



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor

002:09:YB:LH:NW:HA:KM:gk

**Letter Report: Responses to Specific Questions Regarding
the Department of Employment Service's
2008 Summer Youth Employment Program**

February 27, 2009

Reissued May 4, 2009

ERRATA SHEET
for

**Letter Report: Responses to Specific Questions Regarding
the Department of Employment Service's
2008 Summer Youth Employment Program**

Issued on February 27, 2009

Description of Correction:

The Auditor made two corrections to the second paragraph on page 18 of the report. The Auditor also removed two contractors, Coalition for Economic Empowerment and OIC, from Table III and made minor corrections to the data for the remaining four contractors. The amount of funds wasted decreased from \$623,364.92 to \$451,971.90.

Rationale for Correction:

The Auditor obtained the original data found in Table III from the Executive Office of the Mayor through the Office of Contracting and Procurement (OCP). As stated in the report on page 3:

“Due to the numerous documents, voluminous data, and our effort to promptly answer the questions submitted in your August 6, 2008 request, the Auditor did not review, in detail, all payments, enrollment forms, debit card transactions, contracts and supporting documents for each person listed as enrolled in the 2008 SYEP. Therefore, the validity and accuracy of the Auditor’s analysis are predicated, in part, upon the extent to which DOES, the District’s CFO, DCPS, OSSE, OCTO, OCP, and others fully disclosed and provided reliable, accurate, and up-to-date information in connection with the Auditor’s analysis of the 2008 SYEP budget, costs, and expenditures.” [Auditor’s Emphasis]

Following a more detailed review of the available information, the Auditor concluded that the data in Table III required correction. In conducting the more detailed review, the Auditor made additional findings which will be presented in a forthcoming report on the District’s 2008 Summer Youth Program.



OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR

717 14TH STREET N.W., SUITE 900
WASHINGTON, D.C. 20005
TEL. 202-727-3600 • FAX: 202-724-8814

Deborah K. Nichols
District of Columbia Auditor

002:09:YB:LH:NW:HA:KM:gk

The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, D.C. 20004

Letter Report: Responses to Specific Questions Regarding the Department of Employment Service's 2008 Summer Youth Employment Program

Dear Chairman Gray:

Pursuant to your August 6, 2008 request, and in accordance with section 455 of Pub. L. No. 93-198,¹ the District of Columbia Auditor (Auditor) conducted an examination of the 2008 Summer Youth Employment Program (SYEP).

OBJECTIVES, SCOPE, AND METHODOLOGY

This letter report presents the Office of the District of Columbia Auditor's ("ODCA") responses to the specific questions raised in your August 6, 2008 letter.² The objectives of the examination, as requested, were to include a delineation of the following:

¹ See section 455 (b) of the District of Columbia Home Rule Act, approved December 24, 1973 (Pub. L. No. 93-198, 87 Stat. 803); D.C. Code §1-204.55 (b) (2001) which states: "The District of Columbia Auditor shall each year conduct a thorough audit of the accounts and operations of the government of the District in accordance with such principles and procedures and under such rules and regulations as he [she] may prescribe." See also, section 455 (c) of the District of Columbia Home Rule Act, as amended, approved December 24, 1973, (87 Stat. 803, D.C. Code §1-204.55 (c) (2001) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

² See letter dated August 6, 2008, from Chairman, Council of the District of Columbia regarding the 2008 Summer Youth Employment Program.

1. Whether youth were paid, who had not worked all or a portion of the hours for which they were paid;
2. Whether there were instances when youths have been paid to sit in place for the day, without performing any work. If so, why were youths brought into the program if there were no jobs available for them;
3. Whether timesheets were provided to document hours worked before payment;
4. Whether youth had been paid, who had not even received a work assignment in the DOES Summer Youth Employment Program;
5. What policy decisions were made, and who made these decisions, that caused the Program to exceed its approved budget by an estimated \$20.1 million;
6. Whether some organizations who have volunteered to be employers did not receive placements, and if so, why; and
7. Whether there were any youth in the program who do not reside in the District of Columbia.

The scope of the examination was October 1, 2007 to September 30, 2008, and in specific cases data analysis was extended to December 15, 2008.

The Auditor's analysis was based upon the 2008 SYEP enrollment, budget, cost and expenditure data provided by the Department of Employment Services (DOES), the District's Office of the Chief Financial Officer (OCFO), the Office of the Chief Technology Officer (OCTO), the Office of Contracting and Procurement (OCP), District of Columbia Public Schools (DCPS), the Office of the State Superintendent of Education (OSSE), and other entities as necessary. The Auditor also reviewed the findings of an internal investigation conducted by the Office of the City Administrator.³ Additionally, the Auditor conducted interviews with current and former key DOES, OCFO, DCPS, and OCP officials, in addition to senior officials in the Executive Office of the Mayor and the Office of the City Administrator.

³ See "Findings of an Internal Investigation Regarding the District's 2008 Summer Youth Program" August 12, 2008.

The audit team also reviewed, on a sample basis, select SYEP enrollment forms, debit card transactions, contracts, agreements and other documents related to the 2008 SYEP. Although DOES maintained much of the supporting documentation for the Auditor's analysis, there was no single repository or source from which to obtain *all* of the necessary information and documentation related to the 2008 SYEP and related activities. Thus, the process of collecting, reviewing, and reconciling relevant data and interviewing appropriate individuals was an arduous task made more difficult by the numerous entities involved in the 2008 SYEP. Due to the numerous documents, voluminous data, and our effort to promptly answer the questions submitted in your August 6, 2008 request, the Auditor did not review, in detail, all payments, enrollment forms, debit card transactions, contracts and supporting documents for each person listed as enrolled in the 2008 SYEP. Therefore, the validity and accuracy of the Auditor's analysis are predicated, in part, upon the extent to which DOES, the District's CFO, DCPS, OSSE, OCTO, OCP, and others fully disclosed and provided reliable, accurate, and up-to-date information in connection with the Auditor's analysis of the 2008 SYEP budget, costs, and expenditures. Moreover, the Auditor is continuing a more detailed review of other aspects of the 2008 SYEP. The findings and recommendations from this further examination will be presented in a future report.

The examination was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the examination to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our examination objectives. The Auditor believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the examination objectives.

BACKGROUND

Each summer, DOES administers the SYEP to provide employment and training to thousands of District youth. Some of the primary objectives of the 2008 SYEP were to prepare youth for entry into the labor force, improve citizenship skills, help youth learn the value of earning money through gainful employment, and give youth the opportunity to develop useful work habits and marketable skills.⁴

DOES scheduled the 2008 SYEP to begin on Monday, June 16, 2008. By Saturday June 14, 2008 it became apparent that the program was in tremendous disarray. Many participants had not yet received a work assignment, the Executive Office of the Mayor expanded the program to serve an unlimited number of youth, there was unprecedented demand for jobs, the system containing registration data was seriously flawed, and DOES did not have an effective plan for addressing or overcoming these obstacles. Chaos ensued for the next several weeks and senior District officials brought in staff members from the Executive Office of the Mayor, the Office of the City Administrator, and OCTO to assist with the struggling program. Because of these and other issues, the 2008 SYEP required \$34.2 million in addition to \$21.5 million provided through an original and supplemental appropriation.

The Auditor's responses to your questions about the 2008 SYEP are based on several recurring deficiencies:

- Poor policy decisions by the Executive Office of the Mayor;
- Inadequate and ineffectual program planning;
- A lack of information technology internal controls;
- Failure to adhere to established policies and procedures; and
- Poor implementation of contracts.

The following sections provide more details on the results of the Auditor's examination of the 2008 SYEP.

⁴ <http://does.dc.gov>

RESULTS OF EXAMINATION

QUESTION 1: WHETHER YOUTH WERE PAID WHO HAD NOT WORKED ALL OR A PORTION OF THE HOURS FOR WHICH THEY WERE PAID.

AUDITOR'S RESPONSE: The Auditor's examination found that youth were paid who did not work all or a portion of the hours for which they were paid.

AUDITOR'S OBSERVATIONS

The Auditor found the following key factors contributed to youth being paid for hours which they did not work:

- 1. Failure of DOES to implement adequate information technology internal controls for the registration process.** The first example of DOES' lack of information technology controls resulted from DOES' failure to establish any formal documentation for the justification, planning, implementation, and testing of a new registration system which was hastily developed and implemented for the 2008 SYEP.

When registration began in December 2007 for the 2008 SYEP, DOES entered all registration data into the Virtual One Stop (VOS) system. VOS had been used by the SYEP for several years and it contained SYEP registration information from prior years. Approximately one week prior to the June 16, 2008 start of the 2008 SYEP, DOES implemented a new system, the DOES Standard Application Platform (DSAP). On June 10, 2008, DOES migrated all SYEP registration data from VOS to DSAP. This migration incorrectly merged registration information from the 2004, 2005, 2006, and 2007 summer programs with data from the 2008 SYEP resulting in unreliable and inaccurate 2008 registration data. For example, the Auditor's review found 2,766 registrants in DSAP with blank enrollment dates and 50 registrants with enrollment dates between July 20, 1986 and December 9, 2007. (Enrollment for the 2008 SYEP did not begin until December 10, 2007.) Furthermore, DOES officials stated that these data problems resulted in payments to participants who had registered for the SYEP in previous years, but not for 2008.

The second example of DOES' lack of information technology controls involves DOES' failure to cross check 2008 application forms with data entered and migrated into the DSAP system. The Auditor found that DOES policies and procedures required all youth to complete paper application forms to register for the 2008 SYEP. DOES staff, summer youth employees, and other Executive branch employees detailed to DOES entered 2008 SYEP registration information from the forms into the VOS system until June 10, 2008 and into the new DSAP system after June 10, 2008. In the days after the migration of data from VOS to DSAP, DOES management became aware that the data in DSAP was unreliable because DSAP contained the names of youth who had registered for the SYEP in previous years, but not for 2008. Because DOES management had a paper application for every 2008 SYEP participant, they could have used those hard copy records to improve the integrity of the data in DSAP. The Auditor found that as of the final pay period of the 2008 SYEP, DSAP and paper application forms had still not been reconciled.

The third example of DOES' lack of information technology controls involved DOES' failure to implement sufficient controls within DSAP to ensure data integrity and detect fraudulent data. The Auditor's review of DSAP found:

- \$384,281 paid to approximately 1,427 participants with no work site assignment listed;
- \$276,154 paid to approximately 203 participants with addresses outside District of Columbia;
- 14 instances where bank account numbers appeared twice and duplicate debit cards were issued;
- \$210,999 paid to approximately 146 participants whose social security number listed in DSAP did not encompass the nine numeric fields required for a valid social security number; and
- 549 instances where participants' names appeared more than once resulting in total payments of approximately \$1,676,625 that were not flagged for further review by DOES staff.

The fourth example of DOES' lack of information technology controls involved DOES' failure to protect and secure data in the DSAP system, which included the name, address, telephone number, social security number, age, and date of birth of over 20,000 children. The Auditor found that between June 11, 2008 and August 24, 2008, DOES IT personnel used extremely lax standards in granting access to DSAP.

DOES granted user names and passwords to approximately 270 employees to access DSAP including DOES staff, summer youth employees, and other District employees detailed to DOES to assist with the 2008 SYEP. Further, the Auditor found that an email or telephone request was all that the DOES IT director needed to grant access to this information.

Despite these four examples of failure to implement proper information technology controls, DOES proceeded to forward all registration information contained in DSAP to the banking services contractor, JP Morgan, approximately one week prior to the beginning of the 2008 SYEP. JP Morgan then used this information to create approximately 15,000 debit cards which were to be distributed to SYEP participants during orientation at the start of the program. The forwarding of inaccurate registration information contained in DSAP and creation of corresponding debit cards based on this faulty information ultimately led to the payment of wages to people either not registered or ineligible to participate in the 2008 SYEP. Further, failure to implement proper information technology controls exposed the program and District assets to waste, fraud, and abuse by increasing the potential for the creation of debit cards with fraudulent social security numbers, the production of duplicate debit cards resulting in duplicate payments, and improper access granted to approximately 270 people to sensitive information such as social security numbers and to hundreds, if not, thousands of undistributed debit cards. Even now, neither DOES officials nor officials in the Office of the City Administrator can confirm the number of youth who never registered for the 2008 SYEP but were subsequently paid.

2. **Decisions by the Executive Office of the Mayor to blanket pay all youth listed in DSAP for the maximum allowable hours.** The Auditor found that because DOES could not confirm the actual number of “legitimate” participants or rely upon the time and attendance records in DSAP, the Executive Office of the Mayor decided to “blanket pay” all of the youth listed in DSAP including youth who were not registered for the 2008 SYEP. (See Question #3, Auditor’s Observations for more information on time and attendance records.) By the second pay period, OCTO had identified a minimum of 68 youth who were ineligible for the 2008 SYEP. Further, the Executive Office of the Mayor was well aware that there were youth listed in DSAP who had not registered for the 2008 SYEP but, according to senior officials in the Office of the City Administrator, “there was no way to definitively determine who these youth were.” Thus, DOES paid the full maximum amount to all youth

listed in DSAP, whether or not they had actually worked the hours.⁵ Though the Auditor found that DOES, OCTO, Office of the City Administrator, and Executive Office of the Mayor staff members were able to remove some ineligible participants from the payroll as the summer progressed, the policy to blanket pay all remaining youth listed in DSAP continued until the end of the 2008 SYEP.

QUESTION 2: WHETHER THERE WERE INSTANCES WHEN YOUTHS HAVE BEEN PAID TO SIT IN PLACE FOR THE DAY, WITHOUT PERFORMING ANY WORK. IF SO, WHY WERE YOUTHS BROUGHT INTO THE PROGRAM IF THERE WERE NO JOBS AVAILABLE FOR THEM.

AUDITOR'S RESPONSE: The Auditor's examination found that some youth were paid to sit in place for the day without performing work.

AUDITOR'S OBSERVATIONS

The Auditor found that the following key factors contributed to youth being paid to sit in place for the day, without performing any work:

- 1. The failure of DOES and OCP to efficiently finalize contracts in sufficient time to assign youth to host sites.** The Auditor found that DOES and OCP failed to: 1) efficiently and effectively develop the solicitation, 2) secure sufficient funding for all contracts in a timely manner, and 3) efficiently award contracts for the 2008 SYEP. Although a draft solicitation for proposals for the 2008 SYEP was completed in December 2007, the final solicitation was not released until March 2008, approximately two and a half months before the start of the summer program. The final solicitation contained significant errors which required additional time to correct during the solicitation phase of the contracting process.

Additionally, DOES did not secure sufficient funding for all SYEP contracts until early June 2008. In the solicitation released in March 2008, DOES stated that the agency's goal was to place 6,500 youth with contractors. As of June 9, 2008, \$6 million had been approved for SYEP contracts but only \$3 million was budgeted for such contracts. Had DOES and OCP completed the required government cost

⁵ SYEP participants who were 14-15 years old were limited to 20 hours per week. SYEP participants who were 16-21 years old were generally limited to 30 hours per week, with a few exceptions. The minimum wage in 2008 was \$6.55 per hour, resulting in the maximum wage being about \$131.00 per week for a 14-15 year old and \$196.50 for a 16-21 year old.

estimate using historical cost data available from previous SYEPs, they would have discovered that \$3 million could not possibly have covered the cost of placing 6,500 participants with contractors. Because this necessary task was not performed, DOES did not acknowledge the need for additional funding until the week before the program started.

As a result of the problems with the solicitation and funding, not one of the 36 awarded contracts were finalized prior to June 10, 2008 and 8 of 36 awarded contracts were finalized on June 16, 2008, the first day of the program. DOES could not assign youth to contractor work sites until contracts were finalized and provided the contractors' basic information (such as work site address, planned activities, and curriculum) to employees responsible for placing youth. Because this process often took several days, many 2008 SYEP participants were forced to remain idle while waiting for their placements. However, these participants were paid for the time spent waiting because of the blanket pay policy. According to a review of the DOES SYEP payroll system detailing enrollment information for 21,095 SYEP registrants from June 15, 2008 through August 22, 2008, approximately 1,427 participants had no work site assignments, yet DOES paid them a total of \$1,715,491.99.

- 2. Decisions by the Executive Office of the Mayor to expand the 2008 SYEP without proper resources such as budget authority and available sites for job placements.** The Auditor found that the Executive Office of the Mayor hastily established an open enrollment policy for the 2008 SYEP, eliminating the previously established enrollment cap of 15,000. However, according to officials in the Office of the City Administrator, no accountable District managers conducted a risk analysis to determine the fiscal, logistical, and programmatic effects of this new policy. The Auditor found that the Mayor's open enrollment policy generated an unprecedented number of enrollees. DOES staff had not secured enough job placement sites to meet the new demand. As a result, the Auditor found that DOES created "Holding Sites" in DSAP (virtual job placements where youth performed no productive activity but were still paid). The Auditor found 10 different work assignment locations all with the same address at 625 H Street NW listed as holding sites containing at a minimum the names of 17 youth. The Auditor found that the Executive Office of the Mayor continued the open enrollment policy even when there was evidence that there were no appropriate job sites available to place these youth. Additionally, DOES's failure to clean-up enrollment data (properly remove prior SYEP participants not

enrolled for the 2008 SYEP) resulted in the distribution of debit cards and subsequent payment to youth not enrolled in the 2008 SYEP who may have been assigned to a holding site.

QUESTION 3: WHETHER TIMESHEETS WERE PROVIDED TO DOCUMENT HOURS WORKED BEFORE PAYMENT.

AUDITOR'S RESPONSE: The Auditor found that during the 2008 SYEP, the OCFO did not conduct sufficient reconciliations to ensure that supporting documentation such as timesheets could substantiate that youth performed the assigned duties and were entitled to payment. The Auditor's examination found that timesheets were not always provided to document hours worked before payments were made to youth.

AUDITOR'S OBSERVATIONS

The Auditor found the following causes for the failure to provide timesheets to document hours worked before payment:

- 1. Failure of DOES to adhere to OCFO policies and procedures.** The Auditor found that DOES has written payroll policies and procedures that require sign-in and sign-out sheets for each worksite that include the name, date, time-in, time-out, signature of the participant, and signature of the participant's supervisor. The policies further state that if an automated system is used to document attendance, the system must generate reports that verify the name of the participant, date, and the total number of hours worked. Further, a DOES authorized manager, designated by the program director, should review and approve all attendance documents before he or she submits them to Information Technology for processing. The Auditor found that DOES did not adhere to these policies and officials in DOES and the Office of the City Administrator confirmed that timesheets were often not provided by host sites or required by DOES before making payments to youth.
- 2. The implementation of a new web-based time and attendance system without proper testing and training.** The Auditor found that DOES failed to establish any formal documentation for the justification, planning, implementation, and testing of the web-based time and attendance module of the DSAP application. According to

an assessment of DSAP conducted by OCTO, the following critical components were not present prior to the implementation of the time and attendance module:

- Management support and Charter⁶,
- Time and Attendance Project Plan,
- Business Resumption Plan,
- Conversion and Migration Plan,
- Time and Attendance Security Policies and Procedures,
- Time and Attendance End-User Manual,
- Time and Attendance Test Plan, and
- Change Control and Configuration Management Policies and Procedures.

Also, DOES implemented the time and attendance module one week prior to the beginning of the 2008 SYEP. This prevented DOES from properly training host supervisors on the process for entering time for the youth at their worksite. As a result, host sites did not provide accurate time reports, if any at all. Additionally, DOES did not establish an alternative method for reporting time and attendance or verification of hours worked. Officials in the Office of the City Administrator confirmed that, despite efforts to collect time sheets from hosts sites, time sheets were not required to pay youth listed in DSAP for the 2008 SYEP.

3. Decisions by the Executive Office of the Mayor to blanket pay all youth listed in DSAP for the maximum allowable hours eliminated the need for time sheets.

As described in the answer to question #1, The Auditor found that the Executive Office of the Mayor decided to “blanket pay” all of the youth listed in DSAP, paying the full maximum amount to these individuals, whether or not they had actually been assigned to a work site or had actually worked the hours. Though officials in DOES, the Executive Office of the Mayor, and the Office of the City Administrator continued their effort to collect and verify time sheets, the blanket pay policy eliminated the need for time sheets and the data they contained was ultimately ignored.

⁶Defines an effective infrastructure to support operating environment; a strategy for the deployment and technology; and clearly defines responsibilities and accountabilities for the use and application of the specific technology.

QUESTION 4: WHETHER YOUTH HAD BEEN PAID WHO HAD NOT EVEN RECEIVED A WORK ASSIGNMENT IN THE DOES SUMMER YOUTH EMPLOYMENT PROGRAM.

AUDITOR'S RESPONSE: The Auditor's examination found that youth were paid that had not received a work assignment in the DOES Summer Youth Program. According to a review of the DOES SYEP payroll system detailing enrollment information for 21,095 SYEP registrants from June 15, 2008 through August 22, 2008, approximately 1,427 participants had no work site assignments, yet DOES paid them a total of \$1,715,491.99.

AUDITOR'S OBSERVATIONS

The Auditor found the following to be the cause of this deficiency:

1. **The failure of DOES and OCP to effectively finalize contracts for host agencies in sufficient time for the assignment of youth to host sites.** (See Auditor's response to question 2.)
2. **Decisions by the Executive Office of the Mayor to expand the 2008 SYEP without proper resources such as budget authority and available sites for job placements.** (See Auditor's response to question 2.)

QUESTION 5: WHAT POLICY DECISIONS WERE MADE, AND WHO MADE THESE DECISIONS THAT CAUSED THE PROGRAM TO EXCEED ITS APPROVED BUDGET BY AN ESTIMATED \$20.1 MILLION.

AUDITOR'S RESPONSE: The Auditor found that the lack of adequate internal controls, policy decisions by personnel in the Executive Office of the Mayor, and program mismanagement by DOES and OCP caused the program to exceed its approved budget by an estimated \$20.1 million.

AUDITOR'S OBSERVATIONS/FINDINGS

The Auditor found that the following key decisions and/or factors contributed to the program exceeding its approved budget.

1. **Decisions by the Executive Office of the Mayor to blanket pay all youth for the maximum allowable hours.** (See Auditor's response to question 1.)

2. **Decisions by the Executive Office of the Mayor to expand the 2008 SYEP without proper resources such as budget authority and available sites for job placements.** (See Auditor's response to question 2.)
3. **Decisions by DOES and the Executive Office of the Mayor to proceed with the distribution of 2008 SYEP debit cards despite evidence that registration data was severely flawed.** Shortly after the migration of data from VOS to DSAP, DOES management became aware that serious data reliability and accuracy issues existed in DSAP. By Saturday, June 14, 2008, staff members of the Executive Office of the Mayor also knew about these data flaws. Despite this knowledge, the program moved forward and participants began receiving debit cards starting on Monday, June 16, 2008. An official in the Office of the City Administrator stated, "we continually assumed the best case scenario instead of considering the worst case. We never performed a risk assessment of DOES SYEP, nor did we have a contingency plan in place to handle the issues ... We were very slow to adapt to daily concerns and issues." In the face of such clear data integrity issues, officials from DOES and the Executive Office of the Mayor could have postponed the issuance of debit cards and first undertaken an expedited effort to verify the data in DSAP. Though this approach may have created a slight delay in the payment of SYEP participants, it also could have significantly reduced waste, fraud, abuse, and consequently the unprecedented budget overrun in the 2008 SYEP.
4. **Improper assumptions made by the Executive Office of the Mayor regarding the costs of the expanded SYEP.** According to an assessment conducted by the Office of the City Administrator, the Executive Office of the Mayor failed to perform adequate risk analysis to assess the impact of the policy decision to have an open enrollment policy with no enrollment cap for the 2008 SYEP. Officials in the Office of the City Administrator stated that they and officials in the Executive Office of the Mayor failed to:
 - analyze the additional costs and fiscal impact of the policy decision to expand the 2008 SYEP from six to 10 weeks;
 - analyze the additional costs and fiscal impact of not maintaining the revised 15,000 enrollment cap for 2008;
 - correctly calculate the attrition rate for enrollees, stating, "we

- overestimated the number of youth that might register, but eventually choose not to participate in the program.” The Auditor found that the blanket pay policy ensured the absence of a zero attrition rate; and analyze the additional costs that would be incurred when the hourly rate paid to youth was increased from \$5.85 to \$6.55 after the budget had been established based on the \$5.85 rate and the program had begun.

The Auditor also found that decisions by the Executive Office of the Mayor to increase the contracting budget from \$3 million to \$10 million to accommodate the open enrollment policy also further increased the program’s cost.

An examination of the 2007 and 2008 SYEP budgets further illustrates the improper assumptions made by the Executive Office of the Mayor. The Auditor’s analysis found that the initial approved budget for the 2007 SYEP was \$12.2 million. However, expenditures for the 2007 SYEP exceeded the \$12.2 million budget by \$12.6 million, or a total FY 2007 SYEP cost of \$24.8 million. This represented a 100.33% increase. The \$12.6 million budget increase was funded through reprogrammings. Details of the 2007 SYEP reprogrammings are presented in Table I.

Table I
Fiscal Year 2007 SYEP Reprogramming

REQUESTED DATE	SOURCE OF REPROGRAMMING	REASON FOR THE REPROGRAMMING	AMOUNT
3/7/07	DOES' Apprenticeship (grants & Gratuities)	To provide sufficient budget authority for projected overtime obligation	\$50,000
4/24/07	DOES' Transitional Employment Activity and from object 0408 in Youth Program	To provide sufficient budget authority in SYP participant wages	\$1,200,000
6/29/07	DOES' Transitional Employment Activity	To provide sufficient budget authority in SYP participant wages	\$750,000
07/26/07	Metropolitan Police Department	To provide sufficient funding for additional 4,300 SYEP participants	\$5,897,000
7/26/07	Office of Finance and Treasury (OFT) Master Lease/Purchase Program	To provide sufficient budget authority in SYP for an additional three weeks	\$4,700,000
Total FY 2007 Reprogrammings			\$12,597,000
Mayor's FY 2007 Original Budget			\$12,200,000
Total Revised Funding for the FY 2007 SYEP			<u>\$24,797,000</u>

In fiscal year 2008, the initial budget for the SYEP was \$14.5 million. The Auditor found that the Executive Office of the Mayor failed to address the FY 2007 \$12.6 million budget shortfall when developing the initial and revised FY 2008 SYEP budgets. As shown in Table II, the Council of the District of Columbia added \$7 million to the budget in December 2007, resulting in a total 2008 SYEP revised budget of \$21.5 million. In the spring of 2008, the Executive Office of the Mayor chose to offer unlimited enrollment in the 2008 SYEP despite the fact that the revised \$21.5 million budget was \$2.9 million less than the \$24.4 million actual cost of the 2007 SYEP.

The assumption that the fiscal year 2008 SYEP budget could host more youth for less money was inherently and fatally flawed thus resulting in a subsequent budget shortfall of \$34.2 million in July 2008. Details of the fiscal year 2008 SYEP supplements and reprogrammings are included in Table II.

Table II
Fiscal Year 2008 SYEP Reprogramming and Supplement

REQUESTED DATE	SOURCE OF REPROGRAMMING OR SUPPLEMENT	REASON FOR THE REPROGRAMMING OR SUPPLEMENT	AMOUNT
12/18/07	FY 2008 Supplemental Appropriations Temporary Act of 2007	To support registration of 15,000 participants in the 2008 SYEP for a duration of 10 weeks	\$7,000,000
7/1/08	Debt Services from Repayments of Loans and Interest	To support a dramatic increase in number of registered participants, increase in program length, and increase in hourly wage paid to SYEP participants	\$10,800,000
7/30/08	Contingency Reserve Fund	To support a dramatic increase in number of registered participants, increase in program length, and increase in hourly wage paid to SYEP participants	\$20,100,000
	DOES' Transitional Employment Program Supplement ⁷	To support increase in number of SYEP participants	\$3,280,000
Total FY 2008 Supplements/ Reprogrammings			\$41,180,000
Mayor's FY 2008 Original Budget			\$14,500,000
Total Revised Funding for the FY 2008 SYEP			<u>\$55,680,000</u>

⁷ According to the DOES CFO, the \$3.28 million came from the "Fiscal Year 2008 Supplemental Appropriations Temporary Act of 2008" which authorized \$7,000,000 for the expanded enrollment of ex-offenders in the Transitional Employment Program (TEP). However, once the supplement was approved, DOES requested that the Office of Budget and Planning (OBP) allocate \$3.28 million out of the \$ 7 million TEP supplement into the 2008 Summer Youth Program (SYEP) to offset \$3.28 million of the SYEP's FY 08 approved budget that was previously reprogrammed to TEP by DOES. However, DOES could not provide documentation and the Auditor could not verify the \$3.28 million reprogrammed from SYEP to TEP.

Further, the Mayor's policy changes to the 2008 SYEP that resulted in exceeding the approved revised budget of \$21.5 million and the use of funds from the District's Contingency Cash Reserve Fund violated federal and District Anti-Deficiency Act. U.S. Code § 1341(a)(1)(A) states, "An officer or employee of the United States Government or of the District government may not make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation." Further, D.C. Code § 47-355.02 states, "A District agency head, deputy agency head, agency chief financial officer, agency budget director, agency controller, manager, or other employee may not: (1) Make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund; (2) Involve the District in a contract or obligation for the payment of money before an appropriation is made unless authorized by law."⁸ The Auditor also found that the Mayor was aware of significant SYEP budget shortfalls prior to the July 30, 2008 request to use funds from the District's Contingency Cash Reserve Fund.⁹ Although the Mayor's Chief of Budget Execution stated that, "the contingency fund will be repayed", he failed to provide requested documentation to the Auditor to indicate when and from what source of funds the repayment would be made.

5. **Decisions by DOES and OCP to change the SYEP contract type and DOES' improper implementation of the resulting contracts.** As part of the 2008 SYEP, DOES and OCP established contracts with 36 organizations to provide academic enrichment, career exploration, work-readiness, and leadership skills training for approximately 6,500 youth. In previous years, DOES issued cost reimbursement contracts, but in 2008, DOES and OCP management chose to use an Indefinite Delivery/Indefinite Quantity (IDIQ) contract type. Cost overruns resulted from DOES and OCP's poor implementation of these 36 IDIQ contracts.

⁸See July 30, 2008 letter from Mayor Adrian Fenty to Dr. Natwar M. Gandhi, Chief Financial Officer requesting the use of the District's Contingency Cash Reserve Fund which states, in part, "The existing certified fund balances of certain O-type accounts belonging to DOES are sufficient to repay the Contingency Reserve in full. However, under current law these accounts are available only to cover limited administrative costs of DOES, and may not be used to pay wages earned through the Summer Youth program. No legislative amendment can be enacted until the Council reconvenes. In the meantime, this allocation from the Contingency Reserve is necessary to ensure that all youth who have worked receive pay on time." [Auditor's Emphasis] See letter in entirety at Appendix I.

⁹See July 2, 2008 letter from Mayor Adrian Fenty to Dr. Natwar M. Gandhi, Chief Financial Officer requesting to reprogram \$10.8 million in Local funds from Repayment of Loans and Interest to the Department of Employment Services which states in part, "the funds are needed to support a dramatic increase in the number of registered participants in the summer youth employment program (SYEP). which states, in part, "I am submitting a request reprogram \$10.8 million in Local funds from Repayment of Loans and Interest to the Department of Employment Services. The funds are needed to support a dramatic increase in the number of registered participants in the summer youth employment program (SYEP)." See letter and reprogramming request in entirety at Appendix II.

The payment provisions of an IDIQ contract are quite different from a cost-reimbursement contract and many DOES SYEP employees were unfamiliar with IDIQ contracts. The new contract type required that each 2008 SYEP contract: (1) specify a unit price that DOES would pay the contractor per youth, (2) guarantee a minimum number of youth to be assigned to the host site, and (3) specify a maximum number of youth that could be assigned to the host site. As a result, the IDIQ contract type required DOES to pay for at least the minimum number of youth specified in the contract, regardless of how many, or few youth were actually assigned to a contractor. For example, if the IDIQ contract indicated that the minimum number of youth to be assigned a particular host site was 100, the contractor was paid for 100 youth even if only 50 youth were actually assigned and showed up for work.

Unfortunately, the staff responsible for assigning youth to work sites did not ensure that each contractor received the minimum number of youth specified in their contracts. Based on data reported in their SYEP invoices, the Auditor found that at least four contractors received less than the minimum number of youth specified in their contracts. Because DOES did not assign the minimum number of participants to these contractors, DOES paid approximately \$451,971.90 for participant slots that were never filled. Table III illustrates this point:

Table III
2008 SYEP Wasted Funds
(As Indicated on Contractor Invoices)

Contractor	Min # of youth in contract	Actual # of youth hosted	Empty slots	Unit cost per youth	Total wasted
Dance Institute of Washington	100	32	68	\$1,000.00	\$68,000.00
Envizion Training Company, Inc.	50	7	43	\$1,245.66	\$53,563.38
Jwahir Enterprises, Inc.	100	53	47	\$6,583.16	\$309,408.52
Tecknomic	100	86	14	\$1,500.00	\$21,000.00
Total	350	178	172		\$451,971.90

Source: Contracts, contractor invoices, and invoice payment data from the D.C. financial system

There is additional evidence that suggests the problem was even more widespread. Based on monitoring reports submitted to the Office of Program Performance Monitoring (OPPM) within DOES, at least three additional contractors received fewer than the minimum number of youth specified in the contract. Table IV illustrates the total minimum amounts identified as wasted as indicated in OPPM Monitoring Reports.

Table IV
2008 SYEP Overpayments to Contractors
(As Indicated in OPPM Monitoring Reports)

Contractor	Min # of youth in contract	Actual # of youth hosted	Empty slots	Unit cost per youth	Total wasted
National Association of Former Foster Care Children	100	89	11	\$1,200.00	\$13,200.00
Ross Professional Services	100	94	6	\$1,615.00	\$9,690.00
Youth Organization United to Rise	100	60	40	\$1,200.00	\$48,000.00
Total	300	243	57		\$70,890.00

DOES and OCP's failure to carefully implement the 2008 SYEP contracts and monitor the assignment of youth to contractors wasted, at a minimum, \$694,254.92 in District funds.

QUESTION 6: WHETHER SOME ORGANIZATIONS WHO HAVE VOLUNTEERED TO BE EMPLOYERS DID NOT RECEIVE PLACEMENTS, AND IF SO, WHY.

AUDITOR'S RESPONSE: The Auditor found that some organizations who volunteered to be employers did not receive placements.

AUDITOR'S OBSERVATIONS/FINDINGS

The Auditor found that the following key factor contributed to organizations not receiving placements:

- Decisions by the Executive Office of the Mayor to blanket pay all youth for the maximum allowable hours.** (See Auditor's response to question 1.) After youth began receiving blanket payments, many chose not to return to their assigned work

sites. Further, DOES officials stated that DOES placement staff were detailed to assist with the youth registration process due to unprecedented registration resulting from the Mayor's open enrollment policy. According to officials, this resulted in many youth not receiving a work assignment.

2. **Decisions by DOES and OCP to change the SYEP contract type and DOES' improper implementation of the resulting contracts.** (See Auditor's response to question 5.)

QUESTION 7: WHETHER THERE WERE ANY YOUTH IN THE PROGRAM WHO DO NOT RESIDE IN THE DISTRICT OF COLUMBIA.

AUDITOR'S RESPONSE: The Auditor found that there were youth in the program that did not reside in the District. The Auditor's examination found that registration information listed in DSAP included enrollees with TX, VA, GA, FL, and MD residency. It appears that at a minimum 203 non-resident 2008 SYEP participants were paid at least a total of \$276,154.

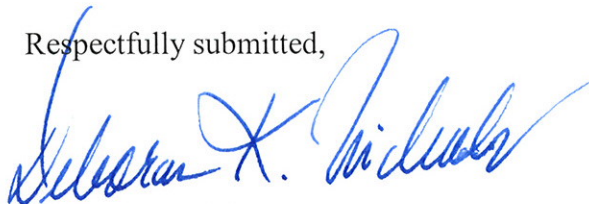
AUDITOR'S OBSERVATIONS/FINDINGS

The Auditor found that the following key factors contributed to this deficiency:

1. **Failure of DOES to implement adequate information technology internal controls for the registration process.** (See Auditor's response to question 1.)
2. **Failure of DOES to implement a residency verification process.** Although SYEP participants were required to be residents of the District of Columbia, DOES did not restrict the registration of youth who listed an address outside of the District. Further, DOES had no mechanism in place to verify information supplied by youth who may have misrepresented their residency by using a District address at which they did not reside.

Should you have any questions concerning this matter please do not hesitate to contact me at 202-727-3600.

Respectfully submitted,



Deborah K. Nichols
District of Columbia Auditor

APPENDIX I



ADRIAN M. FENTY
MAYOR

July 30, 2008

Dr. Natwar M. Gandhi
Chief Financial Officer
1350 Pennsylvania Avenue, NW, Suite 203
Washington, DC 20004

Dear Dr. Gandhi:

I write to request the use of the District's Contingency Cash Reserve Fund in accordance with section 450A of the District of Columbia Home Rule Act. An amount up to \$20,100,000 is needed for the Department of Employment Services to fund participant payroll expenses through the end of the Summer Youth Employment Program. Due to several factors including the tremendous increase in program registration, SYEP payroll expenses are much higher than was foreseen during the budget development process or even prior to the start of this year's program. The amount of Contingency funds needed may be reduced significantly to the extent that participant attrition can be verified in the three remaining pay periods.

The existing, certified fund balances of certain O-type accounts belonging to DOES are sufficient to repay the Contingency Reserve in full. However, under current law these accounts are available only to cover limited administrative costs of DOES, and may not be used to pay wages earned through the Summer Youth program. No legislative amendment can be enacted until the Council reconvenes. In the meantime, this allocation from the Contingency Reserve is necessary to ensure that all youth who have worked receive pay on time.

Thank you for your assistance.

Sincerely,


Adrian M. Fenty

APPENDIX II



ADRIAN M. FENTY
MAYOR

July 2, 2008

Natwar M. Gandhi
Chief Financial Officer
Office of the Chief Financial Officer
1350 Pennsylvania Avenue, NW, Suite 209
Washington, D.C. 20004

Dear Dr. Gandhi:

Pursuant to the Reprogramming Policy Act of 1980, (D.C. Official Code § 47-363 et seq.), I am submitting a request to reprogram \$10.8 million in Local funds from Repayment of Loans and Interest to the Department of Employment Services.

The funds are needed to support a dramatic increase in the number of registered participants in the summer youth employment program (SYEP). The funds will be reprogrammed from object class 80 of Repayment of Loans and Interest (DS0) to object class 50 of the Department of Employment Services (CF0) in the Youth Programs. Information activity (4800):

Details of the request are contained in the agency's submission. Thank you for your consideration of this request. I look forward to the Chief Financial Officer's favorable review of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Adrian M. Fenty", written over a circular stamp.

Adrian M. Fenty
Mayor

Enclosure

cc: Gordon McDonald, Deputy CFO for Budget and Planning
Tene Dolphin, Chief of Staff

GOVERNMENT OF THE DISTRICT OF COLUMBIA
EXECUTIVE OFFICE



OFFICE OF THE CITY ADMINISTRATOR

MEMORANDUM

TO: Lolita Alston, Office of Legislative Support

FROM: William Singer, Chief of Budget Execution *WS*

CC: Gordon McDonald, Deputy CFO for Budget and Planning

DATE: July 1, 2008

SUBJECT: Request for Reprogramming of Local Funds from Repayment of Loans and Interest to Department of Employment Services

I request the reprogramming of \$10.8 million in Local funds from Repayment of Loans and Interest to the Department of Employment Services.

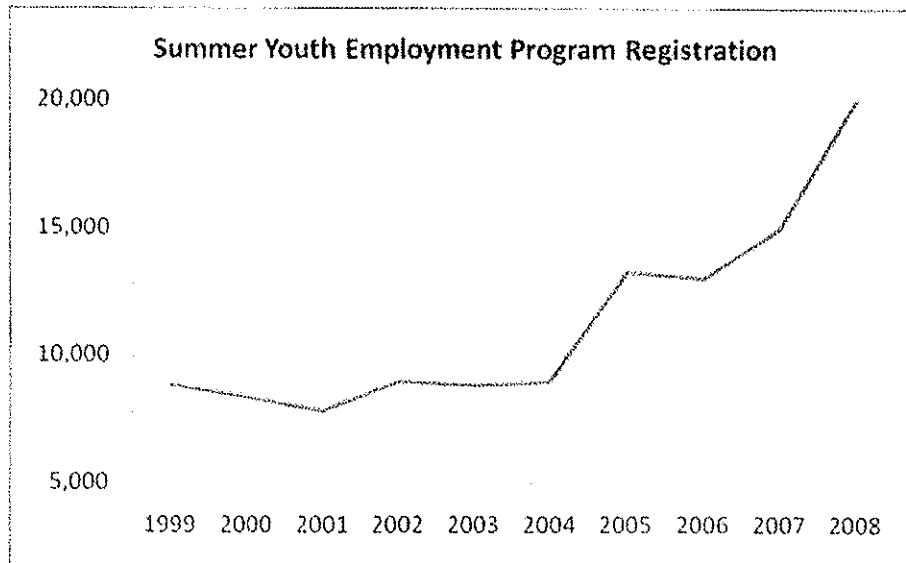
Why are the funds needed?

The funds are needed to support a dramatic increase in the number of registered participants in the summer youth employment program (SYEP). DOES, working with other agencies and the private and nonprofit sectors, has sustained an aggressive effort to enroll youth in the program and place them in summer jobs. To date, DOES has registered over 20,000 youth for summer employment, significantly exceeding our performance goals and the recent history of this program.

At this time, \$10.8 million is a reasonable estimate of additional program costs, based on our current estimates of continued participation throughout the summer. If the actual attrition rate is lower than projected, it may be necessary to identify additional funds to support SYEP this year.

Finally, it should be noted that the higher costs of the program in FY 2008 are a product of two other factors, in addition to the higher number of registrants: 1) recent increases in the Federal minimum wage;¹ and 2) an extension of the duration of program from six weeks to ten weeks. A longer program period provides an opportunity for a more meaningful summer employment experience.

¹ SYEP participants are paid the Federal minimum wage, which increased to \$5.85 per hour last year. It will increase again to \$6.55 per hour effective 24 July 2008, and to \$7.25 per hour effective 24 July 2009.



Source: Department of Employment Services

Is this a reprogramming to restore a budget cut authorized by the Mayor and/or Council?

No.

How will the funds be reprogrammed?

The funds will be reprogrammed from object class 80 of Repayment of Loans and Interest (DS0) to object class 50 of the Department of Employment Services (CF0) in the Youth Programs/Information activity (4800).

Why are the funds available?

The funds are available because debt service expenditures will be significantly less than the amount budgeted for long term debt service.

What hardship will the District face if the action is postponed until the subsequent fiscal year?

Without this reprogramming, DOES would have to make immediate and drastic reductions to program costs, most likely by eliminating thousands of existing placements and shortening the duration of the program. If this reprogramming is not approved, then DOES would most likely lack the funds needed to meet SYEP payroll expenses for the July 18 pay date.

What programs, services or other purchases will be delayed as a result of the action, and the impact on the program or agency?

No planned activities will be impacted by the reprogramming of funds that are no longer needed for debt service.

Should you have any questions, please contact Scott Kubly at (202) 340-7378.

Attachment

Attachment A -- Local (0100)

OPERATING BUDGET REPROGRAMMING REQUEST

[illegible]

Justification of Reprogramming Proposal:
See memorandum.