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Report: Audit of the Department of Employment Services' 2008 Summer Youth Employment Program

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EXECUTIVE SUMMARY

PURPOSE

Pursuant to section 455 of the District of Columbia Home Rule Act, as amended, Pub.L.No. 93-198,¹ the District of Columbia Auditor (Auditor) conducted an examination of the Department of Employment Services' (DOES) 2008 Summer Youth Employment Program (SYEP).

CONCLUSION

The Auditor found that DOES, the Executive Office of the Mayor (EOM), and the Office of the Chief Financial Officer (OCFO) failed to provide effective and efficient management and financial oversight of the 2008 SYEP. Moreover, accountable management personnel in these agencies failed to: (1) conduct a risk assessment of the financial and budgetary impact of the Mayor's Open Enrollment Policy for the 2008 SYEP; and (2) develop sufficient internal controls to effectively meet the SYEP objectives and protect the SYEP from fraud, waste, and abuse.

The Auditor's examination found that the EOM's failure to perform an adequate risk assessment to assess the financial impact of the Mayor's Open Enrollment Policy caused the budget for the 2008 SYEP to increase from \$14.5 million to \$55.7 million. Given the District's current budget shortfalls, the EOM and DOES must establish an enrollment cap for the 2009 and 2010 SYEP to ensure fiscal accountability.

The Auditor's examination also found that due to the lack of sufficient internal controls: (1) SYEP registration information, such as social security numbers were not properly safeguarded; (2) SYEP registration documentation could not be located; and (3) unreliable registration data was created. The Auditor further found that 5,855 outstanding SYEP debit cards totaling, at a minimum, \$1,677,047.33 were not returned to JP Morgan for a full refund to the District until the end of the 2008 SYEP. Lastly, the Auditor's review found that, throughout the 2008 SYEP, the OCFO failed to properly manage and account for all issued and unclaimed SYEP debit cards and pre-printed manual checks. As a result, the OCFO impaired the system of accountability and integrity for District funds by increasing the risk of theft, fraud, and misuse.

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 D.C. Code § 1-204.55 (c) which states: "The District of Columbia Auditor shall have access to all books, accounts, records, finding, and all other papers, things, or property to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit."

The Auditor also found that as of March 13, 2009, OCFO personnel had still not properly reconciled the pre-printed manual checks ordered, issued, cashed, voided, and/or cancelled.

The lack of efficient and effective financial and management oversight by DOES, EOM, and the OCFO caused the 2008 SYEP program to fall short of achieving its program objectives and ensuring District assets were properly managed and safeguarded from fraud, waste, and abuse.

MAJOR FINDINGS

1. Executive Office of the Mayor, DOES, and the OCF Failed to Provide Effective and Efficient Management and Financial Oversight of the 2008 SYEP.
2. DOES's Improper Planning and Implementation of DSAP along with a Web-Based Time and Attendance System Were Compromised by Poor Internal Controls and Unreliable SYEP Data.
3. DOES's Failure to Adhere to Established SYEP Policies and Procedures Resulted in Non-Compliance with Requirements for SYEP Registration, Allowable Work Hours, Timesheet Reporting, and Payments.
4. OCFO's Failure to Adhere to Established DOES 2008 SYEP Debit Card Policies and Procedures Resulted in Inaccurate and Untimely Recording of SYEP Outstanding Debit Card Transactions.
5. DOES and the OCFO Used Inadequate Accounting Methods to Maintain and Record SYEP Debit Card Transaction.
6. OCFO Failed to Properly Manage and Safeguard District Funds.
7. OCFO Failed to Maintain an Adequate and Complete Check Log to Support All of the Pre-Printed 2008 SYEP Manual Checks Ordered, Issued, Voided, and/or Cancelled.
8. DOES Failed to Develop Sufficient Internal Controls to Effectively Meet SYEP Objectives and Protect the SYEP from Fraud, Waste, and Abuse.

RECOMMENDATIONS

1. Executive Office of the Mayor and the DOES establish an enrollment cap for the 2009 and 2010 SYEP to ensure fiscal accountability and that SYEP objectives are achieved given the District's current fiscal and economic difficulties.
2. DOES not utilize the current SYEP data in DSAP for the 2009 SYEP until all of the data has been verified and validated for accuracy, completeness and reliability.
3. DOES conduct and properly document an internal control assessment of DSAP and the web-based time and attendance system. This internal control assessment should properly flow-chart the system's individual operations, guidelines and requirements, internal control weaknesses and corrective actions taken by DOES officials to strengthen the weaknesses and effectively resolve issues.
4. DOES develop general application control functions within DSAP to facilitate and ensure full compliance with SYEP registration and payment requirements.
5. DOES develop an audit trail function within DSAP which properly time stamps and documents the DSAP user who performs modifications to SYEP participants' profiles in DSAP, along with the reason for the modification.
6. DOES develop and distribute written policies and procedures for the issuance and monitoring of user access to DSAP. Additionally, in order to ensure data integrity and safeguard SYEP participants' personal data in DSAP DOES should limit user access based on specific SYEP personnel duties and responsibilities or establish various levels of user access rights to DSAP data which would require prior approval before performing certain activities within DSAP.
7. DOES develop a written payroll verification system to effectively ensure proper SYEP payroll payments as well as ensure payroll errors are detected and resolved in a timely manner.
8. DOES document all payroll verifications performed prior to the issuance of SYEP payroll payments.

9. DOES develop a written DSAP User Manual which clearly details data entry requirements for SYEP registration, host agency profile information, time and attendance, host site referral, payment, and host site transfers. The DSAP User Manual should be issued to all SYEP staff involved in the SYEP Program Unit, Placement Unit, and Payroll Unit.
10. DOES provide training for DSAP and the web-based time and attendance system to all SYEP staff and responsible personnel of host agencies.
11. DOES develop written guidelines for DOES staff roles, functions, and responsibilities within the SYEP Program Unit, Placement Unit, and Payroll Unit.
12. DOES develop written policies and procedures which ensure proper authorization and access to SYEP debit cards.
13. DOES develop a written or electronic system which properly records the distribution of SYEP debit cards. The system must record the date the SYEP debit card was issued, the DOES staff who issued the debit card, and the recipient of the debit card.
14. DOES develop written policies and procedures for periodic reconciliation of SYEP debit cards. This policy should be properly communicated to all DOES and OCFO staff involved in the ordering, distribution, and maintenance of SYEP debit cards in order to ensure compliance.
15. DOES eliminate the SYEP replacement debit card policy which grants SYEP participants the authority to contact JP Morgan directly each time their SYEP debit cards are lost or stolen. In order to ensure proper oversight of District funds allocated to pay debit card replacement fees for lost or stolen debit cards, the DOES should manage the process of replacing lost or stolen debit card directly with JP Morgan, as well as establish a limit on the total number of times a SYEP replacement debit card will be replaced free of charge; including a fee to be paid by the participant. This policy should be communicated to JP Morgan and included in contract language in order to ensure compliance.
16. DOES establish a policy for a termination date for the issuance of SYEP debit cards to SYEP participants once the program has ended. This policy should be properly communicated to JP Morgan in order to ensure full compliance to avoid additional banking fees to the District.

17. DOES and OCFO investigate, reconcile, and cancel all unclaimed 2008 SYEP debit cards and related bank accounts.
18. DOES conduct and document periodic reviews of SYEP application forms to ensure full compliance with SYEP registration policies and procedures.
19. DOES develop an electronic system application control function within DSAP to ensure full compliance with SYEP maximum allowable hours of work requirements per age group. This application control function should properly record justifications and instances where SYEP participants are permitted to work over the allowable maximum hours of work mandated by SYEP requirements.
20. DOES ensure the submission, review, and approval of time sheets or the web-based time and attendance records prior to the processing and issuance of SYEP payments.
21. DOES adhere to SYEP payroll policy and procedures by not issuing SYEP payroll payments to SYEP participants who have not been referred to a work site.
22. DOES establish written reconciliation policies and procedures for payments issued at the Pay Center(s) and later recorded within DSAP to ensure that DSAP contains complete, accurate, and reliable SYEP payment information.
23. SYEP debit card policies and procedures developed by DOES and the OCFO be properly communicated to all DOES and OCFO personnel in order to ensure full compliance and accountability.
24. The OCFO verify that the total number of SYEP debit cards received from JP Morgan, or banking contractor are reconciled to a SYEP DSAP listing of registered participants prior to the release or delivery of SYEP debit cards to participants.
25. The OCFO comply with SYEP debit card policy by returning SYEP debit cards held more than 30 days to JP Morgan, or the appropriate banking contractor.
26. The OCFO periodically reconcile SYEP debit cards to ensure that an accurate and timely listing of all the debit cards distributed and outstanding is maintained.

27. The OCFO reconcile all the 2008 SYEP unclaimed debit cards and ensure that funds allocated to these unclaimed debit cards have been properly refunded back to the District. Additionally, the OCFO investigate and account for the 21 outstanding 2008 SYEP debit cards not returned to JP Morgan on January 23, 2009.
28. The OCFO record wire refunds deposits for DOES SYEP within 24 hours of the deposit date in order to ensure accurate and timely recording of transactions and events.
29. The OCFO develop separate bank accounts for each DOES youth program in order to ensure accurate and complete accounting of District funds among programs.
30. The OCFO identify and properly record the payroll taxes paid on the 1,793 SYEP manual checks, totaling \$441,720.39 in net value, issued during the 2008 SYEP.
31. The OCFO develop and maintain a complete, accurate, and reliable manual check log for all pre-printed manual checks ordered, issued, cashed, voided, and/or cancelled in order to properly and accurately report financial data related to the 2008 SYEP.
32. The OCFO establish written policies and procedures for the 2009 reconciliation and management oversight of SYEP manual check log transactions. To ensure compliance with 1 DCMR §1502.1 and maintain the integrity and security of District funds by ensuring accurate and reliable reportable data related to SYEP manual check transactions.
33. DOES document the corrective actions taken to mediate all of the internal control weakness and/or issues outlined within the 5 different SYEP flow-carts in Appendixes I through V and properly communicate the internal control weakness along with corrective actions to all DOES and OCFO staff in order to ensure full compliance.

PURPOSE

Pursuant to section 455 of Pub. L. No. 93-198,¹ the District of Columbia Auditor (Auditor) conducted an examination of the Department of Employment Services' (DOES) 2008 Summer Youth Employment Program (SYEP).

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of the examination were to determine whether DOES:

1. provided effective and efficient management and financial oversight of the 2008 SYEP; and
2. developed sufficient internal controls to effectively meet the SYEP's objectives and protect SYEP assets from waste, fraud, and abuse.

The scope of the examination was October 1, 2007 through September 30, 2008. In specific cases, the review was extended to March 13, 2009.

The Auditor's analysis included the 2008 SYEP applications, enrollment, registration, time sheets, and payment data, as well as, manual check logs provided by DOES, the District's Office of the Chief Financial Officer (OCFO), the Office of the Chief Technology Officer (OCTO), District of Columbia Public Schools (DCPS), and other entities as necessary. The Auditor also performed on-line banking verifications of SYEP debit cards. Additionally, the Auditor conducted interviews with current and former key DOES, OCFO, and DCPS officials, in addition to senior officials in the Executive Office of the Mayor and the Office of the City Administrator.

The audit team reviewed a sample of 150: (1) SYEP participants, (2) DOES Standard Application Platform (DSAP) profiles, (3) registration application forms, (4) job placements, (5) time sheets, (6) payments, and (7) 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. Thus, the process of 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.

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."

Due to the numerous documents and voluminous data, the Auditor did not review, in detail, all payments, enrollment forms, debit card transactions, contracts and supporting documents for each person 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 OCFO, DCPS, OCTO, and others fully disclosed and provided reliable, accurate, and up-to-date information in connection with the Auditor's analysis.

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

Objectives of the 2008 SYEP

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.² The 2008 SYEP was scheduled to begin on Monday, June 16, 2008 and officially ended Friday, August 22, 2008.

SYEP Enrollment Process

To participate in the 2008 SYEP, District youth were required to complete and return a 2008 Passport-To-Work summer application along with supporting documentation, with the youth's name, to verify the following information:

- Proof of District Residency- As proof an applicant could submit their driver's license, non-driver's identification, rental lease, or a school report for their current school year. If the applicant was a foster child or a ward of the District, the applicant was required to bring a letter from the Department of Human Services or a copy of the court order if the participant lived out of state (for example Maryland or Virginia).
- Date of Birth- As proof an applicant could submit their birth certificate, U.S. Passport, school report or a baptism record.
- Proof of Citizenship/Alien Status- As proof an applicant could submit their U.S. Passport, Alien registration card, Foreign Passport stamped "Eligible to Work" or their birth certificate.

²The Department of Employment Services official web site, <http://docs.dc.gov>.

- Social Security Number- As proof an applicant could submit their Social Security card, Tax Form 1040 or a letter from the Department of Human Services.

Once application forms along with the supporting documentation were reviewed and approved by DOES In-Take staff, the DOES In-Take staff were required to initial the application form and enter the applicants' personal information (name, social security number, date of birth, emergency contact, home address and telephone number) into the Virtual One Stop (VOS) system.

Registration for the 2008 began in December 2007 and was scheduled to end April 26, 2008. However, the SYEP enrollment deadline date of April 26 was eliminated by the Mayor's Open Enrollment Policy. According to an official in the Office of the City Administrator, the Mayor verbally established an Open Enrollment Policy whereby applicants could enroll at any time during the summer until August 22, 2008 and were guaranteed a work site referral. According to officials in the Office of the City Administrator, this policy has, as of the date of this report, not been formalized in a written document.

DOES SYEP Systems

When registration began in December 2007 for the 2008 SYEP, DOES entered all registration data into the VOS system. VOS had been used for several years for the SYEP to record registrations, job assignments, and payroll payments. Approximately one week prior to the June 16, 2008, start of the 2008 SYEP, DOES implemented a new system DOES Standard Application Platform, (DSAP). On June 10, 2008, the DOES migrated all SYEP registration data from VOS to DSAP. Effective immediately all DOES staff were instructed to enter all 2008 SYEP registrations, referrals, and job assignments within DSAP.

In addition to DSAP, DOES also developed and implemented a time and attendance web-based system. Host Agencies with Internet Explorer access had the capability and were required to enter SYEP participants' time sheet data electronically thus, eliminating the need and use of paper time sheets.

SYEP Job Referrals

Once DOES and the Office of Contracts and Procurement approved host agency³ contracts, the DOES Performance Unit was responsible for entering host agency profile information (address, type of service, total number of work slot referrals, required SYEP participants age range for the work slot referrals, hourly wage, etc.) into VOS. In May 2008, the

³ Host agency was a contractor, either private or a government agency, committed to a binding agreement with DOES to provide District youth (ages 14 to 21) a safe and healthy worksite(s) as prescribed by the Fair Labor Standards Act of 1938.

DOES Performance Unit began to assign registered SYEP participants in VOS to work sites based on the following three criteria:

- Name Request- The host agency would submit request for specifically named participants.
- Participant's Occupational Choice- On each of the SYEP application forms the applicant had the opportunity to choose from nine Career Clusters for the occupation they were interested in. For example, if the applicant desired training to be a nurse's aide they would choose Health Care Support. Career Cluster occupational referrals were done on a first-come, first-serve basis.
- Distance to Work Site- For participants who were 14 and 15 years of age, DOES would attempt to assign these participants to work sites which were close to their home address.

SYEP Debit Card Delivery, Storage, and Issuance Process

The 2008 SYEP was the first time DOES used debit cards as a form of payment. The ordering process for SYEP debit cards began with the DOES IT Department. The DOES IT Department would request SYEP debit cards electronically from JP Morgan,⁴ based on information entered and stored in DSAP. Each SYEP debit card was automatically funded with \$10 dollars for transportation expense. Once created and funded, debit cards were then delivered directly to DOES's Chief Financial Officer (CFO) at 64 New York Avenue. The DOES CFO staff would then count the debit cards and ensure that the debit card count matched the total number of debit cards stated on JP Morgan's Master Inventory list. Two copies of the Master Inventory list were made, one copy was retained by the DOES CFO and the other copy was given to the DOES Debit Card Supervisor when the debit cards were picked up by the DOES Debit Card Supervisor.

All SYEP debit cards were stored at 625 H Street in a secured storage room. The DOES Director, Debit Card Supervisor, and IT Department staff were issued access to this storage room. Approximately 15,000 SYEP debit cards were issued to SYEP participants during Orientation, which was held at the Washington Convention Center from June 16, 2008 through June 21, 2008. SYEP debit cards were also issued during the entire SYEP at the DOES office located at 625 H Street. According to the DOES Debit Card Supervisor, in order to obtain a debit card, SYEP participants had to be registered in DSAP, as well as provide proof of identification. If SYEP participants were unable to provide valid proof of identification (photo I.D. or formal proof from their work site supervisor), DOES would not issue the participant a debit card. SYEP participants were also instructed by DOES to directly contact JP Morgan

⁴ On March 31, 2008 the District contracted with JP Morgan to provide debit cards services, not limited, to DOES SYEP. JP Morgan was responsible for creating SYEP debit cards, allowed to charge debit card banking fees, and provided monthly bank statements to SYEP participants.

Customer Service Center if their SYEP debit card was lost or stolen. Once the SYEP participant called JP Morgan's Customer Service Center, they were required to provide JP Morgan with their social security number and date of birth. JP Morgan would then issue a replacement debit card. It took approximately 5 business days for a lost or stolen SYEP debit card to be replaced by JP Morgan.

DOES Payroll Payments

The Executive Office of the Mayor decided to "blanket pay" all youth listed in DSAP, paying the full maximum amount to each listed participant in accordance with their age group, effective June 21, 2008 through the end of the 2008 SYEP. Therefore, all SYEP participants listed in DSAP received the maximum payroll amount whether or not the SYEP participant had been assigned to a work site or had actually worked. Although officials in DOES, the Executive Office of the Mayor, and the Office of the City Administrator continued their efforts to collect and verify time sheets, the "blanket pay" policy eliminated the need for time sheets and the data they contained was ultimately ignored.

DOES Pay Center

In situations where SYEP participants: (1) did not have a debit card, (2) did not receive payment because they were not registered, or (3) were underpaid, SYEP participants were referred to the Pay Center. At the Pay Center, the DOES and the OCFO staff would assess the payment issue and resolve it: (1) through the issuance of a SYEP manual check, or (2) by loading additional funds onto the SYEP participant's debit card through an on-line JP Morgan banking system. At the Pay Center, OCFO staff were the only individuals authorized to issue SYEP manual checks.

Due to the Executive Office of the Mayor's decision to "blank pay" all youth recorded in DSAP, effective June 21, 2008 through the end of the 2008 SYEP, pre-print manual checks were generated each pay period and automatically funded with specific dollar amounts based on the maximum allowable hours that each SYEP participant could work per age group.

SYEP Maximum Allowable Hours of Work

The age of the youth determines which child labor rules apply. The Fair Labor Standards Act of 1938, as amended, permits youth 14 and 15 years old to work outside of school hours in various non-manufacturing, non-mining, non-hazardous jobs under the following conditions: no

more than 3 hours on a school day or 18 hours in a school week⁵; and no more than 8 hours on a non-school day or 40 hours in a non-school week.

In accordance with the Fair Labor Standards Act of 1938, DOES established policies and procedures related to the maximum allowable hours of work for SYEP participants by age group. According to SYEP's maximum allowable hours of work policies and procedures, SYEP participants 14 to 15 years of age were allowed to work a maximum of 20 hours per week, 40 hours bi-weekly. SYEP participants 16 to 21 years of age were permitted to work a maximum of 30 hours per week, 60 hours bi-weekly. However, in accordance with the terms of some host agency contracts, DOES permitted SYEP participants 18 to 21 years of age, who were referred to federal government or private sector job sites, to work up to 40 hours per week, 80 hours bi-weekly. According to the Fair Labor Standards Act of 1938, as amended, individuals 16 years or older are permitted to work on any day, for unlimited hours.

SYEP Hourly Wages

SYEP's hourly wages ranged from \$5.85 to \$12.85. Effective July 24, 2008, the federal hourly minimum wage increased from \$5.85 to \$6.55. The minimum wage for the 2008 SYEP was \$6.55. However, there were some SYEP participants who held jobs with the federal government or private sector who were paid higher hourly wage rates in accordance with the terms of the host agency contract.

⁵ Under special provisions, youth 14 and 15 years old who are enrolled in an approved Work Experience and Career Exploration Program may be employed for up to 23 hours during school weeks and 3 hours on school days.

FINDINGS

EXECUTIVE OFFICE OF THE MAYOR, DOES, AND THE OCFO FAILED TO PROVIDE EFFECTIVE AND EFFICIENT MANAGEMENT AND FINANCIAL OVERSIGHT OF THE 2008 SYEP

Government Accountability Office (GAO) standards for internal control states, in relevant part, that:

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved: 1) effectiveness and efficiency of operations; 2) reliability of financial reporting; and 3) compliance with applicable laws and regulations.⁶ Furthermore, control activities, such as policies, procedures, techniques, and mechanisms, are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.⁷

The Auditor found that the Executive Office of the Mayor, DOES, and the OCFO failed to provide effective and efficient management and financial oversight of the 2008 SYEP due to the:

- Failure to conduct a risk assessment of the Mayor's Open Enrollment Policy impact on the 2008 SYEP;
- Improper planning, implementation, and data verification of DSAP and the web-based time and attendance system;
- Lack of written formal policies and procedures for SYEP staff duties and responsibilities, as well as for the issuance, storage, and reconciliation of SYEP debit cards and manual checks;
- Failure to adhere to established policies and procedures regarding SYEP debit cards, payroll, and SYEP maximum allowable hours of work requirements;
- Failure to maintain adequate SYEP registration and payment records; and
- Failure to properly account for all SYEP payments issued through debit cards and manual checks.

⁶ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p. 4.

⁷ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p. 11.

Executive Office of the Mayor Failed to Perform a Risk Assessment to Properly Determine the Impact of the Open Enrollment Policy

GAO standards for internal control state: "Internal control should provide for an assessment of the risks the agency faces from both external and internal sources. Risk assessment generally includes estimating the risk's significance, assessing the likelihood of its occurrence, deciding how to manage the risk and what actions management should take."⁸

As previously stated, the Mayor verbally established an Open Enrollment Policy where by applicants could enroll at any time during the summer until August 22, 2008 and were guaranteed a work site referral. The Mayor's Open Enrollment directive coupled with other factors caused enrollment to exceed the established budget enrollment cap of 15,000 SYEP participants. According to officials in the Office of the City Administrator, there was no formalized policy for the Mayor's Open Enrollment directive.

The Auditor found that the Executive Office of the Mayor failed to perform an adequate risk assessment to determine the impact of the Mayor's open enrollment directive with no enrollment cap for the 2008 SYEP. Officials in the Office of the City Administrator 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 6 to 10 weeks;
- analyze the additional costs and fiscal impact of not maintaining the established 15,000 enrollment cap for the 2008 SYEP;
- 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
- develop a corrective action plan that would have properly managed risk, costs, and the objectives of the 2008 SYEP.

Failure to perform an adequate risk assessment to assess the impact of the Mayor's open enrollment directive increased DOES' initial budget for the 2008 SYEP from \$14.5 million to \$55.7 million.

⁸ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p. 10-11.

DOES's Improper Planning and Implementation of DSAP Along With a Web-Based Time and Attendance System Were Compromised by Poor Internal Controls and Unreliable SYEP Data

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 report⁹ 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 Charter,¹⁰
- 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.

Due to time constraints during the creation and implementation of DSAP and the web-based time and attendance system, vital testing and assessments of these systems were not conducted by DOES. The Auditor's assessment of DSAP and the web-based time and attendance system revealed that the systems did not fully adhere to SYEP requirements or provide accurate and reliable reportable data.

The Auditor's examination found the following:

- DOES failed to develop and issue a DSAP user manual to DOES staff and Host agencies or provide proper training. As a result, improper, inconsistent or often missing data was found in DSAP related to SYEP participants' registration, referral to worksite placements, recording of youth transfers between Host Agencies, and time and attendance data. For example, DSAP contained the names of 2,766 participants with blank enrollment dates as well as 1,427 SYEP participants with blank worksite referrals, yet DOES paid these 1,427 participants a total of \$384,281 in payments. Additionally, there were 549 instances, totaling \$1,676,625.85 in payments, where SYEP participants' names appeared more than once in DSAP.

⁹ Assessment Report entitled, "IG Documentation Request Report", dated August 22, 2008.

¹⁰ Defines 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.

- DOES failed to develop adequate information technology general application controls¹¹ which would ensure that DSAP data was accurate, complete, and adhered to SYEP requirements. Precluding the creation of a SYEP participant profile in DSAP with a social security number of 000-00-000 is an example of an inadequate information technology general application control. The Auditor found 146 instances totaling \$210,999.95 in payments to SYEP participants whose listed social security number did not contain the 9 numeric fields required for a valid social security number. The Auditor also found DSAP contained 62 participants, who were paid a total of \$33,809.75, with invalid zip codes. DSAP also contained 203 participants, who were paid a total of \$276,154.88 with addresses outside the District of Columbia (FL, GA, TX, MD, and VA). Table I presents a detailed listing of all SYEP payments, recorded in DSAP, that were issued to out-of-state SYEP participants.

Table I
Summary of the Total 2008 SYEP Payments
Issued to Out-Of-State Participants

State	Count	Total Payment by DOES
TX	1	\$ 00.0
FL	2	\$ 2,496.50
GA	2	\$ 2,948.00
MD	196	\$ 268,338.78
VA	2	\$ 2,371.60
Totals	203	\$ 276,154.88

Source: Electronic download of DSAP for DOES 2008 SYEP

- According to DOES IT personnel, inaccurate and unreliable data within DSAP limited DOES's ability to properly verify the integrity of the SYEP information stored as well as report reliable data. The Auditor found that DOES identified, at a minimum, discrepancies with 1,506 SYEP participants' social security numbers. The Social Security Administration was unable to verify 1,451, or 96 percent, of the 1,506 discrepancies because the names of the SYEP participants, date of birth, and/or social security number were either misspelled or invalid. However, DOES did not remove the 1,451 possible invalid participants from DSAP.

¹¹ HighBeam (www.highbeam.com) on-line research library defines information technology general application controls as transaction processing controls, which may be manual/programmed, designed to ensure the completeness, accuracy, and validity of the record/entry entered within an application system.

- DOES failed to properly examine and verify data migrated from VOS into DSAP. On June 10, 2008, DOES migrated all SYEP registration data from VOS to DSAP. In the days after the migration of data, DOES management became aware that there was a problem with the migration. The 2008 SYEP registration data in DSAP was unreliable and inaccurate. The migration incorrectly merged registration information from the 2004, 2005, 2006, and 2007 summer youth programs with data from the 2008 SYEP.

Further, the incorrect migration resulted in 2008 year-round program¹² participants also merging with the 2008 SYEP registration data in DSAP. As a result, SYEP debit cards were issued to individuals who were not registered or did not work in the 2008 SYEP. As of December 31, 2008, a total of 5,066 outstanding SYEP debit cards, totaling \$1,624,904.70, were returned to JP Morgan because youth listed in DSAP never picked up the debit cards or were not eligible to receive a debit card. To date, DOES is unable to adequately report the actual number of participants enrolled in the 2008 SYEP and actual payments made to participants.

- DOES failed to conduct an internal control assessment of the web-based time and attendance system which would have ensured host agencies had the proper capabilities to log in and enter time and attendance data accurately and completely. As a result, host sites did not provide accurate time and attendance records, if any at all. Additionally, DOES did not establish an alternative method for reporting time and attendance or verification of hours worked. Furthermore, officials in the Office of the City Administrator confirmed that, despite efforts to collect time sheets from hosts sites, time sheets were not a requirement to pay youth listed in DSAP for the 2008 SYEP.
- DOES failed to protect and secure data within DSAP. The Auditor found that user access to DSAP was not limited or monitored. From June 11, 2008 through August 24, 2008, DOES IT personnel used extremely lax standards in granting user access to DSAP. An email or telephone request was all the DOES IT Director needed to grant access to DSAP. DOES granted user names and passwords to approximately 270 individuals, which included the DOES staff, DOES IT department staff, summer youth employees, and other District employees detailed to DOES to assist with the 2008 SYEP. Further, until August 1, 2008, DOES' IT department did not require documentation of modifications to SYEP participants' profiles in DSAP that were performed by users. There was a lack of an audit trail to properly document the user who performed the

¹² During the first week of the 2008 SYEP, DOES Debit Card Supervisor identified 459 year-round¹² participants who were issued debit cards but were not part of the 2008 SYEP. DOES refers to the Mayor's Youth Leadership Institute (MYLI) as the year-round program. MYLI was founded in 1979 as a year-round program to train District of Columbia youth in the concepts of leadership and self-development. Leadership development training begins for members 14 years of age and generally concludes at age 17, when the youth is ready for college/other post-secondary opportunities. The MYLI training model emphasizes practical, hands-on experience and a holistic approach to developing leaders for the 21st century.

modification and the reason for the modification. As a consequence, this lax process and lack of information safeguarding controls exposed DSAP and DOES IT to potential, if not actual, instances of fraud, waste, and abuse.

- No formal verification of the DOES SYEP payroll process was performed due to the migration of VOS data into DSAP. Payroll analysis and verification did not occur until mid-July when OCTO was sent by the Office of the City Administrator to DOES to take over DSAP and assist DOES with SYEP IT issues. As a result, improper payments and/or payroll errors were not prevented or detected in a timely manner, if at all.

The Auditor found that these internal control issues could have been avoided had DOES adhered to recommendations made by an internal auditor on May 24, 2001. During a meeting held June 11, 2001 with OCFO, DOES officials, and representatives from outside contractors hired to install the DOES Electronic Benefits Transfer (EBT) system; the Chief of Internal Audit/International Association of Insurance Supervisors (IAIS) expressed obvious internal control issues with DOES's lack of formal documentation for planning and implementing the EBT system along with the web-based time and attendance process for the DOES SYEP. Further, the Internal Auditors "believed the DOES was not far enough in its preparation to successfully avert major problems with the launch of the new systems."¹³ To successfully avert major problems with the launch of the new systems, the internal auditors recommended that DOES officials:

- Properly plan and document the new system flowcharts;
- Maintain proper system write-ups of performed trial runs of the new system to identify any potential problems;
- Determine the prudence of implementing the new systems for all the different summer programs, rather than piecemeal;
- Study or research the legal issues involved in providing EBT cards to minors;
- Identify security issues; and
- Establish a bank reconciliation process.¹⁴

Due to DOES's improper planning and hasty implementation of DSAP and the web-based time and attendance system and the poor internal controls in place, unreliable SYEP data was created and adherence to SYEP requirements were not followed.

¹³ Memorandum from the Chief of Internal Audit/IAIS dated June 11, 2001.

¹⁴ Ibid.

DOES's Failure to Develop Critical Formal Policies and Procedures Affected the Accountability and Effectiveness of the SYEP

GAO standards for internal control states: "Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing the agency's control objectives."¹⁵ According to GAO, there are certain categories of internal control activities that are common to all agencies: (1) physical control over vulnerable assets, (2) segregation of duties, (3) accurate and timely recording of transactions and events, (4) accountability for resources and records, and (5) appropriate documentation of transactions.¹⁶

The Auditor found that DOES failed to establish written policies and procedures related to various aspects of the 2008 SYEP. DOES lacked written guidelines for SYEP staff roles, functions, and responsibilities within the SYEP Program Unit, Placement Unit, and Payroll Unit. Without official policies and procedures, there was no basis on which to hold SYEP staff accountable for the quality of their work or the effectiveness of their daily practices.

Although DOES developed and issued policies and procedures to all SYEP participants on the use of SYEP debit cards, DOES failed to develop internal formal policies and procedures for staff regarding the storage, distribution, accounting, reconciliation, monitoring, and safeguarding of SYEP debit cards. The Auditor found that:

- DOES failed to establish physical controls designed to secure and safeguard SYEP debit cards. Various DOES managers and IT personnel were allowed access to the DOES's debit card storage room. DOES had inadequate controls in place to track direct access to the debit card storage room. For example, individuals with access to the DOES debit card storage room could go in and out without DOES officials having any knowledge of: (1) how many times individuals were accessing the debit card storage room; or (2) what debit cards were being taken from the storage room.
- DOES failed to establish proper segregation of duties with regards to access to SYEP debit cards. Access to SYEP's debit card storage room was granted to DOES IT department staff, the same persons who also had direct access to DSAP and communicated directly with JP Morgan in ordering debit cards and establishing SYEP participant profiles in DSAP.
- DOES lacked a written or electronic system which properly recorded the individual distributing each SYEP debit card. As a result, DOES was unable to

¹⁵ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p. 11.

¹⁶ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) ps. 14 and 15.

adequately report the date the debit card was issued, the staff person who issued the debit card, or the recipient of each SYEP debit card.

- DOES failed to conduct periodic reconciliations of SYEP debit cards by comparing the total number of SYEP debit cards on hand to a bank master listing and information contained in DSAP. Periodic reconciliation of SYEP debit cards would ensure timely record-keeping, proper monitoring, accountability, and could have reduced the risk of theft, fraud, or misuse. On December 5, 2008, the Auditor found 770 outstanding SYEP debit cards, totaling at a minimum \$158,536.66, in the DOES Debit Card Supervisor's office although he had requested that OCFO officials pick them up in September 2008. To date, DOES is still unable to accurately report or account for the total number of debit cards issued and the amount of funds loaded on each SYEP debit card ordered, issued, and outstanding.
- DOES failed to properly establish a limit on the total number of replacement debit cards a SYEP participant could request. The Auditor found that SYEP participants could and did call multiple times within a day or week for a replacement debit card and JP Morgan would issue a replacement card each time at a cost to the District of \$7.50 per replacement card. This cost the District, at a minimum, \$8,526 in additional cost for a total of 3,938 replacement debit cards,¹⁷ requested by SYEP participants. Table II presents information from JP Morgan's first invoice as of December 17, 2008 for a total of 3,938 replacement debit cards totaling \$8,526.

Table II
JP Morgan Fed-Ex and Replacement Card Fees for the 2008 SYEP
From June through November 2008

MONTH	TOTAL NUMBER OF SYEP DEBIT CARDS ISSUED BY JP MORGAN	TOTAL JP MORGAN FEES
June	53	\$181.76
July	1,065	\$2,244.17
August	1,998	\$4,063.19
September	669	\$1,526.91
October	125	\$415.58
November	28	\$94.44
TOTALS	3,938	\$8,526.05

Source: JP Morgan Invoice dated December 17, 2008

¹⁷ JP Morgan charged the District \$7.50 per replacement after the 1st free replacement debit card per calendar year, per SYEP participant.

In addition to the 3,938 replacement debit cards, DOES officials stated that an additional 118 replacement debit cards, costing at a minimum \$885 in fees, were returned to JP Morgan on January 9, 2009.¹⁸

- DOES failed to terminate the issuance or replacement of SYEP debit cards until January 7, 2009 at which point DOES still had 810 SYEP debit cards in their possession. DOES's failure to establish a termination date on the issuance or replacement of SYEP debit cards resulted in the on-going issuance and continuous banking services of debit cards five months after the end of the 2008 SYEP program.

DOES's Failure to Adhere to Established SYEP Policies and Procedures Resulted in Non-Compliance with Requirements for SYEP Registration, Allowable Work Hours, Timesheet Reporting, and Payments

The Auditor conducted a random sample of 150 SYEP participants listed in DSAP. Upon review and assessment of data for 150 SYEP participants enrolled and paid a total of \$210,445.61, the Auditor found:

- DOES documentation did not substantiate full compliance with SYEP registration policies and procedures. DOES enrollment policies and procedures required District youth to complete and return a 2008 Passport-To-Work Summer application. Of the sampled 150 SYEP participants listed in DSAP, the Auditor could not locate 108 Passport-To-Work summer application forms. Due to the lack of formal SYEP application forms, DOES cannot properly substantiate the legitimacy of these 108 SYEP participants, who were paid a total of \$156,330.61, and whether they met the DOES registration eligibility requirements.
- Seven of the 42 SYEP application forms found lacked formal proof that DOES In-Take Personnel verified documentation to properly substantiate the applicant's eligibility to participant in the 2008 SYEP such as the applicant's birth certificate, driver's license, non-driver's identification, and social security card.
- DOES failed to adhere to SYEP maximum allowable hours of work requirements. According to SYEP policies and procedures on the maximum allowable hours of work, SYEP participants 14 to 15 years of age are allowed to work a maximum of 20 hours per week. SYEP participants 16 to 21 years of age are permitted to work a maximum of 30 hours a week. However, in accordance with the terms of some host agency contracts DOES permitted SYEP participants 18 to 21 years of age,

¹⁸ As of February 3, 2009, JP Morgan had yet to formally invoice DOES for the 118 SYEP replacement debit cards.

who were referred to federal government or private sector work sites, the ability to work up to 40 hours a week, 80 hours bi-weekly. The Auditor found that time sheet data recorded in DSAP for 75 SYEP participants, who were paid a total of \$107,547.35, exceeded the allowable weekly maximum hours of work established by DOES SYEP requirements. Table III presents the 2,362 hours over the allowable weekly maximum by age group paid by DOES. In none of these 75 instances was a reason provided as to why these SYEP participants were permitted to exceed the allowable maximum hours of work.

Table III
Total Number of Hours Over the Allowable Weekly Maximum

AGE GROUP	TOTAL NUMBER OF INSTANCES PER AGE GROUP	TOTAL NUMBER OF HOURS OVER THE ALLOWABLE WEEKLY MAXIMUM
14	26	697
15	26	806
17	1	10
18	9	289
19	5	240
20	6	270
21	2	50
TOTAL	75	2,362

Source: Electronic time sheet and payment data for DOES 2008 SYEP

- 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 SYEP program director, should review and approve all attendance documents before he or she submits them to Information Technology for processing.

The Auditor found, however, that DOES did not adhere to these policies and officials in DOES and the Office of the City Administrator confirmed that electronic or hard copy time sheets were often not provided by host sites or required by DOES before making payments to youth. Of the 150 SYEP participants reviewed, 126 were paid a total of \$184,997, but had no time sheet data recorded or the time sheet data entered into DSAP did not properly support the total number of hours paid by DOES.

- In 28 instances, totaling \$44,769.49, the payment data recorded in the Pay Center application system exceeded the payment data recorded in DSAP by \$7,617.27. The Auditor found that debit card increase adjustments and the issuance of SYEP manual checks were not reconciled or entered into DSAP. For example, in one instance, the SYEP participant payment data within DSAP stated that the participant received a total of \$1,663.50 in payments. However, the payment data recorded within the Pay Center application system stated that the SYEP participant received \$2,166.86, a difference of \$503.36 in payments. This difference was attributed to DOES's failure to reconcile or record payment data (two debit card increase adjustments) in DSAP. As a result, DSAP payment data for the 2008 SYEP is incomplete and unreliable.
- DOES failed to fully comply with their payroll policies and procedures. DOES's payroll policy states: "Under no circumstances will DOES be responsible for paying unassigned youth." Yet, the Auditor found that 14 of the 150 SYEP participants in our sample were not referred to a work site yet were paid a total of \$20,951.38. In another assessment of DSAP, out of 21,409 records the Auditor found approximately 1,427 SYEP participants with no work site assignments, yet DOES paid these participants a total of \$384,281.
- Payments to youth who were not properly assigned to an actual work site resulted in numerous District youth not properly learning the value of earning money through the experience of gainful employment. On December 2, 2008, the Auditor observed the effect of this when a 20 year old SYEP participant came into DOES's office at 625 H Street NE to claim his SYEP debit card. The last deposit to this individual's debit card was on September 11, 2008 in the amount of \$241.97. Upon review of the SYEP participant data within DSAP, the DOES Debit Card Supervisor refused to issue the individual the debit card because he was not assigned to a work site. The individual was upset and stated: "he did not work in 2008 but rather in the 2007 SYEP and requested to be paid since he had been paid a total of \$1,700 for not working during the 2008 summer although he had not registered for the program."

Upon further review, the Auditor found that this individual's profile within DSAP was not complete and he was not assigned to a work site by DOES, yet was paid a total of \$2,421.50 for the 2008 SYEP. The individual was issued a SYEP debit card and received payments throughout the 2008 SYEP as a result of the incorrect migration of registration information from VOS to DSAP.

OCFO's Failure to Adhere to Established DOES 2008 SYEP Debit Card Policies and Procedures Resulted in Inaccurate and Untimely Recording of SYEP Outstanding Debit Card Transactions

DOES's CFO established written policies and procedures for the delivery, storage, and distribution of SYEP debit cards. The policies and procedures stated that:

- DOES staff must submit a list of all distributed and outstanding SYEP debit cards on the 2nd and 4th Friday of each month to the OCFO's Office of Finance and Treasury Disbursement Office;
- Any discrepancies would be reported immediately to the Budget Office financial manager for resolution; and
- Debit cards held by DOES for more than 30 days must be returned to the bank and a report submitted to the Disbursement Office.

The Auditor found that the OCFO failed to adhere to the SYEP debit card policies and procedures. Throughout the entire 2008 SYEP, the OCFO failed to compare and verify the total number of SYEP debit cards received from JP Morgan with a consolidated DSAP listing of registered participants. As a result, analyses were not performed by OCFO nor were variances immediately reported or corrected in a timely manner.

The Auditor found that the OCFO failed to communicate the Debit Card Delivery, Storage, and Card Distribution policies and procedures to accountable DOES managers and officials. As a result, SYEP debit cards were not periodically reconciled in accordance with OCFO's debit card policy. The Auditor also found that the OCFO failed to maintain an accurate listing of all distributed and outstanding SYEP debit cards. To date, the OCFO is unable to accurately report or account for the total number debit cards distributed and/or outstanding along with the amount of funds loaded on each individual SYEP debit card.

Additionally, the OCFO failed to comply with their debit card policy regarding returning to JP Morgan SYEP debit cards held for more than 30 days. Instead, the OCFO waited until the end of the 2008 SYEP to return all outstanding SYEP Debit cards held by DOES to JP Morgan. The Auditor found that OCFO returned outstanding SYEP debit cards on three different dates. Table IV presents a total of 5,855 SYEP debit cards totaling, at a minimum, \$1,677,047.33 that the OCFO returned to JP Morgan. The OCFO's failure to adhere to the 30 day debit card return policy for unclaimed SYEP debit cards deprived the District of potential monthly interest earnings and impaired the accountability and integrity of District funds by increasing the risk of theft, fraud, or misuse.

Table IV
Total SYEP Debit Card Returned to JP Morgan as of January 23, 2009

DATE OCFO RETURNED THE DEBIT CARDS TO JP MORGAN	TOTAL DEBIT CARDS RETURNED TO JP MORGAN	TOTAL DOLLAR VALUE OF DEBIT CARDS REFUNDED TO THE DISTRICT
September 5, 2008	1,659	\$837,730.68
September 22, 2008	3,407	\$791,174.03
January 23, 2009	789	\$ 48,142.62
TOTAL	5,855	\$1,677,047.33

Source: JP Morgan invoice provided by the OCFO.

The Auditor also found that 21 unclaimed SYEP debit cards were unaccounted for by the OCFO. On January 23, 2009, the OCFO returned 789 unclaimed SYEP debit cards to JP Morgan; however, according to a DOES unclaimed SYEP debit card inventory listing dated January 7, 2009, 810 SYEP debit cards should have been returned. OCFO officials were unable to explain why 21 unclaimed SYEP debit cards are unaccounted for between the DOES and OCFO unclaimed SYEP debit card inventory listings. As a result, there exist the possibility that 21 unclaimed SYEP debit cards were lost, stolen, or misplaced while in the possession of OCFO personnel. It is apparent that the OCFO's failure to properly manage and account for all unclaimed SYEP debit cards has resulted in unreliable financial data and an increased risk of theft, fraud, and misuse of District funds.

OCFO Failed to Record \$1,677,047 in SYEP Debit Card Refunds to the District in a Timely Manner

According to GAO standards for internal control, transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.¹⁹

The Auditor found that the OCFO failed to record, in a timely manner, refunds from JP Morgan totaling approximately \$1,677,047. In total, there were three separate wire transfers of refunds issued to the District for 5,855 "un-issued" SYEP debit cards. Upon review of bank statements and journal entries in the District's System of Accounting and Reporting (SOAR), the Auditor found that on average it took the OCFO 29 days from the date the wire refund was received from JP Morgan to record the deposit transactions in SOAR. As a result, the OCFO lacked accurate and up-to-date accounting records to adequately support critical operational functions related to the 2008 SYEP.

¹⁹ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p. 15.

DOES and the OCFO Used Inadequate Accounting Methods to Maintain and Record SYEP Debit Card Transactions

GAO standards for internal control state: “All transactions and other significant events need to be clearly documented and the documentation should be readily available for examination. All documentation and records should be properly managed and maintained.”

The Auditor found that DOES and the OCFO were co-mingling debit card accounting transactions for various DOES youth programs into a single bank account. DOES current summer youth debit card bank account includes not only SYEP debit card transactions but also transactions related to the monthly payroll/stipends for the In-School²⁰, Out-of-School²¹, and the Mayor’s Youth Leadership Institute programs. Combining accounting records/transactions for various DOES youth programs and budgets is an ineffective method for maintaining accurate and complete accounting records of transactions and accountability of resources on a program-by-program basis. Separate debit card accounts should be separately maintained for each of the different programs managed by DOES. This accounting method would ensure that transactions (deposits and withdrawals) are properly recorded, managed, and maintained. Further, this internal control method would ensure that funds for each of the youth programs are properly monitored and accountability for funds are easily traced back to the individual program budget or account.

OCFO Failed to Properly Manage and Safeguard District Funds

Effective June 21, 2008 and throughout the entire 2008 SYEP, the Executive Office of the Mayor decided to “blanket pay” all youth listed in DSAP, paying the full maximum amount to each listed participant in accordance with their age group. In order to comply with the Executive Office of the Mayor’s “blanket pay” policy as well as resolve SYEP payroll payment issues at the Pay Center, the OCFO generated batches of “Blank Payee” pre-printed SYEP manual checks. For each SYEP pay period, after June 21, 2008, the DOES CFO ordered batches of “Blank Payee” pre-printed SYEP manual checks with specific dollar amounts based on the allowable maximum number of hours SYEP participants could work per age group (14 to 15 years of age and 16 to 21 years of age). Table V presents a summary of the total dollar value along with the total number of pre-printed SYEP manual checks generated per batch by the OCFO for the 2008 SYEP.

²⁰ DOES In-School Program provides academic enrichment activities, work-readiness skills, project based learning, life skills and leadership development. The goal of the program is to help prepare District youth to successfully transition from high school into post-secondary education, advanced training, unsubsidized employment, or a career in the military. During the school year, youth ages 14 to 18 will have the opportunity to participate in the In-School Program. To be eligible, youth must be a District resident in grades 9 through 12. In-School Program participants remain in this program until graduating from high school and receive follow up services.

²¹ DOES Out-of-School Program provides skills workshops, career awareness and work readiness modules, basic education, GED preparation, and basic computer training; as well as vocational skills training. This is a year round program that serves youth, ages 16 to 24, who are no longer attending secondary/post-secondary school.

Table IV
Summary of the Total Dollar Value and Total Number of Pre-Printed SYEP
Manual Checks Generated Per Batch by the OCFO

Check Issue Date Printed on the Batch of Pre-Printed SYEP Manual Checks	Total Number of Pre-Printed SYEP Manual Checks Generated	Beginning Serial Check Number	End Serial Check Number	Total Net Value (after taxes) of the Batch of Pre-Printed SYEP Manual Checks
7/2/2008	1,463	7025480	7026941	\$ 206,437.15
7/21/2008	700	7037725	7038424	\$ 216,589.00
7/31/2008*	300	7046065	7046364	\$ 97,245.00
7/31/2008*	300	7046065	7046364	\$ 97,245.00
8/5/2008	500	7049215	7049714	\$ 162,075.00
8/14/2008	1,550	7055203	7056752	\$ 275,229.50
TOTAL	4,813		TOTAL	\$ 1,054,820.65

Source: Check Usage Reports from the OCFO Office of Finance and Treasury

*Duplicate check numbering sequence

At the Pay Center, the OCFO staff were the only individuals authorized to fill out the "Blank Payee" pre-printed SYEP manual checks with specific SYEP participants' name and issue the pre-printed SYEP manual checks to the SYEP participant. An example of a pre-printed manual check with no payee name is printed below.

Copy of a DOES "Blank Payee" Pre-Printed 2008 SYEP Manual Check

560952

THE FACE OF THE DOCUMENT HAS A MULTICOLORED BACKGROUND AND AN INTRICATE SECURITY PATTERN

GOVERNMENT OF THE DISTRICT OF COLUMBIA 7046163 06-798 931

50 CF1 121 007046163 07/31/2008

*THREE*HUNDRED*TWENTY-FOUR*DOLLARS*AND*15****

*CENTS*****

73 9200802261 000

DOLLARS CTS.

*****324.15

VOID 180 DAYS FROM DATE

PAY TO THE ORDER OF OCFO-OFOS

810 FIRST ST, NE, SUITE 200

WASHINGTON DC 20002-8020

Bank of America
Washington, DC

R*STARS ONLY

⑈ 7046163⑈ ⑆053107989⑆ 00048011254⑈

The Auditor found that OCFO personnel were unable to provide a complete, accurate, and reliable listing with totals of all the pre-printed manual checks ordered, issued, voided, and/or cancelled as well as the total payroll taxes paid on the SYEP manual checks issued during the 2008 SYEP.

The Auditor's analysis, based on a review of data recorded in SOAR and review of Check Usage Reports from the OCFO's Office of Finance and Treasury, revealed that:

- From July 2, 2008 to August 14, 2008, 4,813 pre-printed SYEP manual checks were generated totaling \$ 1,054,820.65 in net value, after payroll taxes.
- Of the 4,813, 1,793 pre-printed SYEP manual checks totaling \$ 441,720.39 in net value were issued to SYEP participants.
- Of the 4,813, 3,019 pre-printed SYEP manual checks totaling \$ 613,100.26 were cancelled.

During the review of the pre-printed SYEP manual checks, the Auditor found that although some SYEP manual checks were recorded as "Cancelled" in SOAR, they were actually cashed. The Auditor confirmed this through a review of Bank Reconciliation Reports from the OCFO's Office of Finance and Treasury. SYEP manual checks recorded as "Cancelled" in SOAR were cashed due to a duplication error within pay period #3. The Auditor found that there were 300 duplicate checks printed and funded with the same sequential check number. As a result, for pay period #3 (check issue date of July 31, 2008) there were 600 SYEP manual checks

"printed" totaling \$194,490 with the same set of sequential numbering of 7046065 through 7046364. The OCFO's failure to properly reconcile and manage SYEP manual checks allowed this duplication error to go undetected and unresolved for approximately 8 months. As of March 13, 2009, OCFO personnel had still not properly reconciled the pre-printed manual checks ordered, issued, cashed, voided, and/or cancelled.

OCFO Failed to Maintain An Adequate and Complete Check Log to Support All of the Pre-Printed 2008 SYEP Manual Checks Ordered, Issued, Voided, and/or Cancelled

1 DCMR § 1502.1 states: "Agency heads shall establish controls over the creation of records to ensure that adequate and proper records are made and preserved in the District government."²²

The Auditor found that the OCFO's manual check log for the 2008 SYEP pre-printed manual checks was inaccurate, incomplete, and thus unreliable. The OCFO's manual check log accounted for only 1,647 manual checks totaling \$465,466.59 in payments; representing only 34% of the total 4,813 "Blanket Payee" pre-printed manual checks totaling \$1,054,820.65 in net value. OCFO's failure to provide controls over the manual check log for the 2008 SYEP pre-printed manual checks increased the risk of theft, loss, and/or misuse of District funds.

Additionally, the Auditor found that none of the 1,647 pre-printed manual check transactions were properly recorded by OCFO staff due to misspelled payee names, incomplete and/or missing data. Each of the 1,647 pre-printed manual check transactions failed to properly record vital information (payee name, last 4 digits of the payee's social security number, payee's date of birth, payee's age, full home address, check status, log date (date check was issued by OCFO staff at the Pay Center) to properly ensure that transaction records were accurate and complete.

RECOMMENDATIONS

1. Executive Office of the Mayor and the DOES establish an enrollment cap for the 2009 and 2010 SYEP to ensure fiscal accountability and that SYEP objectives are achieved given the District's current fiscal and economic difficulties.
2. DOES not utilize the current SYEP data in DSAP for the 2009 SYEP until all of the data has been verified and validated for accuracy, completeness and reliability.

²² See 1 DCMR § 1502.3, which further states: "The record of every transaction of public business by any District official or employee shall be complete to the extent required by the following: (a) to facilitate actions by incumbents and their successors in office; (b) to make possible proper oversight by the Council of the District of Columbia, courts and other authorized agencies of the government, and other persons responsible for the manner in which public business has been discharged; and (c) to protect the financial, legal and other rights of the government and of person affected by the government's actions."

3. DOES conduct and properly document an internal control assessment of DSAP and the web-based time and attendance system. This internal control assessment should properly flow-chart the system's individual operations, guidelines and requirements, internal control weaknesses and corrective actions taken by DOES officials to strengthen the weaknesses and effectively resolve issues.
4. DOES develop general application control functions within DSAP to facilitate and ensure full compliance with SYEP registration and payment requirements.
5. DOES develop an audit trail function within DSAP which properly time stamps and documents the DSAP user who performs modifications to SYEP participants' profiles in DSAP, along with the reason for the modification.
6. DOES develop and distribute written policies and procedures for the issuance and monitoring of user access to DSAP. Additionally, in order to ensure data integrity and safeguard SYEP participants' personal data in DSAP DOES should limit user access based on specific SYEP personnel duties and responsibilities or establish various levels of user access rights to DSAP data which would require prior approval before performing certain activities within DSAP.
7. DOES develop a written payroll verification system to effectively ensure proper SYEP payroll payments as well as ensure payroll errors are detected and resolved in a timely manner.
8. DOES document all payroll verifications performed prior to the issuance of SYEP payroll payments.
9. DOES develop a written DSAP User Manual which clearly details data entry requirements for SYEP registration, host agency profile information, time and attendance, host site referral, payment, and host site transfers. The DSAP User Manual should be issued to all SYEP staff involved in the SYEP Program Unit, Placement Unit, and Payroll Unit.
10. DOES provide training for DSAP and the web-based time and attendance system to all SYEP staff and responsible personnel of host agencies.
11. DOES develop written guidelines for DOES staff roles, functions, and responsibilities within the SYEP Program Unit, Placement Unit, and Payroll Unit.

12. DOES develop written policies and procedures which ensure proper authorization and access to SYEP debit cards.
13. DOES develop a written or electronic system which properly records the distribution of SYEP debit cards. The system must record the date the SYEP debit card was issued, the DOES staff who issued the debit card, and the recipient of the debit card.
14. DOES develop written policies and procedures for periodic reconciliation of SYEP debit cards. This policy should be properly communicated to all DOES and OCFO staff involved in the ordering, distribution, and maintenance of SYEP debit cards in order to ensure compliance.
15. DOES eliminate the SYEP replacement debit card policy which grants SYEP participants the authority to contact JP Morgan directly each time their SYEP debit cards are lost or stolen. In order to ensure proper oversight of District funds allocated to pay debit card replacement fees for lost or stolen debit cards, DOES should manage the process of replacing lost or stolen debit card directly with JP Morgan, as well as establish a limit on the total number of times a SYEP replacement debit card will be replaced free of charge; including a fee to be paid by the participant. This policy should be communicated to JP Morgan and included in contract language in order to ensure compliance.
16. DOES establish a policy for a termination date for the issuance of SYEP debit cards to SYEP participants once the program has ended. This policy should be properly communicated to JP Morgan in order to ensure full compliance to avoid additional banking fees to the District.
17. DOES and OCFO investigate, reconcile, and cancel all unclaimed 2008 SYEP debit cards and related bank accounts.
18. DOES conduct and document periodic reviews of SYEP application forms to ensure full compliance with SYEP registration policies and procedures.
19. DOES develop an electronic system application control function within DSAP to ensure full compliance with SYEP maximum allowable hours of work requirements per age group. This application control function should properly record justifications and instances where SYEP participants are permitted to work over the allowable maximum hours of work mandated by SYEP requirements.

20. DOES ensure the submission, review, and approval of time sheets or the web-based time and attendance records prior to the processing and issuance of SYEP payments.
21. DOES adhere to SYEP payroll policy and procedures by not issuing SYEP payroll payments to SYEP participants who have not been referred to a work site.
22. DOES establish written reconciliation policies and procedures for payments issued at the Pay Center(s) and later recorded within DSAP to ensure that DSAP contains complete, accurate, and reliable SYEP payment information.
23. SYEP debit card policies and procedures developed by DOES and the OCFO be properly communicated to all DOES and OCFO personnel in order to ensure full compliance and accountability.
24. The OCFO verify that the total number of SYEP debit cards received from JP Morgan, or banking contractor are reconciled to a SYEP DSAP listing of registered participants prior to the release or delivery of SYEP debit cards to participants.
25. The OCFO comply with SYEP debit card policy by returning SYEP debit cards held more than 30 days to JP Morgan, or the appropriate banking contractor.
26. The OCFO periodically reconcile SYEP debit cards to ensure that an accurate and timely listing of all the debit cards distributed and outstanding is maintained.
27. The OCFO reconcile all the 2008 SYEP unclaimed debit cards and ensure that funds allocated to these unclaimed debit cards have been properly refunded back to the District. Additionally, the OCFO investigate and account for the 21 outstanding 2008 SYEP debit cards not returned to JP Morgan on January 23, 2009.
28. The OCFO record wire refunds deposits for DOES SYEP within 24 hours of the deposit date in order to ensure accurate and timely recording of transactions and events.
29. The OCFO develop separate bank accounts for each DOES youth program in order to ensure accurate and complete accounting of District funds among programs.

30. The OCFO identify and properly record the payroll taxes paid on the 1,793 SYEP manual checks, totaling \$441,720.39 in net value, issued during the 2008 SYEP.
31. The OCFO develop and maintain a complete, accurate, and reliable manual check log for all pre-printed manual checks ordered, issued, cashed, voided, and/or cancelled in order to properly and accurately report financial data related to the 2008 SYEP.
32. The OCFO establish written policies and procedures for the 2009 reconciliation and management oversight of SYEP manual check log transactions. To ensure compliance with 1 DCMR §1502.1 and maintain the integrity and security of District funds by ensuring accurate and reliable reportable data related to SYEP manual check transactions.

DOES FAILED TO DEVELOP SUFFICIENT INTERNAL CONTROLS TO EFFECTIVELY MEET SYEP OBJECTIVES AND PROTECT THE SYEP FROM FRAUD, WASTE, AND ABUSE.

GAO standards for internal control state: “Internal Control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and in doing so, support performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Therefore, internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources.”²³[Auditors Emphasis]

Lack of adequate internal controls and program mismanagement by DOES and other executive branch officials caused the 2008 SYEP program to fall short of achieving its program objectives and ensuring District assets were properly managed and safeguarded from fraud, waste, and abuse.

Based on interviews and assessments of the 2008 SYEP application, registration, job assignment, ordering of debit cards, and payment process the Auditor found the following internal control weakness within the 2008 SYEP:

- Lack of formal policies and procedures,
- Inadequate controls over information processing,
- Inadequate physical control over vulnerable assets such as SYEP debit cards,
- Improper segregation of duties related to access to the SYEP debit card storage room,

²³ See Standards for Internal Control in Federal Government, GAO/AIMD-00-21.3.1 (11/99) p.4

- Unlimited user access to DSAP,
- Improper and untimely recording and execution of SYEP transactions and events,
- Limited verification of DSAP data, SYEP time sheets, as well as SYEP debit cards, and
- Lack of communication between DOES and OCFO.

Appendices I through V illustrate each of the individual DOES internal control weakness identified by the Auditor for the 2008 SYEP.

RECOMMENDATION

DOES document the corrective actions taken to mediate all of the internal control weakness and/or issues outlined within the 5 different SYEP flow-carts in Appendixes I through V and properly communicate the internal control weakness along with corrective actions to all DOES and OCFO staff in order to ensure full compliance.

CONCLUSION

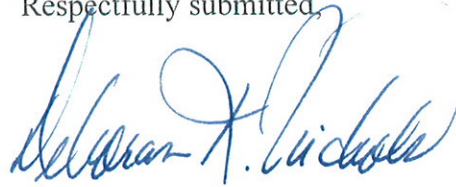
The Auditor found that DOES, the Executive Office of the Mayor (EOM), and the Office of the Chief Financial Officer (OCFO) failed to provide effective and efficient management and financial oversight of the 2008 SYEP. Moreover, accountable management personnel in these agencies failed to: (1) conduct a risk assessment of the financial and budgetary impact of the Mayor's Open Enrollment Policy for the 2008 SYEP; and (2) develop sufficient internal controls to effectively meet the SYEP objectives and protect the SYEP from fraud, waste, and abuse.

The Auditor's examination found that the EOM's failure to perform an adequate risk assessment to assess the financial impact of the Mayor's Open Enrollment Policy caused the budget for the 2008 SYEP to increase from \$14.5 million to \$55.7 million. Given the District's current budget shortfalls, the EOM and DOES must establish an enrollment cap for the 2009 and 2010 SYEP to ensure fiscal accountability.

The Auditor's examination also found that due to the lack of sufficient internal controls: (1) SYEP registration information, such as social security numbers were not properly safeguarded; (2) SYEP registration documentation could not be located; and (3) unreliable registration data was created. The Auditor further found that 5,855 outstanding SYEP debit cards totaling, at a minimum, \$1,677,047.33 were not returned to JP Morgan for a full refund to the District until the end of the 2008 SYEP. Lastly, the Auditor's review found that, throughout the 2008 SYEP, the OCFO failed to properly manage and account for all issued and unclaimed SYEP debit cards and pre-printed manual checks. As a result, the OCFO impaired the system of accountability and integrity for District funds by increasing the risk of theft, fraud, and misuse. The Auditor also found that as of March 13, 2009, OCFO personnel had still not properly reconciled the pre-printed manual checks ordered, issued, cashed, voided, and/or cancelled.

The lack of efficient and effective financial and management oversight by DOES, EOM, and the OCFO caused the 2008 SYEP program to fall short of achieving its program objectives and ensuring District assets were properly managed and safeguarded from fraud, waste, and abuse.

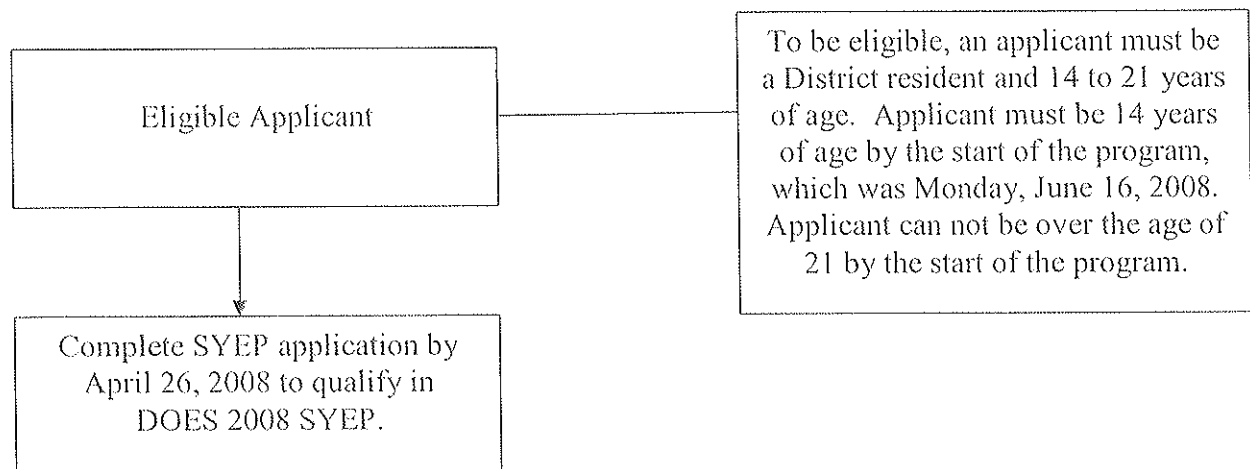
Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Deborah K. Nichols", is written over the typed name.

Deborah K. Nichols
District of Columbia Auditor

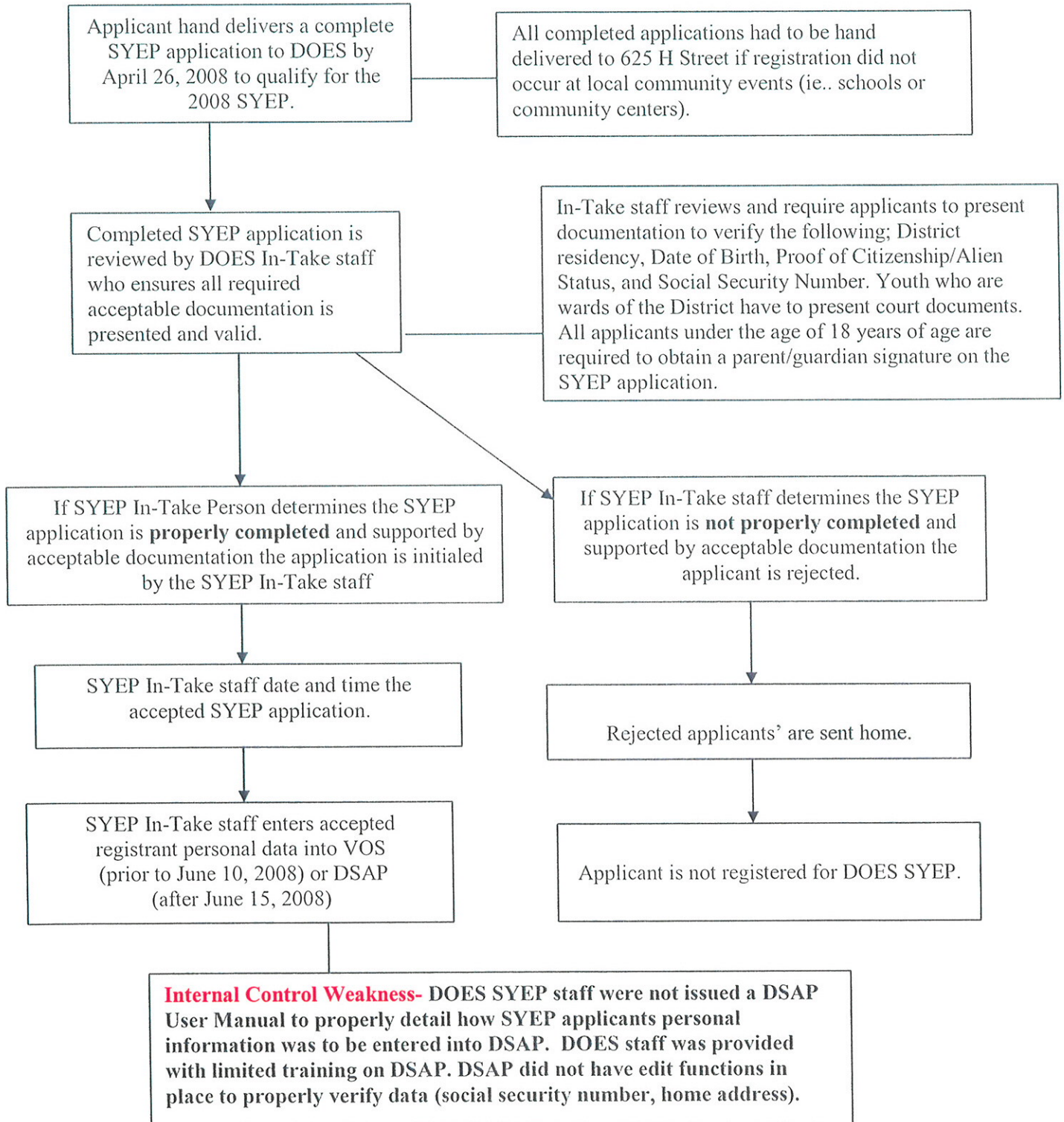
APPENDICES

DOES 2008 SYEP Application Process



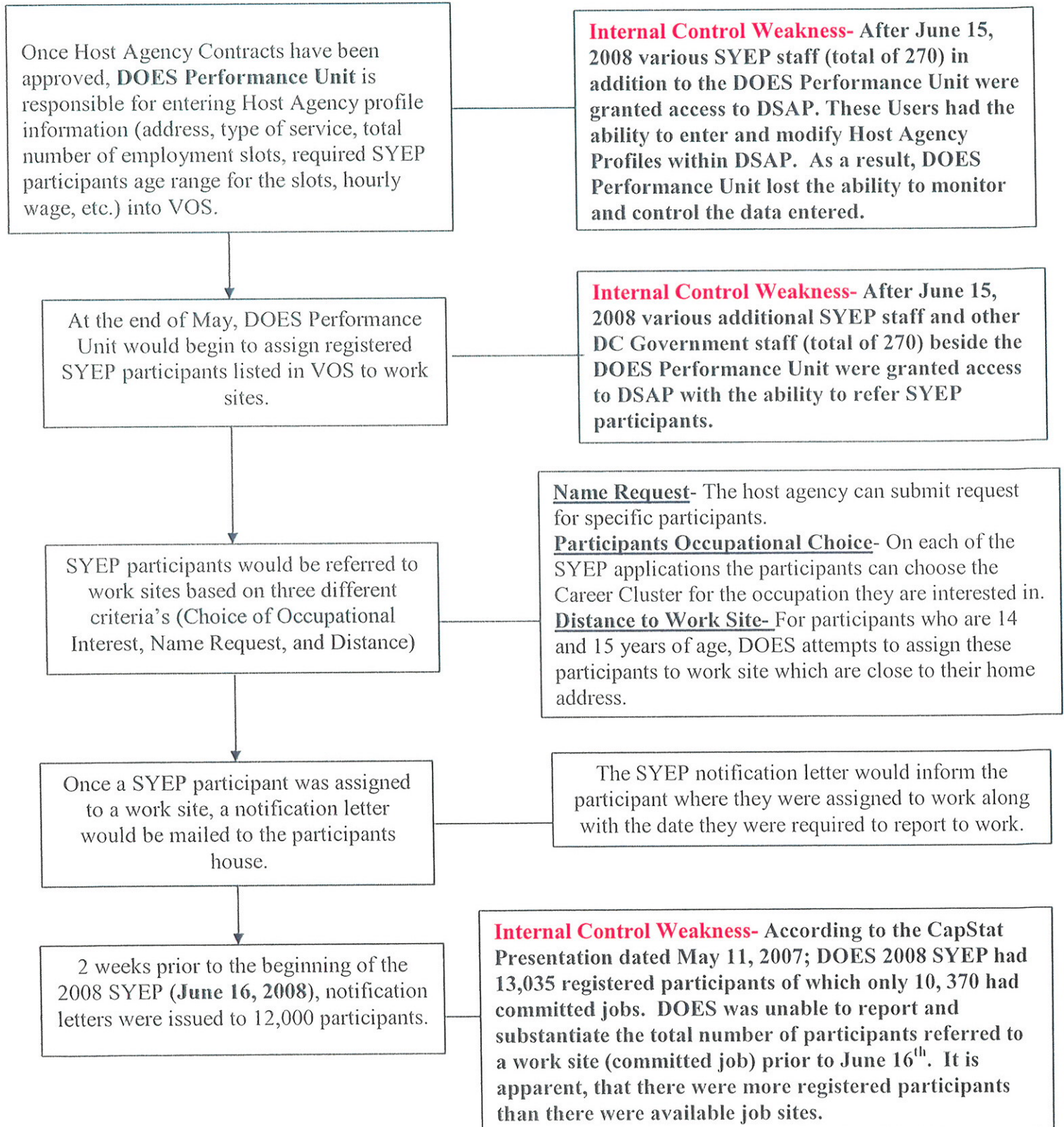
APPENDIX II

DOES 2008 SYEP Registration Process



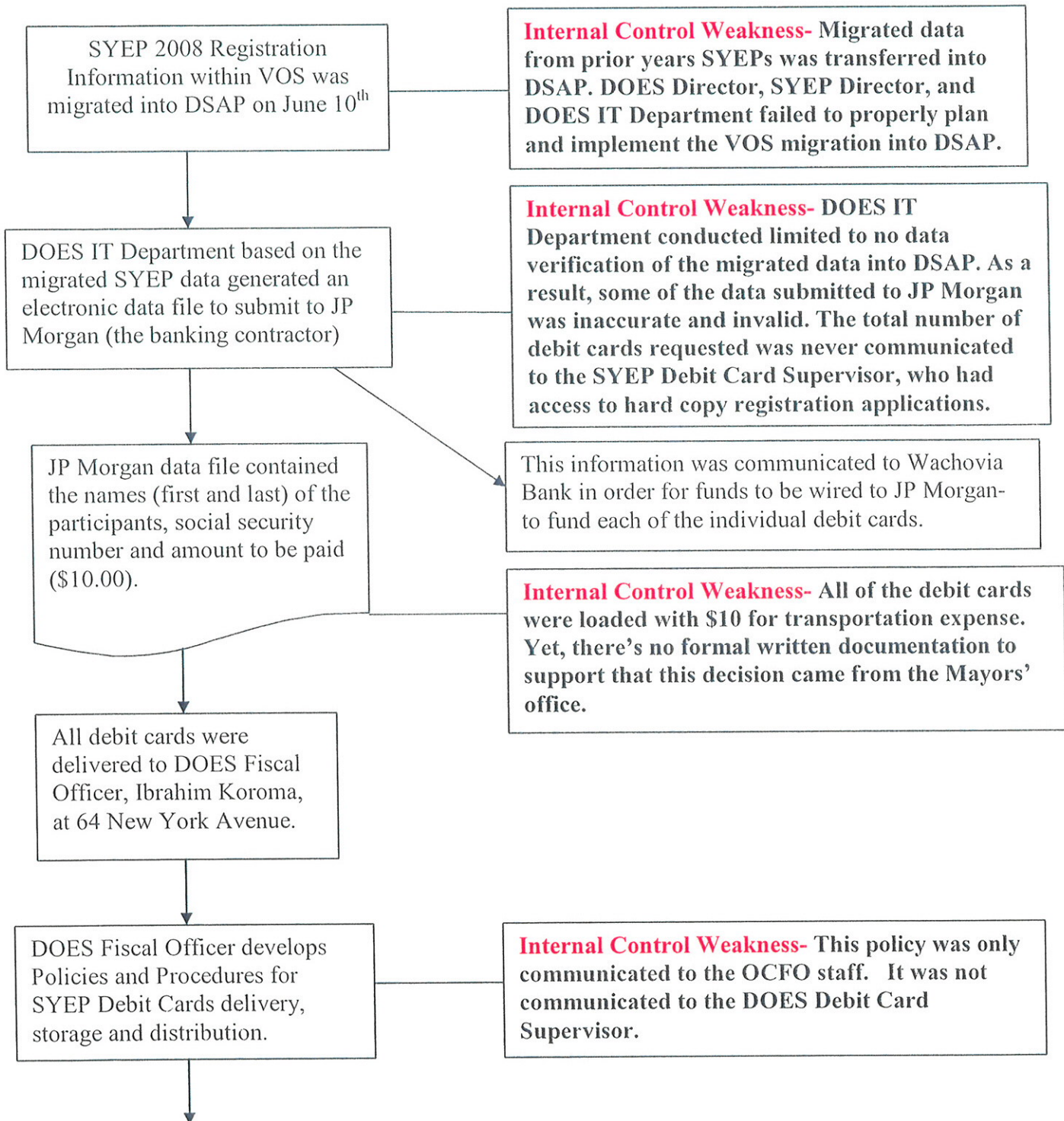
APPENDIX III

DOES 2008 SYEP Job Assignment Process



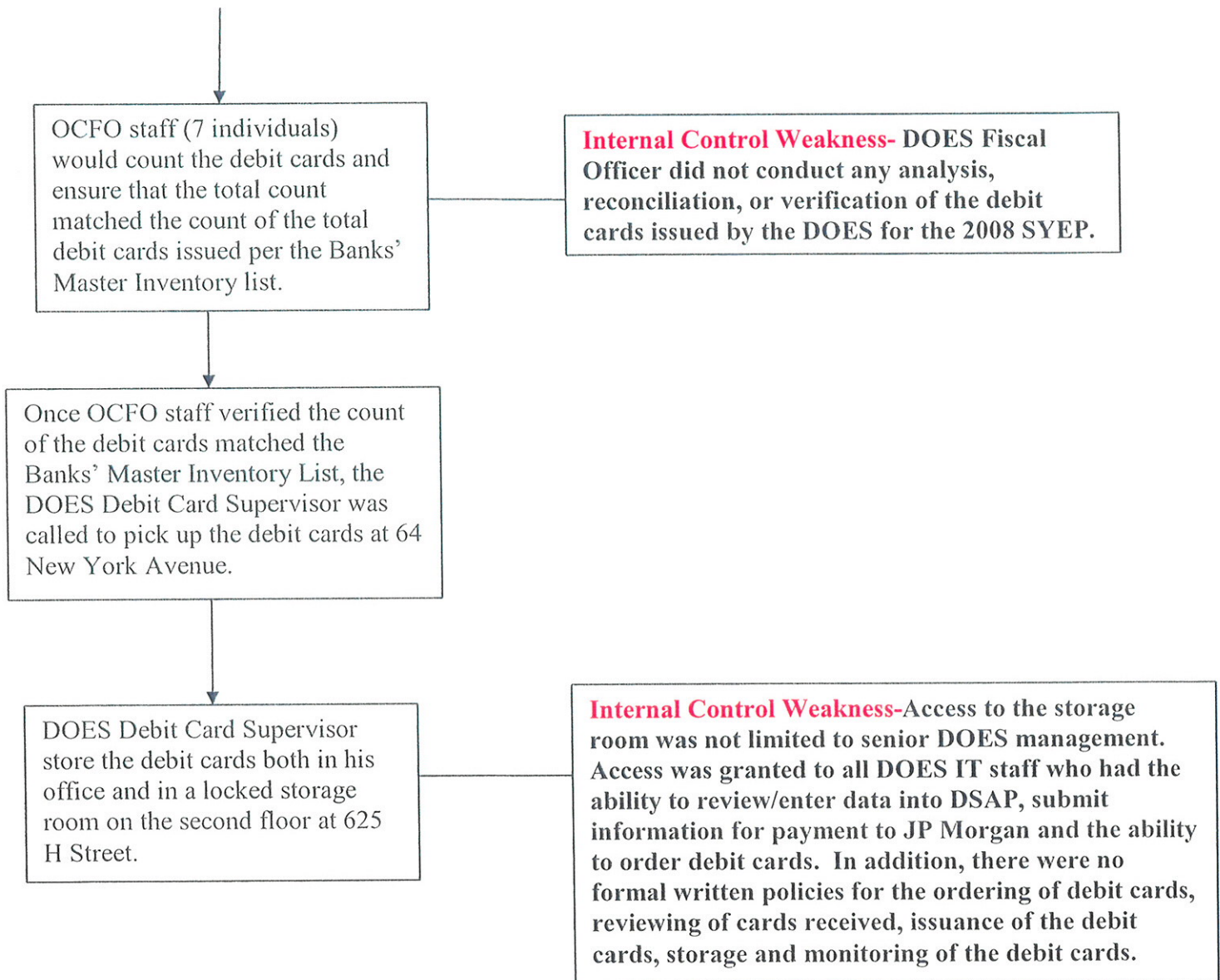
APPENDIX IV

DOES 2008 SYEP Ordering of the Debit Cards for Orientation



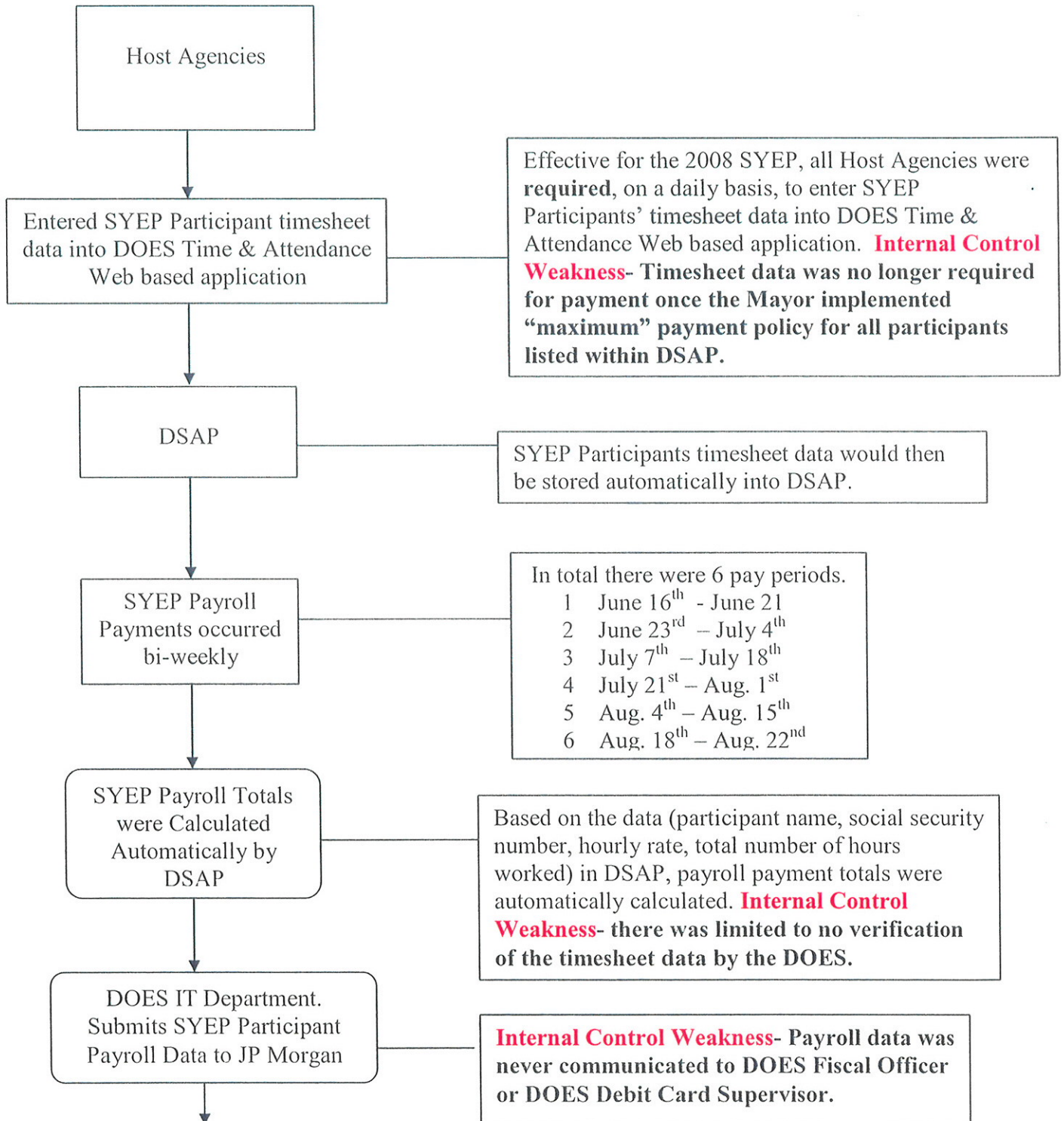
APPENDIX IV

DOES 2008 SYEP Ordering of the Debit Cards for Orientation (Continued)



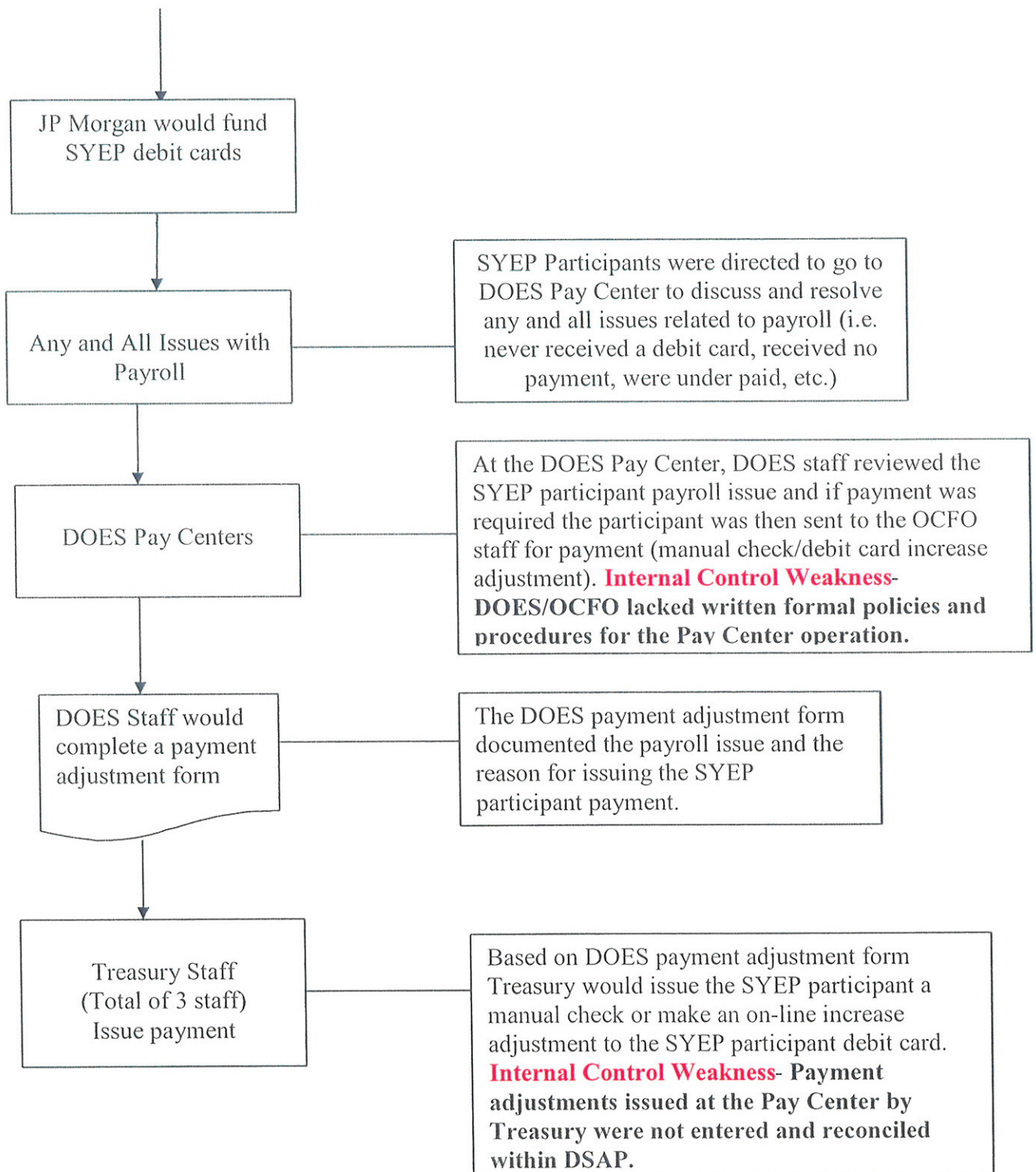
APPENDIX V

DOES 2008 SYEP Payment Process



APPENDIX V

DOES 2008 SYEP Payment Process (Continued)



AGENCY COMMENTS

AGENCY COMMENTS

On May 28, 2009, the District of Columbia Auditor (Auditor) submitted this report in draft to the Department of Employment Services (DOES) and the Office of the Chief Financial Officer (OCFO) for review and comment. An exit conference was held with DOES on June 9, 2009. No exit conference was requested by the OCFO.

The Auditor received written comments from the OCFO on Thursday, June 11, 2009, and from DOES on Thursday, June 16, 2009. No changes were made to the final report as a result of the comments. All agency comments are appended in their entirety to this final report.

DOES and OCFO concurred with the majority of findings and recommendations regarding the management oversight weakness and internal control deficiencies identified in the report. According to their responses, DOES and OCFO have or intend to address these weakness and deficiencies through significant program changes to be implemented prior to the start of the 2009 SYEP. The Auditor will monitor the implementation of the recommendations cited in the report and the implementation of new program changes for the 2009 SYEP under the Auditor's recommendation compliance monitoring system. The Auditor also offers the following responses to specific OCFO and DOES comments.

Office of the Chief Financial Officer Comments:

1. The OCFO's response states that: "All unused 2008 SYEP cards have been returned to JP Morgan and the associated funds have been returned to the District. As part of a batch of 810 cards that the OCFO required to be cancelled, all of these 21 cards were cancelled by JP Morgan, with all of the funding returned to the District. Therefore, there was no loss associated with these 21 unused cards."

Auditor's Response:

The OCFO failed to provide any supporting documentation to support this assertion including, a listing of the individual 21 unused debit cards along with the amount of monetary funds returned to the District. The Auditor stands by the finding and recommendation that the OCFO investigate and account for the 21 outstanding 2008 SYEP debit cards not returned to JP Morgan on January 23, 2008. As stated in our draft report, OCFO officials stated the OCFO only returned 789 debit cards, totaling \$48,142, to JP Morgan, not 810.

2. The OCFO's response states that: "Payroll taxes were paid and the W-2 issued."

Auditor's Response:

The OCFO failed to properly substantiate their comment by providing supporting documentation such as a total of the actual payroll taxes paid on the 1,793 SYEP manual checks issued. The Auditor stands by the finding and recommendation that the OCFO identify and properly record the payroll taxes paid on the 1,793 SYEP manual checks totaling \$441,720 in net value issued during the 2008 SYEP.

Department of Employment Services Comment:

1. The DOES's response states that: "DSAP will not be used on [sic] 2009. DOES contracted out the Time-and-Attendance system and payroll function to ADP for the 2009 SYEP. In addition, ADP will mail all 2009 debit cards directly to youth participants home address therefore, debit cards will not be distributed by DOES. "

Auditor's Response

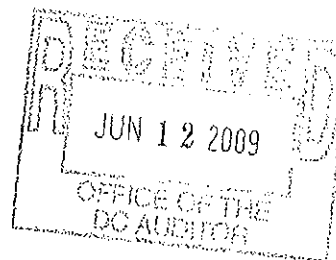
Although ADP has developed and implemented a electronic Time-and-Attendance system for the 2009 SYEP, DOES should conduct a comprehensive walk-through of the system prior to full implementation to properly ensure the system is working as intended. In addition, DOES should retain copies of ADP written policies and procedures for the Time-and-Attendance system and payroll functions for the 2009 SYEP.

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

June 11, 2009



Ms. Deborah K. Nichols
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street, NW Suite 900
Washington D.C. 20005

Re: Draft Audit Report Entitled: "Audit of the Department of Employment Services'
2008 Summer Youth Employment Program"

Dear Ms. Nichols:

This responds to your May 28, 2009, letter transmitting for comment your draft audit report entitled "Audit of the Department of Employment Services' 2008 Summer Youth Employment Program." The following is the response of the Office of the Chief Financial Officer (OCFO) to the findings and recommendations in the draft report that pertain to this Office. It is my understanding that the Department of Employment Services (DOES) will provide a separate response to your report.

Finding I. OCFO failed to adhere to established DOES 2008 SYEP debit card policies and procedures, which resulted in inaccurate and untimely recording of SYEP outstanding debit card transactions.

- "Throughout the entire 2008 SYEP, the OCFO failed to compare and verify the total number of SYEP debit cards received from JP Morgan with a consolidated DSAP Listing of registered participants."

Management Response: OCFO disagrees with this finding. The DOES OCFO adhered to the SYEP Debit Card Delivery, Storage, and Card Distribution policies and procedures. When the debit cards were received from JP Morgan, the OCFO staff reconciled all the cards that they received with the list that was sent to the bank from DSAP. At all times, this process was completed and documented for debit cards that were received from JP Morgan.

- “The OCFO failed to communicate the Debit Card Delivery, Storage, and Card Distribution policies and procedures to accountable DOES managers and officials. ... The OCFO failed to maintain an accurate listing of all distributed and outstanding

SYEP debit cards. To date, the OCFO is unable to accurately report or account for the total number of debit cards distributed and/or outstanding along with the amount of funds loaded on each individual SYEP debit card.”

Management Response: OCFO concurs in part. The policies and procedures were communicated to the then Youth Director Ms. Yasha Williams, and Mr. Ramon Ruiz, Chief Technology Officer at least one week before the start of the program.

However, due to exigent circumstances, the required listing of all distributed and outstanding SYEP debit cards were not submitted to the OCFO as required by the policies. Therefore, the OCFO did not maintain the listing.

- “The OCFO failed to comply with their debit card policy regarding returning to JP Morgan SYEP debit cards held for more than 30 days, instead, the OCFO waited until the end of the 2008 SYEP to return all outstanding SYEP debit cards held by DOES to JP Morgan. ... [Twenty-one] unclaimed SYEP debit cards were unaccounted for by the OCFO.”

Management Response: OCFO concurs with this finding in part. The OCFO requested and received updates from JP Morgan on student cards issued, funded and activated. The OCFO had online access to JP Morgan’s card tracking system. However, it was difficult to identify cards for deactivation for a combination of reasons, including the following:

- delayed card pick up by some of the youth;
- delayed card activation by some of the youth; and
- for youth who were properly enrolled but never attended the program, the OCFO did not always receive sufficient information from program staff in order to determine the status of these enrollees.

Card return and reimbursement was also delayed by industry standards and JP Morgan’s policies regarding debit cards. Once a card is appropriately funded and allocated to a participant, the bank considers the funds to be funds of that participant, unless proven otherwise. Again, the fact that there was some delayed use of valid cards made it somewhat difficult to distinguish cards that were not in service and could be deactivated from cards that were properly in service but had not yet been used. A minimum of \$10 was put on all cards, and therefore all cards had some funding. JP Morgan eventually determined, after a legal review of the matter, that a card that had not been activated by the participant could be considered a non-account.

The above-stated circumstances contributed to the delay in return of cards to JP Morgan and the reimbursement to the District of funding associated with inactive cards. However, 5,855 cards were identified and returned to JP Morgan for refund of \$1.67 million of District funds. Regarding the 21 cards that the Auditor cited as unaccounted for, although these 21 cards were not included with 789 cards that were sent back to JP Morgan. As part of a batch of 810 cards that the OCFO requested to be cancelled, all of these cards were cancelled by JP Morgan as requested by the OCFO, and therefore there was no loss associated with these 21 unused cards.

Finding 2. OCFO failed to record \$1,677,047 in SYEP debit card refunds to the District in a timely manner.

Management Response: OCFO does not concur with this finding. The posting of debit card refunds was done timely in that the postings were completed when required information was received from JP Morgan. The “delay” that occurred resulted from receipt of the refund from JP Morgan without detailed reconciliation to the returned cards and manifest. OCFO requested and obtained the documentation from JP Morgan within 30 days to confirm certain details to ensure proper SOAR accounting of the refund.

Finding 3. DOES and the OCFO used inadequate accounting methods for maintaining and recording SYEP debit card.

- “DOES and the OCFO were co-mingling accounting debit card transactions for various DOES youth programs into a single bank account. DOES current summer youth debit card bank account includes not only SYEP debit card transactions but also transactions related to the monthly payroll/stipends for the In-School, Out-of-School, and the Mayor’s Youth Leadership Institute program [footnotes omitted].”

Management Response: OCFO agrees that a single bank account was used, but does not agree with the conclusion that the accounting methods were inadequate. The issue cited by the Auditor primarily relates to the fact that several DOES youth program financial activities utilize a single bank account instead of a separate account for each program. Proper accounting can and does occur for several programs within a single account, as long as each transaction for each program is properly accounted for and recorded, and the Auditor’s comments do not indicate that any improper accounting occurred in this case.

In addition, section 450 of the D.C. Home Rule Act provides that:

The General Fund of the District shall be composed of those District revenues which on the effective date of this title ... are paid into the Treasury of the United States and credited either to the General Fund of the District or its miscellaneous receipts, but shall

not include any revenues which are applied by law to any special fund existing on the date of enactment of this title The Council may from time to time establish such additional special funds as may be necessary for the efficient operation of the government of the District. All money received by any agency, officer, or employee of the District in its or his official capacity shall belong to the District government and shall be paid promptly to the Mayor for deposit in the appropriate fund, except that all money received by the District of Columbia Courts shall be deposited in the Treasury of the United States or the Crime Victims Fund. Thus, the District has a General Fund and those special funds established by the Council for specific purposes, such as the Community Benefit Fund. The home rule act did not authorize the CFO to create funds. However, for accounting purposes, the CFO may, and does, establish accounts within the General Fund.

Finding 4. OCFO failed to properly manage and safeguard District funds.

Management Response: OCFO does not concur with this finding. As indicated by the Auditor, in order to comply with the Mayor's decision to "blanket pay" all youth in the program and ensure that they were paid timely, the OCFO produced six runs of manual checks in different denominations with no payee names. This was obviously not a normal check production practice, however, the OCFO ensured that all checks were securely maintained and distributed. As the Auditor's report indicates, all checks that were produced for the program were either issued to SYEP participations or were not disbursed and subsequently cancelled at the bank and in the financial system.

The OCFO developed a form for the youth and DOES personnel to complete and sign citing the youth's information which included their name, address, SSN and amount to be paid. DOES' signature confirmed the youth's entitlement to payment and the amount due. The youth provided identification to OCFO personnel and signed the form acknowledging receipt. These records were/are maintained in OCFO offices. Unused checks were transported back to OCFO offices under dual control and secured until the next pay period. These procedures were followed each pay period. There was a log maintained of checks issued and cancelled. Unissued checks were cancelled. As indicated by the Auditor's report, the issued and cancelled checks reconcile to the total printed.

A printing error occurred that impaired a batch of checks, and which required reprinting a second time. The impaired checks were cancelled instead of being defaced. The fact that the impaired batch and the reprinted batch had the same check numbers made it appear in the system that cancelled checks were cashed, but as the Auditor's report indicates, that was not the case.

Finding 5. OCFO failed to maintain adequate and complete check log to support all of the pre-printed 2008 SYEP manual checks ordered, issued, voided, and/or cancelled.

Management Response: OCFO does not concur with this finding. A manual check log was maintained to track the issuance of checks, and OCFO personnel was on-site at the DOES and handled the issuance of the checks and the entry of these issuances in the log. As the Auditor's report indicates, all of the checks were either issued to participants or cancelled at the bank and in the financial system. To provide internal controls and separation of duties in the check disbursement process, OCFO personnel who managed the check maintenance and distribution had no authority or ability to determine or alter the check payee or personal information associated with a payment request.

Recommendation 14. DOES should develop written policies and procedures for periodic reconciliation of SYEP debit cards. This policy should be properly communicated to all DOES and OCFO staff involved in the ordering, distribution, and maintenance of SYEP debit cards in order to ensure compliance.

Management Response: Because of the structure of the program for FY 2009, there will not be a need to reconcile debit cards. All debit cards, new and replacement, will be mailed directly to the participants' home addresses of record by the contractor, ADP.

Recommendation 16. DOES should establish a policy for a termination date for the issuance of SYEP debit cards to SYEP participants once the program has ended. This policy should be properly communicated to JP Morgan in order to ensure full compliance to avoid additional banking fees to the District.

Management Response: Because participants pay fees for replacement cards, there is no need to establish a termination date for the issuance of SYEP debit cards.

Recommendation 17. DOES and OCFO should investigate, reconcile, and cancel all unclaimed 2008 SYEP debit cards and related bank accounts

Management Response: All unclaimed 2008 SYEP debit cards have been returned to JP Morgan and the accounts cancelled. There are some card accounts still in existence with JP Morgan that represent active cards for program participants who still have some amount of funding on their cards. Participants' personal accounts cannot be closed by the District.

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June 11, 2009

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Recommendation 23. SYEP debit card policies and procedures should be developed by DOES and the OCFO and be properly communicated to all DOES and OCFO personnel in order to ensure full compliance and accountability.

Management Response: Information about how to use a debit card will be shared with youth and their parents. The "instant card" policy and procedures will be shared with staff.

Recommendation 24. OCFO should verify total number of SYEP debit cards received by JP Morgan or banking contractor are reconciled to DSAP listing of registered participants prior to release or delivery of debit cards to participants.

Management Response: DOES OCFO will not be in the business of receiving nor delivering debit cards to participants in the FY 2009 program. All debit cards, new and replacement, will be mailed directly to the participants' home addresses of record by the contractor, ADP.

Recommendation 25. OCFO should comply with SYEP debit card policy by returning debit cards held more than 30 days back to JP Morgan, or banking contractor.

Management Response: DOES OCFO will not be in the business of returning debit cards to ADP in the FY 2009 program. All debit cards, new and replacement, will be mailed directly to the participants' home addresses of record by the contractor, ADP.

Recommendation 26. OCFO should periodically reconcile SYEP debit cards to ensure that an accurate and timely listing of all the debit cards distributed and outstanding is maintained.

Management Response: For the FY 2009 program, all debit cards, new and replacement, will be mailed directly to the participants' home addresses of record by the contractor, ADP. There will be no need for reconciliation of debit cards.

Recommendation 27. OCFO should reconcile all 2008 unclaimed debit cards and ensure funds allocated to these unclaimed cards have been properly refunded back to the District. Additionally, OCFO should investigate and account for the 21 outstanding debit cards not returned to JP Morgan on 1/23/09.

Management Response: All unused 2008 SYEP cards have been returned to JP Morgan and the associated funds have been returned to the District. Regarding the 21 cards indicated as outstanding, these cards were all cancelled, with all of the funding returned to the District.

Recommendation 28. OCFO should record wire refund deposits for SYEP within 24 hours of the deposit to ensure accurate transaction recording.

Management Response: DOES has contracted with a new debit card provider, ADP, which will handle the process of paying SYEP participants. The OCFO will ensure that SYEP participants' time and pay information is duly documented and authorized by DOES program staff, and will fund the appropriate amounts for each SYEP payroll by transferring funds to the contractor, based on such documentation and authorization. Therefore, refunds are not expected. Nevertheless, procedures are being developed to ensure that this program functions effectively under the new contractual arrangement.

Recommendation 29. OCFO should develop separate bank accounts for each DOES youth program to ensure accurate and complete accounting of DC funds among programs.

Management Response: For the FY 2009 SYEP funds are being wired to ADP, the contractor, and the contractor is responsible for funding the accounts of participants. The OCFO will separately account for all transactions related to the 2009 SYEP, including all wire transfers to ADP and any amounts refunded by ADP, ensuring accurate accounting of all expenditures associated with this program. The OCFO will also ensure that all transactions associated with other DOES youth programs are separately accounted for.

Recommendation 30. OCFO should identify and properly record the payroll taxes paid on 1,793 manual checks (\$441K) issued during 2008.

Management Response: The payroll taxes were paid and the W-2 issued. There is nothing more to do.

Recommendation 31. OCFO should develop and maintain complete, accurate, reliable manual check log for all pre-printed manual checks ordered, issued cashed, voided, cancelled to accurately report financial data related to the 2008 SYEP.

Management Response: The OCFO will combine its manual check log and cancelled check records to produce a consolidated record of the 2008 SYEP manual check activity, consistent with the Auditor's recommendation.

Recommendation 32. OCFO should establish written policies for 2009 reconciliation and management oversight of SYEP manual check log transactions to ensure accurate and reliable reportable data related to manual check transactions

Management Response: Manual checks will not be issued for the 2009 SYEP due to the new contractual arrangement and a policy decision of the Executive and the OCFO.

Internal Control Recommendation IV. Document corrective actions taken to mediate all of the internal control weaknesses outlined within the 5 different Flow Charts and properly communicate the internal control weakness along with corrective actions to all DOES and OCFO staff.

- Policies and procedures for SYEP debit card delivery, storage, and distribution were not communicated to the Debit Card Supervisor.

Management Response: DOES has contracted with a new debit card provider, ADP, which will handle the delivery, storage, and distribution of debit cards.

- DOES Fiscal Officer did not conduct any analysis, reconciliation, or verification of the debit cards issued by the DOES for SYEP 2008.

Management Response: For the FY 2009 program, all debit cards, new and replacement, will be mailed directly to the participants' home addresses of record by the contractor, ADP. There will be no need for reconciliation of debit cards.

Internal Control Recommendation V. Document corrective actions taken to mediate all of the internal control weaknesses outlined within the 5 different Flow Charts and properly communicate the internal control weakness along with corrective actions to all DOES and OCFO staff.

- Payroll data was never communicated to DOES Fiscal Officer.

Management Response: DOES has contracted with a new debit card provider, ADP, which will handle the process of paying SYEP participants. The OCFO will ensure that SYEP participants' time and pay information is duly documented and authorized by DOES program staff, and will fund the appropriate amounts for each SYEP payroll by transferring funds to the contractor, based on such documentation and authorization. Procedures are being developed to ensure that this program functions effectively under the new contractual arrangement and will be provided under separate cover.

- **DOES/OCFO lacked written formal policies and procedures for the Pay Center Operations.**

Management Response: DOES has contracted with a new debit card provider, ADP, which will handle the process of paying SYEP participants. There will be no Pay Center for the FY 2009 SYEP.

Deborah K. Nichols

June 11, 2009

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- Payment adjustments issued at the Pay Center by Treasury were not entered and reconciled with DSAP.

Management Response: DOES has contracted with a new debit card provider, ADP, which will handle the process of paying SYEP participants. There will be no Pay Center for the FY 2009 SYEP.

In conclusion, the 2008 SYEP clearly had some short-comings and challenges associated with it; however, under challenging circumstances, the OCFO worked diligently to ensure that all SYEP participants were paid in a timely manner—after certification from DOES program staff that payment was appropriate—and to ensure that District funds were appropriately safeguarded. Going forward, the OCFO will continue to ensure that the handling of funds associated with the SYEP is appropriate.

Thank you for the opportunity to respond to the findings and recommendations in your draft report. Please do not hesitate to contact me at 727-6396 if you have further questions or need additional information.

Sincerely,



Natwar M. Gandhi
Chief Financial Officer

cc: Lucille Dickinson, Chief of Staff, Executive Office of the Chief Financial Officer
Lasana Mack, Deputy Chief Financial Officer, Office of Finance and Treasury
Anthony F. Pompa, Deputy Chief Financial Officer, Office of Financial Operations
and Systems
Cyril Byron, Associate Chief Financial Officer, Economic Development and
Regulation Cluster
Robert G. Andary, Executive Director, Office of Integrity and Oversight
Lawrence I. Perry, Deputy D.C. Auditor

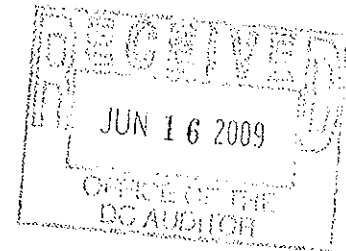
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Employment Services

ADRIAN M. FENTY
MAYOR



JOSEPH P. WALSH
DIRECTOR

June 16, 2009



Deborah Nichols, Esq., DC Auditor
Office of the District of Columbia Auditor
717 14th Street, NW Suite 900
Washington, DC 20005

Dear Ms. Nichols:

Thank you for the opportunity to meet with you and your team at the exit conference last week to review the draft report "Audit of the Department of Employment Service's 2008 Summer Youth Employment Program." Your findings and comments provide us with a useful summary of the critical issues in last year's program.

I am pleased to report that -- with the beginning of this year's program just days away -- the 2009 program has over the last several months taken many steps to correct the well documented specific issues which impacted last year's program, and also to pro-actively take steps to further improve the program for this coming year.

Enclosed you will find a list of the specific recommendations you made in your audit report along with the steps the Department of Employment Services has already taken to address each of these items.

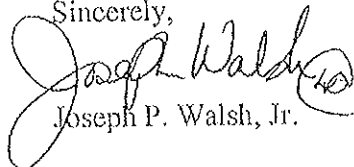
I also want to highlight for you some of the broad changes in the program that we trust will have a tremendous impact in improving this year's effort. We have worked to improve both the integrity and accuracy of the information in our database; the accuracy and management of our payroll system, and have improved our efforts at providing oversight of the program, participants, employers, and finances. Among the new additions to the program this year:

- The introduction of a new Anti-Fraud investigation unit, separate from the Summer Youth Employment Program and reporting directly to me, that will employ the highly successful methods from our agency's other large programs -- Unemployment Compensation and Workers Compensation -- to identify and investigate possible fraud.
- The creation of an on-line registration system, which eliminated paper applications and the potential for fraud and mismanagement that system posed and also provided us the opportunity to conduct a series of identity and residency checks against multiple databases prior to a youth being given a job assignment.

- Professionalized our payroll operation by retaining ADP, one of the largest payroll companies in the world, to design our payroll program for 2009.
- A vigorous program monitoring plan, which will double the number of monitors who are out visiting sites to ensure compliance with payroll rules and that the program meets our standards for quality.
- The introduction of an end of the year evaluation, which will take a careful look at each aspect of the 2009 SYEP with an eye toward improving the quality of the program for youth and develop more improvements for 2010.

Again, thank you for briefing us on your Audit results, and for this opportunity to share some of the changes we have made to the 2009 program. We look forward a successful 2009 Summer Youth Employment Program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joseph P. Walsh, Jr.", with a stylized flourish at the end.

Joseph P. Walsh, Jr.

Enclosure

[illegible]

DOES Response to Office of the DC Auditor's "Audit of the Department of Employment Service's 2008 Summer Youth Employment Program" dated May 28, 2009

DOES Response to Office of the DC Auditor's "Audit of the Department of Employment Service's 2008 Summer Youth Employment Program" dated May 28, 2009	
2008 Findings/Recommendations	2009 Planning
DOES should develop and distribute written policies and procedures for the issuance and monitoring of user access to DSAP. Additionally, in order to ensure data integrity and safeguard SYEP participants' personal data in DSAP, DOES should limit user access based on specific SYEP personnel duties and responsibilities or establish various levels of user access rights to DSAP data which would require prior approval before performing certain activities within DSAP.	For 2009, database users are extremely limited, including levels of access rights. Only two senior staff have full access to the data system. Ten liaisons have access on limited basis. All other users only have viewing privileges, document scanning ability and are not able to view entire records.
6. DOES should develop written payroll verification system to effectively ensure proper SYEP payroll payments as well as ensure payroll errors are detected and resolved in a timely manner.	DOES has contracted out the Time-and-Attendance system and payroll function to ADP for 2009. In addition, payroll verification systems are in place.
7. DOES should document all payroll verifications performed prior to issuance of SYEP payroll payments.	OYP & ADP will document payroll verifications.
8. DOES should develop written DSAP User Manual that clearly details data entry requirements for registration, host agency profiles, time and attendance, host site referral, payment, and host transfers. The DSAP User Manual should be issued to all SYEP staff involved in the SYEP Program Unit, Placement Unit, and Payroll Unit.	The database for 2009 will have strict controls on data entry, host profiles, time and attendance, host referrals, payment and host transfers.
9. DOES should provide training for DSAP and the web-based time and attendance system to all SYEP staff and responsible personnel of host agencies	Staff have been trained on the 2009 MIS system, training sessions for host supervisors and OYP have also been conducted on the web-based time and attendance system
10. DOES should develop written guidelines for DOES staff roles, functions, and responsibilities within the SYEP Program Unit, Placement Unit, and Payroll Unit.	DOES has created a detailed organizational chart and work plan, identifying and separating critical functions.
11. DOES should develop written policies and procedures for periodic reconciliation of SYEP debit cards; should be communicated to all staff and OCFO	This does not apply for 2009. Debit cards will be mailed directly to youth participants and will not be distributed by OYP.
12.	

DOES Response to Office of the DC Auditor's "Audit of the Department of Employment Service's 2008 Summer Youth Employment Program" dated May 28, 2009

2008 Findings/Recommendations	2009 Planning
DOES should develop a written or electronic system which properly records the distribution of SYEP debit cards. The system must record the date the SYEP debit card was issued, the DOES staff who issued the debit card, and the recipient of the debit card.	This does not apply for 2009. Debit cards will be mailed directly to youth participants by ADP and will not be distributed by OYP.
DOES should develop written policies and procedures for periodic reconciliation of SYEP debit cards. This policy should be properly communicated to all DOES and OCFO staff involved in the ordering, distribution, and maintenance of SYEP debit cards in order to ensure compliance.	The database for 2009 will have strict controls on data entry, host profiles, time and attendance, host referrals, payment and host transfers. DOES will not distribute debit cards to youth participants.
DOES should eliminate the SYEP replacement debit card policy which grants SYEP participants the authority to contact JP Morgan directly each time their SYEP debit cards are lost or stolen. In order to ensure proper oversight of District funds allocated to pay debit card replacement fees for lost or stolen debit cards, the DOES should manage the process of replacing lost or stolen debit card directly with JP Morgan, as well as establish a limit on the total number of times a SYEP replacement debit card will be replaced free of charge; including a fee to be paid by the participant. This policy should be communicated to JP Morgan and included in contract language in order to ensure compliance.	DOES Agency Fiscal Officer (AFO) is developing policy and procedures for distribution of "instant cards" (a temporary pay mechanism) for those youth who may have discrepancies with their pay. The policy will prevent wasteful spending of District funds. Regular pay will require debit cards to go to the homes of youth participants.
DOES should establish policy for termination date for the issuance of SYEP debit cards to SYEP participants once the program has ended. This policy should be properly communicated to JP Morgan in order to ensure full compliance to avoid additional banking fees to the District.	OCFO response is forthcoming.
DOES and OCFO should investigate, reconcile, and cancel all unclaimed 2008 SYEP debit cards and related bank accounts	OCFO response is forthcoming.

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2008 Findings/Recommendations	2009 Planning
DOES should conduct periodic review of SYEP application forms to ensure full compliance with SYEP registration policies and procedures.	SYEP application is completely on-line for 2009. Application controls are in place to ensure that registration policies and procedures are adhered to. Additionally, DOES will periodically review applications.
DOES should develop an electronic system application control function within DSAP to ensure full compliance with SYEP maximum allowable hours of work requirements per age group. This application control function should properly record justifications and instances where SYEP participants are permitted to work over the allowable maximum hours of work mandated by SYEP requirements.	All payroll issues are handled by an outside vendor using a proven and reliable system specializing in payroll functionality. The system will control instances where exceptions are allowed.
DOES should ensure the submission, review, and approval of time sheets or the web-based time and attendance records prior to the processing and issuance of SYEP payments.	Web-based time and attendance forms will be reviewed by OYP internal payroll team and supervisor. A programmatic sign-off by the OYP Director will also be made. Finally, the Agency Fiscal Officer will review and sign-off prior to processing pay.
DOES should adhere to SYEP payroll policy and procedures by not issuing payroll payments to SYEP participants who have not been referred to a worksite.	Youth participants will not be paid unless they are assigned to a worksite. All youth have been assigned to a worksite.
DOES should establish written reconciliation policies and procedures for payments issued at the Pay Center (s) and letter recorded within DSAP to ensure that DSAP contains complete, accurate, and reliable SYEP payment information.	DOES Agency Fiscal Officer (AFO) is currently finalizing policies and procedures for issuing "instant cards" which will serve as temporary mechanism of pay between pay periods if youth lose/misplace their debit cards.
SYEP debit card policies and procedures developed by DOES and the OCFO be properly communicated to all DOES and OCFO personnel in order to ensure full compliance and accountability.	Information about how to use a debit card will be shared with youth and their parents. The "instant card" policy and procedures will be shared with staff.
OCFO should verify total number of SYEP debit cards received by JP Morgan or banking contractor are reconciled to DSAP listing of registered participants prior to release or delivery of debit cards to participants.	This does not apply for 2009. Debit cards will be mailed directly to youth participants and will not be distributed by OYP.
OCFO should comply with SYEP debit card policy by returning debit cards held more than 30 days to JP Morgan	This does not apply for 2009. Debit cards will be mailed directly to youth participants and will not be distributed by OYP.

DOES Response to Office of the DC Auditor's "Audit of the Department of Employment Service's 2008 Summer Youth Employment Program" dated May 28, 2009		
2009 Planning		
26	2008 Findings/Recommendations OCFO should periodically reconcile SYEP debit cards to ensure that an accurate and timely listing of all the debit cards distributed and outstanding is maintained. OCFO should reconcile all 2008 unclaimed debit cards and ensure funds allocated to these unclaimed cards have been properly refunded back to the District. Additionally, OCFO should investigate and account for the 21 outstanding debit cards not returned to JP Morgan on 1/23/09	This does not apply for 2009. Debit cards will be mailed directly to youth participants and will not be distributed by OYP. OCFO response is forthcoming.
27	OCFO should record wire refund deposits for SYEP within 24 hours of the deposit to ensure accurate transaction recording	This does not apply for 2009. Debit cards will be mailed directly to youth participants and will not be distributed by OYP.
28	OCFO should develop separate bank accounts for each DOES youth program to ensure accurate and complete accounting of DC funds among programs	OCFO response is forthcoming.
29	OCFO should identify and properly record the payroll taxes paid on 1,793 manual checks (\$441K) issued during 2008	OCFO response is forthcoming.
30	OCFO should develop and maintain complete, accurate, reliable manual check log for all pre-printed manual checks ordered, issued cashed, voided, cancelled to accurately report	OCFO response is forthcoming.
31	OCFO should establish written policies for 2009 reconciliation and management oversight of SYEP manual check log transactions to ensure accurate and reliable reportable data related to manual check transactions	OCFO response is forthcoming.
32	Document corrective actions taken to mediate all of the internal control weaknesses outlined within the 5 different Flow Charts and properly communicate the internal control weakness along with corrective actions to all DOES and OCFO staff	OCFO response is forthcoming.