

**TESTIMONY  
OF  
LAWRENCE PERRY  
DEPUTY DISTRICT OF COLUMBIA AUDITOR**

**PERFORMANCE OVERSIGHT HEARING  
OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

**COMMITTEE OF THE WHOLE  
COUNCIL OF THE DISTRICT OF COLUMBIA**

**February 28, 2014  
12:00 p.m.**

**CHAIRMAN MENDELSON AND MEMBERS OF THE COMMITTEE OF THE WHOLE:** I am Lawrence Perry, Deputy District of Columbia Auditor. Joining me today are Laura Hopman, Assistant Deputy Auditor, and Keisha Turner, Audit Manager. Thank you for the opportunity to appear before you to present testimony on the performance of the Office of the District of Columbia Auditor.

**MISSION OF THE OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

The mission of the Office of the District of Columbia Auditor is to assist the Council in performing its responsibilities by auditing the accounts and programs of the District, to ensure that effective programmatic and budgetary decisions are made. By providing objective assessments of whether the resources of the District of Columbia are managed responsibly and effectively, the Office of the D.C. Auditor helps District agencies maintain accountability and improve operations. Through our audit work, we seek to ensure that District government programs and

activities function economically, efficiently and in compliance with applicable laws, regulations, and rules. Underlying this mandate is our responsibility to be alert to instances of fraud, waste, abuse, and mismanagement of District resources.

## **FISCAL YEAR 2013 PERFORMANCE RESULTS**

In Fiscal Year 2013, the Auditor's Office, through the diligent and dedicated efforts of ODCA staff, met our performance goal to issue 30 reports. The reports included the certification of revenues, recommendations to improve the efficiency of District agencies and the identification of waste and abuse of District resources. Our reports presented a total of 78 findings and 94 recommendations.

For example:

- In Fiscal Year 2013, the Office of the D.C. Auditor completed an audit of the Department of Employment Services Adult Education Programs. We conducted the audit to determine the effectiveness and efficiency of DOES's management and oversight of the programs. Overall, we noted deficiencies pertaining to DOES's monitoring and quality assurance procedures. Among our findings we determined that DOES could not provide evidence that payments totaling \$1.2 million to contractors were properly reviewed and approved and the DOES Office of Program Performance Monitoring did not properly evaluate and monitor the quality of services for three providers that received a total of \$300,000.
- We also conducted an audit of the Accrued Sick and Safe Leave Act (Act) of 2008. The Act requires the Auditor to prepare annual reports on the economic impact of paid sick leave on the private sector and to determine

the compliance of businesses with the requirement to post a notice advising employees of the availability of paid sick leave. We found that since the Act became effective in 2008, the Department of Human Resources did not develop a payroll processing system to track paid sick leave for intermittent District government employees. As a result, District government intermittent employees did not receive paid sick leave. Additionally, the Act required the establishment of rules to provide a hardship exemption if the requirements of the Act created a burden for the employer. However, at the time of the audit, hardship exemption rules were not finalized. We also found that 91% of the businesses, inspected by the Auditor, posted the requirements of the Act. We are pleased that the audit recommendation that the Council amend the Act to require employers to retain records documenting hours worked by employees, paid sick leave taken by employees and provide the Auditor access to such records is estimated to be effective March 6, 2014. This important amendment will increase the relevance and effectiveness of future paid sick leave audits.

- During Fiscal Year 2013, we continued to monitor expenditures to Certified Business Enterprises (CBEs) by District Agencies and Public Private Developers. As of the 3rd quarter of Fiscal Year 2013, we found that 80 District agencies spent a total of \$93 million with Small Business Enterprises. The \$93 million is 15% of the \$614 million total Fiscal Year 2013 Small Business Enterprise goal for the 80 agencies, at that time. We estimate that total FY 2013 expenditures to be approximately \$170 million, roughly 31% of the revised goal of \$533 million. This \$170 million represents a 21% increase over the total \$133 million spent with CBEs in FY 2012.

- Regarding public-private developers, we issued a report in January 2014 in which we examined the compliance of developers with the minimum requirements set forth in their Certified Business Enterprise Agreements (CBEAs) executed by the Department of Small and Local Business Development. As of September 30, 2013, we found that 16 of the 192 public private development projects with CBE Agreements met or exceeded their CBE expenditure goal. Forty-seven (47) developers submitted expenditure reports and are currently working toward their CBE expenditure goal. However, 129 of the 192 public private developers did not submit required expenditure reports in FY 2013 and DSLBD has been unable to provide a status on these projects.
- Additionally, at the end of FY 2013, we issued a letter report which provided an update on the non-reporting developers. The objectives of the examination were to determine whether non-reporting developers complied with the requirements of CBEAs and determine potential penalties for noncompliant developers. We found that 2 developers did not report meeting CBE expenditure goals within the required timeframe and 11 developers did not report meeting their CBE expenditure goals, despite obtaining a Certificate of Occupancy indicating completion of the project. Potential penalties for these 13 developers could total close to \$14 million. It is possible that the developers failed to report legitimate CBE expenditures which, if reported, could reduce or eliminate these penalties. However, if the developers cited in the report cannot prove that they met their CBE expenditure goal, DSLBD should assess the appropriate penalties.

## **FISCAL YEAR 2013 INITIATIVES**

The Office of the D.C. Auditor continues to work to provide the Council, agencies and residents with timely, relevant information regarding District government operations.

- ODCA is mandated to conduct more than 30 audits. However, some of the mandated audits are no longer as relevant as when they were originally mandated. For example, the mandate that the Auditor conduct quarterly audits of the accounts of the Department of Food Services is no longer relevant. The delivery of food services to District of Columbia Public Schools (DCPS) has changed organizationally since this mandate. As such, this audit mandate is outdated and not relevant to the current structure of food services for DCPS. We look forward to continuing to work with the Committee to review and reassess these requirements.
- Another initiative that the Office of the D.C. Auditor initiated in Fiscal Year 2013 includes working to obtain an Association of Local Government Auditors (ALGA) Knighton Award. As part of this effort, the Office of the D.C. Auditor hired a Communications Analyst to ensure that our audit reports meet ALGA Knighton award requirements to be persuasive, clear and concise. Additionally, ODCA revised the format of audit reports. The revisions capture some of the key features of reports issued by the U.S. Government Accountability Office. Additionally, to increase transparency we revised the ODCA website to make the website more robust and user friendly.

- As required by Government Auditing Standards, the Office of the D.C. Auditor underwent a peer review in 2013 that was conducted by the Association of Local Government Auditors. The purpose of the peer review was to examine of our internal quality control system and audit records to determine whether we were in compliance with the Government Auditing Standards issued by the Comptroller General of the United States. The peer review team determined that our internal quality control system is suitably designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards.
- The Office of the D.C. Auditor also held an Advisory Neighborhood Commissions Financial Management Orientation for Chairpersons and Treasurers on February 9, 2013, to train new and returning officers on their ANC financial obligations. We presented an overview of the financial tools and guidelines that are provided by our office. At the training, we discussed changes our office is making to better assist ANCs with their financial needs. The Office of the D.C. Auditor will continue to improve the delivery of services to ANCs. Towards that end, we now have a format that permits ANCs to transmit their quarterly reports electronically, via email, and are enhancing this process to allow secure web-based financial reporting. We anticipate this reporting enhancement to be completed by June 30, 2014. Additionally, through collaboration with the Office of the Chief Financial Officer, ANCs are now receiving their quarterly allotments electronically. We continued to improve our communication with ANCs, fielding 1700 emails, conducting 130 office visits and attending more ANC meetings to

better understand individual ANC's operations. During FY 2013, our Communication Analyst attended 16 ANC public meetings. Additionally, we revised the ANC section of our website to ensure that the section is easy to navigate and that ANC financial tools are readily available.

In Fiscal Year 2014, the Office of the D.C. Auditor will continue to work to ensure that our audit reports focus on efficiency and accountability and present recommendations that improve programs and result in cost savings.

Again, I would like to thank the staff of the Office of the D.C. Auditor for their hard work and commitment to improving the operations of the government of the District of Columbia.

Mr. Chairman, this concludes my testimony. We will respond to any questions.