complete a short questionnaire on the programs, processes, and objectives of the divisions that they feel warrant further investigation. Using the information gathered from the Council members and agency directors, we will make further adjustments to the risk scores for each division.

Due to competing priorities for several of the agencies, ODCA extended the due date for the questionnaires. As a result, ODCA expects to complete the risk assessment by October 10, 2014.

On September 26, 2014, Lawrence Perry, Acting District of Columbia Auditor, appeared before the Committee to discuss required Small Business Enterprise expenditures of District agencies. Our [report](#) issued, on September 3, 2014, detailed District of Columbia agencies' compliance

with Small Business Enterprise expenditure goals through the 3rd quarter of Fiscal Year 2014. The purpose of the report was to determine whether 82 District agencies were on target to meet the required goal of procuring 50% of their expendable budgets with Small Business Enterprises in fiscal year 2014 and evaluate District agencies' compliance with SBE goal establishment and expenditure reporting requirements. As required by law, we will issue a report on agency compliance with SBE expenditure goals through the 4th quarter of Fiscal Year 2014, after the District's Comprehensive Annual Financial Report is released. Read the entire testimony [here](#).

Current Audits:

	Audit Agency	Purpose	Status
1	<u>Office of the People's Counsel (OPC)</u>	To verify revenue deposits to, and disbursements from, OPC Fund for FYs 2009 through 2012; to determine whether expense vouchers were reviewed and appropriately approved before payment; and to determine the amount of refunds to public utilities that were processed against the Fund	Final Issued 1/14/2014
2	<u>D.C. Children and Youth Investment Trust Corporation (CYITC)</u>	To determine whether CYITC complied with applicable rules, regulations and laws pertaining to the grant making process; established and implemented adequate internal controls; and properly used District funds	Final Issued 2/12/2014
3	<u>Department of General Services (DGS)</u>	To determine whether revenue was properly collected and deposited to the Eastern Market bank account and recorded in System of Accounting and Reporting to determine whether disbursements made from the Eastern Market bank account were related to Eastern Market activities	Final Issued 7/29/2014
4	<u>Metropolitan Police Department (MPD)</u>	To ensure MPD complied with rules, regulations and laws pertaining to MPD investigations concerning first amendment activities during FY 2012 and to determine whether MPD implemented 13 recommendations of the Office of the D.C. Auditor (ODCA) contained in the ODCA audit report to MPD issued in September 2012	Final Issued 3/19/2014
5	<u>Department of General Services (DGS) and Office of Contracting and Procurement (OCP)</u>	To determine whether DGS and OCP complied with D.C. Code § 2-218.46 pertaining to subcontracting services	Final Issued 9/30/2014
6	Advisory Neighborhood Commissioners (ANC)	To determine whether ANC Commissioners administered and operated ANC financial accounts in accordance with applicable District laws and regulations	Reporting/ Field Work <u>ANC 8B Final</u> 9/30/2014

	Audit Agency	Purpose	Status
7	<u>District Department of Transportation (DDOT)</u>	To determine whether DDOT considered contractor capacity during the bid process; to review DDOT's process for ensuring contractual compliance prior to scheduled payments; and to analyze how DDOT ensures road projects are as durable as is required by the contract	Final Issued 8/6/2014
8	<u>University of the District of Columbia (UDC)</u>	To determine whether UDC Land-Grant Endowment Fund accounts were in compliance with relevant laws, rules and regulations; UDC endowment accounts and funds were managed in accordance with UDC policies and procedures; and expenditures from UDC endowment accounts and funds were in compliance with applicable rules and regulations	Final Issued 9/19/2014
9	<u>Homeland Security Emergency Management (HSEMA)</u>	To examine the criteria used to determine costs associated with special events; to determine whether the criteria are equitably applied; and to review costs charged for special events	Final Issued 9/17/2014
10	<u>Department of Health Care Finance (DHCF)</u>	To verify whether less than 90 percent of the Nursing Facility Quality of Care Fund was expended on "Quality of Care Initiatives." Additionally, review income and expenses of the Fund to determine compliance with rules, regulations and laws	Final Issued 9/23/2014
11	Department of Consumer and Regulatory Affairs (DCRA)	To examine the program's cost and effectiveness	Terminated
12	Department of General Services (DGS)	To evaluate the use of the DCPS Capital Improvement Fund to include a school and project specific audit of all expenditures for school facility capital improvements, maintenance, repairs, and operating costs and to determine whether the District met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget for FY 2010 through 2012	Field Work
13	<u>Department of Motor Vehicles (DMV)</u>	To determine whether DMV met the performance measurement outcomes presented in the Performance Accountability Report for FY 2012	Final Issued 9/29/2014
14	<u>Public-Private Developers</u>	To determine whether developers complied with the requirements of Certified Business Enterprise Agreements (CBEAs) for FY 2013 and to report on the progress of developers in reaching CBE goals established in CBEAs	Final Issued 1/9/2014

	Audit Agency	Purpose	Status
15	<u>Department of Small and Local Business Development (DSLBD)</u>	To determine the FY 2014 SBE expenditures of District agencies through the 1st quarter of FY 2014 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements	Final Issued 5/14/2014
16	<u>Department of Small and Local Business Development (DSLBD)</u>	To determine whether District agencies met the required goal of procuring 50 percent of agency expendable budgets with SBEs in FY 2013 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements	Final Issued 7/7/2014
17	<u>Department of Small and Local Business Development (DSLBD)</u>	To determine the SBE FY 2014 expenditures of District agencies through the 2nd quarter of FY 2014 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements	Final Issued 6/18/2014
18	<u>Department of Small and Local Business Development (DSLBD)</u>	To determine the SBE FY 2014 expenditures of District agencies through the 3rd quarter of FY 2014 and to determine the compliance of District agencies with SBE goals and expenditure reporting requirements	Final Issued 9/3/2014
19	Advisory Neighborhood Commission (ANC)	To present a consolidated annual report of the financial activity of all Advisory Neighborhood Commissions regarding the expenditure of District funds and quarterly financial reports that were submitted to the Office of the District of Columbia Auditor for FY 2013	Ongoing
20	<u>Advisory Neighborhood Commission (ANC)</u>	To present the Security Fund Annual Financial Report of the Advisory Neighborhood Commission for FY 2013	Final Issued 12/20/2013
21	District of Columbia Public Schools (DCPS) The Public Education Reform Amendment Act (PERAA)	To present a comprehensive quantitative analyses of human resources operations and human capital strategies, five-year trend analysis that will be due no later than June 30, 2014.	Report Issued (<u>Report No. 3 Part I</u>) 7/9/2014 Report Issued (<u>Report No. 3 Part II</u>) 8/22/2014 Report Issued (<u>Report No 4</u>)
22	District of Columbia Public Schools (DCPS)	To present a five-year trend analysis of student achievement that addresses academic growth, proficiency, and non-academic values. In addition, multi-year analyses would be conducted of several other student outcomes, depending on available data that will be completed by	Ongoing Report No. 4 Issued 9/5/2014

	Audit Agency	Purpose	Status
		September 5, 2014.	
23	Department of Employment Services (DOES)/ Department of Human Resources (DCHR)	To determine whether employers met the posting requirements of the Act; agencies met the administrative requirements of the Act; and whether there was an economic impact on the private sector as a result of the Act	Field Work
24	Department of General Services (DGS)	To evaluate the use of the Public School Capital Improvement Fund to include a school and project specific audit of all expenditures for school facility capital improvements, maintenance, repairs, and operating costs and assess whether the District met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget for FY 2013	Field Work
25	<u>Washington Convention and Sports Authority (Events DC)</u>	To determine whether FY 2015 projected dedicated tax revenues, operation revenues, and excess reserve will be sufficient to meet the FY 2015 projected expenditures and reserve requirements of Events DC	Final Issued 7/14/2014
26	Washington Convention and Sports Authority (Events DC)	To determine whether the accounts and operations of Events DC complied with applicable laws, regulations, and policies and procedures	Not Started
27	<u>Metropolitan Police Department (MPD)</u>	To ensure MPD complied with rules, regulations and laws pertaining to MPD investigations concerning first amendment activities during FY 2013	Final Issued 9/16/2014
28	<u>Lottery and Charitable Games Control Board (Lottery)</u>	To determine whether accounts and transactions of the Lottery complied with applicable laws, municipal regulations, policies and procedures	Final Issued 9/29/2014
29	Homeless programs affiliated with Nonprofit Organizations	To review homeless programs affiliated with nonprofit organizations to determine redundancy, waste, inefficiency, and inadequate accountability	Survey
30	Metropolitan Police Department (MPD)	To determine whether operations were efficient, effective, economical, and complied with rules, regulation and laws	Not Started
31	Department of Behavioral Health (DBH)	To determine whether the operations of Saint Elizabeths were efficient, effective, economical, and complied with rules, regulations and laws	Survey

	Audit Agency	Purpose	Status
32	Public Charter School Board (PCSB)/ Public Charter Schools (PCS)	To determine whether accounts and operations were managed effectively and economically and complied with rules, regulations and laws	Reporting
33	<u>District of Columbia Public Schools (DCPS)</u>	To determine whether operations were efficient, effective, economical, and complied with rules, regulations and laws	Final issued 9/10/2014
34	Department of Health (DOH)	To determine whether operations were efficient, effective, economical, and complied with rules, regulations and laws	Not Started
35	Board of Elections	To determine whether the voter files were accurate and complied with relevant rules, regulations and laws	Survey
36	Department of the Environment	To determine whether the department managed the Anacostia River Clean Up and Protection Program in an effective and efficient manner and complied with rules, regulations and laws	Draft Issued 8/8/2014 Revised Draft Issued 9/24/2014
37	<u>Office of Unified Communications</u>	To determine whether 311 Call Center was managed in an effective and efficient manner and complied with rules, regulations and law	Final issued 9/11/2014
38	<u>Previously Audited Agencies</u>	To determine whether agreed upon recommendations issued during FY 2012 and 2013 were implemented	Final Issued 9/26/2014
39	<u>Office of the Chief Financial Officer (OCFO)</u>	District of Columbia Revenue Certification for FY 2014 Bond Issuance	Final Issued 4/3/2014
40	Office of the Deputy Mayor for Planning and Economic Development (DMPED) and District of Columbia Housing Authority (DCHA)	To determine whether the New Communities Initiative operations are efficient, effective, economical, and comply with rules, regulations and laws	Suspended
41	<u>Department of Human Services</u>	To determine the number of families affected by the second reduction in TANF benefits and to identify if the families have had changes in education performance, health and new interactions with social services	Final Issued 5/28/2014
42	<u>Office of the Chief Financial Officer (OCFO)</u>	District of Columbia Revenue Certification for FY 2014 Bond Issuance (2 nd Issuance)	Final Issued 9/15/2014